



October Newsletter

Dear Readers,

Welcome to the October 2025, 7th Edition of the Fincour Financial Newsletter with **September 2025 Highlights-**

Key Financial Developments in India

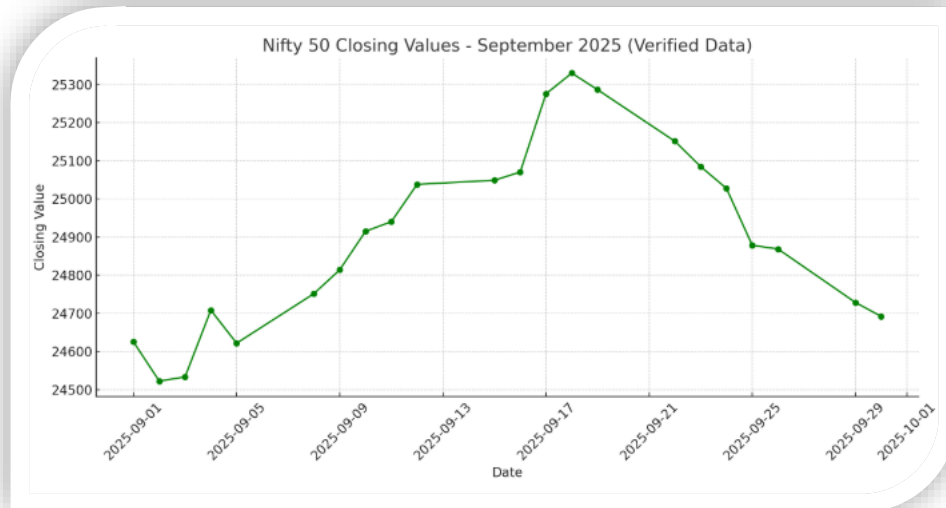
Sensex Highlights



- **September 1 (start of month):** The Sensex closed at 80,364.49, having risen by approximately 554.84 points (0.70%) from the previous session on September 29, 2025.
- **Peak in September:** The highest closing value for September 2025 was 83,013.96 on September 18.
- **Last trading day in September:** Since September 30 was the last trading day of the month, the closing value was 80,267.62



Nifty 50 Highlights



- **Start of Month:** The Nifty 50 opened September with a closing value of 24,625.05 on September 1, 2025, marking the index's level at the beginning of the month
- **Peak Value:** The highest value observed during September was 25,329.75 on September 18, 2025
- **Last Trading Day:** The closing on September 30, 2025 (the last trading day of the month) was 24,691.95



Key Drivers – September 2025

1. RBI Intervention & Rupee Volatility

- The Indian rupee hit a record low of ₹88.36/USD in mid-September due to persistent foreign portfolio outflows and tariff concerns.
 - The RBI conducted aggressive dollar sales above ₹88.30 to defend the currency, which stabilized sentiment temporarily but created short-term equity volatility.
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2. Continued FPI Outflows vs Strong DII Support

- Foreign Portfolio Investors (FPIs) pulled out nearly \$1.4 billion (₹11,500 crore) from Indian equities in September, extending the year's outflows past \$16 billion.
 - Selling was concentrated in financials, IT, and FMCG due to high valuations and a stronger dollar.
 - Meanwhile, Domestic Institutional Investors (DIIs) continued to provide a cushion, absorbing foreign selling amid festive season optimism.
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3. GST 2.0 Implementation (Effective Sept 22)

- The two-slab GST structure (5% and 18%, plus 40% on luxury/sin goods) came into effect on September 22, marking the biggest indirect tax reform since 2017.
 - Tax exemptions on life and health insurance premiums and lower rates on essentials boosted consumption sentiment, benefiting auto, FMCG, and discretionary sectors.
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4. Urban Company IPO & Market Sentiment

- Urban Company's ₹1,900 crore IPO launched on September 10 attracted strong domestic interest and became a sentiment gauge for tech-enabled service businesses.
 - A positive listing helped support broader mid-cap sentiment even as large-caps remained range-bound.
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5. Global Cues & U.S. Tariffs

- Lingering 50% U.S. tariffs on Indian exports remained a macro-overhang.
- Global investors tracked U.S. Fed commentary closely amid signs of slower rate hikes, adding a layer of uncertainty but not reversing outflows.



Volatility Triggers – September 2025

1. Currency Market Swings

- The rupee's slide to record lows caused sharp intraday volatility in equities.
 - Export-oriented stocks saw mixed reactions — IT gained from rupee weakness, but broader indices faced pressure from foreign selling.
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2. Global Trade & Tariff Uncertainty

- Persistent uncertainty over the U.S.–India tariff negotiations led to frequent risk-off episodes, especially around mid-September.
 - On several occasions, tariff news headlines led to >300 point intraday swings in the Sensex and Nifty.
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3. Pre-MPC Positioning & RBI Policy Outlook

- Traders positioned cautiously ahead of the October MPC meeting, factoring in currency weakness and imported inflation risks.
 - Bond yields remained stable in the 6.50–6.60% range, but rate-sensitive stocks experienced short-term swings.
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4. Derivatives Expiry & Volumes

- The NSE's new weekly expiry schedule (shifted to Tuesday from Thursday in September) continued to impact volatility patterns, with heightened action early in the week.
- Mid-September saw heavy rollover and derivative positioning, amplifying intraday moves in both Sensex and Nifty.



