

EBONY RESEARCH — MONTHLY MARKET UPDATE
NOVEMBER 2025

**“If you have trouble imagining a 20 % loss in the stock market, you
shouldn’t be in stocks.” — John Bogle, Founder, Vanguard Group**

The \$100 Trillion Elephant in the Room: High Debt and Wide Deficits (from Goldman Sachs)

(The below summary is based on content originally published by Goldman Sachs. The views, data, and projections referenced are proprietary to their report and have been summarised by Statlane for client communication. This note is for informational purposes only and should not be construed as investment advice or a research recommendation. Please refer to the original Goldman Sachs publication for full context and disclosures).

Successive global crises—including the 2008 financial downturn, the COVID-19 pandemic, and the energy shock following the Russia–Ukraine conflict—have propelled global public debt past \$100 trillion, approaching the size of global GDP. This sharp increase has created a structurally difficult fiscal environment for governments and a more complex landscape for investors in sovereign bond markets. High debt levels and persistent deficits have become central macro realities that will shape policy choices and market behavior for years to come.

Global indebtedness is unprecedented not due to a specific debt-to-GDP ratio but because the combination of high debt, weaker growth dynamics, elevated real interest rates, and political fragmentation has constrained fiscal flexibility. These conditions raise the risk of instability and reduce the safety margin for policymakers, leaving sovereign finances more exposed to shocks. Traditional avenues for improving fiscal sustainability now face major constraints: ultra-low interest rates are unlikely to return due to persistent inflation, growth is difficult to sustain given demographic headwinds and political resistance to immigration, and fiscal consolidation—while effective long-term—is politically challenging amid rising demands for security, healthcare, energy transition, and social welfare spending.

Sovereign bond markets are likely to experience higher term premiums and steeper yield curves, requiring investors to adopt dynamic, diversified strategies that account for differences in fiscal credibility, institutional strength, and policy flexibility across countries. Elevated government debt is structural, driven by pandemic-related emergency spending, energy price support, and large-scale supply chain adjustments, and not merely temporary. Productivity-driven growth, AI-led efficiency gains, and selective immigration offer potential long-term support for fiscal sustainability, although demographic aging continues to weigh on public finances.

Historically, fiscal consolidation has been the most reliable approach to reducing debt, exemplified by countries like Canada and Sweden, but today's fragmented political environment and spending pressures limit its feasibility. Unconventional measures—default, inflation-driven debt erosion, or financial repression—remain largely impractical in open, modern economies. Structural forces such as aging populations, climate risks, and geopolitical fragmentation are likely to keep debt and deficits high, heightening the potential for market volatility.

Debt sustainability depends on the balance between real interest rates and real economic growth, institutional credibility, domestic capital market depth, political cohesion, and reliance on foreign capital. Government bonds continue to serve as defensive assets during economic downturns, with shorter maturities offering more reliable protection, though their hedging qualities diminish when inflation or fiscal risk dominates.

The United States retains structural advantages, including high productivity, deep financial markets, reserve currency status, and innovation capacity, but faces rising structural deficits, entitlement costs, and interest payments exceeding defense spending. Treasury markets remain globally critical, with regulatory changes potentially boosting demand, although political interference with the Federal Reserve could pose longer-term risks. The UK gilt market highlighted vulnerabilities in 2022, while

France faces fiscal pressures amid political fragmentation, and Germany remains fiscally strong but constrained by demographics, labor shortages, and international competition. Japan's stable domestic investor base and gradual policy shifts support a flatter yield curve, though global forces influence long-term yields.

Emerging markets such as Indonesia, Vietnam, and Korea have maintained lower debt levels and fiscal discipline, making their sovereign bonds attractive for strategic allocations. Policy tools, including debt issuance adjustments, targeted central bank interventions, and mechanisms like the ECB's Transmission Protection Instrument, remain critical for market stabilization.

Overall, the global fiscal environment is likely to remain challenging. High debt and persistent deficits will continue to influence policy and market outcomes. Government bonds still offer diversification and protection during growth shocks, but their defensive role diminishes when inflation or fiscal concerns dominate. Investors need a dynamic, country-specific, and policy-aware approach to fixed income allocation, balancing risk, fiscal credibility, and market conditions across developed and emerging economies.

Chart 1: Global government debt: The \$100 trillion elephant in every investment room

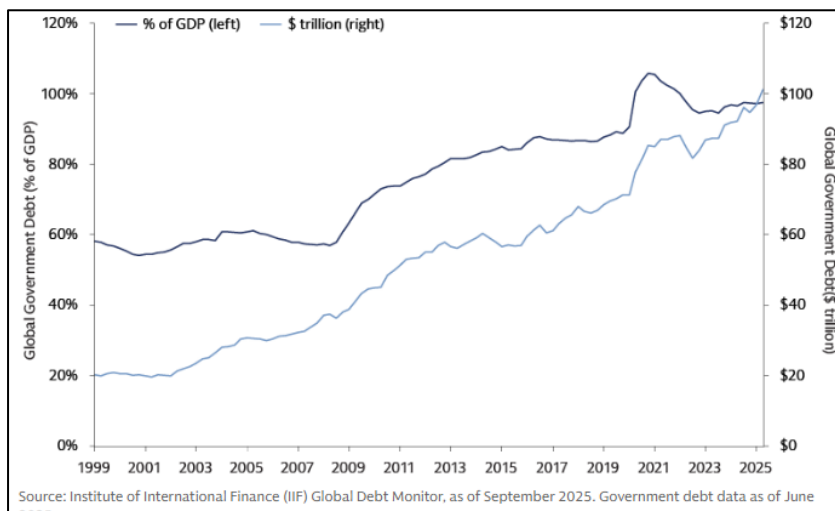
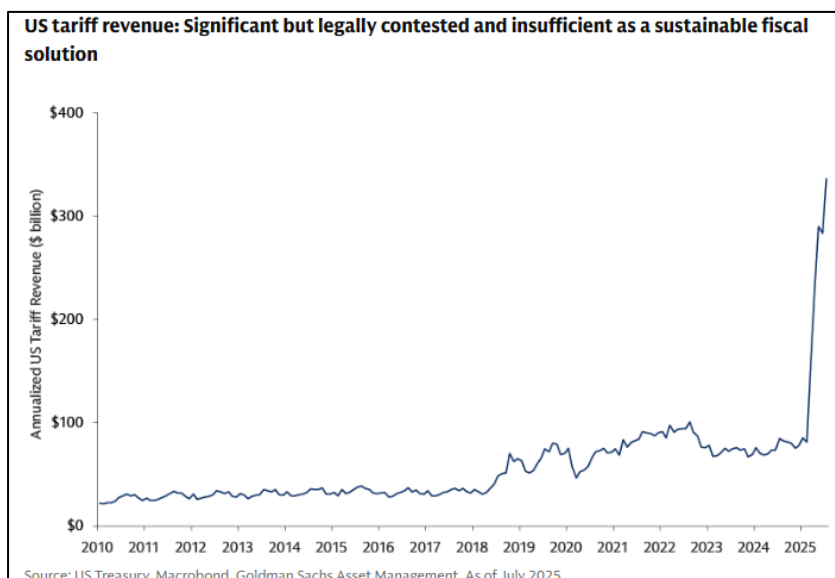


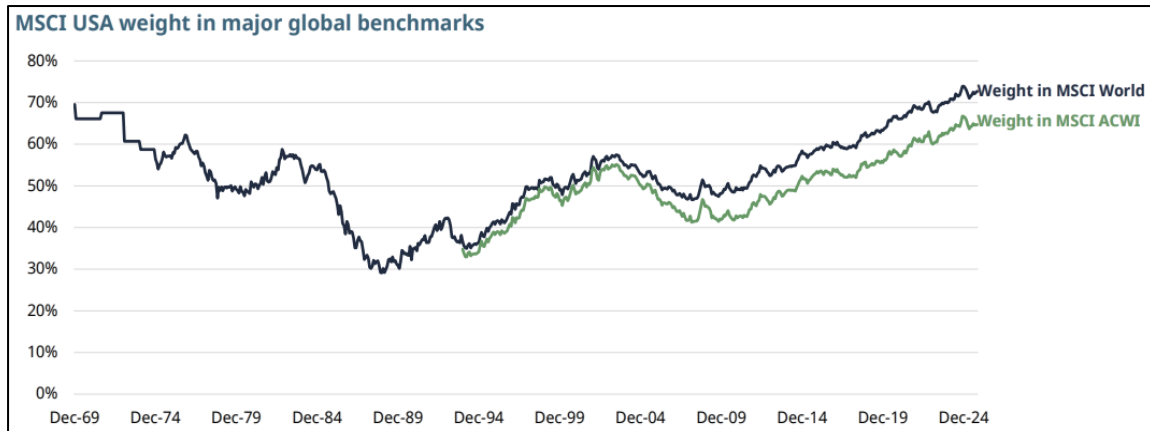
Chart 2: US tariff revenue



U.S. Markets

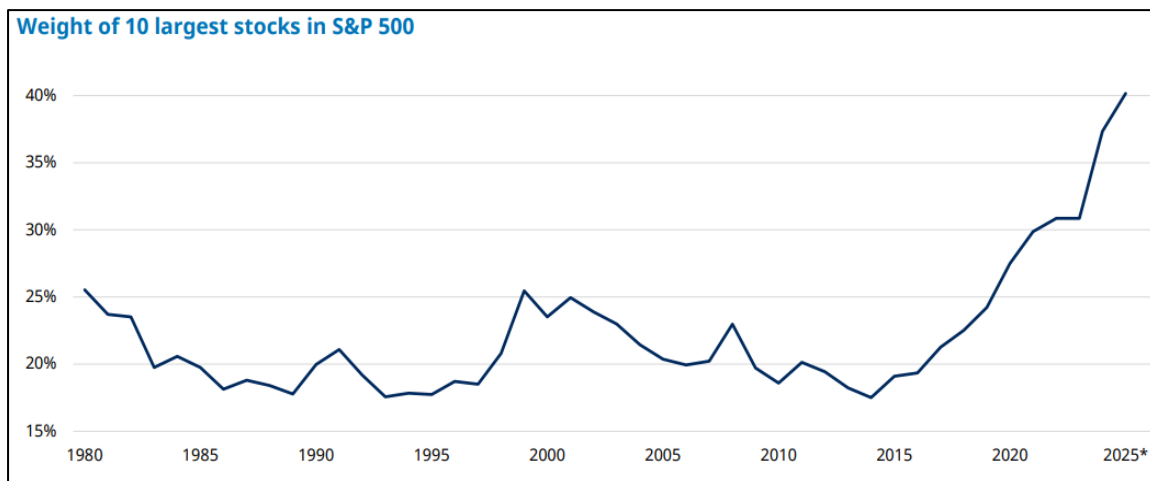
U.S. Equities

Chart 4: World Markets have high U.S. dominance



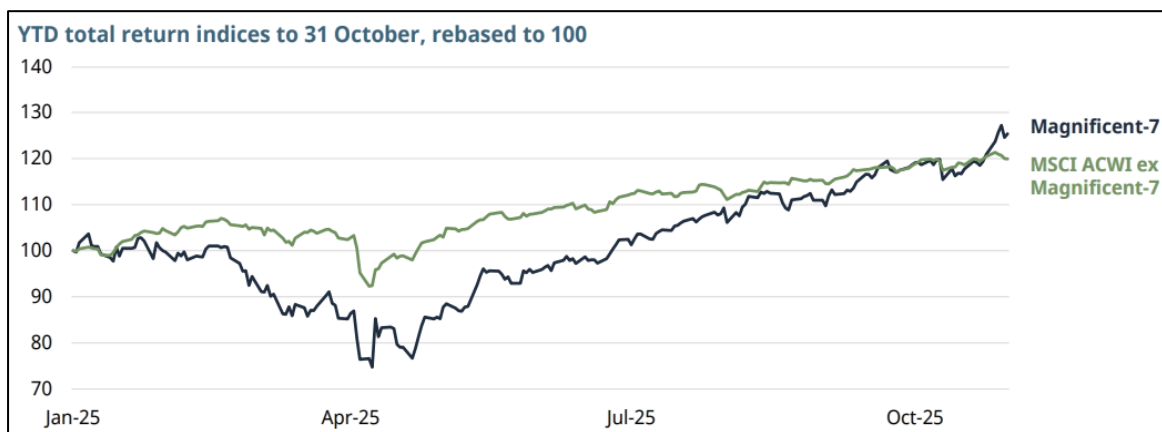
Source: LSEG DataStream, MSCI and Schroders. Data to 31 October 2025

Chart 5: U.S. market is heavily concentrated



Source: S&P, Schroders. Data to 31 October 2025.

