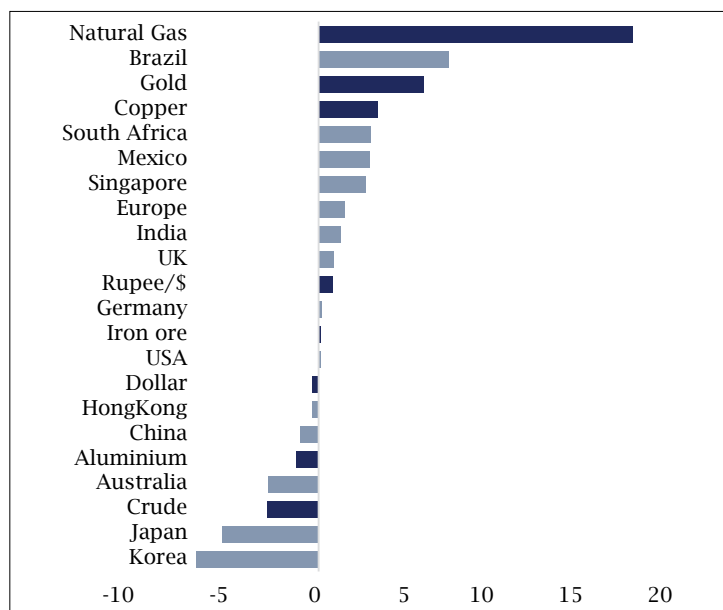
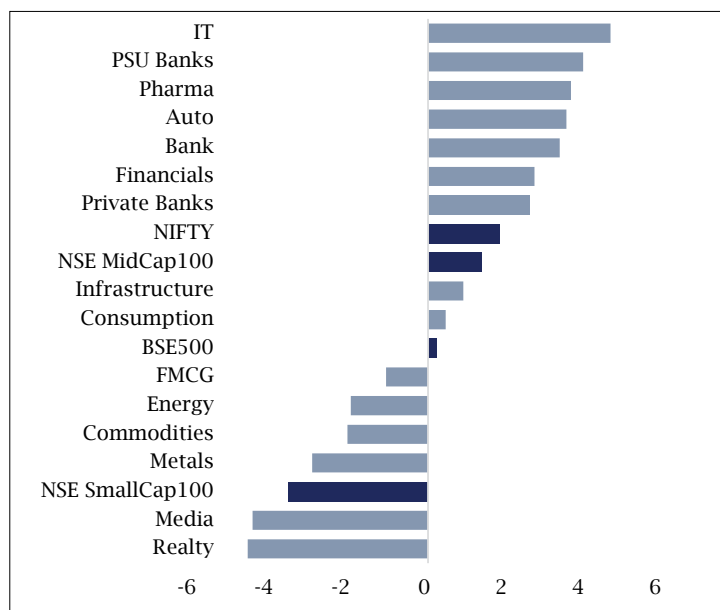


MARKETS AND MACRO
Nat. Gas, Brazil, Gold topped returns in Nov. (% m/m, in USD)


