

MONTHLY MARKET OUTLOOK:

» India's Economic Snapshot:

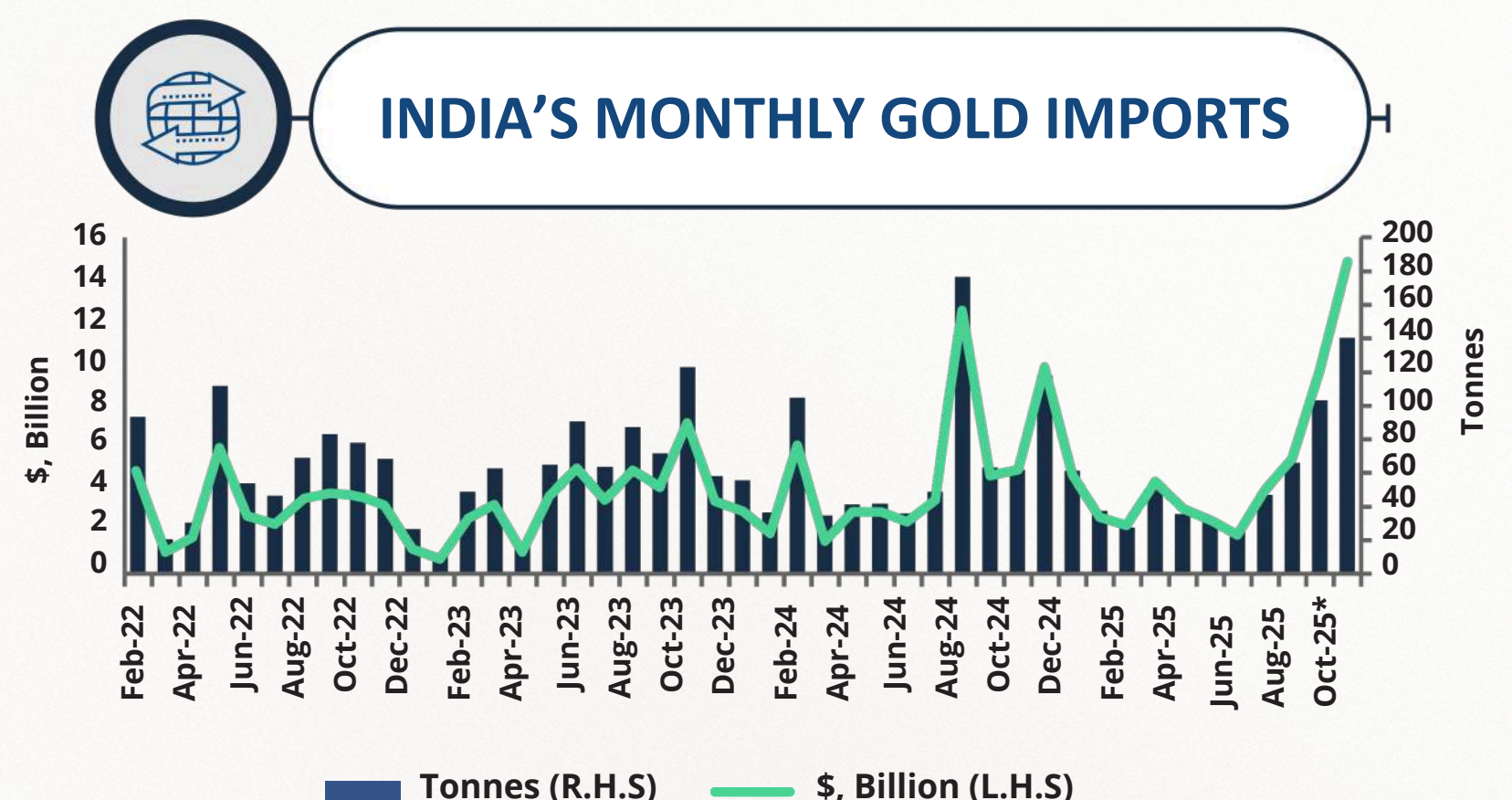
