Global Navigator

January 2026

HSBC Mutual Fund

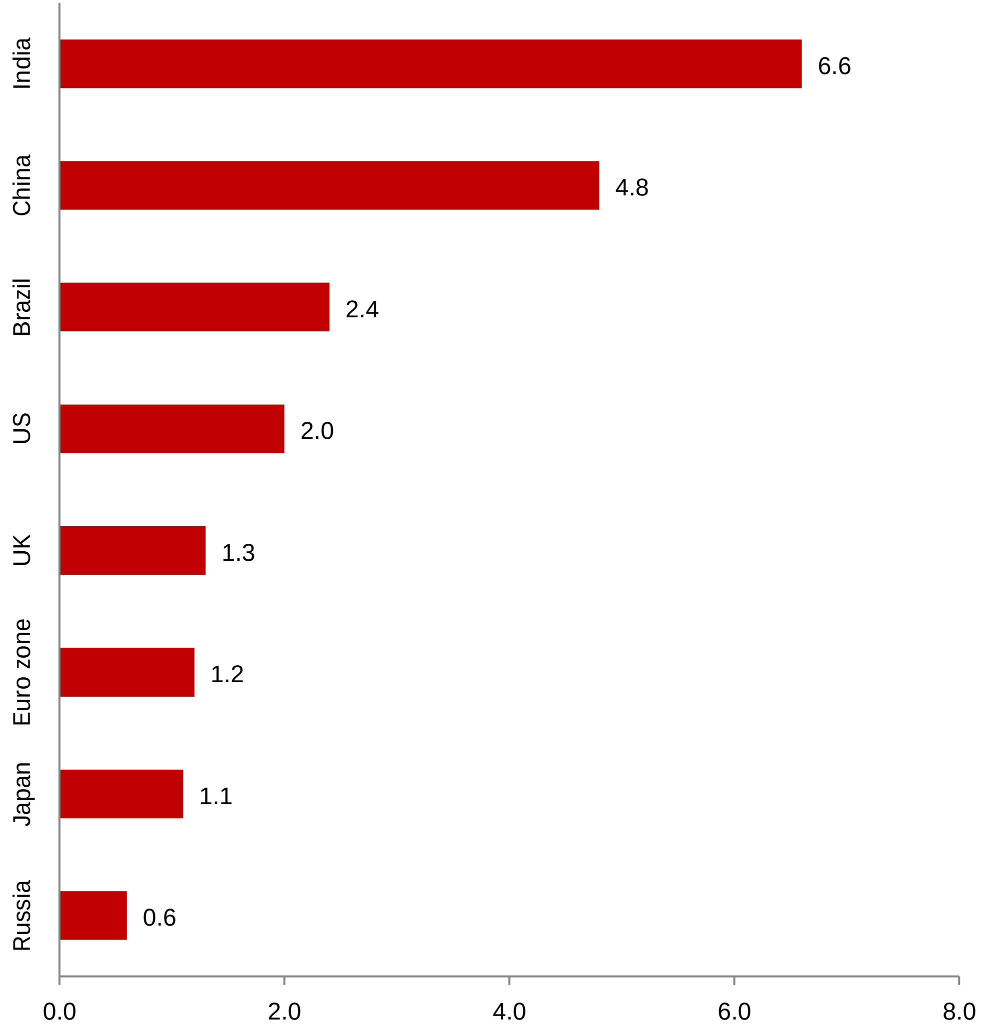
Global Update

Global Economic Update

	GDP		Inflation		Industrial Growth	
	Current	Previous	Current	Previous	Current	Previous
US	4.3% Q3 2025	3.8% Q2 2025	2.7% Nov'25	3.0% Sep'25	2.2% Nov'25	2.5% Oct'25
Eurozone	1.4% Q3 2025	1.6% Q2 2025	2.1% Nov'25	2.1% Oct'25	2.0% Oct'25	1.2% Sep'25
UK	1.3% Q3 2025	1.4% Q2 2025	3.2% Nov'25	3.6% Oct'25	-0.8% Oct'25	-2.5% Sep'25
China	4.8% Q3 2025	5.2% Q2 2025	0.7% Nov'25	0.2% Oct'25	4.8% Nov'25	4.9% Oct'25
Japan	-2.3% Q3 2025	2.1% Q2 2025	2.9% Nov'25	3.0% Oct'25	-2.1% Nov'25	1.6% Oct'25
India	8.2% Q2 FY26	7.8% Q1 FY26	0.7% Nov'25	0.3% Oct'25	6.7% Nov'25	0.5% Oct'25

Major Global Central Bank	Latest Key Interest rate
US Federal Reserve	3.75%
Bank of England	3.75%
European Central Bank	2.15%
Bank of Japan	0.75%
India RBI	5.25%

IMF GDP Projections for 2025 (October)



Source: Crisil, Bloomberg, Respective Central Banks, IMF. Data as on 31 December 2025

Past performance may or may not be sustained in future and is not a guarantee of any future returns., GDP – Gross Domestic Product, IMF – International Monetary Fund

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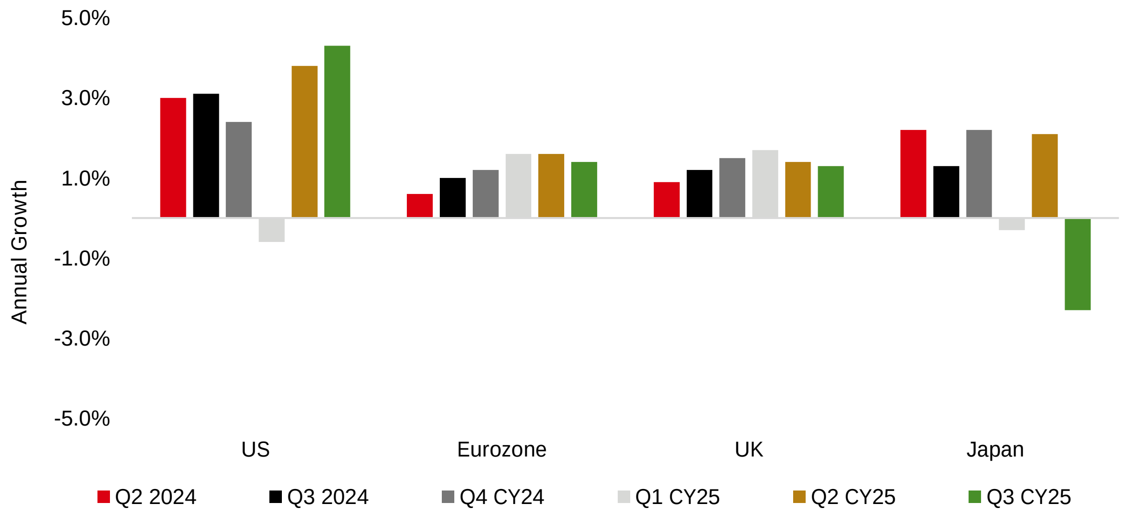
Global Economic Update



The US economy grew an annualised 4.3% in the third quarter; Fed cut rates 25 bps

- The US economy advanced an annualised 4.3% in the third quarter of 2025 compared with 3.8% in the second.
- The Federal Reserve cut the federal funds rate 25 basis points (bps) to a range of 3.5%–3.75% in its December 2025 meeting, following similar reductions in September and October.

UK GDP rose 1.3% on-year in the third quarter; BoE cut the bank rate by 25 bps

- The United Kingdom's (UK) economy expanded 1.3% on-year in the third quarter, slightly down from 1.4% in the second.
- The Bank of England (BoE) cut the bank rate by 25 bps to 3.75%, as easing inflation and growing signs of economic strain prompted policymakers to act.

Eurozone economy expanded 1.4% in the third quarter; ECB left the interest rates unchanged

- The Eurozone economy grew 1.4% on-year in the third quarter of 2025, compared with the 1.6% expansion in the first and second quarters.
- The European Central Bank (ECB) left borrowing costs unchanged for a fourth consecutive meeting in December, with the main refinancing rate remaining at 2.15% and the deposit facility rate holding at 2.0%.

Japanese economy contracted an annualised 1.8% in the third quarter; Bank of Japan hiked the interest rate by 25 bps

- The Japanese economy shrank 2.3% annualised in the third quarter compared with a downwardly revised 2.1% expansion in the second.
- The Bank of Japan unanimously raised its key short-term interest rate 25 bps to 0.75% at its December meeting.

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Global- Performance trends

Global indices	% Change										
	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25 *	10-year CAGR*
DJIA	13.42	25.08	-5.63	22.34	7.25	18.73	-8.78	13.70	12.88	12.97	10.68
Nasdaq	7.50	28.24	-3.88	35.23	43.64	21.39	-33.10	43.42	28.64	20.36	16.59
Nikkei	0.42	19.10	-12.08	18.20	16.01	4.91	-9.37	28.24	19.22	26.18	10.21
Hang Seng	0.39	35.99	-13.61	9.07	-3.40	-14.08	-15.46	-13.82	17.67	27.77	1.58
FTSE	14.43	7.63	-12.48	12.10	-14.34	14.30	0.91	3.78	5.69	21.51	4.75
Cac 40	4.86	9.26	-10.95	26.37	-7.14	28.85	-9.50	16.52	-2.15	10.42	5.80
Xetra Dax	6.87	12.51	-18.26	25.48	3.55	15.79	-12.35	20.31	18.85	23.01	8.59
Shanghai	-12.31	6.56	-24.59	22.30	13.87	4.80	-15.13	-3.70	12.67	18.41	1.15
Brazil Bovespa	38.93	26.86	15.03	31.58	2.92	-11.93	4.69	22.28	-10.36	33.96	14.03
Russia RTS	52.22	0.18	-7.65	45.28	-10.42	15.01	-39.18	11.63	-17.56	24.73	3.94
Nifty 50 TRI	4.39	30.27	4.64	13.48	16.14	25.59	5.69	21.30	10.09	11.88	14.02
BSE SENSEX TRI	3.47	29.56	7.23	15.66	17.16	23.23	5.80	20.33	9.49	10.38	13.94

Source: Crisil, BSE, NSE and Financial websites Figures in red indicate negative returns in that period. CY25- YTD (till December 31, 2025) *10-year CAGR, Data as on 31 December 2025
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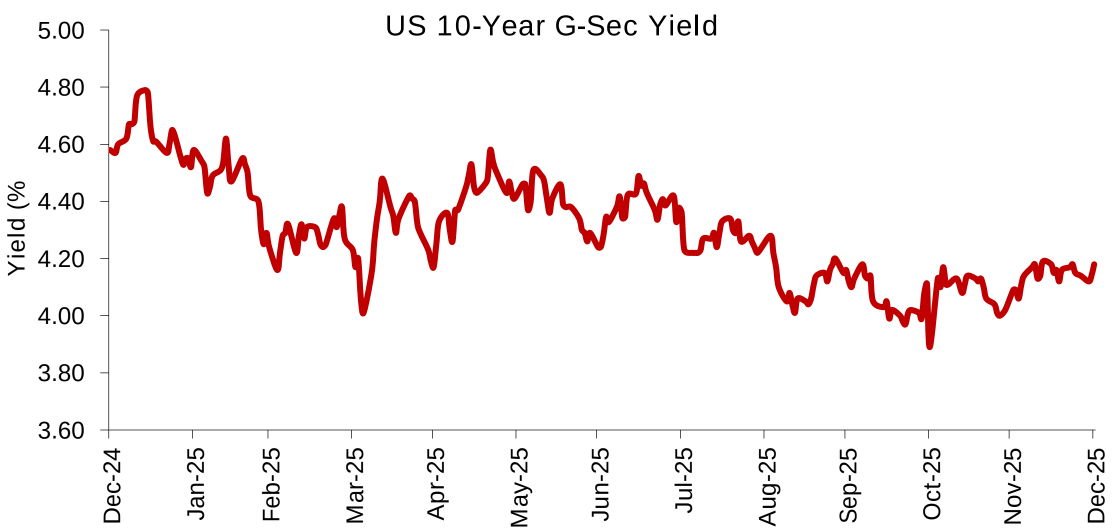
US Fixed Income Markets - Overview

US treasury prices ended higher in December

- The yield on the 10-year benchmark US Treasury paper ended at 4.18% on December 31 compared with 4.02% on November 28.
- The 10-year US Treasury yield remained range-bound, with a mild upward bias, during December, as markets recalibrated their expectations pertaining to the timing and quantum of rate cuts by the US Federal Open Market Committee (FOMC), amid a mixed macroeconomic environment.
- Early in the month, indications of a resilient labour market reinforced the perception of durability in the US economy, leading to partial unwinding of aggressive rate cut bets, exerting upward pressure on yields ahead of the December FOMC meeting.
- Subsequently, yields eased as the headline Consumer Price Index (CPI)-based inflation and core inflation data for November came below expectations.
- Further, weaker payroll data for October–November and a gradual rise in the unemployment rate strengthened expectations that the FOMC would continue cutting rates in 2026, supporting demand for longer-duration Treasuries.



Global bond yields			
	31-Dec	28-Nov	Change
US 10-Year (%)	4.18	4.02	0.16
UK 10-Year (%)	4.47	4.44	0.03
German 10-Year (%)	2.86	2.69	0.17
Japan10-Year (%)	2.08	1.81	0.27

Source: Crisil, Bloomberg, Data as on 31 December 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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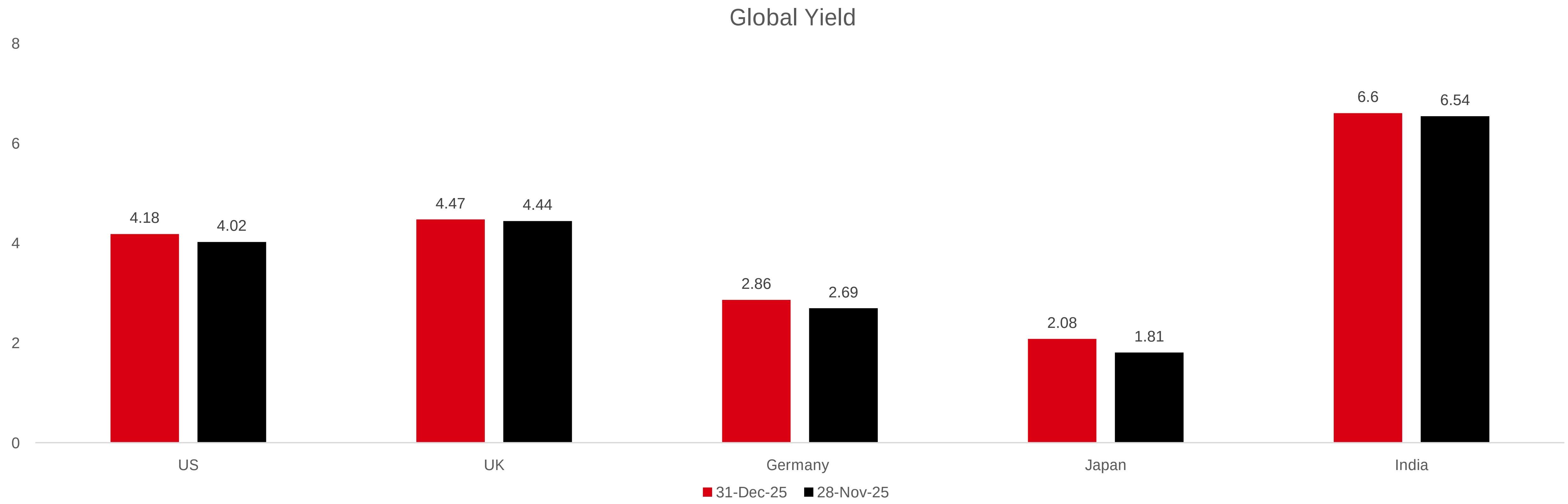
Global Yield and Where India Stands