USD/INR (Currency) and Gold – September 2025:

Asset	Early September	Mid-September Peak	Late September	Monthly Change
<u>USD/INR</u>	₹88.05	₹88.36	₹88.27	+0.25 %
<u>24K Gold</u>	₹1,05,200 Per 10 g	₹1,07,850 Per 10 g	₹1,08,200 per 10 g	+2.85 %
<u>22K Gold</u>	₹96,400 Per 10 g	₹98,150 Per 10 g	₹98,500 per 10 g	+2.18 %

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September 2025 Banking Highlights

Key Regulatory & Policy Updates:

1. RBI Holds Rates Steady; Focus Shifts to Currency Stability

- In its September policy review, the RBI kept the repo rate unchanged at 5.50%, maintaining its “dovish pause” stance.
 - The focus shifted sharply to managing rupee volatility, as the currency hit a record low of ₹88.36/USD mid-month.
 - The central bank intervened in the forex market through aggressive dollar sales, aiming to curb imported inflation pressures.
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2. FPI Outflows Hit Banking Stocks

- The banking sector was among the hardest hit by foreign portfolio investor (FPI) outflows, with nearly \$1.4 billion exiting Indian markets during September.
 - Private banks saw sharper corrections due to valuation concerns, while PSU banks held relatively stronger due to stable earnings and policy support.
 - Nifty Private Bank Index slipped around 2.5%, while Nifty PSU Bank Index ended flat to slightly positive, reflecting domestic buying support.
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3. Festive Season Lending Push

- Major lenders including SBI, PNB, HDFC Bank, and Axis Bank launched festive loan schemes, offering 5–25 bps rate cuts on auto and personal loans starting mid-September.
 - Banks expect double-digit retail credit growth during the festive quarter, supported by GST 2.0 tax cuts and lower insurance premiums.
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4. Digital Banking Expansion & Regulatory Updates

- The RBI issued final guidelines on Digital Lending Platforms to strengthen consumer protection, data security, and transparency.
 - Several fintech–bank partnerships were announced, with AU Small Finance Bank and ICICI Bank expanding API-based onboarding for digital customers.
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5. Stable NPA Levels Amid Currency Volatility

- Despite rupee pressures and foreign outflows, banking system NPAs remained stable:
 - Gross NPA ratio: 4.1%
 - Net NPA ratio: 0.6% (unchanged from August)
 - RBI reiterated readiness to provide liquidity support if volatility affects credit markets.
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6. Credit Growth Momentum Continues

- Bank credit growth stood at 14.8% YoY in September, led by retail and services segments.
- Deposit growth was at 11.4% YoY, supported by higher fixed deposit rates and festive season inflows.
- PSU banks continued to gain share in rural and semi-urban lending, while private banks retained their edge in unsecured personal loans.

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Keep Your Eyes on October

Key Market Events & What Investors Should Watch

1. RBI MPC Meeting – Currency Stability in Focus

- The RBI's Monetary Policy Committee (MPC) concluded its meeting on October 6, 2025, keeping the repo rate unchanged at 5.50% for the fifth consecutive time, maintaining a “withdrawal of accommodation” stance.
- The MPC's focus shifted clearly toward rupee stability, with Governor Sanjay Malhotra highlighting that the recent currency weakness poses imported inflation risks, especially through higher crude oil and commodity prices.
- RBI reaffirmed its commitment to using forex reserves and liquidity tools to manage volatility, signalling readiness to intervene further if the rupee breaches key thresholds.
- Markets reacted mildly positively post-announcement:
- Bank Nifty rose 0.8%, led by PSU banks, as lending rates remain stable.
- Bond yields stayed range-bound around 6.55–6.60%, reflecting stable policy expectations.
- USD/INR slipped slightly from ₹88.27 to ₹88.14, as RBI's stance reassured markets.
- Economists now expect the RBI to stay on hold through FY26, with no immediate rate hikes, but policy language suggests a cautious eye on inflationary spillovers.

2. U.S.–India Tariff Negotiations

- High-level trade talks are expected to resume in mid-October, following months of tariff tensions.
 - Markets will watch for signals on potential rollback or moderation of the 50% U.S. tariffs on Indian exports.
 - A favourable outcome could boost IT, textile, auto, and manufacturing sectors, while negative news could extend foreign investor caution.
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3. GST 2.0 Implementation Impact – Consumption Surge

- October marks the first full month of GST 2.0 in effect, with lower slabs (5% and 18%) and zero tax on health and life insurance.
 - Festive season demand (Navratri–Diwali period) is expected to show visible upticks in auto, FMCG, insurance, and discretionary spending, potentially lifting Q3 GDP expectations.
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4. Q2 FY26 Earnings Season Begins

- India Inc's Q2 FY26 earnings will start rolling out from the second week of October, with IT majors leading the season.
 - **Markets will focus on:**
 1. Margin resilience amid currency fluctuations,
 2. Rural demand recovery post-monsoon,
 3. Credit growth data from banks.
 4. Strong earnings could act as a key trigger for index momentum after September's consolidation.
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5. Market Technical & Derivatives Expiry

- With NSE's weekly expiry now on Tuesdays, early-week volatility will continue to shape short-term index moves.
 - Watch for October 29 (Monthly expiry) — likely to see elevated F&O activity as traders position for Diwali season and U.S. trade outcomes.
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6. Global Central Bank Signals

- Global markets will track the U.S. Federal Reserve's late-October meeting and ECB commentary for cues on interest rate trajectories.
- Any dovish signals could boost emerging market inflows; hawkishness may continue to keep FPI flows muted in India.



 **Financial Recap by Fincour**
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