

## Mutual Fund Median Returns – Category-wise Performance

| Category                      | Median of Simple Annualised % as on 30th September 2025 |         |         |          |          |        | Median of CAGR % as on 30th September 2025 |        |        |
|-------------------------------|---|---------|---------|----------|----------|--------|--|--------|--------|
|                               | 14 Day  | 1 Month | 2 Month | 3 Months | 6 Months | 1 Year | 2 Year                                     | 3 Year | 5 Year |
| Overnight funds               | 5.37  | 5.29    | 5.30    | 5.28     | 5.46     | 6.02   | 6.35                                       | 6.36   | 5.19   |
| Liquid funds                  | 5.87  | 5.66    | 5.60    | 5.65     | 6.19     | 6.78   | 7.05                                       | 6.96   | 5.60   |
| Money Market funds            | 6.74  | 5.76    | 5.56    | 5.93     | 7.33     | 7.61   | 7.46                                       | 7.24   | 5.89   |
| Ultra Short Duration funds    | 6.51  | 5.59    | 5.37    | 5.70     | 6.75     | 7.08   | 7.05                                       | 6.90   | 5.55   |
| Low Duration funds            | 7.19  | 6.01    | 5.27    | 5.69     | 7.29     | 7.48   | 7.34                                       | 7.14   | 5.73   |
| Floater funds                 | 7.66  | 6.87    | 4.09    | 4.80     | 7.50     | 7.74   | 7.91                                       | 7.76   | 6.42   |
| Short Duration funds          | 7.18  | 6.87    | 3.60    | 4.65     | 7.47     | 7.63   | 7.78                                       | 7.34   | 5.78   |
| Medium Duration funds         | 6.31  | 8.43    | 3.13    | 4.24     | 7.20     | 7.79   | 8.05                                       | 7.72   | 6.45   |
| Medium to Long Duration funds | 3.79  | 10.26   | -1.63   | 0.66     | 3.84     | 5.43   | 7.21                                       | 7.01   | 5.24   |
| Long Duration funds           | 7.98  | 18.57   | -5.45   | -1.46    | -0.75    | 2.54   | 7.72                                       | 7.79   | 5.44   |
| Dynamic bond funds            | 6.07  | 10.79   | -0.65   | 1.01     | 4.35     | 5.31   | 7.45                                       | 7.04   | 5.74   |
| Corporate bond funds          | 7.08  | 7.48    | 2.69    | 4.12     | 7.65     | 7.79   | 7.95                                       | 7.55   | 6.00   |
| Credit Risk funds             | 7.01  | 8.43    | 5.57    | 6.39     | 8.42     | 8.58   | 8.30                                       | 7.98   | 8.00   |
| Banking & PSU funds           | 8.34  | 7.08    | 3.07    | 4.06     | 7.13     | 7.50   | 7.70                                       | 7.37   | 5.91   |
| Gilt funds                    | 3.77  | 15.40   | -3.54   | -1.03    | 1.79     | 4.36   | 7.41                                       | 7.04   | 5.30   |
| Arbitrage funds               | 5.18  | 3.94    | 4.62    | 4.91     | 5.61     | 6.43   | 6.82                                       | 6.82   | 5.50   |
| Debt Plus Arbitrage FOFs      | 6.56  | 6.37    | 3.70    | 4.57     | 6.48     | 5.85   | 8.39                                       | 7.83   | 6.59   |

- In September 2025, **Money Market Funds and Low Duration Funds** remained standout performers in the sub-1-year debt segment, delivering strong **3-month annualised returns** of 5.93% and 5.69%, respectively. Though **returns moderated slightly** from earlier highs, they were supported by **resilient short-term rates and prudent fund management amid volatile liquidity conditions**. These categories continued to attract investors seeking stable, risk-adjusted returns with high liquidity, effectively avoiding the mark-to-market swings faced by longer-duration strategies.
- Among short- to medium-term options, **Corporate Bond Funds** again outperformed, posting 6-month annualised returns of 7.65%. The segment's strength was underpinned by tight credit spreads, sustained institutional demand, and steady flows into high-grade issuers, preserving its appeal for **investors seeking steady carry with minimal credit risk during a period of rate uncertainty**.
- **For longer-term allocations, Debt Plus Arbitrage Fund of Funds (FoFs)** maintained their consistent edge, registering 2-year and 3-year CAGR returns of 8.39% and 7.83%, respectively. These products benefitted from a blend of steady arbitrage gains and stable accrual from debt holdings, offering tax efficiency, limited rate sensitivity, and predictable returns—making them a preferred choice for conservative **investors focused on capital preservation over multi-year horizons**.

