mahindra Manulife MUTUAL FUND

India Rebounds: Markets Cheer Festive Demand, Easing Inflation & Earnings

Indian markets rebounded in October, driven by festive demand, Good and Services Tax (GST) cuts, and strong Q2 earnings. Nifty seems rose 2.1%, mid and small caps outperformed, and Foreign Portfolio Investors(FPI) returned with ₹14,610 crore in net inflows. Inflation dropped to 1.54%, prompting Reserve Bank of India(RBI) to hold rates at 5.5%. Global cues were mixed—Japan rallied, China weakened, and the US faced a prolonged shutdown. Metals surged, boosting sentiment. Corporate earnings rose 15% YoY, led by commodities. Outlook likely to remain constructive with improving valuations and potential US trade deal. Large caps likely to offer safety; hybrid funds may suit conservative investors amid global uncertainties.

Source: Internal Research

EQUITY MARKET OUTLOOK

MOMENT OF THE MONTH:

- **Gold & Silver surge:** Gold rose from $3,800 to make a high of $4380 (13% gain) but ended up 3.5% for the month. Silver climbed from $47 up 14% intra month but ended 3.3% for the month. Both metals have posted stellar returns in last 12 months supported by safe-haven demand amid global uncertainty and monetary easing.
- **U.S. Government Shutdown:** The U.S. entered a historic shutdown on October 1, lasting over 35 days due to partisan gridlock over healthcare and fiscal policy. Nearly 2.9mn federal workers have been affected. The shutdown is estimated to shave 1-2 percentage points off Q4 GDP, with $7-14 billion in permanent output loss.
- **China bans rare-earth exports:** China imposed strict export controls on rare earths and magnet tech, targeting U.S. defence and chip sectors. After diplomatic talks, China suspended the new curbs for one year but retained earlier restrictions from April.
- India-EFTA Free Trade Agreement became operational on October 1, unlocking $100 billion in investment over 15 years and expanding market access for Indian exports.
- US tariffs continued to impact Indian exports, especially textiles and gems. However, trade talks are progressing toward a likely potential interim agreement to reduce tariffs to ~15-16%.
- **U.S. Sanctions on Russia:** On October 22, the U.S. and EU imposed sweeping sanctions on Russian oil majors, targeting Rosneft, Lukoil, and 34 entities. Indian refiners cut Russian crude orders, with imports falling from 1.95 to 1.19 million barrels/day to avoid secondary sanctions. Public sector refiners paused new contracts, while Reliance pivoted to Middle Eastern grades, raising costs and pressuring margins.
- RBI retained repo rate at 5.5% in its October policy review, citing favourable inflation trends and global monetary easing.

Source: Bloomberg

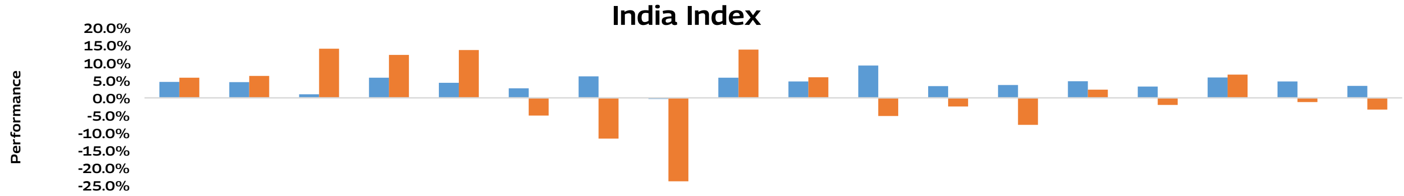
WHO MOVED MARKETS

- FPIs were net buyers of Indian stocks in October, investing ₹14,610 crore after a three-month selling spree. This shift was driven by a strong Initial Public Offering (IPO) pipeline, robust corporate earnings, and expectations of US Federal Reserve interest rate cuts. While they were net buyers overall, FPIs continued to be net sellers in the secondary (stock exchange) market, with their primary market investments offsetting secondary market selling.