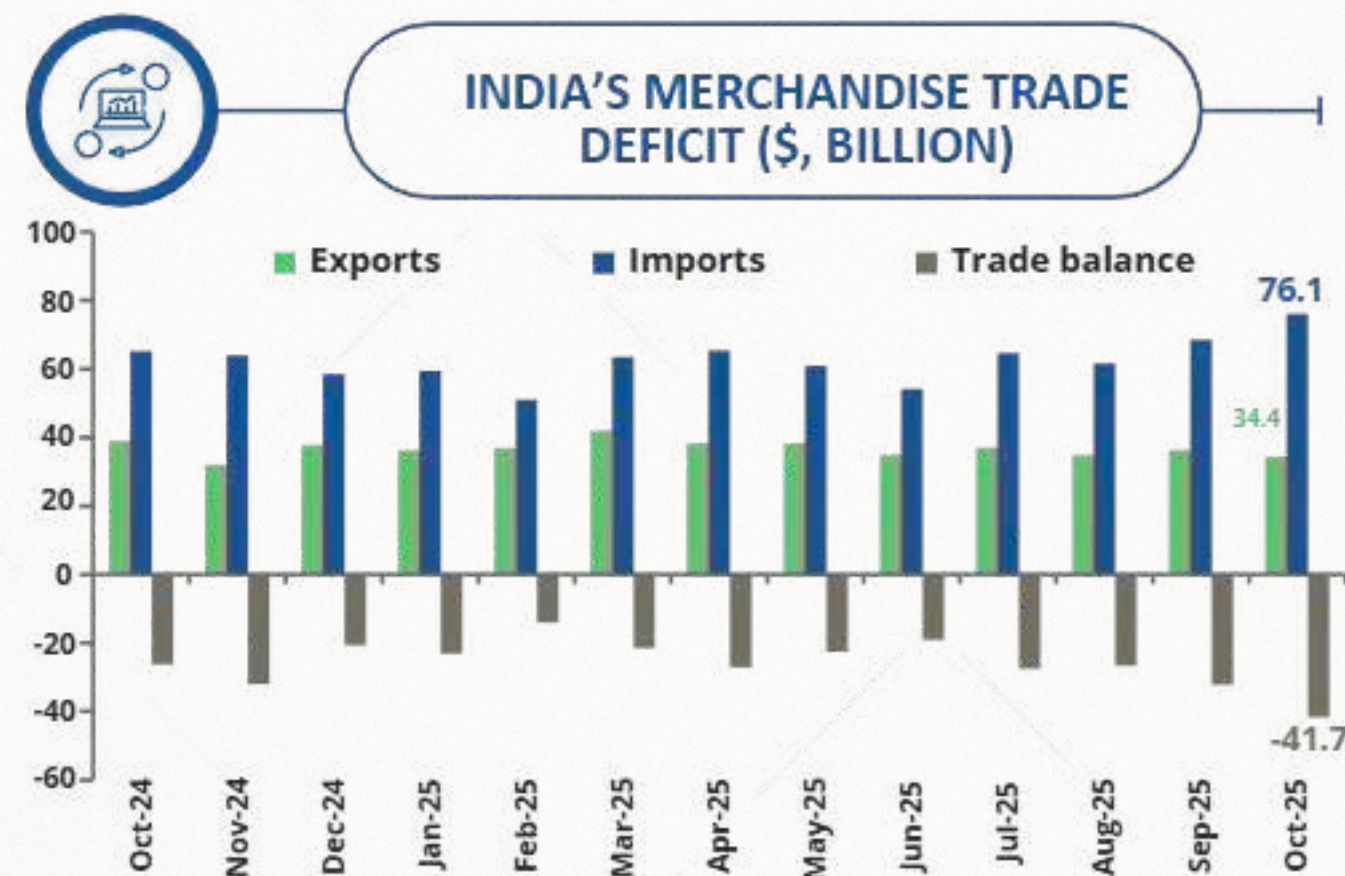
India's Growth Momentum Strengthens: Q2FY26 GDP Surges to Six-Quarter High

