
TRU

INSIGHTS

September 2026



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From the MD & CEO's desk



Dear Investors,

Global financial markets navigated another volatile month in August as geopolitical tensions, rising US 10-year bond yields, trade protectionism and persistent inflation concerns weighed on investor sentiment. Tensions between the U.S. and Iran escalated again towards month-end. Efforts by Iran and Oman to establish a temporary shipping corridor through the Strait of Hormuz offered some hope of easing disruptions to energy supplies. A sustained de-escalation could provide much-needed relief to crude prices, inflation expectations and global risk sentiment. Trade policy added another layer of uncertainty, with the U.S. widening protectionist measures across key trading partners, including Canada.

Against this backdrop, monetary policy remains finely balanced. At Jackson Hole, U.S. Federal Reserve Chair Kevin Warsh reiterated the Fed's commitment to its 2% inflation objective. The comments were considered "hawkish" by the market. While recent inflation readings have been encouraging, underlying price pressures remain elevated, prompting a rise in expectations of rate hike by the US Fed at its September meeting.

India, however, continues to demonstrate considerable resilience. Real GDP expanded by a stronger-than-expected 7.8% in Q1FY27, supported by robust consumption, investment, manufacturing and services activity. The RBI kept the repo rate unchanged at 5.25% in August and retained its neutral stance.

India's external position also received a boost from better-than-expected inflows under the RBI's special FCNR(B) swap facility. The strong response prompted the RBI to advance the closure of the window to August 31 from September 30, strengthening India's external buffers and providing support to currency stability.

The monsoon, however, remains an area of concern. August rainfall was around 16% below normal, widening the cumulative seasonal deficit to approximately 14%. With September rainfall also expected to remain below normal, the impact on kharif output, rural demand and food inflation will need to be closely monitored.

Indian equities remained under pressure during August. The Nifty and Sensex declined, even as broader markets remained relatively resilient. Strong domestic participation and moderating FPI outflows provided some support, highlighting the growing depth of India's capital markets.

Looking ahead, near-term volatility is likely to persist amid geopolitical risks, elevated energy prices, evolving trade policies and uncertainty around global interest rates. However, India's strong economic growth, improving corporate profitability, sustained domestic participation and strengthening external buffers provide a constructive foundation for the markets. **While external risks warrant vigilance, India's structural growth story remains intact.**

In this edition of Tru Insights, we examine the evolving geopolitical and global trade landscape, assess the implications of central bank and energy-market developments, and explore emerging opportunities across equity and fixed-income markets.

We thank you for your continued trust and hope Tru Insights remains your trusted partner on the investment journey.

Warm Regards,
Dhiraj Relli
MD and CEO – HDFC Securities

"Global markets navigated another volatile month in August, driven by escalating US-Iran tensions, rising bond yields, and widening trade protectionism. While efforts to establish a temporary shipping corridor offered some hope for energy stability, hawkish commentary from the U.S. Federal Reserve has heightened expectations for a September rate hike. In contrast, India demonstrated formidable economic resilience with robust 7.8% GDP growth and strengthened external buffers, allowing the RBI to maintain a steady, neutral stance."



Macro Economic Highlights

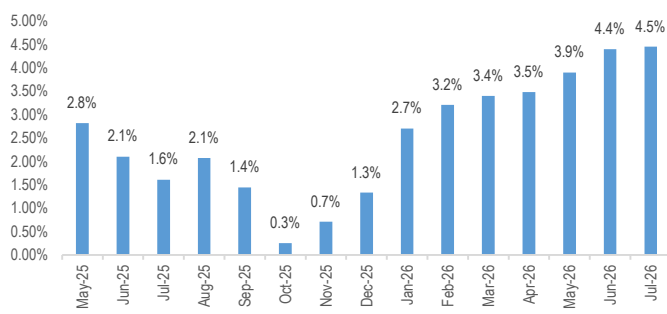
India Resilient Amid Global Strains

The global environment turned more challenging as escalating trade tensions, renewed geopolitical risks around the Strait of Hormuz and cautious monetary policy weighed on the growth outlook. Against this uncertain backdrop, India remained a relative bright spot, with economic growth accelerating to 7.8% in Q1FY27, supported by healthy investment, manufacturing and services activity. While higher energy and food costs brought some inflationary pressure and widened the trade deficit, resilient industrial activity and healthy GST collections continued to signal underlying domestic strength.