	US	UK	Germany	Japan	India
Current Yield (%)	4.18	4.47	2.86	2.08	6.60
Inflation (%)	2.70	3.20	2.30	2.90	0.71
Real Yield (%)	1.48	1.27	0.56	-0.82	5.89

Source : Crisil, Data as on 31 December 2025, Inflation Data as of November 2025. Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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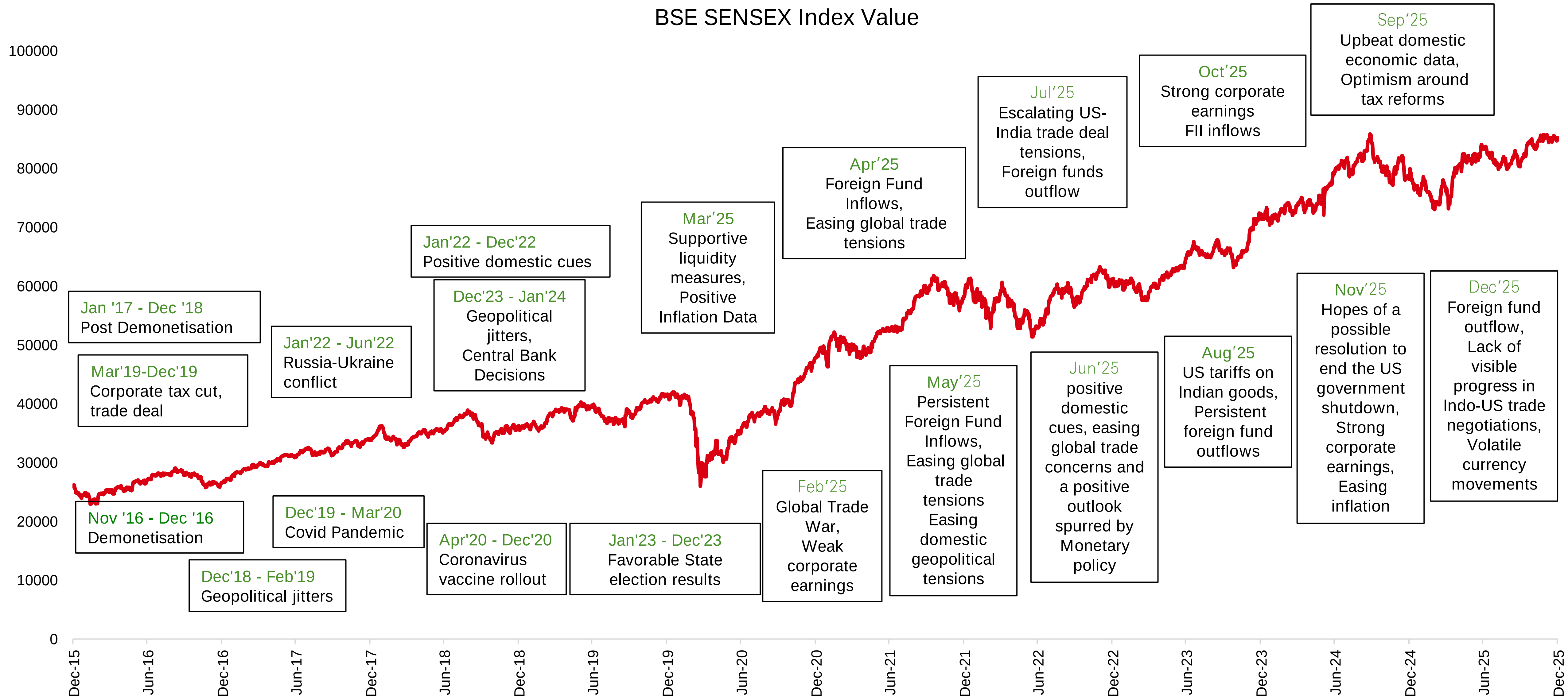
Domestic Equity

History of Equity markets through major events



Source: BSE, Crisil, Data as on 31 December 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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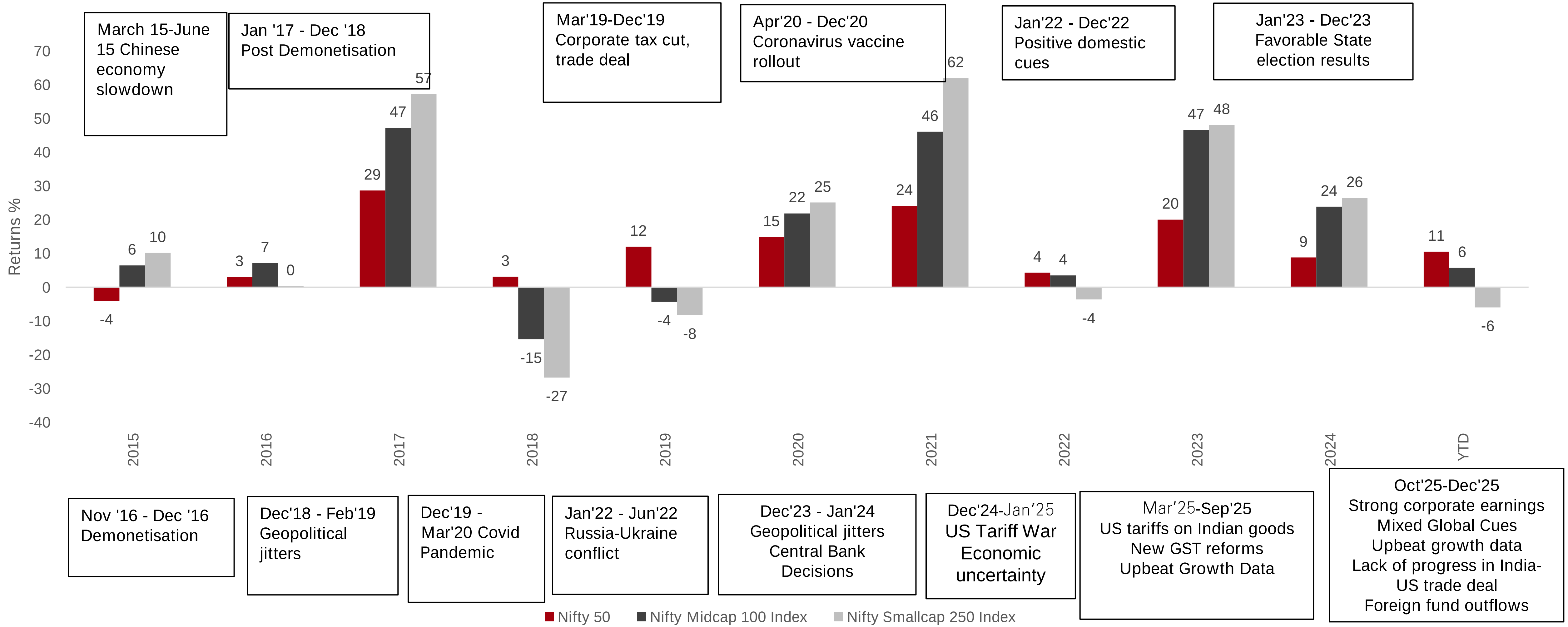
History of broader markets through major events

Performance of major equity indices



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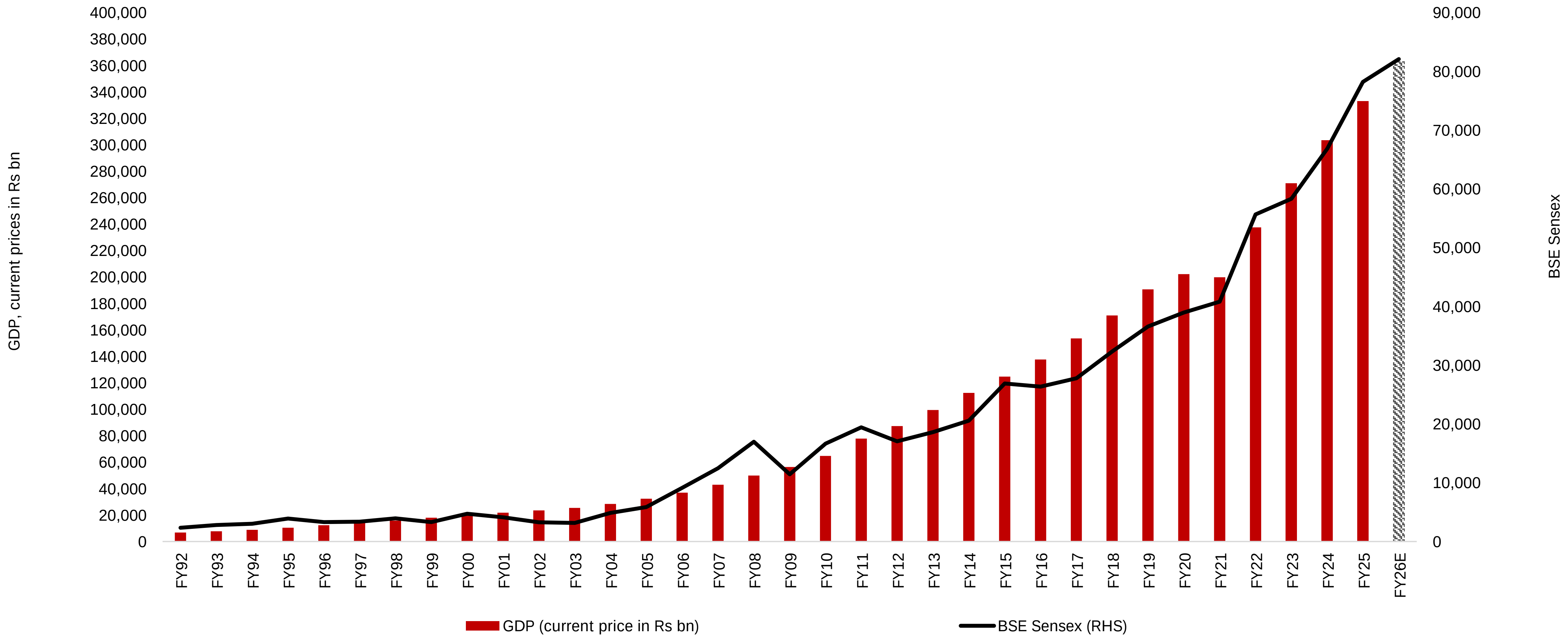
Equity mirrors economic growth in the long term

GDP - The Indian economy is expected to carry the momentum of last year's GDP growth into the current fiscal year as well



Source: Crisil, Bloomberg, BSE, IMF, The GDP projection for fiscal year 2026 is shown shaded in this graph is for illustration purposes only and is not guaranteed,
Data as on 31 December 2025, Past Performance May or May not be sustained in future. Investors should not consider the same as investment advice GDP – Gross Domestic Product.
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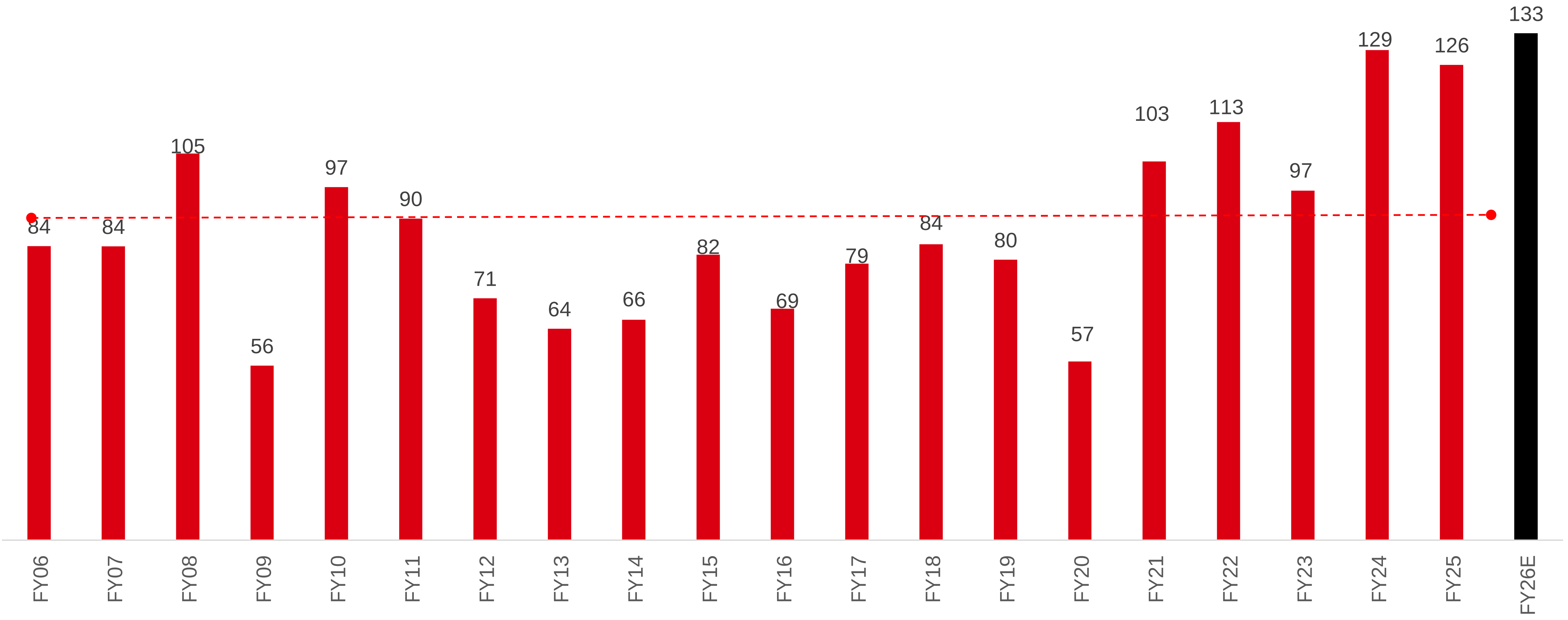
HSBC Mutual Fund

India Market cap to GDP (%)