Chart 6: Magnificent 7 are once again outpacing the rest in 2025



Source: LSEG DataStream, MSCI and Schroders. Data to 31 October 2025

Chart 7: Market cap of 7 U.S. companies make up about the same as the next 8 biggest countries in MSCI ACWI

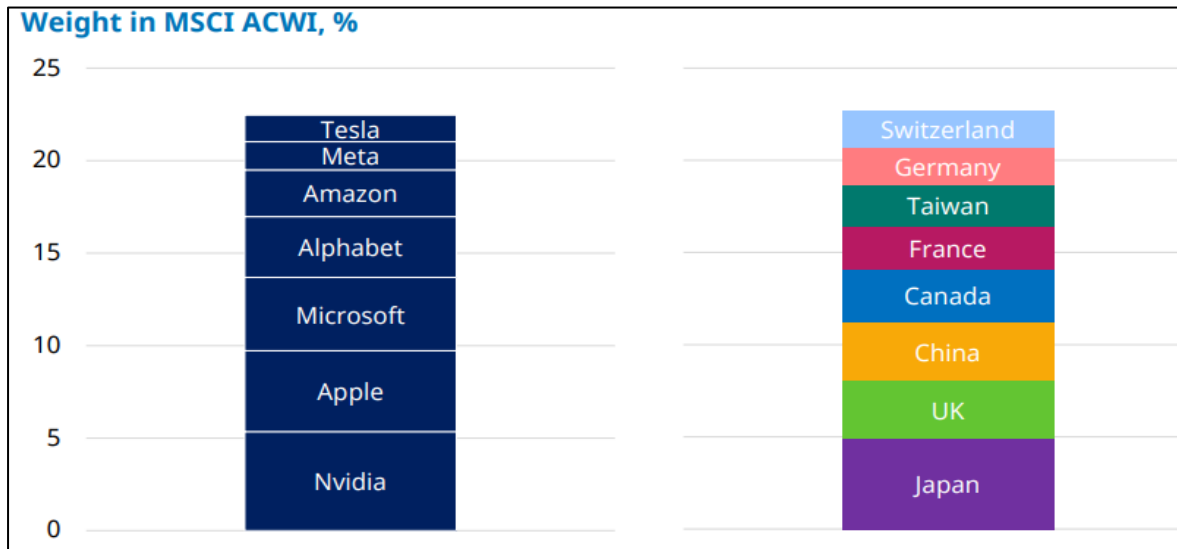
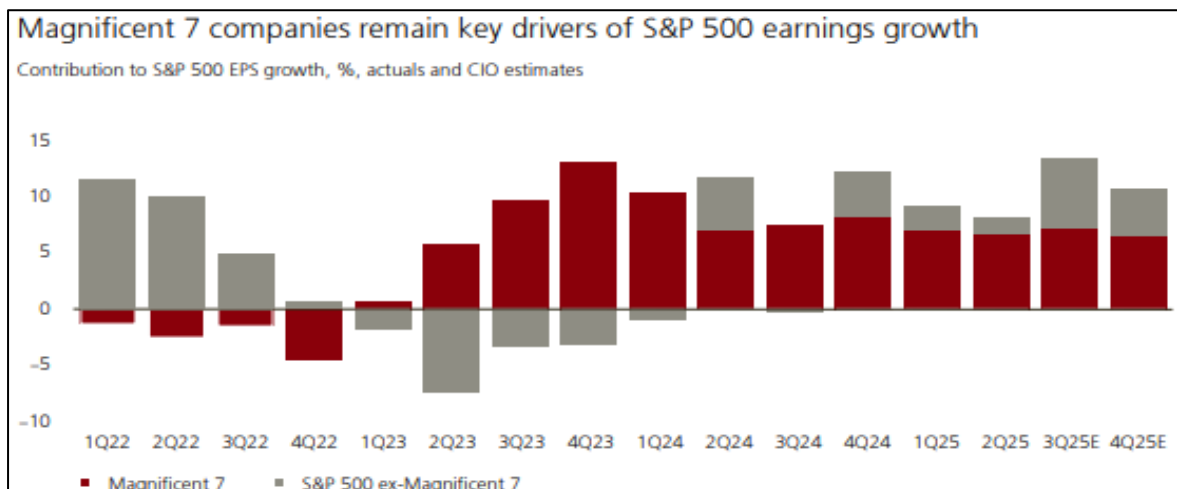


Chart 8: YTD Cumulative returns of various equity market in USD



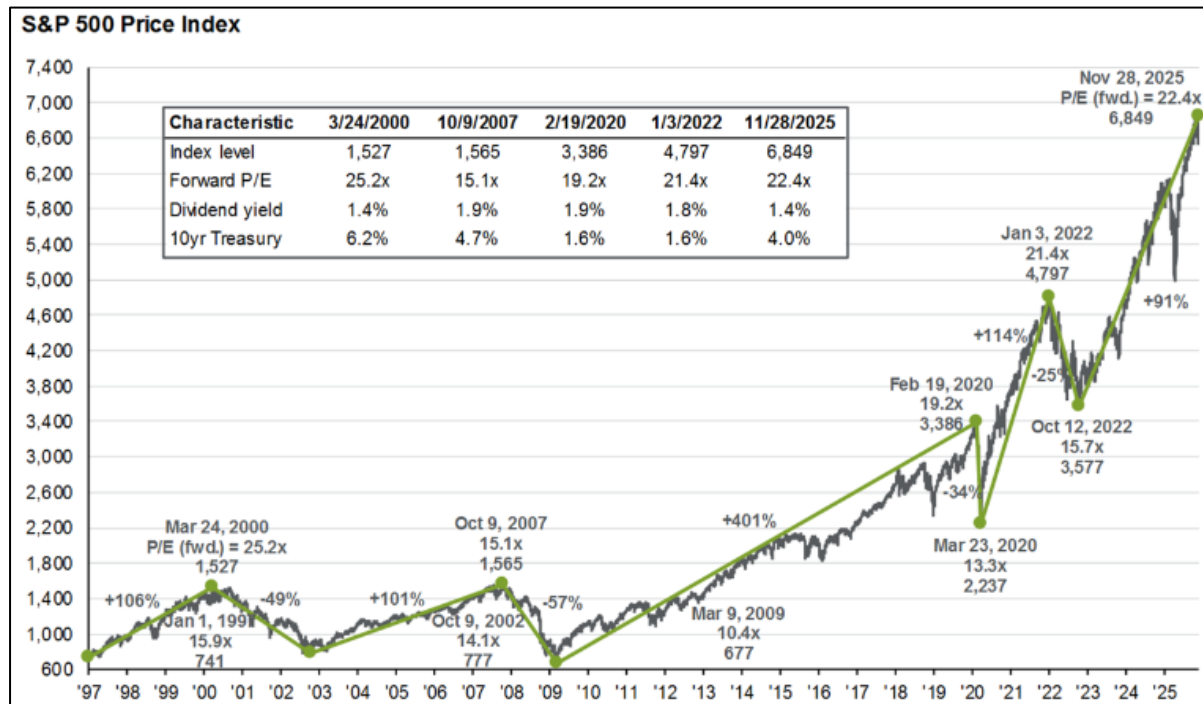
Source of above 2 charts: LSEG Datastream, MSCI and Schroders. Data as at 31 October 2025

Chart 9: Contribution of Magnificent 7 to S&P 500



Source: UBS

Chart 10: S&P 500 Index Valuation relative to last 30 years



Source: JPMorgan

Chart 11: Global Heat Map

2013	2014	2015	2018	2019	2020	2021	2022	2023	2024	YTD	Nov '25
Japan TOPIX 12.1%	UK FTSE All-Share 16.8%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	MSCI EM 30.4%	Japan TOPIX 1.4%
MSCI Europe ex-UK 9.1%	US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	MSCI Asia ex-Japan 29.5%	MSCI Europe ex-UK 1.1%
US S&P 500 1.4%	MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	Japan TOPIX 24.2%	UK FTSE All-Share 0.4%
UK FTSE All-Share 1.0%	MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	UK FTSE All-Share 21.4%	US S&P 500 0.2%
MSCI Asia ex-Japan -8.9%	MSCI Europe ex-UK 3.2%	MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	US S&P 500 17.8%	MSCI EM -2.4%
MSCI EM -14.6%	Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	MSCI Europe ex-UK 17.0%	MSCI Asia ex-Japan -2.8%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 30 November 2025.

The global economy faces significant uncertainty, with U.S. economic performance serving as the key determinant for worldwide growth. An upside surprise in U.S. performance could lift other economies, while a sharper-than expected slowdown may trigger a mild recession with global ripple effects. This uncertainty directly impacts equity and bond markets worldwide, particularly given current elevated valuations driven by high market expectations.

Since the 2008-2009 financial crisis, U.S. equities and fixed income have delivered superior risk-adjusted returns compared to other regions. The U.S. maintains compelling advantages including superior corporate profitability, unmatched market liquidity, and exceptional breadth of investment options. These fundamentals continue attracting substantial global investment flows and position the U.S. as the premier destination for global capital.

However, the global investment landscape is evolving, with new opportunities emerging in regions and sectors that have previously underperformed. These markets now offer improving profitability and more attractive valuations. Additionally, accommodative monetary policy remains in place across most global regions, providing further support for international diversification.

Coming to the month of November, the S&P 500 experienced significant volatility, with concerns over forward growth, market multiples, and AI-related debt levels triggering profit-taking throughout the month. Despite sustained selling pressure, buyer support at key technical levels ultimately prevailed, producing a modest 0.13% gain on the final trading day. This brought year-to-date returns to 16.45%, following strong performances of 23.31% in 2024 and 24.23% in 2023.

The “Magnificent 7” stocks, Nvidia, Microsoft, Apple, Alphabet, Amazon, Meta, and Tesla—which collectively represent 35% of S&P 500 market capitalization, underperformed the broader index in November with only a 0.25% return. Excluding this concentrated group, the broader market would have gained 1% for the month. However, their influence remains substantial year-to-date, contributing 42% of the index’s total 18% return, while the remaining market delivered 10% without them.

Despite selling pressure, sufficient buying interest emerged to support the market and limit downside risk. Optimism appears to prevail over concerns of a short-term pullback, even if the traditional Santa Claus rally fails to materialize. Key growth drivers supporting this optimistic outlook include enterprise technology spending led by AI investments, consumer spending strength, anticipated corporate tax credits and write-offs, plus increased individual tax refunds expected to begin in February 2026.

Market attention in December centers on the Federal Reserve’s December 9-10 meeting, where there is an 86% probability (per CME FedWatch) of a third consecutive 0.25% interest rate cut, which would bring the federal funds rate to 3.50%-3.75%. Following this decision, economic data releases will dominate market sentiment including both postponed reports from the recent 43-day government shutdown and current releases.

Current U.S. equity valuations, however, present notable challenges. The S&P 500 is trading well above long-term averages on both forward earnings and price-to-book measures, reflecting elevated growth expectations that leave limited room for disappointment. Profit margins face pressure from wage costs and lingering trade frictions, while any slowdown in earnings growth or upward movement in bond yields could trigger a valuation-led correction. This setup suggests high and potentially exuberant future growth expectations are already priced into current levels.

