THE LOMBARD REVIEW

VOL. I NO. 5 | Sunday, November 1, 2026 | SUNDAY DIGITAL EDITION

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MARKETS

Sensex	74,460	+1.8%
Nifty 50	23,053	+2.0%
₹ per $	95.15	+0.5%
Brent	113.43	-2.8%
Gold	3,899	-2.7%

Jio Platforms jumps 21 per cent on its debut

Shares that were sold at ₹1,119 opened at ₹1,358 on Wednesday. Investors who were allotted stock in India's largest share sale made about ₹6,450 crore on paper on the first morning.

BY ARNAV GOEL



Jio mobile phone towers in Mathurapur village, Bangaon, West Bengal. খাঁ শুভেন্দু / CC BY-SA 4.0

Jio Platforms, the telecoms and digital arm of Reliance Industries, began trading on Wednesday, October 28. Its shares opened on the National Stock Exchange at ₹1,358, against an issue price of ₹1,119, a premium of about 21 per cent. They rose 21.5 per cent on the day, according to CNBC. At the listing price the company was worth about ₹12.5 lakh crore, more than Bharti Airtel, making it India's second-largest listed company after its own parent.

The offer sold 27 crore shares and raised ₹30,213 crore, about $3.2 billion, the largest initial public offering in India's history. It was bid for 22.2 times over. Global brokerage Nomura started coverage the same day with a buy rating.

WHO WANTED IT MOST

The demand was lopsided. The portion reserved for qualified institutional buyers, such as mutual funds, insurers and foreign funds, was subscribed 70.55 times, according to BSE data. The retail portion was subscribed 2.72 times. That difference shaped who made money on Wednesday. A retail investor who applied had a reasonable chance of getting shares. A large fund that wanted a big position got a small fraction of what it asked for, and many had to buy on the market instead, which helped push the price up.

The arithmetic of the first-day gain is simple. The listing price was ₹239 above the issue price. Multiplied across 27 crore shares, allottees were sitting on a paper gain of about ₹6,450 crore within minutes of the open. That is money Reliance could in principle have raised itself by pricing the issue higher. Large issuers often accept such a gap, because a strong debut helps later sales of stock.

A SMALL SLICE OF A BIG COMPANY

The more important number is how little of Jio was sold. At ₹1,358 a share, a market value of ₹12.5 lakh crore implies about 920 crore shares in issue. The 27 crore sold in the offer are therefore less than 3 per cent of the company. With so few shares available to trade, the price can swing a long way on modest buying or selling, and index funds that must hold the stock will have to compete for a thin supply.

Reliance's results, published two days after the listing, give a sense of what investors are paying for. Jio Platforms' revenue in July to September was ₹47,485 crore, up 11.3 per cent from a year earlier, and its operating profit before depreciation, or EBITDA, was ₹21,879 crore. Multiplied by four, that is an annual run-rate of about ₹87,500 crore. The listing value is therefore roughly 14 times a year's EBITDA, before counting the company's debt.

WHAT IT MEANS FOR THE MARKET

The listing came in a week when foreign investors, net sellers for most of October, turned buyers. On Friday they bought shares worth a net ₹3,598.54 crore, according to provisional exchange data. A successful debut on this scale also tends to bring more issuers to market, because it shows that there is money available for large offers even when interest rates are rising.

The test comes later. When the lock-in on shares held by pre-listing investors ends, more stock will become available to trade. The price then will say more about what the market thinks Jio is worth than a first day driven by scarcity.

The fiscal deficit hits 42 per cent of target by September

The government borrowed ₹7.14 lakh crore in the first half of the year, about a quarter more than a year earlier. Tax receipts barely grew while spending, especially on subsidies, rose 11 per cent.

BY ARNAV GOEL

The central government's fiscal deficit, the gap between what it spends and what it earns without borrowing, was ₹7.14 lakh crore in April to September, the Controller General of Accounts said on Friday. That is 42.1 per cent of the target for the whole financial year of ₹16.96 lakh crore, or 4.3 per cent of GDP. A year earlier the government had used up 36.5 per cent of its target by the same point, and the deficit was about ₹5.7 lakh crore. Reuters put the latest figure at ₹7.15 lakh crore; the difference is rounding.

A deficit at 42 per cent of the target halfway through the year is not alarming in itself. Spending is often front-loaded, and a large share of tax comes in during the second half. What matters is why the gap has widened so much faster than last year. The answer lies on both sides of the account.

TAXES ARE GROWING SLOWLY

Net tax receipts, after the states have been paid their share, were about ₹12.8 lakh crore, up from ₹12.3 lakh crore a year earlier, a rise of about 4 per cent. Gross tax collections grew about 6.1 per cent, according to Business Standard. Part of the explanation is last year's cut in goods and services tax rates, which lowered the tax on many everyday goods. Non-tax revenue, which includes the dividend paid by the Reserve Bank of India, was about ₹4.8 lakh crore.

SPENDING IS GROWING FAST

Total spending was ₹25.5 lakh crore, up about 11 per cent. Capital spending on roads, railways and other assets was about ₹6.5 lakh crore. Much of the rise in day-to-day spending came from subsidies. That is what an oil shock does to a budget. With India's crude import basket averaging more than $120 a barrel in October, the cost of keeping cooking gas and fertiliser affordable rises quickly, and the government has chosen to absorb much of it rather than pass it on.

THE SECOND HALF

To meet its target, the government can borrow ₹9.82 lakh crore more between October and March. That is more room than it used in the first half, which is why the target is still within reach. But it depends on two things going right. Tax receipts must pick up in the busy second half, and the subsidy bill must not keep growing with the price of oil.

There is an early sign on the first. Gross GST collections in October, published on Sunday, rose 22.9 per cent from a year earlier to ₹2.31 lakh crore. On the second the news is worse. Brent crude traded as high as about $117 a barrel on Friday

Continued

India's oil import bill hits its highest level since 2012

India's basket of crude cost an average of $120.46 a barrel in October, as new attacks on tankers in the Strait of Hormuz kept Brent above $110. State-run fuel retailers have not raised pump prices, and someone is paying the difference.