**September 2025 saw continued volatility in the debt market**, following August. **Government bond yields remained elevated** within the 6.5% to 6.6% range, with a slight upward bias towards the end of the month as market participants priced in monetary policy uncertainty and RBI's steady policy stance. The short-end rates stayed supported by fluctuating liquidity conditions, marked by RBI's liquidity management through VRRR auctions and phased CRR cuts, which kept money market segments moderately buoyant.

**Corporate bond yields remained relatively stable**, with continued demand for high-quality credit, particularly in the 3- to 5-year segment. The segment benefited from spread stability and strong accrual potential, making corporate bond funds the top performers in the short- to medium-term horizon with notable 6-month returns. **Credit risk funds also posted strong performance, reflecting investor confidence in credit quality amidst market volatility**.

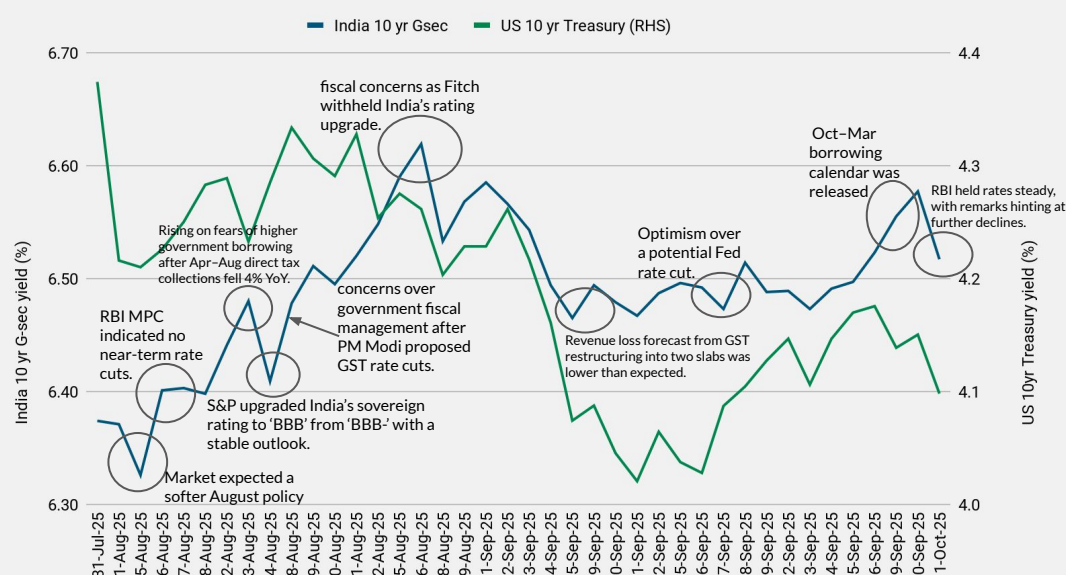
**Overall, September 2025 reflected a market in transition**—balancing between domestic growth optimism and external headwinds. The focus now shifts to upcoming monetary policy reviews, global trade developments, and economic data releases, which will shape the near-term trajectory. Market participants remain cautiously optimistic, prioritizing quality assets amid low volatility and seeking clarity on policy direction before committing larger positions.

