FIRST LIGHT

02 December 2025

RESEARCH

BOB ECONOMICS RESEARCH | CURRENCY UPDATE

Fortnightly forex review

BOB ECONOMICS RESEARCH | IIP

IIP growth at a 15-month low

BOB ECONOMICS RESEARCH | RBI MONETARY POLICY EXPECTATIONS

RBI expected to hold rates

SUMMARY

INDIA ECONOMICS: CURRENCY UPDATE

INR depreciated by 0.8% in Nov'25 to close at a record low of 89.46/$. The depreciation in INR was more pronounced if we consider the fact that the dollar weakened in the same period. Strong demand from importers, low foreign inflows, uncertainty over US trade deal and an elevated trade deficit, weighed on the domestic currency. A surprisingly good GDP print did not quite help lift sentiments, with the currency currently trading at a fresh low of 89.76/$. We expect the currency to trade with a depreciating bias in the near-term, with news about US-India trade deal being a major catalyst for any sharp movement in either way. We expect USS/INR to trade in the range of 89-90/$ this month.

Click here **for the full report.**

INDIA ECONOMICS: IIP

IIP growth eased to 0.4% in Oct'25 from 4% in Sep'25, and 3.7% in Oct'24. Electricity and mining activity contracted while manufacturing output also eased. Lower temperature and rainfall can explain the decline in electricity production. Mining output has continued to remain under pressure for a larger part of this year. Withing manufacturing, impact of higher tariffs is evident with output of export-oriented sectors witnessing a decline. Textiles, chemicals, pharma and leather are a few sectors which have reported a decline in production. On the other hand, vehicles and electronics have emerged as bright spots.

Click here **for the full report.**

BOBCAPS Research
research@bobcaps.in

INDIA ECONOMICS: RBI MONETARY POLICY EXPECTATIONS

The monetary policy committee (MPC) of the RBI is likely to keep its policy rate and stance unchanged for the second consecutive meeting in Dec'25. Strong growth and rangebound inflation are expected to provide the MPC space to keep rates steady as it navigates a challenging and uncertain external environment. Growth has held ground in Q3, largely supported by GST cuts and festive demand. At the same time, lower food inflation has kept a lid on headline inflation. Given this backdrop, the MPC is likely to move on rates only in case the risks to growth materialise in Q4 FY26.

Click here for the full report.

CURRENCY UPDATE

01 December 2025

Fortnightly forex review

Aditi Gupta
Economist

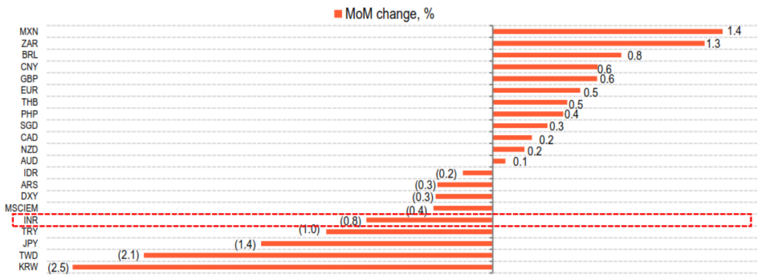
INR depreciated by 0.8% in Nov'25 to close at a record low of 89.46/$. The depreciation in INR was more pronounced if we consider the fact that the dollar weakened in the same period. Strong demand from importers, low foreign inflows, uncertainty over US trade deal and an elevated trade deficit, weighed on the domestic currency. A surprisingly good GDP print did not quite help lift sentiments, with the currency currently trading at a fresh low of 89.76/$. We expect the currency to trade with a depreciating bias in the near-term, with news about US-India trade deal being a major catalyst for any sharp movement in either way. We expect USS/INR to trade in the range of 89-90/$ this month.

Movement in global currencies:

Performance of global currencies varied in the last month, even as the dollar softened. In Nov'25, DXY dipped by 0.3% as investors reassessed the Fed rate path. For context, there was a widely held belief that the Fed is unlikely to cut rates in Dec'25, as crucial macro data was not available due to the government shutdown. Fed officials also largely advocated a cautious approach regarding further rate cuts, awaiting more information about the impact of tariffs on inflation, employment and growth. Even with the shutdown formally over, the flow of data remained largely disrupted with some key official data releases such as jobs, retail sales and inflation, available only till Sep'25. As a result, markets dismissed the possibility of a rate cut in Dec'25, with the CME FedWatch placing the probability of a rate cut at just ~30%.

However, bets of a rate cut were once again on the table as reports by private agencies with more updated data, casted a shadow over the state of the economy and labour market. At the same time, Fed chatter also turned dovish. Several key members of the FOMC, including the New York Fed President John Williams and Fed Governor Christopher Waller made a strong case for a rate cut in Dec'25, tilting the odds towards a possible rate cut in Dec'25. Markets too readjusted their expectations, with the CME FedWatch now projecting the probability of a Dec'25 rate cut at close to 90%.

