SAMVAAD
Monthly Newsletter
October 2026

mahindra Manulife MUTUAL FUND

WHEN THE NOISE GETS LOUDER, FUNDAMENTALS MATTER MORE

September brought a barrage of global headwinds. Rising bond yields, fresh rate hikes by central banks, elevated crude prices, widening geopolitical tensions, AI-led shifts in global trade and renewed Foreign Institutional Investor (FII) selling, combined to unsettle markets and triggered a broad-based correction in equities. As investors grappled with tighter financial conditions and an increasingly uncertain global outlook, volatility returned to centre stage.

Yet, beneath the turbulence, India's growth story remained firmly intact. Strong domestic inflows, resilient corporate earnings, robust economic activity and sustained infrastructure investments continued to reinforce confidence in the country's long-term prospects. September served as a timely reminder that while markets often react to headlines, long-term wealth creation is ultimately driven by fundamentals. In a month dominated by global uncertainty, India's underlying resilience continued to stand out.

Source: Internal Research

EQUITY MARKET OUTLOOK

Moment of the Month:

- **US-Iran tensions and crude remain the key global macro overhang**

  The US-Iran conflict continued to drive volatility through September, with renewed tensions around the Strait of Hormuz keeping the geopolitical risk premium in energy markets elevated. Brent moved back above US$100/bbl (barrel) during September amid supply concerns, although prices remains highly sensitive to news around possible US-Iran negotiations. The persistence of elevated crude prices has increasingly transformed the conflict from a geopolitical issue into a macroeconomic risk, particularly for large energy importers such as India.

- **Global bond yields moved sharply higher**

  Global bond markets remained volatile, with US Treasury yields rising materially during September as rising fiscal deficit, resilient US economic data, higher energy prices and inflation concerns caused markets to reassess the interest-rate outlook. The US 10-year Treasury yield moved above 5% during the month and touched nearly 5.31% on September 30, its highest level since 2002. The FOMC (Federal Open market committee) hiked the Fed funds rate by 25 bps to 3.75-4%, in line with market expectations, the European Central Bank raised policy rates by 25 bps in the September policy and the Bank of Japan raised their benchmark policy rate by 25 bps to 1.25%,

- **Foreign Currency Non-Resident (Bank) [FCNR(B)] inflows provide an important external-sector buffer**

  The large mobilisation under FCNR(B) deposits stands out as an important source of comfort amid the deterioration in the external environment. Around US$127bn has been mobilised through FCNR deposits, materially strengthening India's Forex buffer and domestic liquidity. India's Forex reserves were around US$729bn in August, while the rupee remained around ₹95/US$.

- **Monsoon Activity:** The 2026 southwest monsoon concluded on a weak note. All-India rainfall during June-September stood at 759.4mm, or 87% of LPA (Long Period Average), implying a deficit of approximately 13%. While this is the fourth-lowest monsoon rainfall since 2001, the regional divergence is significant. Central India received around 97% of LPA, while Northwest India received 94.1%; however, South Peninsular India and East & Northeast India received just 76% and 74% of LPA, respectively. Despite the rainfall deficit, the impact on overall acreage was relatively contained. As of September 25, kharif sowing stood at around 110.7mn hectares, only 1.2% below last year, although dry spells in Maharashtra, Karnataka and other regions have increased uncertainty around final yields. Reservoir levels also warrant monitoring, particularly in southern India.