Source: Bloomberg

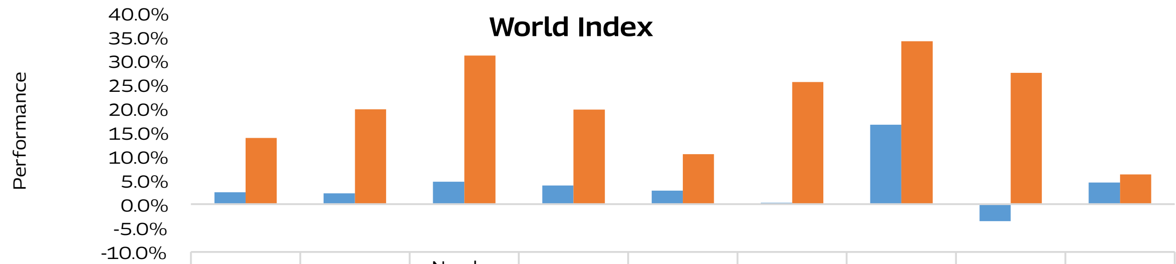
MOVERS & SHAKERS

India Index



	S&P Bse Sensex Index	Nifty 50	Nifty Auto	Nifty Bank	Nifty Financial Services	Nifty FMCG	Nifty IT	Nifty Media	Nifty Metal	Nifty Commo dities	Nifty Realty	Nifty Pharma	Nifty Energy	BSE Midcap	BSE Small Cap	Nifty Midcap 100	Nifty Small Cap 100	BSE 250 Small Cap
1 Mth Performance	4.6%	4.5%	1.0%	5.7%	4.3%	2.7%	6.1%	-0.3%	5.7%	4.7%	9.2%	3.4%	3.6%	4.7%	3.2%	5.8%	4.7%	3.4%
1 Yr Performance	5.7%	6.3%	14.0%	12.2%	13.6%	-5.1%	-11.6%	-23.8%	13.8%	5.9%	-5.2%	-2.5%	-7.7%	2.3%	-2.0%	6.6%	-1.2%	-3.4%

Source: Bloomberg; Data as on October 31, 2025; Performance - Absolute returns. ***Past performance may or may not be sustained in future.***



	Dow Jones Indus. Avg	S&P 500 Index	Nasdaq Composite Index	Ftse 100 Index	Cac 40 Index	Dax Index	Nikkei 225	Hang Seng Index	Nifty 50
1 Mth Performance	2.5%	2.3%	4.7%	3.9%	2.9%	0.3%	16.6%	-3.5%	4.5%
1 Yr Performance	13.9%	19.9%	31.1%	19.8%	10.5%	25.6%	34.1%	27.5%	6.3%

Source: Bloomberg; Data as on October 31, 2025; Performance - Absolute returns. ***Past performance may or may not be sustained in future.***

PERFORMANCE SNAPSHOT OF SECTORAL INDICES - MONTH ON MONTH

Indices	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Nifty 50	-6.2	-0.3	-2.0	-0.6	5.9	6.3	3.5	1.7	3.1	-2.9	-1.4	0.8	4.5
Nifty Midcap 100	-6.7	0.5	1.4	-6.1	-10.8	7.8	4.7	6.1	4.0	-3.9	-2.9	1.4	5.8
Nifty Small Cap 100	-3.0	0.3	0.6	-9.9	-13.1	9.5	2.2	8.7	6.7	-5.8	-4.1	1.9	4.7

Note *- Green highlighted cells represent highest returns amongst the 3 indices provided above; Orange highlighted cells represent lowest returns amongst the 3 indices for the respective month end periods. Performance - Absolute returns. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns.* ***Past performance may or may not be sustained in future.***