# Monthly Debt Market Snapshot – September 2025

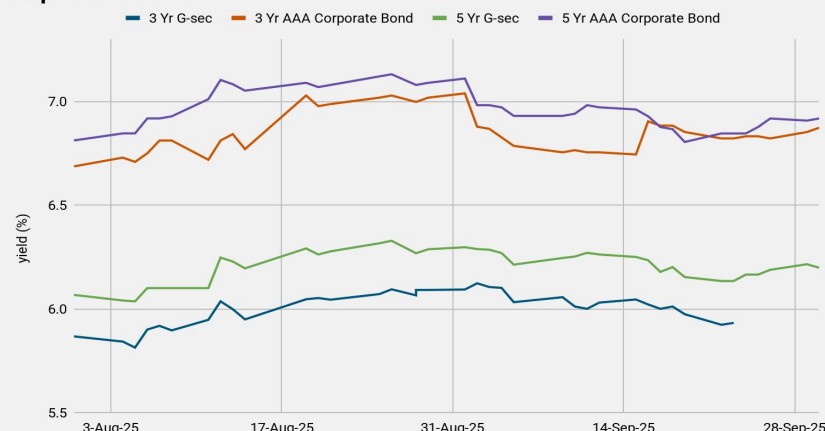
| Key indicators    | 29-Aug-25 | 30-Sep-25 | change   |
|-------------------|-----------|-----------|----------|
| 5 Yr GOI Bond     | 6.29%     | 6.20%     | ▼ 9 bps  |
| 10 Yr GOI Bond    | 6.57%     | 6.58%     | ▲ 1 bps  |
| 10 Yr US Treasury | 4.23%     | 4.15%     | ▼ 8 bps  |
| Call Rate         | 5.50%     | 5.69%     | ▲ 19 bps |
| T-Repo            | 5.33%     | 5.47%     | ▲ 14 bps |
| 91 Day T-Bill     | 5.48%     | 5.40%     | ▼ 8 bps  |
| 3 M CD            | 5.79%     | 5.83%     | ▲ 4 bps  |
| 3 M CP            | 6.35%     | 6.57%     | ▲ 22 bps |
| USD/INR           | 87.85     | 88.79     | ▲ 0.94   |

- During September 2025, the 10-year Government of India bond yield remained largely steady. Despite temporary spikes due to fiscal concerns—such as Fitch withholding India's rating upgrade and fears of higher government borrowing following muted tax collections—the yield was generally anchored by stable domestic macroeconomic factors and market expectations around policy.
- The Reserve Bank of India's decision to maintain the policy rate at 5.50% on 1st October, combined with signals that subdued inflation opened up space to support growth, bolstered investor confidence. Additionally, the government's announcement of a lower-than-expected borrowing calendar for October to March eased concerns about excess supply in the bond market.

## Key Events Influencing India 10-yr Government Bond Yields - September 2025



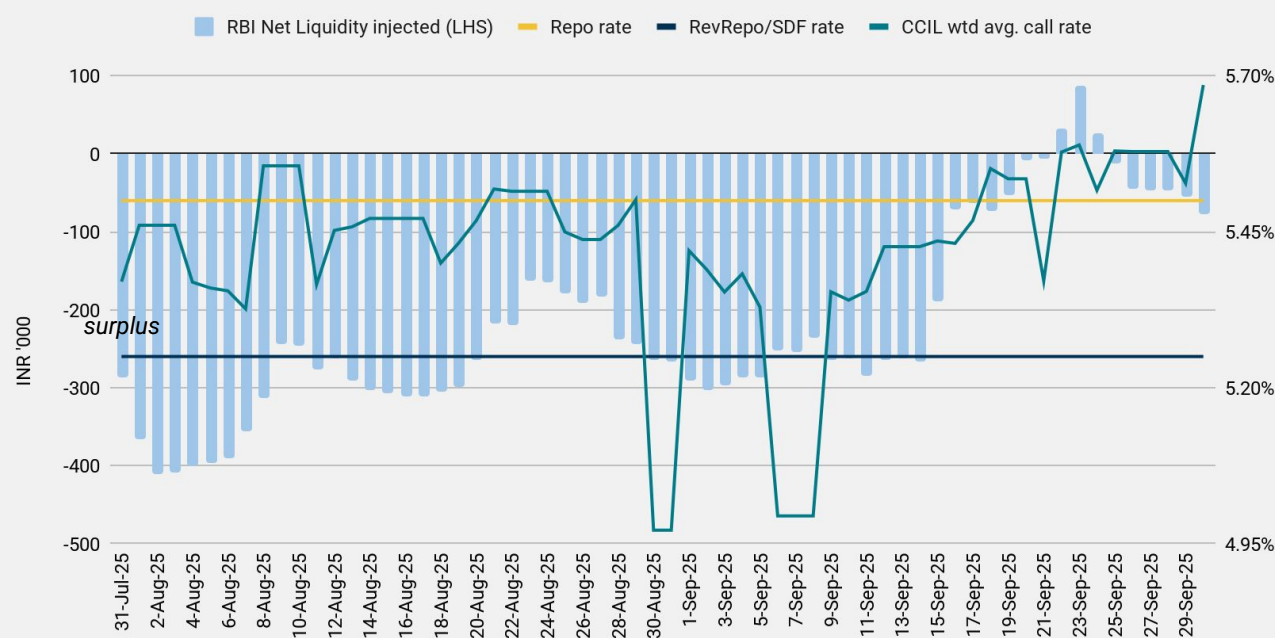
## Corporate Bond Yields Stay Steady While G-sec Yields Edge Higher – September 2025