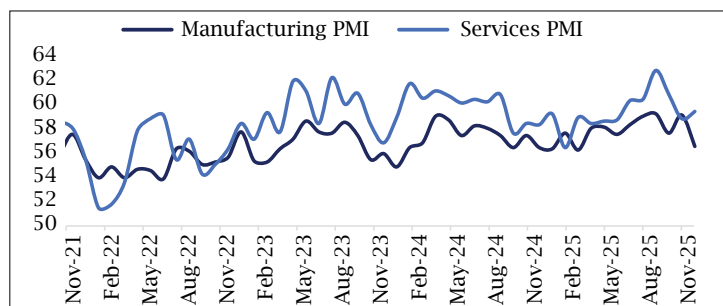
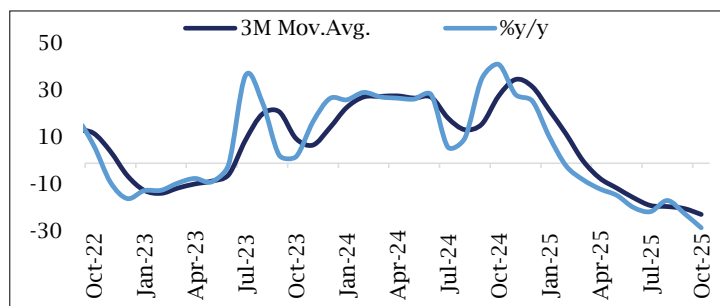
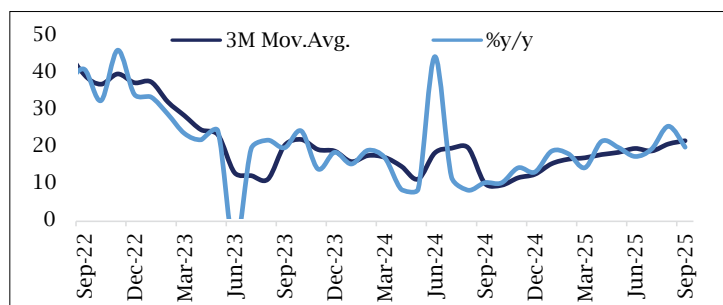
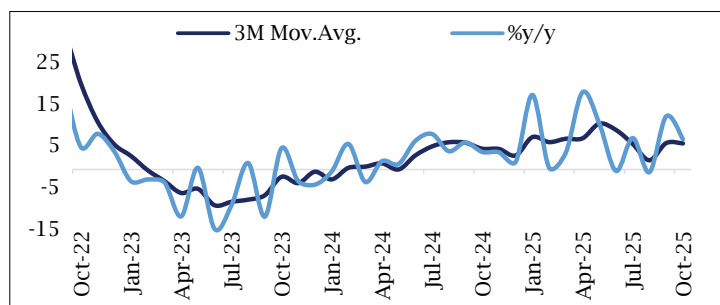
Cold weather and supply disruptions continue to impact natural prices, while Brazil saw a rally on US rate cut expectation and a historic low on unemployment. Fed rate cut expectations pushed Gold and copper prices higher, with an additional layer of supply constraints for Copper. South Korea on the other hand witnessed a sharp correction on valuation concerns in the AI sector. Japanese equities also saw an AI driven sell-off, alongside inflationary pressures that led to broad concerns of a Yen carry-unwind.

The December Fed meeting will be watched closely with fed fund futures revealing that traders are pricing an 87% chance of a 25 bp rate cut. This high conviction rate cut call is valuable as the MPC meeting is scheduled in early December (pre-Fed meeting). Simultaneous cuts by RBI and Fed will help to maintain the gap corridor in policy rates at status quo (150 bps at present). Gap in market yields is around 250 bps. This is critical especially given the pressure on the INR and lack of clarity on the US trade deal.

IT, PSU Banks, Pharma top O/P in November (% m/m)


NIFTY grew 1.8% in rupee terms for the month of November. IT, PSU Banks and Pharma were the key outperformers, while Realty, Media and Metals were seen as the top drags. On cap curves, Large caps topped, followed by Mid caps and the broader BSE500, in descending order of performance. Small cap returns were seen in the negative. FIIs remained net buyers, but with an appreciable drop in net inflows, at \$0.4bn in equity (from \$1.3bn in Oct.), and \$0bn in debt (from \$2bn).

India's Q2-FY26 GDP surprised to the upside printing at 8.2% (7.8% in Q1), almost 90 bps over consensus of 7.4% and 240 bps higher than the 5.8% in Q2-FY25. GDP was fired by strong growth in manufacturing (9.1%) and services (9.2%). Agriculture was at 3.5%. Q2 saw some consumption deferral, waiting for new GST rates, private consumption still rose 7.9% vs 7% in Q1. Of some worry was the nominal GDP growth, which came in barely 50 bps over the real GDP at 8.7%, and even lower than the 8.8% in Q1.

MACRO DASHBOARD
Manufacturing PMI moderates, while Services hold up in Nov'25

Retail vegetables inflation momentum, deeper into deflation

Growth in toll collection value continues to witness an increase

India import growth, ex-oil/gold remain rangebound, but volatile


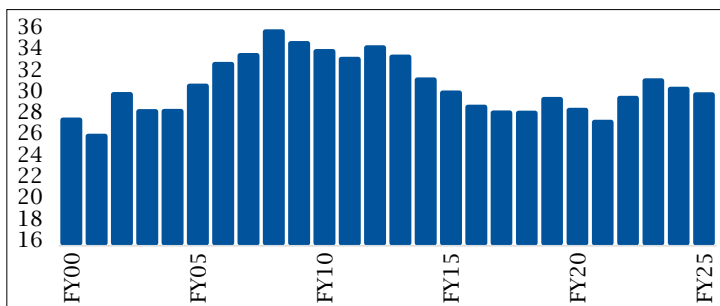
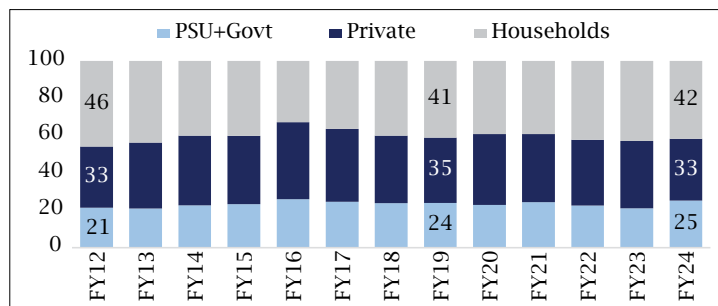
India's investment ratio (capex) steady, hovering around 30% of GDP