BY ARNAV GOEL

The average price of the crude oil India buys rose nearly 4 per cent from September to $120.46 a barrel in October, measured up to October 26, according to figures reported by Business Today. It is the highest monthly average since March 2012. Brent, the international benchmark, traded as high as about $117 a barrel on Friday, October 30, according to one report, before the futures contract settled at $113.43. It was on course for a gain of about 14 per cent over the month, its fourth monthly rise in a row.

The latest jump followed more trouble in the Strait of Hormuz, through which shipping has been largely blocked since the United States and Israel began an air war against Iran on February 28. On Friday Iran's Revolutionary Guards said four oil tankers had caught fire and exploded while using routes Tehran had not approved. Twelve days earlier the Guards said two tankers, each carrying about two million barrels of crude, had caught fire after hitting mines. None of Iran's claims has been independently verified.

WHO PAYS AT THE PUMP

Indian Oil, Bharat Petroleum and Hindustan Petroleum, which run most of the country's fuel stations, have kept regular petrol and diesel prices unchanged. Private retailers have not. Nayara Energy raised petrol by ₹5 a litre and diesel by ₹3 from October 3 across its 7,108 stations. Jio-bp made a similar increase from October 11. A motorist in many towns can now save money by choosing a state-run pump over a private one next door.

The state-run companies are holding prices by selling at a loss. The rating agency ICRA has said their marketing margins on petrol and diesel are negative. Their losses on cooking gas, sold below cost to households, have reached about ₹62,000 crore, according to a report citing industry figures. An economist quoted by Business Today said the cost of the oil shock is being shared among the central government, the states, the oil companies and the RBI, which has been selling dollars directly to oil companies. He expects pump prices to rise after Diwali and before Christmas.

WHAT A HIGHER PRICE COSTS THE COUNTRY

ICRA estimates that each $10 rise in the price of a barrel adds $12 billion to $13 billion to India's annual import bill. On that rule of thumb, a rise of $20 a barrel adds $24 billion to $26 billion a year, money that leaves the country to pay for the same amount of oil. That extra demand for dollars is the main reason the rupee weakened beyond 96 to the dollar earlier this month.

The cost also shows up in prices. Diesel is the fuel of India's lorries, so dearer diesel raises the cost of moving almost everything. A delayed rise in pump prices only postpones that effect. When it comes, it will add to inflation just as the RBI's monetary policy committee prepares for its meeting from December 2 to 4.

SOME CUSHIONS

India has spread its purchases. It remained Russia's largest crude buyer in September and was expected to receive 1.8 million to 1.9 million barrels a day of Russian oil in October, according to an analysis published on October 26. Refiners also gain from high fuel prices abroad. Reliance Industries said on Friday that operating profit in its oil-to-chemicals business rose 67.9 per cent in July to September, helped by wider margins on transport fuels. That cushions the economy as a whole. It does nothing for the households and companies that pay for diesel and cooking gas.

India

The fiscal deficit hits 42 per cent of target by September

Continued

after attacks on tankers in the Strait of Hormuz.

If the deficit does overshoot, the bond market will feel it first. The government finances its deficit mostly by selling bonds, and more supply means higher yields. Yields on ten-year government bonds have risen by more than 70 basis points over the past ten weeks, though they fell this week for the first time since August. A larger deficit would make it harder for that relief to last.

India in brief

Trade deal still waiting. America's ambassador to India, Sergio Gor, said on October 31 that Washington was determined to finish the trade agreement, which he said "has been at the finish line for a very long time". American trade representative Jamieson Greer has said signing is not imminent, and access for American farm and dairy goods remains the main sticking point.

Foreign selling, domestic buying. Foreign institutional investors sold a net ₹51,466 crore of Indian shares in the first 15 sessions of October, while domestic institutions bought ₹59,110 crore. Foreign funds turned net buyers on October 30, purchasing ₹3,598.54 crore.

Factories stay busy. The flash HSBC India manufacturing PMI for October was 54.9, against 55.1 in September. Any reading above 50 signals expansion. The final figure is due on November 2.

Volatility eases. India VIX, which measures the volatility traders expect in the Nifty, ended the week at 15.30, down from 16.86 a week earlier, though it rose during Friday's session as crude climbed and technology shares sold off abroad.

Russian oil keeps flowing. India remained Russia's largest crude buyer in September and was expected to receive 1.8 million to 1.9 million barrels a day of Russian oil in October, according to an analysis published on October 26.

Electric scooters gain. Registrations of electric two-wheelers rose 2.9 per cent in October to 2,14,654. TVS Motor stayed in first place and Bajaj Auto second with 49,068, while Hero MotoCorp grew fastest among the top five.

HUL pays out. Hindustan Unilever declared an interim dividend of ₹19 a share after underlying volume grew 7 per cent in July to September. Its shares fell as much as 2.9 per cent on the results.

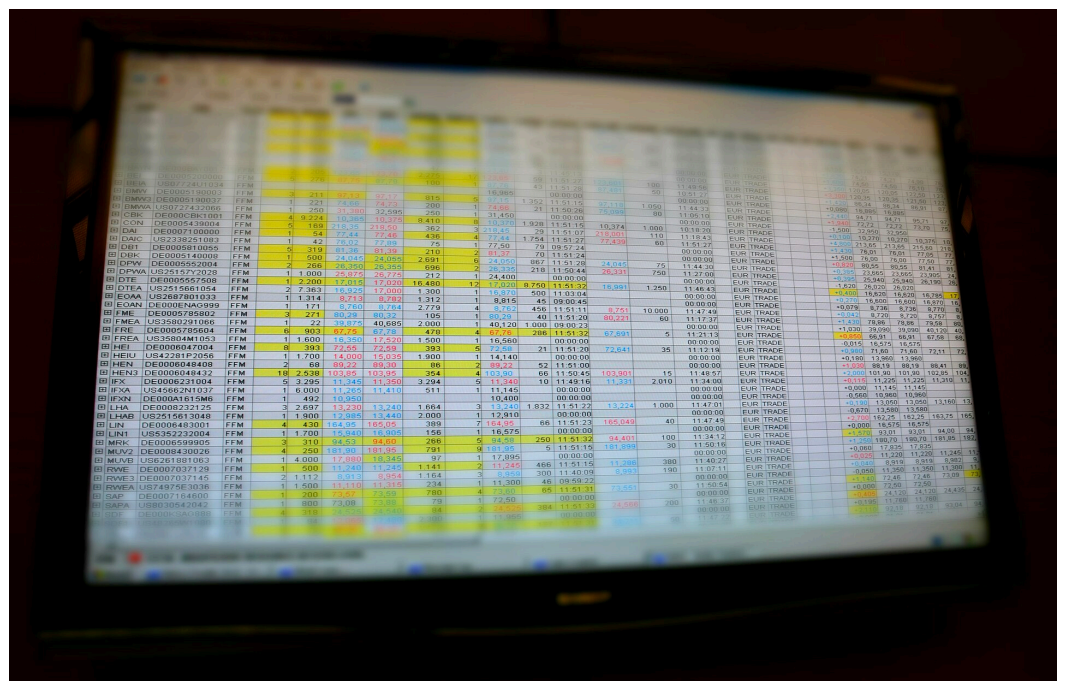
Canara's treasury hit. Canara Bank's shares fell about 6 per cent after it reported that a sharp drop in treasury income held operating profit growth to about 2 per cent, despite a 20 per cent rise in net interest income.

