

India Market Pulse | September 15, 2025

GST cuts and rate easing could spark a new consumption cycle, turning caution into opportunity

Macro & Policy

- **Inflation:** August CPI rose to **2.07%** (vs. 1.55% in July) — largely a base-effect bump. Food remains the anchor with softening momentum; core inflation stable once adjusted for gold price spikes.
- **Policy Outlook:** RBI expected to cut rates by **25 bps in October**; scope for further easing given benign inflation and weakening growth.
- **GST Rationalisation:** Recent tax cuts could trim CPI by **80–100 bps annually**, lowering core inflation and boosting discretionary demand.

India Outlook

- **Growth:** Q1FY26 real GDP at **7.8%**, nominal at **8.8%**. Growth led by government spending and pre-tariff exports. Corporate capex cycle shows early signs of revival.
- **External Risks:** US tariffs (50% effective from Aug 27) weigh on textiles, gems, and marine exports. Electronics, pharma, and services remain unaffected.
- **Domestic Buffers:** High forex reserves, resilient SIP flows, low inflation, and government fiscal support position India to weather global headwinds.

Global Markets

- **Fed Watch:** FOMC meets Sept 16–17; market pricing in **100 bps cuts by Mar'26**.
- **Bond Volatility:** Structural fiscal pressures and geopolitical spending keep long-term yields elevated despite softer growth.
- **Risks:** Trump's tariff unpredictability, policy-driven fiscal dominance, and sticky wage inflation in developed markets.

Indian Markets

- **Equities:** Gaining for the second week, buoyed by GST cuts and domestic inflows. Valuations elevated but in line with 5-year EM premium.
- **Bonds:** Set for rebound with inflation softening and RBI easing on the horizon.
- **Currency:** INR slipped past 88/USD but overdone; reversal likely as FPI outflows moderate and trade balance stabilises.
- **Beneficiaries of GST Cuts:** Autos, consumer durables, hotels, apparel, and health insurance. Lower rates on essentials to aid retail consumption and reduce inflation.

Bottomline: India enters H2FY26 with low inflation, supportive policy, and consumption tailwinds from GST cuts. Global headwinds persist, but domestic buffers keep India relatively better placed than peers.

RNM Universe & Markets

RNM Universe lagged NIFTY in August but rebounded on positive macros and easing tariff concerns.

	April Returns	May Returns	June Returns	July Returns	August Returns	September Returns (as on SEP 15)	YTD Returns
RNM CAPITAL TRUST UNIVERSE	8.6%	7.3%	2.3%	0.9%	-4.0%	4.1%	20.1%
NIFTY	3.5%	1.7%	3.1%	-2.9%	-1.4%	2.6%	6.6%
NIFTY TRAILING P/E	21.21	21.94	23.01	22.33	22.03	22.61	22.61
NIFTY FORWARD P/E	19.28	19.95	20.92	20.30	20.02	20.55	20.55