

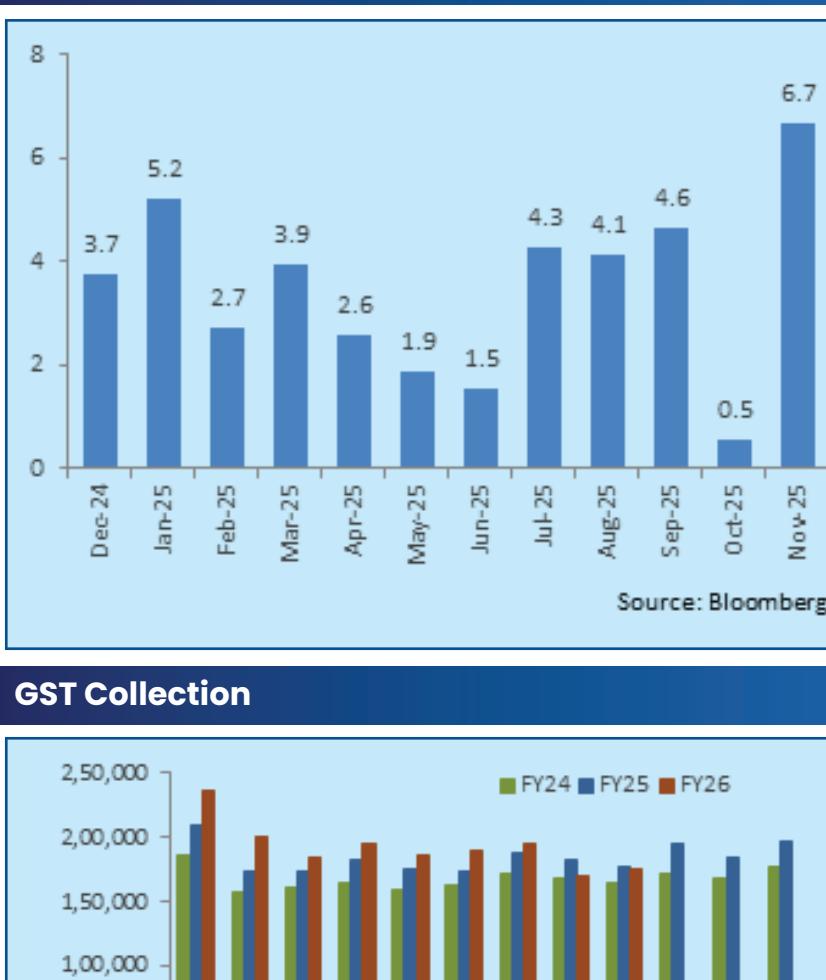
Market Outlook

HDFC Pension – Monthly update (December 2025)



