

MONTHLY MARKET REVIEW

October 2025

“An investment in
knowledge pays the
best interest.”
– Benjamin Franklin.





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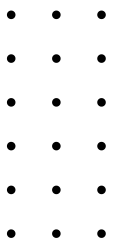
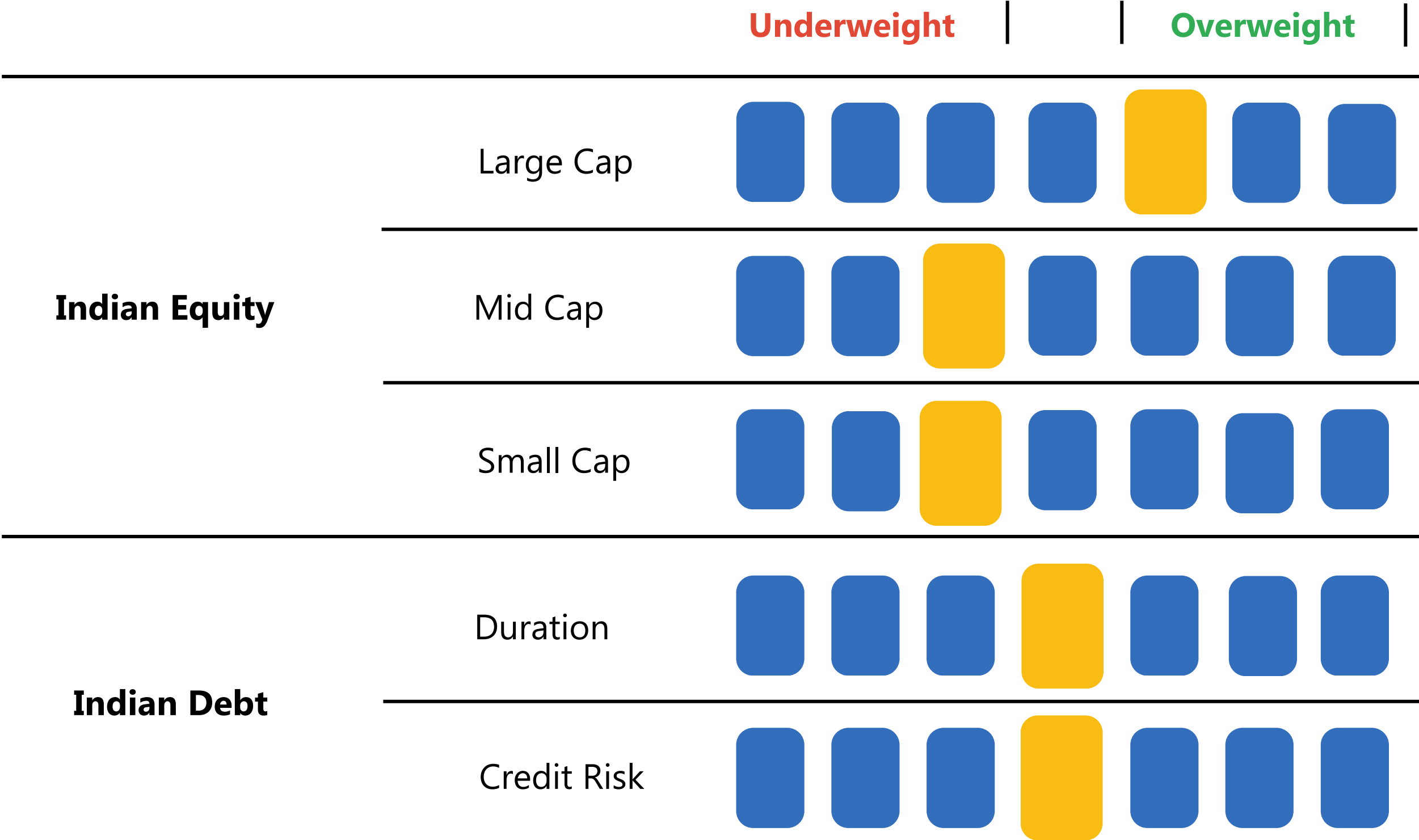


Snapshot



- **Asset Class Views** — Overweight large-caps; neutral-to-cautious on mid and small-caps; neutral stance on Indian debt across duration and credit.
- **FII Flows - reading between the lines:** - exploring the reasons behind FII selling of Indian equities and their simultaneous, selective participation in primary markets —highlighting a broader valuation-led repositioning rather than an exodus of capital.
- **Indian – Equity Market** — Volatile month with sharp FPI outflows, ₹ 88/USD rupee slide and U.S. tariff risks; large-caps more resilient as domestic flows softened drawdowns.
- **Indian – Equity Market (Sectoral)** — PSU Banks, Metals and Autos led on policy support and festive demand; FMCG and IT underperformed amid profit-taking and global headwinds.
- **Indian Equity Market (Valuation)** — Large-caps below 5-yr PE/PB averages; mid-caps fairly valued; small-caps stretched; Defence and Consumption remain most expensive.
- **India – Debt Markets** — 10-year G-Sec at ~6.6% on heavier supply and fiscal concerns; RBI held repo at 5.50% with neutral stance and scope for future easing.
- **India – Macroeconomic Data** — CPI 2.1%, WPI 0.5%; GDP 7.8%; trade deficit narrowed; employment steady; RBI revised FY26 growth to 6.8%.
- **US – Equity Market** — Early gains on rate-cut hopes faded after profit-taking; Fed cut rates 25 bps to 4.0–4.25%; valuations stretched but earnings momentum intact.
- **US – Key Macroeconomic Updates** — GDP +3.8%; CPI 2.9%; unemployment 4.3%; consumer confidence weakened to multi-year lows.
- **US – Debt Market & Global Commodities** — 10-yr yield ~4.17%; gold and silver rallied on safe-haven demand and festival-led buying; Brent volatile amid OPEC signals.
- **Global Equity Markets** — Europe steady on Fed cut expectations; Asia mixed as Japan gained on weak yen and China remained volatile on stimulus hopes.
- **Asset Class returns summary** — Silver and U.S. equities outperformed; China lagged; Indian G-Secs and gold delivered moderate returns.