Source: MOSL, Bloomberg, Data as on 31 December 2025,
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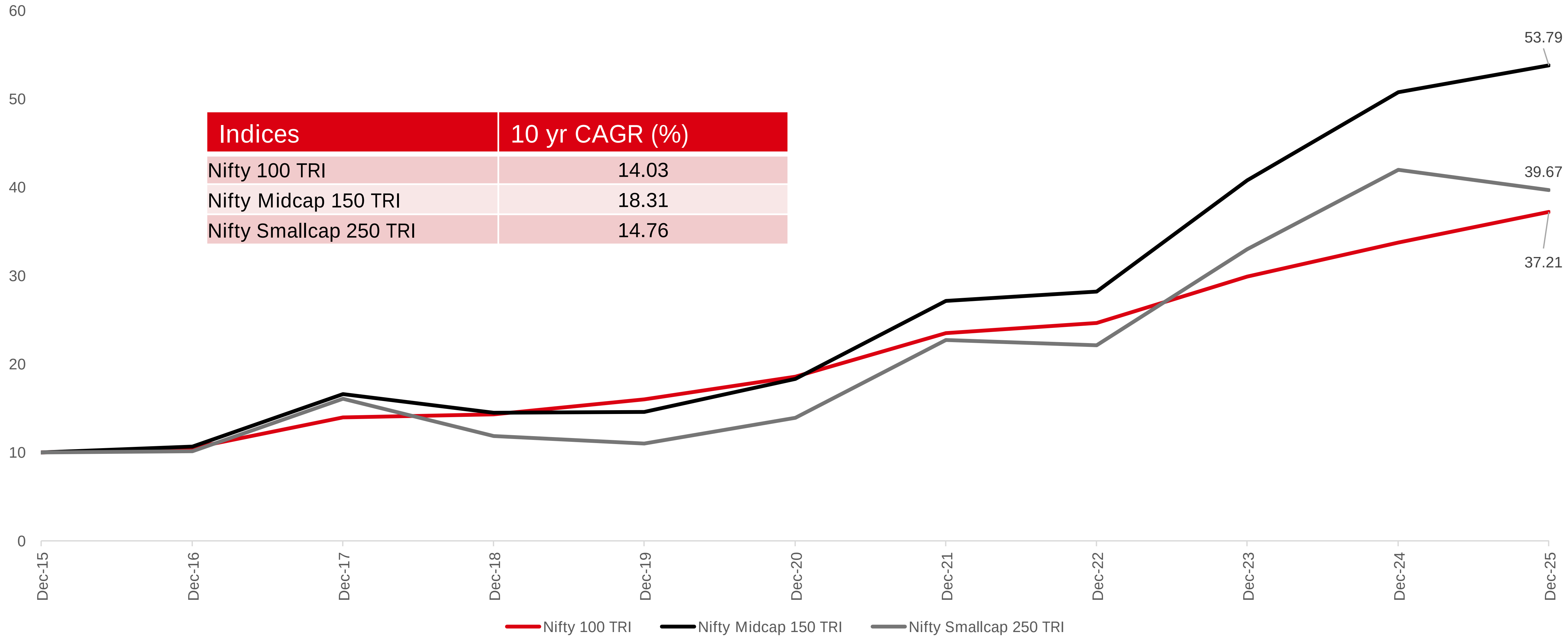
Nifty Mid-cap 150 TRI vs Nifty Small-cap 250 TRI vs Nifty 100 TRI



Indices	10 yr CAGR (%)
Nifty 100 TRI	14.03
Nifty Midcap 150 TRI	18.31
Nifty Smallcap 250 TRI	14.76

Source: Crisil, NSE. Data as on 31 December 2025, data represents YTD values. The indices values are rebased by 10
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Indian market - Performance trends

Indices	% Change										
	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25*	10-year CAGR*
Nifty 50 TRI	4.39	30.27	4.64	13.48	16.14	25.59	5.69	21.30	10.09	11.88	14.02
BSE SENSEX TRI	3.47	29.56	7.23	15.66	17.16	23.23	5.80	20.33	9.49	10.38	13.94
BSE Auto TRI	10.38	33.31	-21.33	-9.94	14.27	20.59	17.83	47.71	23.40	22.59	14.22
BSE BANKEX TRI	8.39	39.98	5.65	21.12	-2.12	12.97	21.91	12.12	7.15	16.66	13.87
BSE CG TRI	-2.38	41.42	-0.49	-8.79	12.52	54.75	17.17	68.15	22.53	-0.21	18.03
BSE CD TRI	-5.83	102.87	-8.32	21.53	22.19	47.73	-10.93	26.40	29.31	-6.51	17.97
BSE FMCG TRI	4.77	33.26	12.11	-2.14	13.19	11.70	19.08	29.65	3.25	-0.23	11.90
BSE Healthcare TRI	-12.43	1.10	-5.38	-2.80	62.61	21.54	-11.50	37.97	44.30	-2.72	10.67
BSE IT TRI	-6.14	13.29	27.26	11.84	60.05	58.45	-22.70	28.28	22.21	-12.94	15.00
BSE Metal TRI	43.19	52.82	-16.20	-10.16	18.43	72.68	15.70	35.50	10.24	29.81	22.40
BSE Oil & Gas TRI	30.38	37.81	-12.40	10.59	-0.55	31.72	20.45	17.30	16.50	14.07	15.64
BSE Power TRI	2.99	22.03	-14.30	-0.64	11.38	73.68	28.51	36.45	21.28	-5.30	15.33
BSE PSU TRI	16.89	22.69	-18.69	-1.12	-12.80	47.95	28.30	61.48	24.34	12.09	15.68
BSE Realty TRI	-5.27	107.24	-30.69	27.58	9.20	55.40	-9.97	80.16	33.45	-17.06	18.11

Source: Crisil, BSE, Figures in red indicate negative returns in that period. *10-year CAGR, Data as on 31 December 2025, CY25 is YTD (till 31 December 2025) (CD- Consumer Durable/ CG – Capital Goods))
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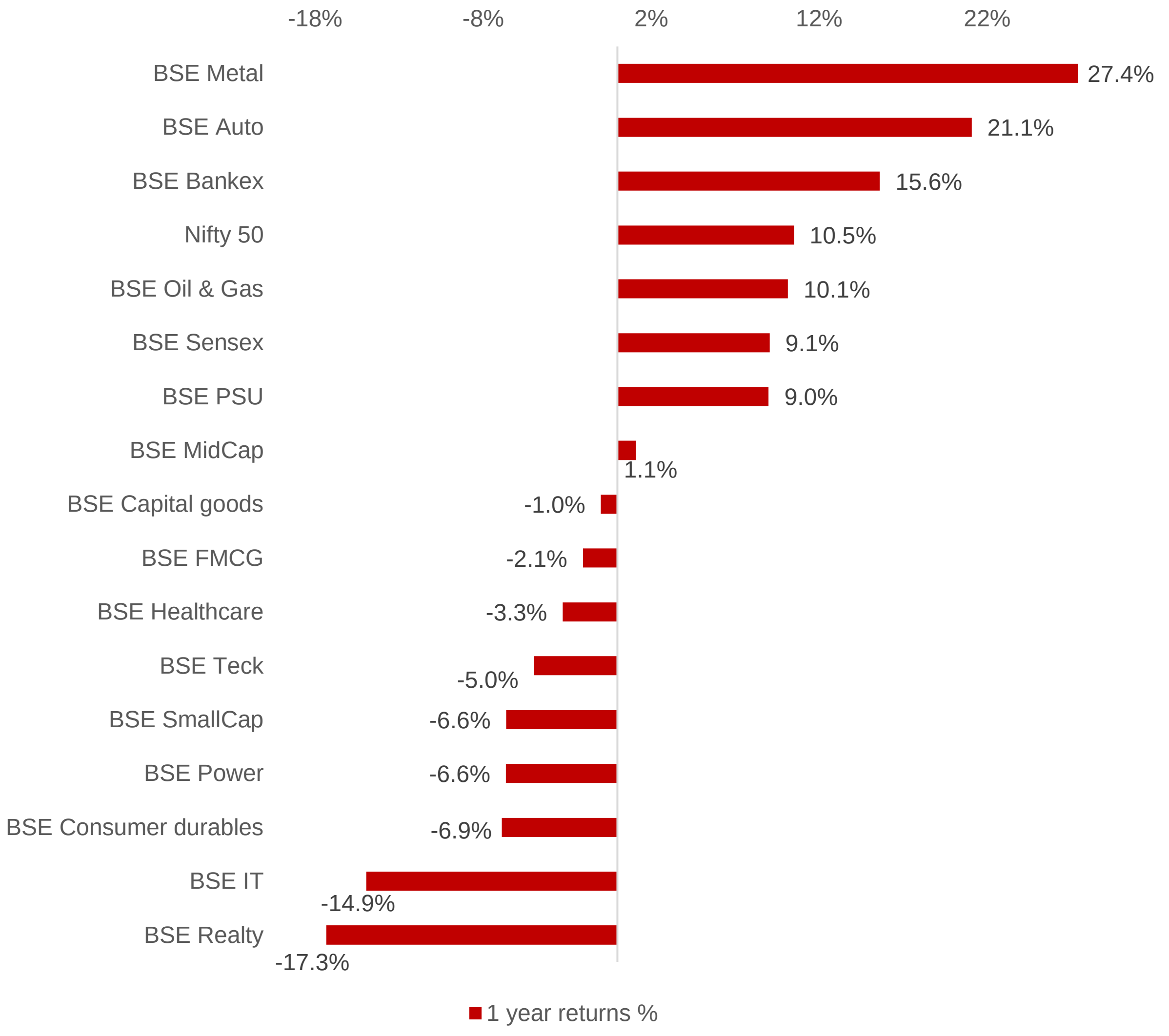
Equity Market Review

Indian equity indices edged down in December'25

- A sustained selling spree by foreign portfolio investors (FPIs) and the general absence of positive cues dampened hopes of a traditional year-end rally in the Indian bourses in December 2025. Volatile currency movements, lack of visible progress in Indo-US trade negotiations, and fears of stretched valuations drew global investors away from the Indian bourses and towards developed markets.
- The month ended with the BSE Sensex settling at 85,221 points, having shed 1% value compared with November-end, while the Nifty 50 slipped 0.3% to close at 26,130 points.
- The release of print reflecting a faster-than-expected 8.2% GDP growth in the first quarter of fiscal 2026 and the RBI's repo rate cut announcement, led to some early gains in the first half of the month.
- Heavy selloffs to book profits, persistent foreign fund outflows and a shift in investor interest away from emerging markets proved to be a sizeable drag on domestic stocks for most of the month, with FPIs recording their highest-ever annual outflow.



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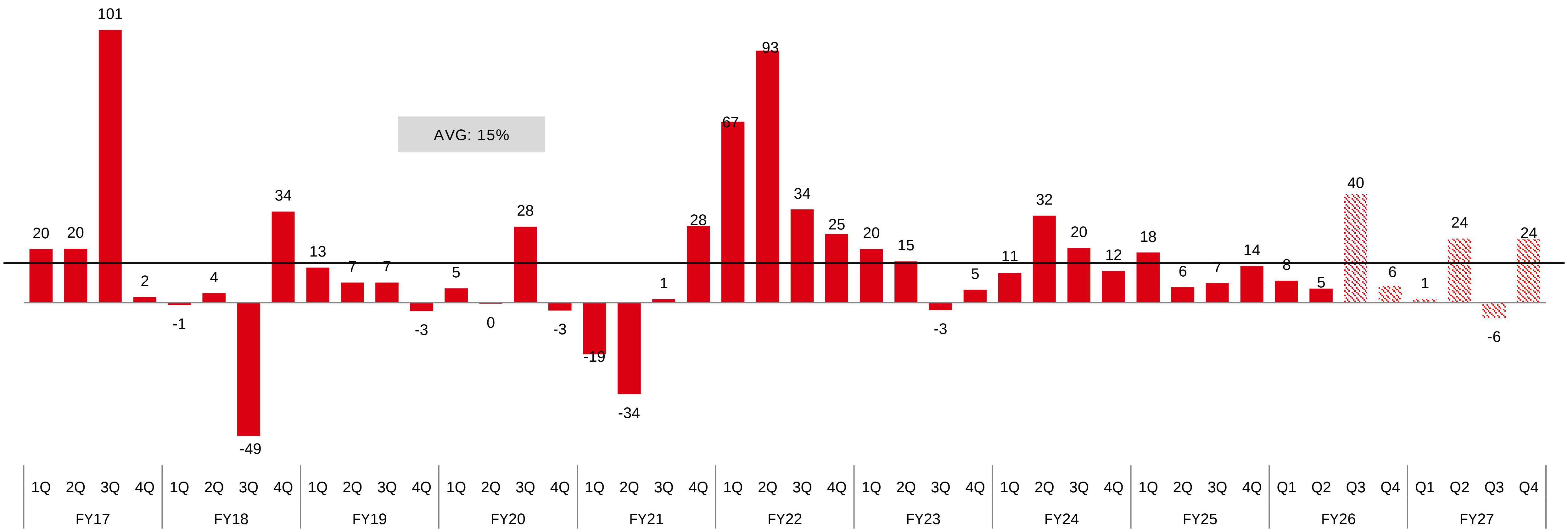
Earnings growth – quarterly trend

Nifty 50 earnings



Nifty 50 EPS Growth (Y-o-Y)

Estimates – shaded portion of FY26 and FY27

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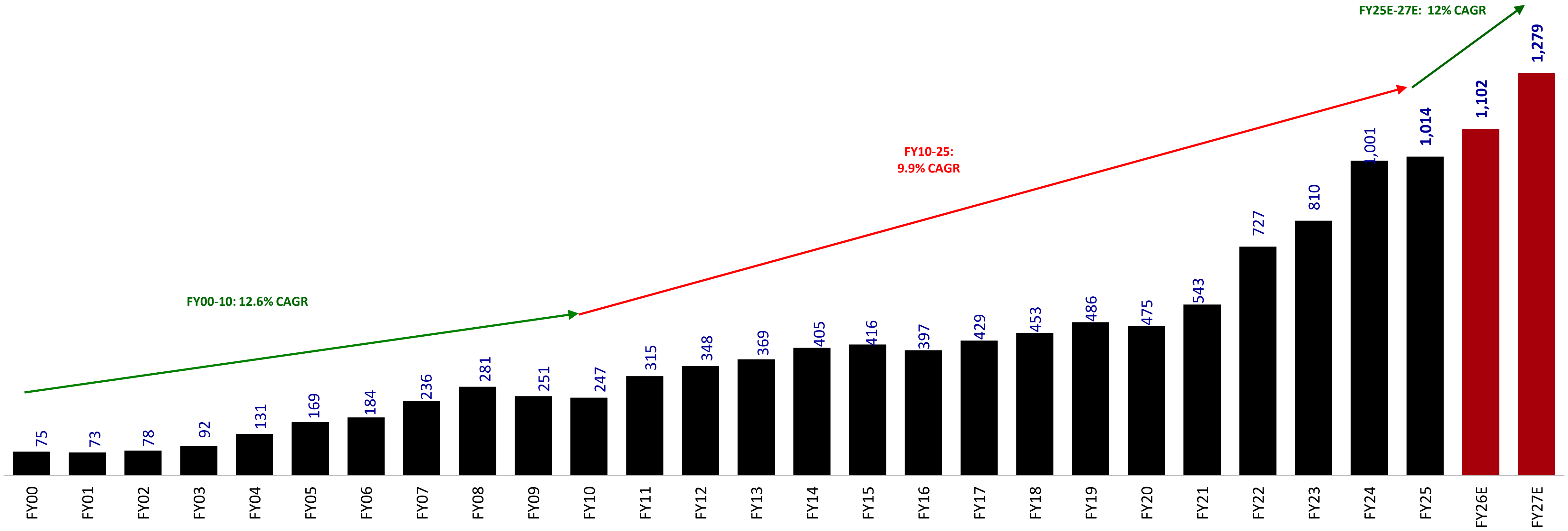
Earnings trend

India - Equity earnings (Nifty 50 EPS)