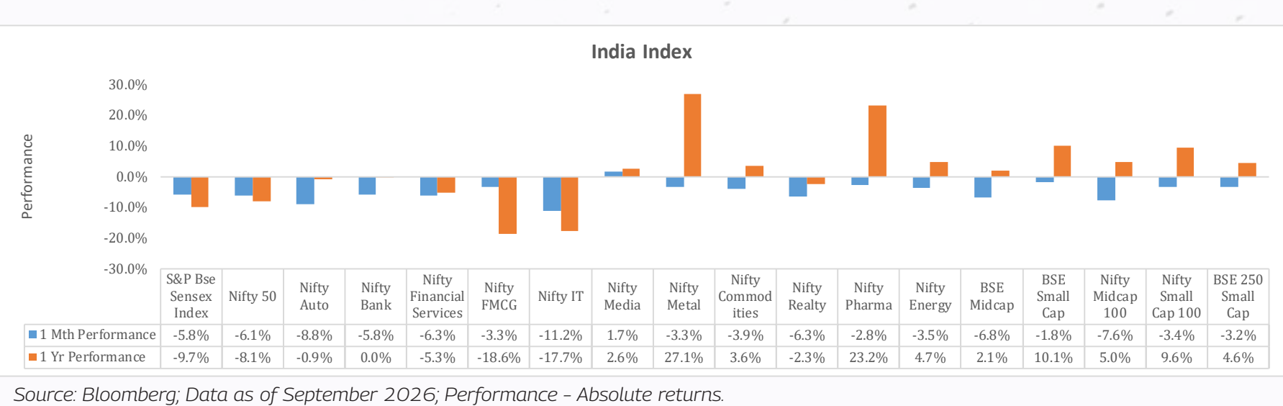
Source: Bloomberg

WHO MOVED MARKETS

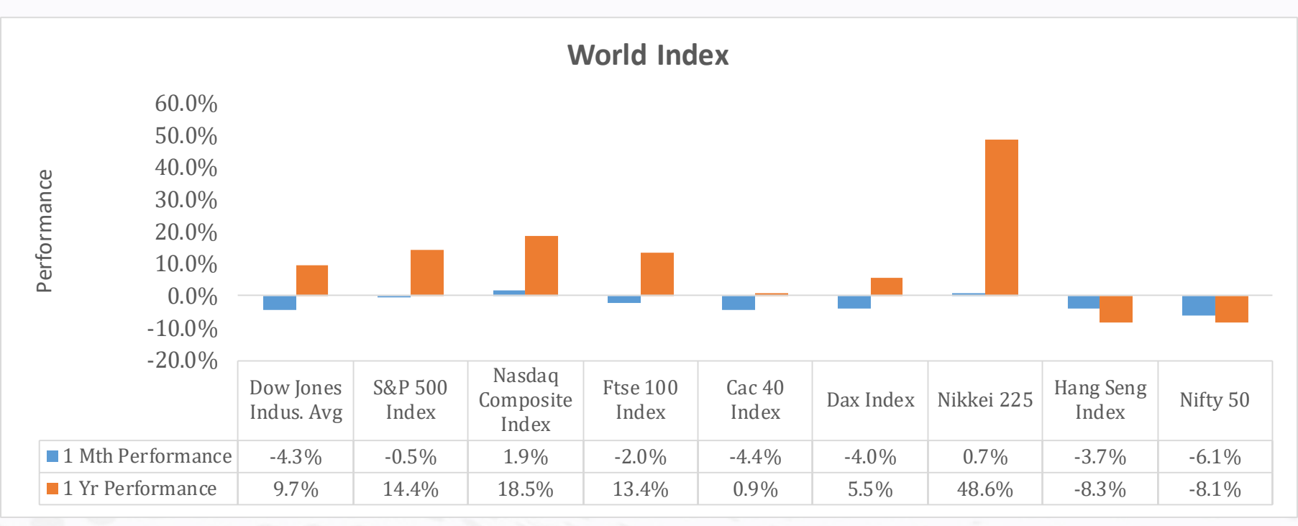
Foreign flows reversed sharply during September following two months of buying. FPIs (Foreign Portfolio Investor) sold around US$3.8bn in the secondary equity market in September, marking their highest monthly outflow in six months. Foreign selling was driven primarily by elevated crude prices, rising global bond yields, tighter global monetary conditions and currency concerns. Domestic institutions continued to provide an important counterbalance. On a provisional cash-market basis, Domestic Institutional Investors (DIIs) bought around ₹76,030 crore during September, helping absorb a significant part of the foreign selling.

Source: Bloomberg

MOVERS AND SHAKERS



Source: Bloomberg; Data as of September 2026; Performance - Absolute returns.
Past performance may or may not be sustained in future.



Source: Bloomberg; Data as of September 2026; Performance - Absolute returns.
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PERFORMANCE SNAPSHOT OF SECTORAL INDICES - MoM

Indices	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Nifty 50	0.8	4.5	1.9	-0.3	-3.1	-0.6	-11.3	7.5	-1.9	1.4	2.2	-1.2	-6.1
Nifty Midcap 100	1.4	5.8	2.0	-0.9	-3.4	1.2	-10.9	13.6	3.2	0.1	1.8	2.1	-7.6
Nifty Small Cap 100	1.9	4.7	-3.0	-0.6	-4.7	0.3	-10.2	18.4	0.7	4.0	2.5	3.1	-3.4

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. Returns have been calculated on Absolute basis for respective month end periods beginning September 2025 until September 2026. 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 of September 2026
Data during the period of September 2025 to September 2026.