Domestic Macro Highlights

Inflation: India's headline inflation rate rose to 4.45% YoY in July 2026 from 4.38% YoY in the previous month (June), reaching its highest level since December 2024 and aligning with market expectations of 4.5% YoY. The uptick was driven by surging energy prices from the Middle East conflict and subsequent rupee depreciation, yet it remained comfortably within the Reserve Bank of India's (RBI) tolerance range of 2 percentage points away from 4%. Price pressures were elevated for food and beverages at 5.52% YoY and transportation at 4.43% YoY due to war impacts and adverse crop weather, whereas inflation was more muted for housing and utilities at 2.16% YoY and recreation, sport, and culture at 1.6% YoY. On a sequential basis, the Indian CPI increased by 0.88% MoM from the previous month.

India CPI Inflation



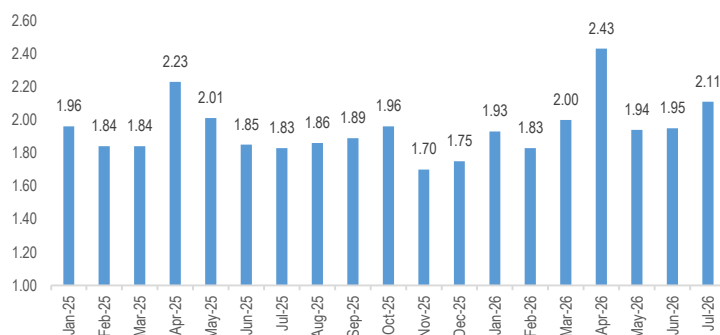
Source: MoSPI

India's July Trade Deficit Hits \$31.98 Billion: India's goods trade deficit widened to \$31.98 billion in July 2026 from \$27.5 billion YoY in July 2025, surpassing market forecasts of \$30.2 billion to register the largest shortfall since January. Inbound shipments jumped 17.5% YoY to an all-time peak of \$76.2 billion, driven by elevated oil, fuel, and coal costs from Middle East hostilities alongside edible oil imports touching a 10-month high as refiners built inventory for the August–November festival window. Outbound shipments also advanced by a robust 19.6% YoY to \$44.2 billion, supported by higher exports of petroleum products, electronics, engineering goods, gems and jewellery, iron ore, meat, dairy and poultry, and marine products.

India's August PMI Shows Mixed Trajectory: The HSBC India Manufacturing PMI fell to 52.9 in August 2026 from 53.5 in July, marking the softest improvement in factory conditions since August 2021. Output and new orders grew at their slowest pace in five years, input buying rose at the weakest rate in over five years, and manufacturing employment contracted for the first time in 2.5 years, even as input cost inflation slowed to a 7-month low, output charge inflation hit its highest since April, and business confidence improved from July. Conversely, the HSBC India Services PMI rebounded to 54.5 in August 2026 from 53.3 in July (the weakest expansion since early 2022), beating market forecasts of 53.8. The reading indicated accelerating growth with continued rises in new orders, rising employment, and strengthened business confidence, though both input cost inflation and output charge inflation accelerated as firms passed on higher costs to customers.

GST Collections: India's gross Goods and Services Tax (GST) collections reached ₹1.99 lakh crore in August 2026 (reflecting July activity), growing 14.8% YoY against a revised base of ₹1.74 lakh crore (downgraded from an initially reported ₹1.86 lakh crore for August 2025, without which headline growth would have been 7.0% YoY). Sequential momentum moderated from the ₹2.11 lakh crore recorded in July 2026, which had expanded 15.4% YoY. Growth dynamics showed marked divergence, as import-related GST surged 29.0% YoY while domestic collections grew in single digits at 9.3% YoY. Net GST collections grew at a more subdued rate of 8.3% YoY to ₹1.68 lakh crore, weighed down by total refunds rising nearly 68.0% YoY overall, including a sharp 72.6% YoY surge in domestic refunds stemming from inverted duty structures.