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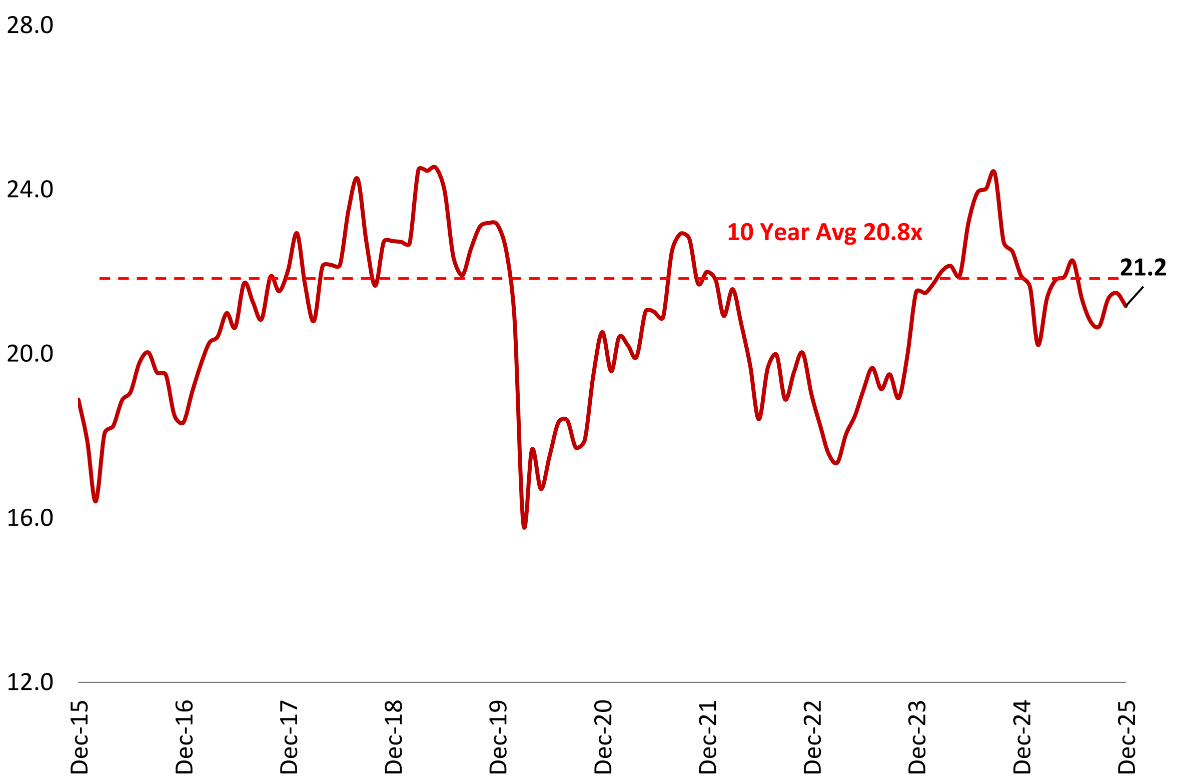
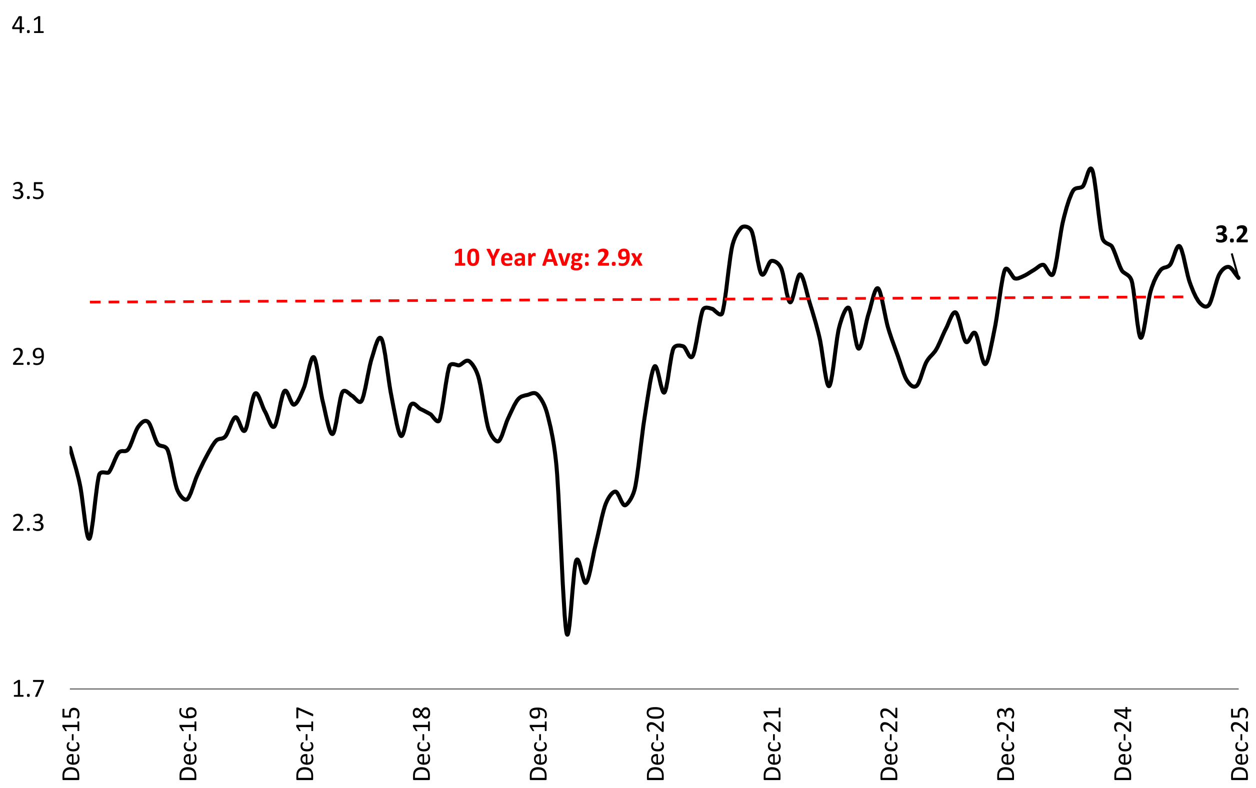
Market valuations – Nifty 50

Large and Mid Cap - Price to Earnings (PE)



Large and Mid Cap - Price to Book (PB)



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Equity Market Outlook

- Global markets delivered a positive return for the month. MSCI World index rose 0.7% in December although US (S&P 500) was down 0.1%. MSCI Europe rose 3.8% and MSCI Japan rose 0.4%. MSCI EM was up 2.7% despite a 1.5% decline in MSCI China.
- 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.
- In December'25, Large Cap Indian equity indices were largely flattish with BSE Sensex and NSE Nifty down 0.6%/0.3% respectively.
- 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 support private capex in the current times of global uncertainty.
- US Fed easing policy rates allows RBI room to further cut policy rates and support domestic growth given the external challenges.
- However, government tax revenue growth has been weak in the first eight months and is likely to lead to slower spending by the government in H2FY26 to achieve the fiscal deficit target. This would be a drag partially offsetting the gains from GST and income tax rate cut.
- Overall, India's economic growth momentum continues to surprise on the upside with a strong 8.2%yoy GDP growth in Q2FY26.
- India's growth remains quite resilient despite the global macro-economic challenges.
- Interest rate and liquidity cycle, decline in crude prices and normal monsoon are all supportive of a pick-up in growth. Although, global trade related uncertainty remains a headwind to private capex in the near term, 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.
- 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.
- Constructive on Indian equities supported by the more robust medium term growth outlook.

Source: HSBC Asset Management, India, Data as on 31 December 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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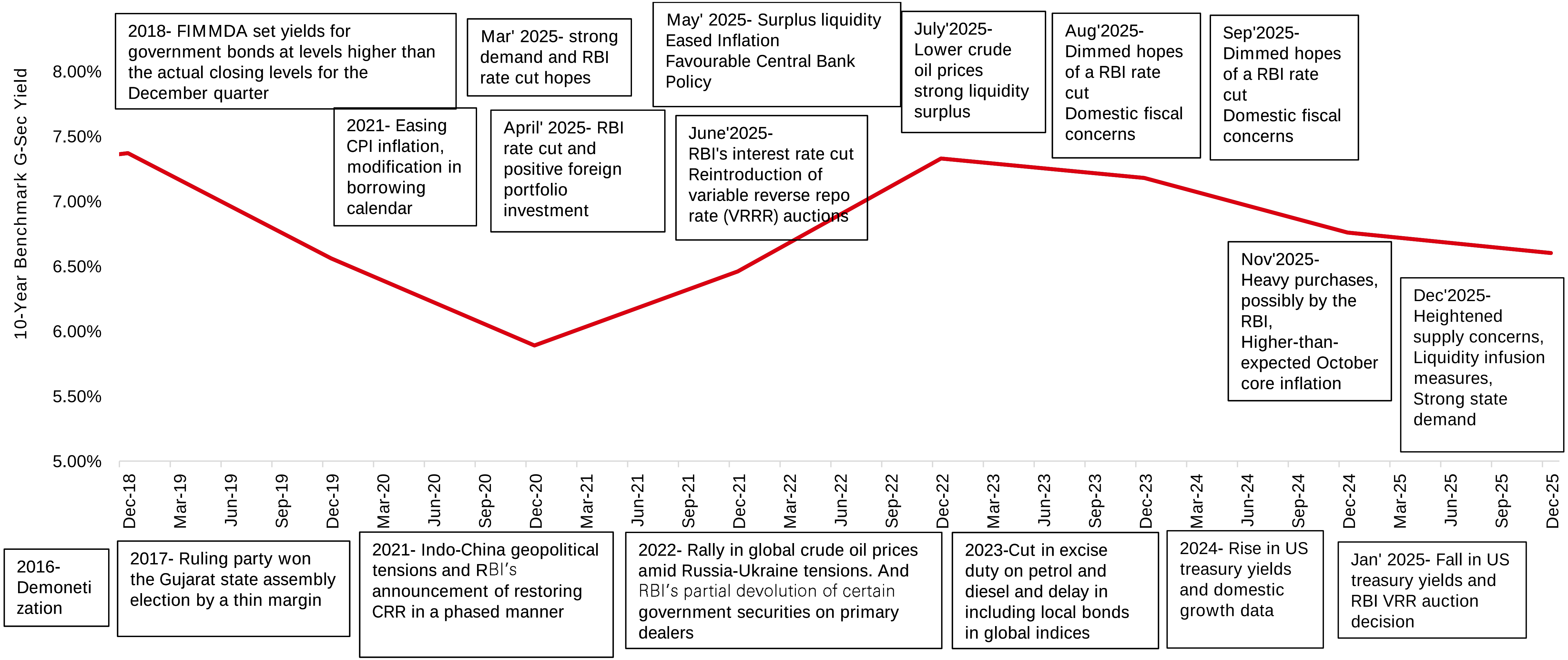
Domestic Debt

History of Debt Markets through major events

10-year G-Sec yield movement through major events



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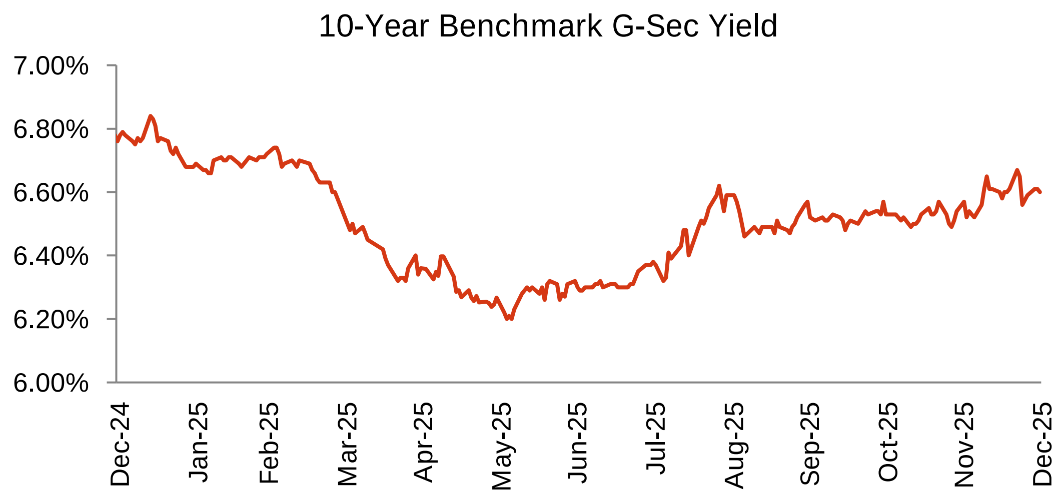
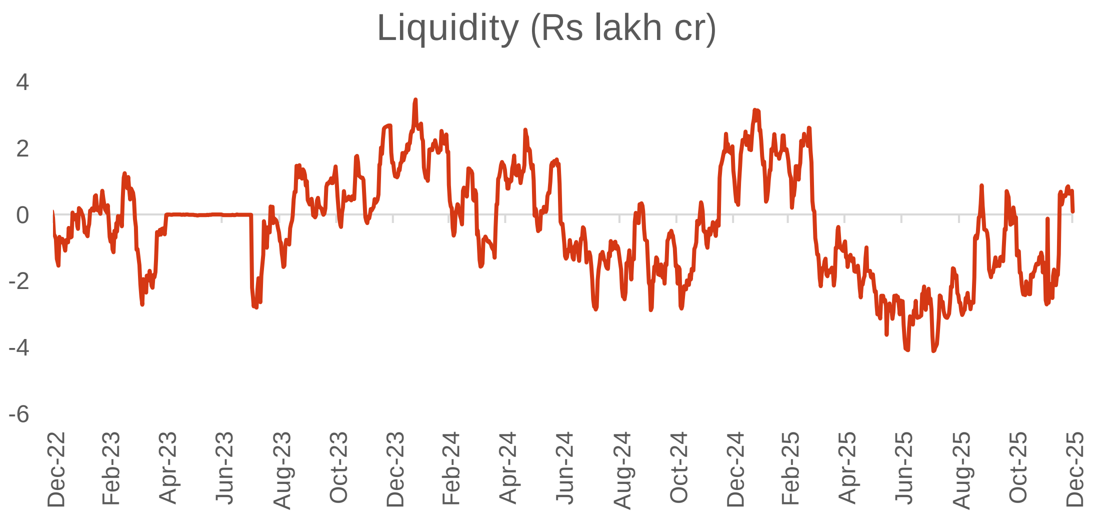
Debt Market Review

- The interbank weighted average call rate (WACR) ended the month at 5.56% on December 31.
- Meanwhile, yields on 10-year G-secs hit nine-month highs owing to heightened supply concerns following state governments' announcements of higher-than-expected bond sales. This prompted the RBI to announce the liquidity enhancement measures, including government bond purchases and forex swaps. After briefly rising above the 6.60% mark (and hitting a nine-month high of 6.67%), yields eventually settled at 6.60% on December 31, higher than the November close of 6.53%.
- G-secs had witnessed some early gains at the beginning of the month due to strong state demand and the RBI's announcement of liquidity infusion measures. A 25-basis points cut in repo rate by the Monetary Policy Committee also led to some gains.
- Eventually, however, the emergence of strong domestic growth data, weakness in the local currency and profit booking reversed some of the gains. The exclusion of liquid 10-year notes from the RBI's Rs 1 trillion OMO plan also erased some of these gains.
- As the month drew towards a close, bond prices were constrained following the central bank's announcement of a hefty liquidity injection plan for the upcoming month.





