

3rd OCTOBER 2025

September 2025 witnessed notable movements across global capital markets with India and U.S. showing distinct patterns influenced by macroeconomic policies and geopolitical developments. Markets were impacted by key events such as the ongoing U.S.-India trade talks, GST 2.0 reforms in India, Federal Reserve's interest rate cut, and tariff-related announcements, all of which shaped investor sentiment and asset class performance.

The end of September 2025 also marks one year since Nifty 50 peaked at its all-time high of 26,216. There have been multiple developments since then including a China Stimulus package, 50bps rate cut by Fed Reserve, U.S. Elections, tariff announcements, tensions in the Middle East, UK-India FTA deal, 100 bps rate cut by RBI and now a 25bps rate cut by the Fed Reserve. Indian equities have underperformed in the last 12 months with Nifty 50 returning -6% for the period. However, it is important to note that Indian equity valuations were high to begin with in this period, corrected to attractive valuations in April 2025 and have since returned moderate levels.



Source: Investing.com (Data as on 30th September 2025)

EQUITIES:

INDIA: Nifty 50 remained flat, gaining 0.75% in September 2025, closing at 24,611 amid cautious optimism driven by GST reform prospects. Consumer Durables (+9.6%), Auto (+6.3%) and Oil & Gas (+4.5%) sectors exhibited strong performance; contrarily, IT (-4.3%), Energy (-3.8%) and FMCG (-2.5%) saw pressure from U.S. visa/tariff headlines and FII selling. On a quarterly basis, Nifty 50 declined by 3.6% in Q2FY2025. Top performing sectors were Auto (+11.2%) and Consumer Durables (+5.3%); underperformers this quarter were IT (-13.6%), Infrastructure (-12.1%) and Banks (-5.6%).

Midcaps and Smallcaps also fell in Q2FY26 with Midcap 150 declining 4.3% while Smallcap 250 declined 6.2%; on a monthly basis, both indices rose slightly by 1.4% and 1.1%. FIIs were net sellers for the third month in a row reflecting persistent risk aversion due to trade uncertainties and tariff concerns, ending the month with a net outflow of ₹18,928 Cr, recording a net outflow of ₹81,474.4 Cr in Q2FY26. DIIs recorded net inflows of ₹44,582 Cr (as on 3rd October 2025) for the month and ₹1,60,516 Cr in Q2FY26, supporting stability in the market.

| INDICES | CURRENT | 10 YR MEDIAN | AVERAGE (SI) | COMMENT |
|-------------------------------|---------|--------------|--------------|---------------|
| NIFTY 50 (PE) | 21.8 | 23.4 | 21.0 | FAIRLY VALUED |
| NIFTY 50 (PB) | 3.4 | 3.6 | 3.6 | UNDERVALUED |
| NIFTY 50 (DIVIDEND YIELD) | 1.4 | 1.3 | 1.4 | OVERVALUED |
| NIFTY MIDCAP 150 (PE) | 32.8 | 33.7 | 31.1 | OVERVALUED |
| MIDCAP 150 (PB) | 4.2 | 3.3 | 3.0 | OVERVALUED |
| MIDCAP 150 (DIVIDEND YIELD) | 0.9 | 1.0 | 1.2 | OVERVALUED |
| SMALLCAP 100 (PE) | 30.3 | 32.9 | 43.9 | UNDERVALUED |
| SMALLCAP 100 (PB) | 3.8 | 3.3 | 3.0 | OVERVALUED |
| SMALLCAP 100 (DIVIDEND YIELD) | 0.7 | 0.9 | 1.1 | OVERVALUED |
| S&P 500 (PE) | 29.9 | 25.1 | 20.4 | OVERVALUED |

Data as on 30-September-2025

As of September 30th, Nifty 50 was trading at 21.8x, slightly above its all-time average of 21x but below its 10-year median of 23.4x; Nifty Midcap 150 traded at a PE of 32.8x is above its all-time average of 31.1x but slightly below its 10-year median of 33.7x.

