

CLAY COMPASS

Navigating Markets, Economy & Beyond

THE MONTH IN ONE LINE

September broke the pattern of the last two months, and it broke it hard. The Nifty 50 fell 6.1% to 22,620.45, its worst September in eight years, with the Sensex down about 5.8% and 40 of the 50 index constituents in the red. Every one of the 34 sector indices we track finished the month lower. Yet the domestic data released during September was the strongest in months: manufacturing PMI jumped to 55.1, services rose to 55.8, and August industrial output grew 8.0% year-on-year. The pressure came from outside. The Federal Reserve delivered its first rate hike since 2023, the US 10-year ended at 5.24%, Brent gained 8.2% to \$97.88, the rupee weakened to 95.86, and foreign investors pulled ₹33,864 crore out of the cash market. India's economy accelerated; its market had its worst month of the year.

THE CLAY DASHBOARD

The indicators we track every month, with our reading on each

Indicator	Latest	Change / context	Signal
GLOBAL			
US Federal Reserve	3.75% – 4.00%	Raised by 25 bps on 16 September, unanimously — the first hike since 2023. The dot plot shows 12 of 18 participants expecting one further increase this year	Hiking
US 10-yr Treasury	5.24%	Up from 4.75% at end-August. The 30-year reached 5.62%, its highest since June 2002	Rising
US Dollar Index	101.22	Up from about 99.4, reversing August's softening	Strengthening
MSCI World Index	–0.37%	Developed markets were broadly flat; September's weakness was India-specific, not global	Flat
MSCI EM Index	–1.21%	EM softened modestly, but still finished far ahead of India	Softening
INDIAN EQUITY AND VALUATION			
Nifty 50	22,620.45	–6.1% MoM; worst Sep in eight years and worst month of 2026	Falling
Nifty 50 trailing P/E	19.2x	From 20.36x; now about 13.6% below the 22.22x three-year median	Cheap
Nifty 50 EPS	₹1,183.14	From ₹1,182.73; essentially unchanged on the month	Flat
India vs EM P/E premium	1.37x	From 1.52x. India has historically traded at about a 63% premium to EM; the September reading is far below that	Compressed
FLOWS			
Net FII activity	–₹33,864 cr.	From –₹7,532 cr. in August, on the exchange cash segment — the heaviest monthly outflow since June	Selling
Net DII activity	+₹64,758 cr.	From +₹58,268 cr. in August; the largest flow since June	Absorbing
DOMESTIC MACRO AND RISK			
Manufacturing PMI	55.1	From 52.8 in August — a seven-month high, reversing three consecutive monthly declines	Accelerating
Services PMI	55.8	From 54.1 in August, though new export orders grew more slowly than in recent months	Expanding
India CPI	4.82%	From 4.45% in July — an eight-month high and a third consecutive month above the RBI's 4% target. Food at 5.95%	Rising
RBI repo rate	5.25%	About 60% of economists polled by Reuters expect a 25-bps increase at the 5–7 October review	Hike expected
India 10-yr G-sec	7.19%	Highest in 2.5 years, up roughly 52 bps since late February	Rising

Indicator	Latest	Change / context	Signal
Brent crude	\$97.88	+8.2% on the month, having touched about \$107 late in September before easing	Elevated
USD/INR	95.86	From about 95.12 at end-August; a third consecutive monthly depreciation and roughly 6.4% weaker year-to-date	Depreciating

THE GLOBAL LENS

What moved in the globe and the channel through which it reaches an Indian portfolio

Central banks & rates

The Federal Reserve raised the funds rate by 25 basis points to 3.75–4.00% on 16 September, its first increase since 2023 and a unanimous decision. The statement was unusually direct: inflation “remains elevated”, and the Committee “will deliver price stability”. The accompanying projections were firmer still — 12 of 18 participants now expect one further increase before the end of 2026, taking the range to 4.00–4.25%, with no easing pencilled in through 2027. Participants do not expect inflation to return to 2% until 2029.

The August US CPI print released on 11 September set that up. Headline inflation held at 3.4% year-on-year while core edged down to 2.4%, but core came in hotter than forecast on the month, with services inflation still running above 3%. Futures markets moved to near-certainty on a September hike within hours.