Against this backdrop, we advocate a diversified investment approach that looks beyond the concentrated U.S. market toward regions and asset classes offering more balanced risk-reward profiles. Regional diversification can both enhance returns and protect against concentration risks, particularly if AI sentiment turns less favorable. While maintaining appropriate exposure to U.S. market strengths, prudent portfolio protection remains essential should inflationary pressures resurface from tariffs or policy shifts.

U.S. Bonds – Likely easing ahead in 2026 H1; (December 2025 rate cut now given, a u-turn from November)

With no US Federal Reserve (Fed) policy meeting, and economic data releases delayed by the US government shutdown, global bond markets had mostly sentiment to go by in November. As for expectations around a US rate cut in December, futures markets have changed their bets several times over the past few weeks. According to data from the CME FedWatch Tool, the odds of a December rate cut were above 90% in mid-October, then dropped below 50% in early November, only to climb back up to around 80% at month end. A December cut would bring the target range to 3.50%-3.75%.

Fixed income markets grappled with the uncertainty created by the lack of data from the US and questions about the future policy path of the Federal Reserve (Fed). The pass-through of tariffs to the US consumer continue to be a known unknown for economists, and fiscal expansion poses an additional risk for price stability in 2026. By the end of November, the needle turned more in favour of a Fed rate cut at the Fed's next meeting on 10 December while the U.S. labour market data painted a mixed picture

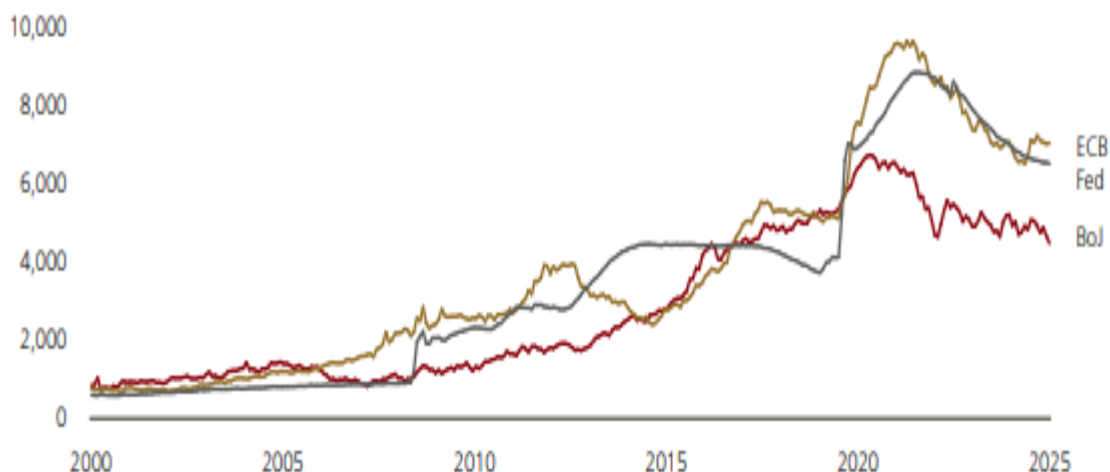
10-year Treasury yields around 4% and investment-grade credit yielding near 5%, bonds present a compelling value proposition, especially with inflation at around 3%.

We believe quality bonds—specifically high grade government and investment grade corporate bonds—have an important role as a source of yield and diversification in 2026. We expect medium-duration quality bonds (four to seven years) to deliver mid-single-digit returns, from a mix of yield and capital appreciation as the Fed cuts rates. Overall, for 2026, we believe the bond market will continue to offer value and opportunity – but not without risk. The Fed's pre-emptive cuts, stable macroeconomic backdrop and healthy demand for fixed income set the stage for constructive returns. Yet, vigilance is warranted as labour market stress and credit events could become more pronounced.

Chart 12: Central Bank Balance sheet

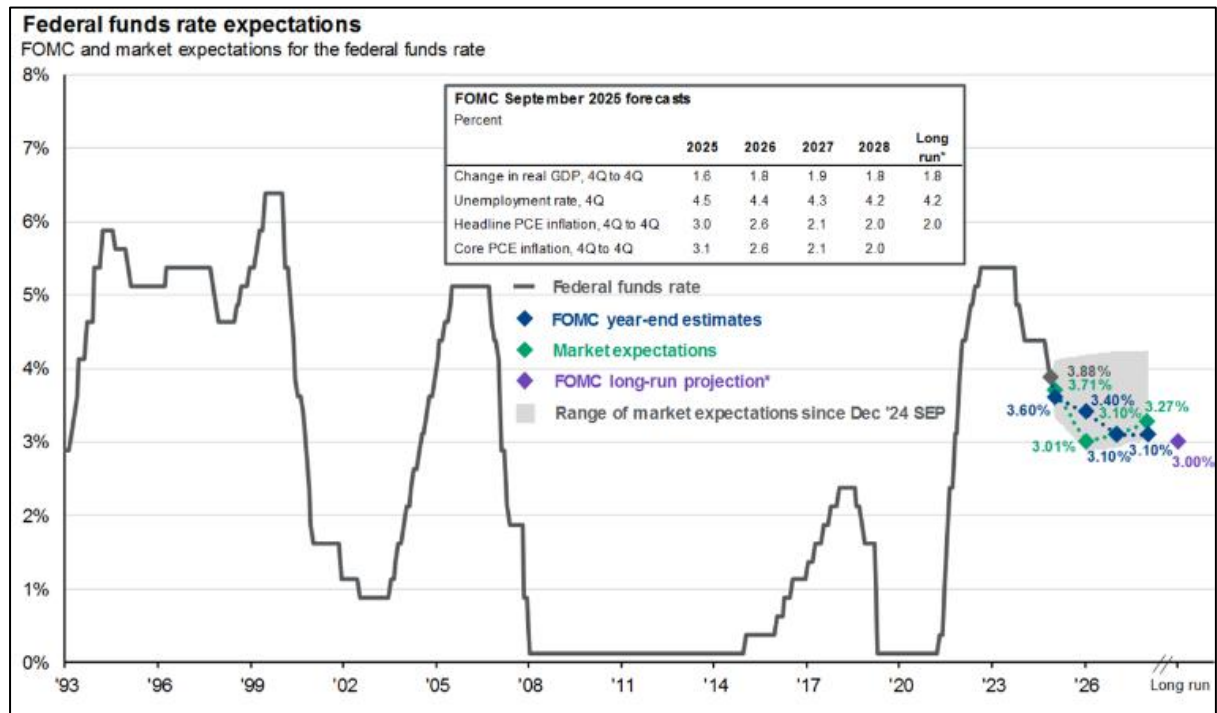
Central bank balance sheets have grown substantially over the past two decades

Fed, ECB, and Bank of Japan balance sheets, total assets in USD bn



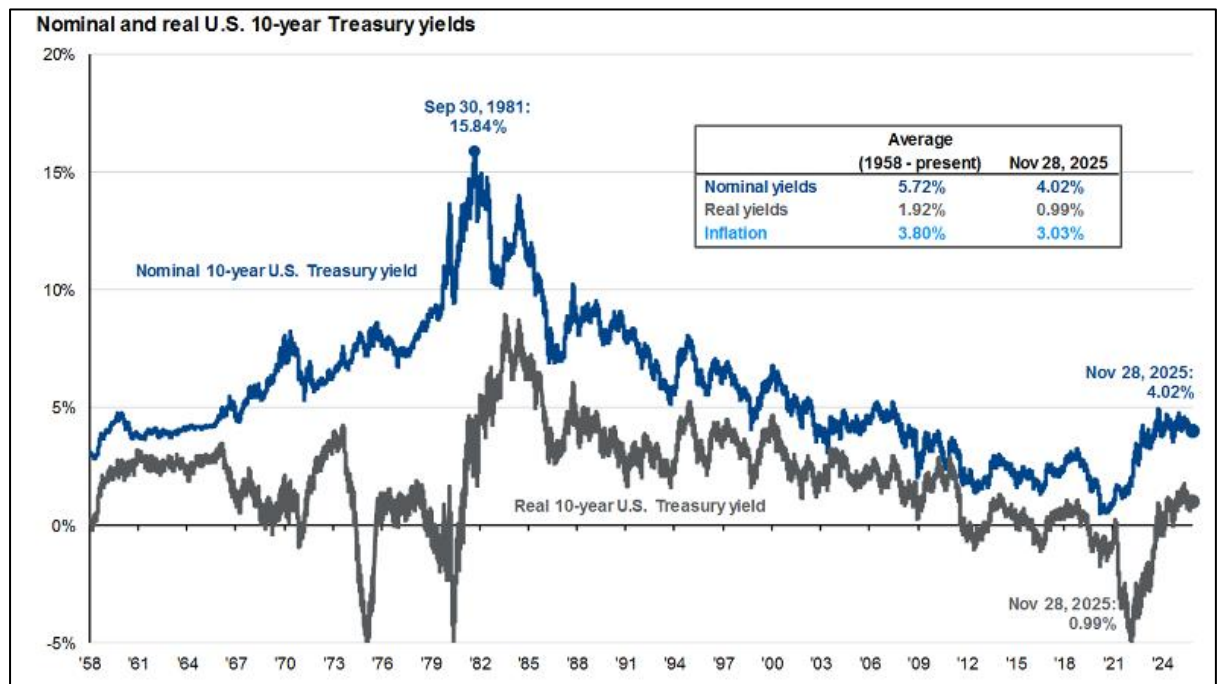
Sources: Bloomberg, UBS, as of 12 November 2025