U.S.: U.S. equity markets had another strong month in September 2025. Nasdaq 100 (+5.4%), S&P 500 (3.5%) and Dow Jones (+1.9%) had an impressive month achieving their all-time highs of 24,761, 6,693 and 45,397 respectively. On a quarterly basis, Nasdaq (+8.8%), S&P 500 (+7.8%) and Dow Jones (+5.22%) rose impressively in Q2FY26. The rally was buoyed by the Federal Reserve's 25 basis-point rate cut on 17th September, easing borrowing costs and encouraging risk-on sentiment. As U.S. indices continue their rise in September 2025, valuations remain elevated – Nasdaq 100 currently trades at 33.2x PE compared to the 10-year average of 27.8x and S&P 500 trades at 29.9x PE compared to 10-year average of 25x. The top 10 companies now constitute approximately 38% of the S&P 500, presenting concentration risk.

FIXED INCOME:

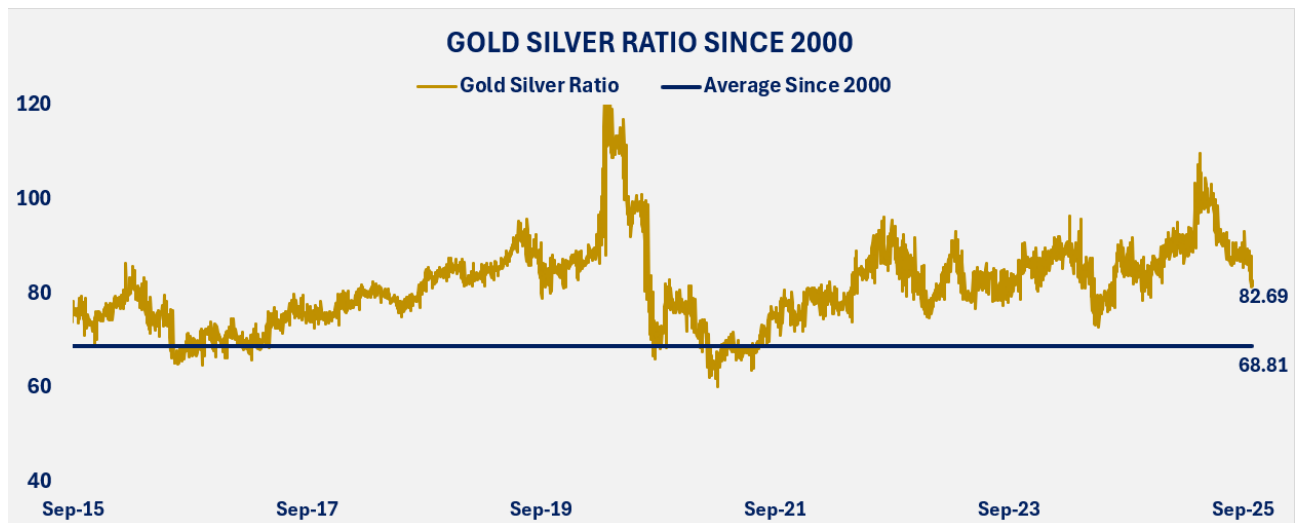
| BOND YIELD | CURRENT | 10 YR AVERAGE | AVERAGE (SI) | COMMENT |
|------------|---------|---------------|--------------|------------|
| 1 YEAR | 5.73% | 6.04% | 6.60% | OVERVALUED |
| 2 YEAR | 5.85% | 6.26% | 6.80% | OVERVALUED |
| 3 YEAR | 5.96% | 6.45% | 7.00% | OVERVALUED |
| 4 YEAR | 6.15% | 6.63% | 7.20% | OVERVALUED |
| 5 YEAR | 6.28% | 6.71% | 7.20% | OVERVALUED |
| 6 YEAR | 6.41% | 6.87% | 7.40% | OVERVALUED |
| 7 YEAR | 6.52% | 6.94% | 7.40% | OVERVALUED |
| 8 YEAR | 6.62% | 7.01% | 7.50% | OVERVALUED |
| 9 YEAR | 6.63% | 7.00% | 7.50% | OVERVALUED |
| 10 YEAR | 6.57% | 6.90% | 7.40% | OVERVALUED |