- Corporate bond yields edged lower compared to August and remained steady throughout September.
- In contrast, 3-year and 5-year G-sec yields showed a modest upward trend, indicating a mild rise in government bond yields during the same period.
- This divergence may be attributed to factors such as liquidity conditions, government borrowing calendars, and robust demand for high-quality corporate bonds—allowing corporate yields to remain stable despite upward pressure on government securities.

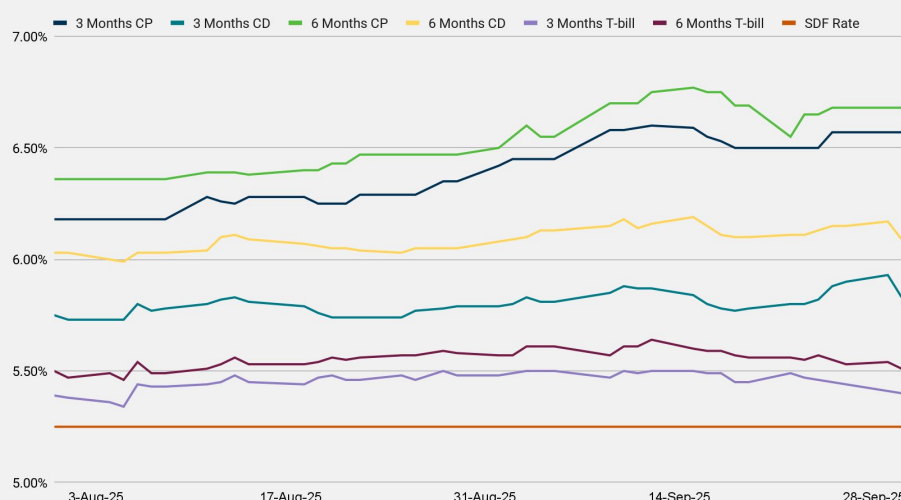
# Liquidity Check And Short-term Rates Movement

## Key Rates & Liquidity



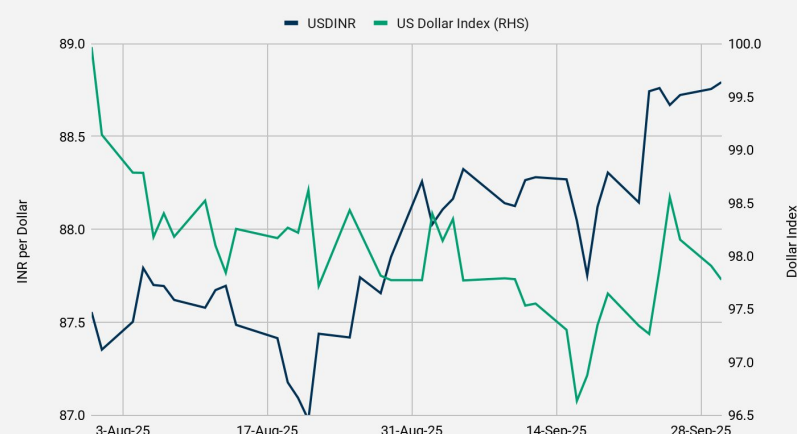
- Surplus liquidity in the banking system declined sharply in September, with the average surplus easing to **₹1.47 lakh crore**, down from **₹2.84 lakh crore** in August.
- The fall was largely driven by heavy outflows from **advance tax** and **GST payments**, which drained an estimated **₹2.5–3.0 lakh crore** from system liquidity. These flows temporarily pushed the system into deficit, leading to tighter short-term funding conditions.
- Additionally, **quarter-end and festive season pressures typically increase currency in circulation and credit demand**, further reducing surplus liquidity. The Reserve Bank of India responded with liquidity infusion measures such as **variable rate repo auctions** and phased cuts in the Cash Reserve Ratio (CRR), with the first tranche effective in early September intended to boost liquidity, though the full impact was gradual.
- Weighted average call rates firmed as banking system liquidity slipped into deficit for the first time in nearly six months, led by large outflows towards **GST** and **advance tax** payments.
- Money market rates in India inched higher** in September 2025 amid volatile liquidity conditions in the banking system.