India's Gross GST Collections increased to Rs. 1.99 lakh crore in Aug-26.



Source: gst.gov.in

India's Q1 GDP Expands 7.8% YoY: India's Gross Domestic Product (GDP) grew by 7.8% YoY in Q1 FY27 (April–June 2026), accelerating from 6.9% YoY in Q1 FY26 but moderating sequentially from 8.6% YoY in Q4 FY26 (January–March 2026), while nominal GDP expanded by 10.3% YoY and real Gross Value Added (GVA) rose 8.2% YoY. Growth was spearheaded by Gross Fixed Capital Formation (GFCF), which surged 20.4% YoY to account for 34.3% of nominal GDP (up from 31.4% in Q1 FY26). Across secondary and tertiary industries, manufacturing advanced by 9.2% YoY (up from 8.3% YoY in Q1 FY26), construction grew 7.7% YoY (vs 5.2% YoY), utilities expanded 8.9% YoY (rebounding from a -1.8% YoY contraction), and services rose 10.0% YoY (vs 8.0% YoY), led by financial, real estate, and professional services climbing 12.1% YoY (vs 8.8% YoY).

India's July Industrial Output Grows 6.7%: India's industrial production expanded by 6.7% YoY in July 2026, slowing from an upwardly revised over two-year high of 8.8% YoY in June, while remaining above the 2-year average. The result extended the recovery from earlier low growth caused by Middle East war energy price spikes. Manufacturing output (accounting for 76% of industrial production) grew by 7.3% YoY in July as against an upwardly revised 9.5% YoY in June. Electricity and gas supply output rose 8.7% YoY in July compared to 11.3% YoY in June.

Global Macro Highlights

Trade & Tariff Implications

US-Canada \$880 Billion Trade War Escalates: In 2025, US-Canada bilateral trade reached nearly \$880 billion, comprising \$453.6 billion in US imports and \$426.3 billion in US exports, narrowing the US deficit to \$27.3 billion from \$39.4 billion in 2024. The conflict escalated with the US imposing 50% tariffs on \$27.6 billion of Canadian goods on August 22, 2026, alongside Trump's proposed 50% tariff on Canadian-built vehicles and parts starting January 1, 2027. Canada countered with matching tariffs on \$27.6 billion of US imports across 700+ items at rates of 15%, 25%, and 50% effective September 8, 2026. In 2025, US imports from Canada included \$195.9 billion (43.2%) in industrial supplies, \$52.8 billion in automotive products, and \$52.4 billion in capital goods (totaling over \$301 billion across the three), while US exports included \$96.9 billion in industrial supplies, \$83.9 billion in capital goods, and \$65.1 billion in automotive goods.

Geopolitical Landscape

US-Iran Military Strikes Resume in Hormuz: The US and Iran resumed direct strikes for the first time since late July 2026 after American forces hit 2 rocket launchers on Larak Island in the Strait of Hormuz—a transit hub where 20% of global oil and LNG moved prior to its February 2026 closure—killing 2 people and injuring 2 others. In retaliation, Iran targeted the King Hussein and al-Azraq US bases in Jordan with ballistic missiles (where 8 missiles were intercepted) and launched drones towards the UAE (which confirmed 1 downed drone). Meanwhile, Iran continues demanding a \$2 million transit fee per vessel near Larak Island as the US enforces its naval blockade, having disabled 3 vessels, boarded 2, and redirected 82 ships.

U.S. Natural gas storage data shows unexpected drop, boosting demand outlook: The latest Natural Gas Storage report from the Energy Information Administration (EIA) has revealed a surprising decline in natural gas inventories, providing a potential boost to market sentiment regarding future demand. The report, which tracks the weekly change in the volume of natural gas held in underground storage across the United States, showed an actual increase of 15 billion cubic feet. This figure fell short of the anticipated 19 billion cubic feet that analysts had forecasted.