Indices	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Nifty Auto	6.3	1.0	3.6	1.5	-5.1	5.3	-15.6	9.0	1.6	0.5	8.6	0.3	-8.8
Nifty Bank	1.8	5.7	3.4	-0.3	0.0	1.5	-16.9	9.1	-1.1	6.1	-0.5	1.3	-5.8
Nifty Financial Services	1.8	4.3	2.8	-1.0	-1.0	2.0	-15.6	9.1	-1.2	4.7	0.1	-1.1	-6.3
Nifty FMCG	-2.5	2.7	-1.1	-0.2	-7.7	-0.1	-11.0	12.2	-3.3	-1.2	0.7	-6.3	-3.3
Nifty IT	-4.3	6.1	4.7	1.3	0.4	-19.5	-5.0	1.0	-0.9	-9.6	16.8	1.6	-11.2
Nifty Metal	9.6	5.7	-3.0	8.5	5.9	3.5	-9.0	15.2	4.7	-6.9	1.6	3.7	-3.3
Nifty Realty	-0.4	9.2	-4.7	-2.8	-10.8	-0.3	-16.6	21.9	-1.4	6.0	8.7	0.3	-6.3
Nifty Pharma	-1.6	3.4	3.7	-1.2	-4.4	5.7	-3.1	4.7	4.6	4.0	4.8	2.5	-2.8
Nifty Energy	4.0	3.6	-2.0	-0.6	-0.5	5.4	-5.9	17.0	0.3	-2.8	-2.5	-2.0	-3.5

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.

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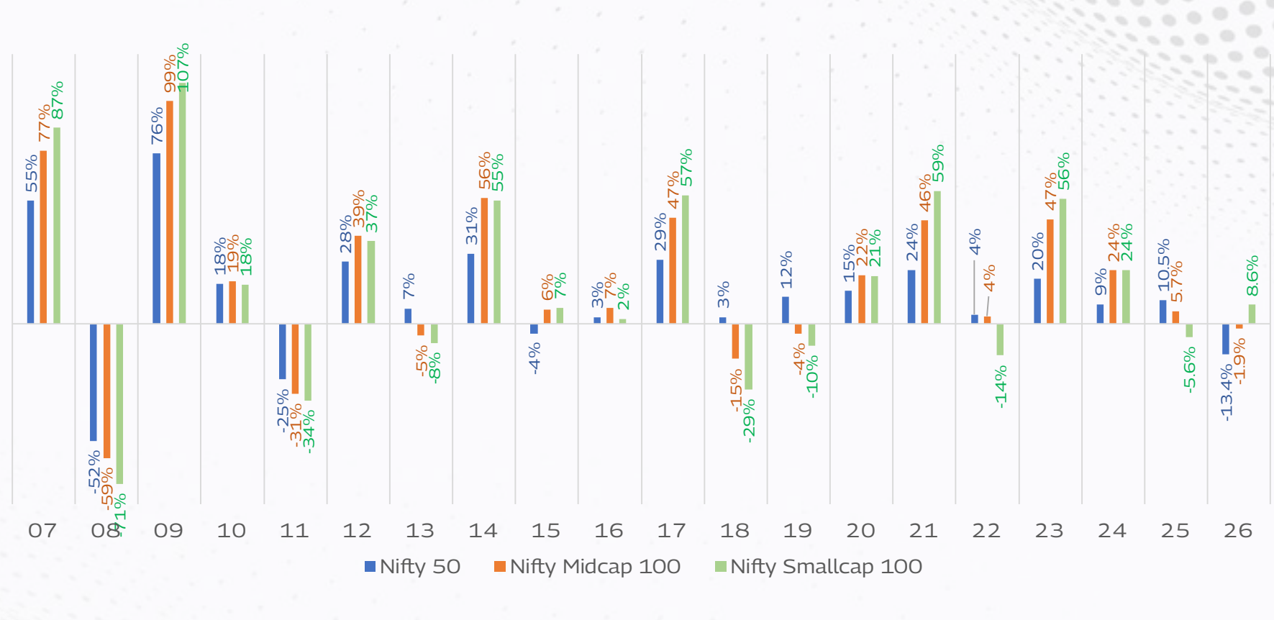
Data during the period of September 2025 to September 2026.

