

Market Outlook

HDFC Pension – Monthly update (January 2026)



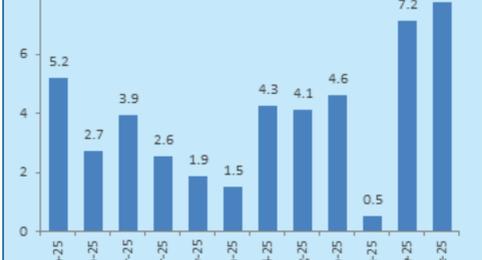
Economic Overview

Inflation %



- Headline Inflation (CPI) for December 2025 inched up to 1.3%, however it was below market expectation of 1.5%.
- Average headline CPI inflation for Q3 FY26 stood at 0.76%, exceeding the RBI MPC's revised estimate of 0.60%.
- Core inflation (i.e. excluding food and fuel) inched up to 4.6% vs previous month's revised reading of 4.4%.
- Globally, U.S. inflation remains above the Federal Reserve's 2% target. In December 2025, it rose 2.7% YoY basis, however, came below expectations of around 3.1%.

Index of Industrial Production (IIP)



- Growth in Industrial Production (IIP) for December 2025 stood at 7.8%, significantly higher than market expectations of 5.9%.
- The Manufacturing segment grew 8.1% in December 2025, slightly lower than 8.5% in November 2025. The Mining segment expanded 6.8% in December 2025, up from 5.8% in the previous month, supported by the end of the monsoon and stronger output.
- The Electricity segment rebounded to 6.3% growth in December 2025 from a 1.5% decline in November 2025, driven by higher winter heating demand in North India and strong year-end activity.
- Sub-components of the manufacturing segment indicated a mixed trend as growth in 16 out of 23 sub-components registered positive YoY growth.

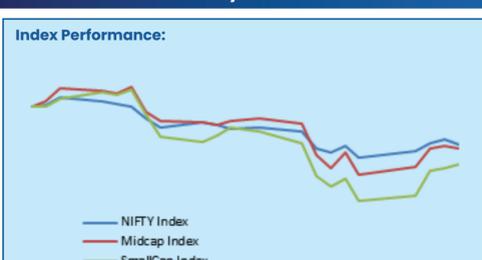
GST Collection



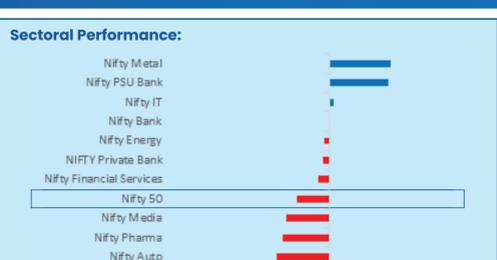
- Gross GST Collection for the month of January 2026 was at Rs.1.93 Lac crores, registering +11% MoM growth while declining 1% YoY.
- GST collections in January 2026 rose primarily due to strong import-led growth, steady domestic demand, better compliance, and the effectiveness of GST reforms and rate rationalisation, all contributing to stable and higher revenue inflows.

Market Review – January 2026

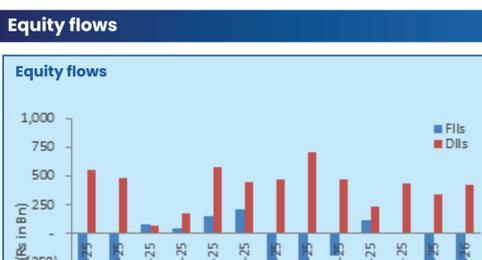
Index Performance:



Sectoral Performance:

