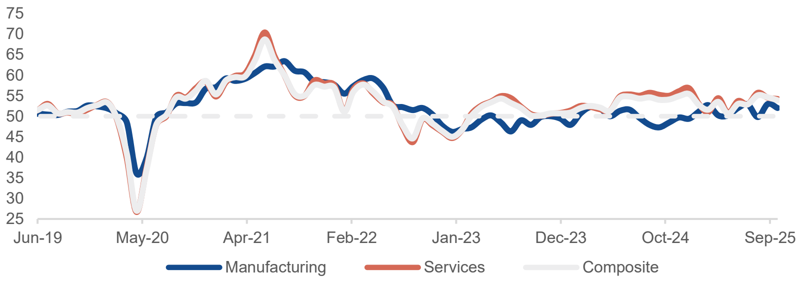
LGT Wealth India

MONTHLY INVESTMENT PERSPECTIVES
October-25

GLOBAL MACRO: RECALIBRATING THE MACRO LANDSCAPE

The global economic landscape is currently undergoing a period of recalibration, shaped by a mix of easing monetary policies, evolving trade strategies, targeted fiscal interventions, and shifting geopolitical dynamics. While policy uncertainty has moderated since its peak in April, it remains present due to ongoing trade negotiations and legal disputes. Policymakers are now navigating a delicate balance—supporting consistent economic growth while managing persistent inflationary pressures and residual uncertainties. This strategic adjustment aims to strengthen economic resilience and promote sustainable development in the face of ongoing global challenges. Economic momentum in the first half of 2025 has provided a boost to global growth figures, though a slowdown is anticipated in the second half. Meanwhile, inflation trends may diverge between emerging markets (EM) and developed markets (DM).

US PMI

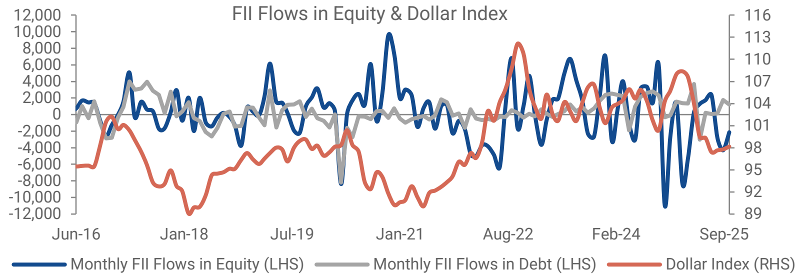


Source: Bloomberg (as of 06 Oct, 25)

GLOBAL EQUITIES: SELECTIVE RISK TAKING AMID MACRO DISPERSION

Global equity markets have maintained their strong upward trajectory into early October 2025, driven by optimism surrounding artificial intelligence, favorable international trade developments, and early indications of monetary easing in the U.S. While there are signs of a slowdown in economic growth, U.S. corporate earnings have surpassed expectations, bolstering investor sentiment. Valuations in several regions are approaching elevated levels, and sector leadership is becoming increasingly selective. Japan's stock market has hit record highs following the election of a prime minister who supports expansionary fiscal and monetary policies. The resulting depreciation of the yen has benefited Japanese exporters, further propelling market gains. European and UK equities have also performed well, with the UK market delivering a ~15% year-to-date return and MSCI Europe index rising ~27% in 2025.

FII Flows in Equity & Dollar Index

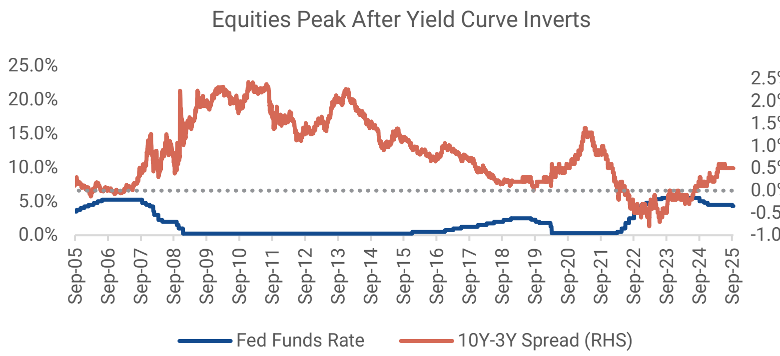


Source: Bloomberg (06 Oct 25)

