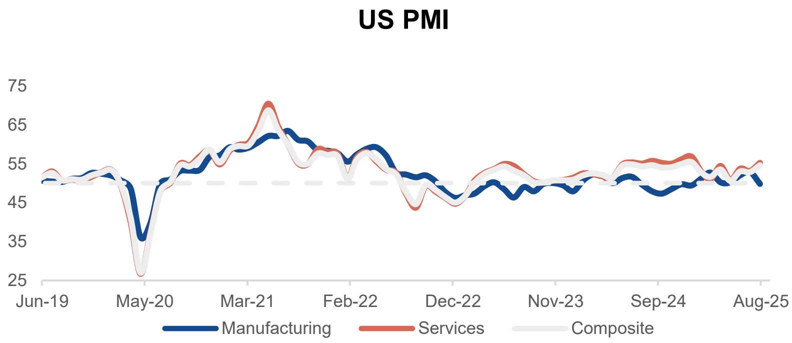
Wealth India

MONTHLY INVESTMENT PERSPECTIVES
September-25

GLOBAL MACRO: RECALIBRATING THE MACRO LANDSCAPE

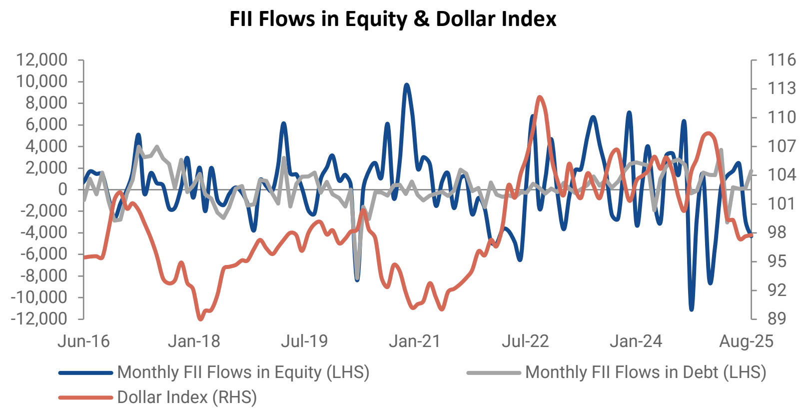
The global economy in 2025 presents a cautiously optimistic yet mixed outlook, with growth forecasted at 3.0%, bolstered by improved financial conditions and fiscal stimulus in key regions, despite ongoing risks from trade tensions, tariffs, and geopolitical uncertainties. The US saw a strong GDP rebound of 3.3% annualized in Q2 after a weak first quarter, but job growth slowed sharply in August to 22,000 new positions, pushing unemployment to 4.3%. Inflation remains stubbornly high, with core CPI at 3.1% and PPI at 3.3%, driven mainly by shelter and energy costs. Market volatility resurfaced in early September, with global bond yields, especially the 30-year yields in the US, UK, and Japan, rising to multi-year highs amid fiscal concerns. Institutional investors generally expect a gradual policy easing, with the US Federal Reserve likely initiating a 25-basis-point rate cut in September, followed by potential ECB and Bank of England cuts later in the year. Market sentiment remains constructive but cautious, emphasizing active portfolio management, regional rotations, and close monitoring of macroeconomic headwinds, including tariff impacts, fiscal deficits, and persistent inflation pressures. This balanced outlook highlights the importance of vigilance in the face of opportunities presented by resilient corporate earnings and policy shifts.



Source: Bloomberg (as of 07 Sep, 25)