Chart 13: Fed Funds rate



Source: JP Morgan

Chart 14: U.S. Real Yields



Source: JPMorgan

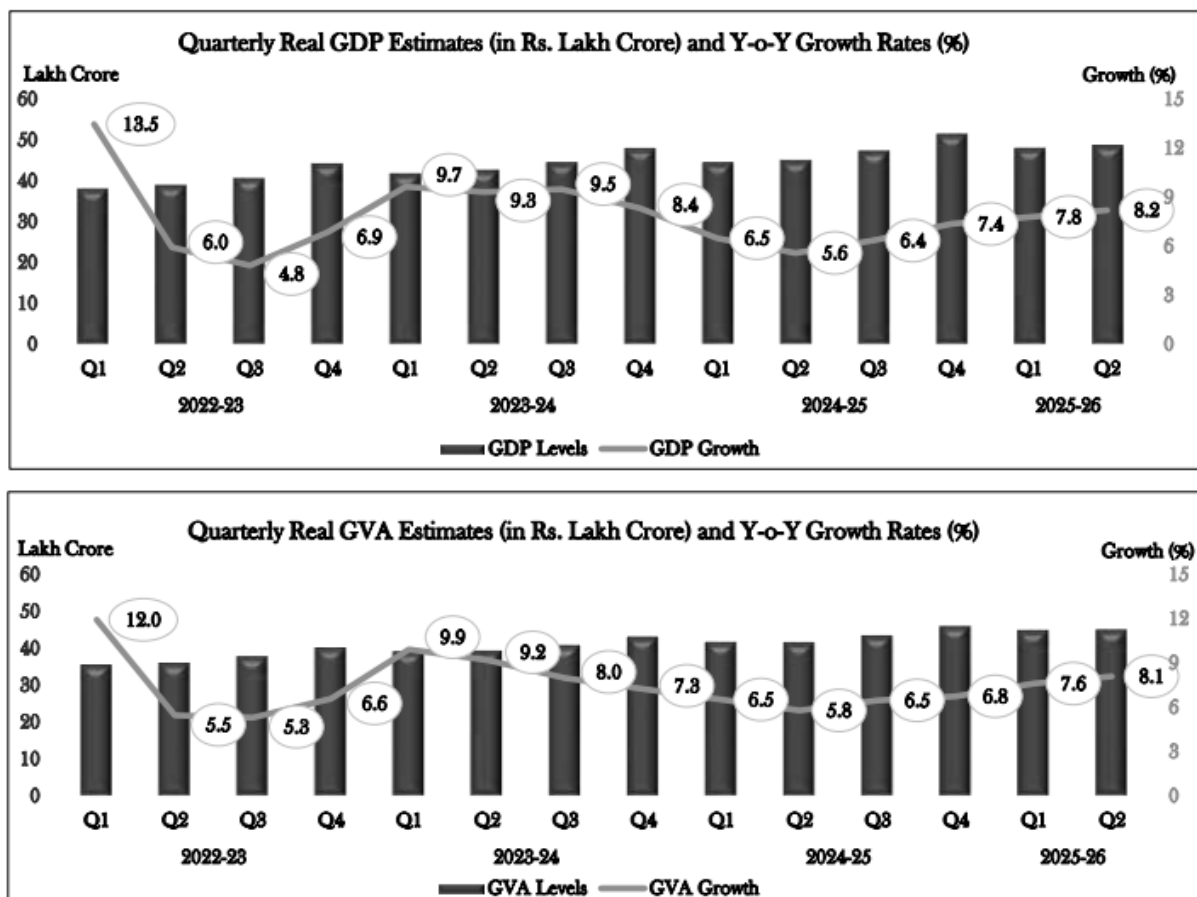
India – Economic Landscape

GDP Q2 Estimate – July-September FY2026

Key Highlights

- Real GDP has been estimated to grow by 8.2% in Q2 of FY26 against the growth rate of 5.6% during Q2 of FY25. Nominal GDP has witnessed a growth rate of 8.7% in Q2 FY26. **Real GDP has registered 8% growth rate in H1 (April-September) of FY26, as compared to the growth rate of 6.1% in H1 of FY25.**
- The Secondary (8.1%) and Tertiary Sector (9.2%) has boosted the Real GDP growth rate in Q2 of FY26 to rise above 8%.
- Manufacturing (9.1%) and Construction (7.2%) in the Secondary Sector, has registered above 7.0% growth rate at Constant Prices in this quarter.
- Financial, Real Estate & Professional Services (10.2%) in the Tertiary Sector has sustained a substantial growth rate at Constant Prices in Q2 of FY26.
- Agriculture and Allied (3.5%) and Electricity, Gas, Water Supply and Other Utility Services Sector (4.4%) has seen moderated Real growth rate during Q2 of FY26.
- Real Private Final Consumption Expenditure (PFCE) has reported 7.9% growth rate during Q2 of FY26 as compared to the 6.4% growth rate in the corresponding period of previous financial year.

Chart 15 & 16: Quarterly GDP and GVA Estimates along with Y-o-Y Growth Rates from Q1 FY23 to Q2 FY26 at Constant Prices



Source: mospi.gov.in, Statlane Research

Chart 17 & 18: Half-Yearly GDP and GVA Estimates along with Y-o-Y Growth Rates from H1 FY23 to H1 FY26 at Constant Prices

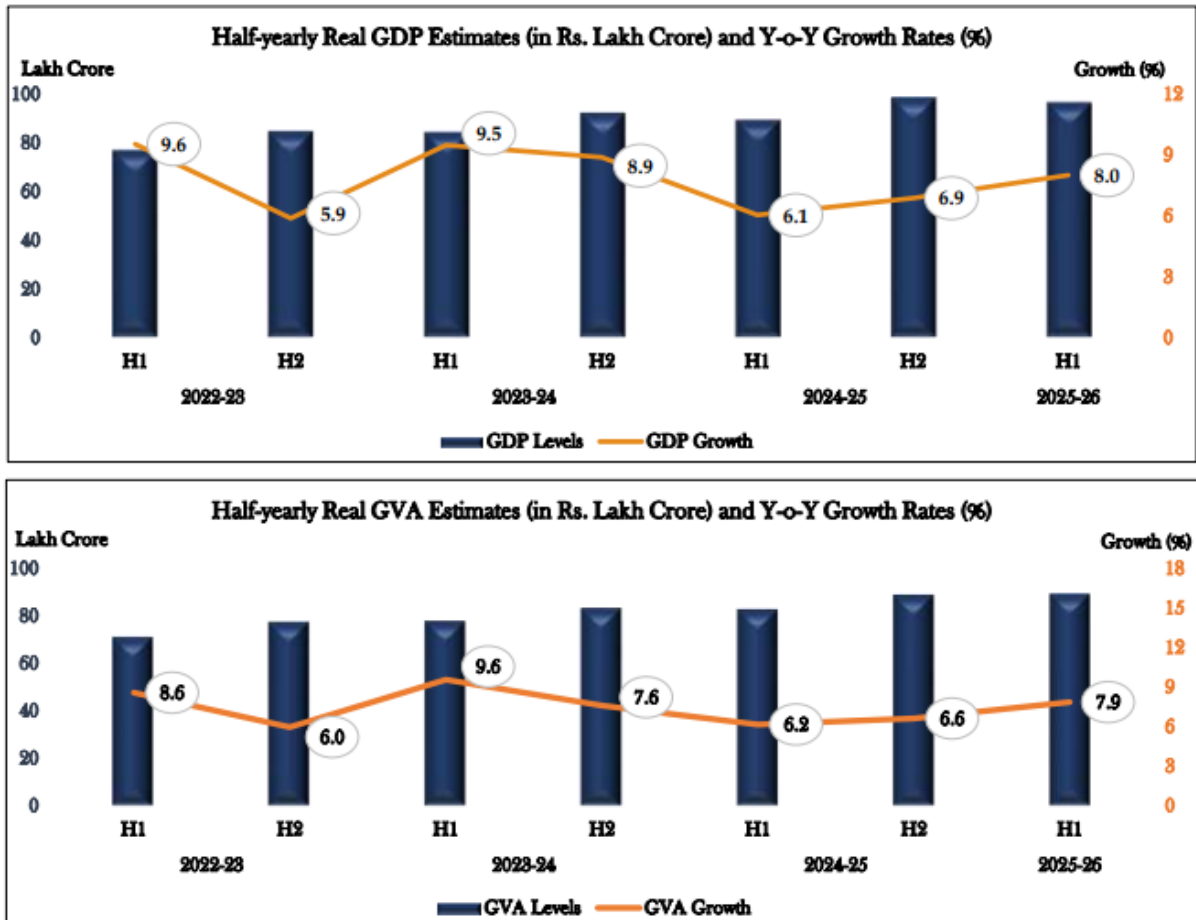


Table 1: Year-on-Year Growth Rates (%) in Major Indicators

Indicators	Q2 2024-25	Q2 2025-26
Production of Rice	1.1	2.9
Production of Coal	0.5	-1.3
Production of Crude Oil	-3.4	-0.04
Production of Cement	3.2	7.3
Consumption of Steel	12.1	8.8
Total Telephone Subscribers	0.8	3.2
Sales of Commercial Vehicles	-10.7	8.3
Sales of Private Vehicles	9.9	5.9
Cargo Handled at Major Sea Ports	6.0	5.9
Cargo Handled at Airports	16.1	4.2
Passengers Handled at Airports	7.9	-0.5
Railways - Net Tonne Kilometres	-1.6	2.3
Railways - Passenger Kilometres	7.5	1.2
Aggregate Bank Deposits	10.4	9.4
Aggregate Bank Credits	12.3	10.8
Revenue Expenditure less Interest Payment	7.2	-12.7
Export of Goods & Services	4.8	11.0
Import of Goods & Services	11.6	8.4
CPI General Index	4.2	1.7
IIP – Mining	-0.1	-0.5
IIP – Manufacturing	3.3	5.1
IIP – Electricity	1.4	3.7
IIP - Capital Goods	4.9	5.6

Table 2: Quarterly Estimates of GVA at Basic Prices for Q2 (July-September) FY26 (at 2011-12 Prices)

Rs Crore

Sector	2024-25 Q2	2025-26 Q2	% Change
1. Primary Sector	5,40,666	5,57,501	3.5
2. Secondary Sector	11,72,416	12,67,823	4.0
3. Tertiary Sector	24,27,523	26,51,589	7.2
GVA at Basic Prices	41,40,606	44,76,914	5.8
Net Taxes	3,52,981	3,86,426	3.3
GDP at Constant Prices	44,93,587	48,63,340	5.6

Table 3: Quarterly Estimates of GVA at Basic Prices for Q2 (July-September) FY26 (at Current Prices)

Rs Crore

Sector	2024-25 Q2	2025-26 Q2	% Change
1. Primary Sector	11,43,824	11,57,592	6.7
2. Secondary Sector	17,81,871	19,47,152	4.7
3. Tertiary Sector	42,18,988	46,64,631	10.3
GVA at Basic Prices	71,44,683	77,69,374	8.3
Net Taxes	6,95,662	7,55,695	8.6
GDP at Current Prices	78,40,345	85,25,070	8.3

Table 4: Quarterly Estimates of Expenditure Components of GDP for Q2 (July-Sept) FY26 at 2011-12 Prices

Expenditure Components Rs Crore	Q2 2024-25	Q2 2025-26	% Change
1. Private Final Consumption Expenditure (PFCE)	25,18,254	27,18,453	7.9
2. Government Final Consumption Expenditure (GFCE)	4,03,592	3,92,730	-2.7
3. Gross Fixed Capital Formation (GFCF)	15,57,503	16,71,729	7.3
4. Changes in Stocks (CIS)	77,908	83,646	7.4
5. Valuables	1,32,482	1,02,463	-22.7
6. Exports	9,91,508	10,46,884	5.6
7. Imports	11,66,500	13,15,253	12.8
8. Discrepancies	-21,160	1,62,687	3.3
GDP	44,93,587	48,63,340	8.2

Table 5: Quarterly Estimates of Expenditure Components of GDP for Q2 (July-Sept) FY26 at Current Prices

Expenditure Components Rs Crore	Q2 2024-25	Q2 2025-26	% Change
1. Private Final Consumption Expenditure (PFCE)	48,73,651	53,29,150	9.4%
2. Government Final Consumption Expenditure (GFCE)	7,83,876	7,72,711	-1.4%
3. Gross Fixed Capital Formation (GFCF)	24,03,612	26,00,966	8.2%
4. Changes in Stocks (CIS)	1,20,494	1,28,548	6.7%
5. Valuables	2,38,202	2,40,142	0.8%
6. Exports	16,55,030	18,37,597	11.0%
7. Imports	19,73,219	21,38,230	8.4%
8. Discrepancies	-2,61,301	-2,45,814	-5.9%
GDP	78,40,345	85,25,070	8.7%

Table 6: High Frequency indicator – Industry Growth

Indicator	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
IIP-Headline	3.7	5.0	3.7	5.2	2.7	3.9	2.6	1.9	1.5	4.3	4.1	4.0	
IIP Manufacturing	4.4	5.5	3.7	5.8	2.8	4.0	3.1	3.2	3.7	6.0	3.8	4.8	
IIP capital goods	2.9	8.9	10.5	10.2	8.2	3.6	14.0	13.3	3.0	6.8	4.5	4.7	
PMI Manufacturing	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7	59.2
PMI Export Order	53.6	54.6	54.7	58.6	56.3	54.9	57.6	56.9	60.6	57.3	56.1	56.5	54.7
PMI Manufacturing: Future Output	62.1	65.5	62.5	65.1	64.9	64.4	64.6	63.1	62.2	57.6	60.5	64.8	62.3
Eight Core Index	3.8	5.8	5.1	5.1	3.4	4.5	1.0	1.2	2.2	3.7	6.5	3.3	0.0
Electricity generation: Conventional	0.5	2.7	4.5	-1.3	2.4	4.8	-1.8	-8.2	-6.1	-0.8	1.0	0.8	-10.8
Electricity generation: Renewable	14.9	19.0	17.9	31.9	12.2	25.2	28.0	18.2	28.7	26.4	22.7	16.4	
Automobile Production	10.0	8.0	1.3	9.4	2.3	6.5	-1.7	5.2	1.2	10.7	8.1	10.8	-2.8
Passenger vehicle production	-4.0	6.5	9.2	3.7	4.5	11.2	10.8	5.4	-1.8	0.1	-4.1	16.1	9.8
Tractor production	0.4	24.7	20.9	23.7	-7.8	18.5	20.5	9.1	9.8	11.5	9.4	23.0	13.0
Two-wheelers production	13.3	8.8	-0.6	10.3	1.6	5.6	-4.1	4.7	1.4	12.3	10.0	9.8	-5.6
Three-wheelers production	-6.7	-5.5	7.6	16.2	6.5	6.0	4.1	16.9	8.6	24.0	15.8	15.9	15.9
Crude steel production	4.2	4.5	8.3	7.4	6.0	8.5	9.3	11.0	12.6	13.8	12.8	13.2	9.4
Finished steel production	4.0	2.8	5.3	6.7	6.7	10.0	6.6	7.0	10.9	13.8	13.8	13.8	10.0
Import of capital goods	7.0	4.8	6.1	15.5	-0.5	8.6	24.6	15.7	3.4	12.0	-1.4	10.1	8.7

<< Contraction ————— Expansion >>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators (except for PMI). 2. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 3. The heatmap is applied on data from April 2023 till October 2025, other than for the IIP and electricity generation: renewable, where the data are till September 2025. 4. All PMI values are reported in index form. A PMI value >50 denotes expansion, <50 denotes contraction and =50 denotes 'no change'. In the PMI heatmaps, red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.

