
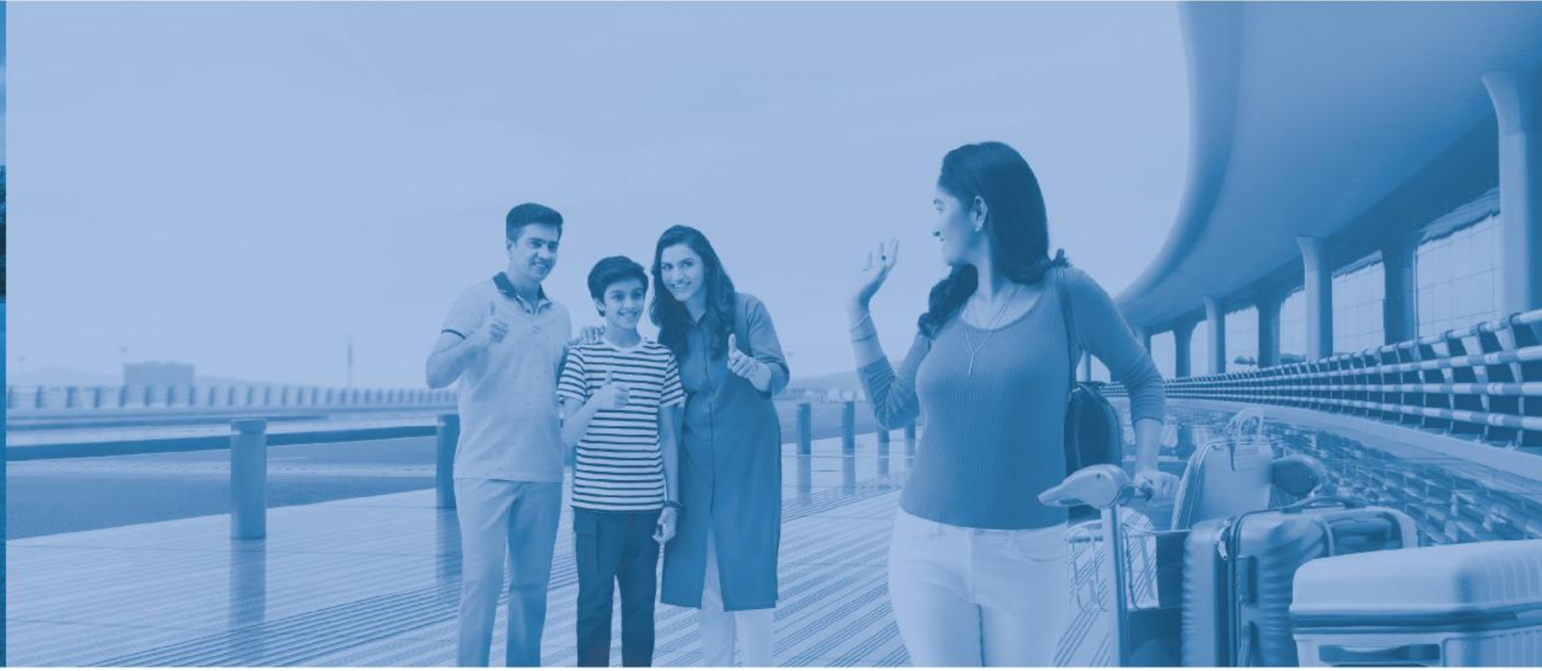

Bajaj Life Investments – Market Insights

December 2025

BAJAJ LIFE

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Key Themes Covered

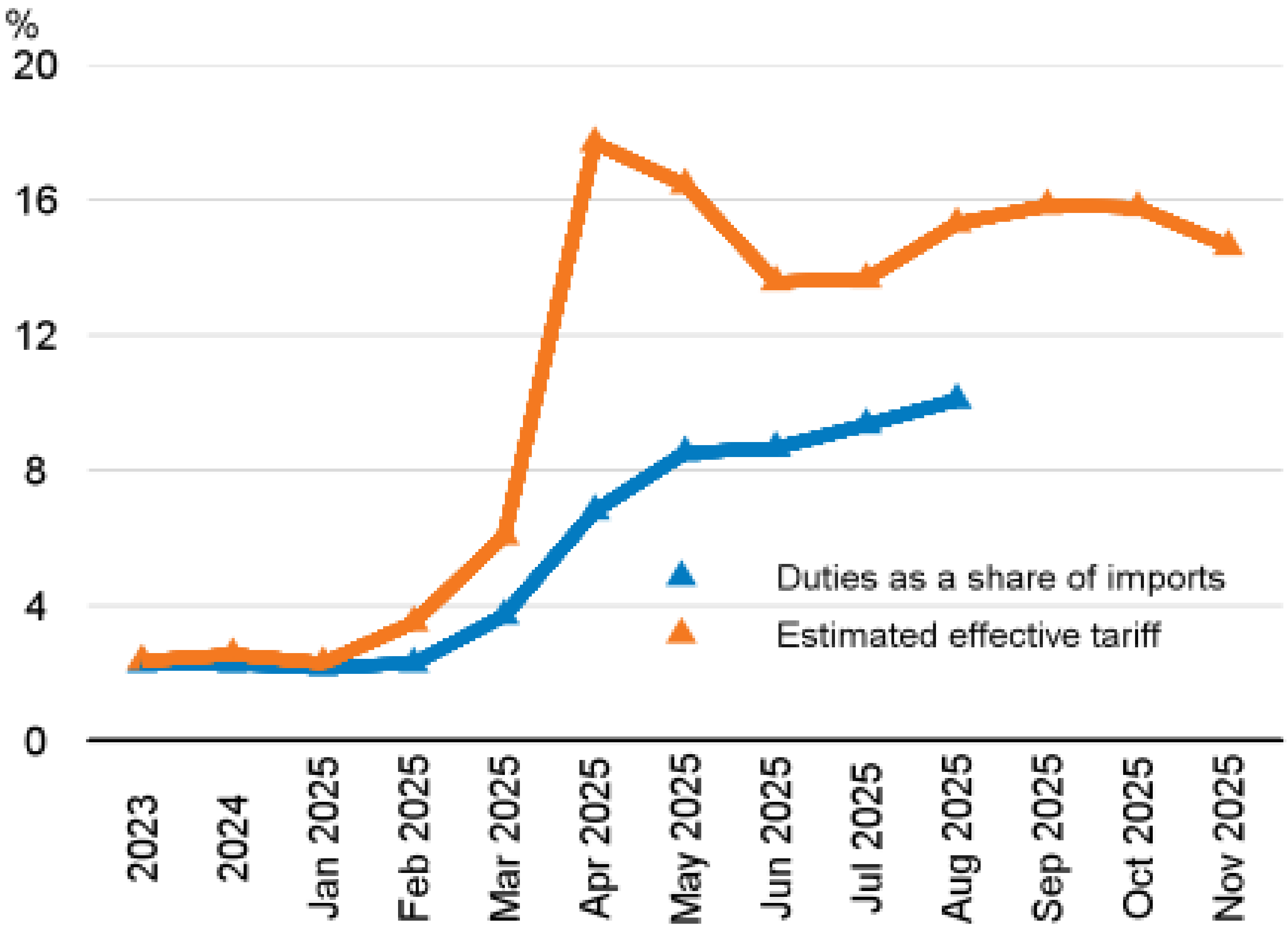
Global Macro Update

Domestic Macro Update

Market Outlook & View

Global Macro Update

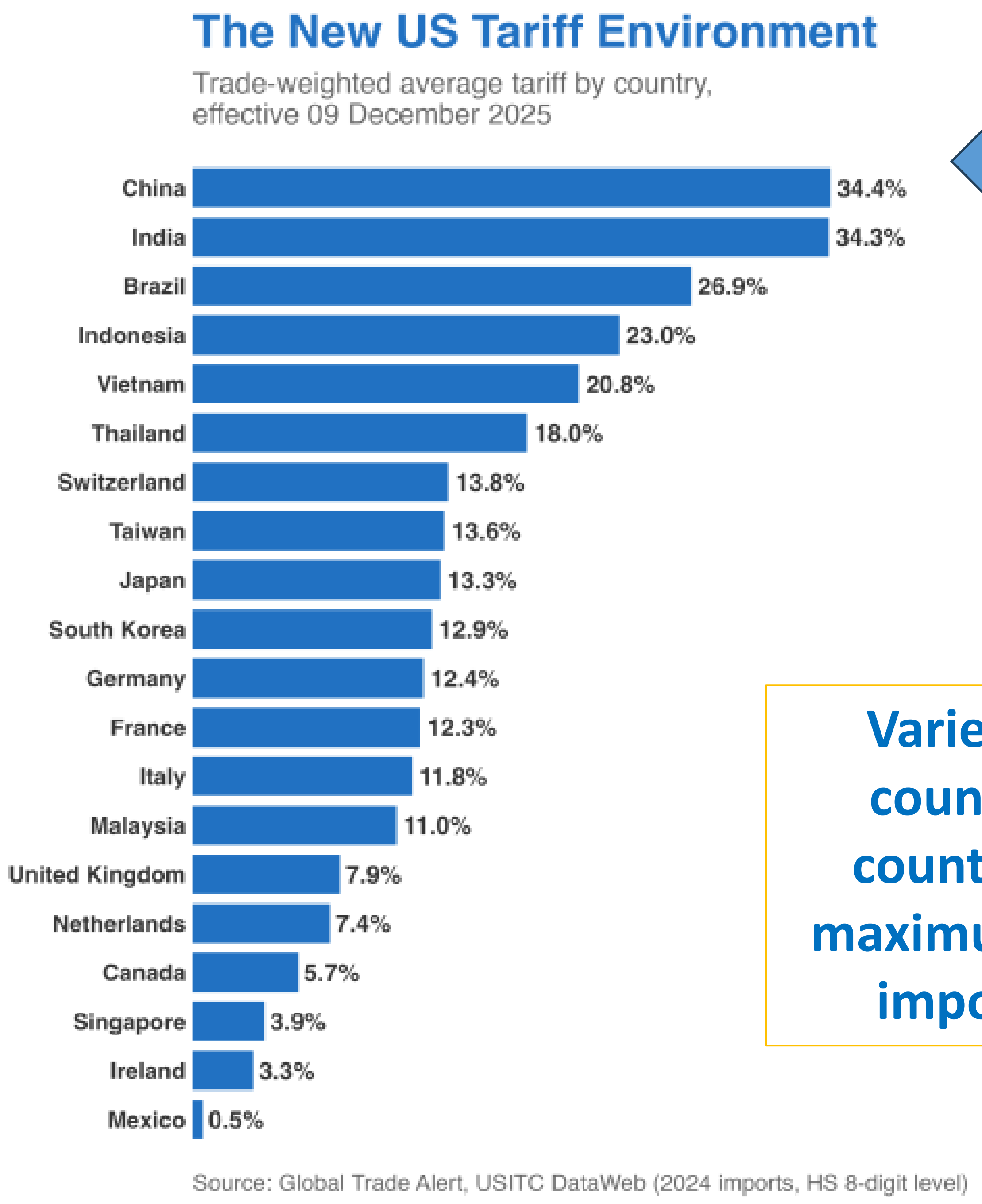
Sharp increase in US tariffs is reshaping global trade



Source: OECD, Economic Outlook, Dec 2025

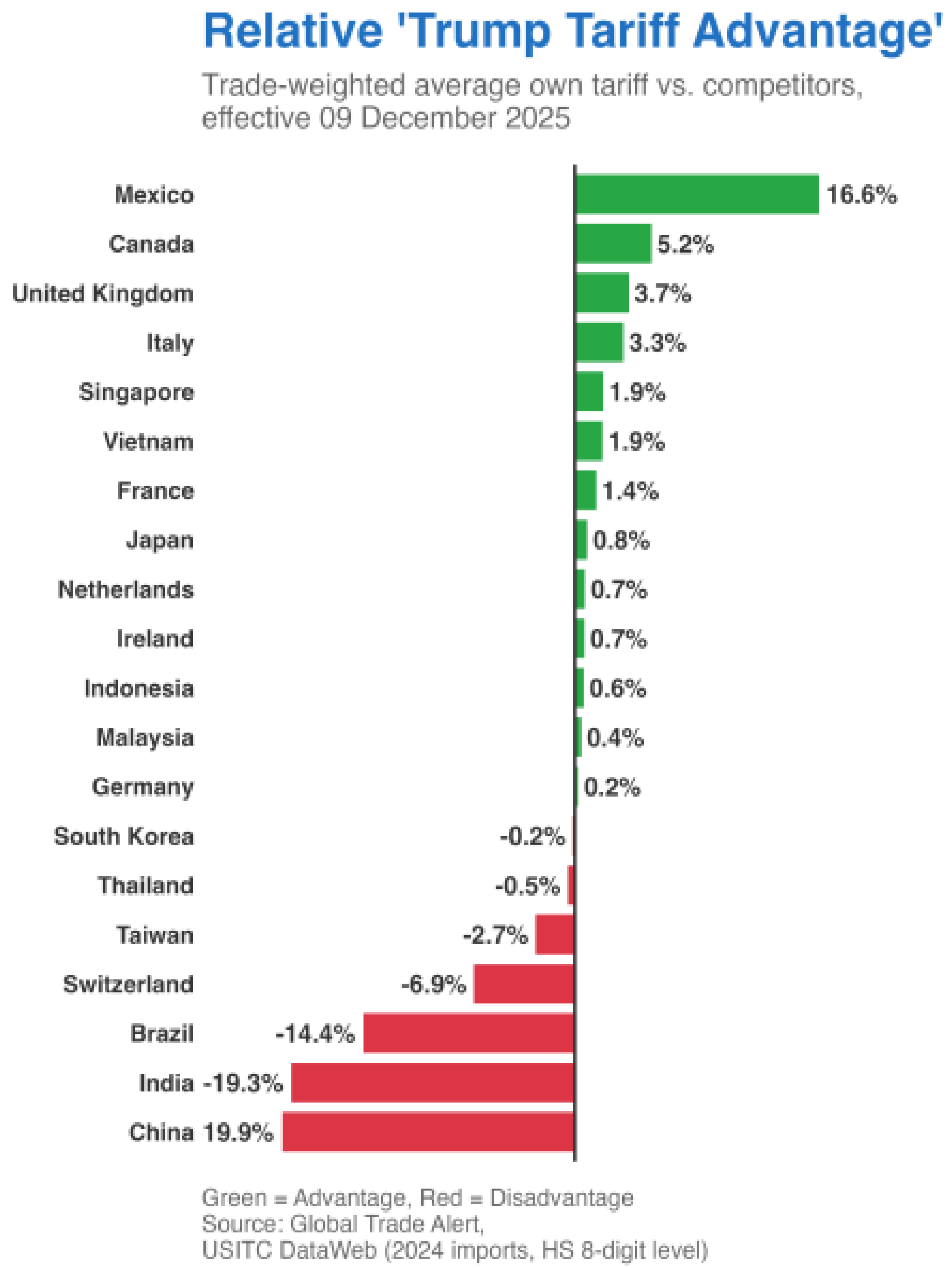
- During the year, the world's largest consumer economy, the United States, substantially increased tariffs on foreign goods from ~3% to ~15%.
- This has led to a significant re-routing of global trade even as the impact on overall global trade appears to be minimal at the aggregate level.
- In our view, the full and final impact of higher U.S. tariffs on global growth is yet to be realized, as so far firms have absorbed costs using inventories and profit margins.

Varied impact of US tariffs on countries



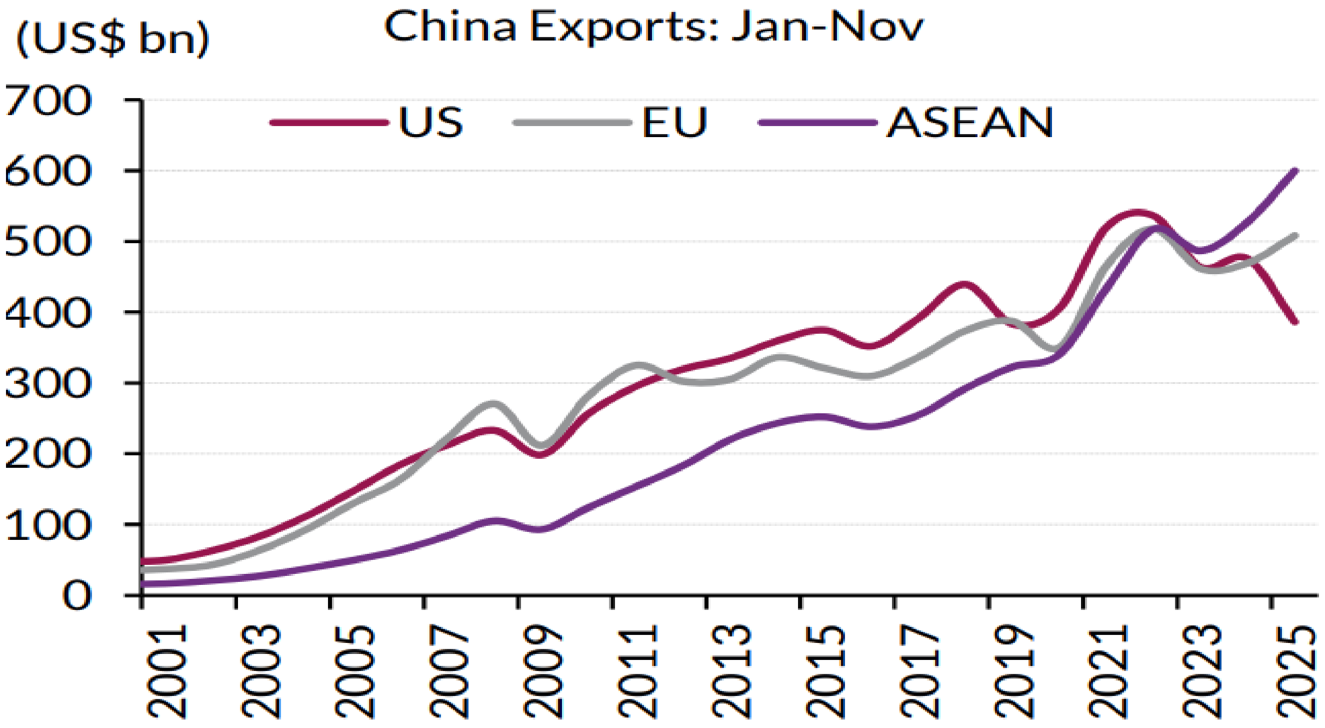
Prominent nations in BRICS like China, India & Brazil have the highest effective new tariffs rates.