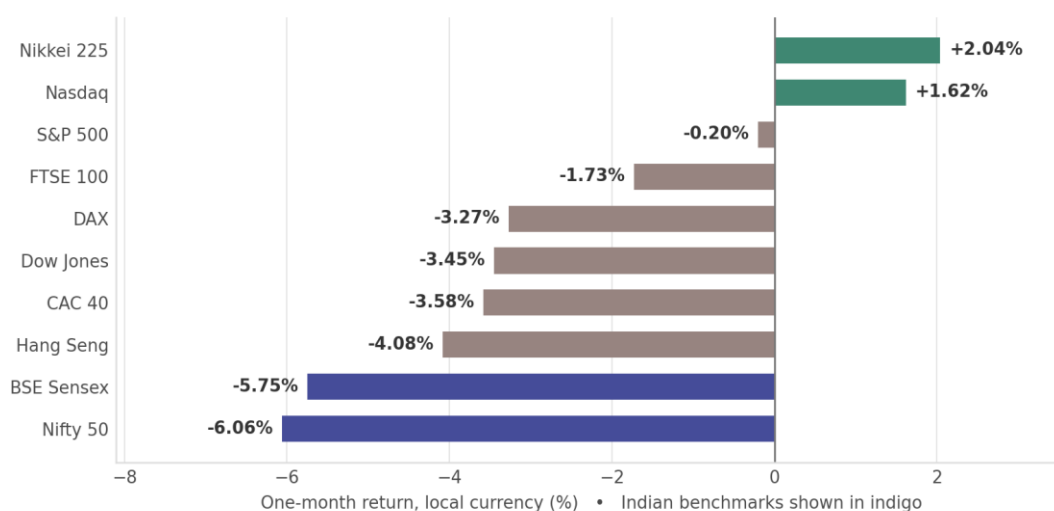
Bond markets repriced accordingly. The US 10-year finished September at 5.24%, up roughly half a point from August, and the 30-year reached 5.62% — its highest level since June 2002. The dollar index recovered to 101.22. For an economy that imports most of its energy and relies on portfolio inflows to fund its external deficit, that combination is the single most important thing that happened last month.

Global growth and risk

What makes September notable is that the global equity market did not fall. MSCI World slipped 0.37% and MSCI Emerging Markets 1.21% — modest declines in a month when a major central bank began a tightening cycle. India fell 6.1%.

That gap of roughly 5.7 percentage points against developed markets and 4.9 against emerging markets is the second consecutive month in which India has underperformed both, and it is far wider than August's gap. This was not a global risk-off event that caught India alongside everyone else. It was a repricing concentrated in the market most exposed to higher global rates, a stronger dollar and dearer oil at the same time.

Exhibit 1 | India versus global benchmarks, September 2026



Source: Exchange data, MSCI, index providers

How it transmits to India

Global development	Channel	What it drives in India	September 2026 reading
Fed policy and US Treasury yields	Rate differential	FII appetite, the rupee, and the RBI's room to ease	First hike since 2023; the 10-year at 5.24% and the 30-year at a 24-year high. India's carry advantage has compressed to roughly 195 bps
US dollar	Currency	The rupee, imported inflation, EM allocation	Dollar index back to 101.22. The rupee weakened for a third month to 95.86, about 6.4% weaker year-to-date
Crude and West Asia	Terms of trade	CPI, the current account, the RBI's stance	Brent +8.2% to \$97.88, having spiked to about \$107 before Saudi pipeline restoration and a US reserve release eased it
Global rate-sensitivity trade	Flows and sector rotation	Which Indian sectors bear the adjustment	NBFCs -10.3% and financial services ex-bank -9.5%, against banks -5.0% — the classic signature of a rate shock rather than a credit event
Global risk appetite	Breadth and issuance	Small caps, primary issuance, FII flows	Still firm in primary markets: a record ₹39,214 crore raised across 31 issues, even as the secondary market fell 6.1%

CLAY'S READ

The important feature of September is not that India fell, but that it fell roughly six percentage points more than the rest of the world in a month when the rest of the world barely moved. That rules out a generalised risk-off interpretation and points instead at India's specific sensitivities: the Fed's hike lands on an economy with an external deficit, an energy import bill and a currency already under pressure. All three of those channels moved against India at once, which is rarer than any one of them moving alone. What we would not conclude is that the global rate cycle has further to run in the same direction at the same speed — the dot plot implies one more hike, not a sequence, and the market is already priced for roughly that. The risk to watch is not the next hike but the possibility that inflation in the US proves sticky enough to extend the path beyond what is currently priced, because that is the scenario in which India's carry advantage keeps compressing rather than stabilising.