Sources: Ministry of Statistics and Programme Implementation (MoSPI); S&P Global; Central Electricity Authority (CEA), Ministry of Power; Society of Indian Automobile Manufacturers (SIAM); Office of Economic Adviser, Gol; Joint Plant Committee; Directorate General of Commercial Intelligence & Statistics; and Tractor and Mechanisation Association.

Table 7: High Frequency indicator – Economic activity

Indicator	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
GST E-way bills	16.9	16.3	17.6	23.1	14.7	20.2	23.4	18.9	19.3	25.8	22.4	21.0	8.2
GST revenue	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4	6.2	7.5	6.5	9.1	4.6
Toll Collection	7.9	11.9	9.8	14.8	18.7	11.9	16.6	16.4	15.5	14.8	12.7	4.5	4.6
Electricity demand	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.8	-2.3	2.6	3.8	3.4	-5.6
Petroleum consumption	4.1	10.6	2.0	3.0	-5.2	-3.1	0.2	1.1	0.5	-4.4	4.8	7.6	-0.4
Of which													
Petrol	8.7	9.6	11.1	6.7	5.0	5.7	5.0	9.2	6.8	5.9	5.5	8.0	7.4
Diesel	0.1	8.5	5.9	4.2	-1.3	0.9	4.2	2.1	1.5	2.4	1.2	6.6	-0.3
Aviation Turbine Fuel	9.4	8.5	8.7	9.4	4.2	5.7	3.9	4.4	3.3	-2.3	-2.9	-0.8	2.1
Digital Payments - volume	40.3	30.1	33.1	33.0	26.7	30.8	30.0	29.2	28.3	30.9	31.1	28.1	19.0
Digital Payments - value	27.5	9.5	19.6	18.6	9.5	17.3	18.4	12.6	17.4	16.6	5.3	13.4	9.1

<< Contraction ————— Expansion >>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators. 2. The heatmap is applied to data from April 2023 to October 2025. Digital Payments data for October 2025 is provisional. 3. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. Sources: Goods and Services Tax Network (GSTN); RBI; Central Electricity Authority (CEA); and Ministry of Petroleum and Natural Gas, Gol.

Table 8: High Frequency indicator – High Frequency Indicators for Services Showed Resilience

Indicator	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
PMI Services	58.5	58.4	59.3	56.5	59.0	58.5	58.7	58.8	60.4	60.5	62.9	60.9	58.9
International Air Passenger Traffic	10.3	10.7	9.0	11.1	7.7	6.8	13.0	5.0	3.4	5.5	7.7	7.3	9.6
Domestic Air Cargo	8.9	0.3	4.3	6.9	-2.5	4.9	16.6	2.3	2.6	4.8	7.1	2.8	
International Air Cargo	18.4	16.1	10.5	7.1	-6.3	3.3	8.6	6.8	-1.2	4.2	4.5	2.3	
Port Cargo Traffic	-3.4	-5.0	3.4	7.6	3.6	13.3	7.0	4.3	5.6	4.0	2.5	11.5	12.0
Retail Commercial vehicle sales	6.4	-6.1	-5.2	8.2	-8.6	2.7	-1.0	-3.7	6.6	0.2	8.6	2.7	17.7
Hotel Occupancy	-5.3	11.1	-0.2	1.2	0.6	1.9	7.2	-2.8	-0.3	-2.4	-3.2	-0.6	
Steel Consumption	8.1	9.5	5.2	10.9	10.9	13.6	6.0	8.1	9.3	7.3	10.0	8.9	4.7
Cement Production	3.1	13.1	10.3	14.3	10.7	12.2	6.3	9.7	8.2	11.6	5.4	5.0	5.3

<< Contraction Expansion >>

Notes: 1. The y-o-y growth (in %) has been calculated for all indicators. 2. The heatmap is applied on data from April 2023 till August 2025. 3. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 4. The data on domestic air passenger traffic for August 2025 growth rate is calculated by aggregating daily data. Sources: Airports Authority of India; Federation of Automobile Dealers Associations (FADA); and Ministry of Rural Development, Gol.

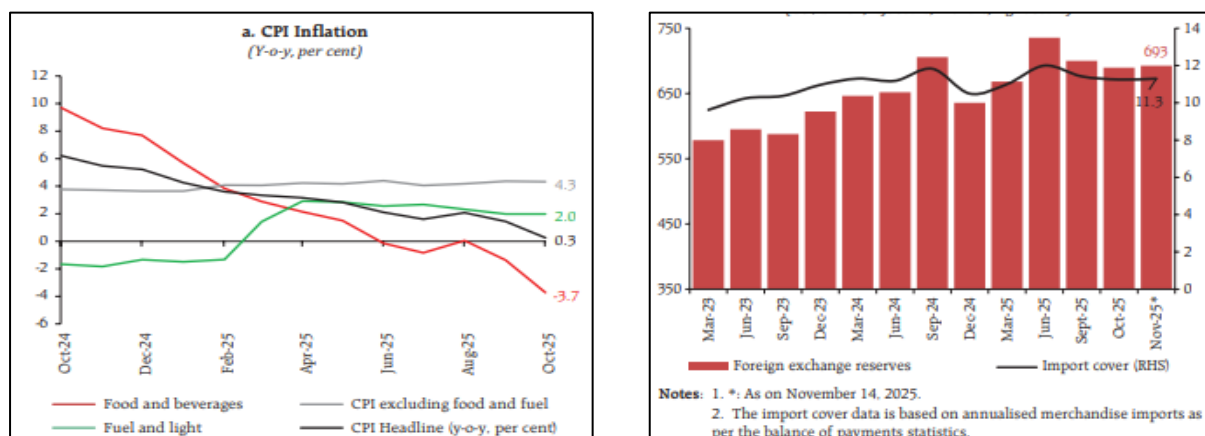
Chart 19: India's merchandise trade



Sources: PIB; and DGCI&S.

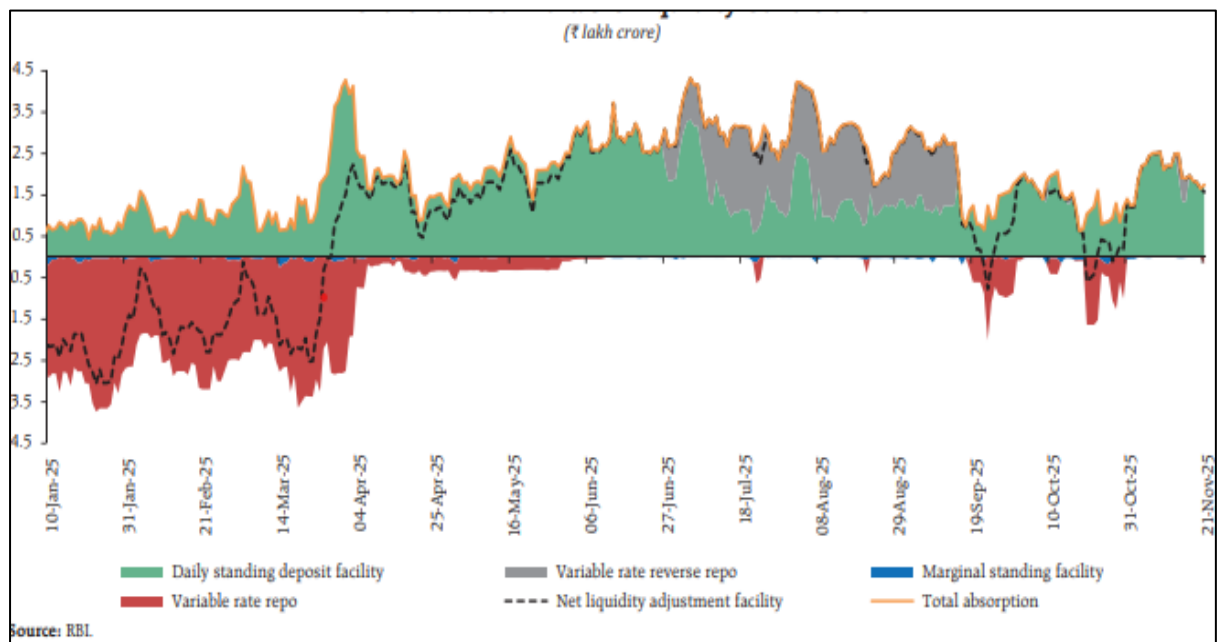
Source: RBI monthly bulletin

Chart 20: Inflation and Foreign exchange reserves in USDBN



Source: National Statistical Office, RBI

Chart 21: Liquidity Operations

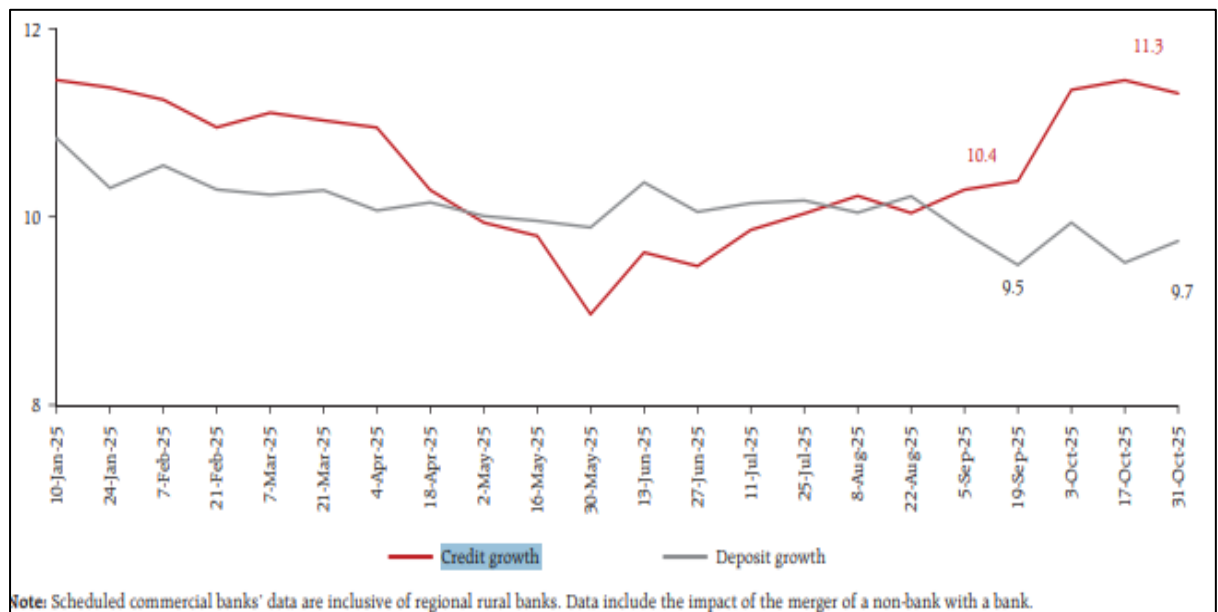


Source: RBI Bulletin

Foreign exchange reserves As of November 14, 2025, India's foreign exchange reserves stood at US\$ 693bn, sufficient to cover more than 11 months of merchandise imports