India's GDP expanded 8.2% YoY in Q2FY26, marking the strongest growth in six quarters and reaffirming the economy's ability to withstand a challenging global backdrop. This impressive performance was underpinned by a 9.1% surge in manufacturing, reflecting strengthening industrial activity, improving capacity utilisation, and continued policy support for domestic production. The construction sector grew 7.2%, supported by sustained government-led infrastructure spending and robust real estate demand, signalling ongoing momentum in the investment cycle. Meanwhile, the services sector—India's largest economic pillar—maintained solid traction, with Financial, Real Estate, and Professional Services leading the expansion on the back of healthy credit offtake, rising property transactions, and increased corporate and consulting activity. Together, these trends highlight a broad-based and durable growth pattern, reinforcing the view that India remains one of the world's most resilient and structurally strong economies.



► RBI Steps In as India's Trade Deficit Hits Record High Amid Export Weakness and Surging Gold Imports

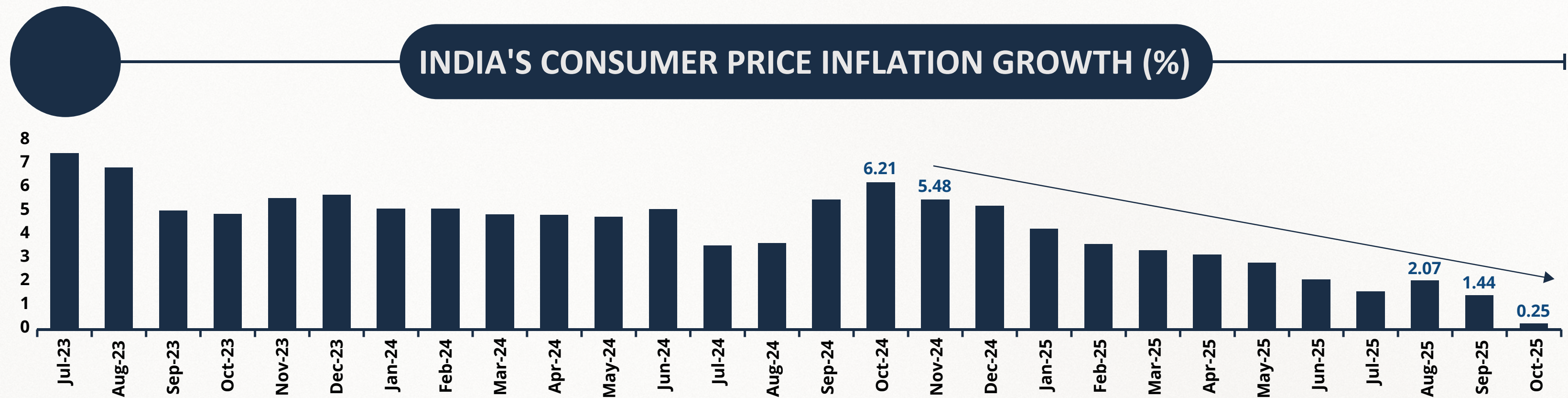
India's merchandise trade deficit widened to a record \$41.68 billion in October 2025, driven by weaker exports and a sharp rise in gold imports, which surged 200% YoY to \$14.7 billion amid festive and wedding-season demand; overall exports fell to \$34.38 billion from \$36.38 billion in September, with shipments to the U.S. declining 9% YoY due to weak global demand and tariff-related pressures on textiles, shrimp, gems, and jewellery. In response, the RBI announced a set of relief measures in November 2025 to support exporters, including an extension of export credit periods to 450 days, a moratorium on term-loan and working-capital payments due between September 1 and December 31, 2025, a relaxation of export-value realization timelines from 9 to 15 months (and an extension of the shipment window after advance payment to 3 years), and a requirement for banks to maintain a 5% general provision on eligible standard accounts under stress—aimed at easing liquidity pressures and stabilizing the export ecosystem.



► India's Retail Inflation slips below the RBI's lower tolerance band

India's retail inflation eased to a record low of 0.25% YoY in October 2025, driven by sharp deflation in the food and beverages category, which more than offset firmness in select core components. Adequate reservoir levels following a favourable monsoon and strong Kharif sowing have helped stabilize supply conditions, supporting a benign near-term food price outlook. Additionally, the recent rationalisation of GST rates has begun to filter through, reducing price pressures across several goods and services. Together, these factors have created one of the most accommodative inflation environments in recent years, reinforcing expectations of a steady monetary policy stance.^Z

Initial readings for November indicate inflation remaining comfortably subdued, supported by continued softness in perishables, stable cereal prices, and easing momentum in fuel and miscellaneous components. While the base effect remains a key driver, the underlying trajectory points to a persistently benign inflation environment, strengthening the case for a steady monetary policy stance in the near term.