GLOBAL EQUITIES: SELECTIVE RISK TAKING AMID MACRO DISPERSION

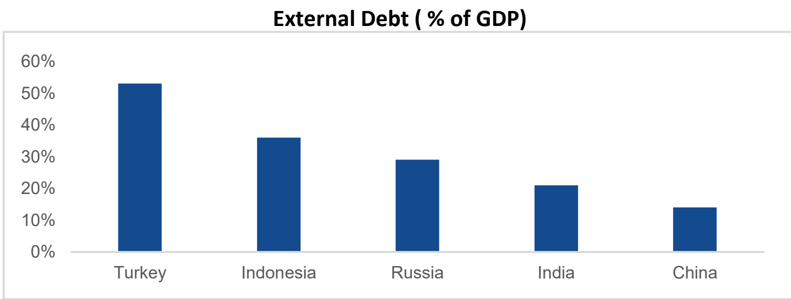
In August 2025, global equity markets demonstrated resilience amid macroeconomic challenges. The US equity market rose 2.15%, led by substantial gains in small-cap and value stocks, with the Morningstar US Small Cap Index up 4.58% and the US Value Index surging 5.05%. This rise was fueled by investor optimism about the Federal Reserve's expected rate cuts in September. However, heightened volatility is expected in September, a historically weak month for US equities, due to high valuations—especially in the tech sector—and ongoing risks from tariffs, inflation, and global fiscal issues. Japanese equities saw a 4.8% increase, while emerging markets faced modest declines. Overall, the market remains cautious, with investors favoring active management and global diversification to address these challenges.



Source: Bloomberg (07 Sep 25)

GLOBAL FIXED INCOME: DIVERGING MONETARY POLICIES

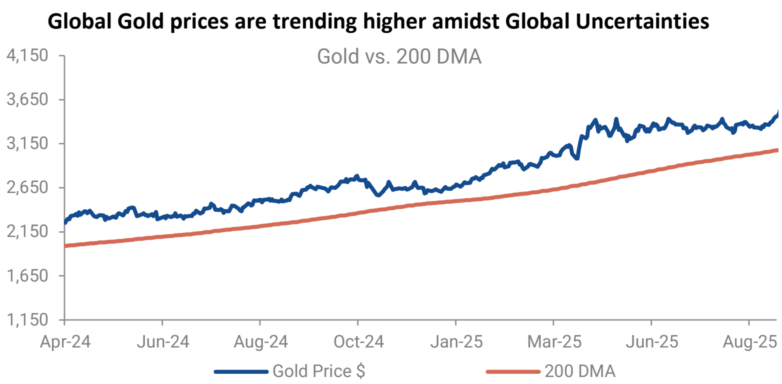
In September 2025, global fixed income markets experienced significant volatility and rising bond yields, particularly for longer-term maturities, amid concerns over fiscal deficits and persistent inflation. Key yields surged, with the UK 30-year gilt reaching about 5.7% and US 30-year Treasuries nearing 5%. Despite expectations for Federal Reserve rate cuts based on weak labor market data, demand for US Treasury auctions remained low, reflecting investor caution about heavy issuance and fiscal sustainability. Credit spreads tightened near historic lows, supported by strong corporate earnings, while emerging market debt saw renewed inflows due to lower US yields. Divergent central bank policies, ongoing inflation, and geopolitical uncertainties increased currency volatility. Consequently, investors are actively managing duration and credit risk, focusing on inflation-linked bonds and investment-grade credit for relative value in this turbulent environment.



Source: Bloomberg 07 Sep, 2025

GLOBAL COMMODITIES: STRUCTURAL PERSPECTIVE ON TACTICAL DRIVERS

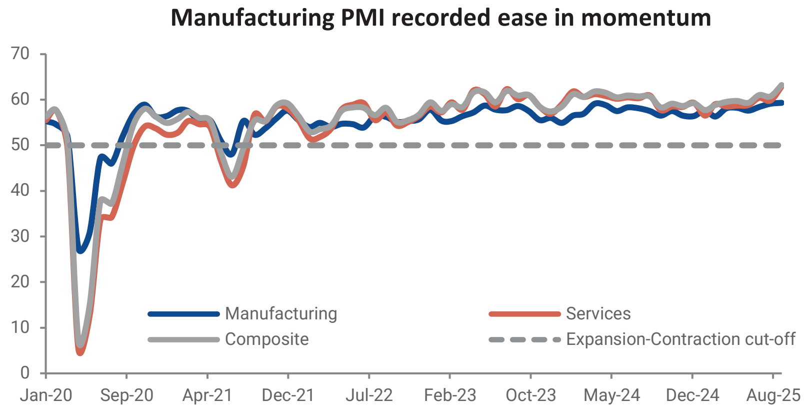
In early September 2025, gold continues to be seen as a preferred safe haven, with prices reaching an unprecedented high of approximately $3,570 per ounce. This surge reflects investors' desire for safety amid ongoing economic vulnerabilities, which has created caution in broader financial markets. As a result, we have revised our short-term forecast for gold upwards to $3,650 for three months and $3,700 for six months. Additionally, our twelve-month outlook has been elevated to $3,750 per ounce. The projections for the three- to six-month period take into account anticipated easing cycles by the Federal Reserve. A dovish stance from the Federal Reserve, along with increased uncertainty about inflation and concerns regarding the Fed's independence, is expected to enhance gold's appeal as a portfolio hedge. Furthermore, should 401K savings plans be eased to allow for gold investments, it could increase retail interest in this precious metal.