EQUITY

Nothing rose.

The Nifty 50 closed September at 22,620.45, down 6.1%, with the Sensex about 5.8% lower. It was the worst September since 2018 and the worst single month of 2026. Forty of the fifty index constituents finished lower.

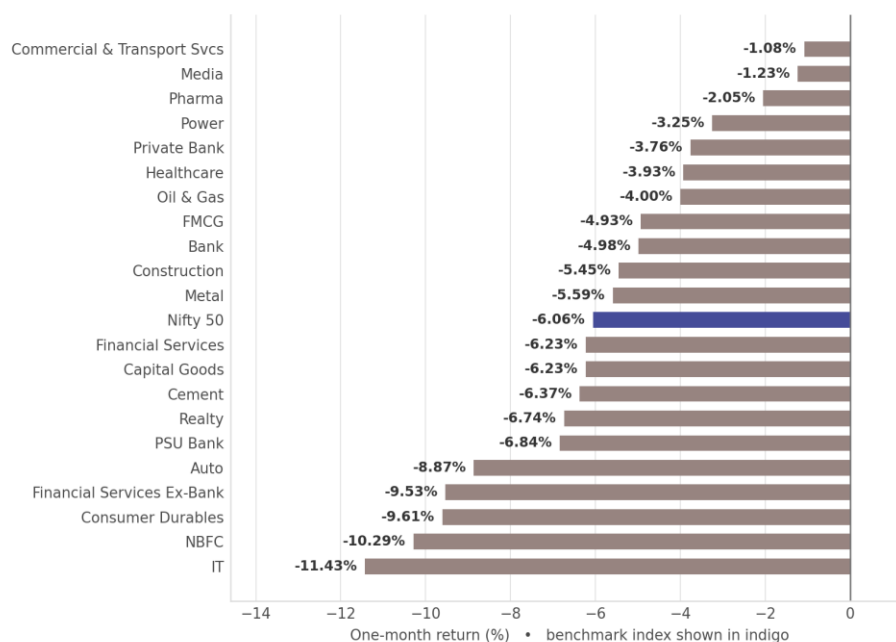
Where the losses landed

August's defining feature was that most sectors rose while the index fell. September was the exact inverse and then some: every one of the 34 sector indices we track finished lower. There was nowhere in the Indian market to hide, and the question is therefore not which sectors fell but which fell hardest, and why.

IT was the worst performer at -11.4%, with TCS, Wipro and Infosys all down over 12.3%. The sector has now been the weakest of the calendar year by a considerable margin, down about 27% over the nine months. September's decline came as investors questioned whether the sector's growth can support the valuation premium it has historically carried — a discount-rate problem as much as a demand one.

The second cluster is more revealing. NBFCs fell 10.3% and financial services ex-bank 9.5%, against banks at 5.0% and private banks at 3.8%. That spread — wholesale-funded lenders falling roughly twice as hard as deposit-funded ones — is the signature of a funding-cost shock rather than a credit-quality one. With the 10-year G-sec at a two-and-a-half-year high and an RBI hike now the consensus expectation, the market repriced the liability side of the NBFC balance sheet.

Consumer Durables fell 9.6% and Auto 8.9%, both rate-sensitive demand categories heading into a festive quarter. At the other end, the shallowest declines were in defensives and domestically insulated names: commercial and transport services -1.1%, media -1.2%, pharma -2.1% and power -3.3%. Healthcare's 3.9% decline was cushioned relative to the market but was pressured late in the month by proposals to cap private hospital room rates.

Exhibit 2 | Indian benchmark and sector index returns, September 2026

Source: Exchange data

Breadth & Market Cap

The uniformity of the decline is itself the breadth story. With every sector index lower and 40 of 50 large-cap constituents falling, September offered none of the dispersion that characterised the preceding months, when leadership rotated between segments and the small- and mid-cap indices ran ahead of the benchmark.