► INR Weakens Sharply: Dollar Touches ₹90 Amid Global and Domestic Pressures

The Indian rupee weakened sharply in November 2025, breaching the psychological ₹90 per US dollar mark for the first time, as a confluence of global and domestic factors exerted sustained downward pressure on the currency. The widening trade deficit—driven by a steep rise in gold imports and a moderation in merchandise exports—intensified external sector imbalances, while persistent global dollar strength, elevated US real yields, and risk-off sentiment across emerging markets further weighed on the INR. Market participants also flagged uncertainty around ongoing US-India trade negotiations, with apprehensions that tariff and compliance discussions could temporarily disrupt export prospects. Meanwhile, steady capital outflows from FPIs, particularly in debt, added to near-term currency volatility. Despite the Reserve Bank of India's calibrated interventions to smooth excess fluctuations, the structural mismatch between import demand and export momentum kept the rupee under pressure through the month. The breach of 90 highlights growing vulnerability to global demand cycles and commodity-price swings, reinforcing the need for a stable policy backdrop and targeted measures to support external competitiveness.



» **India's External Position Strengthens as CAD Narrows to 1.3% of GDP in Q2FY26**

India's current account deficit eased to 1.3% of GDP in Q2FY26, marking a meaningful improvement in the country's external position. The narrowing was supported by resilient services exports, steady momentum in IT and professional services, and strong remittance inflows, which continued to provide a stable buffer against merchandise trade pressures. Softer non-oil imports and a temporary dip in crude prices also helped reduce the overall gap. The improvement comes at a time when global financial conditions remain tight, offering policymakers some macro space amid ongoing currency volatility. However, economists note that the sustainability of this trend will depend on how global demand evolves and whether commodity prices stabilise. With geopolitical risks still elevated and energy markets showing intermittent spikes, the external sector remains vulnerable to renewed pressures in the coming quarters. Nonetheless, the Q2FY26 print reinforces India's relative resilience among major emerging markets and supports a more constructive near-term outlook for the balance of payments.

» **India Inc Deal Activity Surges: 999 Deals Worth \$44.3 B Signed in Q2FY26**

India Inc witnessed robust deal activity in Q2FY26, with 999 transactions worth USD 44.3 billion recorded during the quarter. The momentum was driven primarily by a sharp pickup in M&A and private equity deals, which surged 80% and 41% QoQ, respectively, reflecting renewed boardroom confidence and improving risk appetite across sectors. Large strategic combinations in industrials, financial services, and technology supported the M&A pipeline, while PE flows were buoyed by strong interest in consumer tech, manufacturing, and energy transition themes. The resurgence in dealmaking signals improving corporate sentiment and a willingness to pursue scale, consolidation, and growth capital despite global macro uncertainties.

CAPEX UPDATE

► **Public Spending Surge: Centre's Aggressive Capex Fuels Economic Growth:**

- Cabinet clears ₹450 bn to support exports amidst tariff based headwinds Package includes ₹250 bn export mission, ₹200 bn credit guarantee, and RBI's 4-month moratorium.
- ₹72.8 bn scheme launched to build 6,000 mtpa rare-earth magnet capacity in India.
- CG has implemented the four labour codes w.e.f. 21 Nov 2025 (cleared in 2020), replacing 29 central labour laws and significantly easing compliance.
- Cabinet cuts royalty rates for graphite, caesium, rubidium & zirconium to 1-4% from 12%.
- Wage definition revised: Basic Pay must be at least 50% of total CTC, likely increasing PF and gratuity outgo .

► **Private Capex in Focus: A Tale of Caution and Strategic Investment:**

- Adani Group plans to invest ₹630 bn in energy projects in Assam to setup 3.2 GW thermal plant & 2 pumped storage plants.
- ReNew will invest ₹600 bn in green energy projects in Andhra Pradesh Will set up a 6 GW PV ingot-wafer plant, 2 GW pumped hydro project, 300 ktpa green ammonia facility and 5 GW hybrid projects
- Hindalco to invest ₹102 bn in its Odisha Aluminium unit Will increase total capacity by 52% to 563 KT by FY29
- Reliance-Brookfield JV will invest \$11 bn to build a 1 GW AI data-centre park in Andhra Pradesh.
- TCS & TPG will jointly invest up to ₹180 bn in their AI data centre JV HyperVault TPG has committed ₹88.2 bn .
- AM Green to invest ₹100 bn in Andhra Pradesh biorefineries for producing sustainable aviation fuel.