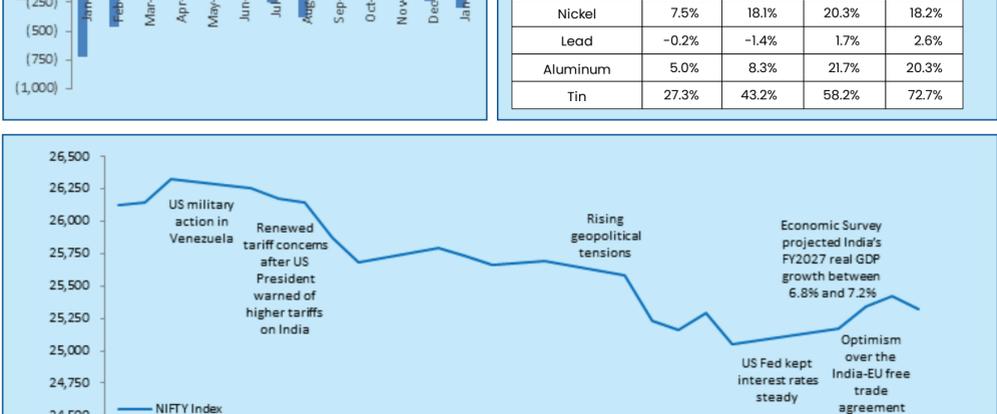


Equity flows



Commodity tracker

Commodity	1M	3M	6M	1Y
Gold	13.3%	22.3%	48.8%	74.9%
Silver	18.9%	75.0%	132.1%	172.2%
Crude	16.2%	8.6%	-2.5%	-7.9%
Zinc	10.1%	8.0%	23.2%	26.1%
Copper	4.9%	20.2%	36.7%	46.4%
Nickel	7.5%	18.1%	20.3%	18.2%
Lead	-0.2%	-1.4%	1.7%	2.6%
Aluminum	5.0%	8.3%	21.7%	20.3%
Tin	27.3%	43.2%	58.2%	72.7%



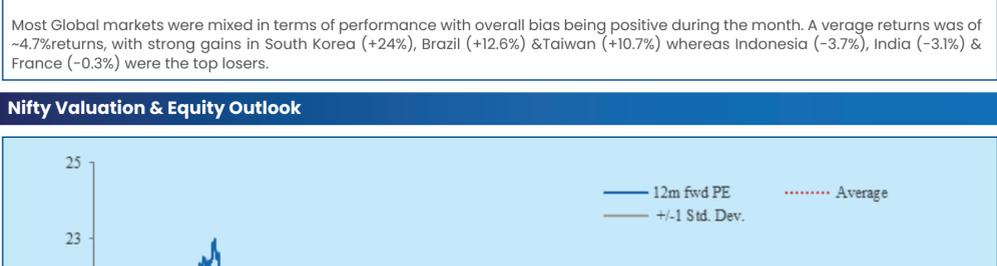
Nifty index saw sharp fall in January 2025 & declined -3.1% during the month. Investor sentiments were largely impacted by escalating geo political tensions following US military action in Venezuela, potential hike in US tariffs & depreciating Rupee. Largely underperformed the global markets which gave average +4.7% returns with more positive close.

Market move during the month was largely influenced by:

- The IMF revising India's FY 2026 GDP growth forecast upward to 7.3% from 6.3% earlier.
- India and European Union signing Free Trade Agreement (FTA) deal
- Economic survey expecting real GDP growth rate between 6.8% to 7.2% in FY 2027
- FOMC keeping the Fed fund rate unchanged within 3.5% to 3.75% range
- Precious metals, Gold & silver moving up sharply, gaining 13.3% & 19% respectively during the month, rising to all time high levels.
- The rupee depreciating 2.4% in the month to close at Rs.91.9/USD
- Continued FPI Outflows – During the month FPI sold -Rs.169bn, second consecutive months of outflow. During the month, sectorally major outflows were seen in Financial services, FMCG, Healthcare, Consumer Services and Telecom. On flip side major inflows were only seen in Metals, Capital Goods & Chemicals (Source: NSDL). Domestic institutions remained buyers & have bought stocks worth -Rs.424bn during the month.

Most Global markets were mixed in terms of performance with overall bias being positive during the month. A average returns was of -4.7% returns, with strong gains in South Korea (+24%), Brazil (+12.6%) & Taiwan (+10.7%) whereas Indonesia (-3.7%), India (-3.1%) & France (-0.3%) were the top losers.

Nifty Valuation & Equity Outlook



With decline of 3.1% during the month, Nifty's valuation declined to 19.7x on a 12-month forward earnings basis. This decline was primarily driven by a sharp fall in the Nifty compared to flat underlying earnings change on MoM 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 remaining key driver. From a long-term perspective, the outlook for Indian equities remains positive, and we continue to invest in stocks with relatively reasonable valuations & better growth prospects.

Debt outlook and positioning

Global Macros

The US Fed kept rates unchanged at 3.5%–3.75%, citing solid activity, stabilizing unemployment, and still-elevated inflation. The US 10-year Treasury yield moved within a narrow 4.14%–4.30% range through January 2026, dipping early in the month, rebounding on mid-month labor-market data, briefly spiking toward 4.30% around January 19–21, and finally stabilizing near 4.24% by month-end. The ECB left its key policy rates unchanged at 2.00% in February 2026, citing resilient growth, easing inflation, and elevated global uncertainty while maintaining a fully data-dependent stance. The Bank of Japan last held the 23 January at 2.75%, where it held rates at 0.75% while upgrading growth forecasts and maintaining a cautious stance amid upcoming elections.