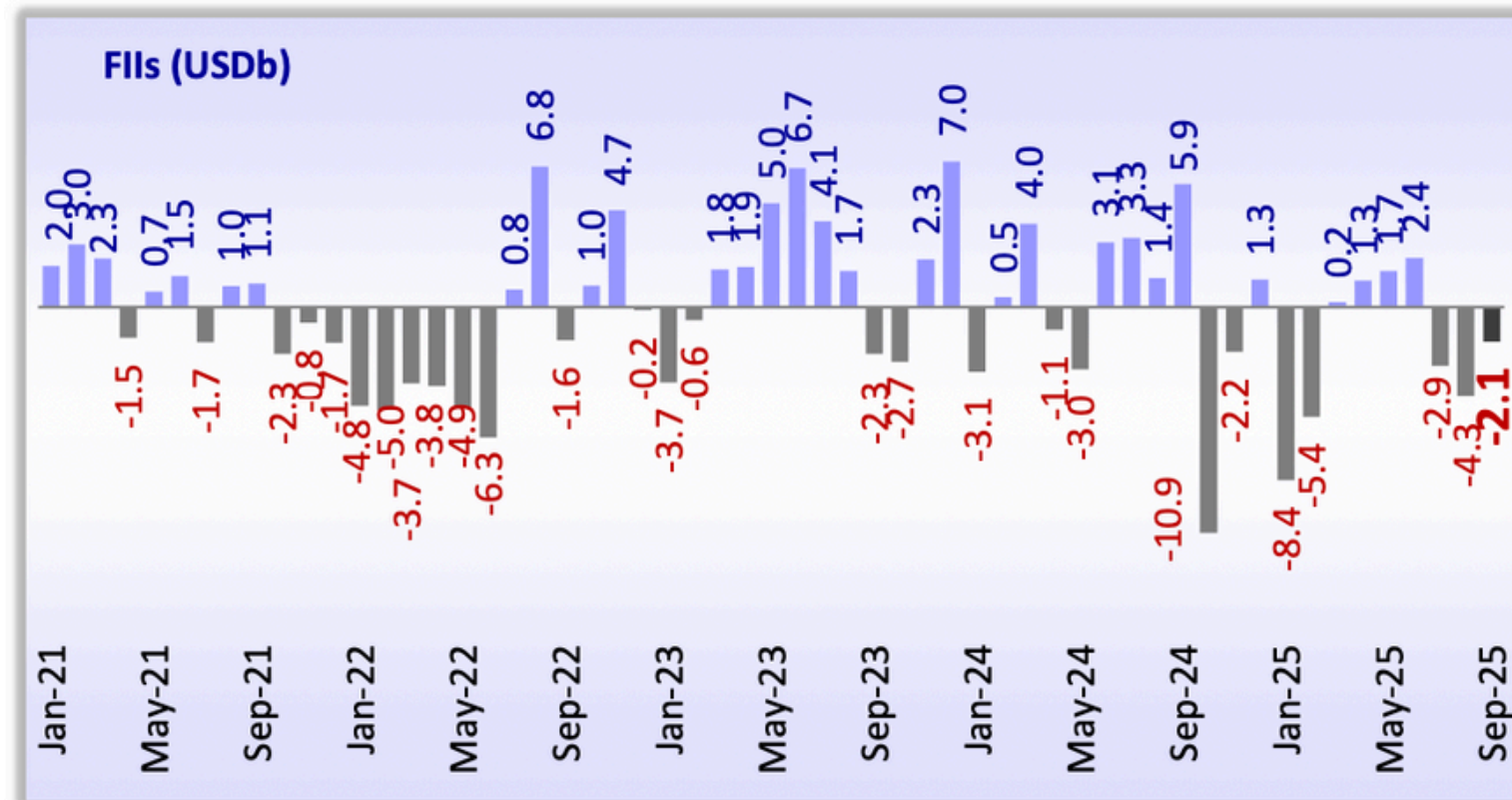
Asset Class Views



FII flows - reading between the lines

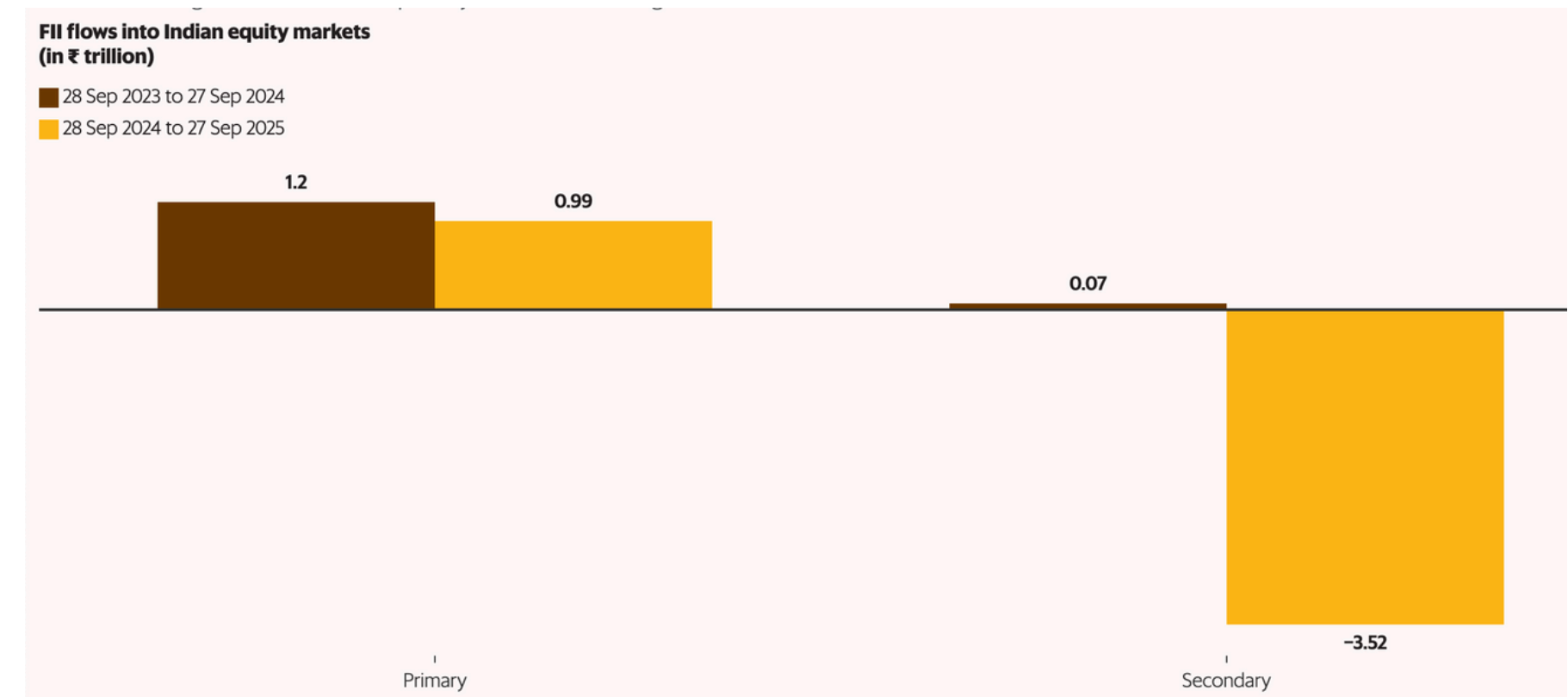


Historical FII flow trend:



(Source: MOFSL, Bulls & Bears)

FII Flow trends between primary and secondary markets::



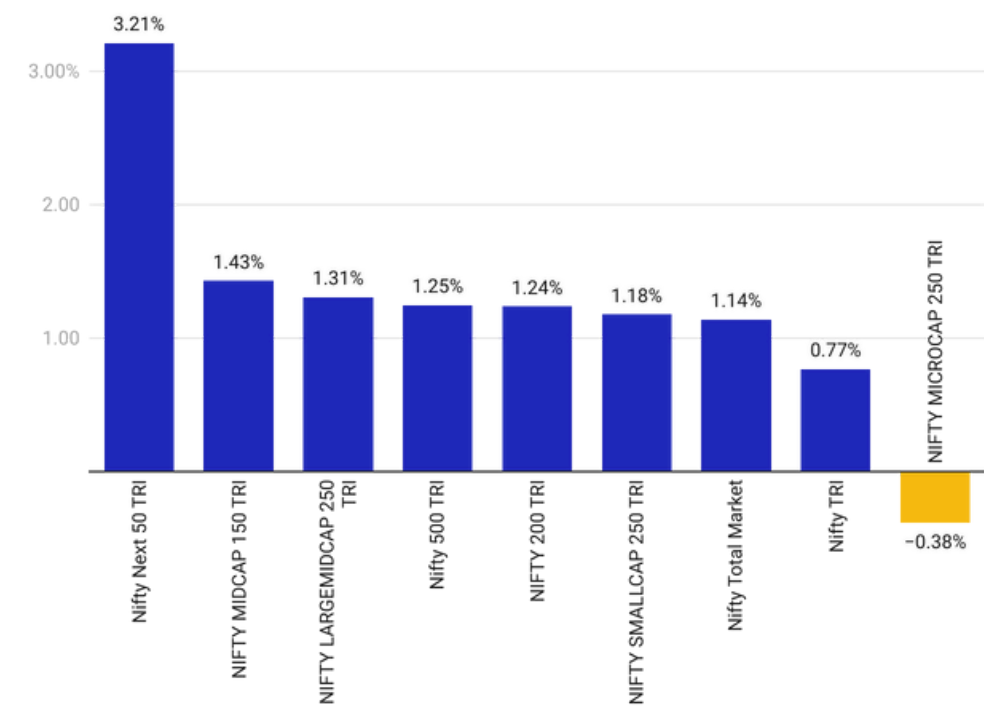
Source: Mint article

- **Valuations & Earnings Caution:** FIIs have sold over \$18 billion YTD, marking one of the sharpest withdrawal phases since 2022. Elevated Nifty valuations (~22× trailing P/E), earnings downgrades for three straight quarters, and muted dollar-adjusted returns have driven a rotation toward cheaper EMs such as Brazil and China.
- **Extreme Secondary-Market Pessimism:** The Nifty futures long-short ratio collapsing to ~6 % underscores record-level bearishness. FIIs have aggressively reduced leverage and equity risk exposure, reflecting concerns around stretched valuations, trade-tariff uncertainty, and the lack of near-term earnings catalysts.
- **Dollar & Bond-Yield Pressure:** The US 10-year yield at ~4.1 % and a firm USD have strengthened the global carry trade back into US assets, squeezing India's relative appeal. Simultaneously, a weaker rupee (₹83.5–84/\$) has trimmed foreign investors' local-currency gains, worsening risk-adjusted performance versus developed-market alternatives.
- **Selective Primary-Market Participation:** FIIs have channelled back only ~28 % of their secondary-market sales into IPOs. Participation has been concentrated in high-quality, scalable issuances such as Hyundai Motor India and Swiggy, while skipping fully-priced or mid-tier listings where limited post-listing upside and inflated pricing caps return potential.
- **Strategic Rotation, Not Flight:** The divergence between secondary-market selling and targeted primary-market buying highlights a valuation-driven portfolio reset, not structural capital exit. FIIs are recalibrating exposure—preserving optionality to re-enter once earnings visibility strengthens, US yields dip below 4 %, and policy clarity improves on trade and inflation.