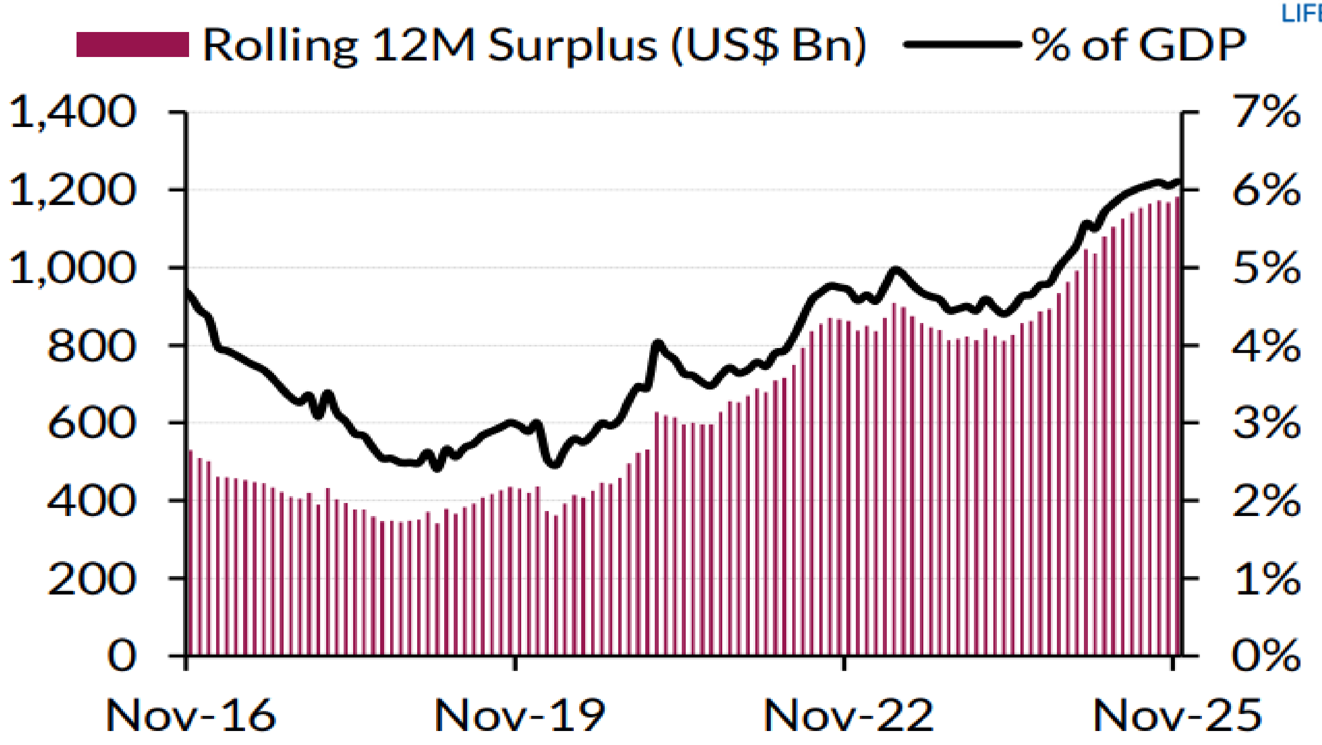
Varied impact of tariffs on countries. However, same countries in BRICS have the maximum disadvantage due to imposition of new tariffs.

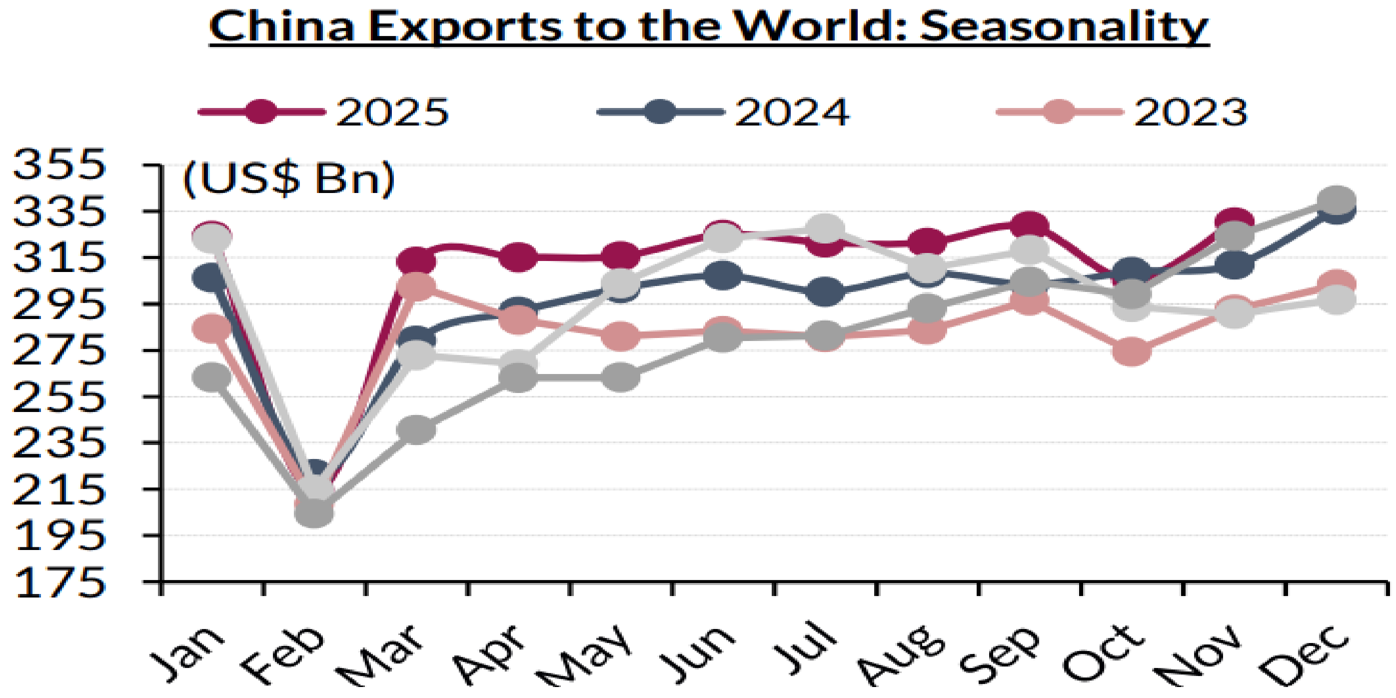


Source: Data source: Global Trade Alert, USITC Data Web (2024 imports, HS 8-digit level)

China has offset the new tariffs impact with increased trade in EU & ASEAN





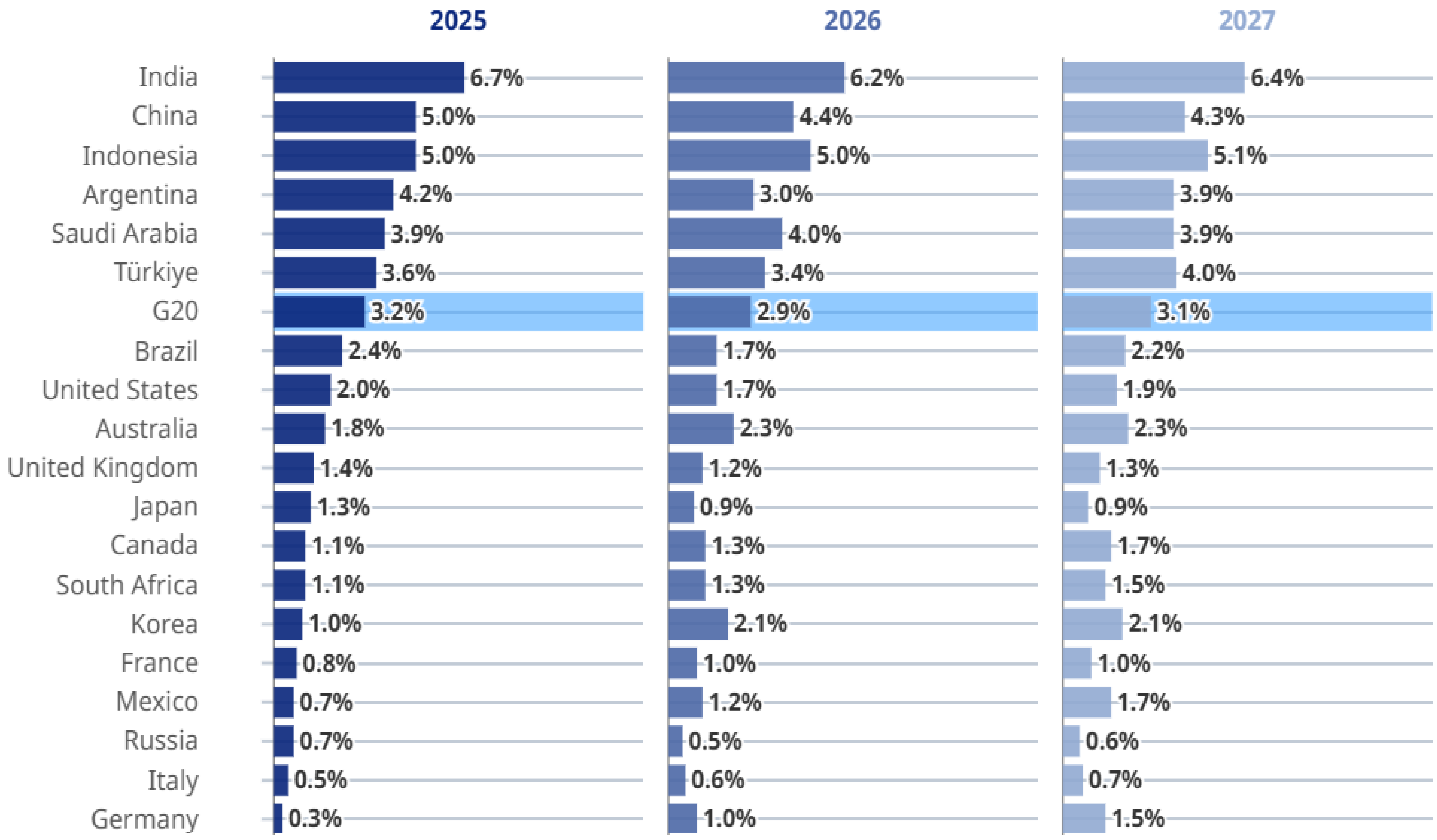


- **China's direct exports to the US now well below EU/ASEAN, the fall in US exports is largely counter balanced with increased export to EU & ASEAN countries.**
- **Despite tariff pressure, China's exports to the world rose 6% YoY.**
- **No signs of major impact on China's overall exports, 12M rolling surplus remains stable at 6.1% of GDP**

Source: General Administration of Customs (GAC); Axis Bank Research

Global GDP growth is projected to moderate next year and recover only slowly

Real GDP growth projections for 2025, 2026 and 2027 (YoY%)

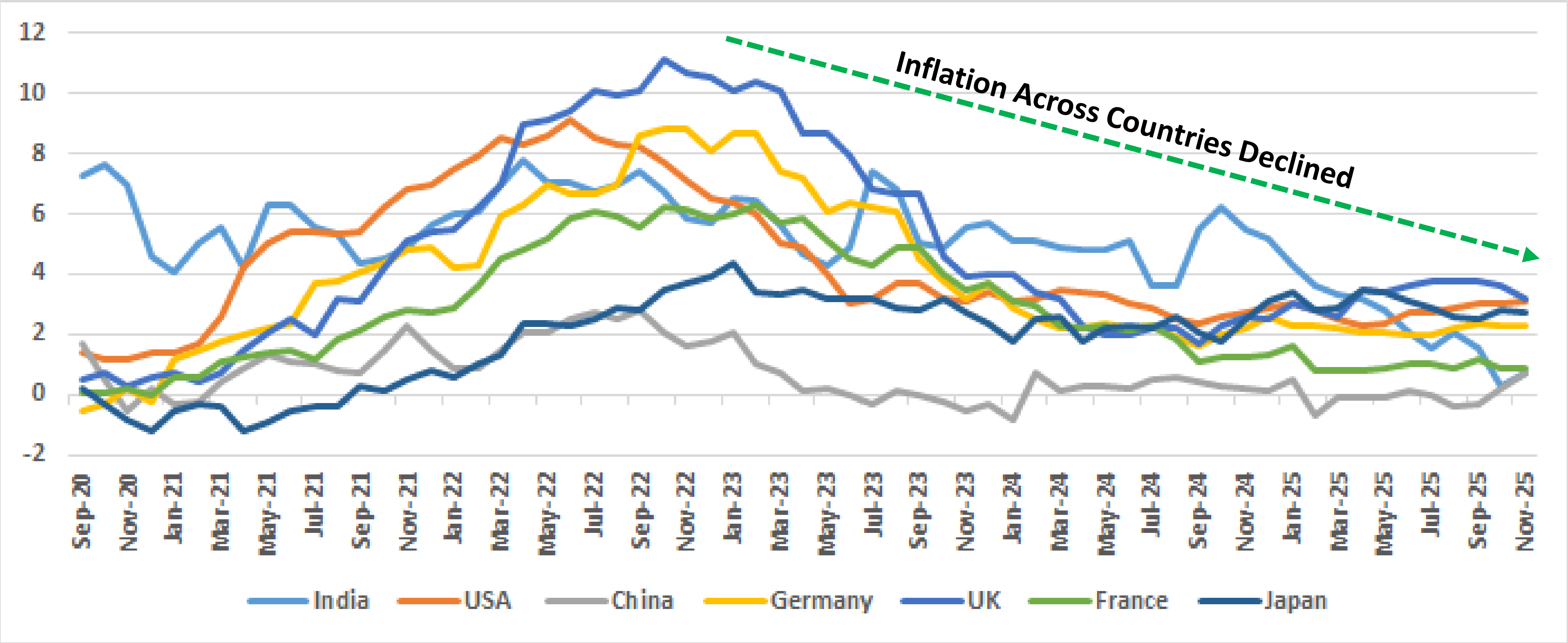


Source: OECD, Economic Outlook, Dec 2025 I For India fiscal years are considered.

- **Global GDP growth is projected to ease from 3.2% in 2025 to 2.9% in 2026, before strengthening slightly to 3.1% in 2027.**
- U.S. GDP growth is expected to moderate at 2.0% in 2025, 1.7% in 2026, and 1.9% in 2027.
- China's is expected to register 5%, 4.4% & 4.3% in CY25, CY26 & CY27, respectively.
- **Despite marginal moderation in next financial year, India is projected to remain the fastest growing economy among peers. 6.7%, 6.2% & 6.4% real GDP growth is anticipated in FY26, FY27 & FY28, respectively.**

Global Inflation Eases, Stays Firm in the U.S.

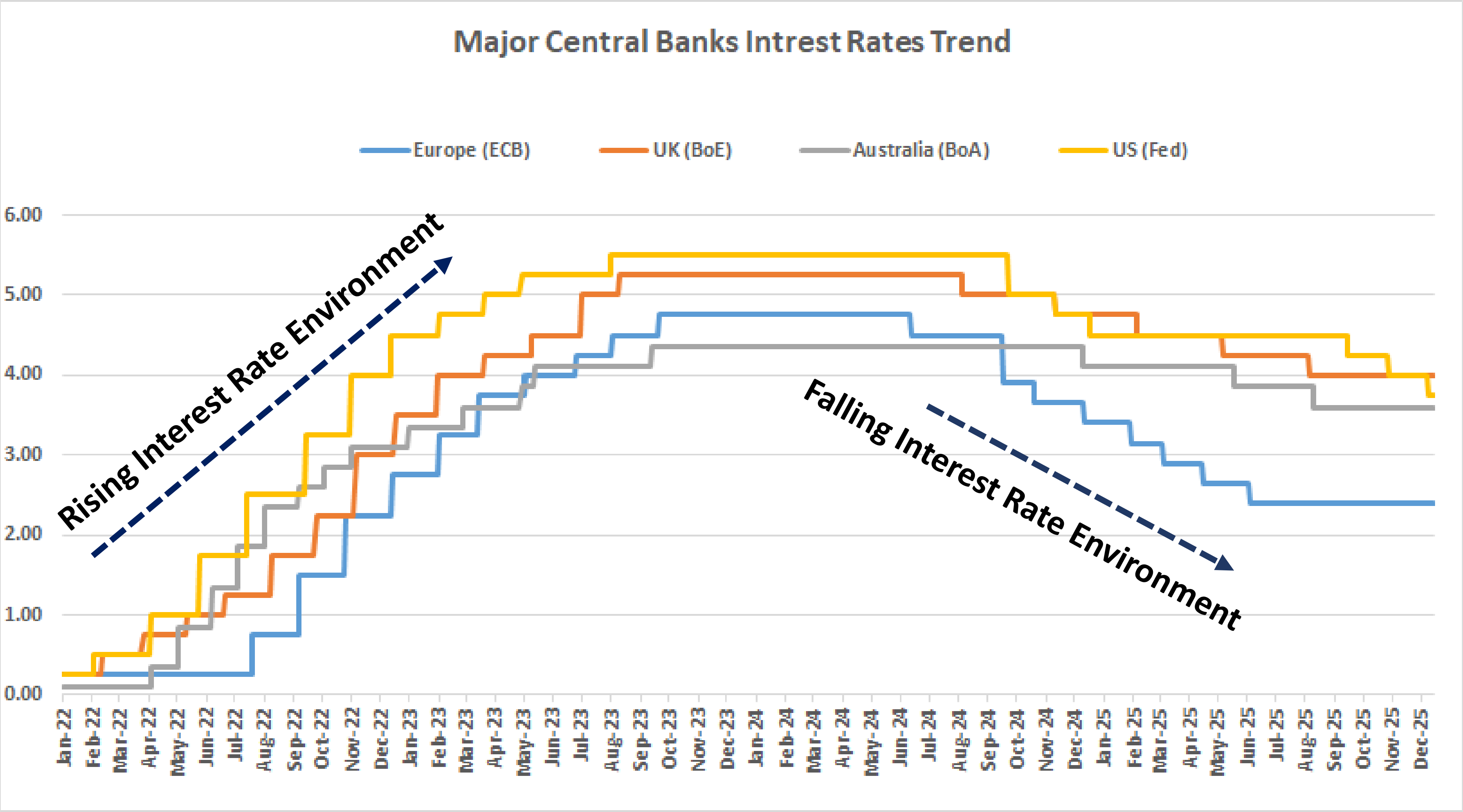
CPI (Inflation, YoY %)



Source: Bloomberg

- **Divergent Inflation:** Global inflation is easing, but the U.S. remains an outlier with persistent, above-target inflation driven by wages and tariffs.