Global Growth Projections

Japan Q2 GDP Growth Misses Forecasts: Japan's economy expanded by 1.1% annualized in Q2 2026, slowing from 2.1% annualized in the previous quarter (Q1 2026) and missing market expectations of 2.0% annualized, as elevated energy prices from the Iran war weighed on domestic activity. On a quarter-on-quarter basis, GDP grew 0.3% QoQ in Q2 (missing forecasts of 0.5% QoQ), where external demand added 0.5 percentage points via weak-yen-supported exports, but was dragged down 0.2 percentage points by weaker domestic demand, public inventory drawdowns from oil reserve releases, and declining business investment. On an annual basis, GDP rose 0.7% YoY in Q2, up from 0.5% YoY in Q1. Earlier in the month, the Bank of Japan marginally upgraded its fiscal year 2026 (ending March 2027) GDP growth projection to 0.6% YoY from 0.5% YoY, citing high crude oil costs balanced by government energy subsidies and rising global AI-related semiconductor demand.

Monetary Strategies & Inflationary Pressures

US Fed Holds Benchmark Rate at 3.5%–3.75%: The US Federal Reserve maintained its benchmark federal funds rate at 3.5%–3.75% during its July 29–30, 2026 policy meeting, extending its pause for a fifth consecutive session under Chair Kevin Warsh. The Federal Open Market Committee (FOMC) voted 10-3 to hold borrowing costs steady, with dissents from Beth Hammack, Neel Kashkari, and Lorie Logan, who all favored a quarter-percentage-point (0.25%) rate hike.

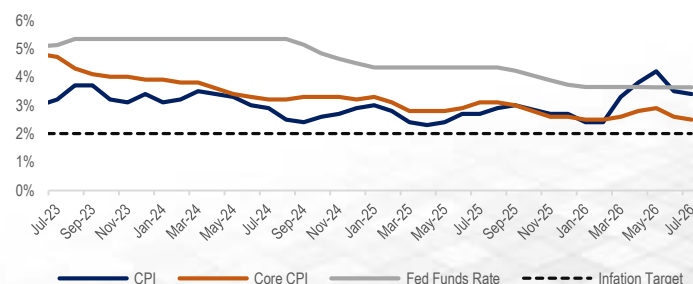
UK July manufacturing PMI revised down to 4-month low: British manufacturing activity expanded for a ninth straight month in July but at the slowest pace in four months, according to purchasing managers' data on Monday that points to a renewed impact from the Iran war towards the end of last month. The S&P Global Purchasing Managers' Index for Britain's manufacturing sector fell to 51.9 in July from 52.5 in June, in contrast to an earlier provisional or flash reading of 52.8, which was the third highest reading of the past four years. US Inflation and Interest Rates.

US Jobless Claims fall, beating forecasts and previous figures: The latest data on initial jobless claims in the United States has shown a decrease, with the actual number of claims coming in at 203,000. This figure is notably lower than the forecasted 208,000 claims, suggesting a stronger-than-expected labor market. The decrease in jobless claims from the previous week's 207,000 also underscores the resilience of the employment sector.

US Inflation and Interest Rates

US July Inflation Slows to 3.4%: The annual US inflation rate slowed for a second consecutive month to 3.4% YoY in July 2026 from 3.5% YoY in June (easing further below the 4.2% YoY peak reached in May), matching market expectations as energy shocks from the Iran war abated. Annual energy price growth decelerated, with gasoline rising 24.6% YoY as against 26.7% YoY in June and fuel oil increasing 39.1% YoY compared to 42.9% YoY previously. Shelter inflation moderated to 3.2% YoY from 3.3% YoY in June, while food inflation remained unchanged at 3% YoY. On a sequential basis, the CPI rose 0.1% MoM (rebounding from a -0.4% MoM drop in June), driven by increases in shelter (+0.1% MoM, accounting for about two-thirds of the rise) and food (+0.1% MoM), which outweighed a -2.9% MoM decline in gasoline prices. Core consumer prices rose 0.2% MoM after a flat reading in June, while the annual core inflation rate edged down to 2.5% YoY from 2.6% YoY in the prior month, in line with forecasts.