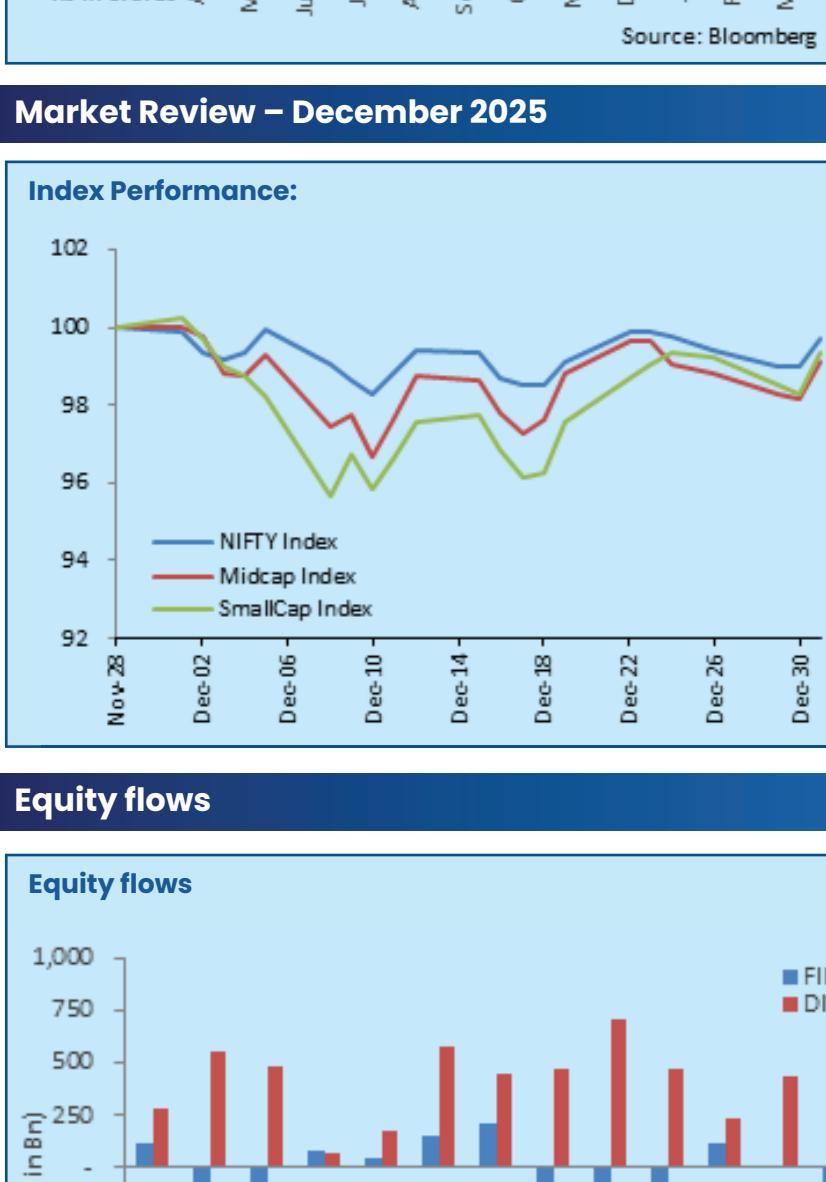
Economic Overview

Inflation %



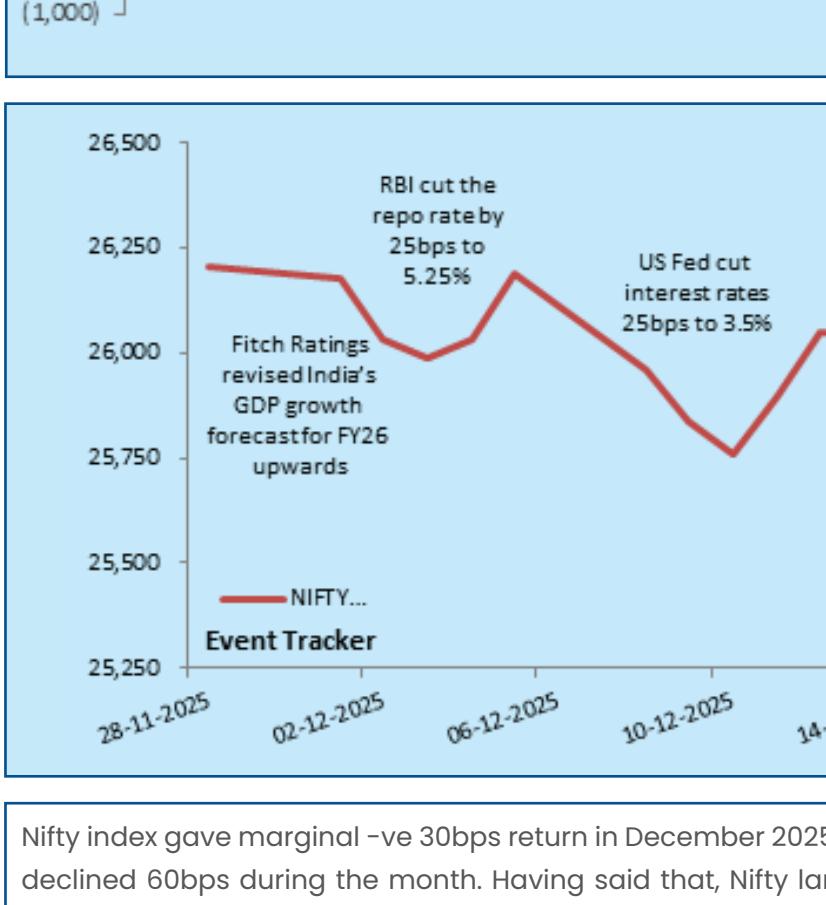
- Headline inflation (CPI) for November 2025 came at 0.71% inline with market expectations & 2nd consecutive month inflation came below 1%.
- The major drivers of this low print have had a strong favorable base effect and a significant decline in food prices this month.
- Core inflation (i.e. excluding food and fuel), however, remained steady at 4.4% vs previous month's revised reading.
- Globally, U.S. inflation remains above the Federal Reserve's 2% target. In December 2025, the CPI rose 2.7% YoY basis, however, came below expectations of around 3.1%.