GLOBAL FIXED INCOME: DIVERGING MONETARY POLICIES

The current global fixed income landscape is characterized by stabilization and cautious optimism as central banks increasingly adopt accommodative monetary policies amid improving risk sentiment. The US economy is on a trajectory toward a soft landing with moderating growth and inflationary pressures; the Federal Reserve raised rates by 25 basis points in mid-September but signaled possible cuts before year-end, leading to a steepening of the US Treasury yield curve as 10-year yields remain near 4.16%. In contrast, short-term yields have declined reflecting eased near-term rate expectations. In North America, the Bank of Canada has already initiated cuts to support growth, while the European Central Bank and Bank of England maintain a more cautious stance, holding rates steady to balance inflation control with economic development, resulting in relatively stable or slightly flattened yield curves in those regions. This environment underscores divergent monetary policy actions and nuanced yield curve signals across major economies as markets navigate evolving economic data and geopolitical risks.

Yield Curve Inversion

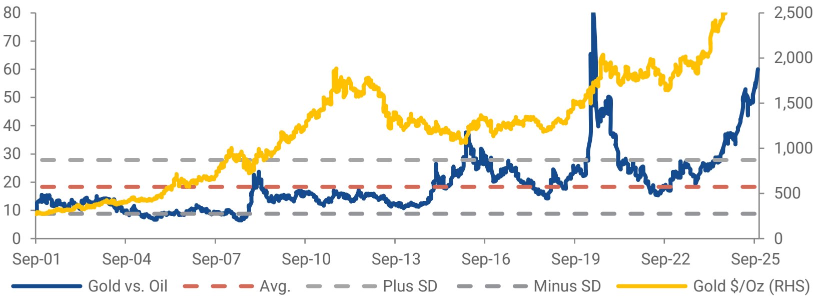


Source: Bloomberg 06 Oct, 2025

GLOBAL COMMODITIES: STRUCTURAL PERSPECTIVE ON TACTICAL DRIVERS

Gold prices started the year 2025 with impressive momentum and stand out as a core allocation driven by a combination of structural and tactical factors. Gold prices have appreciated ~50% year to date, briefly trading around $3950 per ounce, propelled by increased safe-haven demand, ongoing central bank purchases, and the de-dollarization trend. Gold demand in 2025 features strong physical investment, ETF inflows, and sustained central bank buying, all amid a tight supply environment. Central banks worldwide are on track to purchase over 1,000 tonnes of gold in 2025, primarily driven by diversification away from the dollar and the safeguarding of reserves against geopolitical and economic shocks. Gold's recent price rally is also driven by expectations of prolonged low interest rates and a dovish stance from central banks, along with rising concerns over U.S. government shutdown risks and a subdued dollar. While the long-term direction of gold depends on various macroeconomic factors such as real interest rates, global liquidity, and fiscal policy, the current environment indicates that gold remains a relevant part of portfolios for diversification and risk management.

