MONTHLY MARKET OUTLOOK:

India’s EconomicSnapshot:

India: Strong Growth Faces Rising Inflation and External Risks

India continues to be among the world’s fastest-growing major economies, with real GDP expanding **7.8**% in Q1 FY27, supported by resilient private consumption, manufacturing, services and investment. The RBI has revised its FY27 growth forecast upward to **7.1**%, reflecting stronger-than-expected economic momentum despite global uncertainties. Q2 GDP estimates are scheduled for release on November 30.

High-frequency indicators remain encouraging. September IIP growth stood at **6.7**% YoY, supported by manufacturing growth of **7.6**% and electricity and gas output growth of **11.2**%. Meanwhile, October GST collections surged **22.9**% YoY to ₹**2.31** lakh crore, indicating continued strength in formal economic activity and tax collections.

The external sector remains a mixed picture. September merchandise exports increased 23% YoY to US$**44.4** billion, while imports reached US$74.61 billion, resulting in a trade deficit of approximately US$**30.2** billion. Elevated crude prices and import demand continue to pose risks to the external balance.

Inflation has emerged as a major concern. September CPI accelerated to **5.54**%, from **4.82**% in August, while food inflation jumped to **7.74**%. Wholesale inflation also climbed sharply to **11.39**%, driven by higher energy, food and manufactured-product prices. This could constrain RBI policy flexibility and pressure corporate margins. October CPI data is due on November 12.

Overall, resilient domestic demand, industrial activity and strong tax collections support India's growth outlook. However, rising inflation, crude prices, rupee pressures and global trade uncertainty warrant a selective, earnings-focused investment approach.

Cybersecurity Risks Resurface in India's Banking Sector:

Cybersecurity concerns have resurfaced in India's banking sector after the State Bank of India (SBI) reported a **cyberattack** that exposed **3,897** customer records on the dark web. Separately, AU Small Finance Bank is investigating a potential data leak involving vehicle-loan customers. These incidents highlight the growing vulnerability of financial institutions to cyberattacks and data breaches as banking services become increasingly digital. Beyond the immediate risk to customer information, such incidents can have wider implications for banks, including financial losses, regulatory scrutiny, remediation costs and reputational damage. Customer trust is particularly important in a sector where digital transactions and online banking are central to daily operations.

The developments reinforce the need for stronger cybersecurity infrastructure, continuous monitoring, robust data-protection systems and timely incident response. As digital adoption accelerates, cybersecurity is no longer merely an IT concern but an increasingly important operational and governance priority for banks. Investors will be watching how financial institutions strengthen their safeguards and manage emerging technology-related risks.

Crude Oil Imports: Record Volumes Raise External-Sector Concerns.

India’s crude oil imports reached a record **5.6** million barrels per day (mbpd) in October 2026, marking a **5**% month-on-month increase. The rise highlights India's continued dependence on imported energy to meet domestic demand, leaving the economy exposed to fluctuations in international crude prices and geopolitical disruptions. Higher import volumes, particularly amid elevated global oil prices, could widen the merchandise trade deficit and increase pressure on the rupee. A weaker currency would further raise the cost of energy imports, potentially feeding into domestic fuel prices, transportation costs and broader inflation. This creates an additional challenge for policymakers, as imported inflation could limit the RBI's flexibility on monetary policy.

For the broader economy, sustained high crude imports may also weigh on corporate margins, household purchasing power and India's current account balance. While strong domestic demand supports higher energy consumption, the combination of rising volumes and elevated prices makes crude oil a key variable to monitor. The trajectory of global oil prices will remain critical for India's inflation and external-sector outlook

Credit Growth Continues to Outpace Deposits:

Bank credit grew **17.9**% year-on-year to ₹**232.5** trillion, while deposits increased **16.6**% to ₹**284.4** trillion, indicating sustained momentum in banking activity. The faster pace of credit expansion reflects continued demand for loans from households and businesses, supported by consumption, infrastructure investment and working-capital requirements.

However, credit growth exceeding deposit growth highlights a gradual tightening in banks' funding dynamics. Although the gap remains manageable, sustained divergence could increase competition for deposits, potentially pushing up deposit rates and raising banks' cost of funds. This may put pressure on net interest margins, particularly if lending rates do not adjust proportionately.