## Money Market Rates Edged Higher Amid Narrow Surplus Liquidity – September 2025

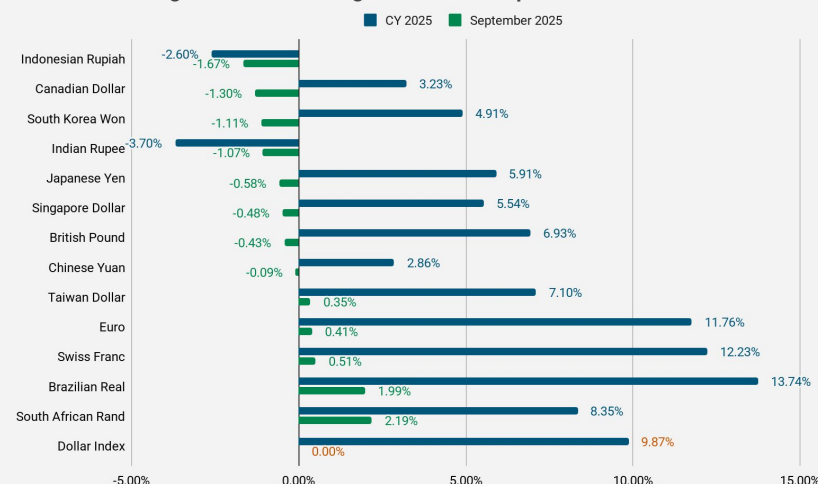


# Key Market Trends

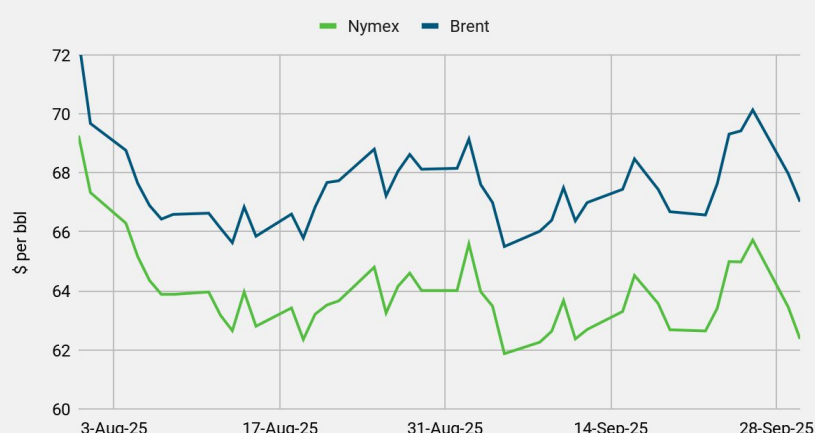
## Indian Rupee Weakens Sharply as Dollar Index Rebounds – September 2025