Most central banks resumed rate cuts except BOJ (Bank of Japan)



Source: Bloomberg

- In the last fortnight, Bank of England, India & US have cut rates. While BOJ (Bank of Japan) hiked 25 bps.
- **The US Fed cut rate by another 25 bps (to 3.50-3.75% cumulatively 175 bps cut since Sep'24), maintain neutral tone on inflation and highlighting the prospects of deterioration in labour market has increased market expectation of rate cut in Jan'26.**
- While most of the other central banks globally are signalling caution, awaiting clearer signs of economic slowdown or disinflation before further rate action.

Equities Have Done Well Globally in Last 12 Months

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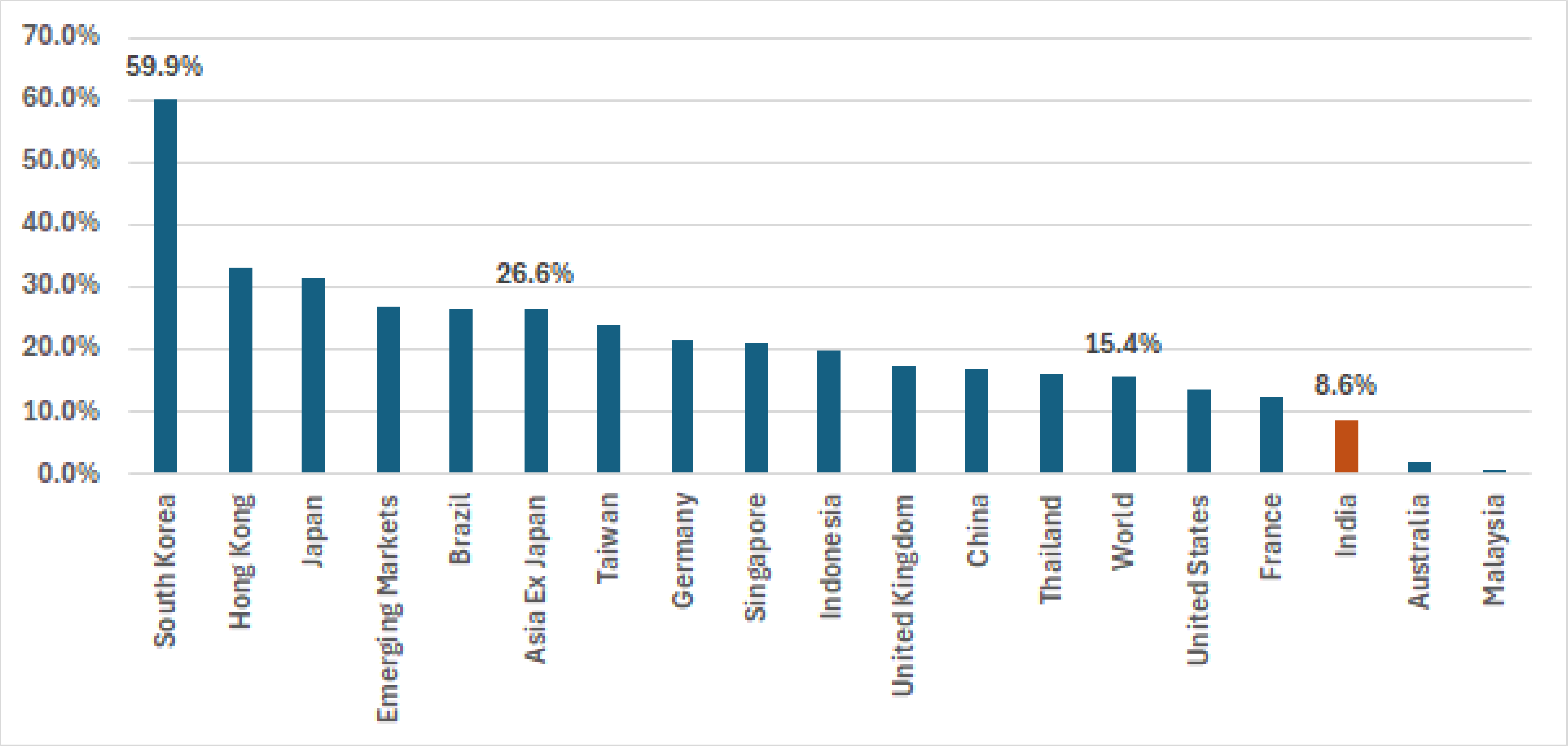
1 Year Performance (Local Currency) of Major Global Equity Markets

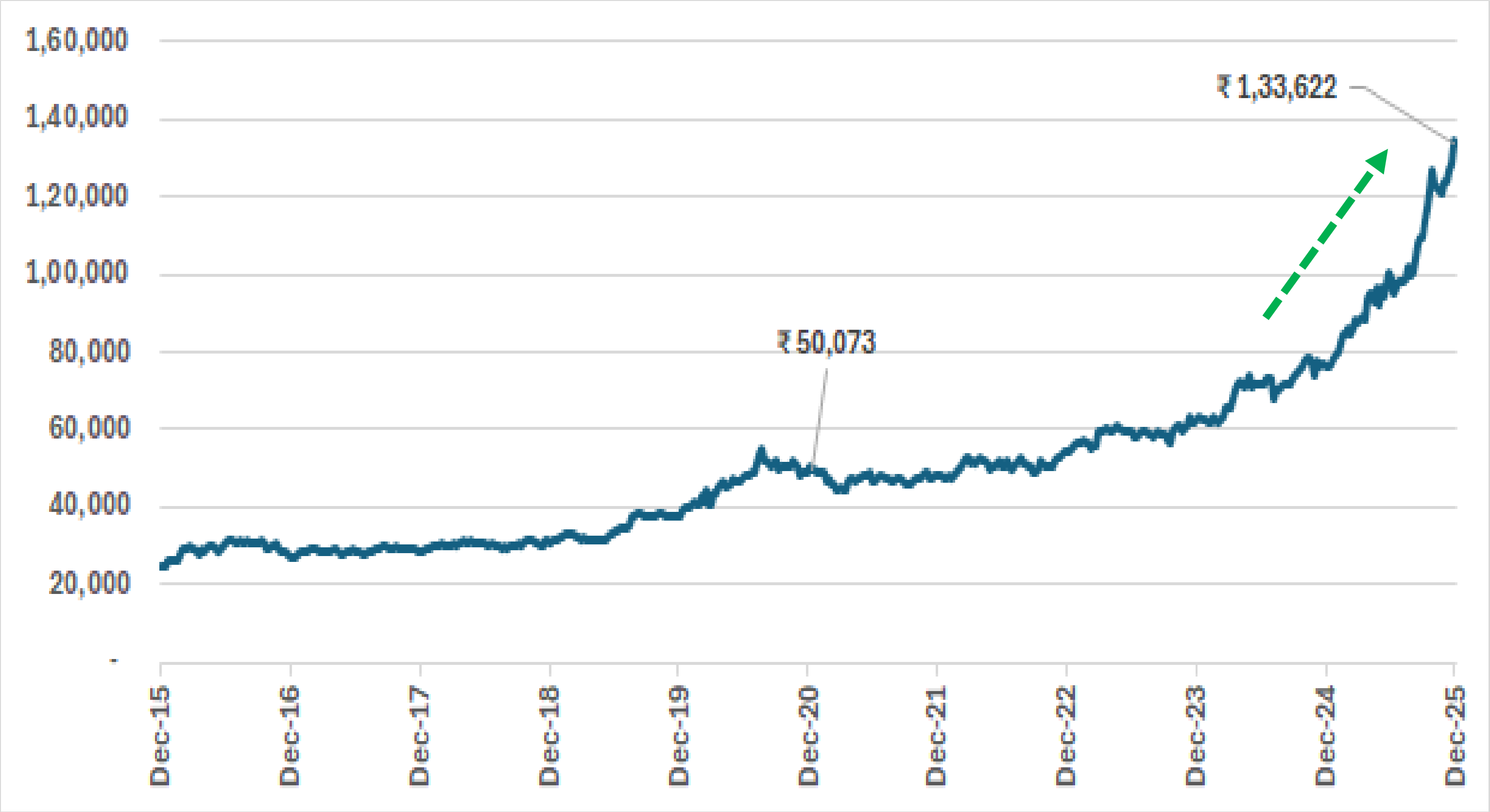


Source: Bloomberg, As on 28 Nov 2025

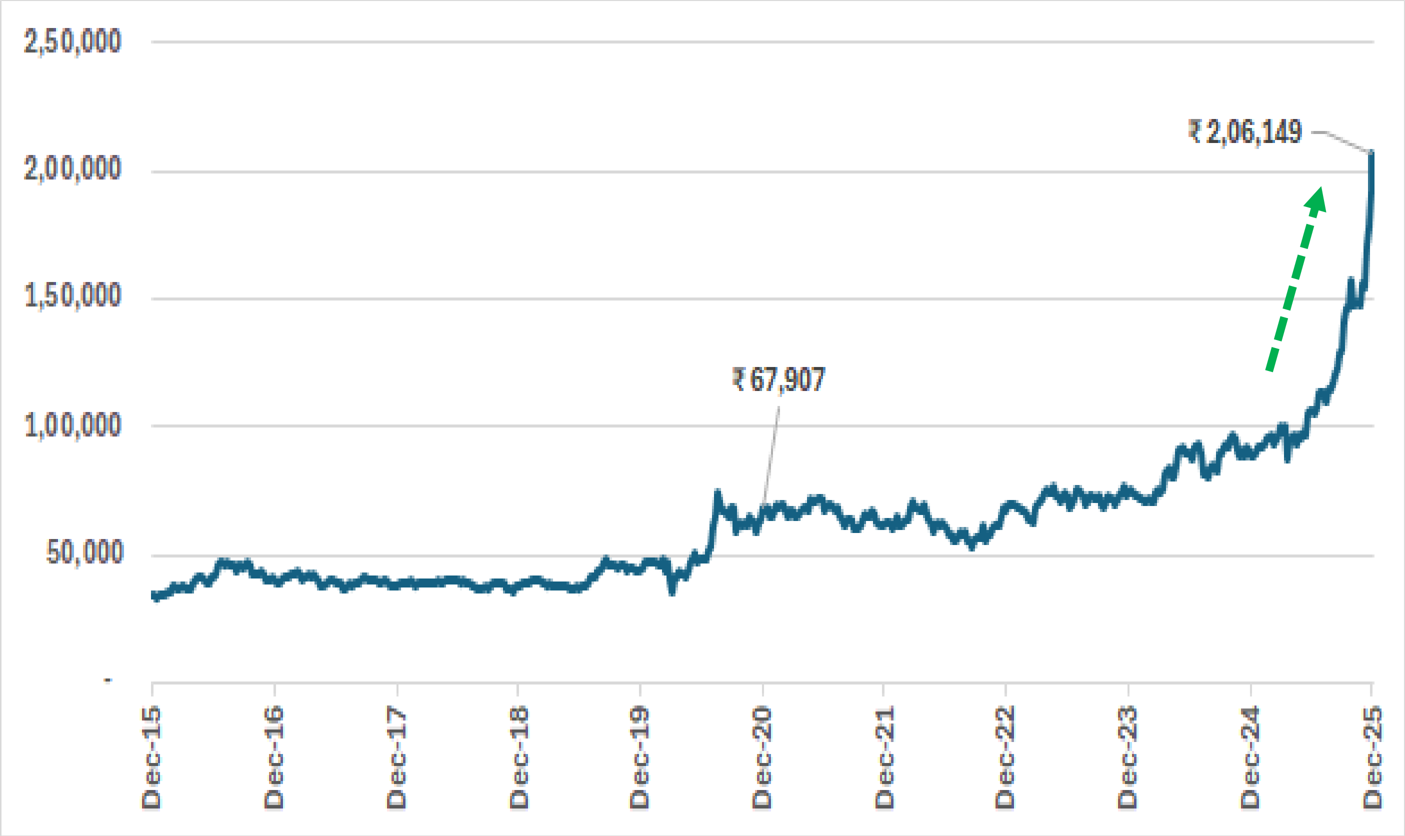
- Global Equity Outperformance: Major global equity markets have delivered robust returns over the last 12 months, with some continued outperformance attributed to optimism surrounding Artificial Intelligence (AI).
- In contrast to the global trend, Indian equity markets have relatively underperformed during this same period.

Gold & Silver Have Also Witnessed Sharp Rally

Gold Price Movement (INR)



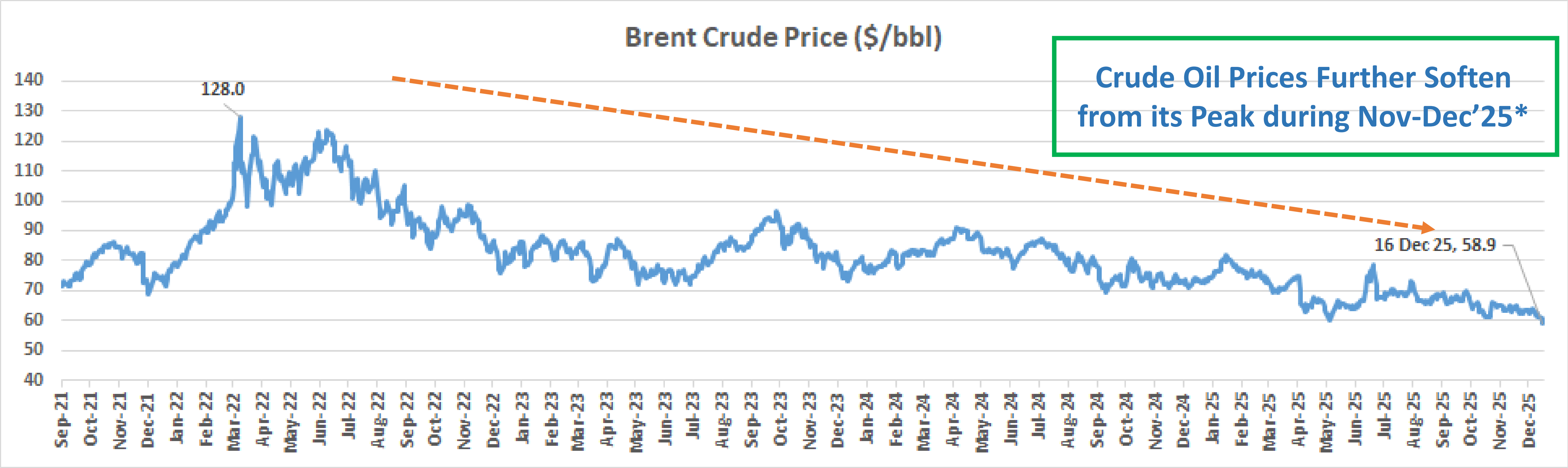
Silver Price Movement (INR)



Source: Bloomberg, As on 18 Dec 2025

- Both gold and silver are demonstrating significant strength, driven by a convergence of continued global uncertainties, persistent safe-haven demand, and a softer U.S. dollar.
- In 5 Year, Silver prices surged 3X while Gold prices are up 2.7X.
- During FYTD-26, silver delivered a strong return of 105% while gold surged by 51% .

Crude Oil Prices Remained Subdued



Source: Bloomberg I * From 11-Nov-2025 to 17 Dec 2025

- Continued uncertainty in global trade and expectations of slower growth have led to a moderation in crude oil prices.
- Sustained lower crude oil prices provide an impetus to the disinflation trend as ~85 -90% of India's crude consumption occurs through imports.