Global Gold vs Oil Ratio

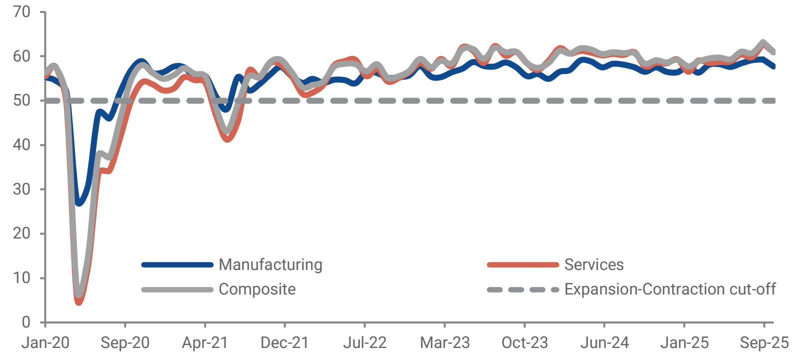


Source: Bloomberg (as of 06 Oct, 2025)

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

India's economy shows consistent and strong growth, supported by solid domestic demand and favorable monetary and fiscal policies. In the first quarter of FY 2025-26, GDP growth reached 7.8%, up from 6.5% the previous year, illustrating resilience across sectors like services, manufacturing, agriculture, and construction. Inflation remains controlled, with expectations of further decline, aided by steady food prices and tax reforms. The Reserve Bank of India kept the policy repo rate steady at 5.50%, maintaining a neutral stance to support growth while keeping inflation in check. Economic activity is further encouraged by stable investment inflows, healthy rural consumption, and ongoing reforms to boost investment and financial stability. Looking ahead, recent high-frequency indicators for August reveal mixed signals, with some moderation in demand indicators. Tariff fluctuations may slow growth temporarily, but GST rationalization is likely to support consumption. Overall, India remains one of the world's fastest-growing major economies, with a positive outlook driven by domestic demand, reforms, and prudent monetary policy, positioning it as a preferred destination for investment and economic growth in the medium term.

Manufacturing PMI recorded ease in momentum



Source: Bloomberg (as of 06 Oct, 2025)

INDIA EQUITIES: SECTOR UPDATE AND GST REFORMS

Indian equities, represented by the Nifty 50 Index, have fallen around 4% since their peak in September 2024 and about 0.5% over the past year. The markets faced ongoing pressure and notable volatility, largely due to significant FII selling, geopolitical challenges, and a weak INR, which caused underperformance compared to major global markets since September 2024. Nonetheless, signs of recovery and resilience are emerging compared to last year. The earnings cycle is approaching a bottom, with quarterly profit growth expected to reach approximately 8-10% YoY in the third and fourth quarters of FY26. Recent earnings downgrades have been minor, supporting stable valuations. The Nifty trades at about 20 times expected next year's earnings, offering potential for expansion if earnings growth accelerates. Domestic reforms and government initiatives are likely to boost corporate profits, while resolving trade tariff issues could add external momentum. The environment benefits from improving earnings, low interest rates, abundant liquidity, and ongoing macroeconomic recovery, all favorable for market gains. Domestic investor confidence remains stable despite foreign institutional investor outflows. After underperforming last year, the market is poised to attract foreign investors again, which could enhance gains. Limited downside to earnings amid a positive macro-outlook supports an "Overweight" position in equities compared to bonds. A cautious, balanced investment strategy with a focus on large-cap and mid-cap stocks is recommended to meet asset goals and benefit from expected market recovery and growth.

Corporate India's Earnings Q2-FY26

	EARNINGS GROWTH			FY26E PE			
Index Name	FY25	FY26E	FY27E				
NIFTY 50	13.5%	0.7%	16.5%	19.63	18.30	18.42	17.75
NIFTY 100	18.4%	-0.4%	16.2%	19.95	19.03	19.19	18.59
NIFTY 200	16.4%	1.7%	17.7%	20.80	19.71	19.78	19.03
NIFTY 500	15.4%	2.1%	18.5%	21.26	19.89	19.81	19.10