Trends of Scheduled Commercial Banks

Chart 22: Credit and Deposit growth of SCBs



Source: RBI

India Equities: Earnings Season and Path ahead

Q2FY26 Corporate earnings update

- Corporate earnings for 2QFY26 came in better relative to previous few quarters, with overall growth led by OMCs, Telecom, Metals, Technology, NBFC–Lending, Cement, and Capital Goods. In contrast, Oil & Gas (ex-OMCs), Automobiles (driven by Tata Motors), and Banks (both Private and PSU) weighed on aggregate profitability. However most banks turned more constructive on 2HFY26, citing better growth trends, moderating credit costs, and expected NIM improvement. Several lenders indicated that growth in unsecured portfolios should pick up as stress abates. Collection efficiency is also seen improving, which should support more benign credit costs. Overall, management commentary points to stronger momentum in 2HFY26 and a more stable, supportive operating backdrop for the banking sector.
- Within NBFCs and HFCs, management teams indicated increased comfort in scaling unsecured books, backed by healthier borrower profiles and a more calibrated approach to risk. Asset quality outcomes were mixed in this reporting season with segments such as CV, unsecured MSME remaining still under pressure, while Micro finance driven NBFCs and personal loans are showing relatively steady trends.
- In IT services, management commentary suggested that technology spending remains broadly steady, with no material changes expected through FY26. Clients are keeping discretionary spends tight and are focusing on vendor consolidation.
- For the Automobiles space, management expressed broad based optimism across categories for 2HFY26, underpinned by GST rate reductions, firmer consumption trends, and stronger festive demand. CV demand has improved meaningfully, led by LCVs, while MHCV volumes are expected to strengthen over the coming quarters as freight activity gathers pace.
- In Capital Goods, management commentary remained positive, with expectations of a pickup in the domestic capex cycle. This is being driven by rising power generation needs, a steady industrial upcycle, and healthy traction in railways, marine, and infrastructure segments.
- In Metals (ferrous), management expects net sales realizations to stay firm or improve marginally, with likely marginal rise in coking coal cost in 3QFY26. Higher volumes from newly commissioned capacities and a greater contribution from captive raw materials should support margins. In non-ferrous, companies guided for stable CoP, while supportive pricing is expected to aid margin expansion in coming quarters.
- In consumer staples, with trade channels stabilizing post the GST cut, companies foresee a gradual recovery supported by an improving rural backdrop and better urban sentiment. A favorable winter should further bolster demand for health supplements, winter personal care, beverages, and packaged foods.
- In Healthcare, pharma management teams indicated that the GST transition temporarily disrupted domestic formulation sales during the quarter. Inventory dislocation at the distributor and retailer level weighed on near-term revenues. A recovery is anticipated from October onward, once inventory levels normalize and regular channel flows are restored.
- Overall, Nifty 500 companies delivered strong double-digit earnings growth in 2QFY26, the best performance in last 5 quarters despite geopolitical uncertainties and subdued consumption. Aggregate earnings rose 15% YoY, while ex-Financials earnings grew 20% YoY, and excluding Metals and Oil & Gas, earnings increased 9% YoY.
- Corporate results for 2QFY26 showed a broadly distributed uptick, with several major industries standing out. Oil & Gas, NBFCs, Metals, Cement, Capital Goods, Telecom, Retail, and Real Estate were among the strongest contributors, each posting substantial YoY gains. On the other hand, Technology, Healthcare, PSBs,

Consumer, and Utilities reported only modest improvements, while Automobiles, private banks, and Media weighed on overall profitability with declines.

- A large part of corporate performance of Nifty 500 came from Midcap 150 companies. Earnings for the Midcap 150 rose 27% YoY clearly outpacing the large-cap segment, where Nifty 100 companies recorded around 10% YoY growth. Earnings of the Nifty-500 universe grew 12% YoY for 1HFY26. Ex-Financials, the earnings grew 16% YoY, while ex-Metals and O&G, the earnings rose 8% YoY.
- Coming to Nifty 50 performance, we saw another muted quarter both on earnings and PAT front. Earning growth came in around 8% YoY and PAT was muted at 2%.

Path Ahead

The 2QFY26 earnings season has broadly aligned with expectations, with the pace of downgrades slowing and a wider set of sectors contributing to overall growth. Although Indian equities have delivered subdued returns over the past year, the underlying market setup has improved meaningfully, supported by a bottoming-out of the earnings cycle and the prospect of a return to double digit growth. Valuations remain reasonable, with the Nifty trading at 21.2x, close to its long-period average of 20.8x, indicating that any visible acceleration in earnings could unlock further room for valuation expansion. The government's ongoing reform agenda, supported by GST 2.0 implementation, fiscal discipline, and targeted consumption stimulus, is expected to help reset the earnings trajectory, while a potential resolution of the tariff stalemate would serve as an important external catalyst. Market sentiment has also improved as indices reclaimed previous highs, supported by stronger corporate performance, better liquidity conditions, lower interest rate, and early signs of stabilizing Indo-US geopolitical dynamics.

As investors await clearer evidence of GST 2.0 benefits translating into broad-based consumption gains, the risk-reward setup appears increasingly favourable, especially given India's relative underperformance versus emerging market peers, MSCI EM rose 26% over the past year compared with India's 12%. The latest earnings season further demonstrated resilience, with more companies reporting in-line and fewer downgrades across sectors, suggesting a steadier earnings environment ahead. These trends, combined with resilient macro indicators, supportive monetary and fiscal policies, improving global risk appetite, and stronger midcap performance in Q2FY26, reinforce a constructive medium-term outlook. While liquidity easing and consumption support are positives, the valuation upside for 2026 appears capped, prompting a more selective approach. We therefore maintain a positive stance on Indian equities with a preference for large and midcaps, remain underweight small and microcaps where pockets of froth persist, and stay cautious on IPOs that continue to come at elevated valuations.

Investor Action Plan

In the current environment, investors should focus on risk-adjusted opportunities and disciplined allocation:

- **Buy on Dips:** Use meaningful market corrections as entry opportunities, with a greater allocation to large- and mid-cap stocks. These segments offer better earnings visibility and liquidity, while small and micro caps show signs of speculative excess.
- **Be Selective on IPOs:** The surge in primary market activity warrants caution. Focus on fundamentally strong businesses with profitability visibility.
- **Reassess Valuation and Earnings Outlook:** Despite the narrowing of India's valuation premium versus other emerging markets, subdued earnings growth remains a deterrent for stronger foreign investor participation. Clear earnings acceleration will be key to renewed FII inflows.
- **Stay Anchored in Core Sectors:** Maintain allocations to financials, manufacturing, infrastructure, and consumption—sectors best positioned to benefit from policy reforms, domestic demand recovery, and improving liquidity conditions.

Risks to our positive view on Indian Equities

Despite the presence of several positive structural and cyclical drivers for Indian equities, a substantial portion of the risk landscape may be shaped by external developments in 2026

Key Positives Supporting India's Earnings Upturn

1. Fiscal and monetary support remain favourable for growth.
2. Strong liquidity conditions continue to underpin market stability.
3. Accommodative central bank policy driven by ultra-low inflation.
4. GST and income-tax cuts leading to higher disposable income and stronger consumption.
5. Possible India–US trade deal expected over the next few months.
6. Underperformance versus global and EM markets over the last 1 year due to FII selling, creating room for catch-up.

Global Flashpoints That Could Trigger a Downturn

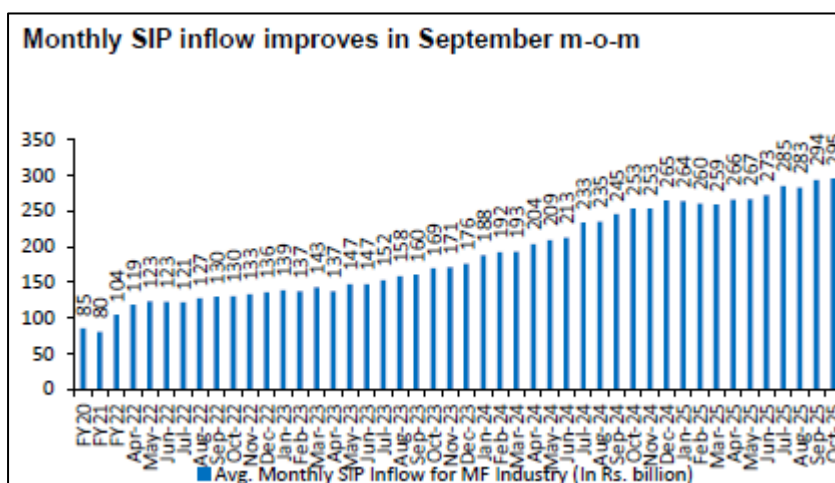
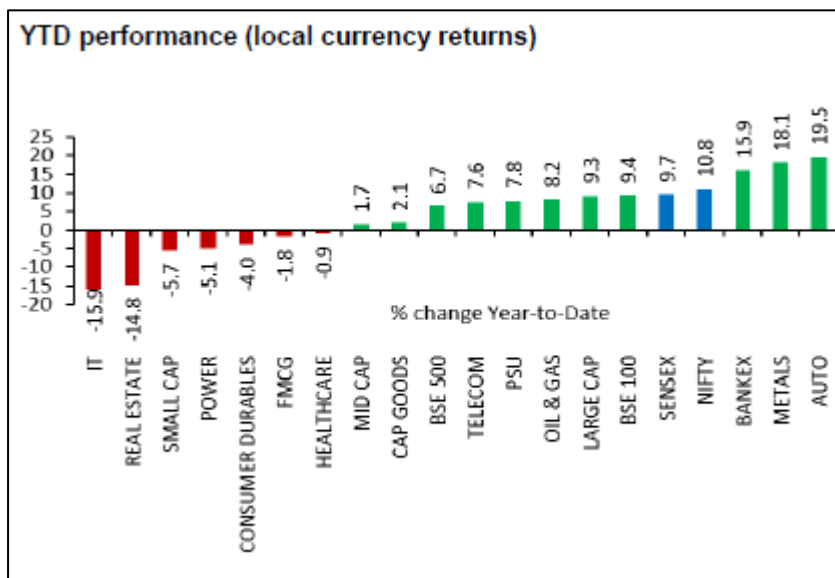
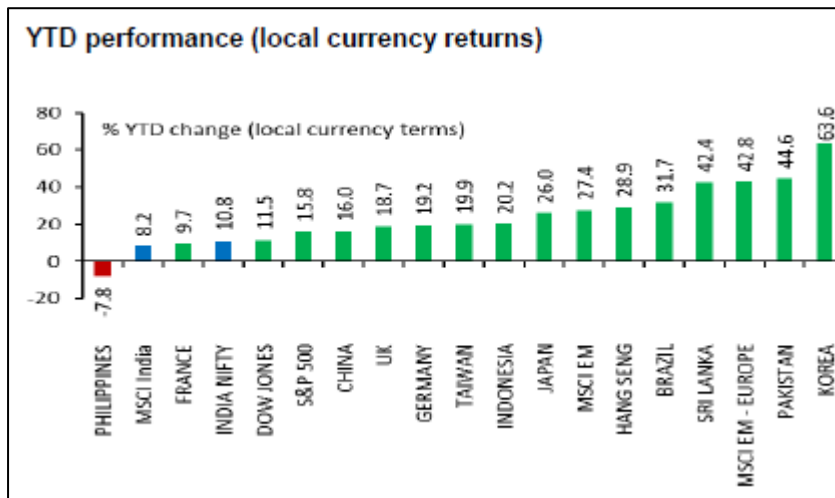
1. Global growth slowdown due to tariff uncertainty.
2. Re-acceleration in inflation forcing central banks in developed markets to move from a dovish to hawkish stand, driving bond yields sharply higher and compressing equity valuations.
3. Major geopolitical shock disrupting supply chains or energy markets.
4. Disappointment in AI or technology earnings leading to a broad de-rating of growth stocks.
5. Disorderly unwind of the Japan yen carry trade, where faster-than-expected BoJ normalisation leads to a rapid yen rise, forcing leveraged global investors to unwind positions triggering cross-asset selling, EM currency pressure and tighter global financial conditions.
6. Elevated Equity market valuation in U.S. particularly
7. High Government debt particularly in U.S. and Japan