That said, the longer-horizon picture has not fully inverted. Across the first nine months of 2026 the Nifty Smallcap 100 is still up about 8.4% while the Nifty 50 is down roughly 13% and the Sensex 15%, sustained by domestic institutional net buying against foreign selling. September compressed that gap sharply but did not close it. The caveat we raised in September applies with equal force: a meaningful share of the broader indices' trailing outperformance reflects index reconstitution rather than stock selection, and a month like this one is precisely when that distinction starts to matter to an investor's realised return.

CLAY'S READ

A month in which every sector falls tells you the move was driven by the discount rate rather than by anything happening inside individual businesses, and the internal ordering of the decline supports that reading. The sectors that fell hardest are the ones whose valuations depend most on the cost and availability of funding — IT on its multiple, NBFCs on their borrowing costs, consumer durables and autos on credit-financed demand — while the shallowest declines came from cash-generative, domestically insulated businesses. That is a textbook rate shock, not a growth scare, and it is worth saying clearly because the two call for opposite responses. The NBFC-versus-bank spread is the cleanest evidence: if September had been about asset quality, banks would not have outperformed wholesale-funded lenders by five percentage points. We would treat the IT de-rating as the one exception that carries genuine fundamental content, since a 27% calendar-year decline in the face of stable earnings is a market revising its view of terminal growth rather than simply applying a higher discount rate.

FLows AND VALUATIONS

The selling was foreign. The absorption was domestic. The issuance was record.

Foreign investors sold INR 33,864 crore on the exchange cash segment in September, the heaviest monthly outflow since June and more than four times the INR 7,532 crore of net selling in August.

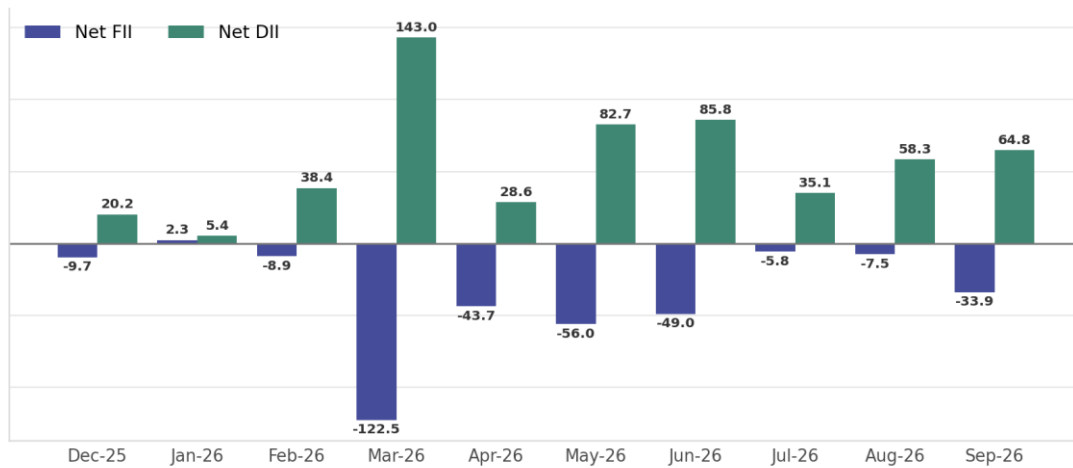
Domestic institutions bought INR 64,758 crore, the sixth consecutive month of net buying above INR 28,000 crore. Throughout the nine months to September, domestic institutions have absorbed heavy amounts of foreign selling. The domestic bid is not weakening; it is being asked to do more.

The third leg is the one most likely to be overlooked. September was a record month for Indian primary issuance: about INR 39,214 crore raised across 31 companies, comfortably ahead of August's INR 21,000 crore across 21 issues, taking the year-to-date total to roughly

INR 1.13 lakh crore across 93 mainboard listings. The pipeline now stands at about INR 3.86 lakh crore, some three and a half times what has been raised all year.

Those three facts fit together. A market absorbing record primary supply while foreign investors withdraw at the fastest pace in three months is a market in which domestic money is being spread across more paper, not less. That is a genuine, if unglamorous, contributor to secondary-market weakness, and several market participants cited it explicitly during the month.

Exhibit 3 | FII vs DII monthly net flows, Indian equities (INR '000 crore)



Source: Exchange cash-segment provisional data.

