Capital League

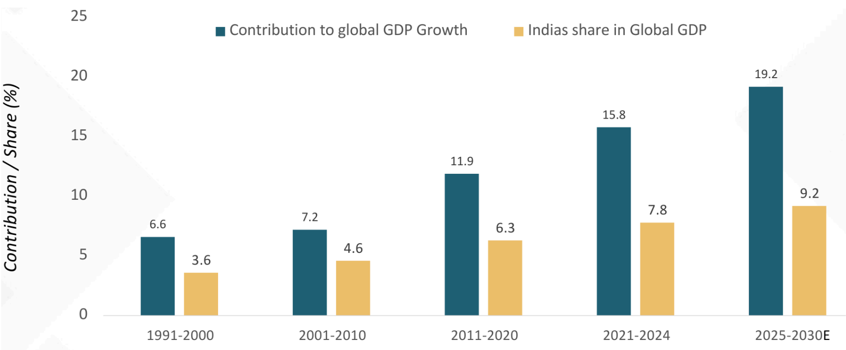
PRIVATE WEALTH MANAGEMENT

OUTLOOK

October 2025

Indian Economy

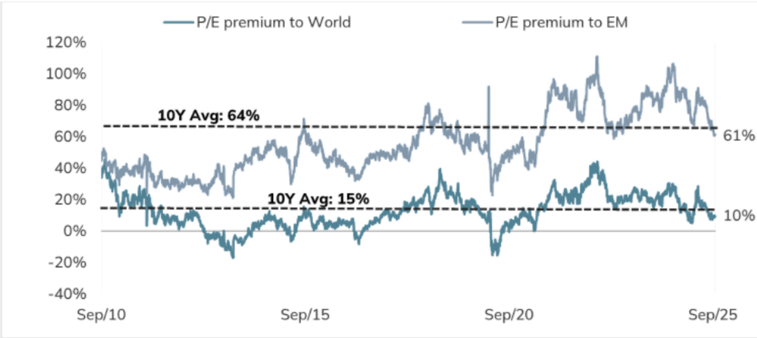
- World Bank lifts India's GDP outlook, saying, "India is expected to remain the world's fastest- growing major economy, underpinned by continued strength in consumption growth. Domestic conditions, particularly agricultural output and rural wage growth, have been better than expected.
- RBI has also revised GDP outlook for FY26 upwards, to 6.8%.
- Moody's has reaffirmed India's Sovereign rating at 'Baa3' with stable outlook. India's share of and impact on the global economy is growing.



Source: IMF. GDP data in PPP (Purchasing Power Parity)

- Services activity continued to expand for the 26th consecutive month; Services PMI eased to 60.9 in September, due to weak international demand. Manufacturing PMI eased to 57.7 in September. Both continue to be much above the ‘50’ neutral mark.

- Inflation continues to be benign. RBI has significantly lowered FY’26 inflation target to 2.6%. This gives room for more accommodative monetary policy.
- India's core sector output- A key indicator of India's infrastructure sector recorded a growth of 6.3% in August 2025, higher than the revised growth print of 3.7% in July 2025.
- High frequency indicators remained encouraging in September. GST collections were recorded at 4 month high. Business activity remains robust.
- US accounts for 23% of India’s goods exports (2.2% of GDP), of which one-third remains exempt from tariffs (e.g. pharmaceuticals, critical minerals, and fuels) and some sectors face differential tariffs (autos, steel and aluminium). If these tariffs continue for longer, GDP can get impacted with much of the burden falling on labour intensive sectors such as jewellery, textiles, and food items.
- Indian equity markets have underperformed global peers (in USD). This is due to the fact that India has experienced both de-rating and declining earnings estimates on a YoY basis. Global earnings momentum has been subdued and the good performance of other markets was driven by stronger re-rating, particularly in China, Korea and Brazil.
- Valuations (relative to EM) have been on higher side – due to strong GDP growth outlook, favourable macros, and strong domestic flows. With markets correcting over last several months, India’s PE premium to World and Emerging Markets (EM) is now below the 10-yr average.



Source – Axis Capital, India Strategy. Data as of September 22, 2025.

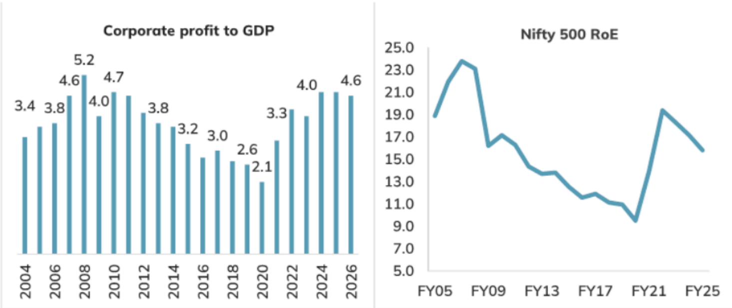
- India added nearly 17 crore jobs in six years with the unemployment rate dropping to 3.2% in FY24(6% in FY18). 1.56 crore women joined the formal workforce in the past seven years.

Global Economy

- The Federal Reserve cut rates by 25bps to 4.00-4.25% on expected lines. Two more cuts are projected in 2025.
- US GDP bounced back in Q2 due to low imports. The full impact of US tariffs on economy will be known in coming months. It is projected (Goldman Sachs) that approx. 67% of tariffs will be borne by US consumers.
- Inflation in US has increased to 2.9%, while inflation outside US is going down due to better trade deals and China dumping.
- China's banks are seeing significant drop in margins as bad loans increase. Exports have plateaued and private sector has hit debt capacity.
- Europe is ending its long-standing fiscal austerity with Germany leading the path. Central bankers are hoping to revive domestic growth with a looser fiscal policy.

Outlook

- Going forward, urban demand is likely to get a boost from income and proposed GST rationalisation and also easing monetary conditions. Rural demand too is expected to remain steady on back of strong Rabi output and above normal monsoon. However, global trade uncertainties and US tariffs are likely to hurt growth in near term.
- Corporate earnings have witnessed sharp downgrades over the past year. The intensity of earnings cut has eased significantly, with latest quarterly revisions being lowest. There are now clear signs of stabilisation and signs of improvement ahead.
- The earnings trajectory is expected to track GDP recovery, with PAT growth projected at 10% YoY for NIFTY 50 in FY26. This is based on stabilising macroeconomic conditions and policy support.
- Corporate balance sheets show room for growth, with debt-to-equity ratios remaining well below long-term averages and free cash flow relative to sales standing above historical averages.
- Looking ahead, the Nifty 500 index ROE (Return on Equity) has potential to touch higher levels over the next 3-4 years, driven by improving asset turnover as corporate capex accelerates and domestic economic recovery gains momentum. The expectation is that corporate profits will continue to gain share in GDP and exceed the previous high made in 2008.



*2026: Trailing twelve months Source: Motilal Oswal, Nuvama Research, September 2025

- Indian market's PE is at a low valuation premium to EM (Emerging Market) and India's weightage in EM funds is at multi year lows. At this level the valuation looks attractive with respect to the EM index.
- Going forward the risk-reward is positive due to favourable government policy on aggregate demand despite high impact geopolitical events, global growth slowdown and higher commodity prices.
- Gold has rallied and appreciated by nearly 50% since beginning of 2025. Gold is technically in a bull phase. Within this phase there can be a pause or a pull back over an extended period. A pullback offers chance to add. Silver appears relatively better priced. With headroom for growth, Gold plus Silver can be maintained at 5%-10% of portfolio as a core holding within diversified portfolios.