MARKET CAPITALIZATION- PERFORMANCE SNAPSHOT



Source: - MFI, 30th September 2026 YOY- Dec
Data period: January 1, 2007, till September 2026. 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	30-Sep-26	31-Aug-26	30-Sep-25
RBI Repo Rate %	5.25	5.25	5.50
5Y AAA PSU %	7.90	7.75	7.00
1 year CD %	7.59	7.20	6.35
10Y Gsec %	7.19	6.95	6.58
CPI (%)	4.82	4.45	1.41
IIP (Year-on-year) %	8.00	6.70	6.10
US 10Y %	5.28	4.75	4.15
Dollar Rupee	95.83	95.17	88.79

Source: Bloomberg; Data as on September 30, 2026

THE FIXED INCOME GLANCE

- It was a forgettable month for global fixed income markets. The benchmark US 10-year treasury yields moved up by around 53 basis points (bps) through the month to close at 5.28 %. The 53-bps rise is US treasury yields is the one of the highest single month rate rises since the last two and half decades. The US Fed reserve hiked rates by 25 bps in the month to 4% and looked like it is set up to rise by couple of more times through the next year. A combination of geopolitical conflict, rising AI capex spending and a large fiscal deficit continues to exercise pressure on US rates
- Globally Central bankers continued to raise rates with Japan, Australia and the European central bankers raising rates by 25 bps.
- Domestically, the benchmark 10-year gilt remained under pressure, due to the elevated crude prices, rising global rates. The benchmark 10-year gilt moved up by around 25 bps to close at 7.19%. The 5-year AAA credits also moved up by 25 bps. While overnight liquidity remains comfortable despite RBI liquidity sucking measures, the month end rates in the short end also moved up due the quarter crossing phenomenon which is expected to reverse next month.
- The INR weakened again last month by around 0.70% to close around 95.83.
- Domestic inflation inched up to 4.82 % with food inflation printing at 5.95 %. While the monsoons have shown a deficiency of around 12%, the sowing area of the kharif crops have dropped marginally. With globally food inflation also rising, it would weigh on policy decision through the year.

WHAT NEXT?

ECONOMY CHECK

INDIA ECONOMY

- **The Government has announced a ₹1.86 lakh crore green-energy infrastructure scheme to strengthen India's intra-state transmission network** for evacuation of up to 135 GW of renewable energy, alongside deployment of 50 GWh of Battery Energy Storage Systems (BESS). Targeted for completion by FY2032-33, the scheme includes ₹54,082 crore of Central financial support and will be a key enabler towards India's target of 900 GW non-fossil capacity by 2035, while providing a significant multi-year opportunity across transmission, power equipment, EPC and energy-storage players.
- **Defence ministry clears tri-services defence proposals worth INR1.10 lakh crore;**

  98% to be sourced locally. These approvals strengthen medium-to-long term order visibility for Indian defence manufacturers, with the high domestic sourcing component providing opportunities across platforms, electronics and critical systems
- **IRDAI proposed commission caps across classes of products and distributors:**

  IRDAI (Insurance Regulatory and Development Authority of India) has proposed a broad redesign of insurance distribution and cost structure to improve insurance affordability and penetration. Proposed EoM (Expense of management) limits are stringent and, proposal if implemented fully, might have implications across distribution/commission incomes of agents, distributors, brokers and lenders selling credit life.
- **High-frequency indicators** for September underscored robust economic activity. Auto registrations in Sep rose strong 38-56% YoY for 2Ws/PVs/trucks and 18% for tractors aided by low base as Sep-25 was affected by earlier timing of inauspicious period and deferment ahead of the GST cut. Overall GST tax collections posted a solid 15% expansion for the third consecutive month, though led by GST on imports. Railway freight growth remained steady at 6% yoy. India's peak power demand reached a record-breaking 269 GW in September 2026, driven by a deficit monsoon, intensive cooling needs, and expanding industrial activity Manufacturing PMI also saw a rebound fuelled by stronger domestic and export demand. Services PMI improved while electricity and fuel consumption, bank credit growth, capital goods production indicated healthy domestic demand and investment activity.

Source: Internal Research

MARKETS

- Globally, India was among the weaker-performing markets, underperforming most major global and regional indices. Only Indonesia (-7%) delivered a weaker return than India during the period. Key outperformers included Brazil (+4.8%) and Taiwan (+3.9%).
- Indian markets witnessed a broad-based correction in September, with the Nifty-50 Index declining 6.1%, while the Nifty Midcap 100 Index and Nifty Small cap 100 Index fell 7.6% and 3.4%. All major sectoral indices ended the month in negative territory. IT, auto and realty indices declined the most—11%, 9% and 6%. Market sentiment remained weak during the month as rising crude prices, persistent uncertainty over the US-Iran war and elevated global interest rates led to broad-based risk aversion.
- **Domestic Flows:** MF industry net inflows stood at ₹41,354 crore during the month. Equity-oriented schemes continued to see healthy flows, with net inflows increasing to ₹29,329 crore vs. ₹24,697 crore in July, marking the 66th consecutive month of positive equity flows. Small-cap and mid-cap funds attracted strong inflows of ₹7,973 crore and ₹6,989 crore, respectively, while large-cap funds saw net outflows of ₹1,147 crore. SIP inflows remained particularly resilient, reaching a record ₹32,297 crore in August-26 vs. ₹31,961 crore in July. Overall, domestic retail flows remains healthy despite concerns over crude prices and geopolitical volatility. This provides an important liquidity cushion for Indian equities amidst selling by FPIs & promoters as well as primary market issuances.