Index of Industrial Production (IIP)



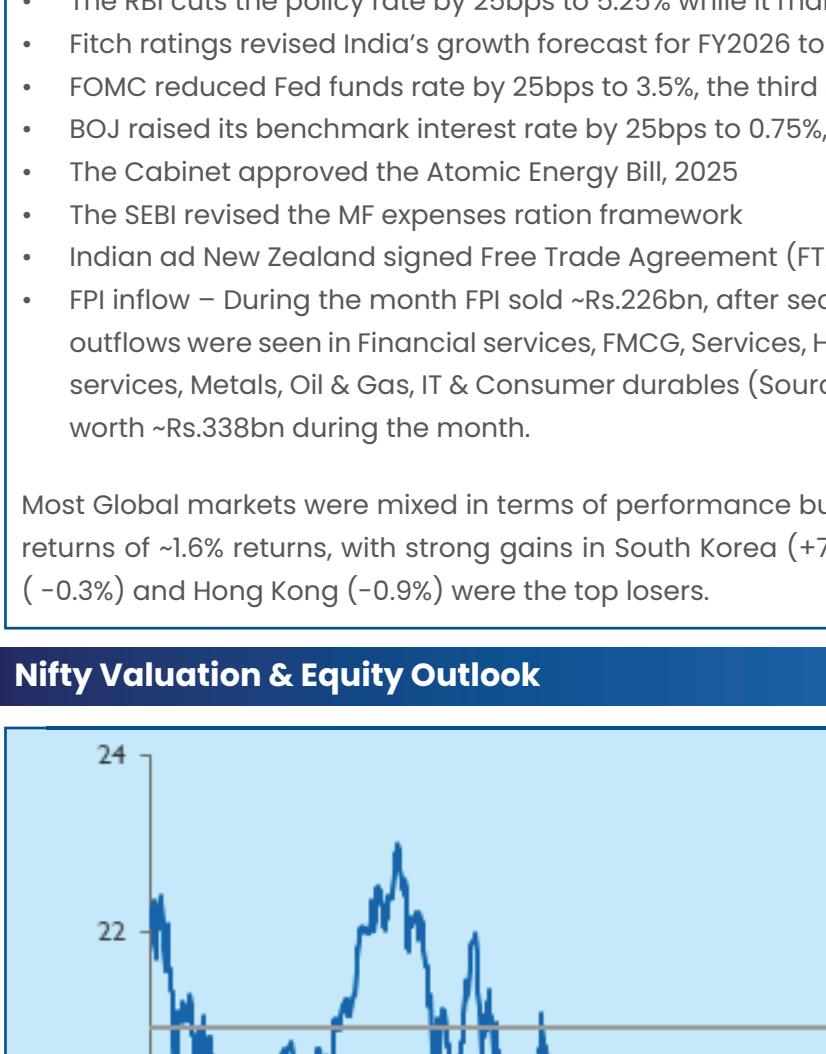
- Growth in Industrial Production (IIP) for November 2025 came at 6.7%, significantly higher than median market expectations of 3%.
- Manufacturing segment grew by 8% in November 2025, as compared to 2% growth in the previous month, on annual basis. Mining segment also grew 5.4%, as against a 2% contraction in the previous month, supported by the end of the monsoon season and robust growth in metallic minerals. Whereas, Electricity demand declined for the second consecutive month, 1.5% decline (6.9% decline seen in October 2025), primarily due to the early onset of the winter season, which reduced consumption levels across key segments.
- Sub-components of the manufacturing segment indicated a mixed trend as growth in 20 out of 23 sub-components registered positive YoY growth.