## Performance of global currencies against USD\* - September 2025



## Futures Price: Nymex and Brent Crude Oil

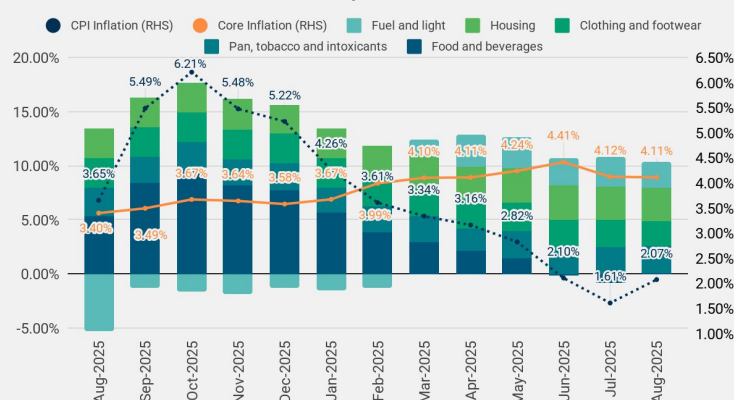


- The **Indian Rupee** was the worst-performing major Asian currency against the US dollar during September 2025. While most Asian currencies either stabilized or depreciated only modestly, the rupee experienced a sharper loss, falling over 3.5% for the year and nearing an all-time low of 88.80 in late September.
- The downward move was driven by persistent capital outflows, especially from foreign investors exiting Indian equities, alongside global risk aversion and higher US interest rates. Additionally, import-related dollar demand and reduced **Reserve Bank of India** intervention contributed to the rupee's weakness.
- In September 2025, the **US Dollar Index (DXY)** showed signs of recovery after hitting lows earlier in the year. It traded near approximately 97.7–98.5 points through the month, reflecting a modest rebound. Despite this improvement, the **DXY** remained well below its average levels for the year, having experienced a steep decline of over 10% year-to-date, marking its steepest drop in several decades.
- This modest rebound was influenced by factors including market anticipation of **Federal Reserve rate cut policies**, ongoing geopolitical uncertainties, and safe-haven demand fluctuations.
- **Crude oil prices** were relatively stable in September 2025, with both Brent and WTI trading within a narrow range. Brent crude averaged around \$68 per barrel for the month, showing only minor fluctuations due to a balance of **rising OPEC+ production** and persistent concerns about global demand.
- Overall, **market sentiment** reflected uncertainty over a potential supply cut as OPEC+ increased output, as well as potential disruptions from geopolitical developments. However, despite some volatility, the broader trend for September was one of sideways movement, with prices at the end of the month ending just marginally lower than at the start.

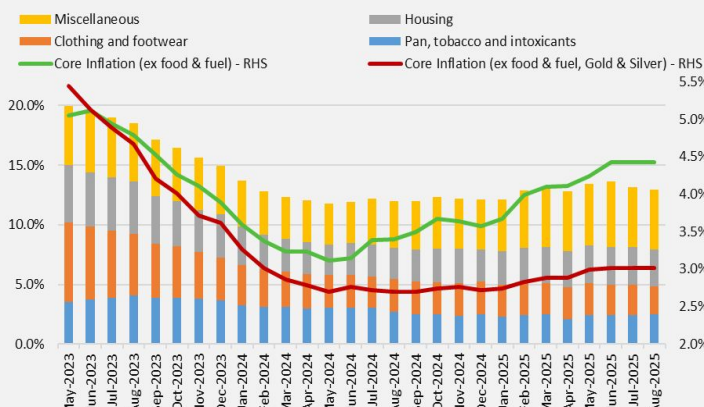


# India's Economic Strength Shines Through: Inflation Steady, Growth Sustains

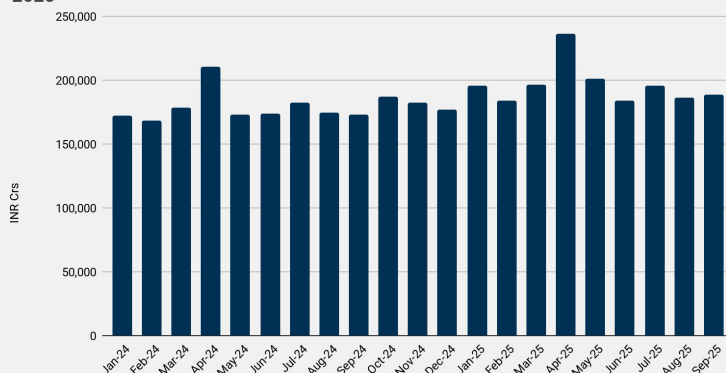
## Growth in Inflation and its components