Figure 1: Movement in global currencies in Nov'25



Source: Bloomberg, Bank of Baroda Research | Note: Data as of 28 Nov 2025| Figures in brackets denote depreciation against the dollar

IIP

01 December 2025

IIP growth at a 15-month low

Aditi Gupta
Economist

IIP growth eased to 0.4% in Oct'25 from 4% in Sep'25, and 3.7% in Oct'24. Electricity and mining activity contracted while manufacturing output also eased. Lower temperature and rainfall can explain the decline in electricity production. Mining output has continued to remain under pressure for a larger part of this year. Withing manufacturing, impact of higher tariffs is evident with output of export-oriented sectors witnessing a decline. Textiles, chemicals, pharma and leather are a few sectors which have reported a decline in production. On the other hand, vehicles and electronics have emerged as bright spots.

Infra output too has maintained momentum due to government's capex push but can turn back due to fiscal concerns. While the economy remains on a strong growth trajectory, external risks cannot be ignored. Uncertainty over the US-India trade deal is likely to weigh on the manufacturing sector in the near-term and a swift resolution is needed for a revival in the industrial sector.

IIP growth eases: India's IIP growth moderated to a 15-monh low of 0.4% in Oct'25 from 3.7% in Oct'24 and 4.6% in Sep'25 (revised). On a YoY basis, electricity output contracted sharply by 6.9% in Oct'25 compared with 2% growth in Oct'24. This in turn has been attributed to lower temperature and unseasonal rainfall in parts of the country. Mining output contracted for the second straight month and declined by 1.8% compared with an increase of 0.9% in Oct'24. Manufacturing output also moderated to 1.8% in Oct'25, after increasing by 4.4% in the same period last year. Within manufacturing, 9 out of a total of 23 subsectors registered positive rate of growth in Oct'25. Major sectors which registered highest growth in output in Oct'25 include computer and electronics (9.1%), motor vehicles (5.8%) and basic metals (6.6%). On the other hand, output of traditional export-oriented sectors such as leather (-16.4%), textiles (-2.4%), wearing apparel (-6.1%), chemicals (-2.8%) and pharma (-1.8%) contracted.

Infra and construction good outperform: Within use-based classification, output of infrastructure and construction goods increased by 7.1% in Oct'25 compared with 4.7% in Oct'24. This can be attributed to higher government capex spending. On the other hand, output of all other sub-sectors eased in Oct'25. Most significantly, there was a sharp contraction in the output of consumer non-durables to -4.4% compared with an increase of 2.8% in Oct'24. Even consumer durables output contracted by 0.5% in Oct'25 compared with a gain of 5.5% in Oct'24. Along similar lines, primary goods too contracted by 0.6% in Oct'25. Output of intermediate goods also eased to 0.9% from 4.8% in Oct'24. However, capital goods were broadly steady at 2.4% in Oct'25 versus 2.9% in Oct'24.

RBI MONETARY POLICY EXPECTATIONS

01 December 2025

RBI expected to hold rates

Aditi Gupta
Economist

The monetary policy committee (MPC) of the RBI is likely to keep its policy rate and stance unchanged for the second consecutive meeting in Dec'25. Strong growth and rangebound inflation are expected to provide the MPC space to keep rates steady as it navigates a challenging and uncertain external environment. Growth has held ground in Q3, largely supported by GST cuts and festive demand. At the same time, lower food inflation has kept a lid on headline inflation. Given this backdrop, the MPC is likely to move on rates only in case the risks to growth materialise in Q4 FY26.

Given the recent numbers, we expect the MPC to revise its growth projection upwards, while inflation estimates are likely to see a downward revision. Further, while liquidity has remained in surplus in Nov'25, some liquidity measures in the form of OMOs can be expected to account for the strain on liquidity from RBI's forex intervention to stabilise the rupee.

Expectations from the MPC: We expect the RBI to keep the repo rate steady at 5.50% in its Dec'25. The stance is also expected to be maintained at neutral. At 8.2% in Q2 FY26, India's GDP growth surpassed all estimates. The economy is expected to have maintained momentum in Q3 FY26 as well supported by a recovery in urban consumption and resilient rural demand. Private investment is also witnessing signs of a recovery with a pickup in credit demand. At the same time, inflation has continued to moderate. In Oct'25, CPI inflation eased to a series low of 0.25% due to a sustained decline in food prices. Inflation is expected to moderate further and is likely to undershoot RBI's estimates. Ample rainfall, timely supply side interventions and improved production have brightened the food inflation outlook significantly. Core inflation has remained above 4%, but much of it can be attributed to higher gold prices and is not demand driven. This has been partially offset by the benefits of lower GST rates. While this opens room for a rate cut, RBI is likely to adopt a cautious approach in this meeting, particularly since growth remains on a strong footing. Need for further support can arise later particularly if the tariff situation does not improve. This will also provide ample time for previous rate cuts to fully transmit into the system.

GDP and inflation forecasts: Q2 FY26 GDP at 8.2% was significantly above the RBI's forecast of 7%. With the H1 GDP print at 8%, we expect the RBI to revise its growth forecasts upwards from 6.8% currently. On the other hand, inflation forecasts are likely to see a downward revision as actual inflation is tracking much below the RBI's estimates. Our own growth forecast stands at 7.4-7.6% for FY26. We expect inflation to range between 2.4-2.5% in FY26.

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

Logo:

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "**Losses**") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) ("**MSL**") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as **"MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.