

September 2025

FUND MANAGERS COMMUNICATION



Global Market:

September saw solid returns across most major asset classes, with the MSCI All-Country World Index up 3.5% over the month, In US equity markets S&P 500 rose by 3.5%. In the U.S., the Federal Reserve reduced the federal funds rate by 25 basis points to a range of 4.00%-4.25% in its September meeting, aimed at supporting economic growth amid moderating inflation and a cooling labor market. Meanwhile, Japan's GDP grew 2.2% annualized (0.5% quarter-on-quarter) in Q2 2025, revised up from earlier estimates.

U.S. Fed: The FOMC cut rates by 25 bps to 4.00–4.25%, as widely expected.

Gold: Gold remains in an uptrend, macro environment remains supportive for bullion driven by weak jobs data, US dollar weakness, central banks buying, a softening monetary policy backdrop and geopolitical and economic uncertainty. Risks to gold prices include higher inflation and rising interest rates.

Silver's market structure reflects a unique balance between industrial utility and monetary appeal. Industrial applications dominate demand, with 2024 usage at about 680 mn ounces; solar photovoltaics alone absorbed nearly a fifth, while EVs, semiconductors, and defence steadily expanded their share. Silver also retains its status as a financial asset, with bars, coins, and ETFs shaping short-term availability. This dual role-industrial necessity and investment hedge-sets silver apart from other metals and magnifies its sensitivity to both global growth and macro stress.

IMF World Economic Outlook:

Global GDP Growth: The IMF projects the world economy to grow at 3.0% in 2025 and 3.1% in 2026, reflecting an upward revision from earlier forecasts. This adjustment is attributed to factors such as front-loading ahead of tariffs, lower effective tariff rates, improved financial conditions, and fiscal expansion in some major jurisdictions.

India's GDP Growth: The IMF has revised India's GDP growth forecast to 6.4% for both 2025 and 2026, up from the previous estimate of 6.2% for 2025 and 6.3% for 2026. This upward revision reflects a more favorable global economic environment than anticipated in earlier forecasts.



Domestic Market:

Indian Equity market has seen high volatility in September 2025. The recovery and gains in the Indian market during the first 20 days were eroded in the last 10 days, with markets ending nearly flat, up approximately 1%. Sentiments weakened following the announcement of a hike in H1B visa fees and a potential 100% tariff imposed by the U.S. on patented and branded drugs, which is currently under review.

GST Collection: GST receipts for August stood at ₹1.89 lakh crore, marking a 9.1% year on year growth.

RBI Policy August 2025: RBI kept policy repo rate at 5.5% (unchanged). Revised GDP growth projections at 6.8%. Forex reserves stand at \$700.2 billion as on 26th September 2025.

India's Q1 FY26 GDP grew by 7.8%, surpassing expectations and driven by robust public and private consumption. Indicators suggest that rural expenditure continues to support private consumption, while investments remain strong, bolstered by public capital expenditure and active real estate activity. The Reserve Bank of India (RBI) has revised its FY26 GDP growth forecast upward to 6.8%, citing factors such as a favorable monsoon, easing financial conditions, GST rationalization, and lower commodity prices, particularly crude oil.

CPI Inflation: Headline CPI inflation edged up to 2.1% in August 2025, compared with 1.6% in July. With the current inflation continuing below the RBI's comfort zone and the Central bank's own forecast has opened the space for rate cuts - as the inflation likely to hover around 3% over the next few months. Annual inflation is likely to undershoot the RBI's estimates, as GST rationalization is expected to reduce prices of essential goods and services. Alongside the CRR rate cuts becoming effective, the MPC will continue its tilt towards growth; albeit a sustainable rise in food prices can be a concern.

Core Sector: In August 2025, core sector output grew 6.3% y-o-y a 13-month high. In Aug'25, steel and cement production continued to expand at very high rates supported by strong base and high public capex spends. Going forward, we expect high capex spending, GST rate rationalization, and favourable weather to support to India's industrial growth while headwinds continue to emerge from US tariff policies.

PMI: India's HSBC Manufacturing PMI, compiled by S&P Global, eased to 57.7 from August's 17-year high of 59.3, indicating continued expansion in the manufacturing sector but at a slower pace. The moderation was driven by softer growth in new orders and output, while input costs and factory gate prices rose, reflecting heightened inflationary pressures.

IIP: India's industrial output, as measured by the Index of Industrial Production (IIP), recorded a 4.0% year-on-year growth in August 2025, slightly down from the 4.3% growth observed in July 2025. This moderation was primarily due to a slowdown in the manufacturing sector, which grew by 3.8% in August compared to 6.0% in July. However, the mining sector showed a robust recovery, expanding by 6.0% in August after contracting by 7.2% in July. Electricity generation also improved, increasing by 4.1% in August, up from 3.7% in the previous month. For the April-August period of FY26, industrial output grew by 2.8%, a deceleration from the 4.3% growth recorded in the same period last year.

The automobile industry in September witnessed significant activity, marked by sudden fluctuations in demand, alongside efforts to reduce existing inventory and build new inventory aligned with the revised GST rates. Following the GST cut, automobile dealers have grown optimistic about strong growth during the festive period. Demand and enquiries have increased across vehicle categories-from small cars to large SUVs, and commuter bikes to higher-CC two-wheelers. The new GST rates, implemented from 22nd September, impacted overall dispatches due to transitional rate adjustments and logistical challenges in ramping up wholesale deliveries. However, retail witnessed a strong turnaround from the first day of Navratri, with deliveries rising substantially. Lower interest rates, a 40-50% increase in dealer funding limits, and reduced vehicle prices have collectively helped revive automotive demand across the country.

Funds Flow: FII flows were negative in the month of September 2025 at Rs.35,301 crores, DII flows remained healthy with positive inflows of Rs.65,343 crores during the month.

Equity Market Outlook:

Higher valuations & slower earnings growth and unsettled external environment has been major reason for foreign funds outflow in last one year, however post correction and consolidation valuation are now reasonable. India has strengthened its domestic foundations with significant policy measures. Bilateral trade arrangements going on with multiple countries, that could help to reduce the impact of the US tariff. CRR and Repo cut announced in 2025 and a significant reduction of GST rates will provide a boost to consumption. Alongside, the government revised personal income tax rules, effectively enhancing disposable incomes and improving liquidity for households and small investors. Such reforms, combined with ongoing infrastructure expansion and sector-specific policies like the National Policy on Geothermal Energy, demonstrate the government's commitment to sustaining growth momentum.

These supportive measures are well-timed to counterbalance the global headwinds of tariffs, protectionism, and migration curbs. They not only safeguard India's near-term growth trajectory but also reinforce the country's attractiveness as a long-term investment destination.

US Fed rate cut and few more cuts expected in coming quarters would be supportive for Emerging market funds flows and India may also emerge beneficiary in coming quarters. This would be supportive for risk on sentiments and Equity markets.

Recovery in profitability of corporate India is expected from H2FY26 and gain momentum in the coming quarters. Any dip or corrections would provide good opportunity for Lum-sum as well as top up on existing investments. We remain constructive on India economy and Indian equities for long term.



Regards,
Mayur Shah
(Fund Manager-Anand Rathi Advisors Ltd.)

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