Source: Bloomberg Data as of September 2026

OUTLOOK

- The combination of high oil prices and rising long bond yields in key developed-market has tightened global financial conditions and reduced the relative attractiveness of emerging-market assets. FPIs remain a net seller in almost all emerging markets in 9 months of this CY2026. Rising global bond yields are putting pressure on domestic bond yields and RBI's policy response will be interesting to watch as it comes amidst rising liquidity post FCNR B issuance.
- Indian markets continue to face a series of largely "imported problems" over the past 18-24 months, including Trump tariffs, AI-led global disruption, rising energy prices as an outcome of the US-Iran war. While these developments have created significant volatility and valuation compression, the impact on India's underlying growth and corporate earnings has been relatively contained when seen from the perspective of Indian investors. The picture however differs when seen from FPI eyes as India's energy import dependency and depreciating currency emerges as a material risk vis a vis amongst other emerging markets.
- The U.S. House has approved legislation that empowers the President to levy tariffs of up to 100% on major buyers of Russian oil and gas, a category that could include India. There is a considerable discretion available to the U.S. President but tariffs if imposed has potential to create a more direct impact on exports, corporate earnings, the rupee and India's energy-sourcing decisions.
- Indian equities significantly outperformed most global markets since the pandemic till Dec 2024. A meaningful contributor to this performance was valuation re-rating accompanying the healthy earnings growth. The recent correction led mainly by "imported factors", is more of a cyclical adjustment rather than the start of broad-based earnings reset. While valuations have moderated from elevated levels, corporate earnings remain resilient and continue to grow at a healthy pace. Markets may also be digesting a range of near-term uncertainties, including energy price volatility, geopolitical tensions and the potential impact of AI-led disruption on future employment patterns.
- Additionally, robust primary market has temporarily diverted capital away from secondary market, as investors rebalance portfolios to participate in new listings. Overall, while periods of volatility may persist in near term, the underlying earnings and economic fundamentals remain supportive over the medium term.
- The risk-reward equation today is influenced by a combination of economic growth, earnings prospects, valuations and capital flows.
- In our view Large-cap companies currently offer relatively better valuation comfort compared with parts of the broader market. However, domestic investor flows continue to favour mid- and small-cap segments, while foreign investors have remained quite selective in large caps.
- In our view Mid-caps continue to benefit from strong earnings growth and a relatively constrained investible universe, which supports valuations. Small-cap opportunities exist, but selectivity is critical. The segment seems to offers both high-growth businesses and elevated drawdown risk, making rigorous company-specific research particularly important.
- From a portfolio construction standpoint, we believe opportunities exist across market capitalisations, with allocation determined by the balance between fundamentals, valuations and risk-adjusted return potential.
- From investors perspective while large cap offers better value and margin of safety, the catalyst there is FPI flows. For mid and small caps, the catalyst is domestic flows. While the valuations at an aggregate level remain higher for mid and small caps, they are also supported by strong earnings delivery and better EPS growth momentum.
- We believe asset allocation remains key for investors in their journey of wealth creation despite the uncertainties around. Indian markets have turned attractive post the time, price & currency corrections for FPIs. Yes, we do need some external events to act as a turning point for the FPI flows.
- Investors with near-term objectives or low risk appetite could opt to prefer Equity Hybrid Funds or multi asset allocation funds. Investors with a longer-term horizon may continue to remain invested.

Source: Internal Research

SUMMARY

SUMMARIZING OUR THOUGHTS

- The MPC (Monetary Policy Committee) (Mon meets at the beginning of October, the MPC minutes raise the possibility of a rate hike. The street estimates a possible hike of 50-75 bps through the year
- With the benchmark 10-year rates at close to 7.25% and the high corporate bonds rates, we believe it's time to gradually add duration to the investor's portfolio and move up the duration bucket. In our dynamic/short term fund we have a higher duration
- The Credit spreads still look attractive at these levels.
- Our bias towards long end papers (30 years) in Dynamic bond fund
- The twin factors we continue watching carefully to change our view on the direction of rates
  - The US rate trajectory (potential of it to go up remains a high probability event)
  - The Dollar Index and Commodity linkage

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