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TRU INSIGHTS

November 2026



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From the MD & CEO's desk



"Global markets faced heightened volatility amid geopolitical tensions, surging energy prices and renewed monetary tightening, keeping inflation and growth concerns elevated. Major central banks raised rates as persistent price pressures tightened global financial conditions and weighed on equities. Indian markets also witnessed sharp corrections, particularly in mid- and small-caps, despite resilient domestic growth and improving corporate earnings. Domestic growth resilience and stronger Q2FY27 earnings provided underlying support amid the broader market volatility."

Dear Investors,

Global financial markets witnessed heightened volatility during September and October as escalating geopolitical tensions, rising energy prices and renewed monetary tightening weighed on investor sentiment. The widening Middle East conflict, where in Houthis attacked targets in Saudi Arabia, kept crude oil prices volatile, with Brent crossing USD 116 per barrel. These developments have revived inflation concerns and clouded the global growth outlook.

The upcoming US midterm elections on November 3 could prove pivotal for the Middle East conflict. While high energy prices and domestic political pressures favour a diplomatic resolution to the war, the possibility of renewed military escalation after the elections remains a significant risk.

Higher energy prices and persistent inflation have prompted a reversal in the monetary policy cycle. The US Federal Reserve raised rates by 25 basis points in September, its first hike in three years, while the European Central Bank and Bank of Japan also increased rates by 25 basis points. The Fed and ECB subsequently paused in October, although further tightening remains possible. In India, the RBI raised the repo rate by 25 basis points to 5.50% in October with further hikes expected. Drought like situation in many parts of the country raises the risk of higher commodity costs later in the fiscal. Rising interest rates and bond yields have tightened global financial conditions, weighing on equities.

US equities also witnessed sharp swings amid concerns over persistent inflation and further rate hikes. Meanwhile, substantial investments by large technology companies in artificial intelligence and data centres have raised questions around valuations and returns on these investments. While AI remains a significant long-term opportunity, the scale of capital expenditure has increased market sensitivity to earnings disappointments and higher borrowing costs.

Indian equities were not immune to these developments with mid- and small-cap stocks witnessing particularly sharp declines. In general, earnings growth has accelerated during Q2FY27 but the market outlook is clouded by macro-economic factors. India's domestic growth remains resilient, with GDP expanding 7.8% in Q1FY27.

From an investment perspective, the correction has created opportunities across market segments. While we remain constructive on Indian equities over the medium term, stock selection will be critical amid elevated interest rates and earnings uncertainty. We favour quality businesses with strong balance sheets, sustainable competitive advantages and healthy earnings visibility, where growth prospects justify prevailing valuations. Investors should use market volatility to gradually accumulate such businesses rather than react to short-term market movements.

In this edition of Tru Insights, we examine the evolving global and domestic macroeconomic landscape and its implications for equity and fixed-income investors. We thank you for your continued trust and hope Tru Insights remains your trusted companion in your investment journey.

Warm Regards,
Dhiraj Relli
MD and CEO – HDFC Securities

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Macro Economic Highlights

Global Headwinds, Domestic Resilience

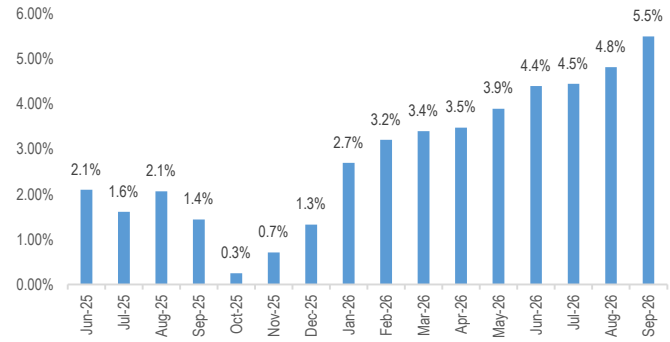
India's economy continued to display underlying resilience, supported by healthy business activity, trade momentum and infrastructure growth, even as some industrial indicators moderated. Rising food and energy costs added to domestic inflationary pressures, while currency movements and external uncertainties remained key macroeconomic influences. Globally, geopolitical tensions, elevated energy prices and trade frictions weighed on growth conditions and contributed to renewed inflation concerns. Supply disruptions and shifting trade patterns further complicated the global economic environment. Overall, the period reflected a clear contrast between challenging global conditions and relative resilience in domestic economic activity.