Valuations

The Nifty 50 ended September at 19.2 times trailing earnings, down from 20.36 in August and now roughly 13.6% below its 22.22 three-year median. The index has de-rated in every month of the last quarter, and the pace accelerated sharply in September.

Against emerging market peers the compression is starker still. India ended the month at 1.37 times EM earnings multiples, down from 1.52 in August, against a historical premium of roughly 63%. On that measure India is now cheaper relative to its peer group than at almost any point in recent history — a function of India falling 6.1% while EM fell 1.2%.

Earnings

Nifty 50 trailing EPS was INR 1,183.14 at the end of September, against INR 1,182.73 in August — effectively unchanged. No quarterly results were reported during the month, so the trailing window simply rolled forward.

That stability is the most important single fact in this section. The index price fell 6.1% while the earnings underlying it did not move. September's decline was, arithmetically, entirely a de-rating. Whether that de-rating proves justified depends on the Q2 FY27 results season now beginning, which is the first opportunity since June for earnings to either validate or undermine the multiple the market is now paying.

CLAY'S READ

The cleanest way to read September is that price moved and earnings did not, which makes the entire decline a change in what investors will pay for an unchanged stream of profits. That is a more recoverable condition than an earnings disappointment, but it is not automatically a buying signal, because the discount rate that drove it has not yet stopped rising. The flow composition adds a caution and a comfort in roughly equal measure. The caution is that record primary issuance during a foreign-selling month means domestic institutional buying was doing double duty — absorbing exits and funding new paper — which makes the INR 64,758 crore look less supportive of the secondary market than the headline suggests. The comfort is that the domestic bid has now run above INR 28,000 crore a month for consecutive seven months without visible fatigue. Our working assumption is that valuation alone will not arrest the decline while US yields are still making new highs; it is the Q2 earnings season, not the multiple, that we would look to for the turn.

MACROECONOMICS

The economy accelerated. The market did not notice.

Activity turned up sharply

The survey and output data released during September were the strongest in months, and in several cases reversed trends that we flagged as concerns in the last two issues. Manufacturing PMI rose to 55.1 from 52.8, a seven-month high that ended three consecutive monthly declines and unwound the five-year low recorded in August. Services PMI rose to 55.8 from 54.1.

Hard data corroborated the surveys. Industrial production grew 8.0% year-on-year in August, with manufacturing output up 9.0% — a materially stronger print than the PMI trajectory of the preceding months would have implied, and consistent with restocking ahead of the festive quarter.

One qualification deserves attention. New export orders in the services survey grew more slowly than in recent months. The domestic economy is accelerating; the external-facing part of it is not. Given that IT was the worst-performing sector of the month and of the year, that is a coherent picture rather than a contradictory one.

Inflation is the constraint

Retail inflation rose to 4.82% in August from 4.45% in July, an eight-month high and a third consecutive month above the RBI's 4% medium-term target, with food inflation at 5.95%. Energy and food costs drove the increase, both of them traceable to the same West Asian supply disruption that has kept Brent elevated all year.

That print, combined with a rupee 6.4% weaker over the calendar year and crude that touched about \$107 late in the month, has changed the consensus on the RBI decisively. Roughly 60% of economists polled by Reuters — 35 of 61 — now expect a 25 basis point increase to 5.50% at the 5–7 October review, which would be the first hike since February 2023. About 55% expect a further increase by December. Only two months ago the same consensus had rates on hold until March 2027.

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The growth-inflation trade-off has moved in India's favour on one side and against it on the other, and the market has so far priced only the second. Manufacturing at a seven-month high with industrial output at 8% is a genuinely strong combination, and it arrived in the same month the index fell 6.1% — which tells us the market is currently trading the cost of capital rather than the state of the economy. The harder question is what a hike would actually signal. An RBI that raises rates into accelerating growth and 4.82% inflation is behaving conventionally, and we would not read it as a policy error; an RBI that raises principally to defend the rupee is responding to an external constraint rather than a domestic one, and that is the more uncomfortable interpretation because it implies the terminal rate is set in Washington rather than Mumbai. The language of the October statement will matter more than the decision itself. We would watch whether the inflation-peak assumption survives the August print, and whether the stance shifts from neutral, which would signal a sequence rather than a single defensive move.