India-Specific Risks

1. Higher inflation next year due to base effects and higher disposable spending leading to higher prices.
2. Spike in the current account deficit from a higher import bill (especially if gold prices remain elevated) and lower exports caused by tariff-related issues.
3. Elevated Market Valuation and Fiscal slippage

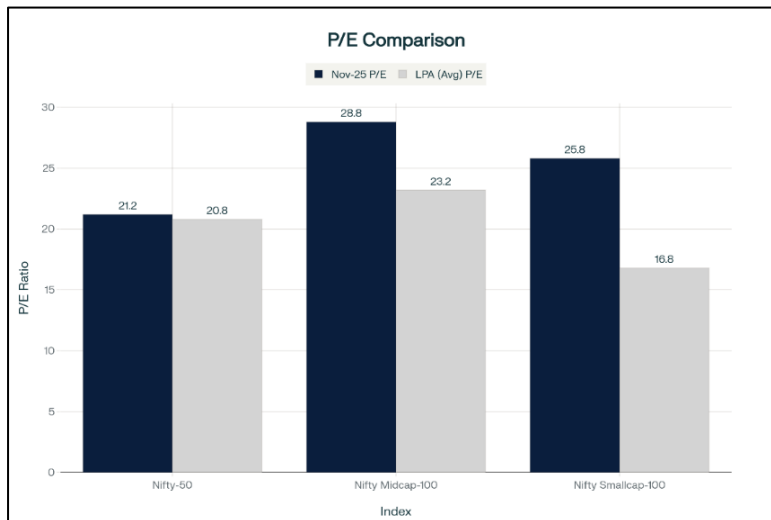
Trends in Indian Equity Market

Charts 23-24-25: Global and Domestic markets performance, domestic sectors performance and domestic SIP flows



Source: AMFI, NSE India, SBI MF, BSE

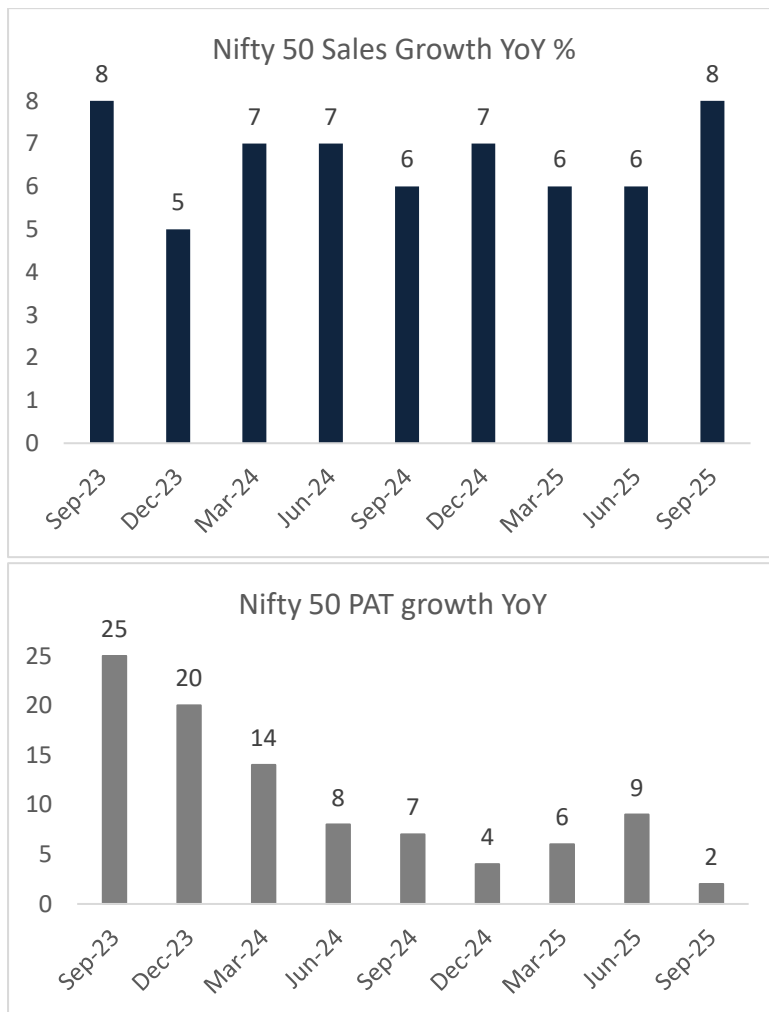
Chart 26: Nifty largecap, midcap,smallcap valuation relative to long period average



Source: StatLane, NSE india.

Note: LPA is long period average, in this case period between 2015-2025

Chart 27 & 28: Nifty 50 Sales and PAT trends



Source: StatLane Research

Chart 29: EPS trends

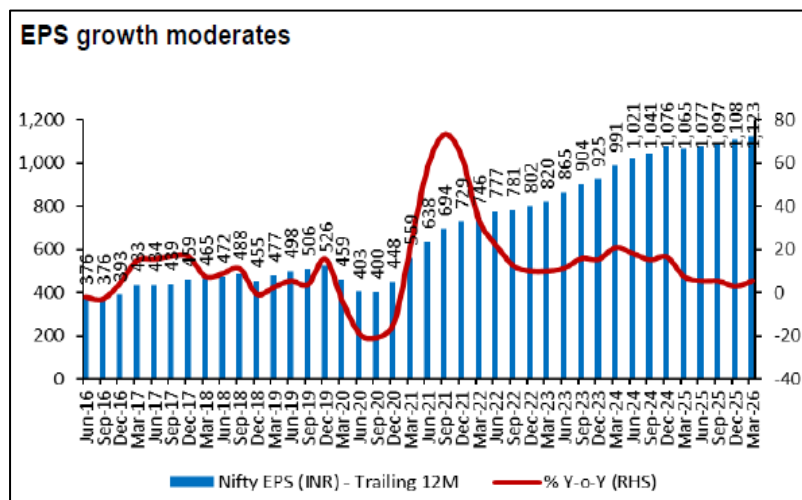


Chart 30: FII trends

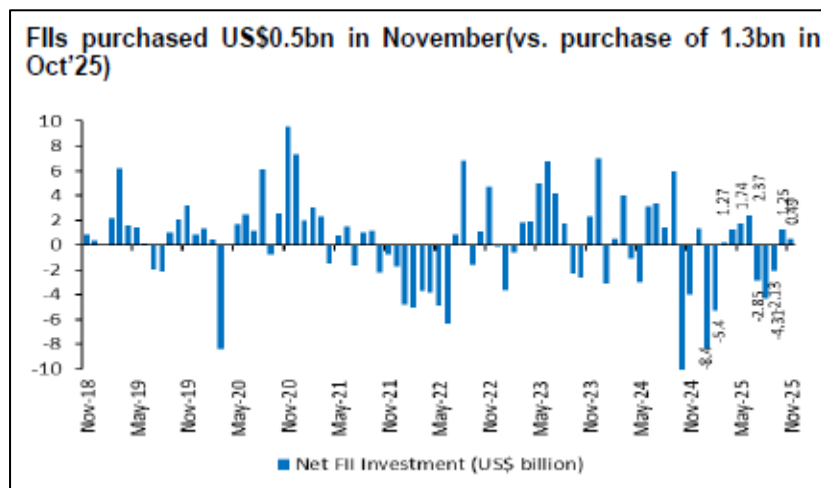
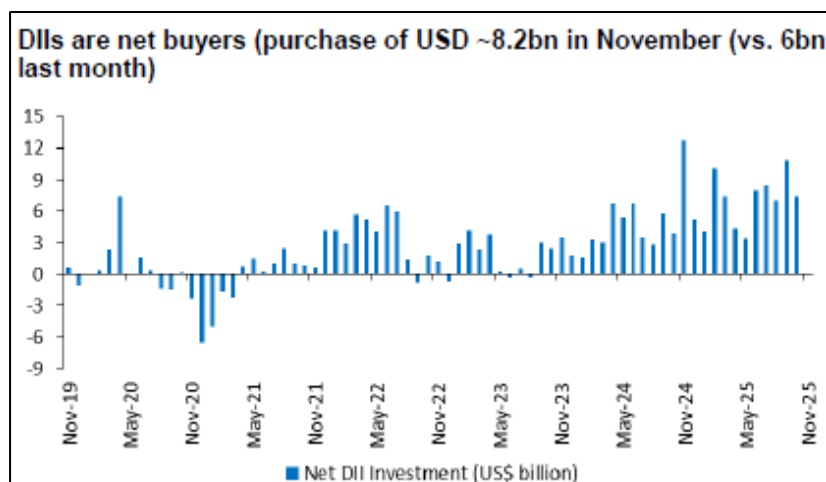