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Domestic Macro Highlights

Inflation: India's headline retail inflation rose to 5.54% YoY in September 2026 from 4.83% YoY in the previous month (August 2026), beating market expectations of 5.4% YoY to mark its highest level since October 2024 and extending an 11-month upward streak toward the Reserve Bank of India's 6% upper tolerance ceiling. On a monthly basis, the Indian Consumer Price Index (CPI) increased by 0.69% MoM, driven by adverse weather and geopolitical oil price shocks that pushed food costs up by 7.74% YoY. Food price spikes were led by onions surging 108% YoY, alongside sharp rises in ginger at 62.9% YoY and garlic at 54.6% YoY. Higher crude prices and currency depreciation lifted transportation inflation to 5.01% YoY, while service-sector costs remained elevated, with restaurants and accommodation advancing 9.36% YoY and personal care and social protection climbing 13.75% YoY.

India CPI Inflation



Source: *MoSPI*

India's September Trade Deficit at $30.2B: India's merchandise trade deficit stood at $30.2 billion in September 2026, narrowing slightly from $32.2 billion YoY in the corresponding period of the previous year (September 2025) as a weaker domestic currency curbed import purchasing power in dollar terms. Merchandise exports surged 22% YoY to $44.4 billion, reaching an all-time high for the month of September. Concurrently, imports expanded by 8.9% YoY to $74.6 billion, staying below peak levels despite elevated crude oil prices confronting domestic refiners. The Indian rupee repeatedly tested record lows throughout the month, with sharper depreciation restrained by active Reserve Bank of India (RBI) intervention and policy rate hike signals.

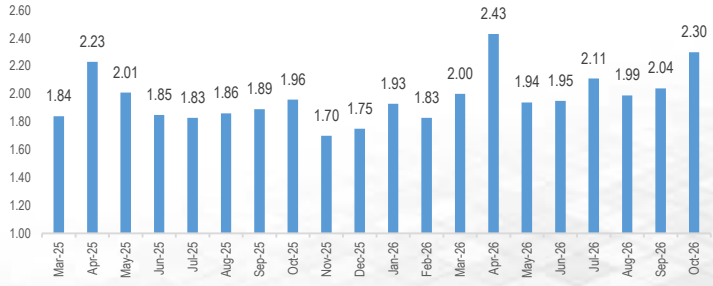
India's October PMIs Show Divergent Sector Trends: India's factory activity growth moderated slightly as the HSBC Manufacturing PMI edged down to 54.9 in October 2026 from 55.1 in the previous month (September 2026), while the HSBC Services PMI accelerated to 56.2 from 55.2 in September to mark the sector's fastest expansion since June 2026. In manufacturing, output and new orders expanded at broadly steady rates, new export orders rose at their fastest clip since June 2025, stocks of purchases grew at an 8-month high, and finished goods inventories increased at the sharpest pace on record, even as purchasing activity growth slowed to its weakest level since July 2021.Services growth was driven by stronger output amid robust demand, though services employment was unchanged, ending a 9-month sequence of job creation, while manufacturing payrolls grew only marginally.