Domestic Macro Update

RBI Upgrades India's FY26 Growth Forecast to 7.3% on Strong Domestic Momentum

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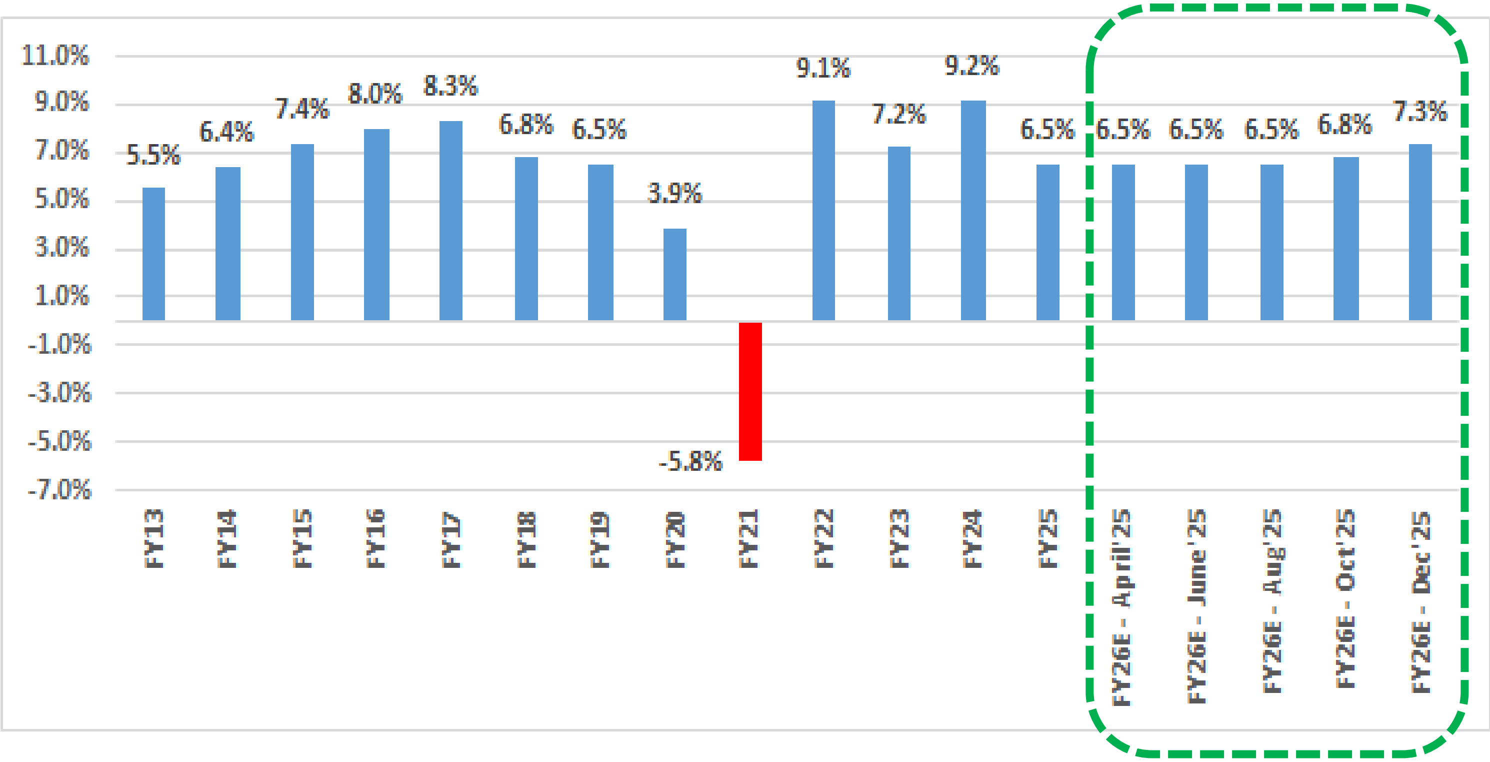
India Fiscal Year-Wise Real GDP Growth (% YoY)



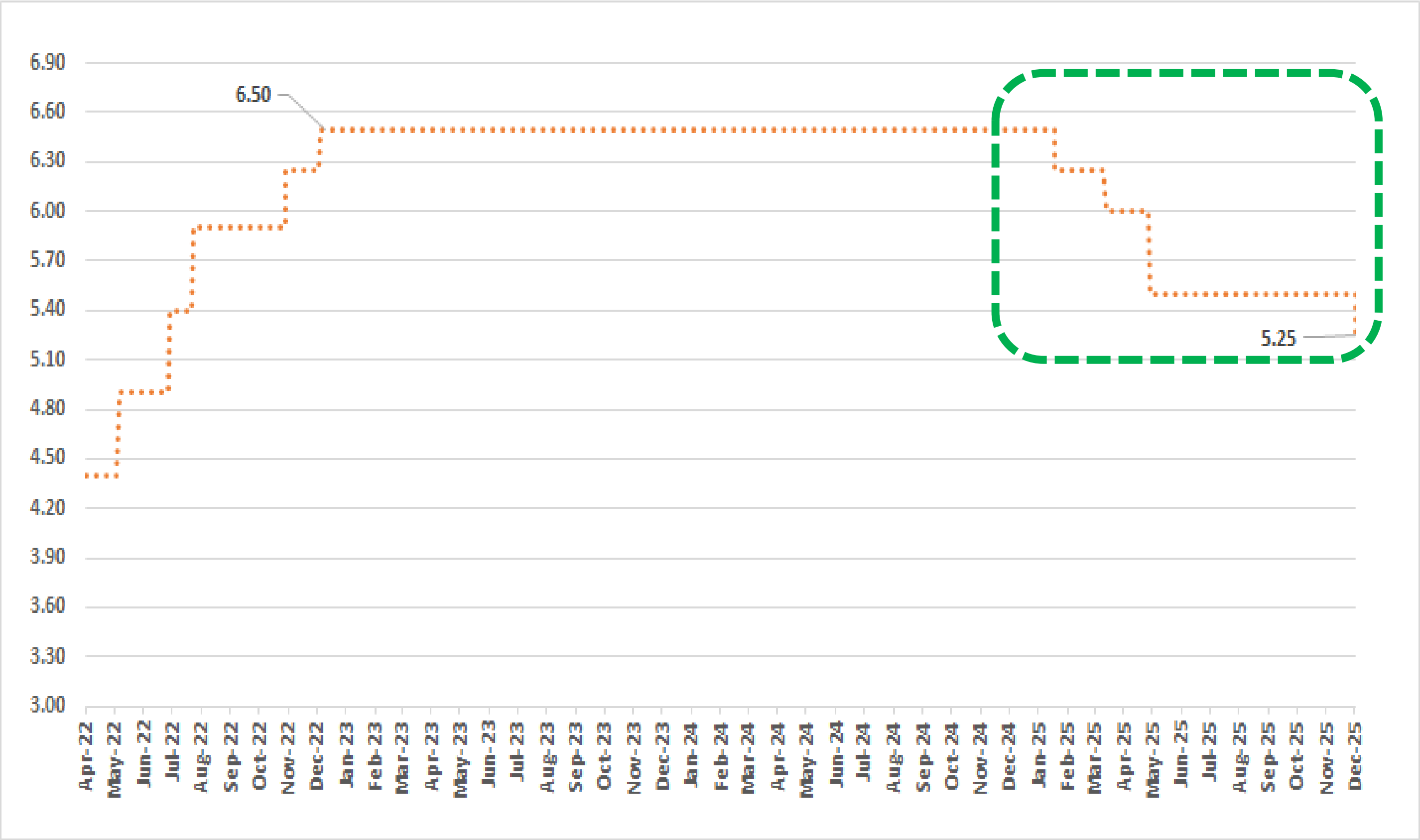
Source: RBI, MoSPI, Jefferies

- The RBI has consistently raised its FY26 GDP growth forecast, **starting from 6.5% in April, lifting it to 6.8% in Oct'25, and further upgrading it to 7.3% in the Dec'25 Monetary Policy meeting,** reflecting confidence in robust domestic activity.

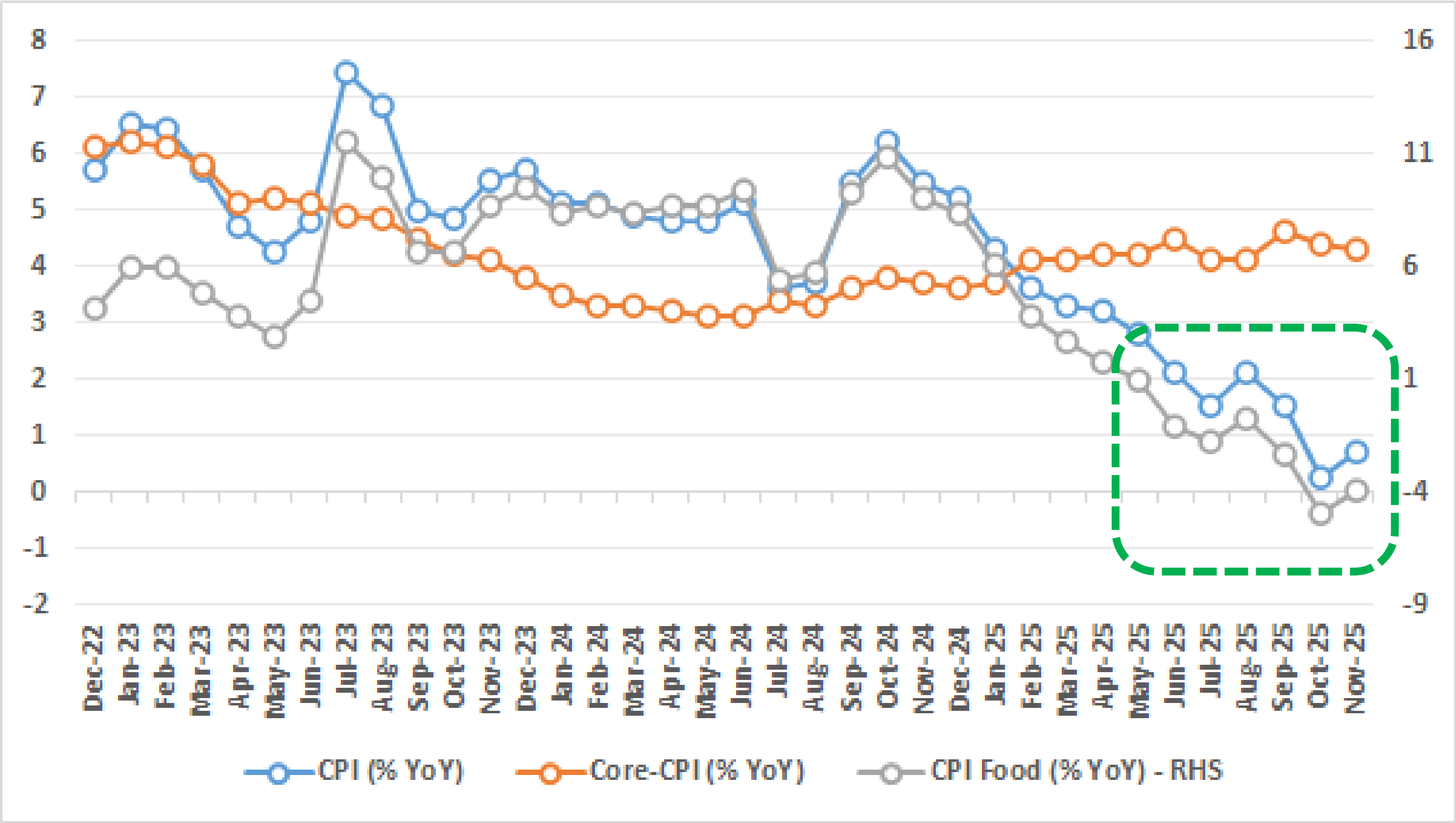
- India's nominal GDP is projected to grow by 8.5% in FY26E, the lowest in the past two decades, this has negative implications for corporate earnings.
- The central bank highlighted that while domestic factors are supportive, global uncertainties—especially trade tensions and slower external demand—continue to pose risks to the growth outlook.

CPI continued to be below the lower band of RBI's target,

Repo Rate Trend (in %)



Inflation Trend YoY (in %)

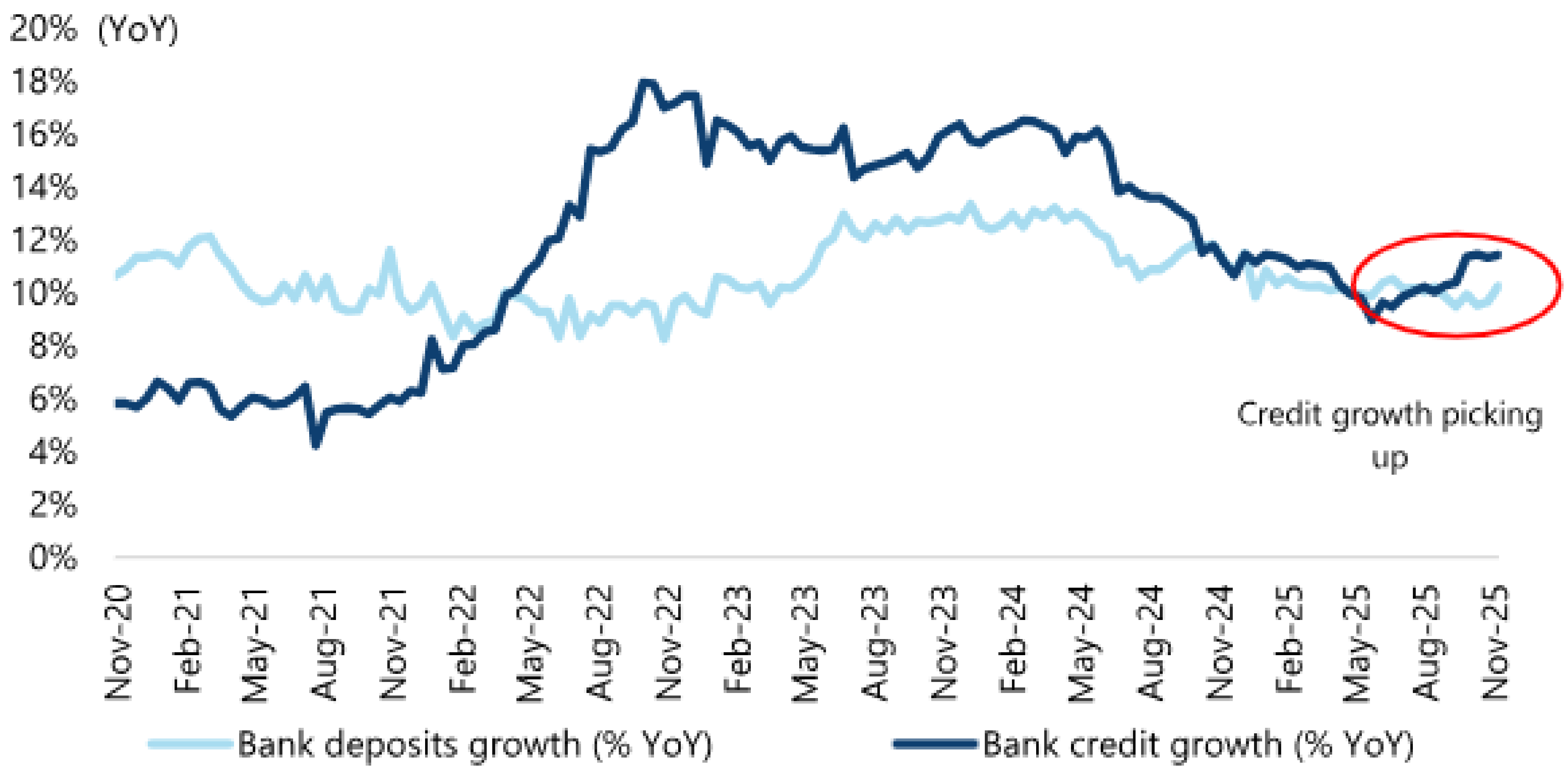


Source: Bloomberg, MOSPI, RBI

- Due to low headline inflation print and strong domestic demand, the RBI's Monetary Policy Committee (MPC) unanimously cut the repo rate (the rate at which RBI lends to Banks) by 25 basis points, bringing it down from 5.50% to 5.25%. Cumulatively, RBI has cut 125 bps since Feb'25 so far.
- CPI inflation reading came in at 0.7% in Nov'25 compared to 5.5% in Nov'24, on YoY basis. For the 3rd month in a row, CPI is running below 2%. This is led by food driven deflation at -3.9% in Nov'25.