Benchmark interest rates and YoY change in the CPI Inflation



Source: Trading Economics, Federal Reserve



Equity Market

Balancing Global Uncertainties with Domestic Resilience

Indian equity markets experienced a temporary pause as investor sentiment was dampened by escalating geopolitical frictions, trade protectionism, and hawkish monetary policy signals from the U.S. Federal Reserve. Despite foreign institutional outflows and heightened volatility stemming from domestic trading system transitions, the market found significant structural support through aggressive domestic institutional buying and the continued outperformance of broader market segments. On the domestic front, the economy delivered a positive surprise with robust, broad-based growth, which allowed the central bank to maintain a neutral policy stance and balance macroeconomic stability. Although a deficient monsoon poses potential risks to rural demand and food inflation, fortified external buffers and comfortable valuations ensure that the medium-term structural growth story remains highly favorable.

Equity Outlook

Indian equities took a breather in August amid heightened geopolitical risks, rising global bond yields, and expiry volatility, with the Nifty 50 sliding 1.2% even as broader markets outperformed. FII selling stayed contained under ₹10,000 crore, while massive domestic institutional buying of approximately ₹58,000 crore provided strong support. Domestic fundamentals remained buoyant with a stronger-than-expected 7.8% Q1FY27 GDP growth and robust external buffers, though a widening monsoon deficit remains an active monitorable. Trading at ~18.5x FY27E consensus EPS, Nifty valuations offer downside cushion, keeping the medium-term outlook favorable despite persistent near-term global headwinds.

Indian equities took a breather in August row as geopolitical tensions, rising trade protectionism and persistent inflation concerns weighed on investor sentiment. Tensions between the U.S. and Iran escalated again towards month-end, although efforts by Iran and Oman to establish a temporary shipping corridor through the Strait of Hormuz offered some hope of easing disruptions to energy supplies.

While geopolitical factors weighed on markets uncertainty around global interest rates also added on the pressure on markets with the U.S. fed chairman Kewin Warsh reiterating the Fed's commitment to the 2% inflation target at his Jackson hole speech. Back home, migration to the closing auction system to determine end of day closing prices led to extreme price volatility on derivatives expiry days which added on to the uncertainties.

While the Nifty 50 fell by 1.2% during the month, broader markets continued to outperform. The Nifty Midcap 100 and Nifty Smallcap 100 indices were up by 2.1% and 3.1% for the month. FII selling remained below the Rs. 10,000 cr level for the second month in a row while DIIs continued to remain strong buyers to the extent of ~Rs. 58,000 cr.

Though global uncertainties continued to weigh on markets, the Q1FY27 GDP numbers came in as a positive surprise. Real GDP expanded by a stronger-than-expected 7.8% in Q1FY27, supported by robust consumption, investment, manufacturing and services activity. The RBI kept the repo rate unchanged at 5.25% in August and retained its neutral stance, balancing strong domestic growth against risks from elevated crude prices and global uncertainty.

India's external position also received a boost from better-than-expected inflows under the RBI's special FCNR(B) swap facility. The strong response prompted the RBI to advance the closure of the window to August 31 from September 30, strengthening India's external buffers and providing support to balance-of-payments and currency stability.

The monsoon, however, remains an area of concern. August rainfall was around 16% below normal, widening the cumulative seasonal deficit to approximately 14%. With September rainfall also expected to remain below normal, the impact on kharif output, rural demand and food inflation will need to be closely monitored.

Against this backdrop, India's medium-term fundamentals continue to remain favourable, driven by strong domestic demand, though global uncertainties and will continue to weigh on markets in the near term.

The Nifty 50 index is currently trading at ~18.5x FY27E (10Y avg: 20.4x) based on consensus EPS which provides cushion on the downside. We continue to remain overweight on financials, industrials, power, real estate, chemicals, and consumer discretionary while we remain underweight on energy, cement, and telecom.



Debt Market

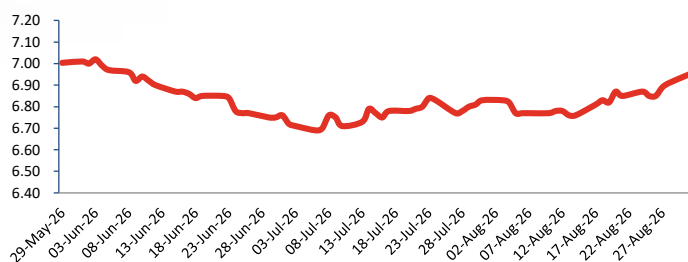
Bond Markets Navigate Rising Macro Pressures

Domestic bond yields hardened in August amid elevated crude oil prices, currency volatility, global yield pressures and FPI outflows. Stronger-than-expected economic growth and a more hawkish tone in the RBI's MPC minutes also influenced market sentiment. Banking system liquidity, however, improved significantly, supported by strong foreign currency inflows through RBI measures. Global bond markets remained volatile as persistent inflation concerns and hawkish signals from the US Federal Reserve weighed on sentiment. Domestic inflation edged higher, largely due to food prices, while core inflation remained stable.