Public+Private account for more nearly 60% of India capex (% share)


Chart sources: Bloomberg, CMIE, Sundaram Asset Management

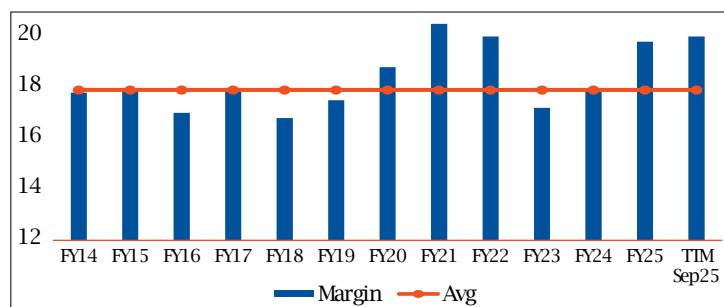
FIXED INCOME TRACKER

Indicator	Oct 2025	Nov 2025	Remarks
INR 10-year GOI	6.53%	6.50%	Benchmark Govt bond yields remained volatile in November. The initial 5-7 bps decline supported by the RBI Governor's indication of potential rate cuts was completely offset after the strong Q2 FY26 GDP data, which reversed the gain.
INR 5-year GOI	6.17%	6.22%	The 5Y bond yields rose by 5 bps in the month. The 5Y-10Y spread hovered around 28 bps.
1-year OIS	5.47%	5.45%	The 1-year Overnight Index Swap fell by 2 bps, supported by an improvement in the banking system liquidity.
5-year OIS	5.67%	5.76%	The 5-year OIS increased by 8 bps during November
PMI Composite	61 (Sep'25)	60.4 (Oct'25)	The Composite PMI moderated in October (latest print). Despite the decline, both manufacturing and services sectors remained comfortably in the expansion zone, indicating sustained economic momentum.
PMI Manufacturing	59.2 (Sep'25)	58.8 (Oct'25)	Manufacturing PMI maintained strong growth momentum supported by robust domestic demand.
PMI Services	60.9 (Sep'25)	58.9 (Oct'25)	The Services PMI eased in October. Despite the dip, the index remained comfortable over the 50-mark, pointing to continued expansion in services activity.
Banking System Liquidity (₹ Lakh Cr.)	0.85	1.86	Average system liquidity improved sharply in November, aided by inflows from the CRR cut and higher government spending.
CPI (%)	1.54%	0.25%	CPI inflation eased significantly in October, driven by a favourable base effect and continued deflation in key food categories. However, core inflation remained firm at 4.4%.
WPI (%)	0.13%	-1.21%	WPI slipped into negative territory in October due to deflation in food and fuel prices. WPI Core remained positive at 1.5%.
INR (vs USD)	88.77	89.45	The INR depreciated by 0.75% against the USD in November. Among 23 emerging-market currencies, the INR ranked 20th.
Forex Reserves (USD Bn)	689.73	688.10	Forex reserves declined by around \$1.62 billion in November. Gold reserves increased by approximately \$2.45 billion, while foreign currency assets fell by around \$4 billion.
Trade Deficit (USD Bn)	32.2 (Sep'25)	41.7 (Oct'25)	India's trade deficit widened to \$41.7 billion in October, primarily due to a significant increase in gold imports ahead of the festive and wedding season.
FPI Flows - Debt (USD Bn)	1.93	0.05	FPI debt flows remained marginally positive in November.
FPI Flows - Equity (USD Bn)	2.74	0.03	FPI equity flows were also marginally positive, though sharply lower compared to the previous month.
Brent Crude (\$/bbl)c	64.77	62.38	Brent crude prices fell by \$2.39 per barrel in November, driven by rising global inventories and weaker demand amid tariff-related policy pressures.
Inflation	<ul style="list-style-type: none"> October'25 CPI came in at the lowest level since the start of the CPI series in 2012, printing at 0.25% as against 1.54% in September'25 and 2.07% in August'25. Food inflation was once again the trigger for the low CPI print. Excluding gold and silver inflation at 0.5%, CPI would have been in deflation for the month. WPI was in deflation at minus 1.21% vis-a-vis 0.13% in September'25. 		