Credit growth accelerating gradually

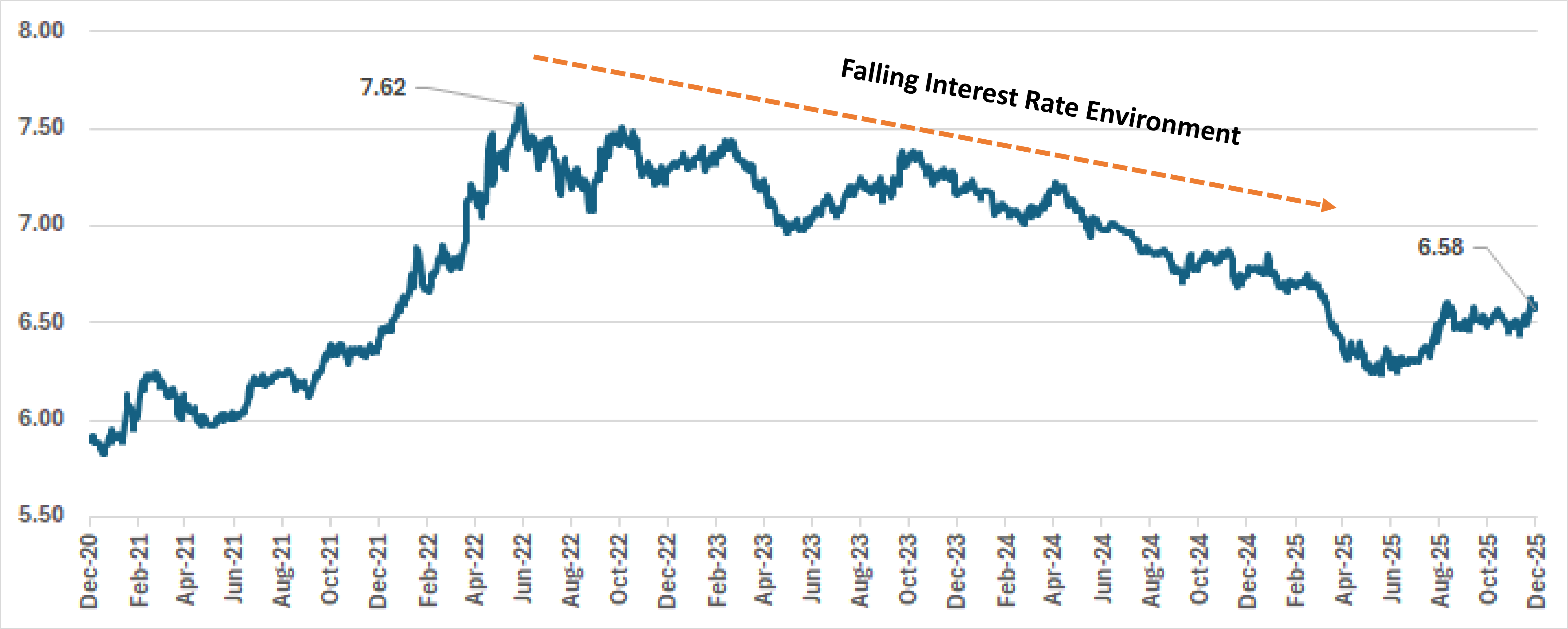
Credit and Deposit growth trend for banks



Source: RBI, Jefferies

- Credit growth has shown early signs of recovery, improving by 2 ppt to 11% over the past six months

10 Year G-Sec Remained Range Bound

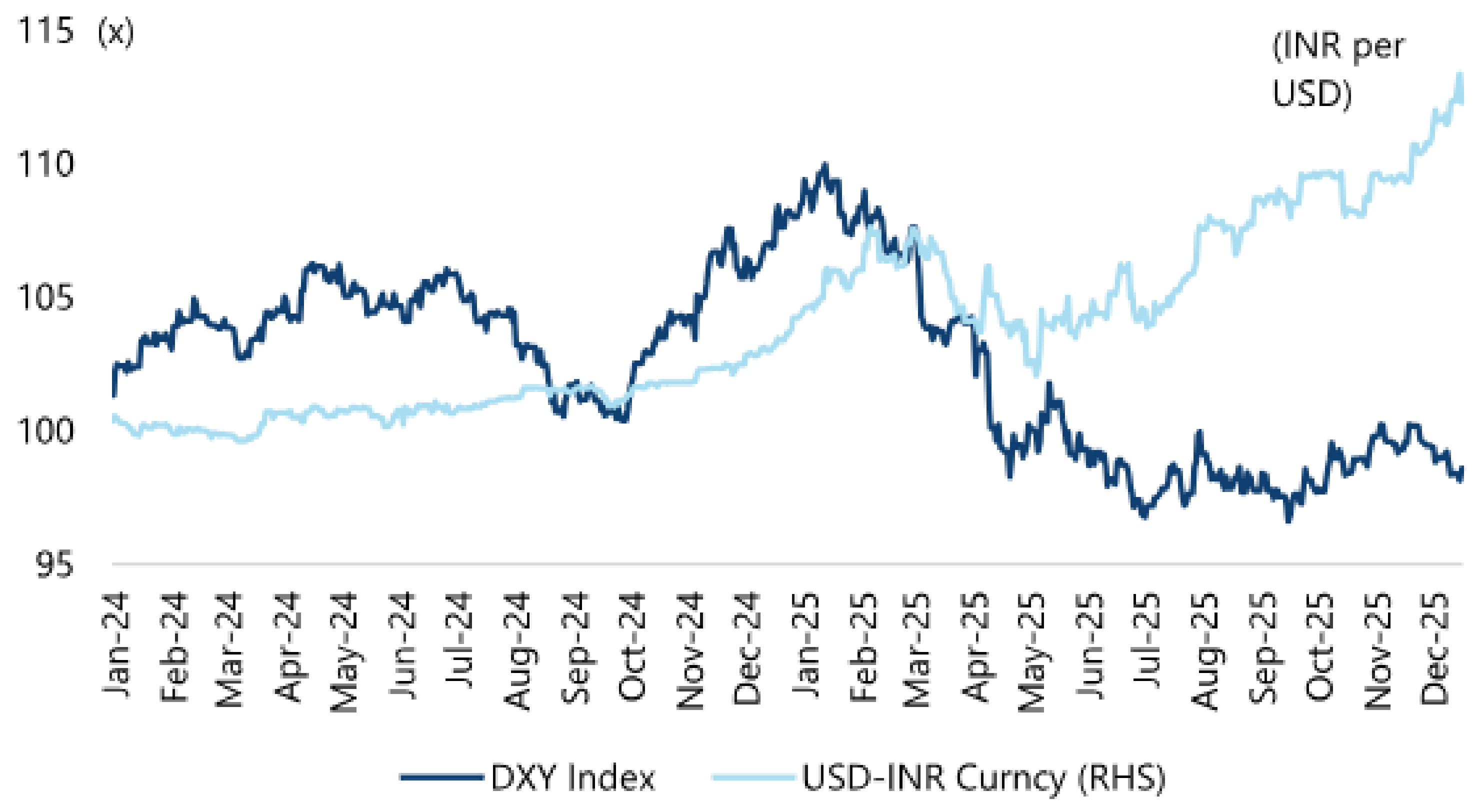


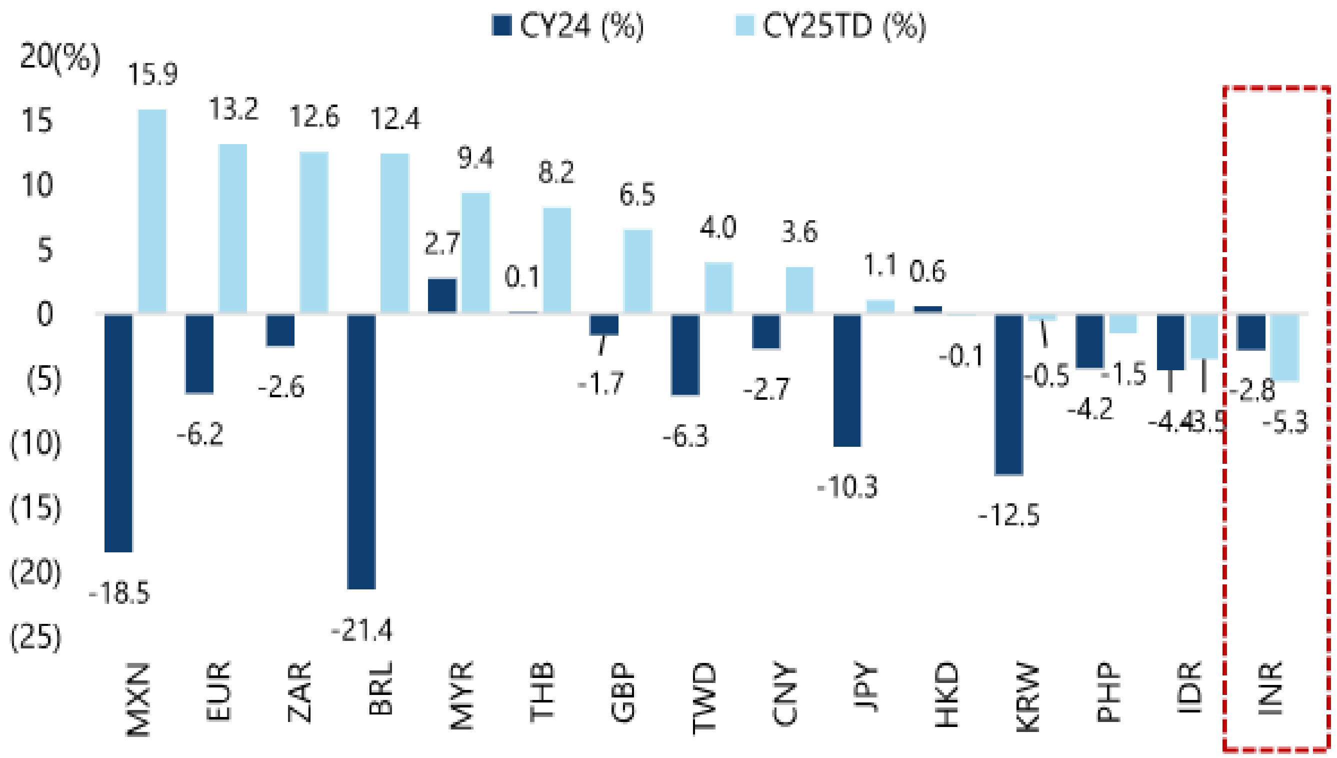
Source: Bloomberg

- India's yield curve has witnessed some degree of upward bias since Aug'25. However, during Dec 2025, with positive RBI policy, we saw some flattening in the yield curve, where as 10 year G-Sec remained range bond on account of pressure on rupee.

The INR has depreciated sharply against the dollar

INR vs DXY Index



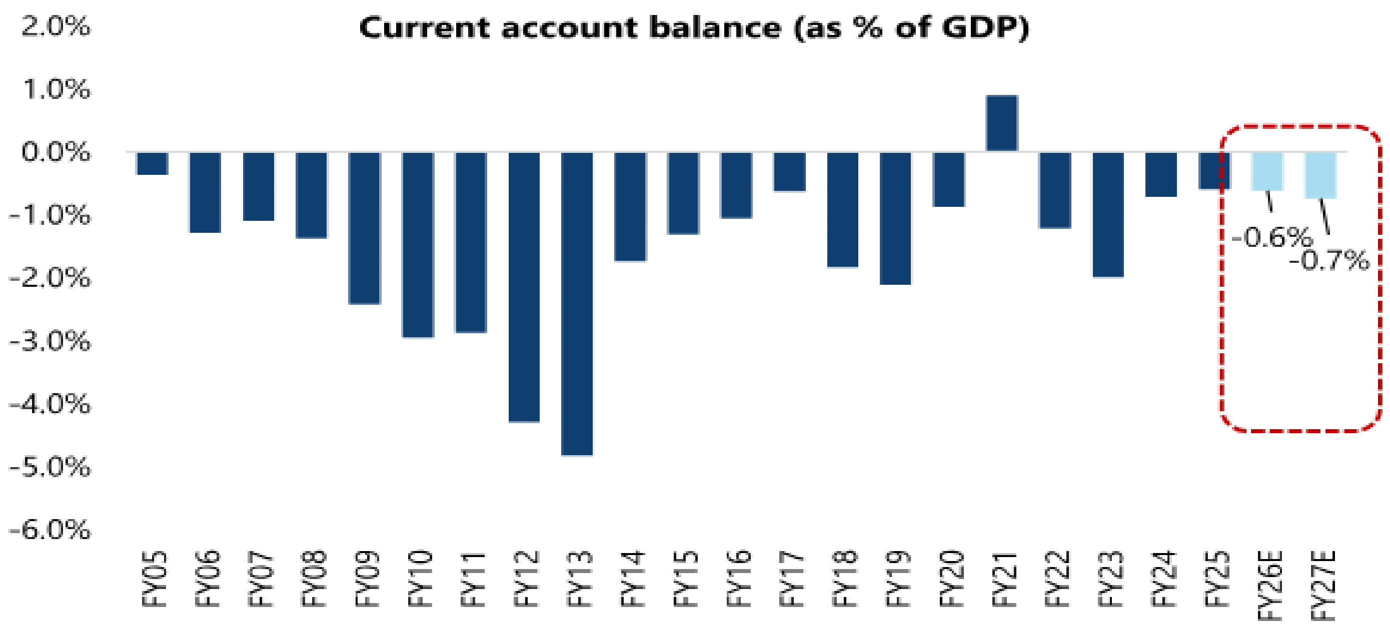


Source: Bloomberg, Jefferies

- The INR has depreciated against the USD by ~5% this year, in the backdrop of an already weak USD (DXY below 100).
- Factors such as - delay in US-India trade deal and continued FPI outflows in both equity & debt have contributed to this weakness.
- We believe the INR has been allowed to depreciate to partially support the exporters impacted by the sharp rise in US tariffs.

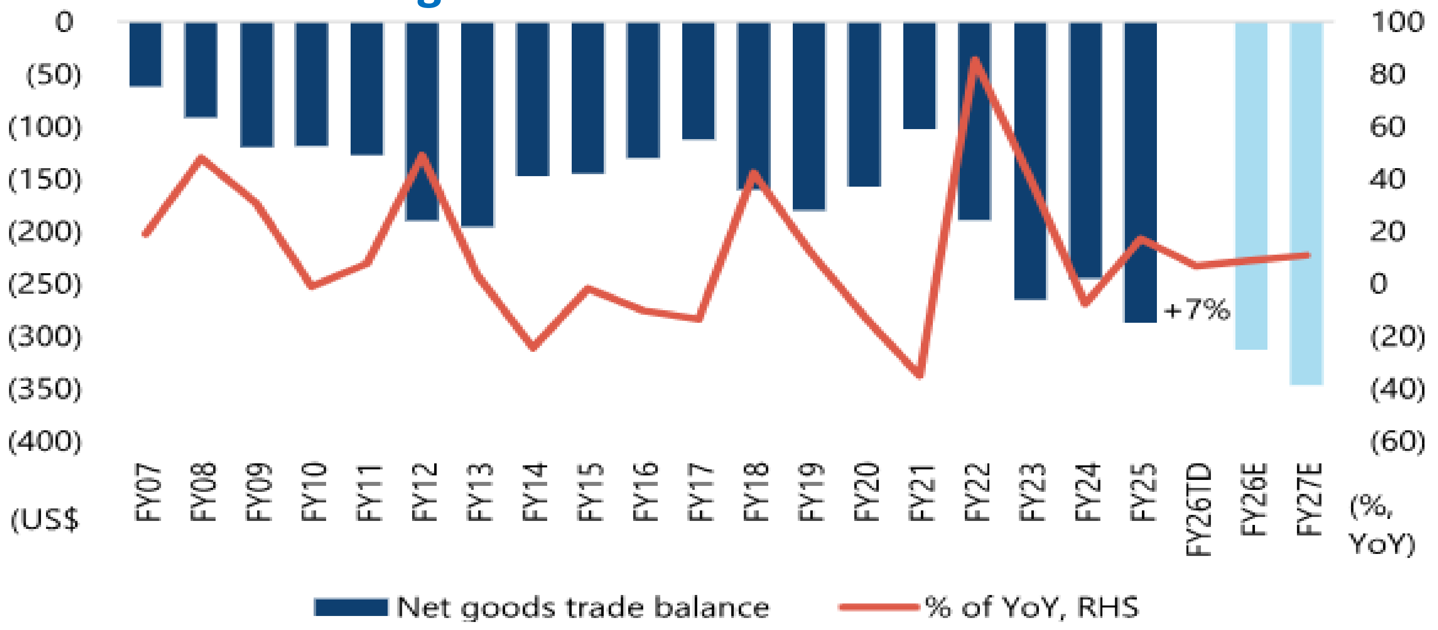
Dollar Index (DXY) is a weighted measure of the U.S. dollar's value relative to a basket of major foreign currencies, reflecting its overall strength or weakness.
Real Effective Exchange Rate (REER) is a measure of a country's currency value against a weighted average of several foreign currencies, adjusted for inflation.