Core growth for the half. Output of India's core industries rose 5.1 per cent in April to September, against 2.5 per cent a year earlier, after a 7.9 per cent jump in September.

Drugmakers lead shares higher as foreign investors return

The Nifty rose 2 per cent in the week to 23,053.10, helped by a rally of about 7 per cent in pharmaceutical stocks. On Friday foreign investors bought a net ₹3,599 crore of shares.

BY ARNAV GOEL



Market data screens at the Frankfurt Stock Exchange. ANK KUMAR / CC BY-SA 4.0

Indian shares had a good week despite dearer oil and a sell-off in American technology stocks. The Nifty 50 index closed on Friday, October 30, at 23,053.10, up 453.10 points, or 2 per cent, from 22,600.00 a week earlier. The BSE Sensex ended at 74,459.53, up 1.83 per cent.

The gains were led by pharmaceutical and healthcare companies. The Nifty Pharma index rose about 7 per cent in the week, to 27,124.85. Drugmakers earn much of their revenue in dollars, chiefly from selling generic medicines in America, so they are among the few Indian companies that tend to gain from a weak rupee. They also depend little on oil, which makes them a natural refuge when crude prices rise.

FOREIGN MONEY COMES BACK, FOR NOW

The more striking change was in foreign flows. Foreign institutional investors have been heavy sellers this year. In the first 15 trading sessions of October, up to October 23, they sold a net ₹51,466 crore of Indian shares in the cash market, according to one tracker of exchange data. Domestic institutions, mostly mutual funds and insurers, bought ₹59,110 crore over the same period, more than absorbing the selling.

On Friday the pattern reversed. Foreign investors bought a net ₹3,598.54 crore, while domestic institutions sold ₹817.51 crore, according to provisional figures. The listing of Jio Platforms on Wednesday, which drew heavy demand from foreign funds that had been allotted few shares in the offer, probably helped. So did a stronger rupee, which rose 33 paise on Friday to 94.93 a dollar. A foreign investor's return depends on both the share price and the currency, and a rupee that stops falling makes Indian shares more attractive to buy.

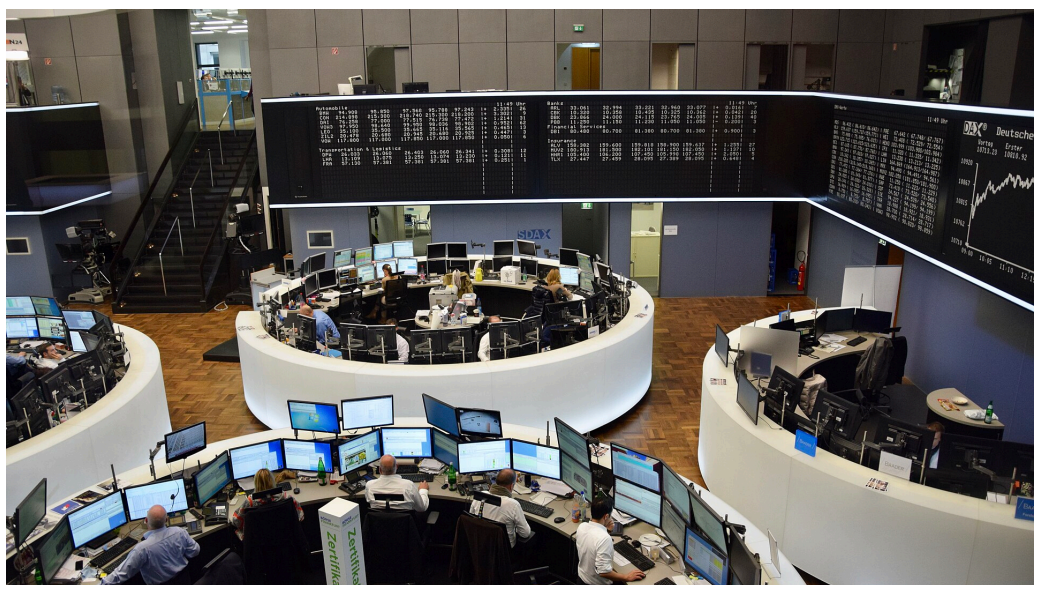
NOT EVERYTHING ROSE

Software companies were sold during the week. Infosys cut its revenue forecast for the year a week earlier, and in America the shares of Alphabet, Google's parent, fell by about 11 per cent on Thursday after its earnings missed forecasts. Investors in Indian IT firms watch the spending plans of American technology companies closely, because those companies are among their biggest customers.

Oil was the other drag. With Brent above $113 a barrel, companies that use a lot of fuel, from airlines to paint makers, have higher costs to absorb. India VIX, a measure of how much volatility traders expect, ended the week at 15.30, below the 16.86 of a week earlier, though it rose during Friday's session as crude climbed and technology shares fell abroad.