GST Collection

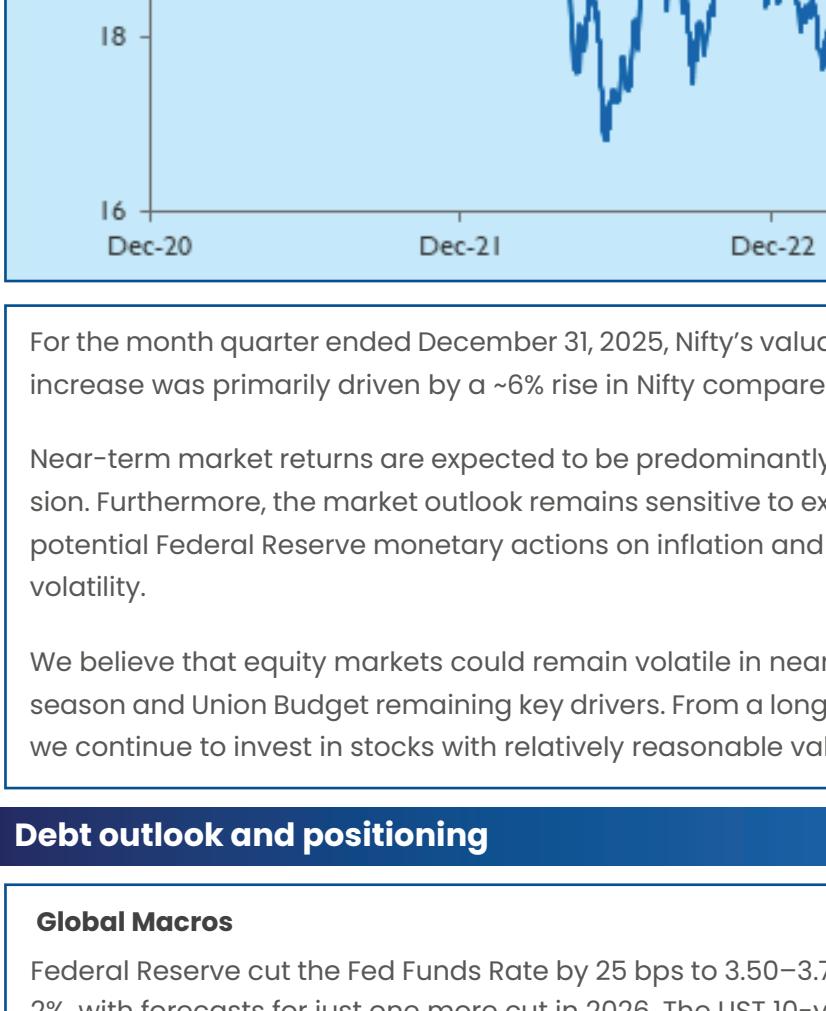


- Gross GST Collection for the month of December 2025 was at Rs.1.75 Lac crores, registering +3% MoM & -1% YoY growth.
- MoM uptick driven primarily by higher import-led revenues, while domestic GST remained soft following the September rate cuts.