FIXED INCOME

The world's risk-free rate moved, and everything else had to follow

The US long end is the story

The defining financial variable of September was not the Fed's 25 basis point hike — that was broadly anticipated by the time it arrived — but what happened to the long end of the US curve around it. The 10-year Treasury finished the month at 5.24%, its highest since 2023. The 30-year reached 5.62%, a level last seen in June 2002.

The distinction matters. A rising policy rate with a stable long end is a central bank managing the cycle. A long end rising faster than the policy rate is the market repricing either the terminal rate, the inflation risk premium, or the supply of government paper — and in September there was evidence of all three. The Fed's own projections now show no easing through 2027 and inflation not reaching 2% until 2029.

For global asset allocation this is the number that does the work. A risk-free rate above 5% raises the hurdle for every risk asset simultaneously, and it does so most severely for long-duration assets: growth equities, emerging market debt, and any currency funded by carry. India sits at the intersection of all three.

India: yields at a two-and-a-half-year high

The Indian government bond market repriced in parallel. The benchmark 10-year G-sec reached 7.19% on 28 September, its highest since April 2024, having risen roughly 52 basis points since the West Asian conflict began in late February. The five-year has hardened by about 60 basis points over the same period, a flattening of the front end consistent with a market pricing imminent policy tightening.

Three forces drove the move. The heaviest is supply: the second-half FY27 borrowing calendar is concentrated in longer-tenor securities, arriving in a market with reduced appetite for duration. The second is crude, which touched about \$107 during the month and feeds directly into the inflation expectations embedded in the curve. The third is technical — dealers reported stop-loss triggers clustered at the 7.14–7.15% level that accelerated the selloff once breached. Market participants expect the 10-year to test 7.25% ahead of the October policy review.

The spread tells the more important story. With the Indian 10-year at 7.19% and the US 10-year at 5.24%, the nominal differential has compressed to roughly 195 basis points. For most of the past decade that gap has been substantially wider. An investor deciding between Indian duration and US Treasuries is being offered less compensation for currency, credit and liquidity risk than at almost any point in recent memory — and the rupee has depreciated about 6.4% this year, which is more than the entire spread.

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The compression of the India–US yield differential to around 195 basis points is, in our view, the single most consequential number in this issue, and it explains the equity market's September more completely than any domestic variable does. When the risk-free alternative pays over 5% in the currency a foreign investor reports in, the case for holding Indian assets has to be made on a spread that is no longer generous, against a currency that has moved against the holder every month this quarter. That is the arithmetic behind INR 33,864 crore of selling, and it will not reverse because Indian valuations look attractive in rupee terms. For domestic investors the implication runs the other way and is more constructive: a 7.19% sovereign yield is the best risk-free return available in several years, and for the first time in this cycle the fixed income allocation in a balanced portfolio is doing real work rather than simply dampening volatility. We would be cautious about extending duration while the borrowing calendar is still front-loaded and a hike is unpriced in the long end, but the short and belly of the curve now offer a genuine alternative to equity risk in a way they have not for some time.

GOLD, COMMODITIES AND CURRENCY

Real rates reasserted themselves

Gold fell 5.6% in September to close at about \$4,200 an ounce, a sharp reversal of August's 10% gain. Silver fell further, down 8.7% to roughly \$60.75. The gold-silver ratio consequently rose to about 69.0 from 67.66, still well below its five-year average of 80.93.

The driver was rates, not risk. With the US 30-year at 5.62% and the Fed signalling a further increase, the opportunity cost of holding a non-yielding asset rose materially, and markets moved to price roughly a 70% probability of an October hike and 95% by December. Gold has spent 2026 trading as a function of the real rate outlook rather than as a hedge against equity volatility, and September was the clearest demonstration of that yet: equities fell hard, and gold fell with them.

Crude moved the other way. Brent gained 8.2% to end at \$97.88, having touched about \$107 late in the month as negotiations over Strait of Hormuz access faltered. Two supply developments then capped it: Saudi Arabia's pipeline restoration brought Middle East exports back to roughly 98% of pre-war levels, and the US released emergency reserves. Neither resolves the underlying disruption, and Brent has now been elevated for three consecutive quarters.

The rupee weakened for a third consecutive month, moving from about 95.12 at end-August to 95.86, having touched 95.99 late in the month. It is now roughly 6.4% weaker year-to-date, and about 5.2% weaker since the West Asian conflict began. Unlike August, when the rupee fell while the dollar also fell, September's depreciation came against a strengthening dollar — a more conventional and, in one narrow sense, less troubling dynamic.