Indian - Equity Market



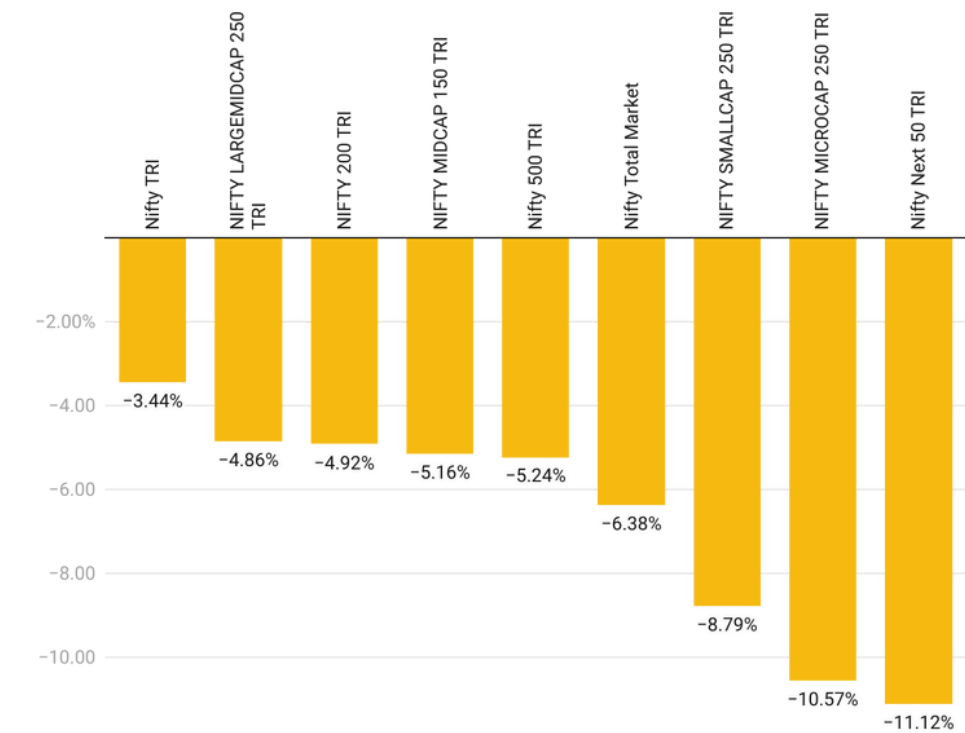
1 Month Returns



Absolute Returns (29th Aug to 30th Sep 25)
Source: NGEN • Created with Datawrapper

(Source: NGEN)

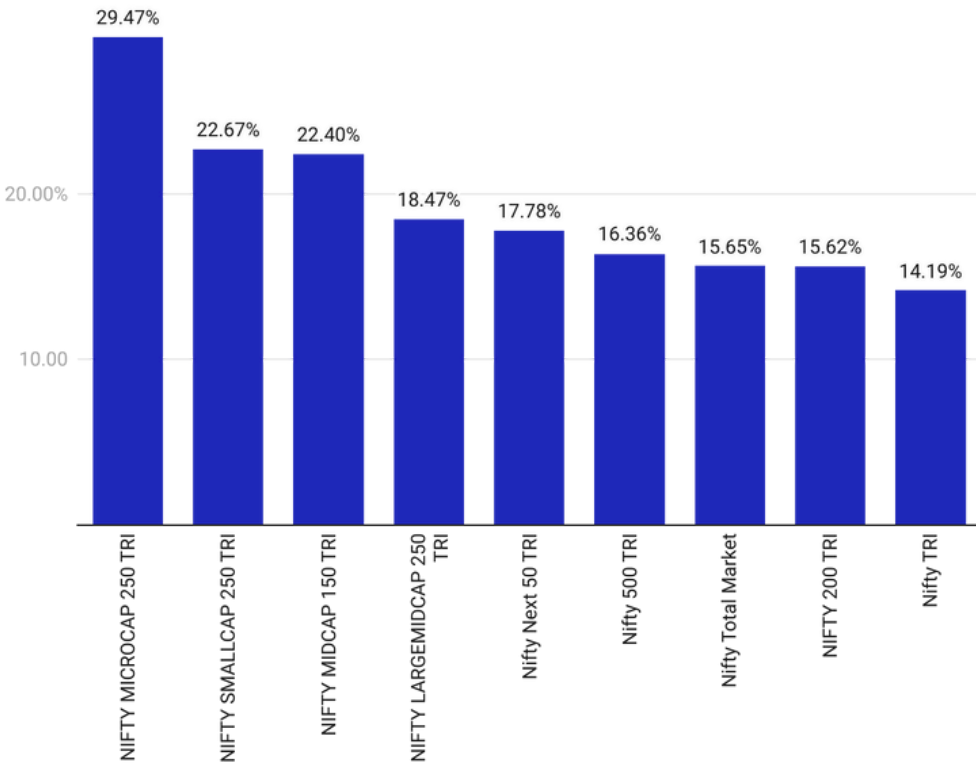
1 Year Returns



From 30-Sep-24 to 30-Sep-25 (CAGR)
Source: NGEN • Created with Datawrapper

(Source: NGEN)

3 Year Returns



From 30 Sep-22 to 30-Sep-25 (CAGR)
Source: NGEN • Created with Datawrapper

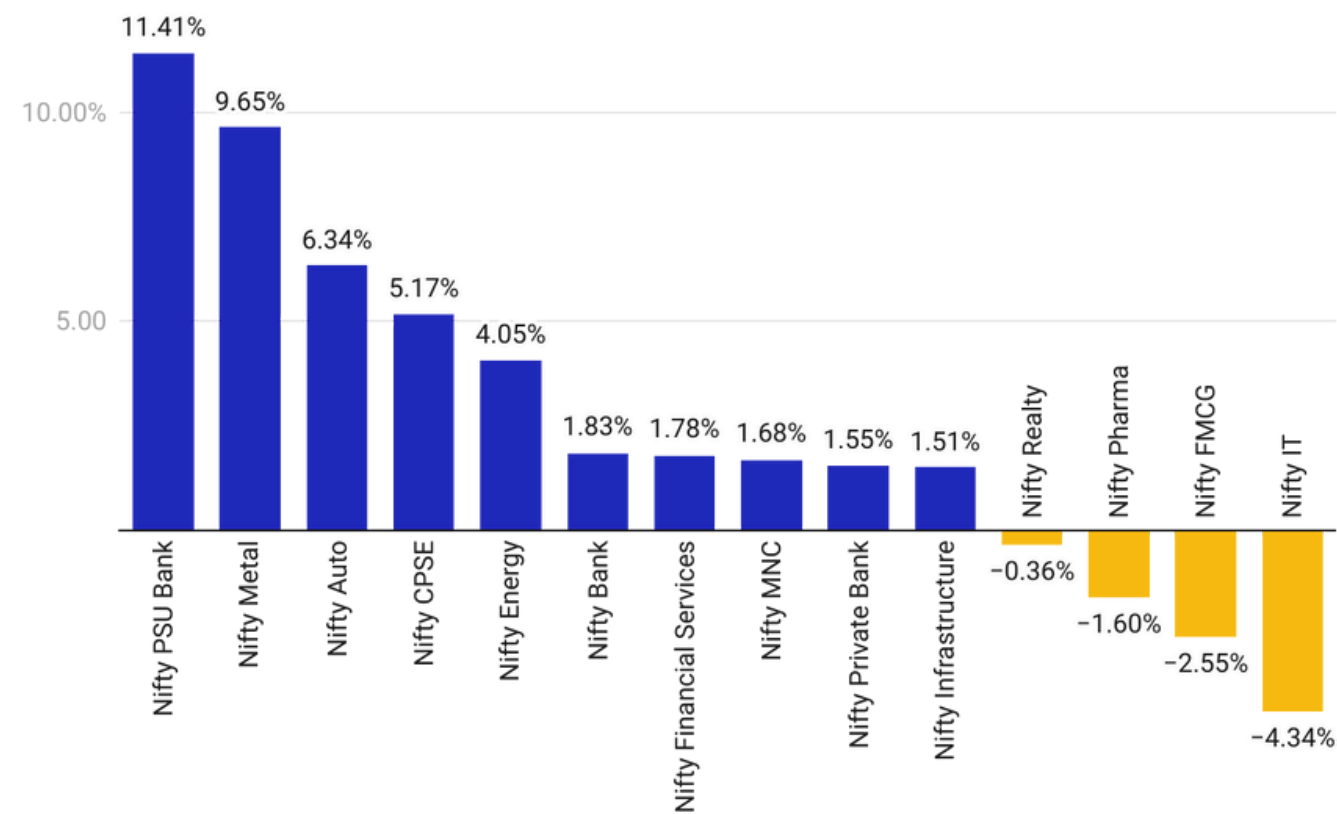
(Source: NGEN)

- September was a volatile month for Indian equities, marked by heavy foreign portfolio investor (FPI) outflows, a weakening rupee, and global policy risks. Despite bouts of sharp selling and mid-month crashes, indices managed to end the month with marginal gains, supported by domestic reforms and selective sector strength.
- U.S. tariff actions and a sharp rupee slide past ₹88/USD triggered risk aversion. FPIs pulled out \$2.7 billion in September alone, contributing to record outflows of \$17.6 billion YTD.
- GST rate cuts and monetary easing created expectations of demand support in the months ahead, even as near-term earnings momentum lagged.
- High valuations, weak earnings growth, persistent FII outflows, and currency pressures have made India one of the worst-performing major equity markets of 2025 in USD terms.

Indian - Equity Market (Sectoral)



1 Month Returns

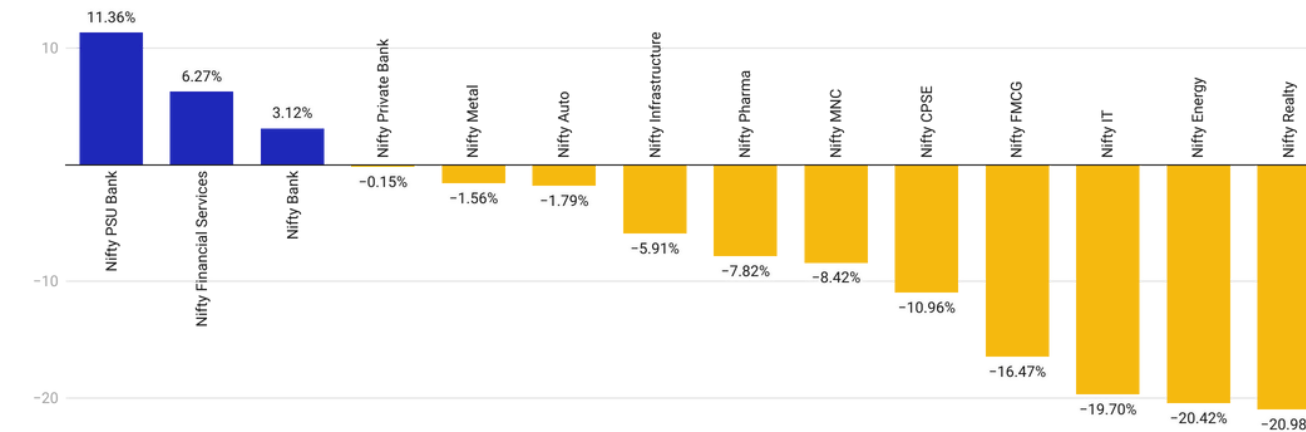


From 29-Aug-25 to 30-Sep-25 (Absolute Returns)
Source: NGEN • Created with Datawrapper

- PSU banks were the best-performing sector in September, supported by strong financial results, a favorable outlook on government reforms, and rising investor interest. The sector registered its highest monthly gain in nearly two years, with medium- and long-term trends confirming sustained outperformance.
- Metals rallied on the back of global optimism, expectations of accommodative monetary policy abroad, and positive demand cues from major economies. The sector ranked second for the month and continues to feature among the strongest performers over the three-year horizon.