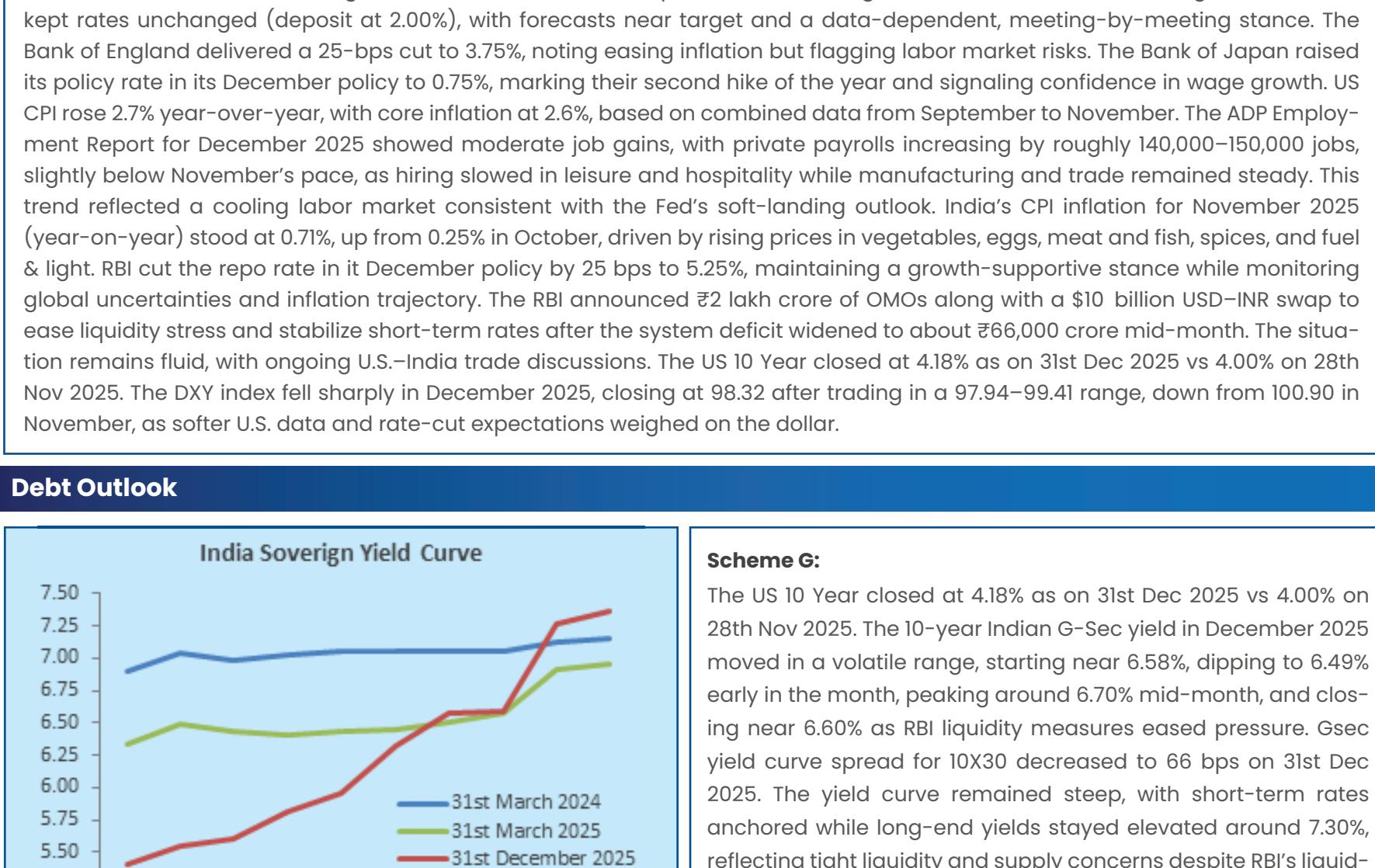
Market Review – December 2025



Equity flows



Commodity	1M	3M	6M	1Y
Gold	1.9%	11.9%	30.8%	64.6%
Silver	26.8%	53.6%	98.5%	148.0%
Crude	-3.7%	-9.2%	-10.0%	-18.5%
Zinc	-6.0%	2.2%	12.4%	4.3%
Copper	10.9%	21.8%	23.9%	43.9%
Nickel	12.8%	9.6%	9.9%	9.2%
Lead	1.5%	1.1%	-2.5%	2.2%
Aluminum	4.4%	10.8%	14.3%	17.5%
Tin	3.4%	14.6%	20.1%	40.9%