WHAT COMES NEXT

The coming week brings the American midterm elections on Tuesday, a Bank of England meeting on Thursday and American jobs figures on Friday. At home, results season continues, and the listing of SFC Environmental Technologies on Tuesday will test whether the appetite seen for Jio extends to smaller issues. The bigger question is whether foreign buying lasts. One day of net purchases does not reverse ₹51,000 crore of selling, and the reasons foreign funds have been cautious, dear oil, a weak rupee and rising interest rates, are still in place.



The trading floor of the Frankfurt Stock Exchange. ANK KUMAR / CC BY-SA 4.0

Bonds end a record ten-week losing streak

The ten-year yield fell more than 9 basis points in the week, to about 7.38 per cent, after buyers stepped in near 7.50 per cent. Mutual funds did most of the buying.

BY ARNAV GOEL

India's government bonds rose this week for the first time in 11 weeks, ending the longest run of weekly losses on record. The yield on the benchmark ten-year bond, which moves in the opposite direction to its price, was about 7.38 per cent on Friday, October 30, down more than 9 basis points from a week earlier, according to a Reuters report carried by market news services. Over the previous ten weeks it had risen by more than 70 basis points.

Closing levels differed slightly by source. Trading Economics put the ten-year yield at 7.40 per cent on Friday, Investing.com at 7.41 per cent and Bloomberg at 7.43 per cent, reflecting different closing times and benchmark bonds. All show yields well below the week's highs.

WHY BUYERS CAME BACK

The simplest explanation is price. Traders said buyers stepped in as the yield approached 7.50 per cent. At that level a ten-year government bond pays two full percentage points more than the RBI's repo rate of 5.50 per cent, a wide gap by historical standards. Mutual funds were the largest buyers, purchasing about ₹4,000 crore of bonds in the week up to Thursday.

A firmer rupee also helped. The rupee rose to 94.93 a dollar on Friday. When the currency stops falling, foreign investors are less worried that a currency loss will wipe out the extra interest they earn on Indian bonds, and the RBI is under less pressure to drain cash from the banking system to defend it.

HOW THE LOSSES PILED UP

The selling that preceded this week's rally had several causes. The RBI raised its repo rate by a quarter point to 5.50 per cent on October 7 and said its next move would be a rise or a pause. It then took steps to defend the rupee, including a ₹25,000 crore sale of government bonds on October 13 and a rule that banks must keep at least 99 per cent of their required cash reserves with it every day, up from 90 per cent. Both measures took cash out of the banking system, which pushes up short-term rates and, with them, bond yields. By mid-October the gap between India's ten-year yield and America's had widened to 227 basis points, from 206 basis points a week earlier.

CAN IT LAST?

There are reasons to doubt it. Consumer inflation was 5.54 per cent in September, slightly above the repo rate, which means the RBI's real policy rate is below zero. A central bank that wants positive real rates will be tempted to raise again at its meeting on December 2 to 4, and some traders have bet on a larger move. The October inflation figure, due on November 12, will matter a great deal.

Supply is the other risk. The government's fiscal deficit reached 42.1 per cent of its annual target in the first half of the year, more than a year earlier. If the subsidy bill keeps rising with oil, the government may have to borrow more than planned, and more bonds for sale tend to mean higher yields. This week showed there are buyers at 7.50 per cent. It did not show they will stay at lower levels.



Four-nines fine 400-ounce gold bars. CHEPRY (ANDRZEJ BARABASZ) / CC BY-SA 4.0

The rupee firms as reserves fall for a seventh week

The rupee gained 33 paise on Friday as the dollar weakened. Foreign exchange reserves slipped to $719.75 billion, mostly because gold lost value, not because the RBI sold dollars.

BY ARNAV GOEL

The rupee closed at 94.93 a dollar on Friday, October 30, up 33 paise on the day, according to provisional figures reported by PTI. It opened at 95.21 against its previous close of 95.26 and finished near the day's strongest level. Dealers credited a weaker dollar and gains in Indian shares. Softer crude prices during the session helped, though selling by foreign investors in earlier sessions and the risk of more trouble in the Gulf kept traders cautious. One analyst expected the rupee to trade between 94.80 and 95.35 in the near term.

The rupee is now about 1.6 per cent stronger than on October 7, when the RBI raised interest rates and it traded at about 96.45. Much of that recovery followed the central bank's new rules on currency derivatives, which limited the ways traders could bet on a falling rupee.

RESERVES KEEP SLIPPING

India's foreign exchange reserves fell by $1.27 billion to $719.75 billion in the week to October 23, the RBI said on Friday. It was the seventh weekly fall in a row. Since the record of about $785.7 billion in the week to September 4, reserves have fallen by about $66 billion. They are still $24.4 billion higher than a year earlier.

The detail matters more than the headline. Foreign currency assets, the dollars, euros and yen the RBI can use to defend the rupee, rose by $1.36 billion to $593.2 billion. The fall came from gold, whose value dropped by $2.65 billion to $103.15 billion as the metal's price fell. Special drawing rights rose by $27 million to $18.61 billion, and India's reserve position at the IMF slipped by $4 million to $4.79 billion.

That is a change from earlier in the autumn, when the RBI was selling dollars heavily. A rise in foreign currency assets suggests that in that week the central bank did not need to sell much, or that it bought some back as the rupee strengthened. Changes in the value of euros and yen held in the reserves also move the dollar total.

WHY THE RUPEE IS STILL WEAK

The rupee's recovery is fragile because its main problem has not gone away. India imports most of its oil, and its basket of crude averaged $120.46 a barrel in October, the highest monthly average since 2012. Oil is paid for in dollars, so a dearer barrel means more dollars leaving the country. The RBI has been selling dollars directly to state-run oil companies so that their purchases do not hit the market all at once, but that moves the pressure onto its reserves rather than removing it.

Foreign investment flows are the other factor. Foreign funds sold about ₹51,466 crore of Indian shares in the first 15 sessions of October, then bought a net ₹3,599 crore on Friday. If that buying continues, it will support the rupee. If oil keeps rising, it may not be enough.



The Mae Mo coal power station. ร้อยตรี โชคดี / CC BY-SA 4.0

Core industries grow 7.9 per cent, a new-series high

Output in India's main infrastructure industries rose 7.9 per cent in September, led by iron ore, coal and electricity. Fertiliser, natural gas and crude oil all fell.