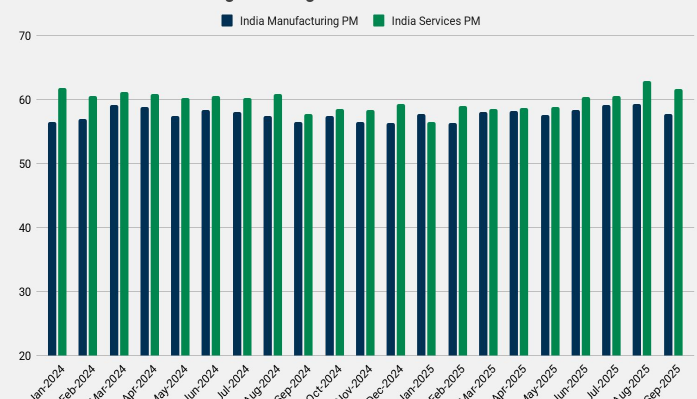
## Core CPI Breakdown: Impact of Gold Inflation



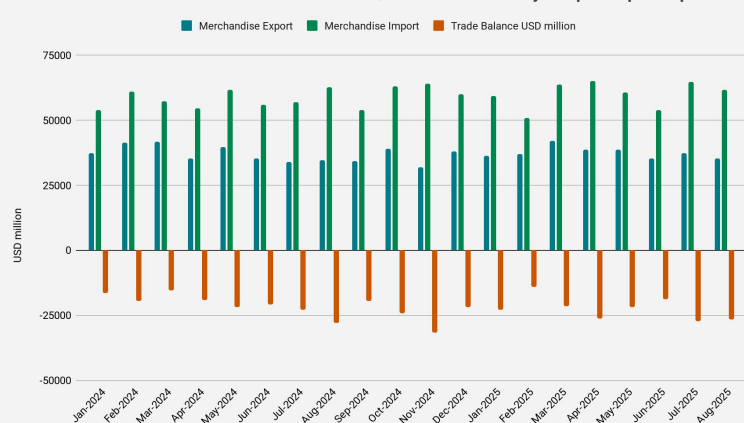
## GST Collections Remain Above ₹1.5 Lakh Crore; Hit Record ₹2.34 Lakh Crore in April 2025



## India's PMI Continues to Signal Strong Economic Momentum



## India's Merchandise Trade Deficit Narrows to \$21.88 Billion in May Despite Dip in Exports



## RBI MPC meeting takeaway - October 2025

RBI to **maintain a nimble liquidity** approach, ensure adequate system liquidity, and use remaining CRR cuts to aid monetary transmission.

The RBI has **revised the real GDP growth projection upward** by 30 bps for FY26 at 6.8%, while lowering the CPI inflation forecast to 2.6% from 3.1%.

| Key Policy Rates | Pre-Policy (%) | Post-Policy (%) | Change (%) |
|------------------|----------------|-----------------|------------|
| Repo             | 5.50           | 5.50            | 0.00       |
| MSF              | 5.75           | 5.75            | 0.00       |
| SDF              | 5.25           | 5.25            | 0.00       |
| Reverse Repo     | 3.35           | 3.35            | 0.00       |
| SLR              | 18.00          | 18.00           | 0.00       |
| CRR*             | 3.00           | 3.00            | 0.00       |

- In September 2025, the Indian economy demonstrated resilience and sustained momentum amid diverse global and domestic challenges. Domestic demand remained buoyant, aided by favorable monsoon conditions, GST reforms, and improved credit flows.
- Looking ahead to October and beyond, the outlook remains cautiously optimistic. Growth drivers such as private consumption, robust investments, and expanding infrastructure spending are expected to continue. The RBI adopted a neutral monetary policy stance with the repo rate steady at 5.50%, balancing the need to support growth while maintaining financial stability. Challenges include managing external uncertainties like geopolitical tensions and potential disruptions in global trade, which could affect exports. However, sustained reforms in tax and financial sectors, digital innovation, and a focus on employment and skill development are anticipated to bolster India's growth trajectory.