Fixed Income Outlook

India's 10-year G-sec yield moved up by 12 bps to 6.95% in August 2026, compared with 6.83% in July. This increase was mainly due to several pressures such as higher crude oil prices, currency volatility, hawkish signals in the RBI's MPC minutes, rising global bond yields, and FPI outflows from the Indian debt market.

India's 10-Year G-Sec yield rose in Aug 2026
Indian 10 Year G-Sec Movement (For last 3 months)



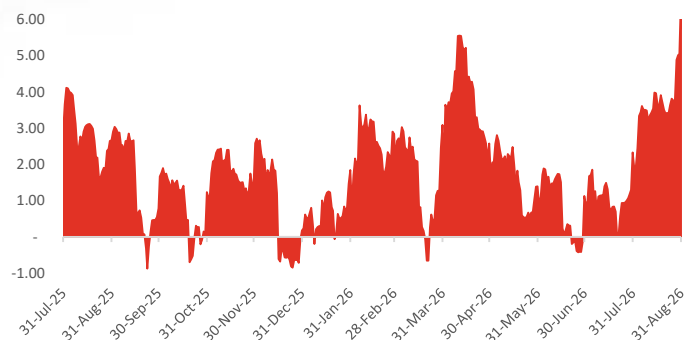
Source: CCIL

Brent crude prices added to the pressure on bond yields in August. Early in the month, Brent fell below the \$80/bbl as easing U.S.-Iran tensions briefly lowered geopolitical risk. But this softness didn't last. Through most of August, Brent stayed elevated because of renewed uncertainty around the Strait of Hormuz, OPEC+ supply actions, and broader geopolitical risks, which kept prices firm and pushed it past \$90/bbl mark.

India's GDP growth surprised on the upside at 7.8% YoY in Q1 FY27 vs RBI's forecast of 7.0%, drawing support from strong consumption, investment demand, and export growth. This eases the bar for RBI to hike rates if inflation inches up in coming months. The RBI's August MPC minutes took a clearly hawkish turn, even though the committee kept the repo rate unchanged at 5.25%. Several MPC members highlighted rising inflation risks and signalled that a rate hike could be needed later in the year if price pressures broaden. Governor Sanjay Malhotra said inflation is likely to peak in the third quarter and warned that policy tightening may be required if these risks become more widespread.

Domestic average banking system liquidity surplus improved significantly to INR 3.7 lakh cr in Aug from INR 1.1 lakh cr in Jul. This was primarily contributed by the foreign flows through RBI's measures. Inflows through the RBI's concessional swap facility reached \$136.4 bn by August 31. Of this, banks mobilised \$127.2 bn in foreign currency non-resident (bank), or FCNR(B), deposits. This was well above the late market expectation of \$90-100 bn.

Banking system liquidity improved significantly in Aug 2026
India's banking system liquidity (Rs Lakh cr)



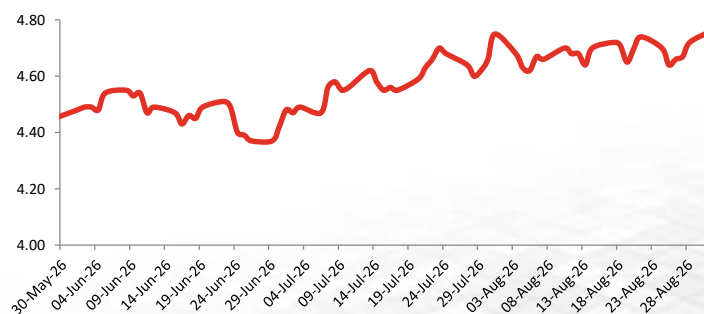
Source: RBI

While the FCNR(B) window closed on August 31, the facilities for external commercial borrowings (ECBs) and overseas foreign currency borrowings (OFCBs) will remain open until December 31, 2026. So far, banks have raised \$5.3 bn through OFCBs and \$3.9 bn through ECBs. Given these higher-than-expected capital inflows, banking system liquidity is likely to stay in significant surplus, at least until the RBI absorbs it gradually through various measures.