BY ARNAV GOEL

Output in India's core industries rose 7.9 per cent in September from a year earlier, the fastest pace recorded under the new series, according to figures from the commerce and industry ministry. Growth in August was revised to 5.9 per cent, and in September 2025 it had been 3.1 per cent. The index covers basic industries such as coal, electricity, steel, cement and refining, which together make up about 40 per cent of the index of industrial production.

For the first half of the financial year, April to September, core output rose 5.1 per cent, against 2.5 per cent in the same period a year earlier.

WHERE THE GROWTH CAME FROM

Iron ore led, with output up 18.4 per cent. Electricity generation rose 11.4 per cent, coal 10.7 per cent, refinery products 10.3 per cent and cement 9.8 per cent. Steel grew more slowly, at 4.9 per cent.

The strength in electricity and coal tends to go together, because most of India's power still comes from coal-fired plants. Higher demand for power can reflect hot weather, factory activity or both. Cement and iron ore point to construction and infrastructure work, which picks up after the monsoon. Refinery output, up more than 10 per cent, reflects in part the incentive for refiners to run hard when the margin between crude and fuel prices is wide, as it has been this year.

THREE INDUSTRIES SHRANK

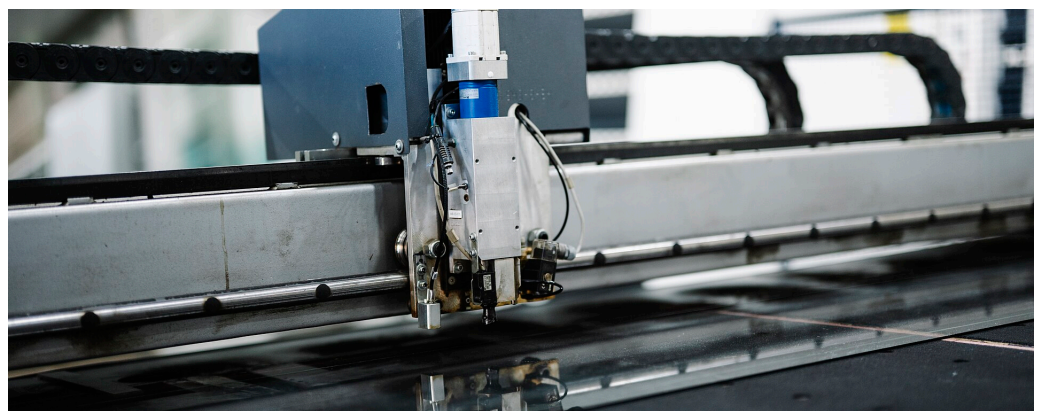
Fertiliser output fell 11.7 per cent, natural gas 4.6 per cent and crude oil 1.4 per cent. Fertiliser production depends heavily on natural gas as a raw material, and much of India's gas is imported as liquefied natural gas. With shipping through the Strait of Hormuz largely blocked since February, supplies from the Gulf have been disrupted and prices have risen, which helps explain why both gas and fertiliser output fell. The fall in fertiliser comes just as farmers begin sowing the winter crop, when demand for it is high.

Crude oil output has been in slow decline for years as India's older fields age. The 1.4 per cent fall continues that trend and means the country depends a little more on imports each year, at a time when imported oil is unusually expensive.

WHAT IT SAYS ABOUT THE WIDER ECONOMY

A strong core reading usually lifts the broader index of industrial production. This time the effect was smaller than the headline suggested. Industrial output, published later in the week, grew 6.7 per cent in September, a four-month low. Before that release the rating agency ICRA had expected industrial growth to slow to 6 to 7 per cent from 8 per cent in August, because non-core industries had a high base to compare against.

The core figures nonetheless point to an economy that is still building. Power, cement and steel are used in construction, and their growth suggests that public and private investment has not been knocked off course by higher interest rates so far. The RBI raised its repo rate on October 7, and the effect of tighter money on investment usually takes several months to appear. The October figures, due at the end of November, will show whether the strength survives the festive season and dearer credit.



A machine cutting material on a factory production line. SHIXART1985 / CC BY 2.0

Industrial growth slows to 6.7 per cent in September

Factory output grew more slowly than expected, but most of the slowdown came from a tougher comparison with last year. Output actually rose 1 per cent from August.

BY ARNAV GOEL

India's industrial output grew 6.7 per cent in September from a year earlier, according to quick estimates from the National Statistical Office published this week. That was the slowest rate in four months, down from a revised 7.8 per cent in August and below the 7.2 per cent that economists had expected.

Manufacturing, which carries about 76 per cent of the weight in the index of industrial production, grew 7.6 per cent, down from 8.6 per cent in August. Electricity and gas supply grew 11.2 per cent, in line with strong power demand shown in the core industries data a few days earlier.

A SLOWER YEAR-ON-YEAR RATE, NOT A SLOWER MONTH

The headline figure exaggerates the slowdown. The index itself rose about 1 per cent from August to September, which means factories produced more, not less. The annual growth rate fell because of what happened a year ago. In September 2025 industrial growth jumped to 6.10 per cent from 4.67 per cent in August 2025. A higher starting point makes the same level of output look like slower growth.

A simple example shows how this works. If output was 100 a year ago and is 107 now, growth is 7 per cent. If last year's figure had instead been 101, the same output of 107 shows growth of only about 5.9 per cent. Nothing about this year's factories has changed; only the comparison has.

INVESTMENT GOODS STAY STRONG

The breakdown by use was encouraging. Capital goods, the machinery and equipment that companies buy to expand, grew 10.4 per cent, according to the industry chamber PHDCCI. Intermediate goods, such as steel, chemicals and components that go into other products, grew 12.2 per cent. Both suggest that companies are still investing and that supply chains are busy.

These figures are adjusted for inflation using the producer price index, so they measure real output rather than the value of sales inflated by higher prices. That matters at a time when wholesale prices have been rising quickly because of fuel.

THE HALF-YEAR PICTURE

Over April to September, industrial output grew about 6.8 per cent. That is a solid pace. Economists expect a rebound to between 8 and 9 per cent in October, helped by festive demand and a weaker base. The October figure is due on November 30.