Current account deficit (CAD) expected to remain low



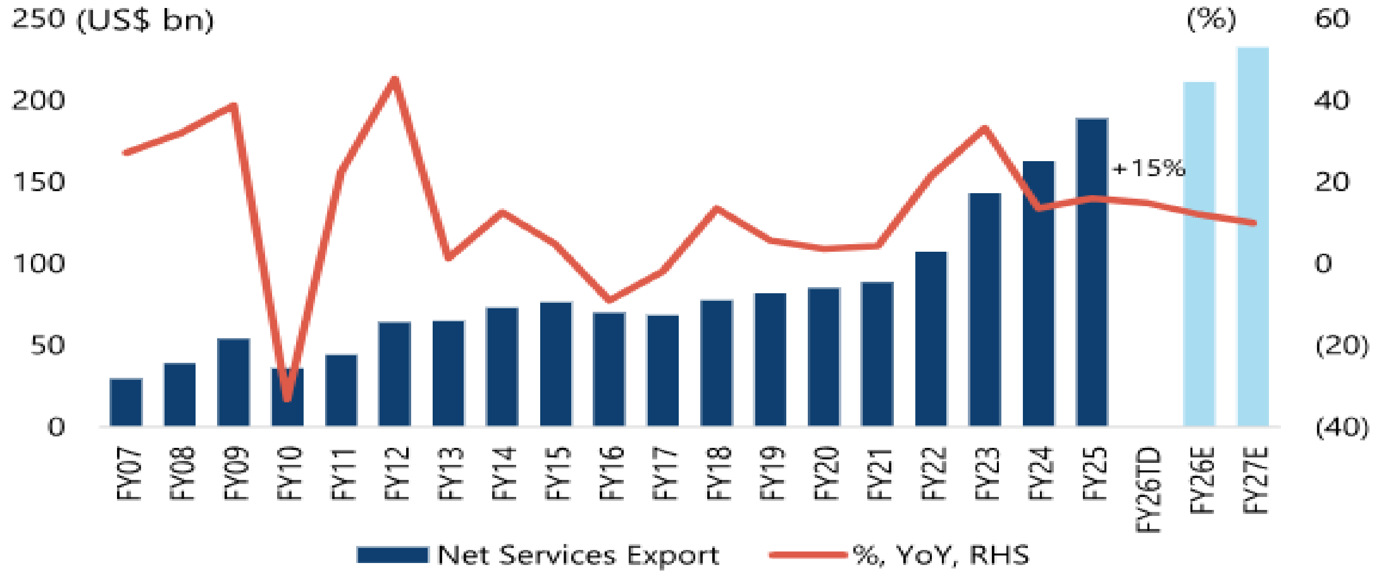
The current account deficit is near a 20-year low and is expected to remain contained at around 0.6–0.7% of GDP

Net goods trade balance trend



The trade deficit has not been a major concern this year supported by lower oil prices

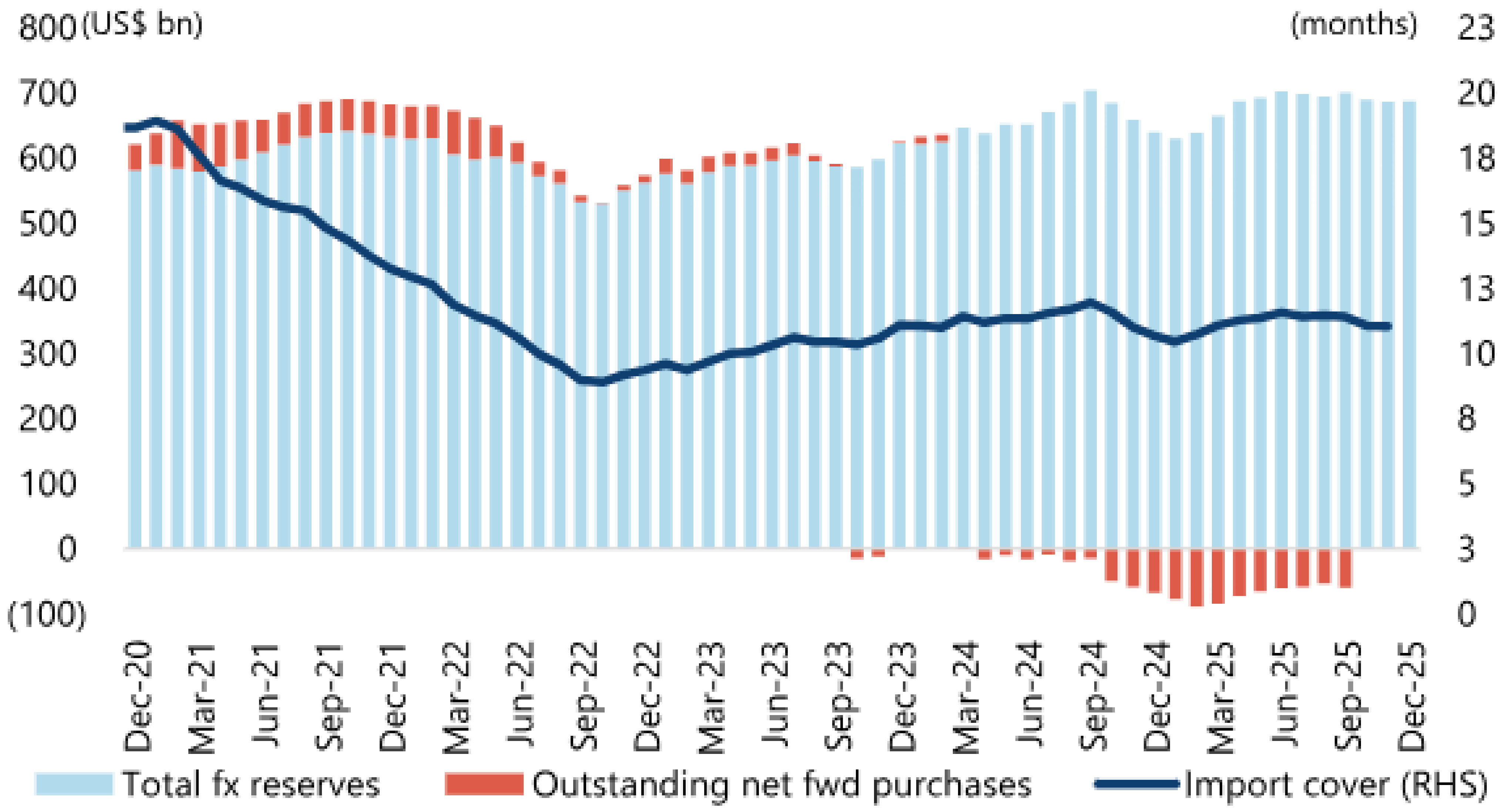
Net Services exports trend



Net services export has remained strong and continued with 15% growth in FY26 so far

Source: RBI, Jefferies

Forex Reserve Level Remains High

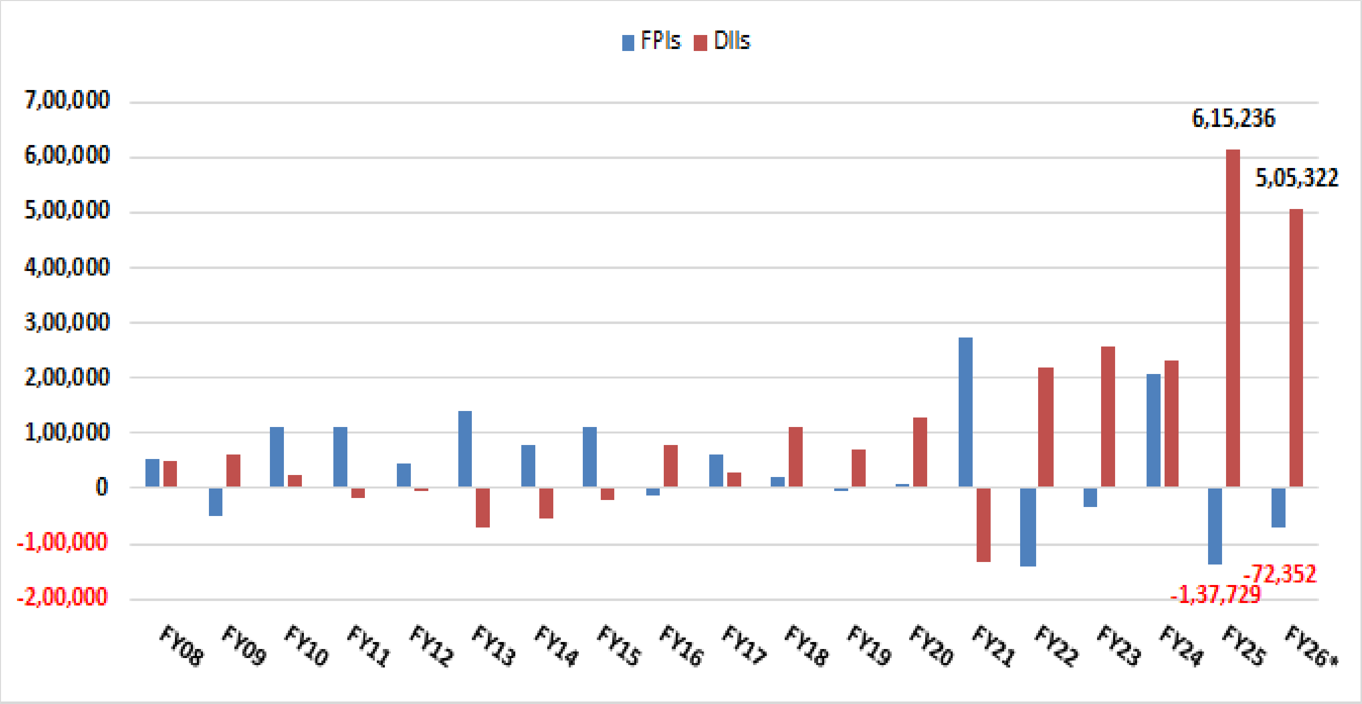


Source RBI, Jefferies

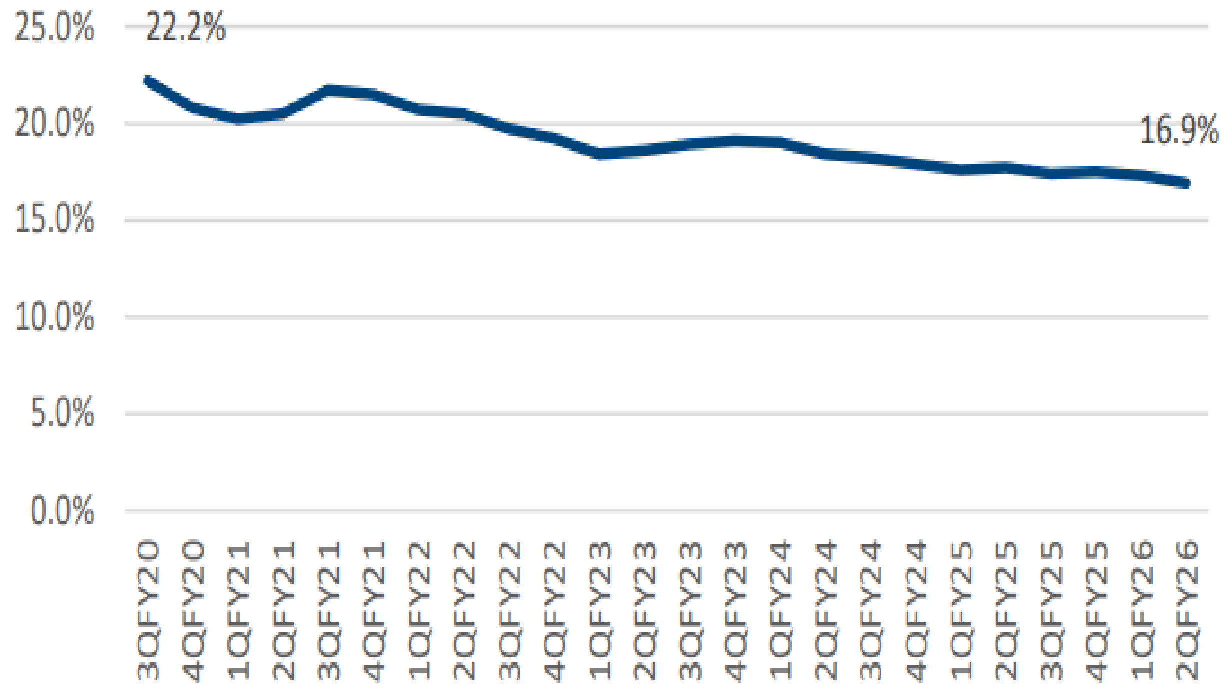
- Forex reserves have remained robust despite significant currency depreciation and capital outflows. RBI forex reserves are at US$687bn (11-mth import cover), higher by US$47bn CY25TD

Market Outlook & View

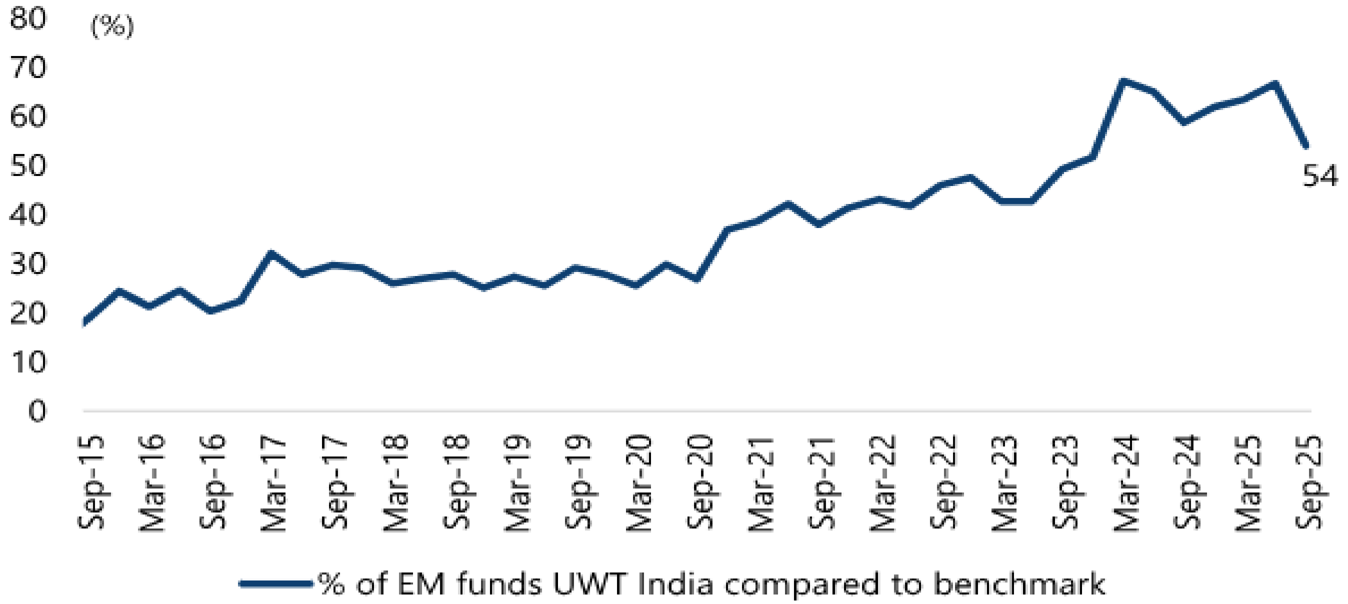
FPIs Remained Net Sellers on FYTD Basis, FPI Ownership Reduced



NSE-listed universe: FPI Ownership trend by total mkt cap %



Percentage of funds UWT on India compared to benchmark

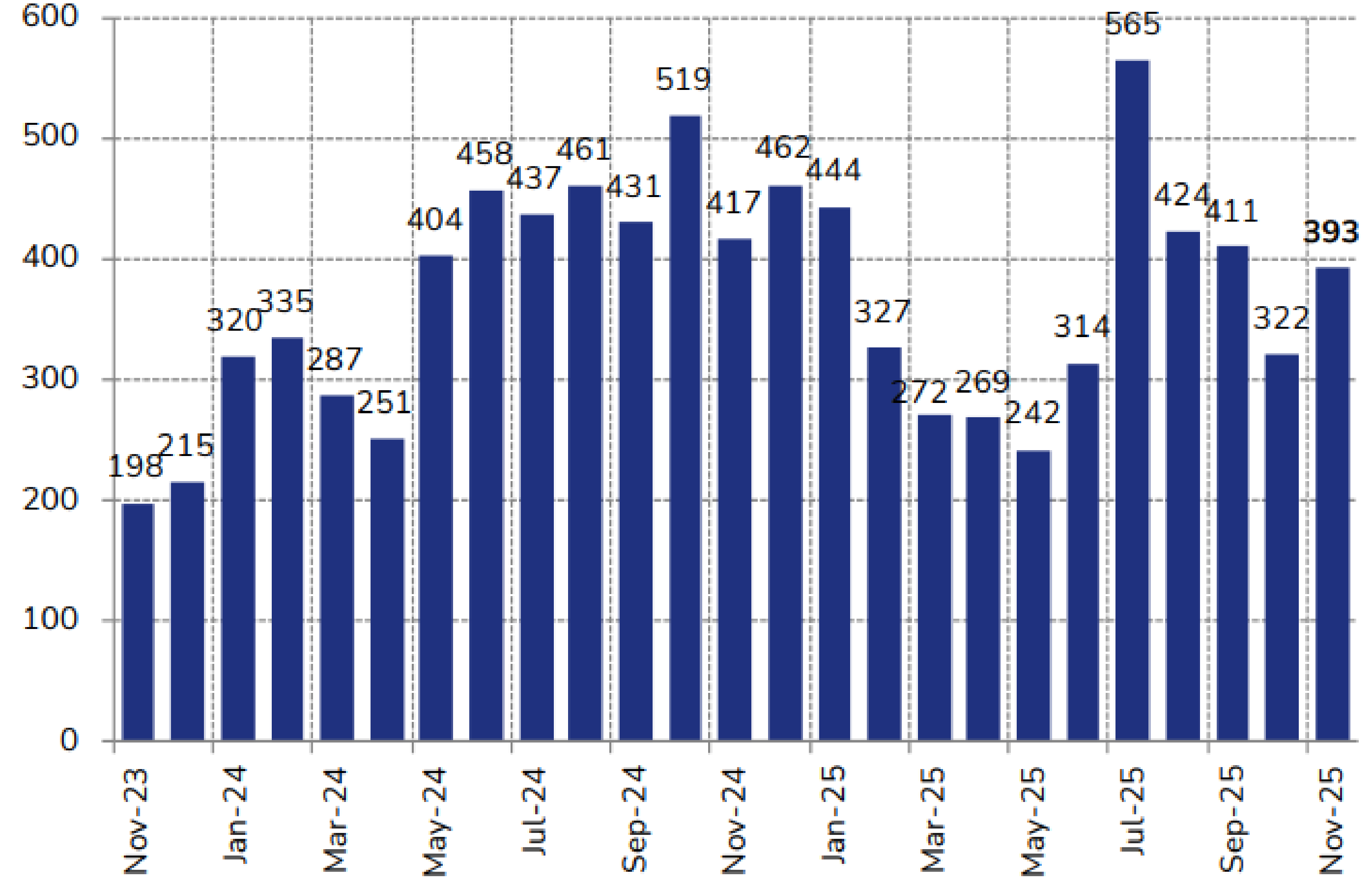


- FIIs have been net sellers so far in FYTD-26, with cumulative net outflows of over Rs. 72 thousand crore during 8 months (up to 15 Dec 2025). In contrast, DII flows have remained significantly positive, posting net inflows of Rs. 5,05,322 crore during the same period — reflecting strong domestic investor confidence.
- FPI ownership in NSE-listed companies fell to 16.9%, lowest in over 15 years
- FPIs positioning on India is quite light with majority Foreign active funds UWT on India