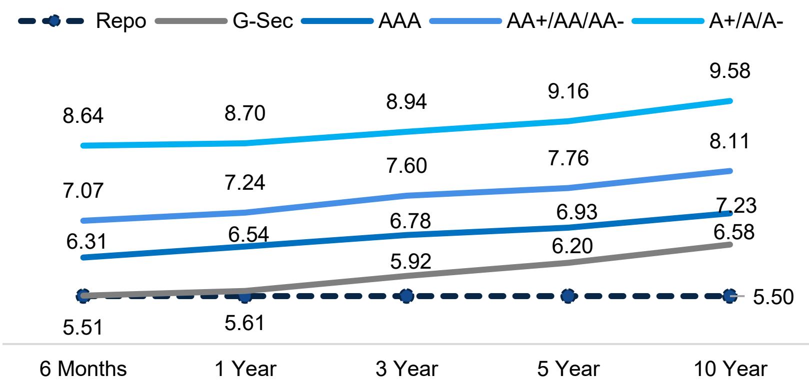
Source: Bloomberg 06 Oct,2025

INDIA FIXED INCOME: 2025 – REMAINING YEAR DURATION WITH DISCIPLINE

The Indian fixed-income market currently exhibits stability, underpinned by consistent policy and strengthening credit fundamentals. The Reserve Bank of India has held the repo rate steady at 5.50%, signaling a neutral stance while keeping open the possibility of easing later in the year to assess the impact of previous rate cuts. Government bond issuance for the latter half of the fiscal year is expected to decline compared to the same period last year, thereby relieving supply pressures. The 10-year government bond has softened slightly to around 6.5%, supported by controlled inflation and balanced demand and supply conditions. The credit markets remain robust, characterized by ample liquidity and selective investor appetite despite global uncertainties. A recent upgrade of India's sovereign rating by Japan's Rating and Investment Information agency has bolstered market confidence. The spread between the 10-year and 1-year G-secs has widened to about 90 basis points, up from 14 basis points at the end of FY25. Going forward, we anticipate future rate cuts will be data-driven and hence we expect the 10-year G-sec yield to trade within a range of 6.35% to 6.50% in the near term, with the potential to drift towards 6.20% over the medium term. An overweight stance is advised on medium- to long-term of the yield curve for enhanced carry and potential duration benefits. Additionally, we maintain a neutral view on Government Securities (G-Secs) relative to Corporate Bonds, given the relatively wider term premium and elevated real rates.

Debt Market Snapshot

Yield Levels as of September 30, 2029

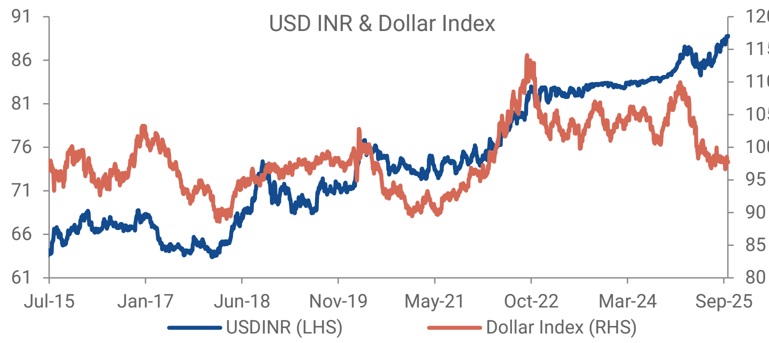


Source: Bloomberg

CURRENCY: RANGEBOUND, NOT DIRECTIONLESS

The forecast for the USD/INR exchange rate in early October 2025 indicates a trading range of roughly 88.5 to 89.5. The Indian Rupee has faced downward pressure this year due to factors such as capital outflows, ongoing trade tensions between the US and India, and the global monetary policy environment. The Reserve Bank of India's cautious approach, keeping a neutral policy stance with potential for rate cuts later in the year, provides moderate support for the Rupee. However, uncertainties stemming from US Federal Reserve actions, geopolitical developments, and tariff disputes are expected to keep volatility high. In a less favorable scenario, the Rupee might weaken toward the 90 marks by year-end if these pressures persist. Conversely, easing trade issues or increasing foreign investment could help the currency stabilize or strengthen. Overall, the outlook suggests the Rupee will experience structural challenges and fluctuating investor sentiment, resulting in a stable but cautious trading range in the near term.

