Q2FY26 GDP growth highlights economic resilience!

November, 2025

- November'25, Large Cap Indian equity indices continued their uptrend with BSE Sensex and NSE Nifty up 2.2%/1.9%, respectively.
- Broader market, however, was more mixed as while NSE Midcap Index was up 1.7% while the BSE Smallcap Index was down 3.3% for the month.
- IT was the best performing sector for the month followed by Banks and Autos. Healthcare also delivered positive returns but underperformed the Nifty. Most other sectors FMCG, Oil & Gas, Capital Goods and Metals delivered negative returns. Power and Realty were the worst performing sectors.

Domestic Indices	Last Close	1 Month (Change)	CYTD 25 (Change)
BSE Sensex TR	134500	2.2%	11.0%
Nifty 50 TR	39444	1.9%	12.2%
BSE 200 TR	15301	1.5%	9.6%
BSE 500 TR	48335	1.0%	7.9%
NSE Midcap TR	28483	1.7%	6.5%
BSE Smallcap TR	64837	-3.3%	-5.0%
NSE Large & Midcap 250 TR	21947	1.6%	8.6%
BSE India Infrastructure Index TR	855	-2.4%	-1.1%
MSCI India USD	1060	0.8%	3.5%
MSCI India INR	3075	1.6%	8.1%
INR - USD	89.5	0.8%	4.5%
Crude Oil	63	-2.9%	-15.3%

Global Market Update

Global markets had a quiet month. MSCI World index rose 0.2% in November with US (S&P 500) up 0.1%. MSCI Europe rose 1.3% and MSCI Japan declined 0.7%. MSCI EM declined 2.5% similar to 2.5% decline in MSCI China.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 25 (Change)
MSCI World	4,398	0.2%	18.6%
Dow Jones	47,716	0.3%	12.2%
S&P 500	6,849	0.1%	16.4%
MSCI EM	1,367	-2.5%	27.1%
MSCI Europe	2,545	1.3%	27.1%
MSCI UK	1,531	1.0%	25.8%
MSCI Japan	4,779	-0.7%	21.6%
MSCI China	84	-2.5%	29.9%
MSCI Brazil	1,706	7.4%	45.0%

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- Crude oil declined 2.3% in November.
- FIIs investment into Indian equities in November was marginally positive while DIIs bought US$8.7 bn. Domestic MFs invested US$4.5 bn while insurance inflow was US$4.2 bn.
- India's Q2FY26 GDP growth was much higher than expectations at 8.2% (YoY) up from 7.8%(YoY) in Q1FY26. Nominal GDP growth however slowed from 8.8% (YoY) in Q1FY26 to 8.7% (YoY) in Q2FY26.
- India CPI in October fell to 0.3% (YoY) from 1.4% (YoY) in September, remaining subdued on the back of continued (YoY) softness in food prices. Core-core inflation (i.e. core inflation ex petrol and diesel) however increased further to 4.5% (YoY) in October due to increase in gold price.
- Industrial production growth (IIP) stood at only 0.4% (YoY) in October down sharply from 4.6% (YoY) in September. However, this is also due to shift in festive period with Diwali in October this year.
- Gross GST revenue collection was Rs 1.7 tn in Nov'25, up only 0.7% (YoY). Growth has been also impacted by the rationalization of GST rates from September 22, 2025.

Valuations

Nifty consensus EPS estimate for CY26/27 saw a +1%/+1% change respectively during November as per Bloomberg. Nifty now trades on 20.5x 1-year forward PE. This is now in-line with its 5-year average and a ~10% premium to its 10-year average.

Macro View

In our view, global macro environment remains challenging with heightened geo-political and economic uncertainties. Reciprocal tariffs announced by the US administration is likely to impact US and global growth outlook. Economists estimate US tariffs could have a 0.4%-0.8% negative impact on India's GDP growth. The GST rate cut announced by the government along with the previously announced income tax rate cuts should significantly help boost private sector consumption and help support private capex in the current times of global uncertainty. Above normal monsoon is also a positive for rural demand. US Fed easing policy rates allows RBI room to further cut policy rates and support domestic growth given the external challenges. However, government tax revenue growth has been weak in the first seven months and is likely to lead to slower spending by the government in H2FY26 to achieve the fiscal deficit target. This would be a drag partially offsetting the gains from GST and income tax rate cut mentioned above. Overall, India's economic growth momentum continues to surprise on the upside with a strong 8.2%yoy GDP growth in Q2FY26.

Outlook

We believe India's growth remains quite resilient despite the global macro-economic challenges. Interest rate and liquidity cycle, decline in crude prices and normal monsoon are all supportive of a pick-up in growth going forward. Although, global trade related uncertainty remains a headwind to private capex in the near term, we expect India's investment cycle to be on a medium-term uptrend supported by government investment in infrastructure and manufacturing, pickup in private investments and a recovery in real estate cycle. We expect higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains to support faster growth. Nifty valuations are modestly above 10-year average. We remain constructive on Indian equities supported by the more robust medium term growth outlook.

Key Drivers For Future

On the headwinds, we have

Weak global growth is likely to remain a headwind on demand going forward.

Global policy uncertainty: Risk of tariffs and general policy uncertainty, mercantilist policies of certain countries and geo-political conflicts are likely to be a headwind to private investments.

Other factors / risks: Sharp slowdown in government capex.

We see the following positives for the Indian market:

Recovery in private capex: Industry capacity utilization based on RBI survey data is at a reasonably high level and indicates potential for increase in private capex going forward. Also, continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors. We also expect higher private capex in renewable energy.

Supportive real estate cycle: Real Estate remains another strong medium term growth driver having weathered the impact of higher interest rates. Demand trends in top metro cities remain strong and inventory levels have declined.

Global commodity prices: Benign global prices of crude oil and fertilizers has been a positive for India from inflation, fiscal deficit and corporate margins perspective in FY24-25.

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Note: Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD returns for global indices. Views provided above are based on information in public domain and subject to change. Investors are requested to consult their financial advisor for any investment decisions.

Source: Bloomberg, MOSL & HSBC MF estimates as on November 28, 2025 end or as latest available.

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