For the banking sector, the key challenge will be maintaining healthy credit growth while ensuring adequate liquidity and a stable funding base. Banks with strong deposit franchises, diversified funding sources and disciplined underwriting are likely to be better positioned to navigate these conditions. Overall, the figures point to robust financial intermediation, alongside emerging funding-cost considerations.

Consumption Momentum Softens Amid Rising Cost Pressures:

Credit card spending declined **5.9**% in September 2026, marking the first contraction since 2021 and pointing to a possible moderation in discretionary consumption. The decline is noteworthy as credit card transactions have traditionally served as an important indicator of urban spending activity, particularly across retail, travel, dining and lifestyle categories.

The contraction could reflect more cautious consumer behaviour amid elevated living costs, rising inflation and tighter household budgets. It may also indicate a shift in spending patterns or greater reliance on alternative payment methods, making it important to assess transaction volumes alongside overall spending values.

While a single month's decline does not establish a broader consumption slowdown, the trend warrants monitoring, especially alongside other indicators such as vehicle sales, retail activity and consumer credit growth. If weakness persists, it could signal pressure on discretionary demand and consumer-facing businesses. For investors, the data highlight the importance of tracking consumption trends as an indicator of the strength and sustainability of India's domestic growth momentum.

Surging NRI Deposits Strengthen India's External Sector:

NRI deposit inflows surged **21.6** times to US$**121.9** billion during April–August FY27, driven primarily by strong mobilisation through Foreign Currency Non-Resident (**FCNR**(**B**)) deposits. The sharp increase reflects renewed interest among overseas Indians in parking funds in India, supported by attractive deposit rates and opportunities to earn returns in foreign currencies. FCNR(B) deposits also provide protection against rupee depreciation, making them particularly appealing during periods of currency volatility.

The surge in NRI deposits is a positive development for India's external financing position, as these inflows help strengthen foreign exchange availability and support the balance of payments. They also provide an additional source of funding for the domestic banking system. However, the sustainability of these inflows will depend on global interest-rate movements, currency expectations and the competitiveness of Indian deposit rates. Continued inflows could offer support to the rupee and improve external-sector resilience.

RBI’s Net Short Dollar Position Hits Record High:

The Reserve Bank of India’s (RBI) net short dollar position surged to a record US$**239.2** billion in September 2026, compared with US$**200.1** billion in August, indicating a significant increase in its forward foreign-exchange commitments. A net short position generally reflects the RBI’s outstanding forward dollar sales exceeding its forward purchases, often used to manage excessive currency volatility and provide liquidity to the foreign-exchange market.

The sharp rise suggests that the central bank has been actively managing pressure on the rupee amid elevated crude oil prices, foreign portfolio outflows and broader global dollar strength. While forward interventions can help smooth sharp currency movements and limit disorderly depreciation, they also create future dollar delivery obligations. This makes the scale and maturity profile of these positions important indicators of external-sector vulnerability. Going forward, persistent pressure on the rupee could require continued intervention, although the RBI’s substantial foreign exchange reserves provide an important buffer. The trend will remain a key indicator of currency-market stress.

UPI Growth Accelerates, Strengthening India's Digital Payments Ecosystem:

India's Unified Payments Interface (UPI) continued its strong growth trajectory in October 2026, with transaction volumes rising **23**% year-on-year to **25.5** billion, while transaction value increased **15.6**% to ₹**31.5** trillion. The sustained expansion highlights the growing adoption of digital payments across retail purchases, services and person-to-merchant transactions.

The faster growth in transaction volumes compared with value suggests increasing use of UPI for smaller, everyday payments, reflecting its deeper penetration across consumers, merchants and smaller businesses. Wider acceptance, seamless payment infrastructure and the convenience of instant transfers continue to support this momentum.The growth also reinforces India's position as a leading digital payments market, while improving transaction efficiency and formalisation across the economy. For the financial services sector, rising UPI activity creates opportunities across payment infrastructure, merchant services and digital banking. However, the expansion also increases the importance of cybersecurity, fraud prevention and system reliability to sustain user confidence.

Record Sugar Production Signals a Strong Start to the 2026–27 Season:

India recorded its highest-ever October sugar production of **845,000** tonnes, marking a strong start to the 2026-27 sugar season. Maharashtra led production with **720,000** tonnes, accounting for the bulk of the output. The increase reflects improved crushing activity and the early commencement of operations across major sugar-producing regions.