Source: Bloomberg Data as on October 31, 2025

Indices	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Nifty Auto	-13.0	-0.6	-2.3	0.1	-10.4	3.9	4.8	4.6	2.3	-0.9	5.5	6.3	1.0
Nifty Bank	-2.8	1.1	-2.3	-2.5	-2.5	6.7	6.8	1.2	2.8	-2.4	-4.1	1.8	5.7
Nifty Financial Services	-2.4	0.5	-2.1	-1.2	-0.8	8.9	4.1	1.5	2.5	-1.9	-4.1	1.8	4.3
Nifty FMCG	-9.7	-2.1	-2.0	-0.2	-10.6	5.7	5.3	-2.1	-0.7	1.7	0.6	-2.5	2.7
Nifty IT	-3.7	6.8	0.4	-1.6	-12.5	-1.2	-3.0	4.3	4.4	-9.4	-0.3	-4.3	6.1
Nifty Metal	-8.5	-3.1	-4.3	-2.9	-2.1	10.6	-5.6	7.1	3.7	-2.6	-1.4	9.6	5.7
Nifty Realty	-9.0	2.1	3.2	-12.4	-13.4	6.7	4.1	7.2	3.9	-7.5	-4.6	-0.4	9.2
Nifty Pharma	-2.3	-2.2	5.3	-8.4	-7.6	6.7	3.0	-1.5	2.8	3.3	-4.2	-1.6	3.4
Nifty Energy	-10.7	-4.6	-6.1	-3.7	-11.4	11.8	2.0	4.8	1.9	-4.0	-4.2	4.0	3.6

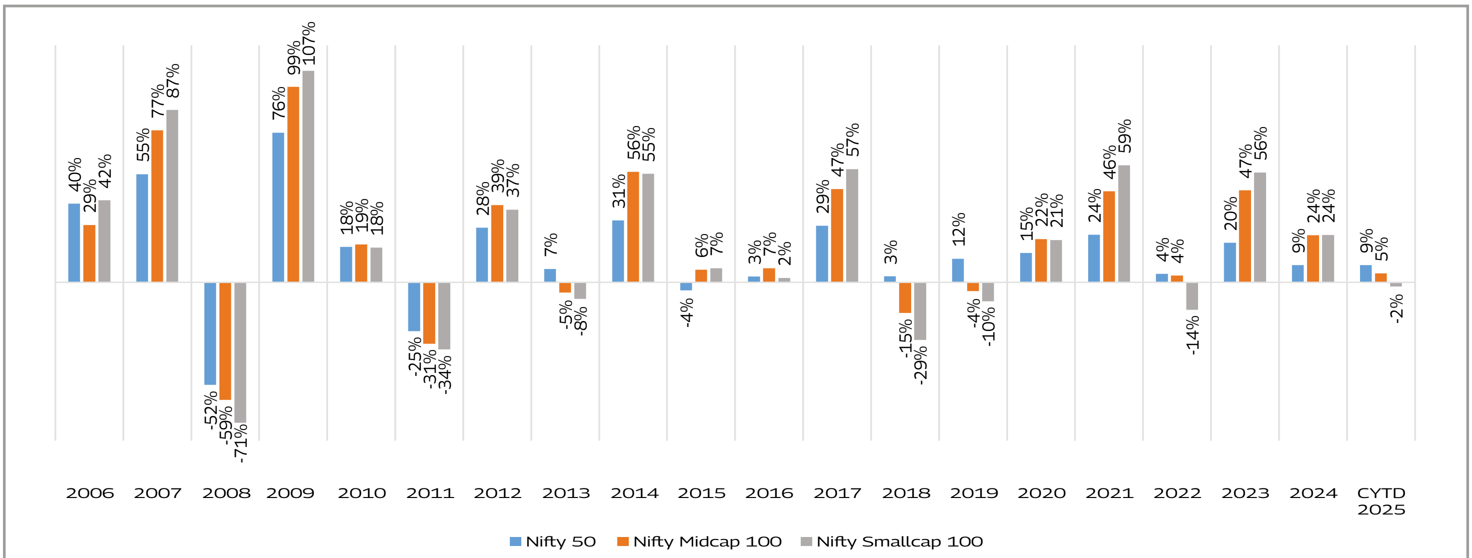
Note *- Cells highlighted in green colour represents top 2 performers and the orange highlighted cells represent bottom 2 performers amongst the indices covered above for the respective months.*

Source: Bloomberg.

Returns have been calculated on Absolute basis for respective month end periods beginning October 2024 until October 2025. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. ***Past performance may or may not be sustained in future.***

Data during the period of October 2024 to October 2025.