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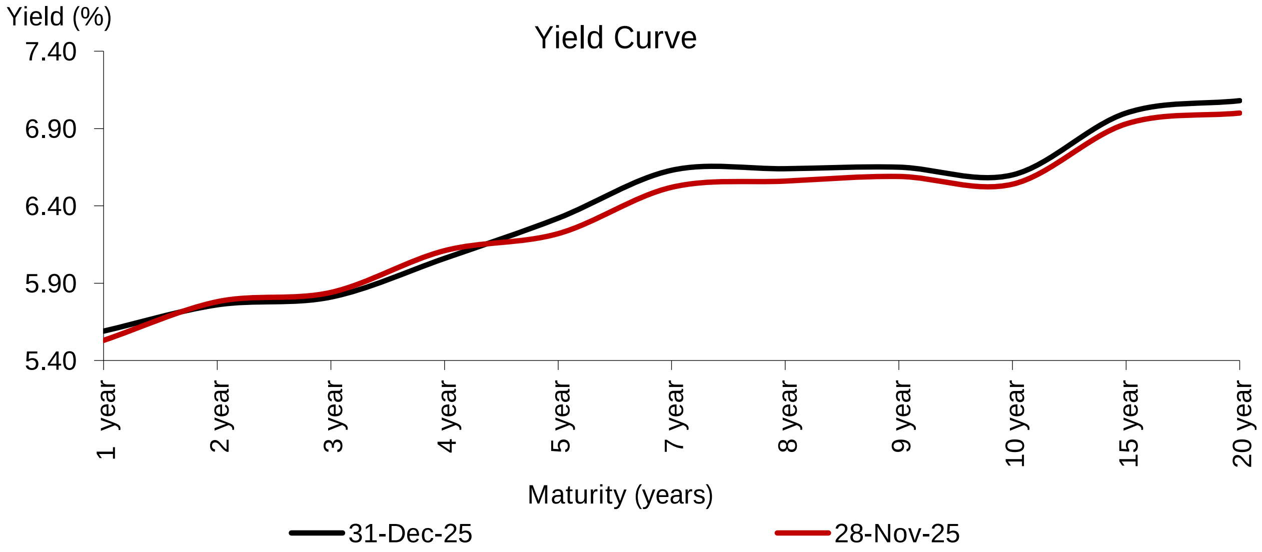
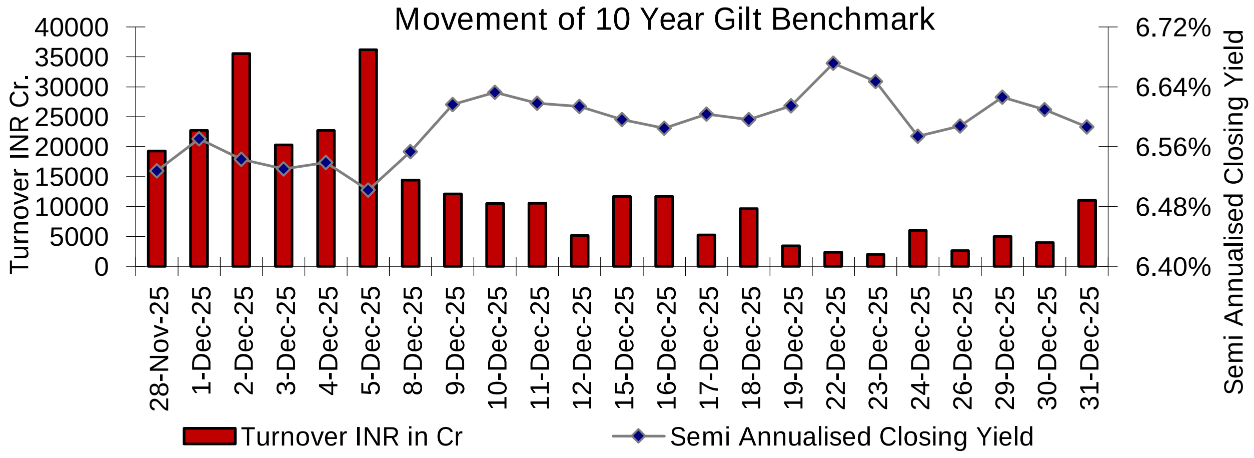
Debt Market Review

Debt Market Indicators	31-Dec-25	28-Nov-25
Call Rate	4.85%	5.50%
3-mth CP rate	6.67%	6.47%
5 yr Corp Bond	6.94%	6.80%
10 Yr Gilt	6.60%	6.54%
Repo	5.25%	5.50%
SDF	5.00%	5.25%
CRR	3.00%	3.00%
1-Month CD	6.00%	5.85%
3-mth CD rate	6.25%	5.88%
6-Month CD	6.48%	6.22%





Source: Crisil Fixed Income database. Data as on 31 December 2025,
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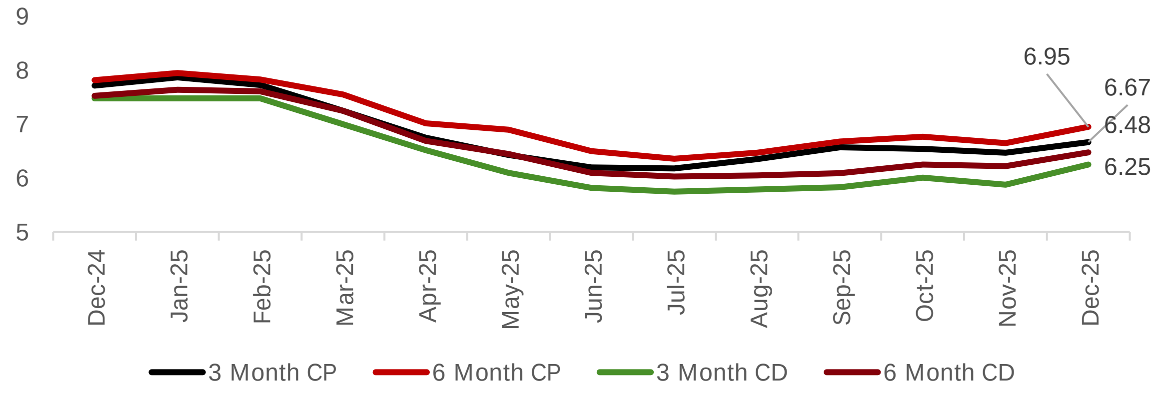
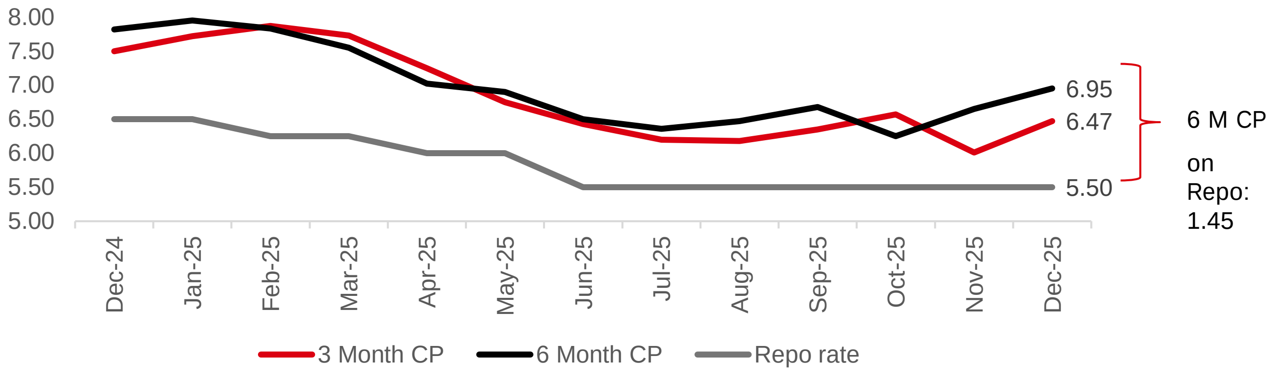
Debt Market Review

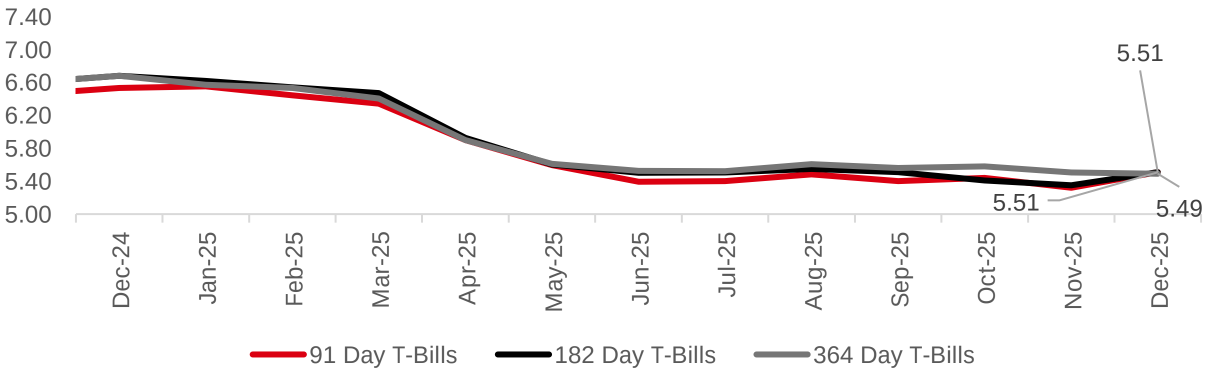
CP & CD Yields (%)



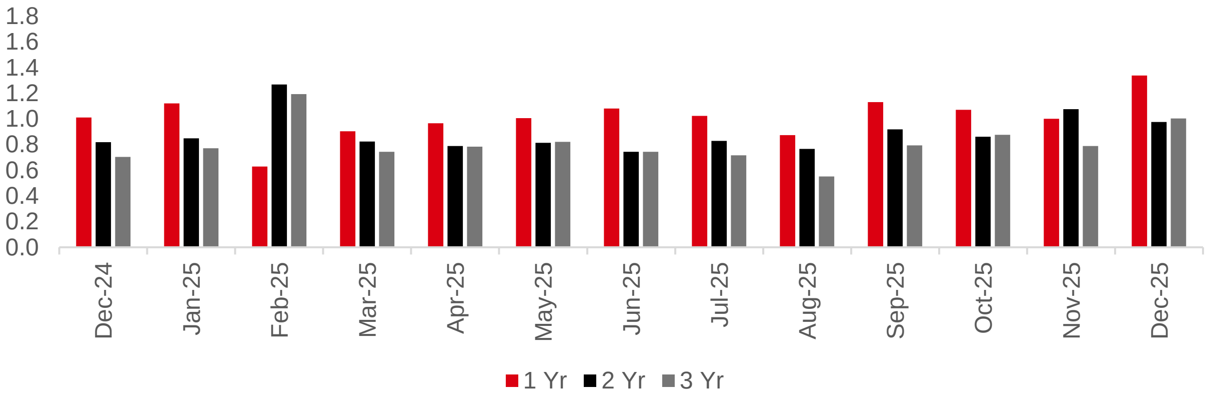
CP Yields & Repo Rate (%)



T-Bill Yields (%)



AAA bond spreads over G-Secs (%)



Source: Crisil, Data as on 31 December 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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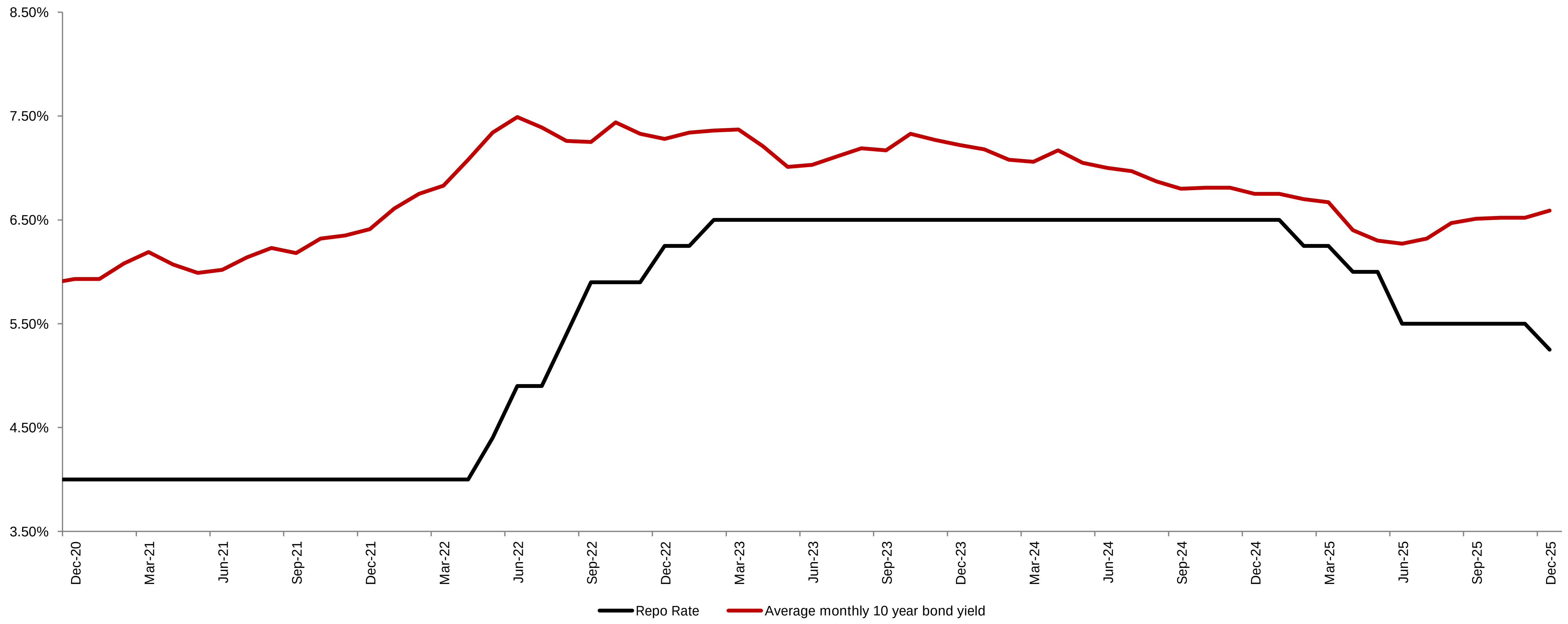
RBI Repo Rate reduced to 5.25% December policy meet