The risk lies in costs rather than demand. Higher oil prices raise the cost of energy and transport for every factory, and the RBI's rate rise in October makes borrowing dearer for companies that want to expand. Car makers, for instance, sold record numbers of vehicles in July to September, but Maruti Suzuki's profit fell 26 per cent because raw material costs linked to the conflict in West Asia rose faster than prices. If more manufacturers find their margins squeezed in this way, output growth may hold up for a while, but investment plans could be the first to be trimmed.



A suburban train passing the Reliance Corporate IT Park, Navi Mumbai. ARUN MURALIDHAR / CC BY-SA 3.0

Reliance's profit jumps 41 per cent as refining margins widen

Reliance Industries made a record ₹3.62 lakh crore of revenue in July to September. Its oil-to-chemicals business, which gains when fuel prices rise faster than crude, did most of the work, while retail slipped.

BY ARNAV GOEL

Reliance Industries, India's largest company by market value, reported on Friday that profit attributable to its shareholders rose 40.6 per cent in July to September from a year earlier, to ₹25,548 crore from ₹18,165 crore. Consolidated profit after tax, which includes associates and joint ventures, was a record ₹29,550 crore, up 33.8 per cent. A preview before the results had expected profit of about ₹20,900 crore.

Gross revenue reached a record ₹3,62,268 crore. Operating profit before interest, tax, depreciation and amortisation, or EBITDA, was ₹62,409 crore, up 23.9 per cent, giving a margin of 17.2 per cent.

THE REFINING WINDFALL

The biggest driver was the oil-to-chemicals business, which refines crude into petrol, diesel and jet fuel and makes petrochemicals. Its EBITDA rose 67.9 per cent to ₹25,203 crore, helped by higher margins on transport fuels and better petrochemical margins. That one business supplied about 40 per cent of the group's operating profit.

The mechanism is the "crack", the difference between the price of a barrel of crude and the price of the fuels made from it. When attacks on tankers and the closure of shipping routes in the Gulf disrupt supplies of refined fuel, product prices can rise faster than crude itself. A refiner that can still buy crude and sell fuel at those prices earns more on every barrel. Reliance runs one of the world's largest refining complexes at Jamnagar, so small changes in cracks make a large difference to its profit.

JIO GROWS, RETAIL STUMBLES

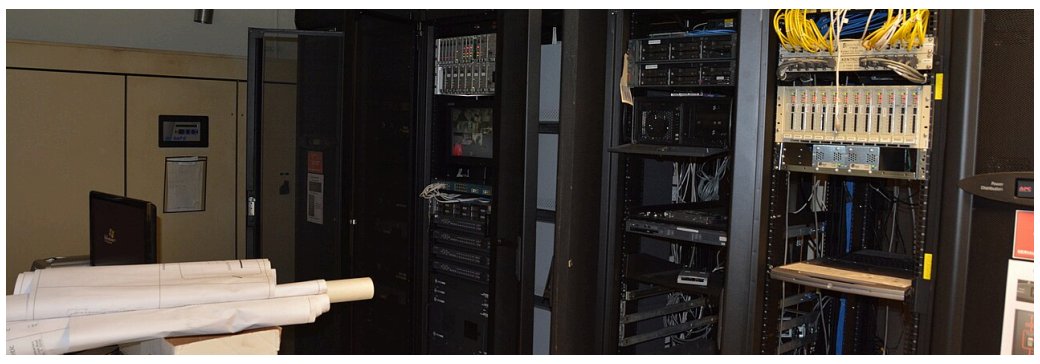
Jio Platforms, which listed on the stock exchanges two days before the results, reported revenue of ₹47,485 crore, up 11.3 per cent, and EBITDA of ₹21,879 crore. That is about 35 per cent of the group's operating profit. With the oil business's share at about 40 per cent, the two together account for three-quarters of Reliance's earnings.

Retail was the weak spot. Its EBITDA fell 8.6 per cent from a year earlier, and one report said its profit fell 24 per cent. Retail had been presented for years as Reliance's next growth engine. A decline at a time of festive spending raises the question of how much higher fuel and food prices are squeezing the spending of its customers.

WHAT IT MEANS

The results show how differently the oil shock affects different parts of the economy. For most Indian companies and households, crude above $110 a barrel is a cost. For a large refiner it can be a source of profit, at least while fuel prices outrun crude. The same quarter in which Reliance earned record profits saw Maruti Suzuki's profit fall 26 per cent on higher raw material costs.

That windfall may not last. If the government asks state-run fuel retailers to keep pump prices frozen, private refiners face pressure to do the same at home, though Reliance's joint venture Jio-bp has already raised petrol prices by ₹5 a litre. And if peace in the Gulf reopened shipping routes, cracks would likely narrow quickly. For now, Reliance is one of the few large Indian companies that is better off because oil is dear.



A data center. CARL LENDER / CC BY 2.0

Infosys cuts its growth forecast to 1 to 2 per cent

India's second-largest software exporter now expects revenue to grow only 1 to 2 per cent this year in constant currency. Its rupee revenue rose almost 11 per cent, but mostly because the rupee fell.

BY ARNAV GOEL

Infosys lowered its revenue forecast for the financial year when it reported results on October 23. It now expects revenue to grow 1 to 2 per cent in constant currency, which strips out the effect of exchange-rate movements, down from 1.5 to 3 per cent previously. Its forecast for operating margin was unchanged at 20 to 22 per cent.

Net profit for July to September was ₹7,823 crore, up 6.2 per cent from a year earlier and within the range of analysts' forecasts. Revenue was ₹49,244 crore, up 10.7 per cent in rupees.

TWO GROWTH RATES

The gap between those two growth figures tells the story of the quarter. In constant currency, Infosys's revenue grew only 1.5 per cent from a year earlier and 1.2 per cent from the previous quarter. In rupees it grew 10.7 per cent. The difference comes almost entirely from the fall in the rupee. Infosys earns most of its revenue in dollars, euros and pounds and reports in rupees. When the rupee weakens from about 88 to the dollar a year ago to about 95 now, each dollar of revenue is worth more rupees, even if clients are buying no more services.