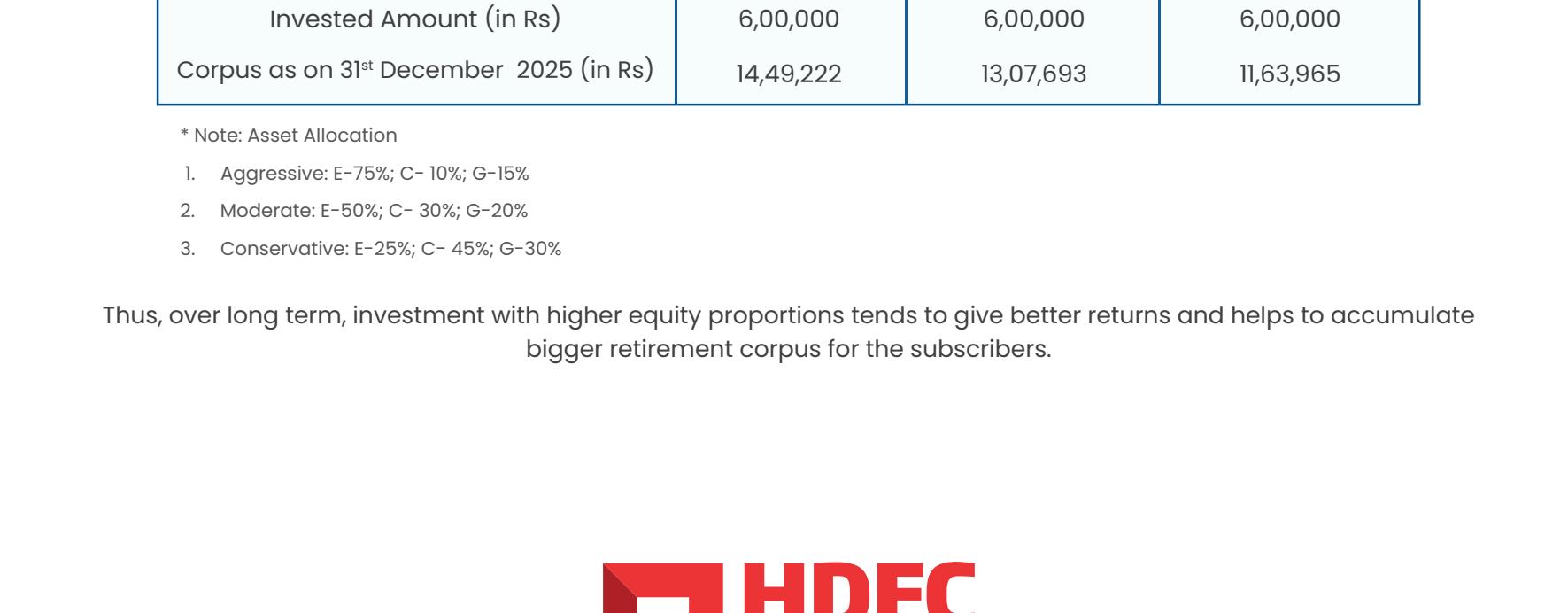
Nifty index gave marginal -ve 30bps return in December 2025 outperforming broader market, Midcap ended 90bps and small cap declined 60bps during the month. Having said that, Nifty largely underperformed the global markets which gave average +1.6% returns with more positive close.