Chart 31: DII trends



Source of charts on this page: Bloomberg, SBIMF

Chart 32: Domestic Equity MF flows

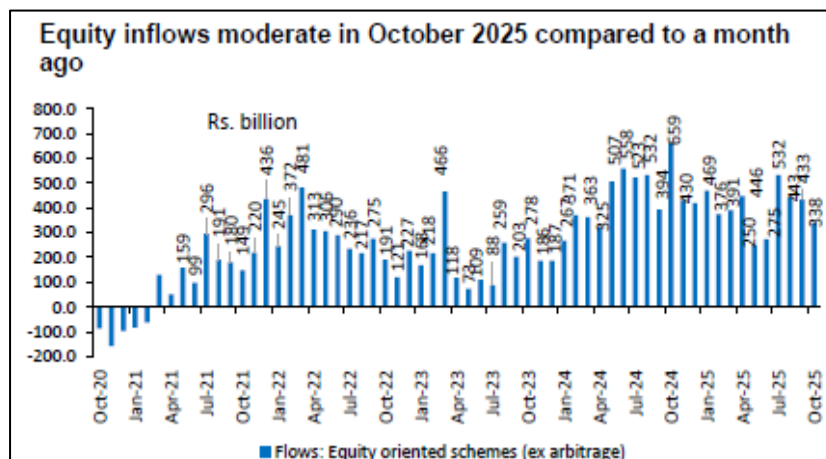


Chart 33: Marketcap to GDP

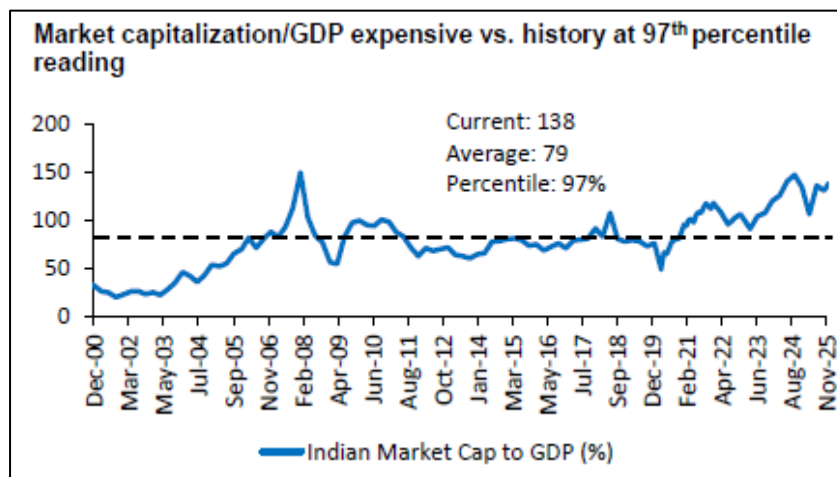
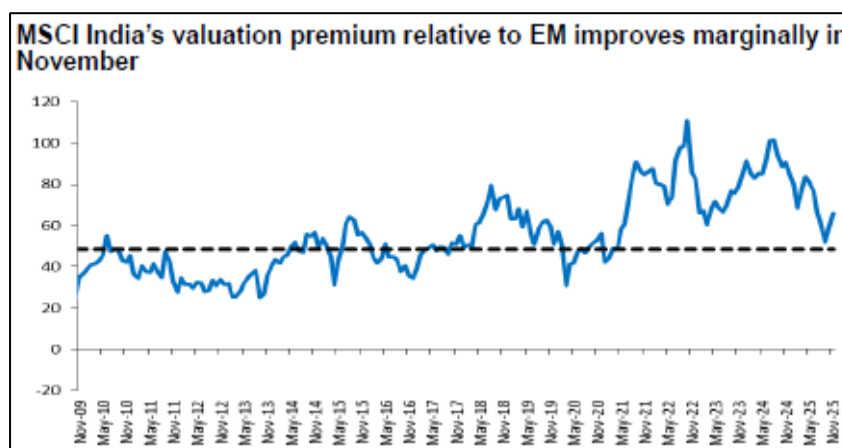


Chart 34: India vs EM



Source of charts on this page: Bloomberg, SBIMF, AMFI

India Bonds: RBI's major rate cuts are largely behind us

In the last monetary policy meeting, the Reserve Bank of India (RBI) maintained the policy repo rate at 5.50% under the Liquidity Adjustment Facility (LAF). Accordingly, the Standing Deposit Facility (SDF) rate remains at 5.25%, while both the Marginal Standing Facility (MSF) rate and the Bank Rate stay at 5.75%. The Monetary Policy Committee (MPC) also chose to retain its neutral stance, reflecting a balanced view of evolving domestic and global macroeconomic conditions.

Over the past year, Indian bond markets especially in the short to medium segment (up to 4–5 years maturity) have rallied, barring some consolidation in recent months. This performance has been driven by cooling inflation, front-loaded rate cuts by the RBI, and ample liquidity in the financial system. Together, these factors created a strong foundation for bonds, though the market now faces a more balanced mix of positives and headwinds.

Supportive Drivers

- The RBI still has room for limited policy easing should economic conditions soften, offering a cushion for the market.
- Consumer price inflation is expected to stay comfortably below the 4% target for the remainder of the year, supporting a continued accommodative stance.
- Despite a marginal rise in the fiscal deficit due to GST reforms, there is unlikely to be any change to the government's borrowing calendar, avoiding additional supply pressures.
- Globally, the U.S. Federal Reserve is expected to resume rate cuts amid rising global uncertainty, which could further boost sentiment toward Indian fixed income.

Key Challenges

- Tax revenues may come under pressure, with direct tax collections running below target and GST receipts likely to soften following recent GST changes.
- The income tax reductions announced in the FY25 Budget have constrained the government's revenue-raising ability.
- While reforms may boost consumption and efficiency in the long run, higher demand could eventually rekindle inflationary pressures, partly offsetting the current disinflation trend.

Market Outlook

Going forward, the bond market is likely to stay torn between supportive factors and emerging risks. In the near term, shorter maturities should continue to benefit from the RBI's accommodative policy, benign inflation, and a stable borrowing program, offering attractive carry with relatively low duration risk. However, as the year progresses, fiscal slippages from weaker tax collections and potential consumption-driven inflation may limit the room for further rate cuts and add bouts of volatility, especially at the longer end of the curve.

Investment Strategy

In this environment, we continue to prefer short-duration strategies—focusing on bonds and debt funds with modified duration below 3 years and maintaining overweight exposure to AAA and AA+ rated issuers over lower-quality credits.

Post the October 2025 monetary policy outcome, investors should moderate expectations for fixed income returns, as yields have already rallied substantially over the past year and the bulk of the RBI's rate-cut cycle now appears to be behind us. We expect 1 more rate cut given the supporting inflation and Fed rate cut cycle.

We reiterate our guidance to reduce portfolio duration and explore hybrid mutual fund products, which can offer better tax efficiency and diversification compared to pure fixed income allocations. Investors should align such decisions with their individual risk profile and investment objectives.

Table 9: Yield movement

	2023 end	2024 end	Sep-25	Oct-25	Nov-25	m-o-m (in bps)	YTD change (in bps)
Repo rate	6.50	6.50	5.50	5.50	5.50	0	-100
1 Yr T-Bill	7.13	6.69	5.61	5.58	5.53	-5	-115
3M T-Bill	6.93	6.55	5.47	5.46	5.36	-9	-119
3 year GSec	7.07	6.73	5.67	5.60	5.52	-8	-120
5 year GSec	7.09	6.72	5.88	5.78	5.78	0	-94
10 year GSec	7.18	6.79	6.57	6.47	6.50	3	-29
3 Yr Corp Bond*	7.78	7.58	6.87	6.86	6.77	-10	-81
5 Yr Corp Bond*	7.79	7.46	6.92	6.94	6.89	-5	-57
10 Yr Corp Bond*	7.76	7.24	7.29	7.25	7.19	-6	-5
1 Yr IRS	6.64	6.51	5.45	5.47	5.46	-1	-105
5 Yr IRS	6.19	6.20	5.74	5.67	5.75	8	-46
Overnight MIBOR Rate	6.90	7.15	5.74	5.69	5.59	-10	-156
10 year SDL	7.65	7.15	7.26	7.19	7.18	-1	3
INR/USD	83.21	85.61	88.79	88.77	89.46	-0.8^	-4.5^
Crude oil Indian Basket**	77.43	73.34	69.61	65.08	64.31	-1.2^	-12.3^

Source: SBI MF

Note: Today (As on 5/12/2025), RBI cuts repo rate by 25 basis points to 5.25%

Market Data

Table 10: India Index Performance (%) 30th Nov 25	1M	1Y	3Y
Nifty 50	1.9	9.9	13.1
Nifty Next 50	-0.9	-1.3	17.4
Nifty 200	1.6	8.2	15.0
Nifty 500	1.0	6.6	15.6
Nifty Midcap 150	1.7	7.7	23.5
Nifty Smallcap 250	-3.3	-5.0	20.9
Nifty Microcap 250	-2.8	-7.6	27.4
Theme/Sector			
Nifty Auto	3.6	19.9	29.1
Nifty Bank	3.4	15.7	12.3
Nifty CPSE	-3.3	-0.2	33.3
Nifty Defence	-1.5	20.1	52.7
Nifty FMCG	-0.9	-2.2	8.7
Nifty Infrastructure	1.0	11.5	21.9
Nifty IT	4.8	-11.2	9.4
Nifty Manufacturing	0.3	9.4	22.3
Nifty Metals	-2.9	14.9	16.9
Nifty Oil and Gas	0.5	9.7	12.7
Nifty Pharma	3.7	4.2	21.4

Source: NSE India, StatLane Research, Index = Total Return Index, Performance over 1 year is Compounded Annualised

Table 11: India Smart Beta Index Performance(%) 30 th Nov 25	1M	1Y	3Y
Nifty 100 Alpha 30	-0.5	-1.9	13.3
NIFTY Alpha Low-Volatility 30	0.8	-1.8	16.1
Nifty Low Volatility 50	1.2	8.1	16.8
Nifty100 Low Volatility 30	-1.9	10.2	16.5
Nifty200 Momentum 30	2.2	-5.5	17.6
NIFTY200 Quality 30	1.3	2.0	14.4
NIFTY200 Value 30	0.1	10.5	32.8

Source: NSE India, StatLane Research, Index = Total Return Index, Performance over 1 year is Compounded Annualised

Table 12: India Valuation Metric **P/E 30th Nov 25**

Index Name	P/E
Nifty 50	22.8
Nifty Next 50	20.1
Nifty 200	23.8
Nifty 500	24.5
Nifty Midcap 150	33.4
Nifty Smallcap 250	29.2
Nifty Microcap 250	28.2
Nifty Auto	30.2
Nifty Bank	16.7
Nifty Energy	15.1
Nifty FMCG	40.7
Nifty IT	26.5
Nifty Metal	18.5
Nifty Pharma	34.0
Nifty PSU Bank	8.7
Nifty Realty	41.6
Nifty Commodities	16.3
Nifty Infrastructure	21.8
Nifty PSE	11.2
Nifty Oil & Gas	11.4
Nifty India Defence	53.8
Nifty Capital Markets	47.2
Nifty India Tourism	69.0
Nifty Chemicals	39.1
Nifty CPSE	13.3

Source: NSE India, StatLane Research

Table 13: India Smart Beta Valuation Metric **P/E 30th Nov 25**

Nifty 100 Alpha 30	35.7
NIFTY Alpha Low-Volatility 30	32.4
Nifty Low Volatility 50	32.9
Nifty100 Low Volatility 30	29.0
Nifty200 Momentum 30	40.2
NIFTY200 Quality 30	28.5
NIFTY200 Value 30	9.6

Source: NSE India, StatLane Research

Table 14: Global Index Performance (%) 30th Nov 25	1M	QTD	YTD
S&P 500	0.3	2.6	17.8
Dow Jones Industrial Average	0.5	3.1	13.9
S&P Europe 350	1.6	2.5	31.4
S&P Asia 50	-4.2	1.7	42.0
S&P EM BMI	-1.7	0.0	22.4
S&P U.S. Treasury Current 10-Year	1.0	1.8	8.9
S&P GSCI	-0.1	1.3	7.4

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

Table 15: U.S. Smart Beta Index Perf (%) 30th Nov 25	1M	QTD	YTD
S&P 500 Momentum	-1.3	-0.7	27.4
S&P 500 Equal Weight	1.9	0.9	10.9
S&P 500 Growth	-0.9	2.4	22.4
S&P 500 Value	1.7	2.8	12.8
S&P 500 Low Volatility	3.9	0.0	6.7

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

Table 16: India Fixed Income Indices			Index Return %	
As of 30th Nov 2025	Yield (%)	MD (Yrs)	1M	1Y
Nifty 5Y SDL Index	6.91	4.20	0.57	7.50
Nifty 10Y SDL Index	7.29	7.06	-0.59	-0.08
NIFTY 10 yr Benchmark G-Sec	6.61	7.36	0.29	7.58
NIFTY Corporate Bond Index	7.06	2.18	0.51	8.06
NIFTY Banking and PSU Debt Index	6.66	2.57	0.56	8.23
NIFTY Low Duration Debt Index	6.55	0.60	0.53	7.47
NIFTY Short Duration Debt Index	6.60	1.65	0.51	7.95
NIFTY Credit Risk Bond Index	8.59	1.77	0.52	8.09
NIFTY Long Duration Debt Index	7.10	7.99	0.07	3.91
NIFTY Short Duration G-Sec Index	5.90	2.55	0.55	8.04
NIFTY Long Duration G-Sec Index	7.09	9.65	0.01	3.36

Source: NSE India, StatLane Research, MD=Macaulay Duration

Table 17: Commodities	30th Nov 25	31 st Oct 25
Oil (Brent \$)	64.43	65.58
Gold (\$)	4232	4002

Source: StatLane Research

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