INR vs USD



Source: Bloomberg (as of 06 Oct, 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	30-Sep-25	Open	4.44%
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	30-Sep-25	Open	0.40%

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	1.2%	-0.2%	0.1%	-0.1%	0.2%	0.7%

Source: Bloomberg. Assuming a 6% annualized yield for cash. Note: Returns as of 30th Sep 2025.

GLOBAL ASSET PERFORMANCE SNAPSHOT

	Asset	Current	1m	3m	6m	1y		Current	1m	3m	6m	1y
			Equities						Commodities			
Global	S&P 500 INDEX	6,688	3.5%	7.8%	19.2%	16.1%	TR Commodity CRB Index	300.6	-0.6%	1.1%	-2.8%	5.5%
Global	EURO STOXX 50 Price EUR	5,530	3.3%	4.3%	5.4%	10.6%	Indian Crude Oil Basket	69.0	-1.3%	0.3%	-8.6%	-5.7%
Global	FTSE 100 Index	9,350	1.8%	6.7%	8.9%	13.5%	Brent	67.0	-1.6%	-0.9%	-10.3%	-6.6%
Global	Nikkei 225	44,933	5.2%	11.0%	26.2%	18.5%	Gold	3,859.0	11.9%	16.8%	23.5%	46.5%
India	NSE Nifty 50 Index	24,611	0.8%	-3.6%	4.6%	-4.6%	Aluminium	2,682.8	2.5%	3.3%	6.6%	2.4%
India	NIFTY Midcap 100	56,529	1.4%	-5.4%	9.4%	-6.0%	Copper	485.7	7.5%	-3.4%	-3.5%	6.7%
India	NIFTY Smallcap 100	17,563	1.9%	-7.9%	9.1%	-8.4%	Corn	415.5	4.4%	-1.2%	-9.1%	-2.2%
India	NSE Nifty 500 Index	22,734	1.2%	-3.7%	6.5%	-6.2%	Soyabean	1,001.8	-5.0%	-2.5%	-1.7%	-8.5%
			Fixed Income						Currencies			
Global	US Generic Govt 10 Yr	4.15%	4.23%	4.23%	4.21%	3.78%	Dollar Index	97.78	0.0%	0.9%	-6.2%	-3.0%
Global	German Bunds	2.71%	2.72%	2.61%	2.74%	2.12%	EUR/USD	1.17	0.4%	-0.4%	8.5%	5.4%
Global	JGB 10Yr Comp Yield	1.66%	1.61%	1.46%	1.50%	0.89%	USD/JPY	147.90	0.6%	2.7%	-1.4%	3.0%
Global	UK Gilts 10 Yr	4.70%	4.72%	4.49%	4.68%	4.00%	GBP/USD	1.34	-0.4%	-2.1%	4.1%	0.5%
Global	China 10Y	1.87%	1.79%	1.65%	1.82%	2.21%	USD/CHF	0.80	-0.5%	0.4%	-9.9%	-5.8%
India	India 10Y	6.58%	6.57%	6.32%	6.58%	6.75%	USD/CNY	7.12	-0.1%	-0.6%	-1.9%	1.5%
India	FBIL FBTB12M	5.56%	5.59%	5.52%	6.44%	6.55%	USD/HKD	7.78	-0.2%	-0.9%	0.0%	0.1%
India	India 10Y AAA	7.29%	7.39%	7.11%	7.20%	7.31%	USD/INR	88.79	0.7%	3.5%	3.9%	6.0%
India	India 1Y AAA	6.65%	6.60%	6.70%	7.41%	7.69%	USD/CAD	1.39	1.3%	2.3%	-3.2%	2.9%

Source: Bloomberg Equity/Fixed Income Returns/Yields in local currencies. Commodities in USD. Numbers for Fixed Income are Yields as of Sep 30, 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

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