

India Market Pulse | October 31, 2025

Market Overview

The Indian stock markets welcomed the new Samvat year on an encouraging note with **Nifty 50 gaining 4.5% in October**, supported by robust Q2 earnings and global rate cut optimism. Global markets took comfort from the **US Federal Reserve's second consecutive rate cut**, which lowered policy rates to the **3.75–4.00% range**, signalling a soft landing scenario. The move has revived flows into emerging markets, with India standing out for its growth resilience and policy stability.

Valuations & Flows: Premium Moderating

Nifty's **trailing P/E of 23.1x** still commands a premium to **MSCI EM (16.4x)** and **China (15.6x)**, but the gap has narrowed. Strong **RoE of 15%** (vs. China's 10%) supports this valuation.

FII holdings have declined—from **28% to 25%** in Nifty 50 since 2020—but **mid-cap ownership is stabilising**, signaling an early bottoming trend.

Global Macro: Fed Turns Dovish but Cautious

The US Federal Reserve delivered another **25 bps rate cut**, bringing policy rates to **3.75–4.0%**, and announced it will **freeze balance sheet runoff by December 1**, effectively ending Quantitative Tightening (QT). While this typically implies softer yields, the **US Treasury curve shifted higher** as Chair Powell signaled that another rate cut in December is *not* assured. Diverging FOMC views on inflation and employment have added uncertainty, briefly denting equities and lifting the dollar. Encouragingly, Powell noted that **core PCE inflation is near 2.8%**, and excluding tariff impacts, closer to **2.3–2.4%**, suggesting that price pressures are largely under control. The Fed also appears comfortable with a **stable labour market**, supported by steady jobless claims.

Domestic Macro: Festive Consumption Revival

India's festive season saw **record consumer activity**:

- **Two-wheeler sales** surged **21.5% YoY**, signaling a rural rebound.
- **Retail trade** touched an all-time high of **₹6 trillion**, up from ₹4.25 trillion in 2024.
- **UPI payments** averaged **737 million/day**, up **30% YoY**; credit card usage rose **22%** online.

- **Insurance transactions** jumped **35% YoY**, aided by GST cuts.

Government **capex utilization** reached **52% of the annual target** by H1FY26, while consumption-linked GST rationalisation should further support growth momentum.

Earnings Pulse: Early Signs of an Upcycle

The ongoing **Q2 FY26 earnings season** has reinforced India’s steady growth story.

- **Banks** delivered resilient performance with stable margins and controlled credit costs.
- **Auto and capital goods** companies reported strong demand momentum, aided by rural recovery and government capex.
- **Consumer staples** faced mixed trends — urban demand stayed firm, while rural recovery remains gradual.
- **IT services** saw modest sequential improvement, with management commentary turning incrementally positive on FY26 growth.

Q2FY26 earnings across the **RNM Universe** underscored **broad-based strength**—with several companies reporting **record revenues and profits**. Key drivers included domestic consumption recovery, export tailwinds, and cost discipline. We expect **robust profit growth** to mark the start of an **earnings upcycle**, extending into FY27 as consumption and industrial recovery broaden.

RNM Universe vs Nifty 50 — Tracking Relative Performance