India's September IIP Growth Moderates 6.7%: India's industrial production growth slowed to 6.7% YoY in September 2026, easing from a downwardly revised 7.8% YoY in the previous month (August 2026) and missing market expectations of 7.2% YoY. Manufacturing sector growth decelerated to 7.6% YoY from 8.6% YoY in August, weighed down by sharp contractions and slowdowns in wood and related products at -10.5% YoY (vs 8.6% YoY), pharmaceuticals at -8.9% YoY (vs 1.6% YoY), printing and media at -5.1% YoY (vs 4.8% YoY), computer, electronic and optical products at 7.3% YoY (vs 19.3% YoY), leather products at 4.5% YoY (vs 8.1% YoY), motor vehicles at 19.0% YoY (vs 25.2% YoY), and rubber and plastics at 19.9% YoY (vs 21.4% YoY). Mining and quarrying output deteriorated further, contracting by 6.2% YoY compared to a 4.6% YoY decline in August. Meanwhile, utility growth also moderated on an annual basis, with electricity and gas supply rising 11.2% YoY (down from 12.3% YoY in August) and water supply, sewerage and waste management growing 5.8% to 6.2% YoY (vs 6.9% YoY previously).

India Infrastructure Output Grows at Fastest Pace in Nearly 3 Years: India's infrastructure output rose 7.9% YoY in September 2026 - accelerating from a revised 5.9% YoY in the previous month (August 2026) to mark its fastest growth in at least two and a half years (highest since April 2024 under the 2022–23 base series) - bringing cumulative April–September 2026 core sector growth to 5.1% YoY compared to 2.5% YoY in the corresponding period of the previous year. Growth across the index, which covers nine sectors and accounts for roughly one-third of total industrial output, was driven by sharp rebounds and double-digit expansions in iron ore at 18.4% YoY (vs 5.5% YoY in August), electricity generation at 11.4% YoY (vs 13.1% YoY), coal production surging 10.7% YoY (reversing a -3.8% YoY contraction), and refinery products jumping 10.3% YoY (vs 5.6% YoY).

GST Collections: India's gross Goods and Services Tax (GST) collections surged 22.9% YoY in October 2026 to Rs 2.31 lakh crore—marking the fastest pace of expansion in over four years and accelerating from 14.7% YoY growth in the previous month (September 2026, following 14.3% in August, 15.4% in July, and 13.9% in June)—extending collections above the Rs 2 lakh crore mark for the fourth consecutive month and logging the second-highest tally in FY27 after April's Rs 2.43 lakh crore.

India's Gross GST Collections increased to Rs. 2.31 lakh crore in Oct-26.



Source: *gst.gov.in*

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Global Macro Highlights

Trade & Tariff Implications

WTO Upgrades 2026 Merchandise Trade Growth: The World Trade Organization raised its 2026 global merchandise trade volume growth forecast to 3.9% YoY (up from 1.9% projected in March) and projected 4.1% YoY growth in 2027, while cutting its commercial services trade growth estimate to 3.3% YoY from 4.8% (rebounding to 6.4% YoY in 2027). In H1 2026, merchandise trade volume expanded 3.5% YoY, driven by AI infrastructure spending where trade in AI-enabling goods surged 67% YoY to account for 47% of global goods trade growth, offsetting Middle East crude export drops of ~24% and LNG declines of 47%. Conversely, commercial services value growth slowed to 10% YoY in Q2 2026 from 14% YoY in Q1 2026, as travel expenditure abroad decelerated to 5% YoY from 15% YoY and Q2 international tourist arrivals fell -0.8% YoY, even as Q2 financial services exports grew 14% YoY and computer services rose an estimated 12% YoY (vs 18% YoY in Q1).

EU to propose import curbs on other Chinese sectors: The European Commission will propose curbs on imports from China going beyond the safeguard measures it agreed with Beijing to halve inbound shipments of Chinese hybrid cars, European Commission President Ursula von der Leyen said. Von der Leyen told a news conference after an EU summit that the deal struck with China would not fix the structural imbalance. The EU's goods trade deficit with China is running at more than €1 billion ($1.12 billion) a day.