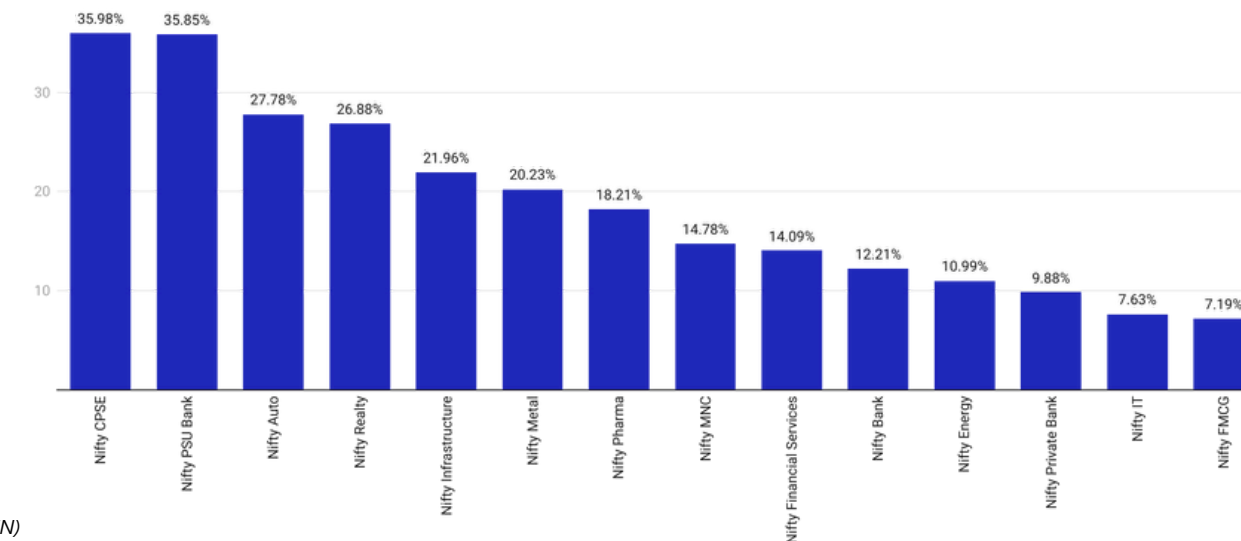
Long term returns:

1 Year Returns



From 30-Sep-24 to 30-Sep-25 (CAGR Returns)
Source: NGEN • Created with Datawrapper

3 Year Returns



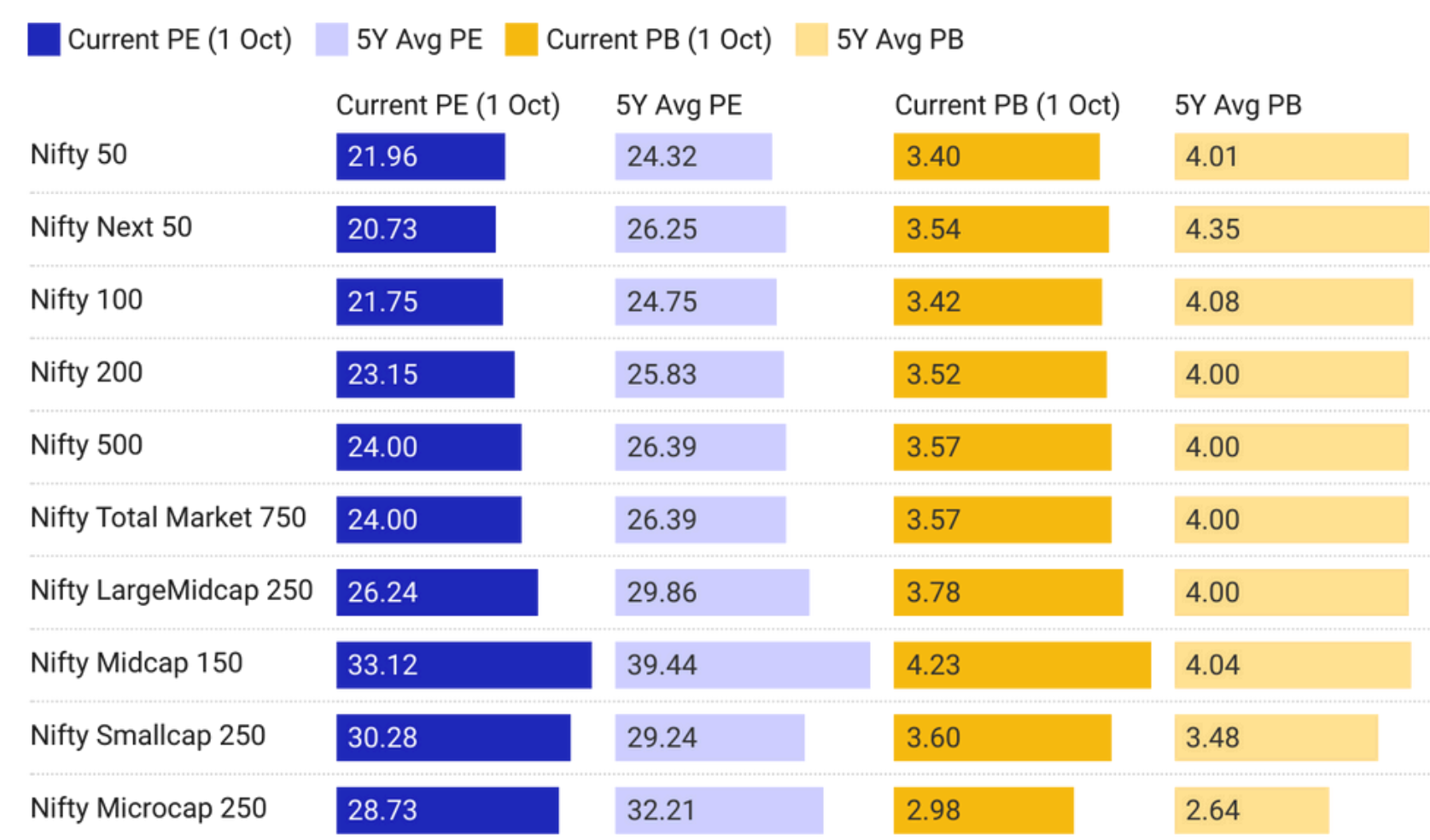
(Source: NGEN)

- The auto sector extended its gains, aided by festive season demand, supportive regulatory changes, and improving consumer sentiment. The sector has consistently maintained robust returns across medium- and long-term periods.
- FMCG underperformed, dragged down by profit booking and lingering cost pressures. The sector has struggled over the past year, although its defensive nature continues to offer long-term stability for conservative investors.
- IT was the weakest sector in September, weighed down by global technology weakness, export demand concerns, and policy risks from higher visa fees and tariff measures. While longer-term returns remain positive, recent momentum has been decisively negative.

Indian Equity Market (Valuation)