Source: RBI, Crisil, Data as on 31 December 2025
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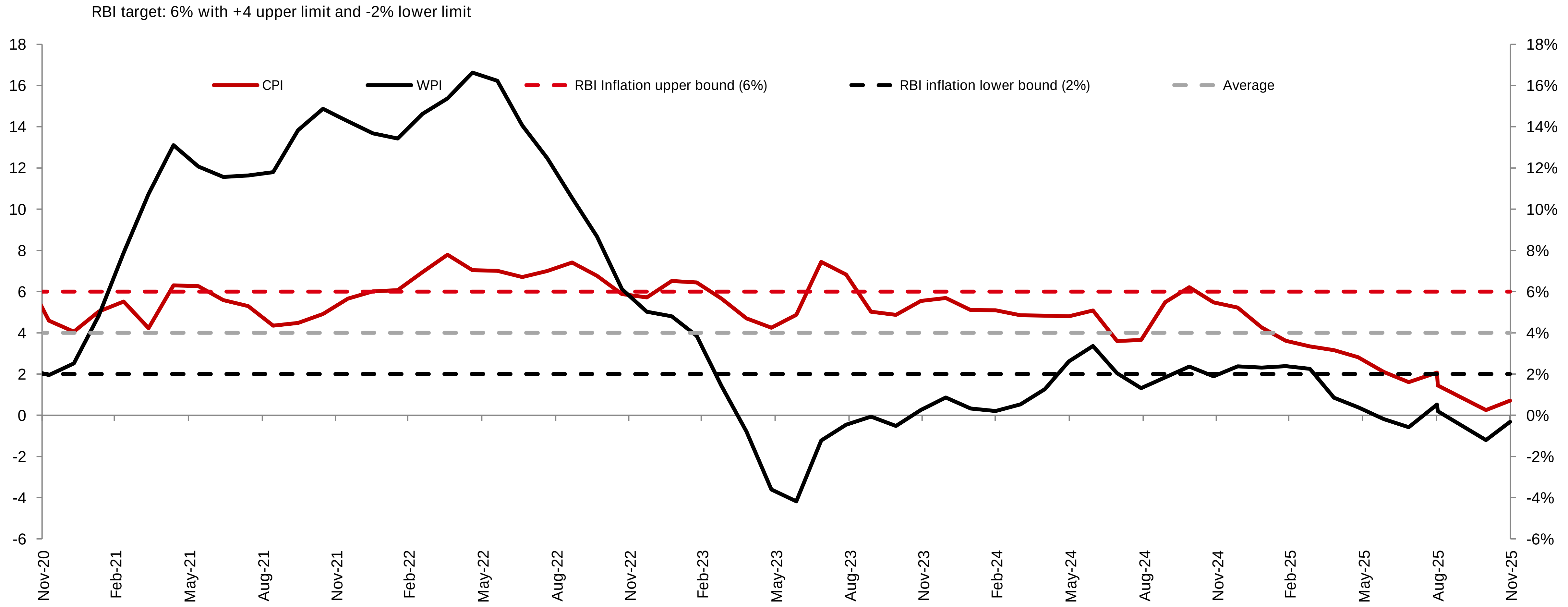
Inflation target and trend

CPI inflation below the RBI's target range average



Source: Crisil, MOSPI, RBI, Data as on 31 December 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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HSBC Mutual Fund

Debt Market Outlook

- December is an event-filled, joyous time of the year with all the festive cheer. In terms of data and major central bank policies too, December 2025 turned out to be an action-packed month with divergent trends observed across assets classes.
- Following the central bank policy actions, yields across DMs ended mostly higher compared to November – also sentiments changed as markets took cues from central banks actions that they are possibly nearing the end of their rate-easing cycle, adopting a data dependent approach going forward.
- Overall global and geopolitical developments continued to push gold prices higher, while supply fears kept pushing silver prices higher.
- Currency markets too witnessed sharp swings especially in the EM space despite a softer dollar. The global headwinds and foreign investor outflows continued to weigh on currencies, compelling policy makers to step-in to intervene, either direct or verbal.
- The RBI MPC, on 5th Dec, delivered a dovish cut while taking a 'policy-by-policy' approach. In a unanimous vote it reduced the Repo Rate by 25bps to 5.25% while maintaining a neutral stance.
- The policy decision as a dovish cut with the expectation of incremental policy easing being data dependent. The factors may play out positively for the RBI-MPC to reduce the Repo rate by another 25bps in 1H CY26 while in the meantime RBI may continue using its liquidity toolkit to keep system liquidity conditions easy more so during rest of Q4FY26.
- The macroeconomic environment remains conducive for policy rates to remain steady and lower for longer, with risks emanating from external sector & global developments.
- Any confirmation of inclusion of Indian bonds in the Bloomberg Global Aggregate Index in Q1 2026 would create a very positive technical backdrop for G-sec, resulting in possible FPI inflows of USD 15-20bn into Indian Government bonds.
- Expect the fixed income markets may consolidate, with wide trading ranges and higher volatility, as we approach the end of the easing cycle, and the markets shift focus on timing the reversal of the current loose monetary policy.
- Investors with short term investment horizon can look at the liquid plus category.
- For investors with a medium-term horizon, Short Duration, Banking & PSU Debt and Corporate Bond Funds can be a good investment opportunity as they may provide accrual plus opportunities to create alpha through capital gains.

Source: HSBC Asset Management, India, Data as on 31 December 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Domestic Economy

Indian Economic Environment

Section	Indicators	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	Dec-24
Debt Indicators	Currency in circulation (Rs billion)	39079	38512	38184	38071	38097	38147	38427	38344	37762	36997	36444	35892.682	35,643
	Repo rate	5.25%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	6.00%	6.00%	6.25%	6.25%	6.50%	6.50%
	10-year G-sec yield	6.60%	6.54%	6.53%	6.57%	6.59%	6.38%	6.32%	6.27%	6.36%	6.58%	6.72%	6.69%	6.76%
	Call rate	4.85%	5.50%	5.10%	5.00%	5.45%	4.95%	5.25%	5.75%	6.00%	7.00%	6.50%	6.65%	6.00%
	Forex reserves ($ billion; mthly. avg.)	692	689	699	701	693	698	699	689	682	658	638	628.9	648.1
Economy	GDP	NA	NA	NA	8.20%			7.80%			7.40%			6.40%
	Fiscal deficit (Rs billion)	NA	1515.27	2520.21	-250.3	1297.37	1876.84	2675.69	-1731.69	1863.32	2304.18	1773.1	2554.53	674.95
	Gross Tax Collections (Rs crore)	NA	222,040	249,036	521,391	251,053	223,901	353,778	243,753	271,478	590,999	219,870	233,928	489,453
	IIP, %y/y	NA	6.70%	0.50%	4.60%	4.10%	4.30%	1.50%	1.20%	2.70%	3.90%	2.90%	5.00%	3.20%
	Exports, $ billion	NA	38.13	34.38	36.38	35.1	37.24	35.14	38.73	38.49	41.97	36.91	36.43	38.0
	Imports, $ billion	NA	62.66	76.06	68.53	61.59	64.59	53.92	60.61	64.91	63.51	50.96	59.42	60.0
	Manufacturing PMI	55.0	56.6	59.2	57.7	59.3	59.1	58.4	57.6	58.2	58.1	56.3	57.7	56.4
	Services PMI	58.0	59.8	58.9	60.9	62.9	60.5	60.4	58.8	58.7	58.5	59.0	56.5	59.3
	GST collections (Rs crore)	174,550	170,276	195,936	189,017	186,315	195,735	184,597	201,050	236,716	196,141	183,646	195,506	176,857
	CPI inflation, % y/y	NA	0.71%	0.25%	1.44%	2.07%	1.61%	2.10%	2.82%	3.16%	3.34%	3.61%	4.31%	5.22%
	WPI inflation, % y/y	NA	-0.32%	-1.21%	0.13%	0.52%	-0.58%	-0.19%	0.39%	0.85%	2.05%	2.38%	2.31%	2.37%
	India crude oil import (mbpd)	NA	21.06	20.9	19.9	19.6	18.9	20.3	21.3	21.0	22.7	19.1	20.8	20.0
Sector update	Auto – Passenger vehicles	NA	18.6%	17.5%	0.20%	-6.90%	2.30%	-6.80%	-0.70%	3.40%	2.4%	2.4%	2.3%	9.8%
	Auto – Two-wheelers	NA	21.2%	2.15%	6.66%	7.14%	8.70%	-3.40%	2.20%	-16.70%	11.4%	-9.0%	2.1%	-8.78%
	Auto – Commercial vehicles	NA	24.2%	9.87%	25.67%	3.75%	4.60%	-6.00%	-1.00%	-2.10%	-1.0%	-3.3%	0.6%	3.38%
	Auto – Tractors	NA	30.1%	14.84%	45.39%	28.30%	8.00%	10.50%	9.10%	7.70%	25.4%	13.6%	11.4%	13.99%
	Banks – Deposit growth	9.40%	10.20%	9.50%	9.50%	10.10%	10.10%	10.40%	10.00%	10.20%	10.60%	10.60%	10.7%	11.50%
	Banks – Credit growth	12.00%	11.40%	11.40%	10.40%	10.20%	9.80%	9.60%	9.80%	10.30%	11.80%	11.30%	11.90%	11.28%
	Infra – Coal	NA	2.10%	-8.50%	-1.20%	11.40%	-12.30%	-6.80%	2.80%	3.5%	1.6%	1.7%	4.6%	5.30%
	Infra – Electricity	NA	-2.20%	-6.90%	3.10%	4.10%	3.70%	-1.20%	-4.70%	1.70%	7.50%	3.6%	2.4%	6.20%
	Infra – Steel	NA	6.10%	5.90%	14.40%	13.60%	16.60%	9.70%	7.40%	4.40%	8.70%	6.9%	4.7%	7.30%
	Infra – Cement	NA	14.50%	5.20%	5.00%	5.40%	11.60%	8.20%	9.70%	6.30%	12.20%	10.8%	14.6%	4.60%

Source – Crisil, Mospi, Financial Websites, RBI, PIB Data as on 31 December 2025.

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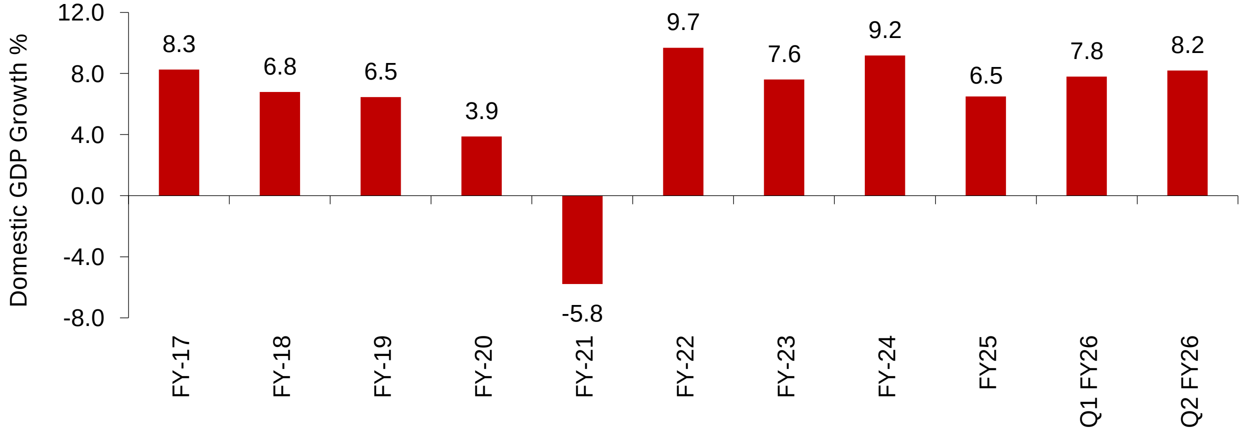
Indian Economic Environment

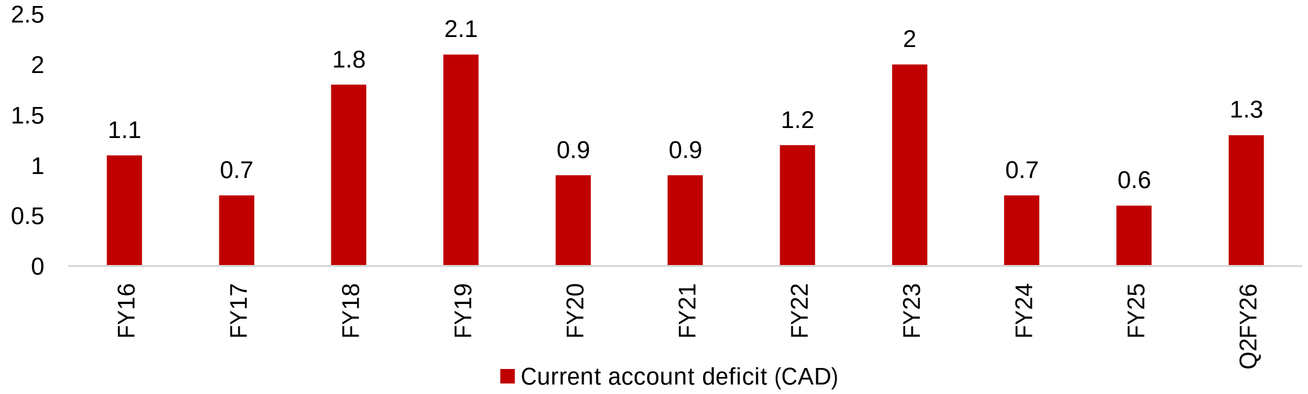
Growth outlook positive despite global headwinds; MPC cuts repo rate to 5.25% to leverage Goldilocks phase

- India's faster-than-expected growth during the first two quarters of fiscal 2026, even amid global uncertainty and trade volatility, prompted leading global agencies to revise their growth projections for the country upwards.
- Fitch Ratings raised its growth forecast for the ongoing fiscal to 7.4% from 6.9%, citing increased consumer spending and improved consumer sentiment following the recent rationalisation of goods and services tax (GST). Likewise, the Asian Development Bank raised its growth forecast to 7.2% from 6.5%, driven by robust domestic consumption supported by the recent tax cuts.
- Alluding to India's resilience amid global uncertainty and tariffs imposed by the United States (US), the International Monetary Fund's mission chief highlighted private consumption, buoyed by lower inflation and supportive government policies, as a key factor that would likely support the growth trajectory in the ensuing quarters.