Global Growth Projections

World economic growth to slow to 2.6% in 2026, UN tradebody says: Global economic growth will likely slow to 2.6% in 2026, down from 2.9% last year, as the energy shock from the crisis in the Middle East is putting the global economy to the test, the United Nations agency for trade and development. Trade in goods and services is expected to expand by 4% in constant prices, after global trade reached a record $35 trillion in 2025, but the projected rise is driven by higher energy prices, UNCTAD said in its trade and development report.

Euro zone growth slows to 4-month low amid rising costs and French strife: Private sector activity in the euro zone slowed to a 4-month low as the S&P Global Flash Eurozone Composite PMI Output Index fell to 51.9 in October 2026 from 53.1 in the previous month (September 2026), missing market expectations of 52.7 and marking the weakest reading since June 2026. The slowdown was heavily driven by an unexpected contraction in French activity, where business confidence tumbled to its lowest level since 2012 (excluding the pandemic period), alongside softening expansion in Germany. Input cost inflation accelerated for the second consecutive month amid energy and fuel spikes linked to the Middle East war, though selling prices rose at a slower pace than in September as firms absorbed margin compression.

Geopolitical Landscape

Iran Ramps Up Threats Against US Personnel: In an intelligence memo dated October 23, 2026, Director of National Intelligence Jay Clayton warned Secretary of State Marco Rubio that Iran has substantially increased efforts to target US personnel, with lethal plots against American citizens reaching "advanced stages" across the Middle East and other nations. The alert comes as the regional conflict—triggered by the nearly eight-month-old Iran war (just one week shy of its ninth month)—escalates alongside surging attacks on commercial shipping in the Strait of Hormuz and intensified assaults by Iran-allied Houthi forces. In response, the US State Department ordered non-emergency personnel and families to evacuate missions in Saudi Arabia under Restricted Operations Status and updated travel advisories on Saturday (October 24) across more than a dozen countries, including Saudi Arabia, Qatar, the UAE, Iraq, and Israel.

Putin Agrees to Resume Ukraine Peace Talks: On October 21, 2026, Russian President Vladimir Putin agreed to resume US-mediated three-way technical peace talks with Ukraine in Abu Dhabi on or after November 10 following a three-hour St Petersburg meeting with US envoy Steve Witkoff (their ninth encounter), reviving negotiations stalled since February 2026. Russia initiated the talks by releasing detained US citizen Stephen Hubbard, while Putin offered fertilizer supplies, assistance on Iran, and discussed a prospective trilateral summit in China with Donald Trump and Xi Jinping.

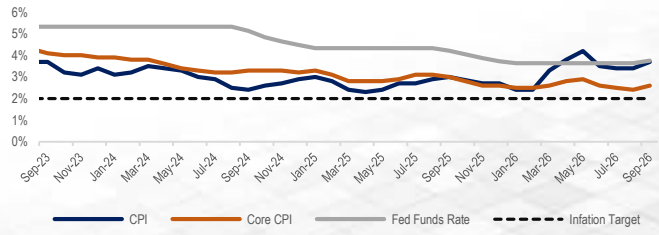
Monetary Strategies & Inflationary Pressures

Germany set for record trade deficit with Asia-Pacific in 2026: Germany's trade deficit with 29 core Asia-Pacific economies is projected to hit a record €146 billion ($163 billion) in 2026, as total exports to the region are forecast to fall 3.2% YoY to €185.3 billion while imports rise 6.4% YoY to €330.9 billion, according to a report by Germany Trade & Invest (GTAI).

US Inflation and Interest Rates

US September Inflation Rises to 3.7%: The US annual inflation rate accelerated to 3.7% YoY in September 2026 from 3.4% YoY in each of the previous two months (July and August 2026), on the back of sharp energy increases where gasoline surged 34.2% YoY (up from 27.4% YoY in August) and fuel oil jumped 74.2% YoY (vs 52% YoY previously). On a monthly basis, CPI rose 0.6% MoM—its largest gain in 5 months compared to 0.4% MoM in August—with gasoline jumping 9.1% MoM to drive over half of the headline increase, alongside gains in recreation, used vehicles, education, airfares, medical care, and apparel.