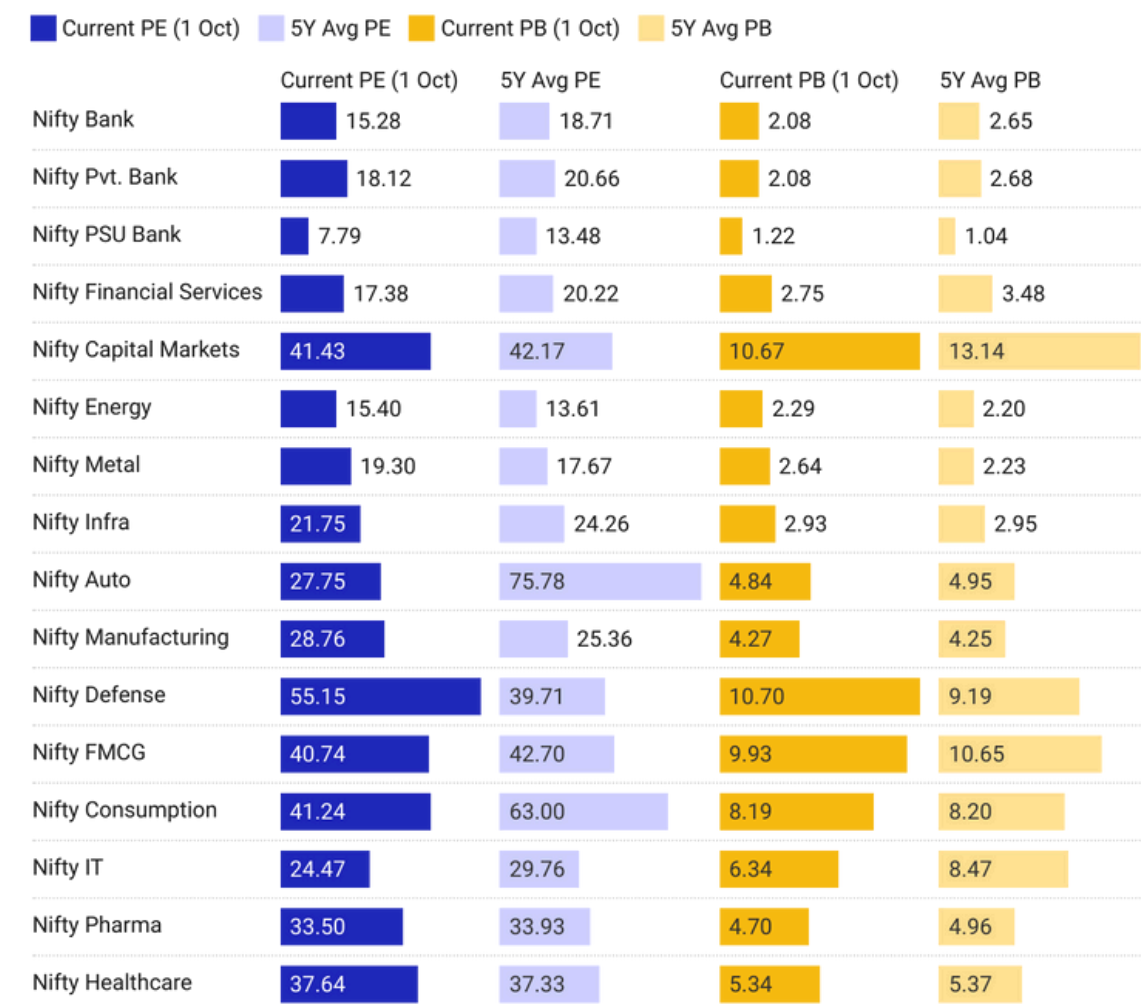
Valuation - Broader Market Indices



Data taken on 2nd Oct
Source: <https://trendlyne.com/> • Created with Datawrapper

- Large caps (Nifty 50/100) are trading below 5-year averages on both PE and PB, indicating relatively attractive valuations.
- Midcaps have cooled but remain expensive compared to large caps, though still below their 5-year PE average.
- Smallcaps look stretched, trading above 5-year averages, while microcaps are cheaper on PE but pricey on PB.

Valuation - Sectoral



Data taken on 2nd Oct
Source: <https://trendlyne.com/> • Created with Datawrapper

- Attractive/Discounted: Banks (Nifty Bank, Pvt Bank, Financial Services) are trading well below their 5-year PE & PB averages.
- Fair to Slightly Expensive: Energy, Metals, Manufacturing, Pharma, and Healthcare are near or slightly above averages, suggesting balanced valuations.
- Stretched: Defense, FMCG, Consumption, IT, and Capital Markets are well above book multiples (PB), with Defense PE 55.15 vs 39.71 showing the highest premium.

India - Debt Markets



Debt Market Indicators:

Categories	1 Oct 2025	Week Ago	Month Ago	6 Month Ago
Repo Rate	5.50%	5.50%	5.50%	6.25%
Call Rate	5.37%	5.52%	5.42%	7.12%
5 Year G-Sec	6.13%	6.23%	6.37%	6.46%
10 Year G-Sec	6.52%	6.49%	6.59%	6.58%
1 Year AAA Corporate Bond	6.94%	6.94%	6.92%	7.53%
3 Year AAA Corporate Bond	6.72%	6.76%	6.90%	7.46%
5 Year AAA Corporate Bond	6.92%	6.96%	7.04%	7.37%

(Source: kotakmf.com)

10 Year G-Sec Movement



Source: Ngen • Created with Datawrapper
(Source: Investing.com)

- The Reserve Bank of India (RBI) has kept policy rates steady at 5.5% in its October 2025 monetary policy review, signaling room for future easing while maintaining a neutral view.
- The 10-year bond yield rose to about 6.53%-6.59% by the end of September, marking a four-week high after steady increases in the month.
- The government increased the share of 10-year bonds in its borrowing plan for October-March to over 28% of total borrowings, raising weekly auction sizes to 320 billion rupees from 300 billion. This added supply-side pressure pushing yields higher.
- Despite overall borrowing being marginally reduced, the expanded 10-year bond issuance led to expected heavy selling pressure and some flattening of the yield curve around the middle and longer duration bonds.

- Investor sentiment was affected by trade uncertainties including US tariffs on Indian exports and higher H-1B visa fees, which weighed on external demand and foreign capital flows.
- Bonds eased slightly near the quarter-end with yields around 6.54%, as markets awaited the RBI monetary policy decision expected to hold rates steady but with scope for a rate cut later.
- The RBI kept the repo rate unchanged at 5.5% in early October, signaling a neutral stance with possibilities of future easing based on subdued inflation and growth support needs.
- The yield in September fluctuated between roughly 6.48% and 6.59%, with supply and macroeconomic factors as main drivers.

India - Macroeconomic Data



Data	Frequency	Last Update	Unit	Value
Inflation rate	Monthly	Aug-2025	percent	2.07
Interest rate	Daily	01-Oct	percent	5.50
Unemployment rate	Monthly	Aug-2025	percent	5.10
GDP annual growth rate	Quarterly	Jun-2025	percent	7.80
Government debt to GDP	Yearly	2024	percent of GDP	81.92
Current account	Quarterly	Jun-2025	USD Million	-2351.00
Current account to GDP	Yearly	2024	percent of GDP	-0.60
Gold reserves	Quarterly	Jun-2025	Tonnes	880.00
Manufacturing PMI	Monthly	Aug-2024	points	57.90
10-year government bond yield	Daily	01-Oct	percent	6.53

Source: NGEN

- India’s economy stayed resilient in September.
- Inflation: CPI rose to 2.07% in Aug from 1.61% in July, still well below the RBI’s 4% target. WPI turned positive at 0.52% YoY, led by food and manufacturing.
- Growth: Q1 FY26 GDP grew 7.8%, the fastest in five quarters.
- The Reserve Bank of India (RBI) raised its GDP growth forecast to 6.8% for FY26 from 6.5%. The RBI projects growth rates of 7.0% in Q2, 6.4% in Q3, and 6.2% in Q4.

Excerpt of consumption indicators:

Consumption/Demand (% YoY*)	Units	Change								12 Month Avg		12 Month Avg		Absolute								Units
		Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	as of Aug'25	as of Aug'24	as of Aug'25	as of Aug'24	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	
Personal Loans	% chg, YoY		11.9	12.1	11.1	11.9	11.6	11.7	11.8	12.2	25.9	58.6	52.8		61.6	61.5	60.6	59.8	59.5	58.8	58.3	INR Tr
Retail Payments	% chg, YoY		12.0	13.4	12.6	19.2	13.9	6.3	16.3	14.8	19.5	80.6	70.5		84.0	79.6	82.0	82.1	93.8	74.5	80.5	INR Tr
Rural Wage Growth	% chg, YoY		3.9	6.0	6.6	6.5	5.9	6.1	5.9	6.0	5.8	443	420		443.8	451.1	451.1	448.5	446.0	443.8	441.8	Rs./day
Non-Oil Imports	% chg, YoY	-14.3	9.0	-1.6	10.6	17.6	9.4	-11.2	19.9	5.9	4.9	45	43	48.3	49.0	40.3	46.1	44.7	44.5	39.1	46.0	USD Bn
Passenger cars sales (ex UVs)	% chg, YoY	-1.0	3.2	-10.3	-10.1	-5.1	-3.7	-4.6	0.6	1.6	5.7	113	119	106	112	101	109	106	122	124	141	000 no's
Passenger cars sales (incl UVs)	% chg, YoY	-7.7	1.0	-6.1	-0.1	5.0	5.1	2.6	2.6	-4.6	-16.5	347	342	317	335	309	338	341	376	369	392	000 no's
POL Consumption	% chg, YoY	2.6	-3.9	0.5	0.7	0.2	-3.1	-5.2	3.0	0.6	4.2	19.9	19.8	18.7	19.5	20.0	21.2	20.2	20.9	19.1	20.5	Mn Tonnes
Two wheelers	% chg, YoY	7.1	8.7	-3.4	2.2	-16.7	11.4	-9.0	2.1	1.9	19.0	1618	1594	1834	1567	1560	1656	1459	1657	1385	1526	000' no's
CPI	% chg, YoY	2.1	1.6	2.1	2.8	3.2	3.3	3.6	4.3	3.8	4.8	3.8	4.8	1.9	2.2	2.7	3.1	3.4	3.7	4.4	5.0	3MMA
Core CPI (CPI ex food and fuel)	% chg, YoY	4.1	4.2	4.4	4.3	4.2	4.1	4.0	3.7	3.9	3.6	3.9	3.6	4.2	4.3	4.3	4.2	4.1	3.9	3.8	3.7	3MMA

YTDA= Year to Date Average, Avg= Average
FY24 Avg: Average considered for the same period in FY24 as for FY25