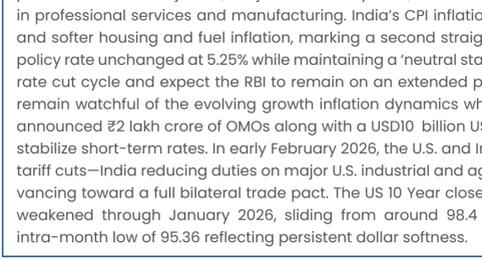
U.S. CPI rose 0.3% month-on-month and 2.7% year-on-year in December 2025, with core inflation up 0.2% MoM and 2.6% YoY. U.S. private sector added just 22,000 jobs in January 2026, with hiring heavily concentrated in health and education and sharp declines in professional services and manufacturing. India's CPI inflation rose to 1.33% in December 2025, driven by record food deflation and softer housing and fuel inflation, marking a second straight month of normalization from October's record low. RBI kept the policy rate unchanged at 5.25% while maintaining a 'neutral stance in Feb 2026 meeting. We believe the RBI has reached end of the rate cut cycle and expect the RBI to remain on an extended pause through CY2026. RBI's forward guidance was neutral as they remained watchful of the evolving growth inflation dynamics while awaiting the new GDP and GDP series later in February. The RBI announced ₹2 lakh crore of OMOs along with a USD10 billion USD-INR swap for the month of Jan 2026 to ease liquidity stress and stabilize short-term rates. In early February 2026, the U.S. and India announced a landmark Interim Trade Agreement with mutual tariff cuts—India reducing duties on major U.S. industrial and agricultural goods and the U.S. lowering reciprocal tariffs to 18%—advancing toward a full bilateral trade pact. The US 10 Year closed at 4.24% as on 30th Jan 2026 vs 4.18% on 31st Dec 2025. The DXY weakened through January 2026, sliding from around 98.4 at the start of the month to about 97 by month-end, with an intra-month low of 95.36 reflecting persistent dollar softness.

Debt Outlook



Scheme G:

The US 10 Year closed at 4.24% as on 30th Jan 2026 vs 4.18% on 31st Dec 2025. The 10-year G-Sec yield in January 2026 moved within a narrow 6.58%–6.72% band—opening at 6.612% and ending at 6.695%—supported by resilient economic momentum, reduced hopes of aggressive monetary easing, and pressure from expected bond issuance. The 10-to-30-year G-Sec yield curve spread edged up to 68 basis points on 30 January 2026. The yield curve remained steep, with short-term rates anchored to while long-end yields stayed elevated, driven by 7.41% and due to demand supply mismatch, given the elevated supply in SDL. RBI kept the policy rate unchanged at 5.25% while maintaining a 'neutral stance'. We expect RBI to keep its focus on ensuring seamless monetary transmission through adequate liquidity.



Scheme C:

Yields across the curve increased by 20–25 bps with 10y+ AAA PSU underperforming the curve. 5 Year NABARD at 7.32%, 10 Year NABARD at 7.45% and 15 Year at 7.55%. Strong demand persists in 3–5-year corporate bonds as investors seek the optimal mix of carry, roll-down and low duration risk. We expect 3y–5y AA and AA+ bonds to outperform, while 7y–15y AAA PSU bonds may underperform. We will look to deploy tactically to achieve optimum risk reward on the portfolio to take advantage of both capital gains and accruals. We will continue to look to add new names to diversify the portfolio.

Performance Indicator (as on 31st January 2026)

HDFC Pension	3 years	5 years	7 years	SI
Scheme Equity (E)	16.05%	15.58%	15.09%	15.83%
Scheme Corporate Bond (C)	8.35%	6.90%	8.55%	9.87%
Scheme Government Bond (G)	7.36%	5.54%	7.71%	9.29%

If a subscriber had invested Rs.50,000 on the last day of each year since March 2014, the corpus of the subscriber as on 31st January 2026 would have been:

Asset Allocation*	Aggressive	Moderate	Conservative
Invested Amount (in Rs)	6,00,000	6,00,000	6,00,000
Corpus as on 31st January 2026 (in Rs)	14,20,955	12,88,272	11,53,430

* Note: Asset Allocation

- Aggressive: E-75%; C- 10%; G-15%
- Moderate: E-50%; C- 30%; G-20%
- Conservative: E-25%; C- 45%; G-30%

Thus, over long term, investment with higher equity proportions tends to give better returns and helps to accumulate bigger retirement corpus for the subscribers.