CLAY'S READ

Gold falling 5.6% in a month when equities fell 6.1% is the clearest possible evidence that this is a rates market rather than a fear market, and it is worth stating plainly because it has a direct portfolio implication: gold did not diversify anything in September. That does not invalidate a strategic allocation — the central bank accumulation we described last month is a multi-year reallocation that does not reverse on a monthly print — but it does argue against treating gold as the defensive leg of a portfolio while real rates are still rising. Crude is the variable we would watch most closely into October. The combination of an 8% monthly gain, a \$107 intra-month spike and a supply restoration that is real but reversible leaves India's inflation path, current account and currency all hostage to a negotiation over a shipping lane. On the rupee, the shift to depreciating against a rising dollar is at least internally consistent, which is more than could be said of August, but a third consecutive monthly decline with the RBI's swap window now closed leaves the currency with fewer official backstops than at any point this year.

THE CLAY HOUSE VIEW

A rate shock, not a growth shock — we stay constructive, with more of the portfolio in fixed income

September was the month the external environment finally overwhelmed a domestic picture that was, by most measures, improving. Manufacturing reached a seven-month high, industrial output grew 8%, and trailing earnings were unchanged. Against that, the Fed began a tightening cycle, the US long end reached levels last seen in 2002, crude gained 8% and the rupee fell for a third month. The market chose the second set of facts, and fell 6.1%.

We read that as a repricing of the discount rate rather than a judgement on Indian earnings, and the internal composition of the decline supports it: wholesale-funded lenders fell twice as hard as deposit-funded ones, credit-sensitive consumption fell harder than defensives, and every sector finished lower regardless of its own fundamentals. On that basis we remain constructive on Indian equities over a medium-term horizon, with the valuation cushion now considerably deeper than it was a month ago — 19.2 times trailing earnings against a 22.22 three-year median, and 1.37 times EM multiples against a historical premium near 63%.

The significant change to our positioning this month is in fixed income rather than equity. A 7.19% sovereign yield, with a policy hike largely priced and the curve already flattened at the front end, offers the most attractive risk-free return available to a domestic investor in several years. We would move fixed income from a portfolio dampener to a genuine allocation, concentrated in the short end and belly rather than in duration, while the borrowing calendar remains front-loaded.

Three variables would change this view. The first is the October RBI statement: a shift away from the neutral stance would signal a sequence of hikes rather than a single defensive move, and would require us to extend the compression we are already assuming in India's carry advantage. The second is the Q2 FY27 earnings season now beginning — September's decline was entirely a de-rating, and an earnings disappointment on top of it would convert a rate shock into something more durable. The third is Brent sustaining above \$100, which would put the RBI's inflation path, the current account and the rupee under simultaneous pressure in a way that no domestic policy response can fully offset.

The Clay House View — positioning

Asset class/segment	Stance	Why	Recommended investment product(s)
Indian equity			
Large cap	Overweight	19.2x against a 22.22x three-year median, with trailing EPS unchanged through the decline. The de-rating has been indiscriminate, which favours the segment with the most visible earnings	Nifty 50 & Nifty Next 50 Index Funds
Flexi cap/multi cap	Neutral	The appropriate default holding. In a month when every sector fell, the value of delegating the cap and sector allocation rises rather than falls	SBI Focused Fund, Whiteoak Flexicap Fund, ICICI Pru Multicap Fund, Buoyant Opportunities AIF, Stallion Asset Core Fund
Mid cap	Neutral	Fell broadly in line with the benchmark. Neither the valuation discount of large caps nor the momentum that supported small caps through the first half	Invesco India Midcap Fund, AAA GEMS Fund
Small cap	Underweight	Still up about 8.4% for the calendar year against a 13% decline in the Nifty 50. That gap has compressed but not closed, and a meaningful part of it reflects index reconstitution rather than stock selection	Bandhan Small Cap Fund, Catalyst New India Fund (PE)
Fixed income			
Short duration & belly (1–5 yr)	Overweight	The 10-year at 7.19% and the five-year up 60 bps since February. The best risk-free return available to a domestic investor in several years, with a policy hike substantially priced	Northern Arc Savings Plus, Vivriti Short Term Debt Fund, Arbitrage Funds, Hybrid Long-Short SIFs
Long duration (10 yr+)	Underweight	The H2 FY27 borrowing calendar is concentrated in longer tenors and the market expects the 10-year to test 7.25%. We would not extend duration into front-loaded supply	RV Capital India Credit Plus Fund II