That flatters the reported numbers but does not reflect demand. The constant-currency figure is the one that shows how much more work clients are buying, and on that measure business is barely growing.

DEALS ARE STILL COMING

The picture is not all gloomy. Infosys signed large deals worth $5.2 billion in the quarter, and 62 per cent of that was new business rather than renewals. Free cash flow was $928 million, 113 per cent of net profit, meaning the

Continued



A car production line in Gliwice, Poland. MAREK ŚLUSARCZYK / CC BY 3.0

Maruti sells record numbers of cars but profit falls 26 per cent

India's biggest car maker sold 6,96,654 vehicles in July to September, up 26.5 per cent. Costs linked to the conflict in West Asia rose faster still, cutting its margin by more than three percentage points.

BY ARNAV GOEL

Maruti Suzuki sold more vehicles in July to September than in any previous quarter, but made less money. Its standalone net profit fell 26.9 per cent from a year earlier to ₹2,414.9 crore, below the ₹2,832 crore that analysts polled by Zee Business had expected. Consolidated profit, which includes its subsidiaries, was about ₹2,466 crore, down roughly 26 per cent.

Sales volumes rose 26.5 per cent to a record 6,96,654 units, and revenue rose about 26 per cent to roughly ₹53,356 crore.

A MARGIN SQUEEZE

The problem was costs. The company's EBITDA margin, operating profit before interest, tax, depreciation and amortisation as a share of revenue, shrank to 9.4 per cent from 12.7 per cent a year earlier, according to one analysis. Maruti said higher raw material costs linked to the conflict in West Asia were the main cause. Steel, aluminium, plastics and rubber all depend in some way on energy and oil.

A rough calculation shows the size of the hit. A margin 3.3 percentage points lower on revenue of about ₹53,356 crore means about ₹1,760 crore less operating profit than the company would have made at last year's margin. That is close to the gap between this year's profit and last year's.

Operating profit, measured as earnings before interest and tax, fell 17.1 per cent from a year earlier to ₹2,803.7 crore. But it rose 10.8 per cent from April to June, suggesting the worst of the squeeze may have passed.

WHY PRICES DID NOT KEEP UP

Car makers can in principle pass higher costs on to buyers. In practice they move slowly. Prices are

Continued

Infosys cuts its growth forecast to 1 to 2 per cent

Continued

company turned its earnings into cash efficiently. Deals signed now are typically worked on over several years, so they support revenue later rather than this year.

The question analysts asked before the results was whether artificial intelligence is starting to shrink the market for traditional IT services. Business Today's preview described the concern as "AI-led deflation": clients using AI tools to get the same work done with fewer billable hours, or demanding lower prices because suppliers can use AI to work faster. A large order book alongside a lower revenue forecast is consistent with that worry. Clients are still signing contracts, but each contract may bring in less revenue than it would have a few years ago.

WHY IT MATTERS BEYOND INFOSYS

Software services are one of India's largest exports and a big source of the dollars that help pay for oil imports. Slower growth at the biggest firms means fewer dollars coming in at a time when the rupee needs support. It also affects hiring. IT companies have been among the largest employers of graduates, and a cautious outlook usually means fewer new hires.

Investors had a mixed reaction across the sector. Indian IT shares had their best week in 18 years in mid-October, partly in hope that a weaker rupee and steady deal flow would lift earnings. That optimism has since faded. Software stocks fell this week, and the share price of Alphabet, one of the biggest buyers of technology services, dropped by about 11 per cent in New York on Thursday after its results.

Maruti sells record numbers of cars but profit falls 26 per cent

Continued

set months in advance, discounts are common in the festive season, and a big price rise risks losing sales to rivals. So Maruti absorbed much of the rise in costs and kept selling cars.

The strategy kept factories busy. Chairman R.C. Bhargava struck an upbeat tone after the results. "The future looks quite rosy," he said.

OCTOBER BRINGS MORE VOLUME

Early figures for October suggest strong demand continued into the festive season. One report put Maruti's total sales in the month at about 2.76 lakh units, up 25 per cent from a year earlier and a record. Rivals also reported strong numbers: Tata Motors' passenger vehicle sales rose 23 per cent to 75,426 units and Mahindra sold a record 73,338 sport-utility vehicles at home.

The difficulty is that higher volume does not cure a margin problem. If raw material costs stay high because oil remains above $110 a barrel, Maruti will have to choose between raising prices and accepting lower profits. The RBI's rate rise in October adds another consideration, because most cars in India are bought with loans and dearer credit can slow demand just when companies most need it to hold up.



A worker assembling rebar at a construction site. TOMAS CASTELAZO / CC BY-SA 3.0

L&T wins a record ₹1.48 lakh crore of orders

Larsen & Toubro's order inflow rose 28 per cent in July to September, led by large power projects. Profit rose 33 per cent, but margins narrowed and orders for Indian infrastructure fell.

BY ARNAV GOEL

Larsen & Toubro, India's largest engineering and construction company, won orders worth about ₹1,47,665 crore in July to September, up 28 per cent from a year earlier and the highest it has ever recorded in a quarter. Its consolidated order book, the value of work won but not yet done, reached ₹8,53,500 crore at the end of September, also up 28 per cent.

Revenue rose 16 per cent to about ₹78,750 crore and profit after tax rose 33 per cent to ₹5,202 crore. The shares rose more than 4 per cent after the results.

WHERE THE ORDERS CAME FROM

Conventional energy projects, including very large orders the company classes as "ultra mega" and "mega", supplied ₹78,413 crore of the inflow, more than double a year earlier. That single segment accounted for more than half of all orders won.

Geography matters as much as sector. The Middle East supplied 51 per cent of the quarter's orders and India 37 per cent. International orders now make up 54 per cent of the total order book. Gulf governments have been spending heavily on power, oil, gas and water projects, and high oil prices give them more money to do so. In that sense L&T is one of the Indian companies that benefits, indirectly, from dear oil.

At home the picture was weaker. Orders in the infrastructure and utilities segment, which includes roads, railways, water and buildings, fell 13 per cent to ₹35,509 crore. L&T put the fall down to deferrals, meaning projects that were expected to be awarded have been pushed back rather than cancelled.