Benchmark interest rates and YoY change in the CPI Inflation



Source: *Trading Economics, Federal Reserve*

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Equity Market

Balancing Near-Term Risks with Long-Term Resilience

Indian equity markets are navigating a challenging environment shaped by geopolitical uncertainty, elevated crude oil prices, foreign investor outflows and tighter global monetary conditions. Broader market weakness reflects concerns around valuations, liquidity and the pace of earnings growth, while the ongoing earnings season is increasingly driving stock-specific performance. Despite these pressures, India's underlying economic momentum remains supportive and the recent market correction has brought valuations to relatively more comfortable levels. Near-term risks from higher energy costs, a weaker currency and elevated interest rates could continue to influence corporate profitability and investor sentiment.

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Equity Outlook

Indian equities witnessed a mixed October, with the Nifty 50 gaining 1.9% after declining 6.1% in September, while the Midcap 100 and Smallcap 100 fell 3.4% and 4.1%, respectively. Foreign outflows, rising global bond yields, geopolitical tensions and Brent crude crossing USD 116 per barrel continued to weigh on market sentiment, while higher interest rates added pressure on valuations. India's domestic growth remains resilient, with GDP expanding 7.8% in Q1FY27, although crude above USD 110 per barrel, a weaker rupee and higher borrowing costs remain key risks to corporate earnings. Q2FY27 earnings growth has accelerated, but future earnings revisions will remain important for market direction. Following the recent correction, the Nifty is trading at a discount to its historical valuation averages, providing some valuation comfort and supporting a constructive medium-term outlook on Indian equities.

Indian equities witnessed a mixed October following the sharp correction in September. The Nifty 50 recovered 1.9% during the month after declining 6.1% in September. However, the recovery remained narrow, with the Nifty Midcap 100 and Nifty Smallcap 100 declining 3.4% and 4.1%, respectively. The continued weakness in broader markets reflects concerns around elevated valuations, slowing earnings momentum and tightening liquidity conditions.

Foreign portfolio outflows, rising global bond yields and elevated crude oil prices continued to weigh on investor sentiment. The widening Middle East conflict, where in Houthis attacked targets in Saudi Arabia, kept crude oil prices volatile, with Brent crossing USD 116 per barrel. These developments have revived inflation concerns and clouded the global growth outlook.

Rising inflation threat have forced central banks to maintain a restrictive monetary policy stance. With the US Federal Reserve, ECB, BoJ and RBI having raised rates recently, higher borrowing costs and bond yields could continue to exert pressure on equity valuations, particularly where earnings growth fails to justify prevailing multiples.

The upcoming US midterm elections on November 3 could prove pivotal for the Middle East conflict. While high energy prices and domestic political pressures favour a diplomatic resolution to the war, the possibility of renewed military escalation after the elections remains a significant risk.

The ongoing Q2FY27 earnings season has emerged as an important driver of stock-specific performance. In general, earnings growth has accelerated during Q2FY27 but the market outlook is clouded by macro-economic factors.

Despite near-term headwinds, India's underlying economic momentum remains supportive, with GDP expanding 7.8% in Q1FY27. However, crude oil prices above USD 110 per barrel, a weaker rupee and higher interest rates pose risks to corporate profitability and earnings estimates. The extent of earnings revisions over the coming quarters will be critical in determining whether current valuations offer sufficient upside.

Following the recent correction, the Nifty is trading at a discount to its historical valuation averages, providing some comfort compared with the elevated levels witnessed earlier. Despite near term macro challenges, we remain constructive on Indian equities over the medium term, supported by resilient domestic growth. Preferred sectors are financials, autos, industrials, pharma, real estate, chemicals and consumer discretionary while we remain underweight energy, cement and telecom.