Source: NSDL, Axis Capital, *As on 15 Dec 2025, NSE Market Pulse, IIFL Research, Jefferies

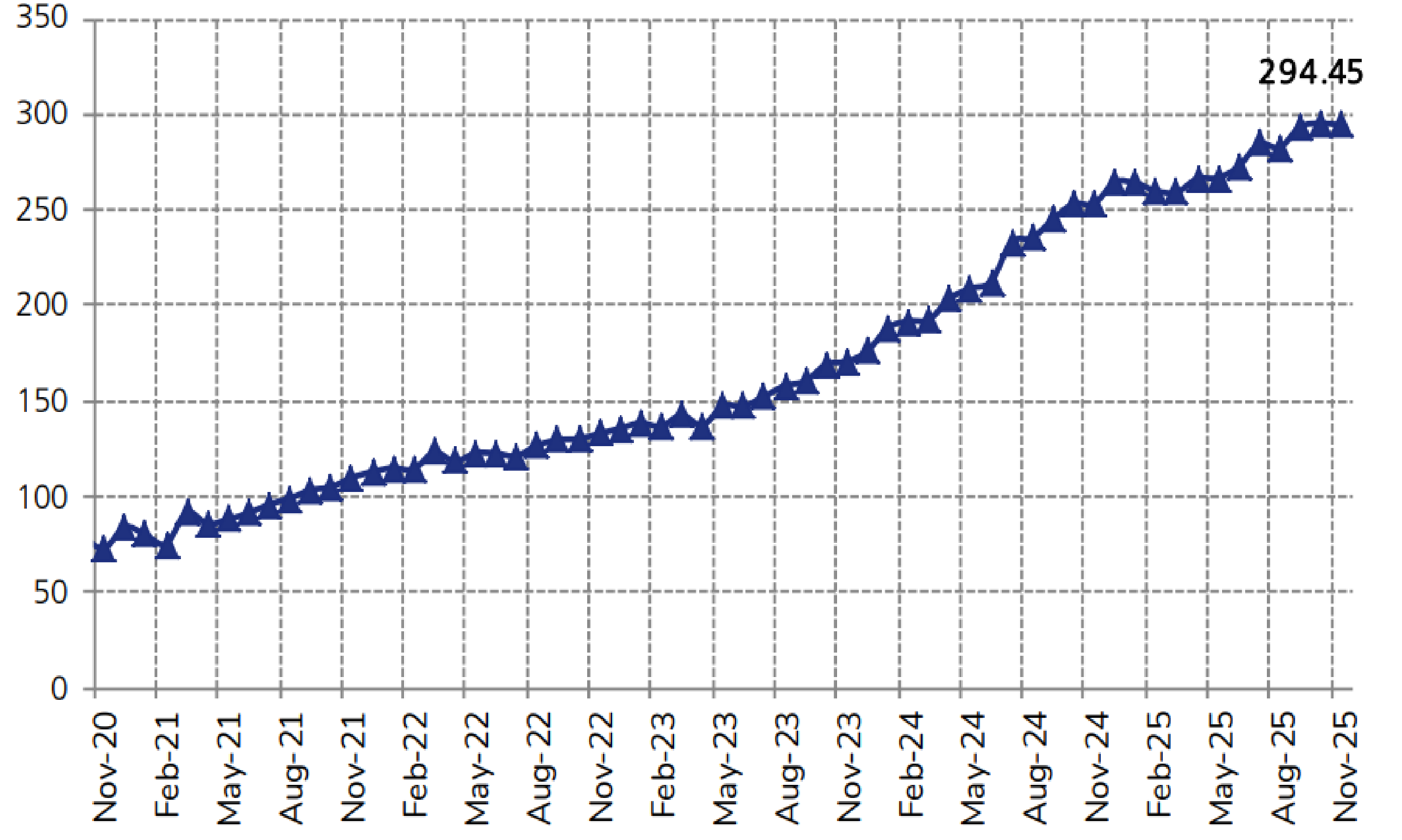
Equity inflows rebound, SIPs steady, Overall MF AUM: INR 80.8trln (+19% YoY, 1.2% MoM)

Equity MFs net inflows (ex-arbitrage) (INR bn)



Source: AMFI, JM Financial

Monthly SIP Inflows trend (INR bn)



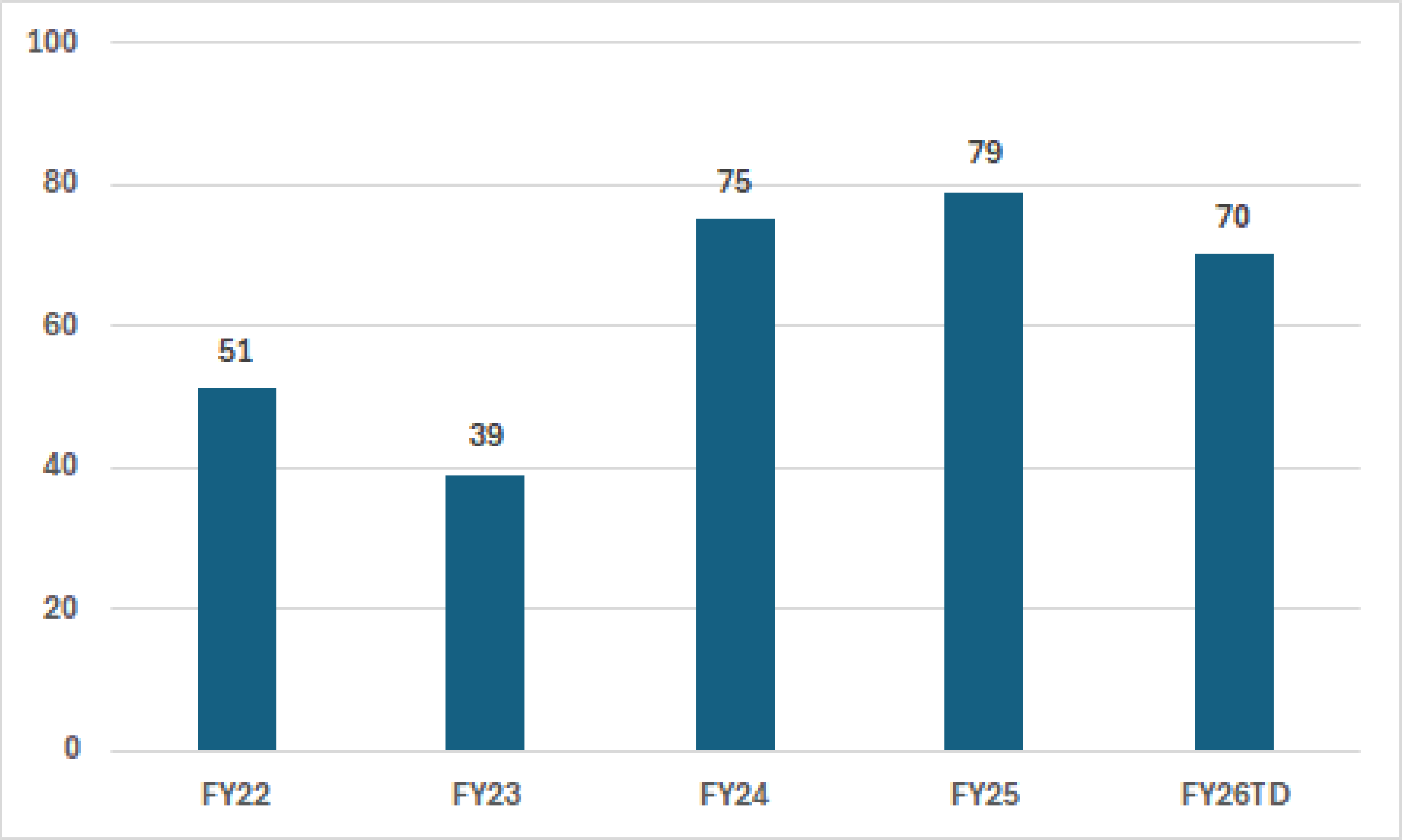
Source: AMFI, JM Financial

- In Nov-25, equity mutual fund inflows (including hybrid, ex-arbitrage) stood at INR 393bn in Nov’25, up 22% MoM, down 6% YoY. SIP inflows in Nov’25 stood at INR 294.5bn (-0.3% MoM, +16% YoY).

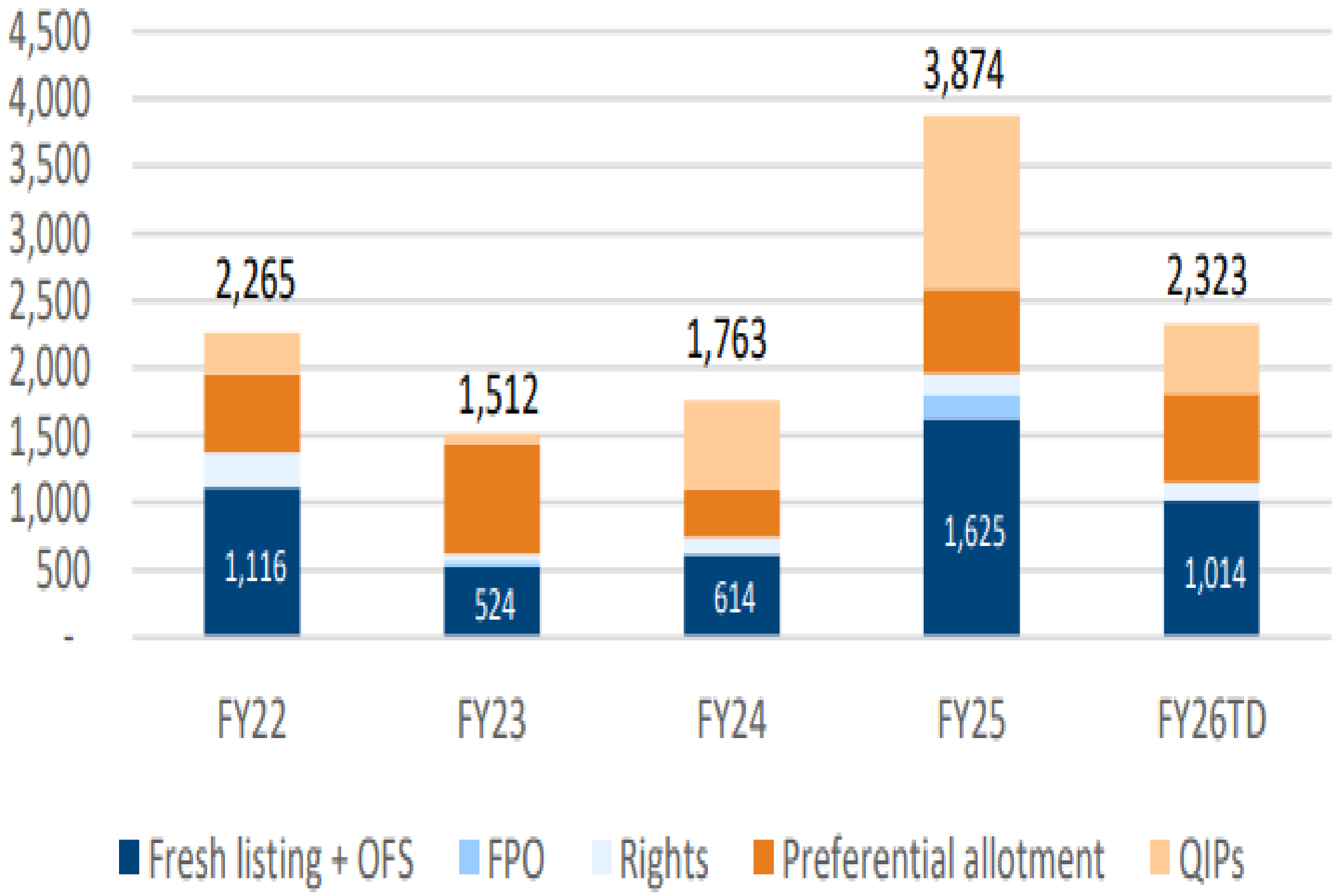
- MF Closing AUM (as of Nov’25): Equity MFs (incl. ELSS + Arbitrage + Balanced) AUM: INR 47.2trln (+19% YoY, 1.5% MoM). Debt MFs (ex-liquid schemes) AUM: INR 9.7trln (+17% YoY, 2% MoM). Liquid MFs AUM: INR 9.8trln (+12% YoY, -3.5% MoM). **Overall MF AUM: INR 80.8trln (+19% YoY, 1.2% MoM).**

IPO momentum sustains

Number of mainboard IPOs



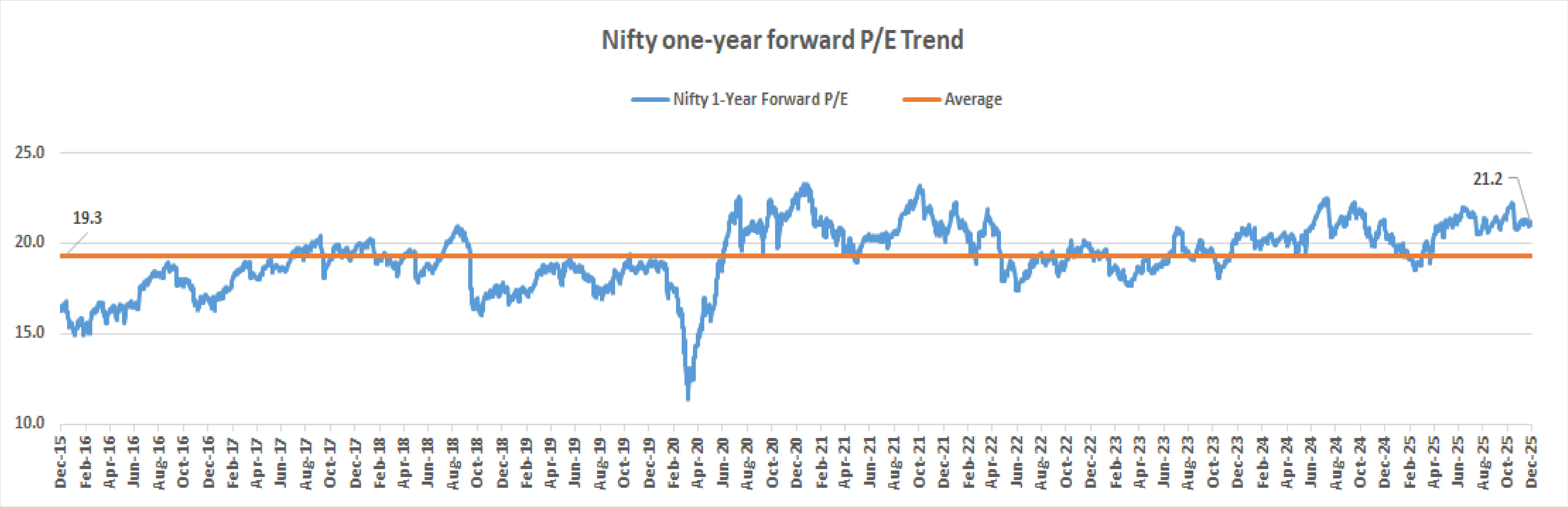
Equity raised through Main Board (Rs bn)



Source: Company, IIFL Research; Note – FY26 data available till Oct'25.

- 2QFY26 has seen record mainboard IPOs driving FY26TD to 70 IPOs.
- Primary market equity raise shows rising trend of QIPs annually.

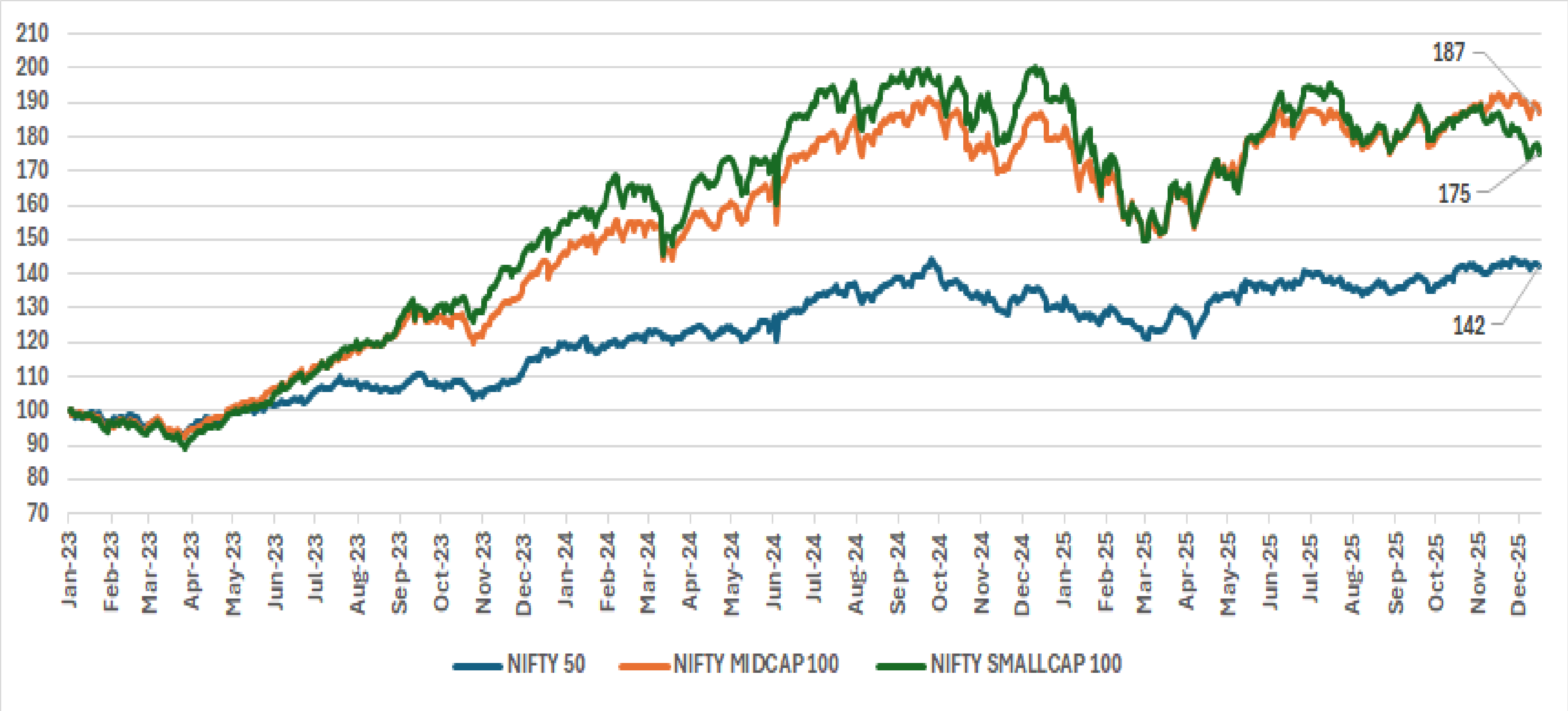
Valuations Are Marginally Higher



Source: Bloomberg, Bajaj Life Research

- The Nifty is trading at a 12-month forward P/E ratio of 21.2x, the valuations are marginally higher than its long term average of 19.3 x.