Source: Bloomberg (as of 07 Sep, 2025)

INDIA MACRO: INDIA-US TARIFF IMPACT: GROWTH AND POLICY OUTLOOK

As of September 2025, India's macroeconomic situation shows a strong growth trajectory alongside easing inflation and expanding trade challenges. The economy recorded a real GDP growth rate of 7.8% year-on-year in the first quarter of FY 2026, establishing itself as one of the fastest-growing major economies in the world. Inflation has significantly moderated, with the consumer price index (CPI) inflation dropping to a six-year low of 1.6% in July 2025, primarily due to lower food and beverage prices. Both the manufacturing and services sectors remained robust in August 2025, evidenced by the manufacturing Purchasing Managers' Index (PMI) reaching a multi-year high of 59.3 and the services PMI climbing to 62.9—the strongest expansion since June 2010—which suggests sustained business momentum. However, India's trade deficit notably widened by July 2025, driven by increased imports amidst global uncertainties and tariff impacts. Fiscal indicators present a mixed picture, as rising Goods and Services Tax (GST) collections are offset by a growing fiscal deficit, primarily due to higher interest payments and lower non-tax revenues. Looking ahead, GDP growth is projected to be around 6.5% for FY 2026, with downside risks stemming from uncertainties regarding US tariffs. This outlook emphasizes a balanced perspective shaped by resilient domestic demand, ongoing structural reforms, and external risks.



Source: Bloomberg (as of 07 Sep, 2025)

INDIA EQUITIES: SECTOR UPDATE AND GST REFORMS

Overall, Indian equity markets have maintained a cautiously optimistic tone over the past few months. They have shown resilience while also entering a consolidation phase. Recent reforms, particularly changes to the GST slabs, have boosted consumption and sentiment, positively impacting several sectors. Government capital expenditure, structural reforms like GST 2.0, and robust domestic inflows (from domestic institutional investors and retail systematic investment plans) are acting as stabilizers, allowing the market to remain stable even though foreign institutional investors are showing net selling behavior. The restructuring of GST simplifies the taxation system and creates clear sectoral winners. Mass FMCG products such as soaps, dairy, biscuits, and chocolates benefit from lower taxes. Additionally, consumer durables like TVs and air conditioners have seen their tax rate drop from 28% to 18%, as have small cars, two-wheelers, and tractors. Fertilizers and agricultural inputs have been reduced to a 5% tax rate, and renewables such as solar and wind energy are also taxed at 5%. Healthcare has gained from tax exemptions on life-saving drugs and health insurance, while educational materials receive similar exemptions. On the other hand, some sectors have faced negative impacts: coal and utilities now have a tax increase from 5% to 18%, premium apparel is taxed at 18%, luxury automobiles and SUVs face a 40% tax, and discretionary items like aerated beverages and online gaming are also taxed at 40%. Despite these challenges, the Indian equity market remains structurally attractive due to strong domestic flows, increasing household participation, and supportive policies. However, with current premium valuations, there is a need for moderation in investor return expectations. It is essential to prioritize security selection and dynamically adjust sector exposure to navigate changing capital flows and macroeconomic cycles. From an investment strategy perspective in this volatile market, a gradual deployment approach aligned with long-term asset allocation goals is advisable. Large-cap stocks are expected to be the primary beneficiaries, while mid-cap equities should also be considered moderately, as both sectors present compelling growth opportunities.