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Debt Market

Yield Turbulence and Tight Liquidity Spirits weigh on Debt Market

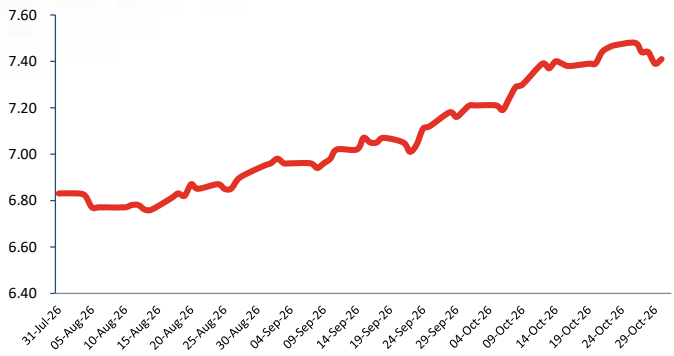
Domestic bond yields remained under pressure during October, amid elevated crude oil prices, currency volatility and persistent foreign portfolio outflows. The RBI moved towards calibrated tightening, combining a rate hike with open market sales, foreign exchange intervention and liquidity operations that significantly moderated banking system surplus liquidity and pushed money market rates higher. Headline inflation also firmed, largely reflecting higher food prices, while industrial activity remained resilient. The rupee recovered from its recent lows following RBI intervention, although the external environment remained challenging. Globally, bond markets stayed volatile as elevated inflation, firm yields and tight monetary conditions continued to dominate the macro backdrop.

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Fixed Income Outlook

India's 10-year G-sec yield climbed towards ~ 7.50% in October before settling around 7.41%, almost mirroring the drama of the FlyDubai flight that plunged sharply before being brought safely under control. West Asia was an uncanny common thread.

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



Source: *CCIL*

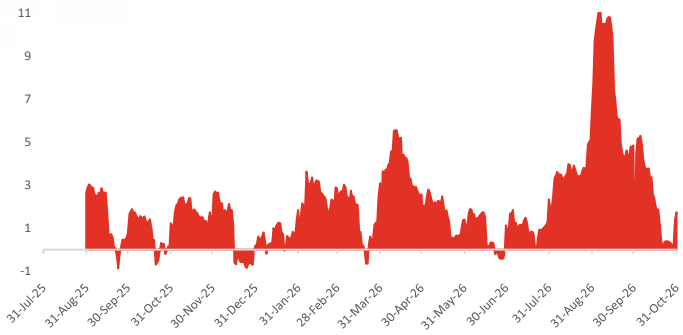
Pilot Smit Machchar emerged to applause. RBI Governor Sanjay Malhotra has a less enviable cockpit: rising inflation on one side, liquidity control on another, volatile crude outside the window, target locked on depreciating rupee and a nervous bond market watching every move.

One gets glory for a safe landing. The other gets perspiration for attempting one
.
For investors, however, the turbulence has a silver lining: higher yields are gradually turning volatility into opportunity in domestic as well as global markets.

October started on a cautious note as RBI joined the rate hike bandwagon, delivering a unanimous 25 bps rate hike and a calibrated tightening stance (4:2). GDP forecast for FY27 was revised by 40 bps from 6.70% to 7.10%. CPI forecast for FY27 was revised by 20 bps from 5.00% to 5.20%

The Calibrated Tightening stance left the market wanting more clarity. It arrived in the form of further OMO sales in October (INR 25,000 cr), Fx intervention, Variable rate reverse repo and repo operations (VRRR and VRR). This slew of measures delivered as quick as Abhishek Sharma and Vaibhav Suryawanshi's ton out of 38 balls, moderating liquidity to near INR 1.38 lac crore surplus in October end from around INR 4 lakh crore at the beginning of the month. As a result, the overnight rates have moved up to around 5.65%-5.75% range, about 15-25 bps above the repo rate of 5.50%.

