HSBC Mutual Fund

Market Flash

October 05, 2026

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Sensex around 72,000 mark, Nifty India VIX up

Sensex and Nifty 50 opened positively today and are currently trading with marginal gains of 0.40% and 0.25% gains respectively. Expectations of cooler Fed Rate hikes strengthened today as softer US employment reports eased worries about aggressive central bank tightening. Also there were positive global cues as Wall Street finished strong ahead of the weekend, lifting Asian and regional sentiments. Softer oil prices supported to reduce immediate inflationary pressures for importing economies. On Sectoral front strong performance in regional bank and domestic sectors helped drive the early momentum.

Indian equities fell sharply in the holiday-shortened week, extending their losing run to eight consecutive weeks. The Sensex ended at 71,909.70 and the Nifty 50 at 22,421.95 on Thursday, 1 October, down 2.69% and 3.11%, respectively, from 25 September.

Persistent foreign selling, a weaker rupee, elevated crude oil and high global bond yields outweighed encouraging domestic activity data.

India's August industrial production grew 8.0% year on year and the final September manufacturing PMI improved to 55.1.

Overseas, weaker-than-expected US payroll growth supported equities on Friday and reduced expectations of a near-term Federal Reserve rate increase, although inflation and energy risks remained material.

WEEKLY REVIEW – SEPTEMBER 28, 2026 – OCTOBER 4, 2026

The week opened with a broad sell-off. On Monday, 28 September, the Sensex fell 1,124.02 points, or 1.52%, to 72,771.72, while the Nifty 50 lost 360.25 points, or 1.56%, to 22,780.25. The Nifty Midcap 100 and Smallcap 100 declined 1.63% and 1.85%, respectively, and the Nifty PSU Bank index was the weakest major sector, down 3.24%. Brent's rise above US$108 intraday, geopolitical uncertainty, rising overseas yields and foreign selling were the main pressures.

Selling continued through Thursday. On 1 October, the Sensex declined 570.59 points, or 0.79%, to 71,909.70 and the Nifty 50 fell 198.50 points, or 0.88%, to 22,421.95. The Nifty Auto index dropped 3.46% on the day, while the Nifty IT index gained 2.17% and was the only major sectoral gainer. For the four-session week, the Sensex lost 1,986.04 points, or 2.69%, and the Nifty 50 fell 718.55 points, or 3.11%, based on the verified 25 September closes of 73,895.74 and 23,140.50. Markets were closed on Friday, 2 October, for Mahatma Gandhi Jayanti.

The corrected Nifty 50 close for 25 September is 23,140.50, not 23,085.20 or 23,063.10. This correction materially changes the weekly percentage calculation.

Domestic Economy

Official data showed that India's Index of Industrial Production grew 8.0% year on year in August 2026, accelerating from 6.7% in July. Manufacturing output rose 9.0%, electricity and gas supply increased 12.3%, and mining and quarrying contracted 5.6%. The IIP index stood at 123.3, against 114.2 a year earlier.

The final HSBC India Manufacturing PMI rose to 55.1 in September from 52.8 in August, signalling a renewed acceleration in factory activity. New orders grew at their fastest pace in seven months, output growth reached a four-month high and employment resumed expansion.

The Centre's fiscal deficit reached 7.10 lakh crore during April–August FY2026–27, equivalent to 41.9% of the full-year target, compared with 38.1% at the same stage a year earlier. Total expenditure was 20.8 lakh crore, while capital expenditure reached 5.1 lakh crore.

India's external debt rose by US$15.4 billion during the June quarter to US$778.2 billion. The external-debt-to-GDP ratio nevertheless eased marginally to 20.8% from 20.9% at end-March. Long-term debt stood at US$624.7 billion and short-term debt represented 19.7% of the total.

Global Markets

US equities finished the week mixed. The Nasdaq Composite rose 0.5%, while the S&P 500 declined 0.3% and the Dow Jones Industrial Average fell 1.3%. On Friday, all three indices advanced after the US employment report came in weaker than expected. Long-dated Treasury yields remained elevated during the week, with the 10-year yield reaching a 24-year high near 5.35% before retreating from its peak.