Corporate India's Earnings Q1-FY26

Q1FY26 Earnings Wrap

BSE 500	PAT			EBIDTA			REVENUE	
Sector	Growth YoY	Growth QoQ	Margins	Growth YoY	Growth QoQ	Margins	Growth YoY	Growth QoQ
Communication Services	73.8%	-34.0%	14.3%	29.4%	2.0%	51.3%	14.9%	2.9%
Consumer Discretionary	-2.7%	-14.9%	5.9%	-0.5%	-8.6%	14.1%	9.6%	-1.0%
Consumer Staples	3.0%	9.4%	11.0%	1.8%	6.5%	16.9%	11.7%	5.8%
Energy	44.9%	15.5%	7.1%	25.0%	7.4%	14.2%	-0.2%	-3.1%
Financials	8.8%	-5.7%	16.5%	15.5%	2.6%	36.3%	8.9%	-4.0%
Health Care	6.4%	1.5%	15.5%	7.8%	0.9%	27.0%	10.1%	1.4%
Industrials	0.8%	-27.4%	9.0%	9.2%	-18.8%	19.5%	8.3%	-17.9%
Information Technology	6.4%	-1.5%	13.9%	6.1%	-1.4%	21.9%	6.9%	-0.8%
Materials	25.3%	-3.3%	8.2%	17.2%	-1.1%	19.1%	7.0%	-3.9%
Real Estate	10.1%	-12.5%	21.2%	8.3%	-6.8%	38.8%	23.7%	-14.5%
Utilities	-12.4%	0.7%	11.5%	-2.1%	1.6%	31.2%	0.2%	-0.7%
Aggregate	**12.7%**	**-4.6%**	**10.7%**	**13.3%**	**0.0%**	**23.0%**	**6.0%**	**-3.7%**
Ex Financials	**15.1%**	**-4.0%**	**8.9%**	**11.9%**	**-1.4%**	**18.8%**	**5.1%**	**-3.6%**
Ex Financials and Oil & Gas	**7.3%**	**-9.4%**	**9.7%**	**8.2%**	**-4.0%**	**21.1%**	**8.0%**	**-3.9%**

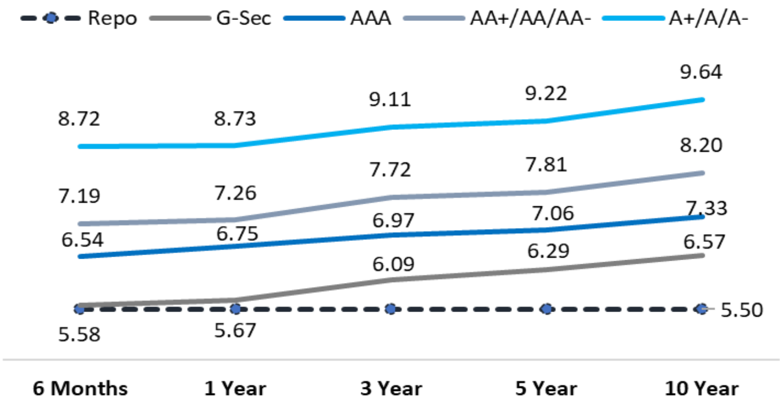
Source: Ace Equity (21 Aug,2025)

INDIA FIXED INCOME: 2025 – REMAINING YEAR DURATION WITH DISCIPLINE

India's government securities market has recently seen a bear steepening of the yield curve, with longer-term bond yields rising faster than those of shorter maturities. This trend is driven by decreased demand for long-duration debt, concerns over fiscal implications from GST rate cuts, and changing macroeconomic conditions. In August 2025, the 10-year G-Sec yield rose to about 6.57%, the highest since March 2025, while 30-year yields reached around 7.31%. The term premium between 10-year and 1-year G-Secs has widened to approximately 90 basis points, up from 20 to 30 basis points before the rate-cutting cycle. The G-Sec versus Repo spread has also expanded to around 107 basis points, compared to a 1-year average of 43 basis points, indicating ongoing investor caution. The India-U.S. bond yield differential has widened to about 230 basis points, making India more appealing to global investors. Looking ahead, we expect one more repo rate cut by the end of the year, with the 10-year G-Sec likely trading in a range of 6.35% to 6.55%. We maintain an overweight position on the medium-to-long end of the curve for attractive carry and potential duration gains. Additionally, high-quality corporate bonds, particularly AAA-rated PSUs and leading investment-grade issuers, offer a better risk-reward profile compared to sovereigns in the current environment.