GLOBAL MARKET OUTLOOK:

» Trade Diplomacy Gains Momentum in November as US Strikes Swiss & UK Deals Amid Cooling Manufacturing PMI

The US political and trade landscape saw significant movement in November, with President Trump ending the 43-day federal shutdown on November 12, providing relief to federal operations and reducing near-term policy uncertainty. In a major diplomatic breakthrough, the administration agreed to cut tariffs on Swiss imports to 15% from 39%, following Switzerland's commitment to invest USD 200 billion in the US by 2028, with USD 67 billion expected as early as 2026, marking one of the largest foreign investment pledges from a European partner.

The US also rolled back reciprocal tariffs on agricultural products such as tea, coffee, and spices—moves aimed at easing global trade tensions—but maintained duties on several key Indian exports including shrimp, rice, and seafood, signalling that US-India trade negotiations remain mixed with pockets of friction. Strengthening transatlantic ties, the US and UK signed a new trade arrangement, under which Washington exempted UK-made pharmaceuticals and medical technology from import tariffs, while the UK agreed to raise the net price paid for new US medicines by 25%, providing greater commercial incentive for US drugmakers.

On the economic front, November brought early signs of moderation in industrial activity, with the US manufacturing PMI slipping to 51.9 from 52.5 a month earlier, reflecting softer new orders and cautious capital spending intentions. Analysts note that while the index remains in expansion territory, momentum appears to be cooling, influenced by tighter financial conditions and lingering supply-chain adjustments.

► **China's New 5-Year Plan Prioritises Tech Self-Reliance as Industrial Profits Surge**

China's policy and economic signals were mixed in recent weeks, with authorities lifting the ban on Nexperia chips, restoring a critical component supply line for German automakers and easing concerns around tech-related trade restrictions. On the macro front, industrial production rose 4.9% YoY in October, supported by resilient manufacturing and a pickup in energy-related output, while retail sales grew 2.9% YoY, indicating a still-gradual recovery in domestic consumption. However, external demand remained soft: China's exports fell 1.1% YoY in October, with shipments to the US dropping nearly 25%, highlighting persistent geopolitical headwinds and weaker global trade flows. Together, the data underscores China's uneven recovery path, balancing domestic stabilization with ongoing external pressures.

While headline growth in Q3 2025 had held up (GDP +4.8% YoY), the recent data for October-November suggest momentum is fading: fixed-asset investment has plunged, industrial production growth has moderated, and consumer demand remains subdued.

► **UK Fiscal Measures Tighten as Threshold Freeze and New Taxes Raise Effective Burden**

The UK government extended the freeze on Income Tax and National Insurance thresholds until FY31, effectively pushing more earners into higher tax brackets without altering headline rates. In addition, taxes on dividends, property income, and savings income were each raised by 2%, increasing the overall burden on passive income streams. The fiscal package also introduced a new annual "mansion tax"—£2,500 for properties valued above £2 million and £7,500 for homes worth over £5 million—aimed at boosting revenue from high-value real estate. Together, these measures signal a shift toward stealth tightening, with rising fiscal pressures increasingly borne by middle- and upper-income households.

INDIA ECONOMIC DATA

Economic Indicator	Oct'25	Sept'25	Oct'24
WPI inflation (in%)	-1.21	0.13	2.36
CPI inflation (in%)	0.25	1.44	6.21
Trade Deficit (in bn\$)	41.7	32.2	26.2



Degrowth in coal, crude oil, natural gas, electricity & steel balanced the growth in refinery products, fertilizers & cement

Economic Indicator	Nov'25	Oct'25	Nov'24	MoM	YoY
GST Collection (in tn)	1.7	2	1.7	-15.00%	0.60%
AVG USD INR	88.9	88.4	84.4	0.50%	5.30%
Forex Reserves (\$ bn)	686.2	689.7	658.1	-0.50%	4.30%