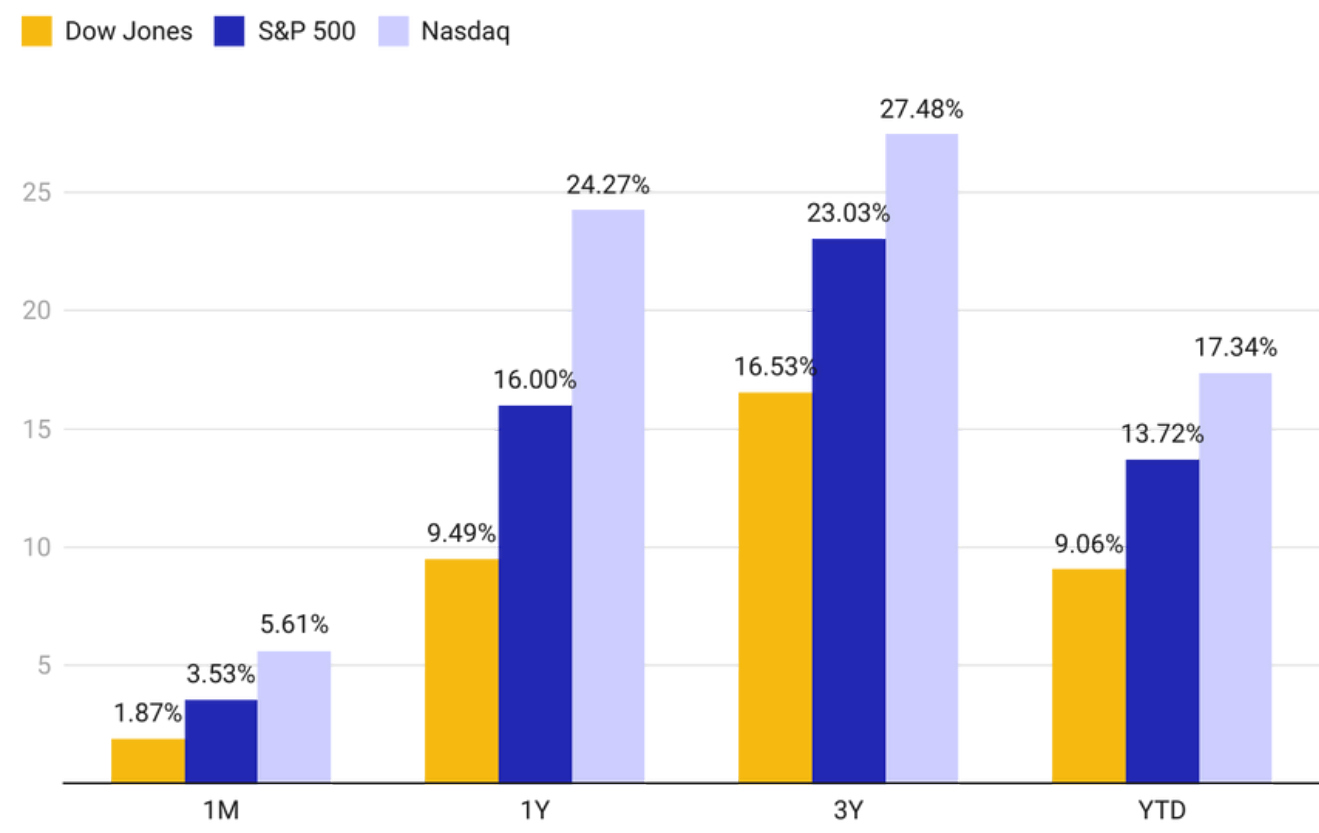
Source: TATHYA by DSP Mutual Fund, August 21, 2025

- External Sector: Trade deficit narrowed to \$26.5 bn, with exports up and imports down. FDI inflows climbed 15% in Q1 FY26.
- Employment & Revenues: Unemployment fell to 5.1%, payroll additions stayed robust. Direct tax collections rose 9% YoY.
- In the recent October meet, the RBI kept the repo rate unchanged at 5.50%, maintaining its neutral stance.
- Inflation forecasts were revised downward. The MPC now expects headline CPI inflation to average around 2.6% for FY26, aided by GST cuts and softer food prices.
- The RBI flagged US tariffs and external demand uncertainty as significant headwinds, even as the domestic macro shows resilience.

US - Equity Market



Trailing returns:

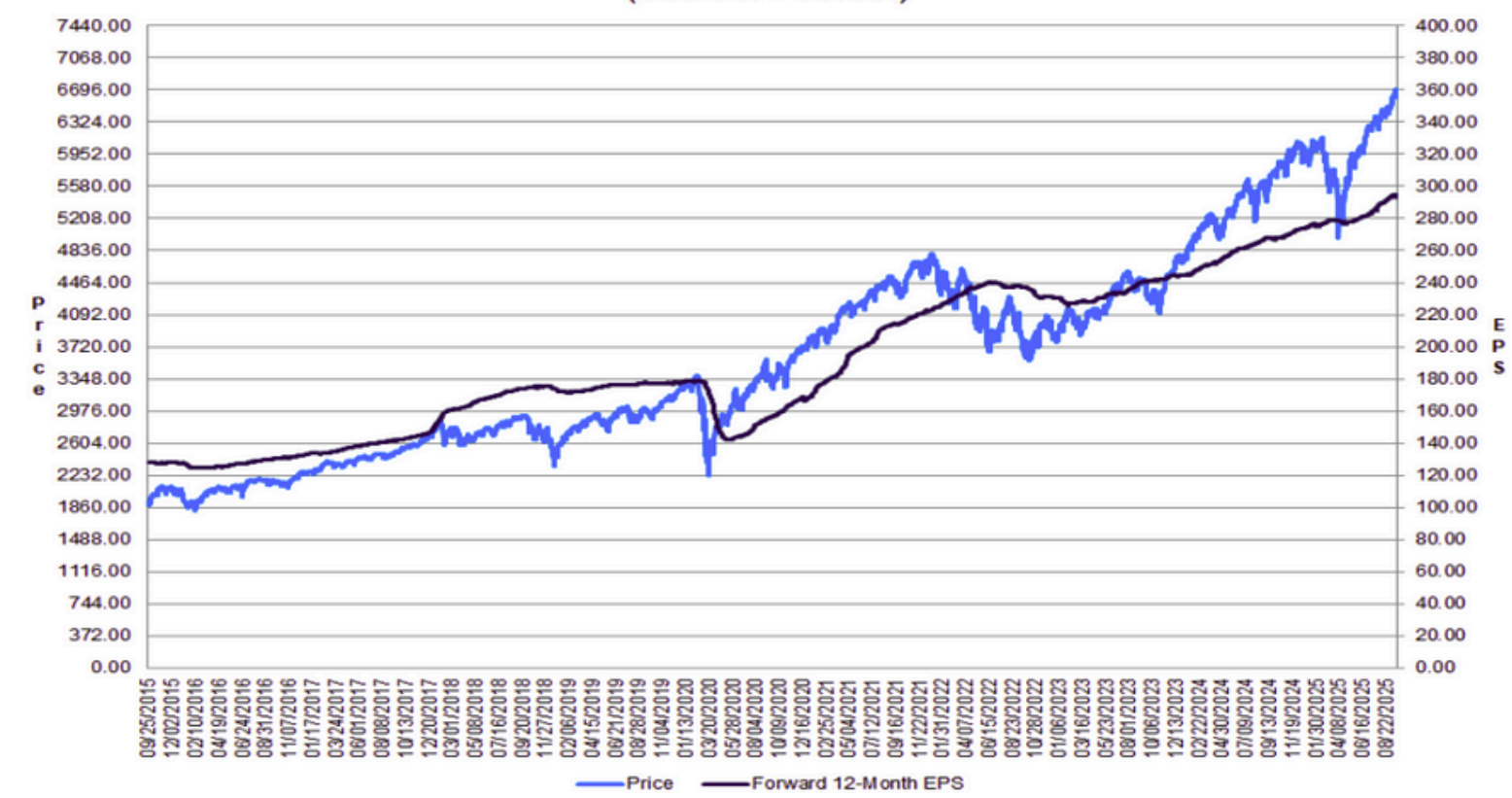


Source: NGEN, Absolute Returns for Returns less than 1 year, 1 Year and 3 Year CAGR • Created with Datawrapper

Source: Ngen. Returns for up to one year are considered absolute, while returns of one year or more are calculated as CAGR.

- Early September saw stocks mostly higher due to falling job openings and hopes for a Fed rate cut, but weak August payroll data limited gains.
- Mid-month, equities gained on softer inflation and higher jobless claims, boosting confidence in a September Fed rate cut.
- The Federal Reserve cut interest rates by 25 basis points (to 4.00–4.25%) on September 17 and signaled two more cuts for the year.
- Stocks rallied strongly after the rate cut, with technology shares and AI-exposed stocks leading the gains; Nasdaq and S&P 500 hit record highs.

S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.
(Source: FactSet)



Source: FactSet. S&P Global, J.p. Morgan Asset Management. Data are as of July 31, 2025.

- Late September, equities pulled back as concerns grew over high valuations, uncertainty around the AI trade, and hawkish Fed remarks despite strong Q2 GDP growth. Chair Powell, during the post-meeting press conference, emphasized that decisions on future cuts would be “data-dependent,” giving no strong signal for accelerated easing and underlining ongoing inflation risks.
- Analysts see steady U.S. profit growth led by tech, utilities, and materials, with more positive guidance than usual, but stretched S&P 500 valuations show stock prices are rising faster than earnings.