Mid & Small Caps Corrected Lately but Continue to Outperform Large Cap



Source: Bloomberg, NSE, Bajaj Life Research, As on 17th Dec 2025

Index	P/E (Price/Earnings Per Share)
Nifty 50	22.8
Nifty Mid Cap 100	33.6
Nifty Small Cap 100	32.1

Source: NSE Factsheet as on 28-Nov-2025

- **Sustained Mid & Small Cap Outperformance:** Since January 2023 (>2 years), Mid and Small Cap indices have significantly outperformed the Nifty 50. Mid Caps are up 87% and Small Caps 75%, compared to a 42% return for the Nifty 50.
- **Recent Volatility and Moderation:** Recently, there has been a notable correction. Mid Caps have experienced a ~2% dip, while Small Caps have fallen by 5%.
- **Elevated Valuations Remain:** Despite the recent correction, Mid and Small Cap indices continue to trade at historically high Price-to-Earnings (P/E) ratios, suggesting further room for correction.

Indian Equity Market Outperforms In the Long-term

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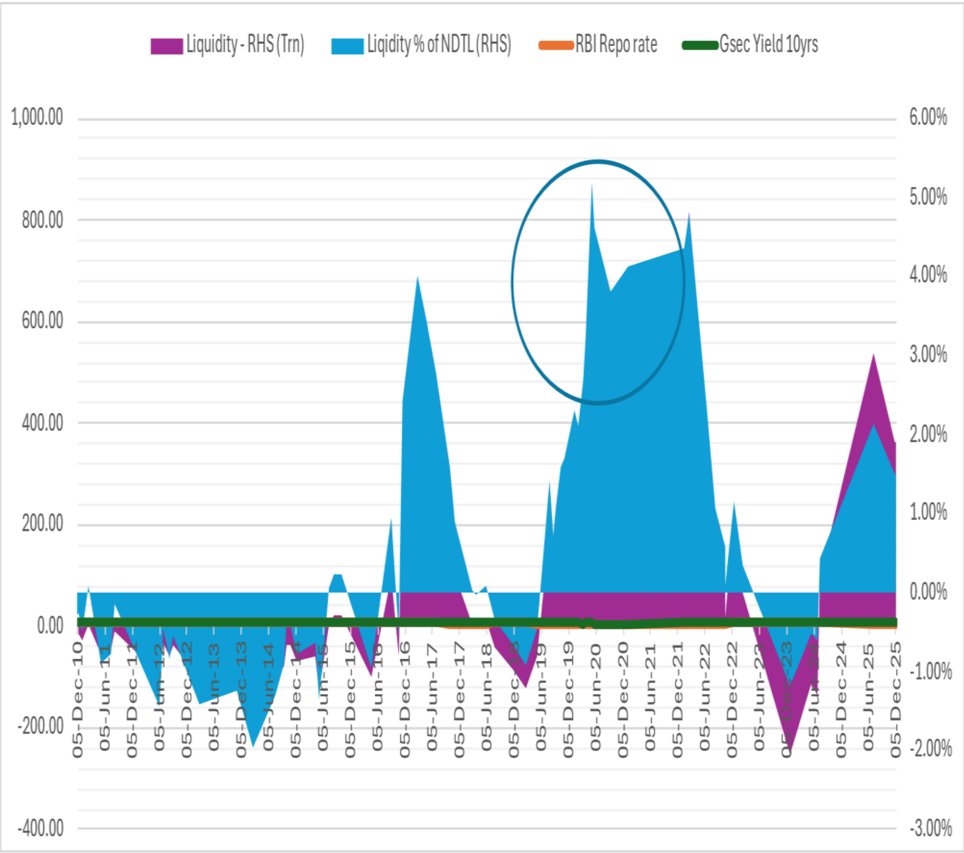
Performance as on 28th Nov 2025								
Index Name	**Country / Region**	**1 Yr**	**2 Yrs**	**3 Yrs**	**5 Yrs**	**7 Yrs**	**10 Yrs**	**15 Yrs.**
Nifty 50	**India**	**8.6%**	**14.1%**	**11.8%**	**15.1%**	**13.4%**	**12.7%**	**10.5%**
TSEC TAIEX	Taiwan	24.1%	25.9%	22.9%	15.0%	15.8%	12.7%	8.3%
Nikkei 225 Average	Japan	31.5%	22.5%	21.6%	13.7%	12.3%	9.8%	11.4%
S&P 500	United States	13.5%	22.5%	18.9%	13.6%	13.9%	12.7%	12.4%
FSE DAX TR	Germany	21.5%	21.3%	18.3%	12.4%	11.3%	7.7%	8.8%
MSCI World	World	15.4%	20.6%	17.4%	11.2%	11.6%	10.0%	9.1%
FTSE/SGX STI	Singapore	21.0%	21.4%	11.2%	10.0%	5.5%	4.7%	2.5%
FTSE 100	United Kingdom	17.3%	14.2%	8.7%	9.2%	4.8%	4.3%	3.8%
JSX Composite	Indonesia	19.6%	9.6%	6.3%	8.7%	5.0%	6.7%	6.0%
KOSPI	South Korea	59.9%	24.5%	16.7%	8.7%	9.4%	7.0%	4.9%
FTSE SET All Share	Thailand	15.8%	13.7%	8.2%	8.1%	4.6%	4.1%	4.1%
CAC 40	France	12.3%	5.4%	6.4%	8.0%	7.2%	5.1%	5.6%
BOVESPA TR	Brazil	26.6%	11.8%	12.3%	7.9%	8.6%	13.4%	5.9%
S&P/ASX 200	Australia	2.1%	10.3%	5.8%	5.7%	6.2%	5.2%	4.3%
Shanghai Composite	China	16.9%	13.3%	7.3%	2.8%	6.0%	1.2%	2.2%
MSCI EM	Emerging Markets	26.7%	17.7%	12.0%	2.5%	4.6%	5.3%	1.6%
MSCI AC Asia Ex Japan	Asia Ex Japan	26.6%	19.8%	12.7%	2.4%	5.4%	5.9%	3.4%
FTSE Bursa Malaysia KLCI	Malaysia	0.6%	5.1%	2.5%	0.5%	-0.7%	-0.4%	0.5%
Hang Seng	Hong Kong	33.1%	23.2%	11.6%	-0.4%	-0.4%	1.6%	0.8%
Source : Bloomberg. Returns are in local currency of index, and returns greater than 1 year are CAGR Date Sorted on the basis of 5 Yrs. return in descending order								

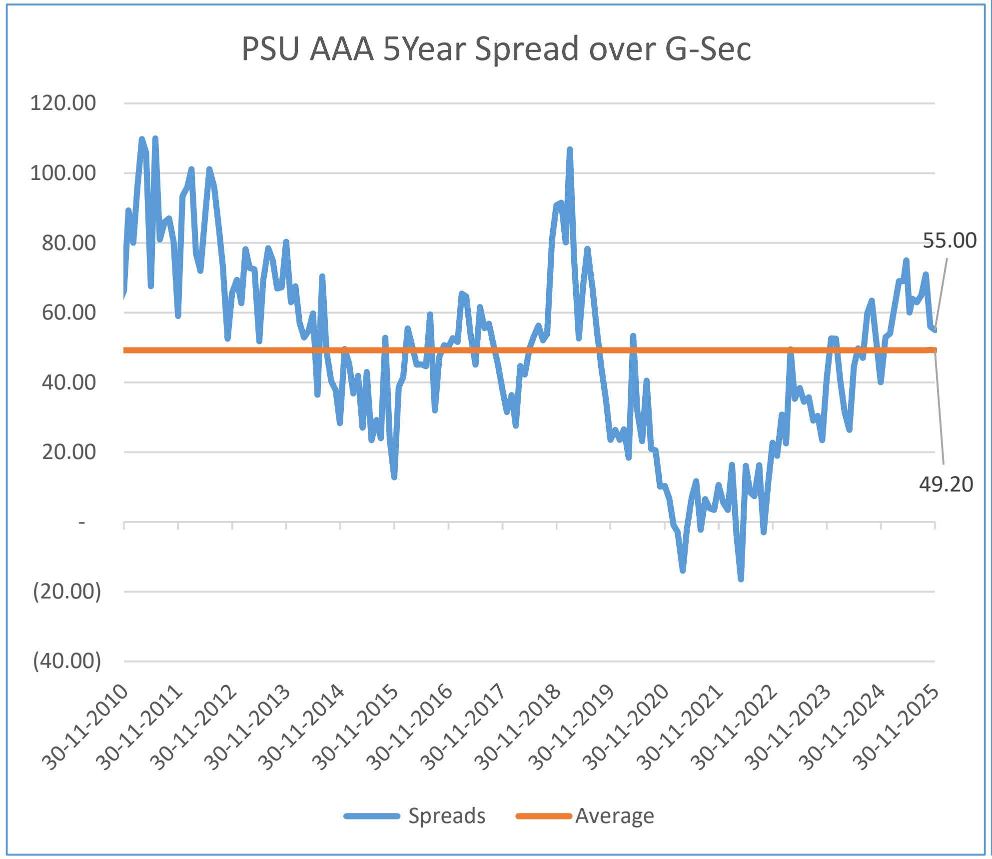
- Over the long-term Indian equity market has been among the top performing major markets, globally.
- **While India's long-term returns remain strong, the Nifty 50 has delivered the relatively weak 1-3 year performance among peers, highlighting near-term challenges.**
- Over 5, 7, 10, and 15-year basis, the Indian equity market has consistently delivered double-digit returns, ranking among the top 5 global equity markets.

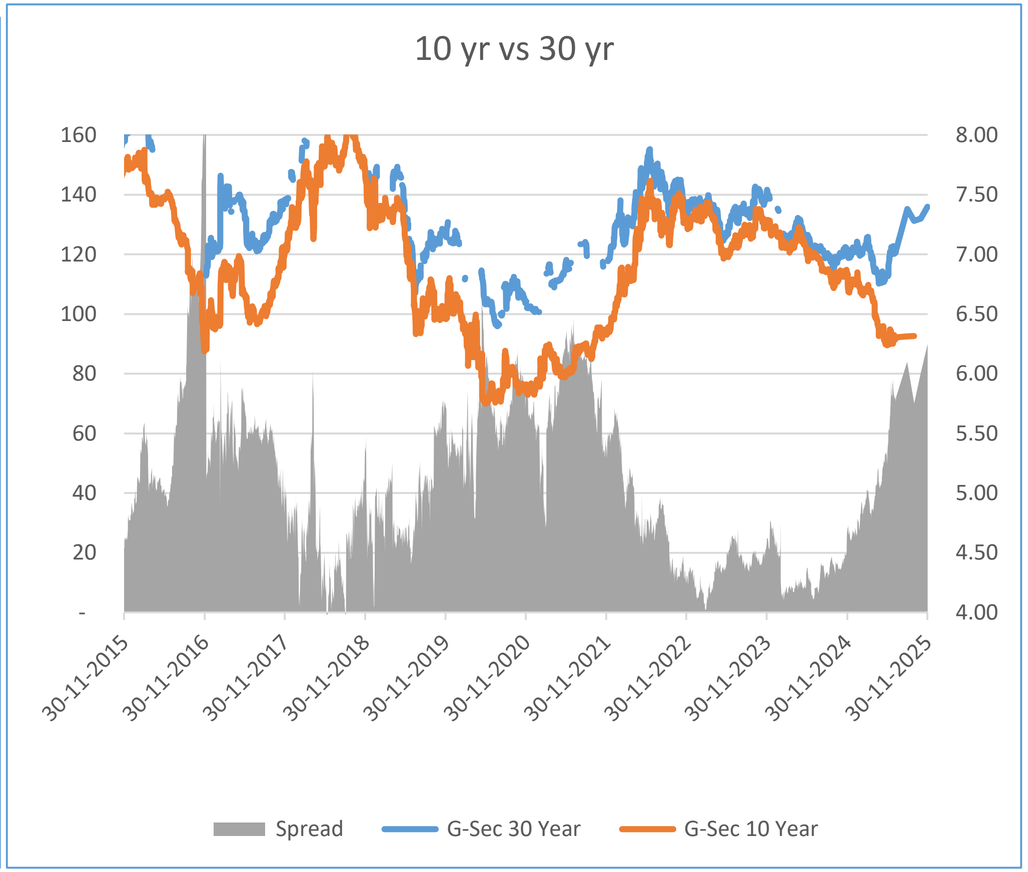
Equity Market Outlook

- November was a mixed month for equities with the **Nifty50 and Midcap indices gaining ~2% each** while the smallcap indices were down by 3%.
- In terms of sectors, **IT (+4.7%), PSU Banks (+4%), Pharma (+3.7%) and Autos (+3.6%)** were the key outperformers while **Real Estate (-4.7%), Metals (-3%) and Energy (-2%)** underperformed.
- The global rally in asset prices saw some signs of cooling off with the US and other markets posting modest declines during the month while other assets like cryptocurrencies witnessed a steep fall. Bullion prices though held steady near their all-time highs.
- The **US FED reduced interest rates for the third consecutive time in their December monetary policy.** They have also announced a bond buying plan that will partially help address the demand supply issue in the US bond markets.
- While the **FED upped its GDP growth forecast for 2026 by 50bps (to 2.3%) and reduced its inflation forecast by 20bps (to 2.4%)** the outlook on future interest rate was largely unchanged with the dot plots indicating just one more rate cut in 2026.
- Domestic economic data continues to be positive with Q2 GDP growth coming in at 8.2% and CPI inflation continuing to be benign (0.25% in Oct).
- Such an economic backdrop helped RBI **cut Repo rates by another 25bps** in its December monetary policy (cumulative cuts now stand at 125bps).
- Though some of the key equity indices have hit new highs in recent weeks the market breadth has been distinctly negative with many of the mid and smallcap companies witnessing significant correction from their recent highs.
- **Corporate earnings growth is expected to recover from H2FY26 which should support markets**, however, prolonged delay in the US-India trade deal continues to be an overhang for the markets.
- Flows continue to be mixed with FPI selling and primary market supply being absorbed by DII buying.
- **Nifty50's current valuations at 20.7x one-year forward earnings** are at a marginal premium to long-term average which we believe will sustain.
- We maintain our moderately positive outlook on equities with a preference for largecaps. Continued **exuberant activity in the primary markets and further deepening of the global equity market correction** are the key risks to our view.

Fixed Income Market Outlook (1/2)







- Banking system liquidity is in surplus to the tune of 1.50% of NDTL and expected to be positive ~ 1.5% of NTDL by year end (i.e around Rs 3.5 trn positive in FY 26) which will be higher than the long-term average.
- Corporate Bonds spreads are still at elevated levels at around 55bps higher than its long-term average of 49bps
- Long end G-sec spreads (10 years vs 40 year) is trading at 90bps above the historical average of last 10 years of 42bps

Fixed Income Market Outlook (2/2)

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LIFE GOALS. DONE.

- **RBI MPC Dovis Outcome-**
  - RBI MPC cut policy rate by 25bps, total Repo rate cut of 125 bps since Feb 25 maintain dovish policy stance
  - With subdued inflation and risk from global tariff on domestic growth, policy easing space is available for RBI.
  - RBI projects 7.3% GDP for FY26, subdued inflation for the next FY open space for rate cut in Feb 2025 policy.
  - RBI is expected to maintain sufficient liquidity to improve credit growth for banking system,
- **Inflation outlook**: With GST rationalization and income tax cut and improving supply chain, we expect inflation to remain subdued in FY 27 and below RBI mandate of 4%.
- **Banking Liquidity**: Current durable liquidity is at ~1.5 trn on account of capital outflow, RBI is conducting OMO to the tune of Rs 1trn for Dec 2025 and expected to do another Rs 1.5trn of OMO to maintain sufficient lucidity to the tune of 1.5% of NDTL by end of FY26
- Bloomberg Index Inclusion : Indian Bonds inclusion in Bloomberg Global Bond Index can result in $20 Bn flow in the market.
- **Rates outlook :** With above rational, we expect 10-year G-Sec in the range of 6.35% to 6.65%.
- **Positions:** Based on the above outlook and available spreads, we continue to prefer shorter end Corporate bonds and Long end G-Sec
- **Key risks :** Rupee depreciation, growth slowdown, US tariff situation and increasing global bond yields.

Thank you