The US economy added 29,000 nonfarm payrolls in September, well below the consensus expectation of about 84,000, and the unemployment rate edged up to 4.2% from 4.1%. July and August payrolls were revised down by a combined 60,000. Average hourly earnings increased 0.1% month on month and 3.0% year on year.US Bureau of Labor Statistics, 2 October 2026

US real GDP growth for the second quarter was revised up to a 2.2% annualised rate from 1.5%. August headline PCE inflation rose 0.3% month on month and 3.4% year on year, while core PCE increased 0.2% and 3.0%, respectively. The ISM Manufacturing PMI held in expansion territory at 54.5 in September, with new orders strengthening but the prices-paid index rising sharply to 77.9.Institute for Supply Management

China's official manufacturing PMI returned to expansion, rising to 50.1 in September from 49.8 in August. The non-manufacturing index improved to 50.2 from 49.0, suggesting a modest broadening of activity, though employment and smaller-enterprise readings remained soft.

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Currency, Crude and Institutional Flows

Indian Rupee

The rupee weakened during the week as oil prices and foreign outflows increased demand for dollars. It closed at 96.3150 per US dollar on 1 October, down about 0.5% on the day and at its weakest level in roughly two months. This replaces the draft's opening-only figures and provides the latest domestic-market close available for the review period.

Crude Oil

Brent crude was volatile rather than uniformly higher. It closed at US$105.28 on 28 September, rose to US$103.53 on 30 September after an intraday move above US$108 earlier in the week, and finished Friday, 2 October, at US$102.25. That was 1.98% below the 25 September close of US$104.32, although prices remained high enough to pose a material risk to India's inflation, import bill and currency.FT/LSEG historical prices

FII & DII Flows

Foreign investors sold Indian equities in every session of the four-day trading week. Provisional combined exchange data show net FII/FPI selling of 5,353.22 crore on 28 September, 9,980.22 crore on 29 September, 10,148.41 crore on 30 September and 9,484.22 crore on 1 October—approximately 34,966 crore for the week. DIIs were net buyers on each day, purchasing approximately 33,455 crore in aggregate. On 1 October alone, FIIs sold 9,484.22 crore while DIIs bought 10,041.84 crore.NSE provisional cash-market data

Gold, Silver and other Assets

Precious metals remained sensitive to effects of geopolitical demand, a strong dollar and elevated real yields. Gold traded around US$4,171 an ounce at the end of the period, below the levels quoted in the original draft. Because different sources use spot, continuous-futures and contract-specific prices, the report should identify the benchmark whenever an exact gold or silver price is used. For this reason, the unverified COMEX figures of US$4,253.40 for gold and US$63.01 for silver have been removed from the main narrative.

WEEK AHEAD

Domestic growth data remained constructive, but the near-term market balance was still dominated by external risks: elevated crude oil, a weak rupee, persistent foreign selling and high global yields. The latest US employment report reduced the probability of an immediate Federal Reserve rate increase, which may offer some relief to global risk assets and yields. However, the rise in US manufacturing input-price pressure and continued geopolitical uncertainty argue against assuming a smooth disinflation path.

Key factors to monitor are:

- Any durable easing in crude oil and shipping-risk premia
- Whether foreign selling moderates after the exceptionally heavy four-session outflow;
- The rupee's ability to stabilise around recent lows;
- Incoming US inflation data and the Federal Reserve's October policy meeting;
- India's services and composite PMI readings, inflation data and RBI policy communication; and
- Whether stronger domestic industrial and manufacturing data translate into earnings resilience.

After an eighth consecutive weekly decline, valuations and domestic institutional demand may provide tactical support. A sustained recovery, however, is likely to require both softer oil prices and a clear moderation in foreign outflows.

Source: Bloomberg, BSE, NSE, RBI, MoSPI, HSBC/S&P Global PMI, US Bureau of Labor Statistics as on 5 October 2026 or as latest available.

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