MARKET CAPITALIZATION - PERFORMANCE SNAPSHOT



Source:- MFI, 31st October 2025 | Data period: January 1, 2006, till October 31,2025. Returns are absolute returns (1 year) calculated as of the last business day of every calendar year end. Past performance may or may not be sustained in future.

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FIXED INCOME OUTLOOK

BOND AND MONEY MARKET

Parameters	31-Oct-2025	30-Sep-2025	31-Oct-2024
RBI Repo Rate %	5.50	5.50	6.50
5Y AAA PSU %	6.85	7.00	7.44
1 year CD %	6.56	6.35	7.46
10Y Gsec %	6.53	6.58	6.85
CPI (%)	1.54	2.07	5.49
IIP (Year-on-year) %	4.0	4.0	-0.1
US 10Y %	4.08	4.15	4.28
Dollar Rupee	88.77	88.84	84.08

Source: Bloomberg; Data as on October 31, 2025

THE FIXED INCOME GLANCE

1. India - RBI Policy and Bond Market

- **The Reserve Bank of India (RBI)** maintained its repo rate at 5.5% in the October 2025 Monetary Policy Committee (MPC) meeting, marking a second consecutive pause. The policy stance remains neutral, supported by benign inflation and resilient domestic demand. The RBI revised its FY26 GDP growth forecast upward to 6.8% and lowered Consumer Price Index (CPI) inflation projection to 2.6%.
- **Bond Market Performance:**
  - The 10-year government bond yield ended October at 6.53%, reflecting stability amid dovish policy tone.
  - RBI conducted a ₹32,000 crore bond auction, including Sovereign Green Bonds, which saw strong demand.
  - Corporate bond issuance remained robust, especially in the 2-5 year segment, supported by retail and institutional demand.

2. Global Central Bank Actions

- **Federal Reserve (USA):**
  - Cut benchmark rate by 25 bps to 3.75-4.00% on October 29, citing labor market weakness and inflation at 3.0%.
  - Chair Powell signaled caution for further cuts due to data blackout from the government shutdown.
  - Fed ended quantitative tightening effective December 1, 2025.
- **European Central Bank (ECB):**
  - Held deposit rate at 2.0% in October, citing balanced risks and inflation at 2.2%.
  - ECB remains cautious amid geopolitical tensions and fiscal uncertainty in member states.
- **Bank of Japan (BoJ):**
  - Maintained ultra-loose policy with 30-year yields falling ~10 bps in October.
  - Fiscal concerns eased under new leadership, supporting bond market recovery.

3. Inflation Trends

- **India:**
  - CPI inflation dropped to 1.54% in October, the lowest since June 2017.
  - Food inflation remained negative, driven by favorable monsoon and GST rate cuts.
- **USA:**
  - CPI inflation rose slightly to 3.0% in September, driven by gasoline and shelter costs.
  - Core inflation remained stable at 3.0%, with Fed's preferred PCE index at 2.74%.
- **Eurozone:**
  - Headline CPI at 2.2%, core inflation at 2.3%, driven by services and food prices.

4. Global Bond Market Trends

- October witnessed a rebound in global bond markets:
  - UK gilts rallied with 10- and 30-year yields falling ~30 bps.
  - German and French bonds saw their biggest monthly gains since April.
  - Japanese long-term yields declined amid easing fiscal concerns.
  - US Treasury yields remained range-bound, with 10-year yield ending near 4.02%.
- Investor sentiment improved as inflation moderated and central banks signalled cautious easing. Emerging market bonds benefited from local currency issuance and domestic absorption, though risks remain from high debt and narrow investor bases.

Source: RBI

WHAT NEXT?

