

Hopes of a trade deal

October, 2025



- ◆ Indian equity indices saw a strong recovery in Oct'25 with BSE Sensex and NSE Nifty up 4.7%/4.6%, respectively.
- ◆ Broader market also saw material gains with NSE Midcap index up 4.8% and BSE Smallcap index gaining 3.2% for the month.
- ◆ Real Estate was the best performing sector for the month. Oil & Gas, Metals, Banks and IT also outperformed the Nifty. All sectors delivered positive returns although Healthcare, Power, FMCG and Autos underperformed the Nifty.

Domestic Indices	Last Close	1 Month (Change)	CYTD 25 (Change)
BSE Sensex TR	131655	4.7%	8.7%
Nifty 50 TR	38701	4.6%	10.1%
BSE 200 TR	15075	4.5%	8.0%
BSE 500 TR	47877	4.3%	6.9%
NSE Midcap TR	28016	4.8%	4.8%
BSE Smallcap TR	67071	3.2%	-1.8%
NSE Large & Midcap 250 TR	21611	4.6%	6.9%
BSE India Infrastructure Index TR	875	3.3%	1.3%
MSCI India USD	1052	4.3%	2.7%
MSCI India INR	3028	4.3%	6.5%
INR - USD	88.8	0.0%	3.7%
Crude Oil	65	-2.9%	-12.8%

Global Market Update

Global markets continued to do well. MSCI World index rose 1.9% in Oct led by US (S&P 500) rising 2.3%. MSCI Europe rose 0.6% and MSCI Japan rose 3.4%. MSCI EM rose 4.1% despite a 3.9% decline MSCI China. Crude oil declined 2.9% in October.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 25 (Change)
MSCI World	4,390	1.9%	18.4%
Dow Jones	47,563	2.5%	11.8%
S&P 500	6,840	2.3%	16.3%
MSCI EM	1,402	4.1%	30.3%
MSCI Europe	2,512	0.6%	25.4%
MSCI UK	1,515	1.5%	24.5%
MSCI Japan	4,814	3.4%	22.5%
MSCI China	86	-3.9%	33.3%
MSCI Brazil	1,588	0.7%	35.0%



- ◆ FII's again turned buyers in Oct after 3 months of significant outflow. In October, FII's bought US\$1.2 bn of Indian equities, while DII's bought US\$5.8 bn. Domestic MFs invested US\$3.8 bn while insurance inflow was US\$2 bn.
- ◆ IMF revised India's FY2026 GDP growth forecast to 6.6% from 6.4%.
- ◆ India CPI in September fell to 1.5% (YoY) from 2.1% (YoY) in August, remaining subdued on the back of continued (YoY) softness in food prices. Core-core inflation (i.e. core inflation ex petrol and diesel) however increased further from 4.3% (YoY) in August due to increase in gold price.
- ◆ Industrial production growth (IIP) stood at 4% (YoY) in September down slightly from 4.1% (YoY) in August.
- ◆ Gross GST revenue collection was Rs 1.96 tn in Oct'25, up only 4.6% (YoY).

Valuations

Nifty consensus EPS estimate for CY25/26 saw a -1%/-1% change respectively during Oct as per Bloomberg. Nifty now trades on 20.7x 1-year forward PE. This is now in-line with its 5-year average and a ~10% premium to its 10-year average.

Macro View

In our view, global macro environment remains challenging with heightened geo-political and economic uncertainties. Reciprocal tariffs announced by the US administration is likely to impact US and global growth outlook. Economists estimate US tariffs could have a 0.4%-0.8% negative impact on India's GDP growth. The GST rate cut announced by the government along with the previously announced income tax rate cuts should significantly help boost private sector consumption and help boost private capex in the current times of global uncertainty. Above normal monsoon is also a positive for rural demand. US Fed easing policy rates allows RBI room to further cut policy rates and support domestic growth given the external challenges.

Outlook

We believe growth cycle in India may be bottoming out. Interest rate and liquidity cycle, decline in crude prices and normal monsoon are all supportive of a pick-up in growth going forward. Although, global trade related uncertainty remains a headwind to private capex in the near term, we expect India's investment cycle to be on a medium-term uptrend supported by government investment in infrastructure and manufacturing, pickup in private investments and a recovery in real estate cycle. We expect higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains to support faster growth. Nifty valuations are modestly above 10-year average. We remain constructive on Indian equities supported by the more robust medium term growth outlook.



Key Drivers For Future

On the headwinds, we have

Weak global growth is likely to remain a headwind on demand going forward.

Global policy uncertainty: Risk of tariffs and general policy uncertainty, mercantilist policies of certain countries and geo-political conflicts are likely to be a headwind to private investments.

Other factors / risks: Sharp slowdown in government capex.

We see the following positives for the Indian market:

Recovery in private capex: Industry capacity utilization based on RBI survey data is at a reasonably high level and indicates potential for increase in private capex going forward. Also, continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors. We also expect higher private capex in renewable energy.

Supportive real estate cycle: Real Estate remains another strong medium term growth driver having weathered the impact of higher interest rates. Demand trends in top metro cities remain strong and inventory levels have declined.

Global commodity prices: Benign global prices of crude oil and fertilizers has been a positive for India from inflation, fiscal deficit and corporate margins perspective in FY24-25.

Note: Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD returns for global indices. Views provided above are based on information in public domain and subject to change. Investors are requested to consult their financial advisor for any investment decisions.

Source: Bloomberg, MOSL & HSBC MF estimates as on October 31, 2025 or as latest available.

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