US - Key Macroeconomic Updates

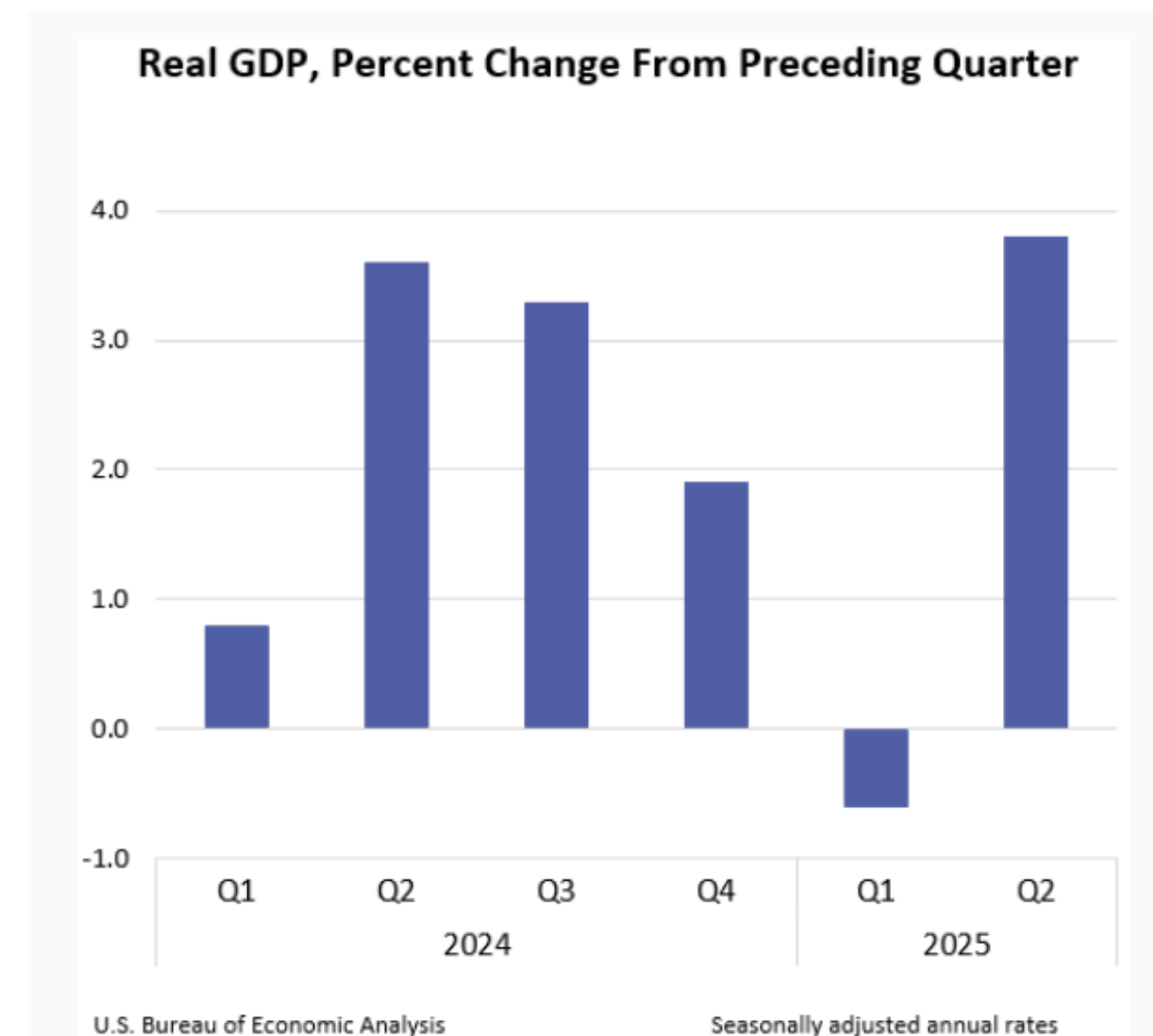


US Macro Economic Data

Indicator	Value
Inflation Rate (%)	2.90
Interest Rate (%)	4.25
Unemployment Rate (%)	4.30
Consumer Price Index (CPI) (Points)	323.98
Imports (USD Billion)	358.78
Exports (USD Billion)	280.46
Core Consumer Prices (Points)	329.79
Producer Prices (Points)	149.16
Unemployed Persons (Thousand)	7384.00

Source: Various News Sources, Ngen • Created with Datawrapper
(Source: Ngen)

- In September 2025, major US macroeconomic indicators showed mixed signals with a general trend of slowing economic growth.
- Inflation pressures remain with consumer prices rising 2.9% year-on-year in August, driven by gasoline, groceries, and airfares.
- Labor market data showed a marked slowdown with just 22,000 nonfarm jobs added in August and a rise in unemployment to 4.3%, the highest since October 2021.
- Consumer confidence fell sharply in September to its lowest level since April, driven by concerns over inflation and a weakening job market. The Consumer Confidence Index dropped to 94.2, with consumers' short-term economic expectations falling below a key recession-warning level.



- Real gross domestic product (GDP) increased at an annual rate of 3.8 percent in the second quarter of 2025 (April, May, and June), according to the third estimate released by the U.S. Bureau of Economic Analysis. In the first quarter, real GDP decreased 0.6 percent (revised). The increase in real GDP in the second quarter primarily reflected a decrease in imports, which are a subtraction in the calculation of GDP, and an increase in consumer spending. These movements were partly offset by decreases in investment and exports.

US - Debt Market & Global Commodities



Global Commodities:

Commodity	Price(30th Sep 2025)	Price(29th Aug 2025)	1 Month Difference
Gold (INR/10 gm)	114761.00	101967.00	12.55%
Gold (\$/oz)	3858.18	3446.75	11.94%
Silver (INR/1 kg)	141918.00	117468.00	20.81%
Silver (\$/oz)	46.67	39.67	17.65%
Brent Crude (\$/bbl)	68.85	68.27	0.85%
Crude Oil (INR/1 bbl)	5632.00	5663.00	-0.55%
NYMEX Crude (\$/bbl)	63.07	64.21	-1.78%
Natural Gas (INR/1 mmbtu)	290.00	258.10	12.36%
Aluminium (INR/1 kg)	259.05	255.60	1.35%
Copper (INR/1 kg)	956.35	901.85	6.04%
Nickel (INR/1 kg)	1353.70	1358.60	-0.36%
Lead (INR/1 kg)	184.65	185.15	-0.27%
Zinc (INR/1 kg)	288.55	275.35	4.79%
Mentha Oil (INR/1 kg)	1026.00	1025.30	0.07%
Baltic Dry Index	2134.00	2025.00	5.38%

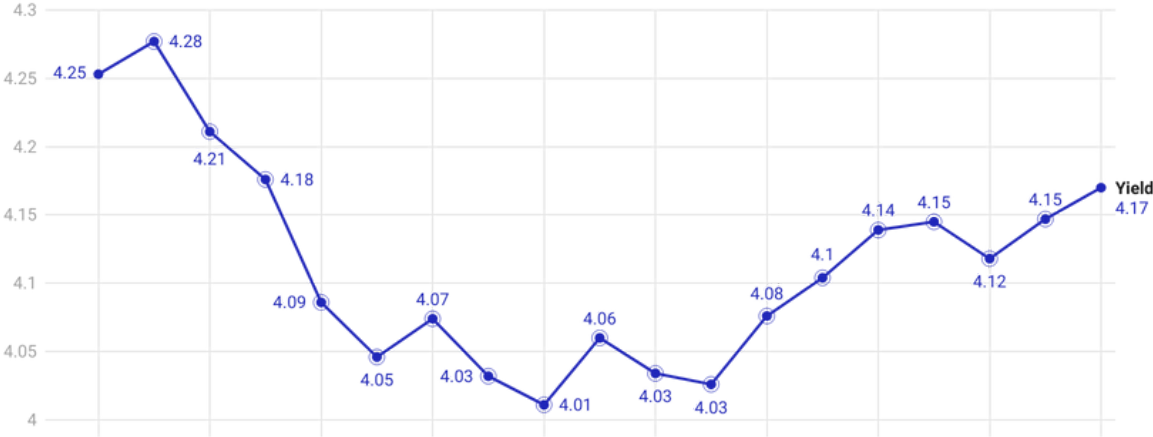
Source: Aditya Birla Mutual Fund Daily Update • Created with Datawrapper