Banking system liquidity moderated in Oct 2026
India's banking system liquidity (Rs Lakh cr)



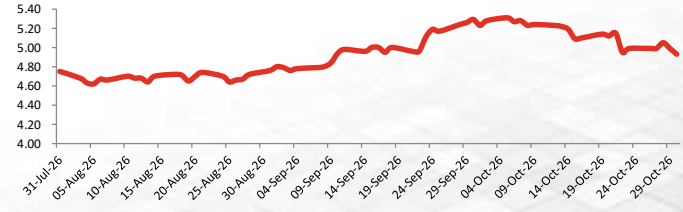
Source: *RBI*

The RBI announced a set of measured interventions to support the Indian rupee amid elevated crude oil prices and firm global bond yields. These steps were aimed primarily at softening dollar spot demand and curbing speculative positions in the INR. The rupee has rebounded by about 2% from its recent low of INR 96.85. While these RBI measures offer near-term support, the broader backdrop remains challenging. Persistent tensions in West Asia, elevated energy prices, rising global yields, and continued FII outflows are likely to keep pressure on the currency.

The policy backdrop has therefore shifted from debating the start of tightening to assessing its depth. With the October hike now delivered and the stance at calibrated tightening, market focus moves to the 4 December MPC and to whether food, crude and FX pressures warrant another hike and if yes, by how much. Government-bond supply and RBI liquidity operations remain additional variables for the curve. We expect RBI to hike by 25bps in December and terminal repo rate at 6.00%-6.25%.

The U.S. 10-year Treasury yield began the month at around 5.30% before easing to 4.93%, while global yields remained firm. The moderation reflected some respite from the gold correction and AI-related sell-off flows. Japan's 10-year bond yield stayed near 3% during the month, further fueling concerns over the yen carry trade. France's 10-year yields too rose to multi-year high at end of October

US 10-year yield eased to 4.93 in Oct 2026
US 10 Year G-Sec Movement (For Last 3 Months)



Source: *Investing.com*

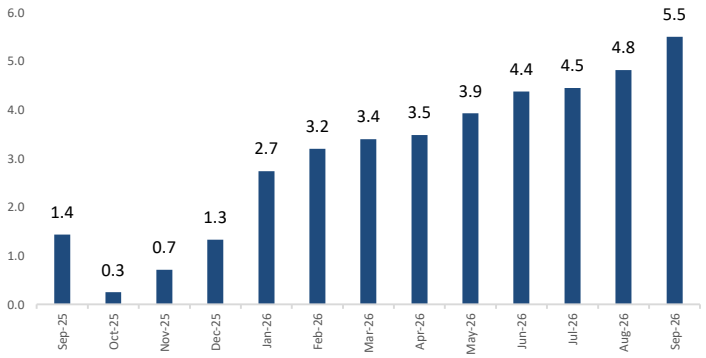
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Fixed Income Outlook

FOMC kept its rates unchanged at 3.75%-4.00% at its October 28 meeting in a 10-2 split decision. The Fed acknowledged the strength in the underlying economy by upgrading its assessment from "solid" to "strong". However, inflation remained a concern keeping future decisions data dependent.

India CPI for September 2026 inched higher to 5.54% YoY, up from 4.82% in August 2026 majorly driven by higher food prices and a reversal in base effect. The IIP print moderated to 6.7% in September 2026 while the August number was revised to 7.8% from a previous 8%. BoP surplus rose to almost $58 bn in August 2026.

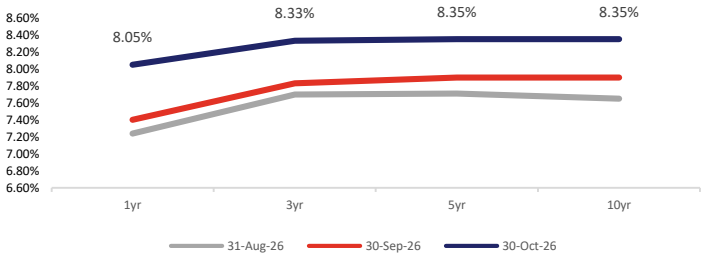
India's CPI Inflation moved up in Sep 2026 driven by higher food and reversal in base effect
CPI Inflation YoY%