Market move during the month was largely influenced by:

- The RBI cuts the policy rate by 25bps to 5.25% while it maintains neutral stance.
- Fitch ratings revised India's growth forecast for FY2026 to 7.4% from earlier 6.9%.
- FOMC reduced Fed funds rate by 25bps to 3.5%, the third 25bps cut this year.
- BOJ raised its benchmark interest rate by 25bps to 0.75%, the highest rate since 1995.
- The Cabinet approved the Atomic Energy Bill, 2025.
- The SEBI revised the MF expenses ratio framework.
- Indian and New Zealand signed Free Trade Agreement (FTA).
- FPI inflow – During the month FPI sold ~Rs.226bn, after second consecutive months of inflow. During the month, sectorally major outflows were seen in Financial services, FMCG, Services, Healthcare and Power. On the flip side major inflows were seen in Consumer services, Metals, Oil & Gas, IT & Consumer durables (Source: NSDL). Domestic institutions remained buyers & have bought stocks worth ~Rs.338bn during the month.

Most Global markets were mixed in terms of performance but more positive close, during the month December 2025 with average returns of ~1.6% returns, with strong gains in South Korea (+7.3%), Malaysia (+5.3%) & Taiwan (+4.8%) whereas Japan (+0.2%), India (-0.3%) and Hong Kong (-0.9%) were the top losers.

Nifty Valuation & Equity Outlook



For the month quarter ended December 31, 2025, Nifty's valuation rose from 19.8x to 20.4x on a 12-month forward earnings basis. This increase was primarily driven by a ~3% rise in Nifty compared to a ~3% improvement in underlying Nifty earnings, on QoQ Basis.

Near-term market returns are expected to be predominantly influenced by corporate earnings growth, rather than multiple expansion. Furthermore, the market outlook remains sensitive to external linkages, including global trade policies and the ramifications of potential Federal Reserve monetary actions on inflation and economic stability, amidst ongoing geopolitical tensions and currency volatility.

We believe that equity markets could remain volatile in near term and may continue to see consolidation with upcoming earnings season and Union Budget remaining key drivers. From a long-term perspective, the outlook for Indian equities remains positive, and we continue to invest in stocks with relatively reasonable valuations and better growth prospects.

Debt outlook and positioning

Global Macros

Federal Reserve cut the Fed Funds Rate by 25 bps to 3.50-3.75%, citing easing labor market pressures and inflation moving toward 2%, with forecasts for just one more cut in 2026. The US 10-year Treasury yield stayed in a narrow range of roughly 4.0% to 4.20%, as the Fed's rate cut and strong economic data balanced expectations of easing inflation with concerns about growth. The ECB kept rates unchanged (deposit at 25-bps cut to 0.0%) with forecasts near target and a flagging labor market risks. The Bank of Japan raised its policy rate in its December policy to 0.75%, marking their third hike of the year and signaling confidence in wage growth. US CPI rose 2.7% year-over-year, with core inflation at 2.6%, based on combined data from September to November. The ADP Employment Report for December 2025 showed moderate job gains, with private payrolls increasing by roughly 140,000-150,000 jobs, slightly below November's pace, as hiring slowed in leisure and hospitality, while manufacturing and trade remained steady. This trend reflected a cooling labor market consistent with the Fed's soft-landing outlook. India's CPI inflation for November 2025 (year-on-year) stood at 0.71%, up from 0.25% in October, driven by rising prices in vegetables, eggs, meat and fish, spices, and fuel & light. RBI cut the repo rate in its December policy by 25 bps to 5.25%, maintaining a growth-supportive stance while monitoring global uncertainties and inflation short-term rates. The RBI announced the 2025 fiscal deficit to be 6.0% of GDP, down from 6.6% in 2024-25. The central bank also revised its growth forecast for FY26 upwards, from 5.25% to 5.5%. The US Fed cut interest rates by 25bps to 3.50%. The US 10-year yield closed at 4.18% as on 31st Dec 2025 vs 4.00% on 31st Nov 2025. The DXY index fell sharply in December 2025, closing at 98.32 after trading in a 97.94-99.41 range, down from 100.90 in November, as softer US data and rate-cut expectations weighed on the dollar.

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