Data as on 30-September-2025

INDIA: The Indian bond market saw the yield curve shift slightly lower as 10-year yield fell from 6.59% to 6.57%, reflecting easing inflation pressures and expectations of monetary policy easing by the RBI. The RBI kept repo rate unchanged but flagged potential rate cuts in December. The bond market reacted positively to these signals, with yields edging lower in anticipation

U.S.: The US 10-year Treasury yield declined marginally from 4.23% to 4.15%, reflecting expectations of further rate cuts after the mid-September 25 bps rate reduction. Although markets anticipate gradual monetary easing later in the year, current yield levels indicate some risk premium for growth/credit uncertainty. The Fed shift in its monetary policy toward easing due to slower labor market growth, with inflation remaining at 2.9%, contributed to the decline in yields.

COMMODITIES & CURRENCY: WTI crude oil prices fell by 2.5% in September 2025 from \$63.96 to \$62.37 per barrel, pressured mainly by expectations of significant OPEC+ production increases in November 2025. The USD/INR pair was notably volatile amid capital outflows and tariff concerns, closing at all-time low of ₹88.84 from ₹85.17. The Dollar Index remained flat rising marginally in September from 97.77 to 97.78, bringing its Q2FY26 rise to just about 1%. Gold rose 11.9% from ₹1,04,950/10g to an all-time high of ₹1,17,440/10g amid geopolitical and economic uncertainties, bringing its Q2FY26 rise to 20.7%. Silver has also had an exceptional run, rising 20.8% in September 2025 from ₹1,25,000/kg to ₹1,51,000/kg. The Gold-Silver Ratio (Gold/Silver, per gram) is currently at 82.69, above its 25-year average of 68.81, suggesting that gold has risen faster than silver. The ratio has been trending downward from 109.75 since April 2025; gold rose 20% while silver rose 55% in the same period. Should gold prices continue their uptrend, and the ratio revert to its average level, there may be an opportunity in silver.



Source: Investing.com (Data as on 30th September 2025)

ECONOMIC INDICATORS: India headline CPI rose from 1.6% in July 2025 to 2.07% in August 2025. RBI maintained status quo on rates at 5.5% the earlier estimate of 6.5%. India unemployment rate fell from 5.2% in July to 5.1% in August. Net GST collection for September 2025 grew by a 5% over September 2024 at ₹1.6 Lakh Cr compared to 10.7% y-o-y growth achieved in August; gross revenue from domestic transactions saw a 6.8% y-o-y increase.

US inflation rose from 2.7% in July to 2.9% in August and US unemployment rate rose from 4.2% to 4.3% in the same period. The Federal Reserve announced its decision to cut interest rates by 25 bps on 17th September – the first cut this year. Fed Chair Jerome Powell stated tariffs are beginning to push up some prices but the overall effects on economic activity and inflation remain to be seen; on the job market lower immigration, not tariffs, are having a bigger impact.

OUTLOOK & STRATEGY:

The Indian equity market outlook remains positive, supported by a combination of strong domestic investor participation, a stabilizing economy, and ongoing government reforms including GST 2.0 and capital expenditure boosts. Upcoming earnings announcements are keenly awaited amid improving credit growth, rising consumption patterns, and strong retail inflows. Although U.S. equity markets are expected to continue benefiting from the Federal Reserve's easing monetary policy, geopolitical tensions and trade uncertainties still pose risks. Additionally, we continue to recommend maintaining a defensive tilt as the U.S. market remains at elevated valuations and poses concentration risks. Gold continued to be a key safe-haven asset amid lingering geopolitical uncertainties, inflation volatility, and monetary policy transitions globally. With the U.S. dollar showing weakness amid Fed rate cuts, gold's dollar-denominated price is expected to maintain support, serving as an effective portfolio hedge against market volatility and currency risk. We maintain our recommendation to retain allocations to gold for diversification and risk mitigation.

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