Source: *MoSPI*

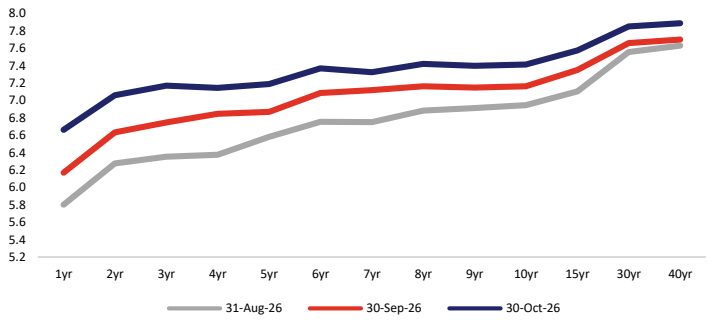
Spreads in the 1–3-year AAA PSU and NBFC corporate bond segment remain highly attractive, in the range of 120-180 bps over corresponding G-secs, offering a compelling accrual opportunity in the current interest rate environment. With uncertainty around global rates, crude oil, domestic inflation, and liquidity likely to keep bond markets volatile, we believe short-tenure, high-quality corporate bonds offer an attractive combination of carry and lower duration risk.

AAA PSU Corporate Bond Yield Curve



Source: *Bloomberg*

India's G-Sec Yield Curve shifts upwards
G-Sec Yield Curve



Source: *Bloomberg*

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Reading Room



How the CEO of Rolls-Royce Turned an Underperforming Company Around

- **Exposing Financial Reality with Data:** Tufan Erginbilgiç broke through complacency by benchmarking poor returns and broken cash flow directly against competitors, challenging the engineering-first culture with hard facts.
- **Prioritizing Execution Over Deliberation:** Instead of waiting for lengthy strategy studies, he immediately launched six core workstreams to fix pricing, streamline supply chains, and boost cash conversion.
- **Decisive Early Leadership Assessment:** Working before his official start date, Erginbilgiç tested executives in real time on active projects, replacing those who hesitated rather than letting doubt linger.
- **Aligning Commercial Goals with Technical Pride:** He aggressively renegotiated contracts to restore margins while motivating engineers with tangible goals like defect reduction and machining quality.
- **Pacing Transformation for Long-Term Autonomy:** He balanced intense operational sprints with strategic pauses, aiming to embed self-sustaining performance habits so the business could run effectively without him.

- CLICK HERE TO READ THE FULL ARTICLE

The AI Bubble's Hidden Threat: Liquidating Intimate Personal Data

- **Insolvency Drives Private Data to Auction:** Unsustainable compute costs are pushing conversational AI platforms like Character.ai into bankruptcy, leaving sensitive user transcripts and private confessions vulnerable to liquidation.
- **Third-Party Collateral Exposure:** Non-users remain unprotected because friends and family routinely reveal confidential stories, personal struggles, and identifying details in their chats that end up trapped in training databases.
- **Legal Protections Evaporate in Bankruptcy:** Standard consumer privacy safeguards typically dissolve during insolvency proceedings, granting incoming asset buyers wide legal latitude to repurpose chat logs for targeted advertising and model training.
- **State Regulators Face Statutory Limits:** While state attorneys general have challenged data liquidation over child safety and privacy concerns, existing bankruptcy frameworks severely restrict their ability to block commercial asset sales.
- **Asset Carve-Outs Leave Data Behind:** Even when high-profile buyers acquire a failing startup's intellectual property - such as Disney purchasing select assets - user data is often excluded and auctioned separately to unknown entities.
- **The Critical Need for Preemptive Deletion:** Because user rights erode the moment an enterprise enters insolvency proceedings, individuals must actively wipe chat histories and delete accounts before platforms collapse.

- CLICK HERE TO READ THE FULL ARTICLE



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