Asset class/segment	Stance	Why	Recommended investment product(s)
Gold & silver			
Gold	Hold – strategic allocation	Down alongside a 6.1% equity fall; it diversified nothing in September. The central-bank reallocation remains structural, but gold trades on real rates and those are still rising	Gold ETFs
Silver	Underweight vs gold	A steeper fall than gold. The ratio at about 69.0 remains well below its 80.93 five-year average, so silver still carries a relative premium	Silver ETFs
International equity			
Developed & emerging	Neutral	MSCI World –0.37% and MSCI EM –1.21% both comfortably outperformed India, but a tightening Fed and a 5.24% US 10-year argue against extrapolating that. Rupee weakness continues to flatter INR-denominated returns	HDFC Developed Markets / Emerging Markets Equity Fund, PPFAS IFSC S&P 500 FOF, Edelweiss Greater China Equity Fund

WHAT WE'RE WATCHING IN OCTOBER

The events that will decide whether September's de-rating extends or reverses

When	Event	Why it matters	Our marker
5–7 October	RBI Monetary Policy Committee	The most important Indian rate event of the quarter. Consensus has moved to a 25-bps hike; the stance language matters more than the decision	Repo at 5.25%
Through the month	Q2 FY27 earnings season	September's fall was entirely a de-rating with EPS unchanged. This is the first test of whether the earnings base holds	Trailing EPS INR 1,183.14
12 October	India CPI (September)	A third consecutive rise would put the RBI's Q3 inflation-peak assumption formally in doubt	August: 4.82%
Mid-October	US CPI (September)	The input that will decide whether the Fed's projected second hike arrives in October or December	August: 3.4% headline
27–28 October	US FOMC (statement only)	No projections, so wording carries the full signal. Markets price roughly a 70% probability of a further increase	3.75% – 4.00%
28–29 October	ECB decision	Whether the second major central bank confirms the direction of the global rate cycle	Tightening bias
Through the month	Brent and the Strait of Hormuz	The dominant transmission channel into CPI, the rupee and the current account. Supply restoration is real but reversible	\$97.88 at month-end
Through the month	FPI flows and the rupee	Whether the India–US yield differential at roughly 195 bps is wide enough to stem the outflow	–INR 33,864 crore; 95.86
28 October	India IIP (September)	Whether August's 8.0% industrial growth was sustained into the festive quarter	August: +8.0%

DATA SOURCES AND METHODOLOGY

Every figure in this issue is drawn from the sources below. Data is as at 30 September 2026 unless stated otherwise.

Section	Primary sources
Global rates and policy	US Federal Reserve (FOMC statement and Summary of Economic Projections, 16 September), US Treasury, US Bureau of Labor Statistics
Global equity markets	Exchange data, MSCI, index providers
Indian equity, valuations	NSE, BSE, Nifty Indices, exchange data
Flows	NSDL FPI monitor (monthly FPI totals); NSE and BSE cash-segment provisional data (FII and DII comparison); exchange IPO data
Macroeconomics	RBI (policy statements and bulletins), MoSPI (CPI, IIP), HSBC / S&P Global India PMI, Reuters economist polls
Fixed income	FBIL, CCIL, RBI, US Treasury, Business Standard capital market data
Commodities and currency	MCX, World Gold Council, RBI Weekly Statistical Supplement, exchange data

Methodology notes

- Nifty 50 EPS is a trailing twelve-month figure. Month-on-month changes reflect the trailing window rolling forward rather than newly reported quarterly results. No quarterly results were reported during September.
- Global equity returns are shown in local currency. MSCI World and MSCI Emerging Markets returns are quoted in US dollars and are not directly comparable with the local-currency figures.
- Sector returns cover all 34 sector indices tracked; Exhibit 2 shows a representative selection of 21 sectors plus the benchmark, excluding derivative and overlapping index variants.
- The Nifty 50 monthly return is calculated from the 30 September close of 22,620.45 against the 31 August close of 24,080.40. Press reports citing a 5.67% decline use the 29 September close.

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