CYTD Bond Yields Across Duration



Source: Investing.com • Created with Datawrapper

US 10 Year Bond Yield - September



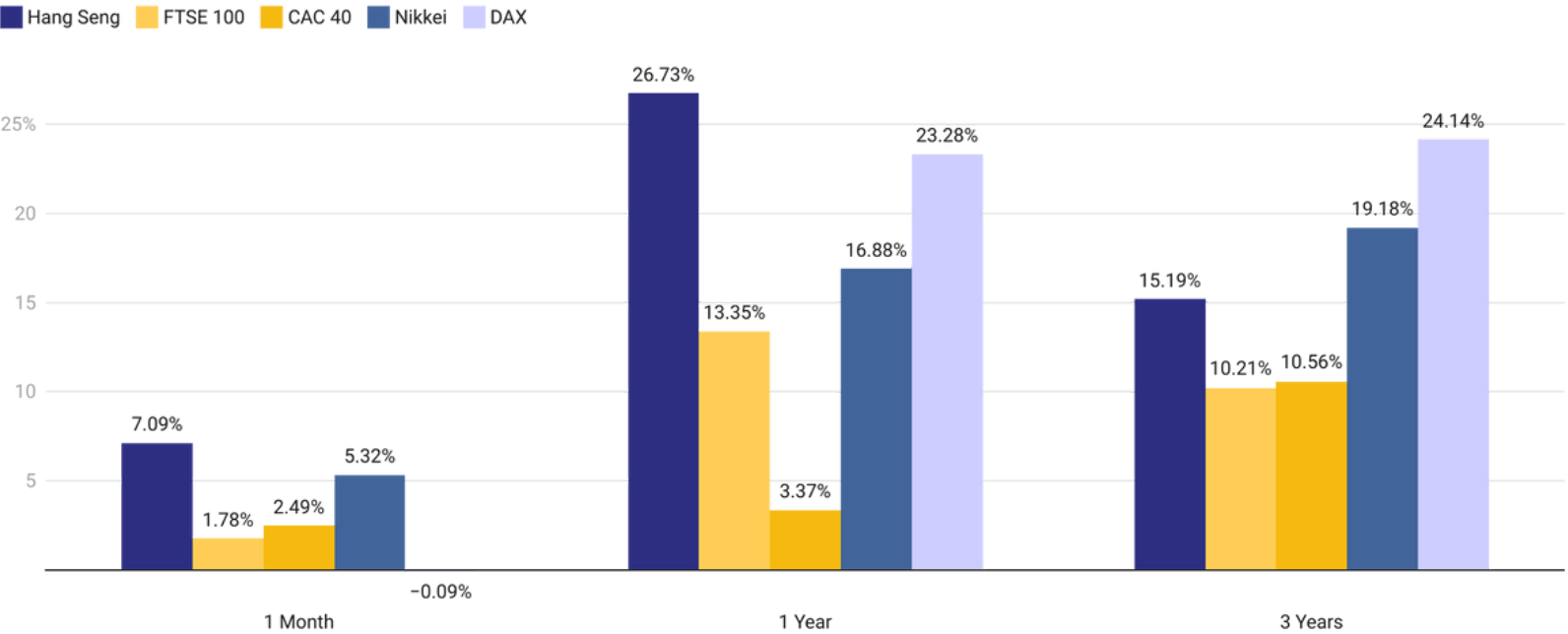
Source: Investing.com • Created with Datawrapper

- The 10-year U.S. Treasury yield began September at around 4.25% and initially declined steadily, touching a low of 4.01% mid-month.
- This decline reflected soft economic data (weak payrolls, higher unemployment, cooling inflation) and heightened expectations of Fed easing.
- However, yields rebounded in the second half, climbing back above 4.15% as stronger GDP growth and Fed caution tempered aggressive rate-cut bets.
- By month-end, the yield settled at 4.17%, only slightly below the start of the month — highlighting the tug-of-war between slowing labor/inflation data and resilient growth.
- Gold and silver prices surged sharply in September 2025, driven by safe-haven demand amid fears of a US government shutdown, geopolitical tensions, and global economic uncertainty.
- Strong festival-season demand in India and a surge in imports by banks and jewelers ahead of upcoming festivals contributed to domestic price gains despite record high global prices
- Silver outperformed gold significantly due to its dual role as both a precious metal and an industrial metal, with robust demand from electronics, solar panels, electric vehicles, and supply deficits pushing prices higher.
- Additional factors supporting the rise included expectations of Fed interest rate cuts, a softer US dollar, large inflows into ETFs, and tariffs impacting trade, which made precious metals attractive investments in September 2025.

Global Equity Markets

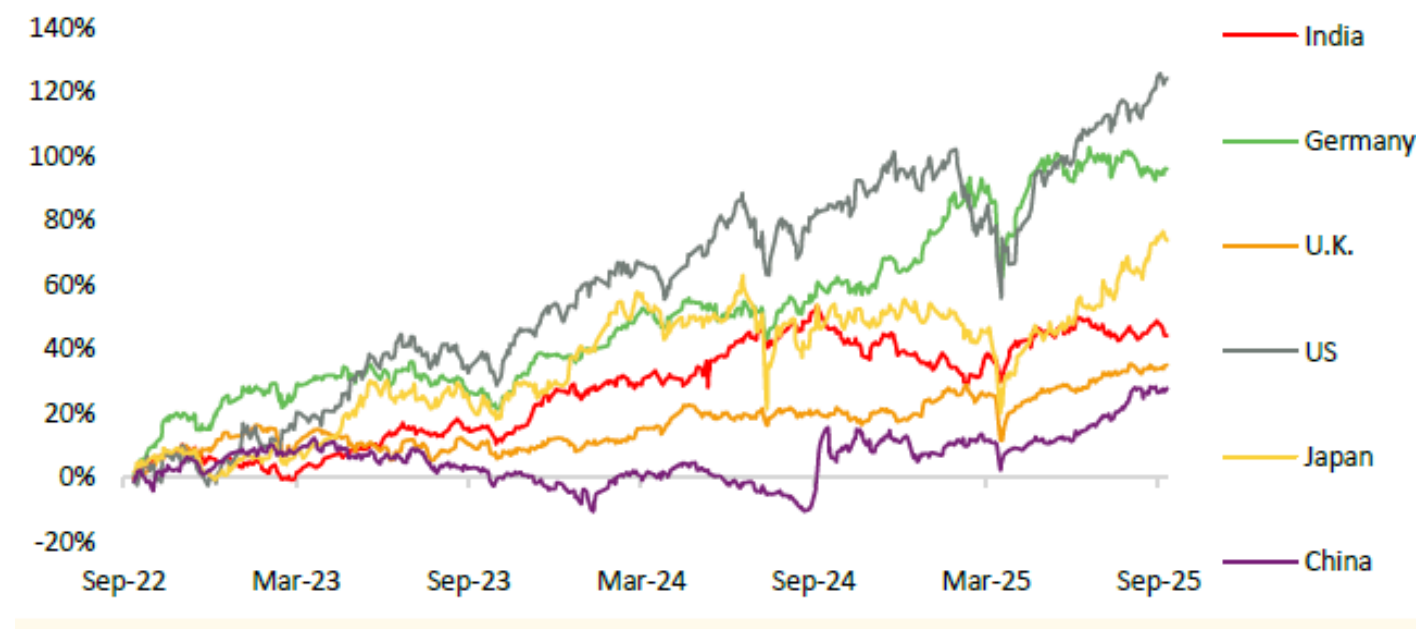


Global Indices



1 month - 29th Aug to 30th Sep (Absolute Returns) 1Y → 30-Sep-2024 to 30-Sep-2025 (CAGR) 3Y (3 Year) → 30-Sep-2022 to 30-Sep-2025 (CAGR)
Source: NGEN • Created with Datawrapper
Source: NGEN,

Comparative 3-year absolute performance of global indices:



Source: Aditya Birla Mutual Fund Daily Report - 1st Oct

Europe:

- European markets ended September 2025 mixed but generally positive, supported by gains in defense and healthcare sectors following a U.S. court ruling that invalidated several tariffs. However, broader gains were restrained as investors absorbed weak August U.S. jobs data and its implications for economic growth.
- Markets rebounded mid-month as stronger U.S. inflation and unemployment data increased expectations for a Federal Reserve rate cut. Despite this, concerns around tariffs tempered gains.
- Later in the month, equity markets declined somewhat as investors digested recent central bank actions, trade uncertainties, and awaited further policy guidance.
- By month-end, European equity markets mostly rose on optimism about further U.S. monetary easing and positive regional economic data. Still, concerns about U.S. trade policies and interest rate uncertainties capped the upside.

Asia:

- Asian equities began the month on a positive note, supported by weak U.S. job openings data that reinforced expectations of a Federal Reserve rate cut. Japanese markets gained further after the formal enactment of the U.S.–Japan trade agreement. However, upside was capped by rising bond yields and tariff concerns.
- Markets extended gains mid-month as a larger-than-expected fall in China’s CPI sparked hopes of additional government stimulus. Softer U.S. labor and inflation data also strengthened Fed rate cut expectations, boosting sentiment.
- Later, performance turned mixed. Hong Kong rallied on tech stocks amid optimism over AI-driven demand, but a slightly hawkish Fed stance limited regional momentum.
- Toward the end of the month, Asian equities stayed mixed again, with investors weighing the potential fallout of the U.S. President’s immigration crackdown on global growth. Japanese stocks advanced after Bank of Japan minutes hinted at readiness to resume rate hikes if conditions warranted.

Asset Class Returns Snapshot



2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD
7.73	17.30	41.29	7.70	31.49	45.80	31.60	14.4	26.91	25.02	62.30
1.38	14.21%	37.65	8.24	24.60	28.20	28.71	10.80	26.29	22.93	52.17
0.22	11.96	21.83	-1.10	20.30	18.40	3.89	4.25	14.90	20.69	33.88
-3.92%	10.10%	6.20	-2.14	13.04	17.89	-4.10	3.13	7.96	17.57	13.72
-6.60%	5.12	3.15	4.38	10.54	14.02	-8.00	12.55	7.20	16.24	5.90
-7.50	4.30	0.50	10.54	8.97	0.29	11.83	18.11	10.46	9.95	2.03

Silver (Domestic Price)	China Equity (Hang Seng)	Gold (Domestic Price)	G-Sec (CCIL Bond Index)	India Equity (Nifty 500 TRI)	US Equity (S&P 500)
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Sources:
https://www.edelweissmf.com/Files/Insights/viewpoint/Edelweiss_Mutual_Fund_-_TEMPO_-_July_09072025_063616_PM.pdf
<https://www.investing.com/commodities/silver-historical-data>
<https://www.investing.com/currencies/xau-usd>
NGEN as on 6th Aug '25

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

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Validity of Registration- Perpetual