EQUITY OUTLOOK

Corporate performance for Q2 was largely in line with expectations, witnessing only modest upgrades and downgrades. Core growth excluding financials and oil, core profit stood at a healthy 9% to 12%.

The 'Easy Wins' post pandemic margin expansion are stabilising. We are witnessing a normalisation where revenue and profit growth are converging with Nominal GDP growth. The era of profit growth significantly outpacing revenue growth, driven purely by capacity utilisation and cost savings, is plateauing.

Operating margins to normalise


Unlike previous phases where growth was homogeneous, we are currently seeing significant dispersion across sectors:

- Late cycle domestic segment continues to show resilience
- Export Oriented (IT/Metal): Ranking in the middle, while we haven't seen major downgrades, the pace of growth remains muted.
- Laggards (Banks & Consumer Goods): These sectors weighed on the aggregate growth. Banks witnessed margin dilution due to interest rate cuts. Consumer Goods single digit growth (~5%) impacted by inventory liquidation following GST reforms.

With leverage at decadal lows and record operating cash flows in across sectors, cap curves strong balance sheets and demand incentives create a fertile ground for the next private investment cycle to accelerate.

Looking ahead, growth over the next 2-3 years will be supported by multiple triggers. Revenue growth will stabilise around nominal GDP growth with expectations of nominal GDP growth improving based on improvement in inflation and stronger real GDP footprint.

Markets movement will be determined by earnings growth. Select sectors primed for upgrades and improved monsoons supporting rural recovery, the environment looks set to deliver a more sustainable earnings cycle in the year ahead.

Valuations continue to hover around long term averages. We will continue to look at company specific opportunities.

FIXED INCOME OUTLOOK
Liquidity

The 1% CRR cut which released almost INR 2.5 tn of liquidity into the banking system (the last phase was in the fortnight starting November 29th) has been almost nullified by RBI's currency intervention that has soaked up rupee liquidity of equal measure.

Systemic liquidity which was progressively declining in September (+1.4 tn) and October (+0.85 tn) rebounded in November to +1.86 tn, helped by the CRR cut and accelerated govt spending. However, the 0.75% INR depreciation led to RBI intervention that drained rupee liquidity. To counter this RBI may have to resort to Open market operations (OMOs) purchase of G secs to infuse liquidity.

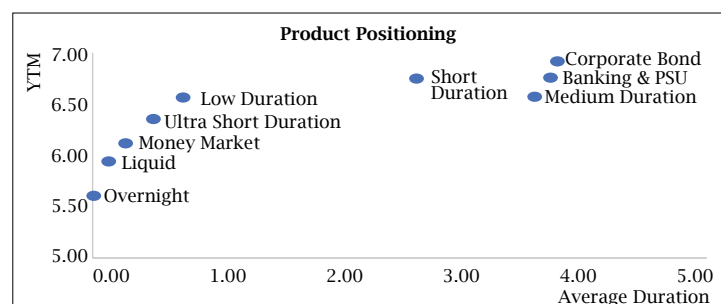
Market outlook

Indian markets are heading into the December MPC meeting in the backdrop of an over 8% GDP print in Q2 and a record low inflation. The INR is at a life-time low against the USD as uncertainties around the trade deal mount. Liquidity appears even, though recent currency intervention has strained some of it. While growth worries have abated for now and do not warrant a rate cut, the deflationary forces seen in the anaemic nominal gdp does look worrisome as fiscal spending and deficit targets, corporate earnings and wages are all seen with respect to the nominal. The record low CPI, which is well below the 2% lower bound in the CPI target range, offers RBI head room. Slowing exports especially to the US may also need a counter so that gdp momentum is sustained. With the Fed likely to cut rates again in December, RBI has some headroom. In summary, we believe that the probability for a rate cut appears high.

Investment strategy

We have not made any changes to our monthly recommendations on fund selection. We suggest that conservative retail investors seeking an alternative to short term bank FDs and seeking to deploy their short-term surpluses stick to the *Overnight*, *Liquid* and *Ultra Short Duration Funds*.

Investors (institutional and retail) with a marginally longer horizon can consider the *Low Duration* and *Money Market Funds* to benefit from the prevailing higher spread relative to repo.



Investors with higher risk appetite and longer tenors can consider the mid duration buckets such as the *Short Duration Fund*, *Corporate Bond Fund* and the *Banking PSU Fund*.