Higher production could improve domestic sugar availability and help moderate price pressures, provided the trend continues through the season. However, the overall production outlook will depend on sugarcane availability, regional weather conditions, crop yields and the pace of crushing in the coming months. Maharashtra's dominant contribution also highlights the importance of its harvest conditions to the national supply outlook.

For the sugar industry, stronger output could support capacity utilisation and improve operating visibility for mills. At the same time, higher supply may influence domestic prices and export decisions, depending on government policies and stock requirements. The coming months will be crucial in determining whether this early production momentum translates into a higher full-season output.

Trade Deficit Widens Despite Strong Export Growth:

India's merchandise trade deficit widened **12.6**% month-on-month to US$**30.2** billion, despite a strong **23**% year-on-year jump in exports. The widening gap indicates that import growth continued to outpace export expansion, limiting the benefit of stronger overseas demand. Elevated crude oil prices and sustained domestic demand are likely to have contributed to the higher import bill.

The development highlights the pressure on India's external sector, particularly given its substantial dependence on imported energy and other essential commodities. A persistently wider trade deficit can increase the current account deficit and add pressure on the rupee, especially when accompanied by foreign portfolio outflows and a stronger US dollar. Although robust export growth reflects improving external demand and the competitiveness of Indian businesses, the import bill remains a key vulnerability. Going forward, the trajectory of crude prices, domestic demand and global trade conditions will be crucial in determining whether the trade deficit moderates. A sustained improvement in exports relative to imports will be important for strengthening external-sector stability.

Retail Inflation Accelerates as Food Prices Surge:

India's retail inflation accelerated to **5.5**% in September 2026, up from **4.8**% in August, reflecting a renewed build-up in price pressures. The increase was largely driven by food inflation, which climbed sharply to **7.7**% from **6**% in the previous month. Rising food prices are particularly significant given their substantial weight in the consumer price index and their direct impact on household budgets.

The acceleration in inflation comes amid elevated crude oil prices, currency pressures and concerns over agricultural supply following uneven monsoon conditions. Higher food and energy costs could gradually feed into transportation, manufacturing and other essential goods, increasing the broader cost of living. For the Reserve Bank of India, the uptick complicates the monetary policy outlook. While economic growth remains resilient, persistent food inflation could limit the scope for monetary easing. The coming months will be important in assessing whether this increase is temporary or signals a more sustained inflationary trend. For markets, higher inflation may also influence bond yields, interest-rate expectations and consumer spending.

CAPEX UPDATE

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

- CG approves ₹**273.7** bn for expansion of power transmission network in AP.
- **RBI** to meet entire daily dollar requirements of IOCL, BPCL & HPCL to ease pressure on Rupee.
- Centre scraps petrol export duty, raises diesel duty to ₹**11.5**/l from ₹**8.5**/.
- CG approves ₹**18.6** bn scheme to boost sports good manufacturing.
- **IRDAI** proposes to reimpose commission caps and tighten insurers' expense .
- Defence ministry signed contracts worth ₹**538.7** bn for 8 naval corvettes construction.

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

- Vedanta to invest ₹**700-800** bn in WB power and aluminium projects.
- JSW-JFE JV to invest ₹**75** bn for 5 MTPA Sambalpur steel capacity expansion.
- Honda to invest ₹**24.2** bn for adding **1.3** mn annual capacity by 2028.
- Cochin Shipyard plans ₹**60** bn steel fabrication and shipbuilding-repair units.
- Tata Power commits ₹**150** bn for Mumbai grid expansion plan to meet rising hyperscalers & AI demand.
- NTPC plans ₹**140** bn investment to set up a coal gasification project in Chattisgarh.
- L&T Realty targets ₹**250** bn launches across Mumbai, Delhi & Bengaluru in H2FY27.

GLOBAL MARKET OUTLOOK:

U.S. Economy: Stronger Growth, Persistent Inflation and Political Uncertainty

The U.S. economy demonstrated stronger momentum in the third quarter of 2026, although inflationary pressures, elevated borrowing costs and fiscal concerns continue to cloud the outlook. Real GDP expanded at an annualised rate of **3.4**% in Q3, accelerating from **2.2%** in Q2, supported by stronger consumer spending, investment and government expenditure. The acceleration suggests that domestic demand remains resilient despite restrictive financial conditions.Inflation remains a key concern. September CPI rose **3.7%** year-on-year, marking its sharpest increase since April 2026, while core inflation stood at **2.6%**. Energy prices were a major contributor, with gasoline prices rising **9.1%** during September. October CPI increased a further **0.4%** month-on-month, while core CPI rose 0.3%. However, the October year-on-year figure was unavailable because of missing comparison data from the previous year's government shutdown.Against this backdrop, the Federal Reserve kept the federal funds rate unchanged at **3.75%–4.00%** at its October meeting, following September's 25-bps hike. Policymakers acknowledged resilient domestic spending and robust investment but reiterated that inflation remains elevated, leaving monetary policy dependent on incoming data.