Economy Check

India Economy

- GST collections for October stood at ₹1.96 trillion, a 4.6% YoY increase, indicating healthy consumption. Net GST collections came at ₹1.69 trillion a 0.6% YoY increase.
- Index of Industrial Production (IIP) growth in September increased to 4% flat versus August. Manufacturing sector grew at 4.8%, Mining was flat, Electricity grew by 3%. Consumer non-durables degrow by 2.9%.
- Inflation: CPI fell to 1.5% in September and is expected to dip further in October due to GST rate cuts.
- U.S. Dollar Index (DXY) ended up 1.5% for the month closing at 99.5 but INR traded flat in a narrow band.
- Fiscal deficit for Apr-Oct FY26 reached ₹7.2 trillion, ~46% of the full-year target. The widening is due to higher capex and lower-than-expected tax collections. Non-tax revenues remained strong, led by RBI dividend and telecom spectrum receipts. Net direct tax collections rose 6.33% YoY

Source: Internal Research

Markets

- Indian markets rebounded in October 2025. Nifty gained 2.1%, Sensex rose 1.8%, Midcap index up 3.4%, and Smallcap index surged 5.2%. Diwali has been strong for auto sales and select durables. Q2 results so far has been strong. 214 of the NSE500 companies have reported so far and revenue growth is 5% Yoy and earnings growth is 15% YoY primarily led by commodity sectors. BFSI sector profit grew mere 4% YoY with private banks down 3.4% and PSU banks up 7.6%. Non BFSI companies revenue grew by 8% and profit 24% YoY. Excluding commodity sectors earnings growth for non-BFSI companies was 7.6%.
- Global markets were mixed. US indices continued their rally with SPX up 2.3% and Nasdaq up 4.7%. European markets continued their strong momentum. Japan's NIKKEI was up 16% for the month. However, Hang Seng declined 3.5% amid China slowdown concerns and increasing the tariff noise against the USA.
- Among the Nifty sectoral indices, Nifty Realty, IT, Metals and Banks outperformed while Auto, Media and FMCG underperformed Nifty.
- Domestic Flows: Active equity funds flows dipped 10% MoM to ₹30,400 Crore. Gross Systematic Investment Plan (SIP) flows in September 2025 reached an all-time high of ₹29,400 Crores. Notably, September also marked a spike in gold ETF inflows at INR 84 bn (vs INR 22 bn in August).

Source: Bloomberg Data as of October 2025

Outlook

"Tariff-related tensions were relatively muted this month, with only China escalating its position on rare earth exports. In the U.S., President Trump was preoccupied with the government shutdown and increasing pressure on Russia. Meanwhile, India experienced a relatively peaceful month on the geopolitical front, which contributed to a strong market rebound. The GST rate cuts supported domestic demand, and Q2 corporate earnings along with management commentary were notably strong. Additionally, the rally in gold prices lifted domestic sentiment, especially given the high level of household gold ownership in India—estimated at 34,900 tons collectively."

- Ministry has hinted that we could sign a deal with the US soon and this we believe could be a key short-term trigger for the equity markets and help us get a clear view on exports going forward.
- After 6 months of relative underperformance India has finally seen a pullback rally versus Emerging Markets. We believe momentum could sustain as valuations look reasonable and earnings cut cycle is behind. However, we need to be watchful of global markets as US economy could be impacted by prolonged shutdown and high inflation (due to tariffs) leading to some stagnation in economy and possible cool down of their markets.
- We believe asset allocation remains key for investors in their journey of wealth creation. The allocation is applicable to both equity as an asset class as well as choice of market capitalization within equities. From investors perspective, we continue to believe as an aggregate large cap could offers better value and margin of safety as compared to micro caps, small caps & mid-caps. The risk to large caps remains in further selling by FPI's as they primarily own large caps.
- Investors with near-term objectives or low risk appetite may opt to prefer Equity Hybrid Funds or multi- asset allocation funds. Investors with a longer-term horizon may continue to remain invested with fresh equity allocation towards large caps.

Source: Internal Research

SUMMARISING OUR THOUGHTS

- The fixed income landscape in October 2025 was shaped by dovish central bank actions, subdued inflation, and resilient macro fundamentals. India's bond market remained stable with strong issuance and demand, while global markets saw a recovery amid easing inflation concerns.
- Against this backdrop, our portfolio strategy remains cautiously constructive:
  - Maintain a low duration stance
  - Continue to diversify into high-quality corporate bonds
  - Opportunistically add longer-dated gilts if yields rise
- We remain vigilant on:
  - Commodity price volatility
  - Currency movements
  - Global trade dynamics

These factors could influence inflation and rate expectations in the coming quarters.

Source: Internal Research

From the CIO Desk...

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CIO - Equity

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