As of 7th Sep, banking system liquidity stood at a large surplus of INR 10.4 lakh cr. RBI is currently absorbing this large surplus through multiple tenure variable rate reverse repo (VRRR) auctions.

In Aug 2026, the US 10-year Treasury yield remained largely flat and yield closed at 4.76%. Mid-month, yields climbed after a sell-off in long-term Treasuries, prompting the US Treasury to step in with larger buybacks of long-term debt, increasing the maximum size from \$2 bn to at least \$4 bn.

US 10-year yield remained flat at 4.76 in Aug 2026
US 10 Year G-Sec Movement (For Last 3 Months)



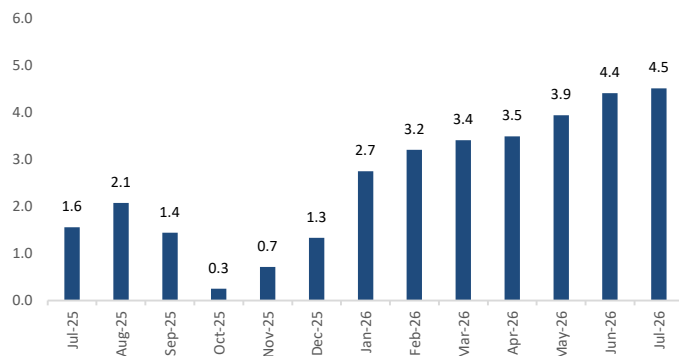
Source: Investing.com

Fixed Income Outlook

Later in the month, yields moved again as US Fed Chair Kevin Warsh delivered a distinctly hawkish speech at Jackson Hole on 28 August 2026. He stressed that inflation was still running above the Fed's 2% target. Warsh warned markets not to expect easier policy, calling short-term interest rates the Fed's main tool and signalling less reliance on forward guidance. As per CME FedWatch, there is ~60% probability of 25 bps rate hike (at the time of writing) in Sep FOMC meeting.

India's CPI inflation inched marginally higher to 4.45% YoY in July 2026, in line with our estimate, majorly driven by higher food prices. However, the increase in food prices was partially offset by the decline in gold and silver prices, limiting the overall impact. Core inflation (ex-food and fuel) remained flat at 3.9%.

India's CPI Inflation moved up marginally Jul 2026 driven by higher food and fuel prices
CPI Inflation YoY%



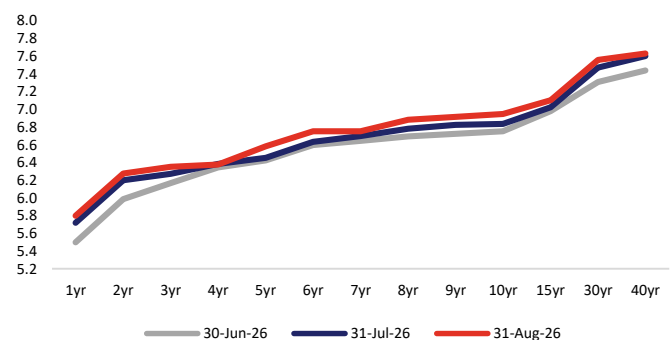
Source: MoSPI

US CPI inflation stayed mild in July 2026, with the headline CPI rising just 0.1% MoM after a sharp 0.4% drop in June. On a YoY basis, inflation stood at 3.4%, slightly lower than June's 3.5%. Core inflation (which excludes food and energy) also remained steady, increasing 0.2% MoM and 2.5% YoY, showing that underlying price pressures continue to cool.