Fiscal pressures have also intensified. The federal budget deficit increased by **US$217 billion** to approximately **US$2 trillion** in FY2026, equivalent to 6.2% of GDP, compared with 5.8% in FY2025. Rising government expenditure and interest costs could sustain Treasury borrowing requirements and keep long-term yields under pressure.

Political developments add another layer of uncertainty. Democrats secured control of both the House of Representatives and the Senate in the November midterm elections, setting up divided government when the new Congress convenes in January 2027. This could complicate the administration's legislative agenda and create uncertainty around fiscal policy, taxation and government spending.

Overall, the U.S. economy continues to show resilience, but persistent inflation, high fiscal deficits and elevated borrowing costs remain important risks. Investors should closely monitor Fed guidance, Treasury yields and the evolving political environment, as these factors will influence global liquidity, capital flows and emerging-market valuations.

UK Economy: Modest Growth Amid Inflation and Fiscal Measures:

The UK economy grew 0.7% in Q3 2026, accelerating from 0.5% in Q2, while annual growth reached 1.9%. However, inflationary pressures persist, with September CPI rising to 3.5% from 3.1% in August, keeping pressure on household budgets and monetary policy.

The government's latest budget introduced measures to support households and businesses. These include doubling the bank corporation tax surcharge to 6% for 15 months from January 2027, electricity discounts of 20–25% for energy-intensive manufacturers, and a 3.9% minimum wage increase from April 2027. The government also allocated £1.5 billion for affordable housing, introduced £100 household energy payments, extended zero-rated electricity VAT until July 2027 and continued the fuel-duty freeze.

Overall, targeted fiscal support aims to stimulate demand and ease cost pressures, although persistent inflation and higher business taxation remain challenges for the UK economy.

China: Industrial Recovery Amid Weak Consumption::

China's economic recovery remains uneven, although growth gained momentum in the third quarter of 2026. GDP expanded 4.5% year-on-year, accelerating from 4.3% in Q2, supported by stronger industrial activity and robust exports. September industrial production grew 5.5%, while retail sales improved to 1.1%, from just 0.4% in August. Despite the improvement, consumption remains subdued, highlighting the challenge of strengthening domestic demand.External trade has emerged as a major growth driver. September exports surged 36.3% year-on-year to US$447.2 billion, supported by strong global demand for semiconductors, electronics and other high-tech products. However, the export boom has also widened China's trade surplus, potentially intensifying trade tensions with major trading partners.

The property sector continues to weigh on economic confidence. New-home prices declined 0.1% month-on-month in September, while the annual decline narrowed to 2.8% from 3% in August. Property investment contracted 20.6% during the first nine months of 2026, underscoring the depth of the sector's slowdown.Meanwhile, China's efforts to preserve domestic fuel inventories through restrictions on oil-product exports reflect growing energy-security concerns. Its gold reserves also continued their upward trend, reaching 77.5 million ounces in September, marking the 23rd consecutive monthly increase.Overall, China is increasingly relying on manufacturing and external demand to sustain growth. Reviving household consumption, stabilising the property market and managing trade tensions will remain critical to achieving a more balanced recovery.

INDIA'S ECONOMIC DATA

Economic Indicator	SEP'26	AUG'26	SEP'25
WPi Inflation (%)	11.4	9.8	0.1
CPI Inflation (%)	5.5	4.8	1.5
Trade Deficit (in bn$)	30.2	26.9	33.0



WPI widened to 11.4%, driven mainly by Fuel & Power (+25.9%) & overall input cost inflation Core sector grew 7.9% on a favourable base and expansion in coal, electricity & refinery products

Economic Indicator	OCT'26	SEP'26	OCT'25	MoM	YoY
GST Collection (in ₹tn)	2.3	2.0	1.9	13.6%	22.9%
AVG USD INR	95.6	95.5	88.4	0.1%	8.1%
Forex Reserves ($ bn)	717.1	734.6	689.7	-2.0%	4.4%