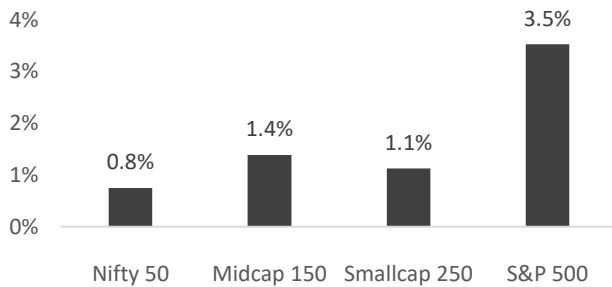


FII selling leads to continued underperformance vs peers

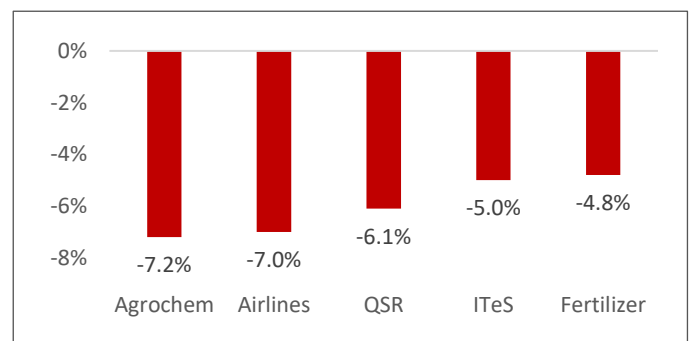
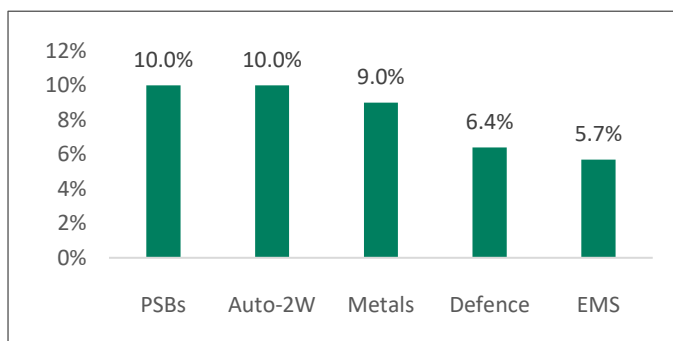
Sep'25

Indices ended in green for this month, although much of the upswing in the first half was sold into in the latter half. Noise from the US around tariffs and H1-B visa fee didn't help. FII selling is a continuing story - they withdrew \$2.7 billion in September. In this calendar year so far, they have taken out \$17.6 billion. Accordingly, Indian indices have trailed their EM counterparts in this calendar year. The silver lining is that much of the froth in valuations is now out. Investors will keenly look at the upcoming earnings; tax and interest rate cuts raise hopes although the impact of such measures can be delayed.



- Indices ended in green this month, although they gave up much gain in second half
- Nifty 50 down 4.6% over the past 12 months; returns trail most major markets in the period
- Nifty 50's valuation is 21.7x on trailing P/E, close to its 10-year median
- INR is at a historic low vs the USD
- Gold holdings of central banks have surpassed their US treasury holdings

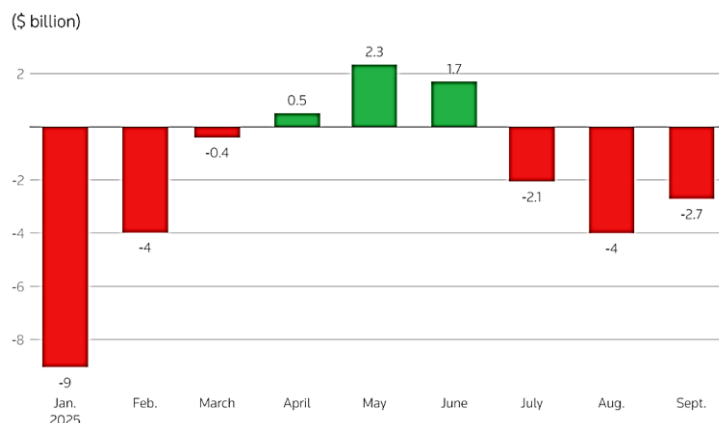
Sectoral trends this month: Leaders and Laggards



Charts depict the monthly average return for a stock in respective sectors

- Autos continued to rise reflecting increased demand post GST cuts
- Metal stocks benefited from rising commodity prices and hopes of increased demand in China
- Institutional buying in public sector banks led to strong performance this month for these
- H1-B visa fee levied by the US government impacted ITes stocks negatively; similar impact was seen on pharma stocks given tariff announcements (although generics have been kept out)

Chart of the month



- Consecutive third month of FII selling in Indian market
- \$17.6 billion worth of net selling this CY
- Major selling in IT-ITes, \$7.2 billion exit in this sector alone
- FIIs relocated to China and other Asian markets, drawn by lower valuations, and less tariff risk
- In this CY, Nifty 50 has gained ~4.1% compared to MSCI EM index at ~24.6%

Foreign investor selling in Indian market in CY 2025 (Source: Reuters report)