Gross domestic product expanded to 8.2% in Q2 of fiscal 2026

Current account deficit (CAD)



Current account deficit moderated to 1.3% of GDP on quarter for Q2FY26

Source – Crisil, Mospi, Data as on 31 December 2025
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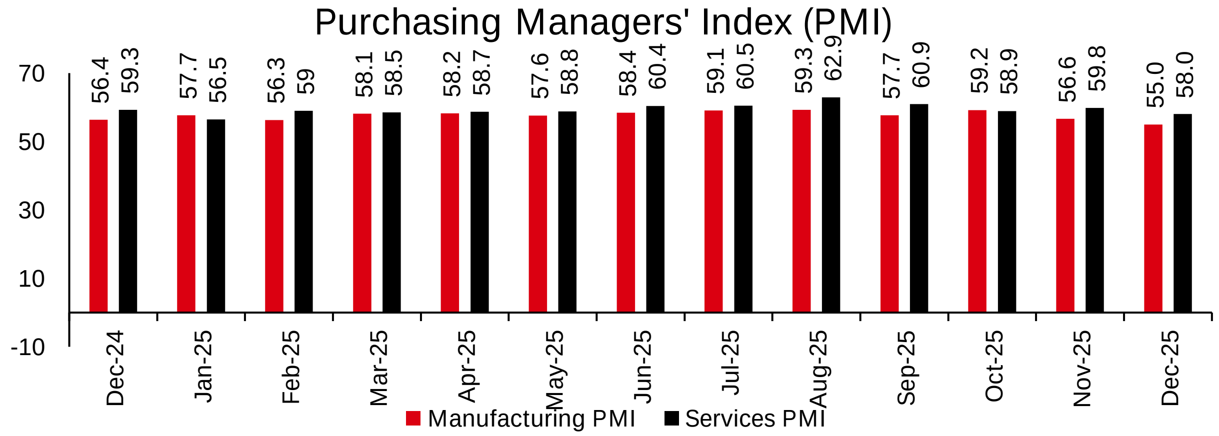
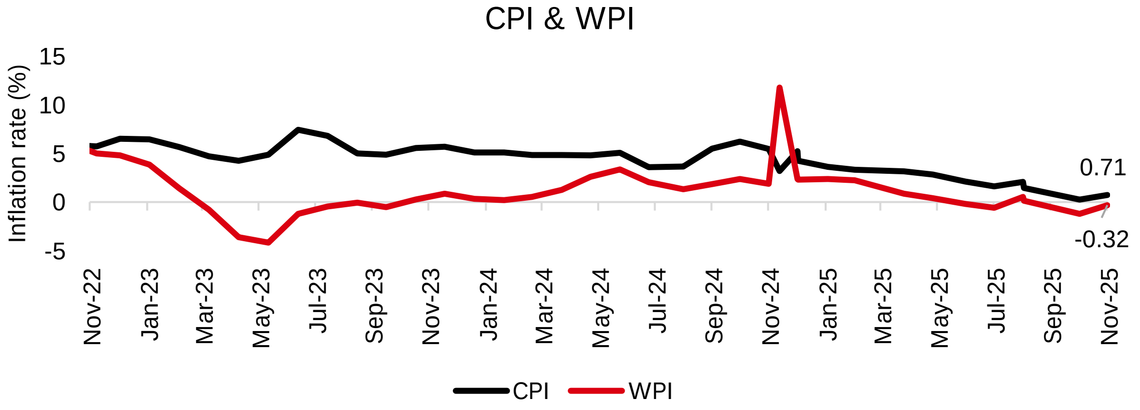
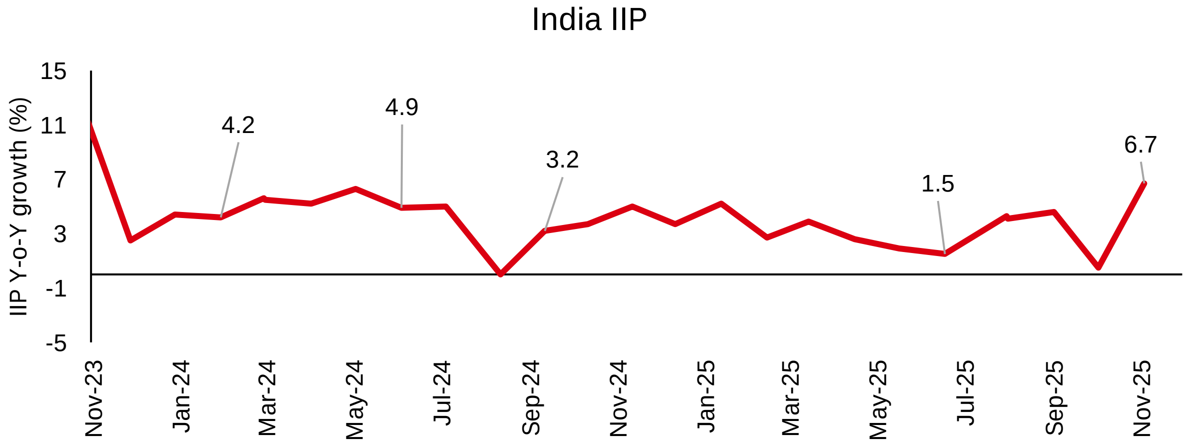
Indian Economic Environment

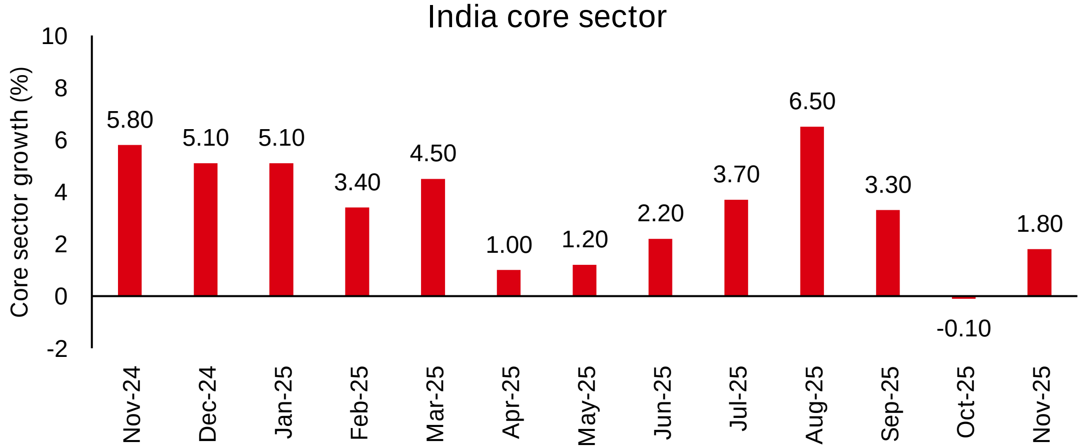




Domestic manufacturing and services activity eased in December

Retail inflation and wholesale inflation rose in November





Industrial output growth rose in November

Core sector growth rose in November

Source –Crisil, Trading Economics, MOSPI, EAI, Data as on 31 December 2025, RBI- Reserve Bank of India GDP- Gross Domestic Product.
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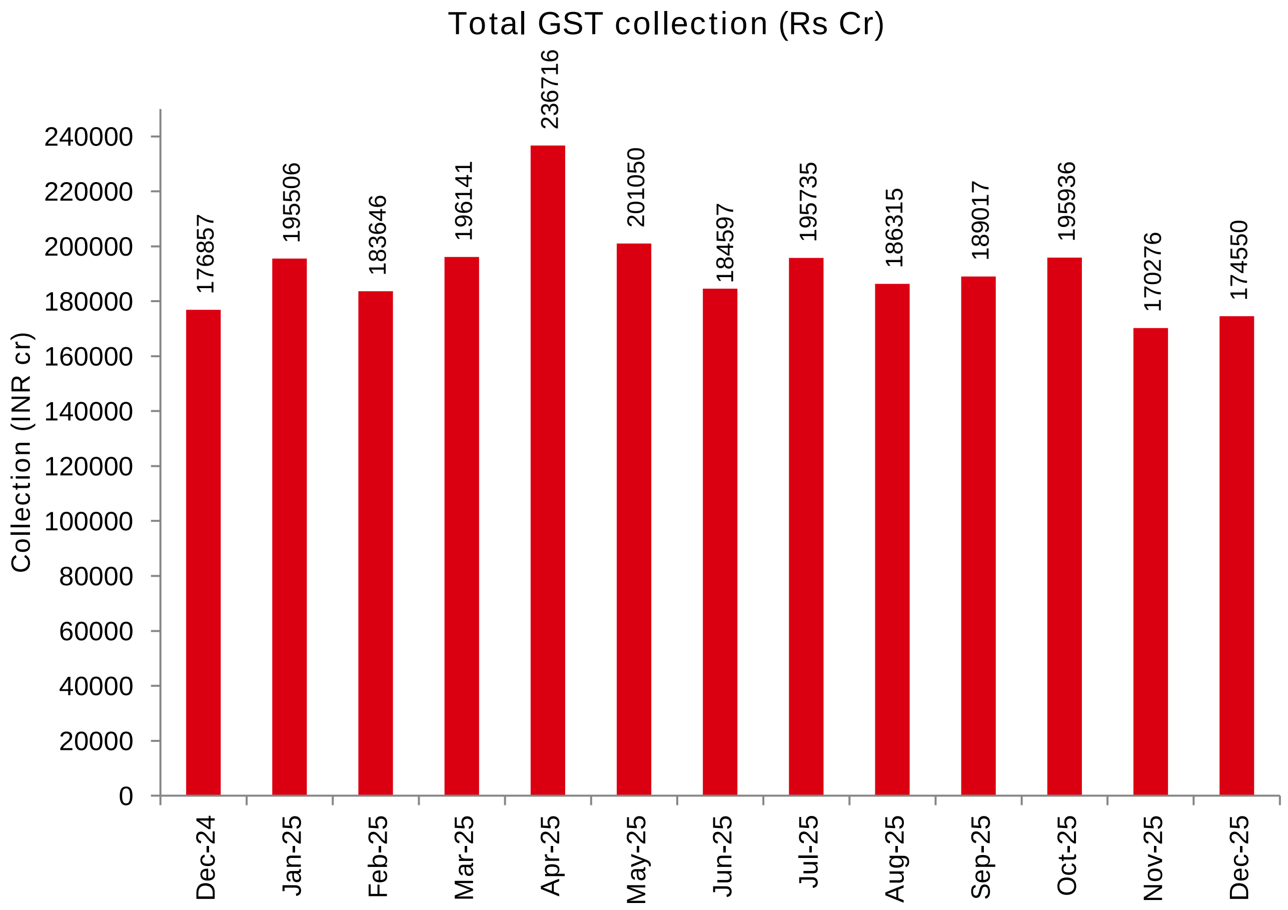
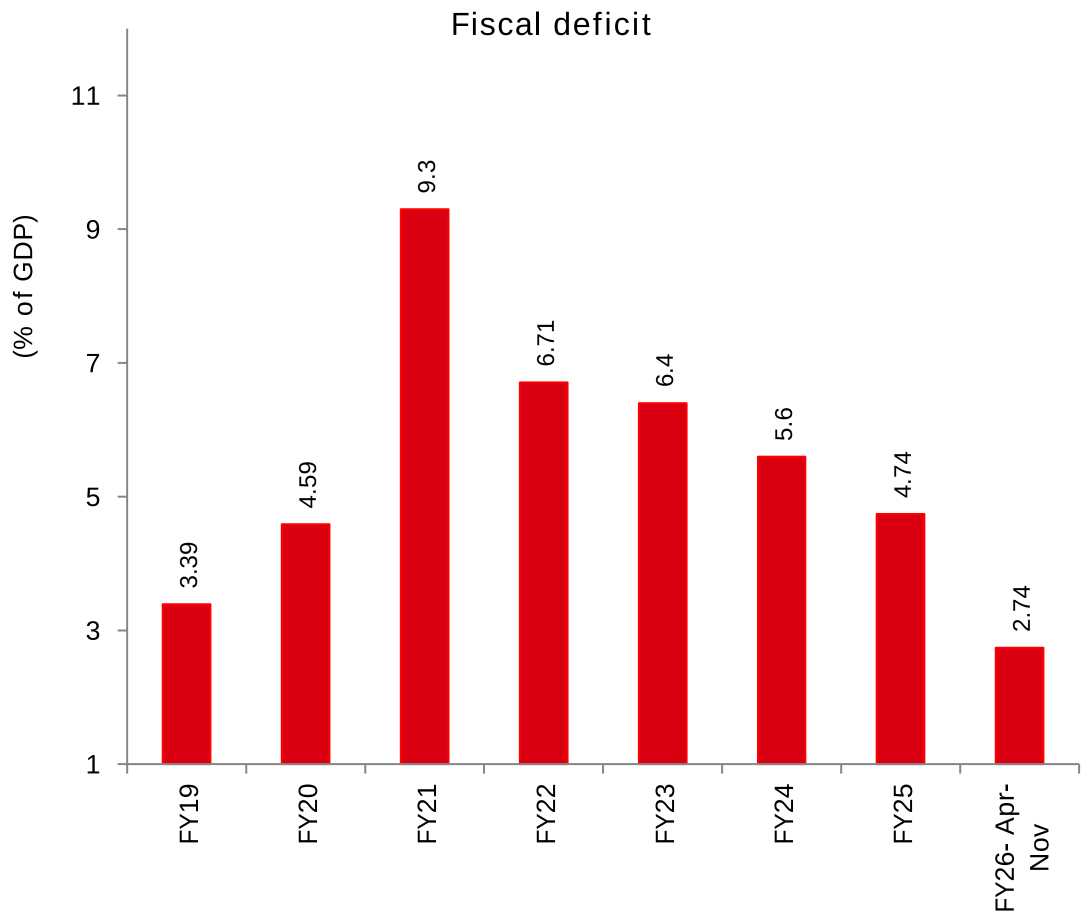
GST collection INR 1.74 lakh crore in December





As per reports, the government collected INR 1.74 lakh crore goods and services tax (GST) for the month of December. Fiscal deficit for Apr-Nov period stood at 2.74% of estimated GDP for FY26.

Source- Crisil, gst.gov.in, Data as on 31 December 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns. GST – Goods and Services Tax
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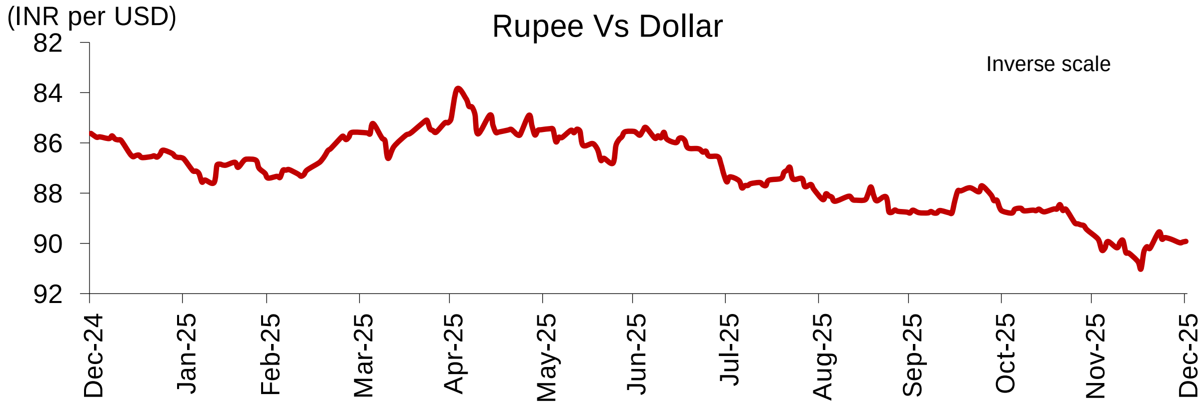
Currency & Commodity market update

Forex Market Review

Rupee ended lower in December

- The Indian rupee clocked its second consecutive monthly decline in December 2025, with the currency briefly trading below the Rs 91 to the dollar mark (including a record low of Rs 91.02 to the dollar on December 16). Aggressive interventions by the Reserve Bank of India (RBI) helped the rupee stage some recovery.
- Persistent selling of Indian equities by foreign portfolio investors, hedging, lack of progress on the long-awaited trade deal with the US, and intermittent dollar demand from importers in the defence, oil and gold sectors, kept the rupee under pressure during the month.
- The RBI's support helped the rupee close the month at Rs 89.92 to the dollar, marking a 0.44% depreciation from the November-end Rs 89.46. However, the local unit registered a steeper 4.7% fall for calendar year 2025, marking its biggest annual decline in three years.