Debt Market Snapshot

Yield Levels as of August 29, 2025

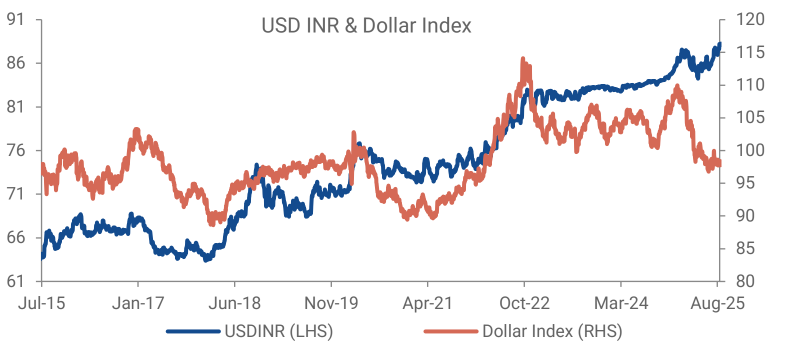


Source: Bloomberg

CURRENCY: RANGEBOUND, NOT DIRECTIONLESS

As of September 2025, the USD/INR exchange rate indicates a cautiously weakening Indian Rupee, trading between 88.11 and 88.20 INR per USD. This reflects a slight depreciation of about 0.5% over the past month and nearly 5% over the past year. The rupee's decline is attributed to widening trade deficits, increased gold imports, and capital outflows linked to higher US bond yields and geopolitical uncertainties. Analysts project the USD/INR will remain between 87.75 and 88.70 throughout September, with some forecasts suggesting it could rise to 88.50 by year-end due to ongoing pressures. The Reserve Bank of India is intervening in the currency markets and implementing measures to manage volatility. Overall, the outlook points to structural challenges and cautious investor sentiment, with expectations for a stable trading range.

INR vs USD



Source: Bloomberg (as of 07 Sep, 2025)