We believe that RBI will initially deploy temporary/short term tools like VRRR to absorb the large surplus liquidity. The RBI also has longer duration options like Sell/Buy swaps, OMO sales, and incremental CRR hike to mop up the excess liquidity. We believe that at this stage, the preference to immediately deploy them may be low and it could be a wait and watch approach. On the domestic policy rate we expect the central bank to start its rate hiking cycle from December/February onwards with cumulative hike of 50-75bps in the cycle. We do not expect a change in stance or rate hike in the October policy.

Given our view on liquidity and the trajectory of interest rates, we expect the G-sec yield curve to shift up and flatten by the end of the year (compared to current levels). Durable liquidity absorption measures by the RBI could firm up short-term rates (from current lows) and rising expectations of interest rate hikes by the RBI and global central banks could also push up the long end as we move into the second half of the year.

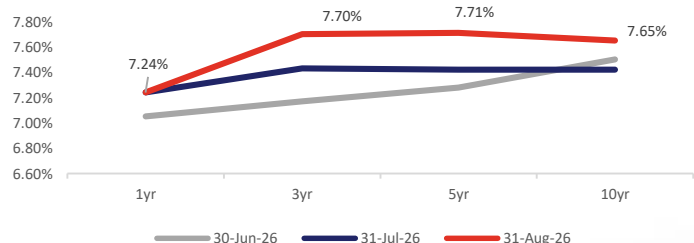
India's G-Sec Yield Curve continues to remain steep
G-Sec Yield Curve



Source: Bloomberg

Spreads in the 1-3 year AAA PSU and NBFC corporate bond segment remain highly attractive, in the range of 140-180 bps over corresponding G-secs, offering a compelling accrual opportunity in the current interest rate environment. The corporate bond yield curve beyond 3-5 years is relatively flat and doesn't provide adequate risk-reward at current juncture.

AAA PSU Corporate Bond Yield Curve



Source: Bloomberg

Despite supportive near-term liquidity conditions, we remain cautious on long-duration strategies due to the risk of fiscal slippage in FY27.

Reading Room



AI Transformation Requires Redesigning Work, Not Cutting Roles

- **Flawed Premise of Early AI Layoffs:** Companies are cutting headcount prematurely based on speculative forecasts rather than actual workflow integration, leading 55% of affected leaders to admit to poor staffing choices. Costly rehiring is already emerging as firms realize AI cannot fully replace human functions without unforeseen friction.
- **Cultural Erosion and Hidden Capability Loss:** Eliminating entire roles strips organizations of invisible tasks, institutional knowledge, and middle-management ethical judgment. These cuts severely lower employee engagement, create retention risks, and discourage remaining staff from adopting AI productivity tools.
- **Decomposing Work into Modular Tasks:** Successful workforce transformation begins with analyzing specific processes rather than setting arbitrary headcount reduction targets. Organizations must dissect roles to separate automatable tasks from complex functions that require human discretion, collaboration, and accountability.
- **Focusing on Internal Redeployment:** Leading enterprises invest in retraining and shifting freed-up workers to client-facing and value-add areas instead of cutting total staff.
- **Prioritizing Reversible Restructuring:** Companies need phased, flexible workforce adjustments-relying on attrition and internal mobility-to avoid the high costs of hasty downsizing.

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Risks and Limitations of Ambient AI Medical Scribes

- **Omission of Non-Verbal and Emotional Cues:** Ambient AI scribes capture spoken dialogue but frequently miss critical clinical context like facial expressions, body language, and emotional nuance, prioritizing clinical data at the expense of the patient's personal experience.
- **Patient Privacy and Candor Concerns:** Awareness of active AI recording makes patients hesitant to disclose sensitive issues, such as domestic abuse, substance misuse, or mental health struggles, compromising diagnostic completeness.
- **Cognitive Offloading and Clinician Deskilling:** While automated transcription frees up time for complex tasks, outsourcing notetaking reduces clinicians' diagnostic reasoning, weakens long-term memory recall, and can leave doctors unable to recognize their own generated notes.
- **Administrative Backlog Relief:** Despite clinical concerns, AI transcription delivers significant operational efficiency, with UK clinics using tools like Heidi to cut paperwork backlogs from six months down to two weeks.
- **Need for Context-Aware System Design:** Researchers urge developers to preserve the patient's voice and study the long-term impact of AI tools across diverse healthcare systems rather than prioritizing pure paperwork reduction.

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