Rupee Movement V/s Global Currencies				
	31-Dec-25	28-Nov-25	Change	% Change
USD	89.92	89.46	0.46	0.52%
GBP	121.02	118.27	2.75	2.33%
EURO	105.56	103.63	1.92	1.86%
100 YEN	57.42	57.20	0.22	0.38%



Rupee declined due to foreign fund outflows

Source: RBI, Crisil. Data as on 31 December 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns. US- United States
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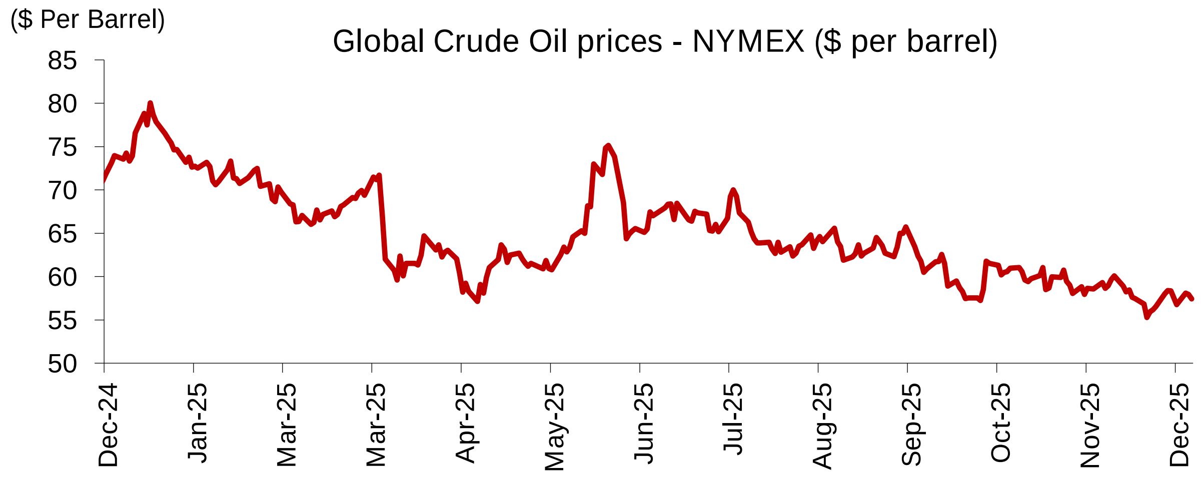
Commodity Market Review

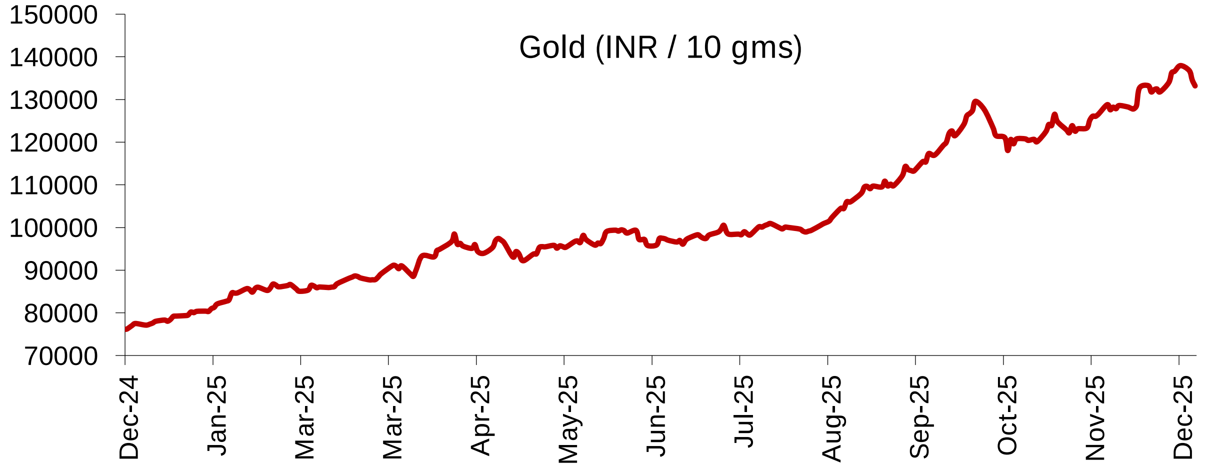
International crude oil prices fell in December

- Crude oil prices on the New York Mercantile Exchange closed 1.93% lower at $57.42 per barrel on December 31 from $58.55 on November 28.
- Geopolitical uncertainties, supply developments and demand cues kept crude oil prices volatile in December. Early in the month, prices increased following unsuccessful negotiations between the US and Russia, which sustained sanctions on Russian oil amid concerns over supply tightness.



Domestic gold prices high in December

- Gold prices ended December 31, 2025, at Rs 1,33,195 per 10 gm, up 5.22% from Rs 1,26,591 per 10 gm on November 28, 2025, as reported by India Bullion and Jewellers Association.
- Gold prices ended higher in December due to sustained safe-haven demand amid geopolitical uncertainties. Weakness in the dollar, bets on future US rate cuts, and strong central bank buying.
- However, gains were briefly limited by profit-booking at higher levels. Rising global gold prices and continued demand kept the prices elevated by month-end.



Source – Crisil, NYMEX. IBJA Data as on 31 December 2025.
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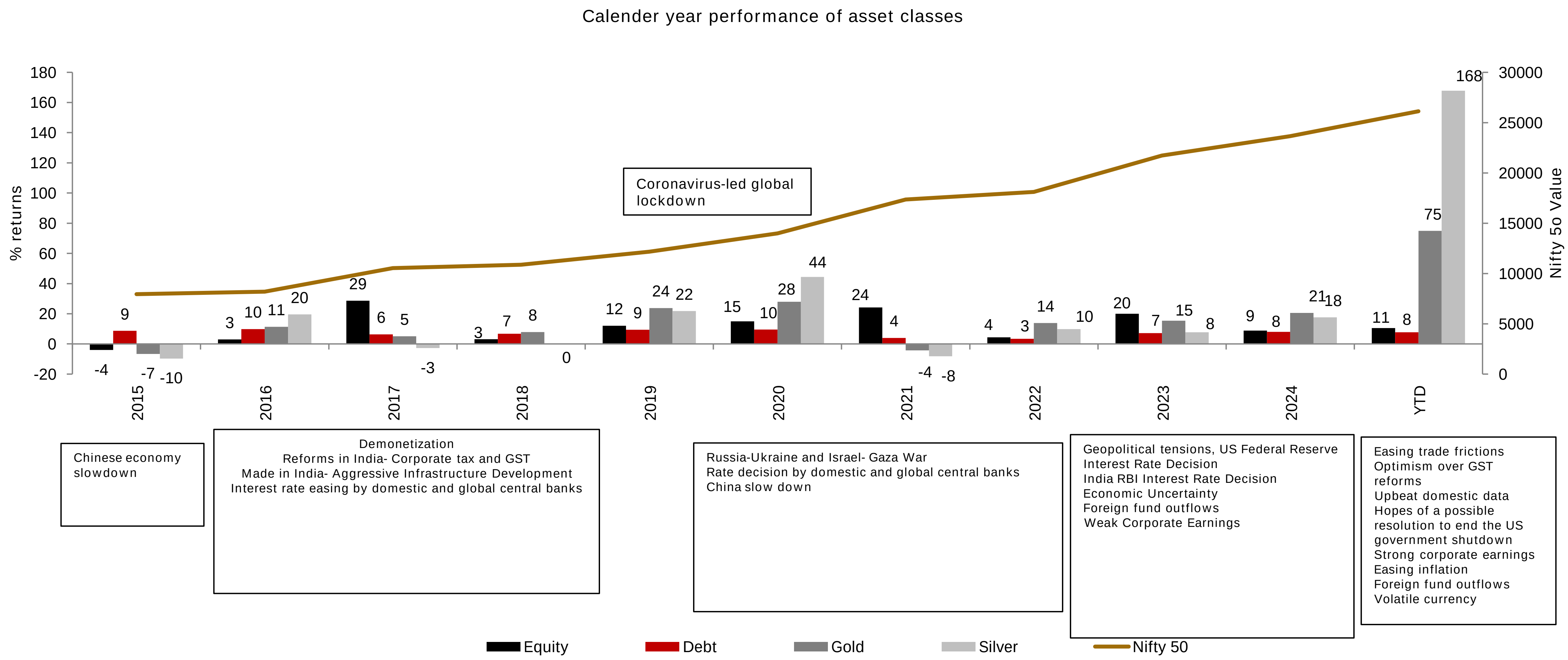
Asset Performance

History of asset classes through major events



Equity- Nifty 50, Debt- Crisil short duration debt index
Gold and silver returns are based on spot rates from India Bullion and Jewellers Association (IBJA) and MCX
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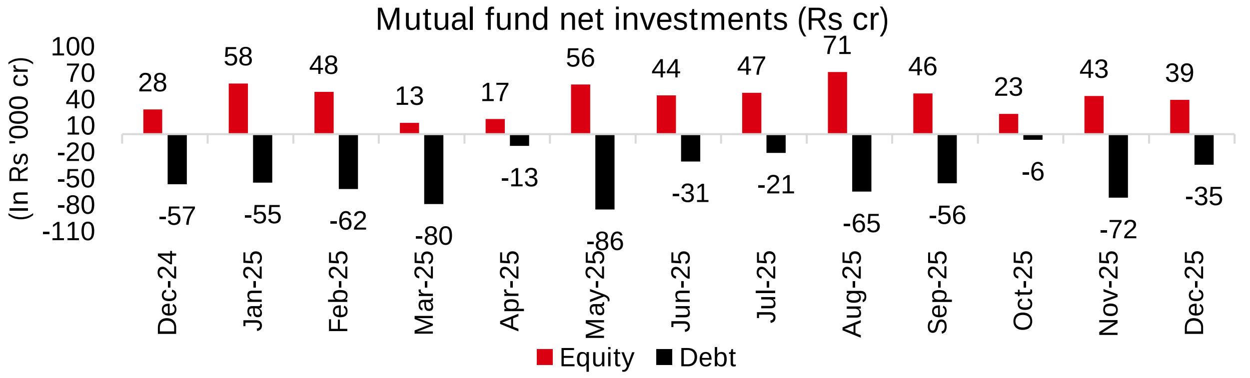
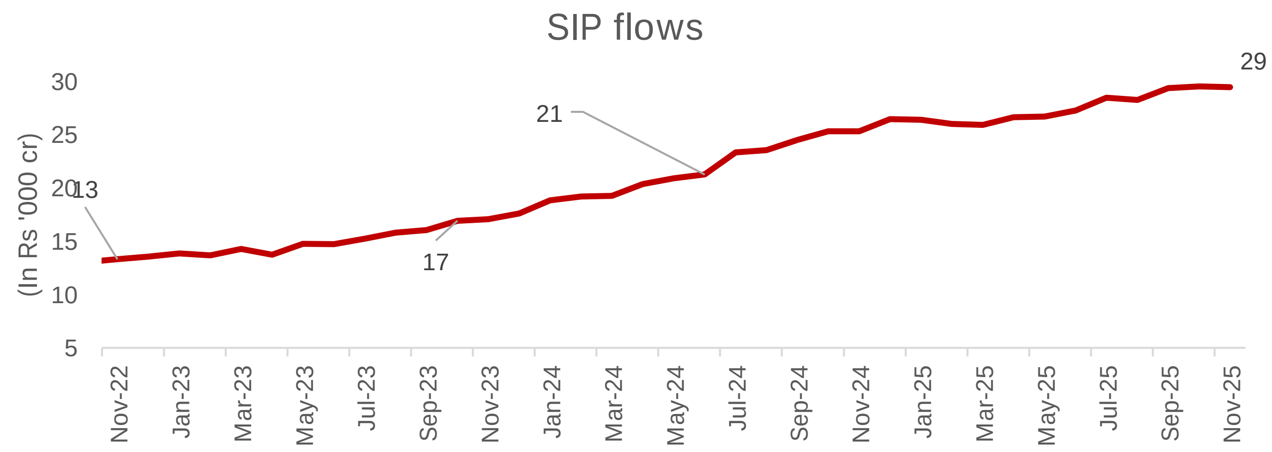
Market sentiment in December 2025

Mutual funds net buyers in equity and sellers in debt



- Mutual funds were net buyers of Rs 39 thousand crore in equities in December, lower than Rs 43 thousand crore in November, while they remained net sellers in debt at Rs 35 thousand crore in December compared to the selling of Rs 72 thousand crore.

Inflows through SIPs eased in November 2025



- Collections through systematic investment plans (SIP) increased to Rs 29,445 crore from Rs 29,529 crore. The number of SIP accounts slightly down to 9.43 crore from 9.45 crore.

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Economic Events Calendar

Date	Indicators	Previous
7-Jan-26	US ISM Services PMI, December	52.6
	US JOLTs jobs opening, November	7.670M
	US ADP Employment Change, December	-32K
	Eurozone Inflation Rate Flash, December	2.1%
	India Fiscal Year GDP Growth Prel 2026-2025	6.5%
12-Jan-26	India Inflation Rate, December	0.71%
14-Jan-26	India WPI Inflation, December	-0.32%
15-Jan-26	India Exports/Imports, December	$38.13B / $62.66B
	India Balance of Trade, December	$-24.53B
	India Unemployment Rate, December	4.7%
23-Jan-26	Japan BoJ Interest Rate Decision	0.75%
28-Jan-26	India Industrial Production, December	6.7%
30-Jan-26	India Infrastructure Output, December	1.8%

Source: Crisil, Data as on 31 December 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
US- United States, UK- United Kingdom, GDP- Gross Domestic Product, WPI- Wholesale Price Index
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RBI Policy Outcome and Key Takeaways

- The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) voted unanimously to reduce the repo rate by 25 basis points (bps) to 5.25%.
- Following the rate cut, the standing deposit facility rate stands at 5.00%, while the marginal standing facility rate and the bank rate have been adjusted to 5.50%. The MPC decided to maintain its neutral stance, supported by the sharp decline in inflation and resilience in domestic growth.
- The RBI projected India's real gross domestic product (GDP) growth for fiscal 2026 at 7.3%, with Q3 at 7.0% and Q4 at 6.5% (6.7% for Q1 of fiscal 2027 and 6.8% for Q2). Growth continues to be supported by strong domestic demand, healthy agricultural prospects, Goods and Services Tax (GST) rate rationalisation, rising private investment, high-capacity utilisation, and supportive financial conditions. However, global uncertainty and weak merchandise exports may pose downside risks.
- The RBI projected the Consumer Price Index (CPI)-based inflation for fiscal 2026 at 2.0%, with Q3 inflation at 0.6% and Q4 at 2.9% (3.9% for Q1 of fiscal 2027 and 4.0% for Q2). The decline is primarily driven by unusually benign food prices and improved supply conditions. Inflation risks remain evenly balanced, with underlying pressures subdued despite higher precious metal prices.
- The RBI Governor said the economy continues to display strong resilience, supported by robust domestic demand, healthy corporate and financial sector balance sheets, and a sharp decline in inflation. The favourable inflation outlook has created space for the MPC to support growth while maintaining overall macroeconomic and financial stability. Despite global uncertainties, shifting monetary policy cycles and trade-related headwinds, the policy approach remains focused on sustaining the growth momentum.

Source: Crisil, RBI Past performance may or may not be sustained in future and is not a guarantee of any future returns. RBI- Reserve Bank of India
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CL 3579