TACTICAL ASSET ALLOCATION (TAA) VIEWS & PERFORMANCE

Asset Class Pairs	View	Favouring	Start Date	End Date / Open	Call Status	Alpha Return
Equities Vs Bonds	Positive	Equities	31-Dec-18	30-Apr-19	Close	5.90%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Dec-18	31-Jan-20	Close	-8.00%
Short Term Vs Long Term	Positive	Short Term	30-Nov-18	31-Dec-21	Close	-6.00%
USD / INR	Positive	USD	30-Nov-18	31-Jan-19	Close	2.20%
USD / INR	Positive	USD	31-Mar-19	30-Apr-19	Close	0.60%
USD / INR	Positive	USD	31-Jul-19	31-Dec-19	Close	3.70%
Gold Vs Cash	Negative	Cash	30-Nov-18	28-Feb-19	Close	-7.60%
Gold Vs Cash	Positive	Gold	31-Mar-19	30-Jun-21	Close	32.00%
Equities Vs Bonds	Positive	Equities	30-Nov-20	30-Apr-21	Close	11.80%
USD / INR	Negative	INR	31-Dec-20	31-Jan-21	Close	0.20%
USD / INR	Positive	USD	28-Feb-21	31-May-21	Close	-1.20%
USD / INR	Negative	INR	31-Aug-21	30-Sep-21	Close	-1.70%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Oct-20	30-Nov-21	Close	26.70%
Equities Vs Bonds	Positive	Equities	31-May-21	30-Nov-21	Close	8.90%
Short Term Vs Long Term	Positive	Short Term	30-Nov-18	31-Dec-21	Close	-5.90%
USD / INR	Positive	USD	31-Oct-21	31-Dec-21	Close	-0.70%
Gold Vs Cash	Positive	Gold	31-Jul-21	31-Jan-22	Close	-2.60%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Dec-21	30-Apr-22	Close	0.90%
Gold Vs Cash	Positive	Gold	28-Feb-22	31-May-22	Close	-1.80%
Short Term Vs Long Term	Positive	Short Term	28-Feb-22	30-Jun-22	Close	2.20%
USD / INR	Positive	USD	31-Jan-22	31-Jul-22	Close	6.20%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Jun-22	31-Jul-22	Close	-2.80%
Equities Vs Bonds	Positive	Equities	31-Dec-21	30-Sep-22	Close	0.80%
USD / INR	Negative	INR	31-Jul-22	30-Sep-22	Close	-2.60%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Jul-22	30-Nov-22	Close	-0.60%
USD / INR	Positive	USD	30-Sep-22	30-Nov-22	Close	0.10%
Gold Vs Cash	Negative	Cash	30-Jun-22	30-Sep-22	Close	6.50%
Equities Vs Bonds	Positive	Equities	31-Oct-22	31-Dec-22	Close	-2.00%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Nov-22	31-Dec-22	Close	-1.80%
USD / INR	Negative	INR	31-Dec-22	31-Jan-23	Close	1.00%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Dec-22	31-Jan-23	Close	1.00%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Jan-23	28-Feb-23	Close	-1.10%
USD / INR	Positive	USD	28-Feb-23	31-Mar-23	Close	-0.60%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Mar-23	30-Apr-23	Close	1.70%
Corp Bonds Vs G-Secs	Positive	Corp Bonds	30-Nov-18	30-Jun-23	Close	7.80%
Short Term Vs Long Term	Positive	Short Term	30-Nov-22	30-Jun-23	Close	-0.97%
Equities Vs Bonds	Positive	Equities	31-Mar-23	30-Jun-23	Close	8.10%
Gold Vs Cash	Positive	Gold	30-Nov-22	31-Jul-23	Close	8.80%
USD / INR	Negative	INR	30-Apr-23	31-Aug-23	Close	-1.20%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Jul-23	31-Jul-23	Close	6.10%
Gold Vs Cash	Negative	Cash	30-Sep-23	31-Oct-23	Close	-6.32%
USD / INR	Positive	USD	30-Sep-23	31-Dec-23	Close	0.20%
Gold Vs Cash	Positive	Gold	31-Dec-23	30-Jun-24	Close	10.14%
USD / INR	Negative	INR	31-Dec-23	30-Sep-24	Close	-0.71%
Gold Vs Cash	Negative	Cash	30-Jun-24	30-Sep-24	Close	-12.32%
Corp Bonds Vs G-Secs	Positive	Corp Bonds	30-Jun-25	31-Aug-25	Open	2.59%
Short Term Vs Long Term	Negative	Long Term	30-Jun-23	31-July-25	Close	-1.16%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Sep-23	30-June-25	Close	-13.85%
Equities Vs Bonds	Positive	Equities	30-Nov-24	31-Aug-25	Open	-2.05%

M-o-m Summary	Equity vs. Bonds	Large vs. Mid	Corp. Bond vs. G-Secs	ST vs. LT	USD vs. INR	Gold vs. Cash
% of Months calls issued	50.6%	83.5%	94.9%	91.1%	59.5%	75.9%
Success Ratio (%)	58.5%	43.9%	57.9%	51.4%	55.3%	56.7%
Avg. positive alpha	4.0%	2.4%	0.6%	0.6%	1.0%	3.8%
Avg. negative alpha	-2.6%	-2.2%	-0.6%	-0.9%	-0.7%	-3.3%
Avg. alpha	1.3%	-0.2%	0.1%	-0.1%	0.2%	0.7%

Source: Bloomberg. Assuming a 6% annualized yield for cash. Note: Returns as of 31st Aug 2025.

GLOBAL ASSET PERFORMANCE SNAPSHOT

	Asset	Current	1m	3m	6m	1y
	Equities					
Global	S&P 500 INDEX	6,460	1.9%	9.3%	8.5%	14.4%
Global	EURO STOXX 50 Price EUR	5,352	0.6%	-0.3%	-2.0%	7.9%
Global	FTSE 100 Index	9,187	0.6%	4.7%	4.3%	9.7%
Global	Nikkei 225	42,718	4.0%	12.5%	15.0%	10.5%
India	NSE Nifty 50 Index	24,427	-1.4%	-1.3%	10.4%	-3.2%
India	NIFTY Midcap 100	55,727	-2.9%	-2.9%	16.3%	-6.0%
India	NIFTY Smallcap 100	17,227	-4.1%	-3.7%	17.2%	-10.8%
India	NSE Nifty 500 Index	22,463	-2.0%	-1.5%	13.0%	-5.4%
	Fixed Income					
Global	US Generic Govt 10 Yr	4.23%	4.37%	4.40%	4.21%	3.90%
Global	German Bunds	2.72%	2.69%	2.50%	2.41%	2.30%
Global	JGB 10Yr Comp Yield	1.61%	1.56%	1.52%	1.38%	0.92%
Global	UK Gilts 10 Yr	4.72%	4.57%	4.65%	4.48%	4.02%
Global	China 10Y	1.79%	1.71%	1.71%	1.78%	2.18%
India	India 10Y	6.57%	6.37%	6.29%	6.73%	6.86%
India	FBIL FBTB12M	5.59%	5.56%	5.60%	6.53%	6.72%
India	India 10Y AAA	7.39%	7.19%	7.03%	7.31%	7.45%
India	India 1Y AAA	6.60%	6.42%	6.63%	7.74%	7.76%

Asset	Current	1m	3m	6m	1y
Commodities					
TR Commodity CRB Index	302.4	0.9%	4.1%	0.2%	9.1%
Indian Crude Oil Basket	69.9	-6.5%	9.6%	-8.7%	-11.2%
Brent	68.1	-6.1%	6.6%	-6.9%	-13.6%
Gold	3,448.0	4.8%	4.8%	20.6%	37.7%
Aluminium	2,617.6	2.1%	7.4%	-0.1%	7.5%
Copper	451.9	3.8%	-3.4%	0.1%	9.0%
Corn	398.0	1.0%	-10.4%	-12.2%	5.3%
Soyabean	1,054.5	6.6%	2.7%	2.4%	0.7%
Currencies					
Dollar Index	97.77	-2.2%	-1.6%	-9.1%	-3.9%
EUR/USD	1.17	2.4%	3.0%	12.6%	5.8%
USD/JPY	147.05	-2.5%	2.1%	-2.4%	0.6%
GBP/USD	1.35	2.2%	0.3%	7.4%	2.9%
USD/CHF	0.80	-1.5%	-2.7%	-11.4%	-5.8%
USD/CNY	7.13	-1.0%	-0.9%	-2.0%	0.6%
USD/HKD	7.80	-0.7%	-0.6%	0.2%	0.0%
USD/INR	88.21	0.7%	3.1%	0.8%	5.2%
USD/CAD	1.37	-0.8%	0.0%	-5.0%	1.8%

Source: Bloomberg Equity/Fixed Income Returns/Yields in local currencies. Commodities in USD. Numbers for Fixed Income are Yields as of Aug 31, 2025.

Glossary:

US: United States, GDP: Gross Domestic Product, EU: European Union, SD: Standard Deviation, CAGR: Compounded Annual Growth Rate, RBI: Reserve Bank of India, G-Sec: Government Securities, bps: Basis Points, REER: Real effective exchange rate, PE: Price to Earnings Ratio, UK: United Kingdom, AI: Artificial Intelligence, ETFs: Exchange Traded Funds, GST: Goods and Services Tax, IT: Information Technology, FMCG: Fast moving consumer goods, EPS: Earnings Per Share, RBI: Reserve Bank of India, CASA: Current Account and Savings Account, CD Ratio: Credit Deposit Ratio, INR: Indian Rupee; PMI: Purchasing Managers' Index; FY: Fiscal Year; CRR: Cash Reserve Ratio; YTD: Year to date

LGT Wealth India Private Limited

Registered Office: 7th Floor, A Block, Shiv Sagar Estate, Worli, Mumbai -400018. Tel No: +91 22 62396028 | E-Mail: info@lgtindia.in

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