THINNER MARGINS

The company's EBITDA margin narrowed to 8.7 per cent from 10.0 per cent a year earlier. Large fixed-price contracts expose builders to rising costs of steel, cement and fuel, and large projects in their early stages often carry lower margins. A business that grows revenue 16 per cent but earns 1.3 percentage points less on each rupee of sales is working harder for its profit.

YEARS OF WORK AHEAD

The order book is very large relative to revenue. At the current quarterly revenue of about ₹78,750 crore, a year's revenue is roughly ₹3.15 lakh crore. The order book of ₹8.5 lakh crore is therefore about 2.7 years of work. In the first half of the financial year, orders rose 22 per cent to ₹2,55,678 crore.

That visibility is valuable, but it comes with risks. Half of new orders depend on the Gulf, where the conflict around the Strait of Hormuz could disrupt projects, payments or the movement of materials. And the fall in domestic infrastructure orders, if it persists, would suggest that higher interest rates and a tighter budget are beginning to slow public works at home. The government's capital spending was about ₹6.5 lakh crore in April to September, and with its deficit already at 42 per cent of the annual target, capital projects are often the first to be delayed when money is short.



A supermarket aisle in Vermont. TESSA BURY / CC BY 4.0

HUL's volumes grow at the fastest pace in years

HUL's underlying sales grew 15 per cent in July to September, the fastest in 14 quarters, and volumes rose 7 per cent. Profit grew more slowly, because costs rose too.

BY ARNAV GOEL

Hindustan Unilever, India's largest maker of packaged consumer goods, reported its fastest sales growth in three and a half years. Underlying sales grew 15 per cent in July to September from a year earlier, the highest rate in 14 quarters, and underlying volume, the amount of product sold, rose 7 per cent, the strongest since April to June 2021.

EBITDA rose 8 per cent to ₹4,089 crore, giving a margin of 22.6 per cent. Profit before exceptional items grew 9 per cent. The board declared an interim dividend of ₹19 a share, and the company kept its target of an EBITDA margin of 22 to 24 per cent for the year. Reported figures for turnover and net profit differed across news reports depending on the measure used.

VOLUME AND PRICE

Sales growth can come from selling more or from charging more. HUL's figures split the two. With sales up 15 per cent and volume up 7 per cent, roughly 8 percentage points of growth came from higher prices and a richer mix of products. After several years in which consumer companies grew mainly by raising prices while volumes stagnated, a 7 per cent rise in volume is a sign that more households are buying more.

The growth was broad. Home care, which includes detergents and dishwashing products, grew 22 per cent. Beauty and wellbeing grew 16 per cent, personal care, such as soap, 9 per cent, and foods 9 per cent.

WHY PROFIT LAGGED

Operating profit grew 8 per cent, about half the rate of sales. That means costs rose almost as fast as revenue. HUL's raw materials include palm oil, crude-based chemicals used in detergents, and packaging made from plastics, all of which become dearer when oil prices rise. With India's crude basket averaging more than $120 a barrel in October, those pressures are unlikely to ease soon.

Investors noticed. HUL's shares fell as much as 2.9 per cent after the results, even though sales were strong. The market is valuing consumer companies on their profit, and a business whose profit grows half as fast as its sales is one whose margins are being squeezed.

A SIGN OF WHAT HOUSEHOLDS ARE DOING

HUL's numbers are watched as a gauge of everyday spending, because its products are bought by almost every Indian household. Strong volumes suggest that consumption held up well through the festive season, despite inflation of 5.54 per cent in September and food inflation of 7.74 per cent.

That fits with other signals. Monthly UPI payments reached a record 25.47 billion transactions in October, and gross GST collections rose 22.9 per cent.

The test is whether that holds as interest rates rise and dearer fuel feeds through to other prices. Management said it expects stronger growth this year than last. If costs keep rising, HUL will face the same choice as many manufacturers: raise prices and risk slower volumes, or hold them and accept thinner margins.

Bank of Baroda's profit jumps; rising yields hurt Canara

Two big state-owned banks reported very different quarters. One-off gains lifted Bank of Baroda, while Canara Bank's treasury income fell sharply as bond prices dropped.

BY ARNAV GOEL



A bank on Main Street. JIM.HENDERSON / CC0

Bank of Baroda, the state-owned lender, reported a standalone net profit of ₹6,532 crore for July to September, up 35.8 per cent from ₹4,809 crore a year earlier and a record for the quarter. Analysts polled by Zee Business had expected ₹5,290 crore. Canara Bank's profit rose more modestly, by 8.4 per cent to ₹5,175 crore from ₹4,774 crore, and its shares fell about 6 per cent the next day.

The two results show how much of a bank's profit now depends on items other than lending, and how differently rising interest rates can affect banks that look similar from the outside.

BANK OF BARODA'S ONE-OFFS

Bank of Baroda's net interest income, the difference between what it earns on loans and pays on deposits, rose 9 per cent to ₹13,026 crore. That is steady but not spectacular. Operating profit, however, jumped 50.9 per cent to ₹11,430 crore. The difference came from one-off gains: the bank settled its long-running legal claims relating to the NMC Group and booked gains from selling part of its stake in the National Stock Exchange. Its gross non-performing assets fell to 1.78 per cent of loans.

One-off gains are real money, but they do not recur. A reader trying to judge how the bank's core business is doing should look at the 9 per cent growth in interest income, not the 36 per cent growth in profit.

CANARA'S TREASURY PROBLEM

Canara Bank's core business grew faster. Net interest income rose about 20 per cent to ₹11,005 crore. Its bad loans continued to fall, with gross non-performing assets at 1.33 per cent and net non-performing assets, after provisions, at just 0.30 per cent. Yet operating profit rose only about 2 per cent, because treasury income dropped sharply.

Treasury income is what a bank earns from trading and holding bonds. Banks hold large amounts of government securities. When yields rise, the price of existing bonds falls, and banks must mark down the value of bonds they hold for trading. The ten-year government bond yield rose by more than 70 basis points in the ten weeks to late October. A bond with about seven years of duration loses roughly 7 per cent of its value for every percentage point rise in yields, so a rise of that size can wipe out several per cent of a bond's value within weeks.

WHAT COMES NEXT

The good news for both banks is that loan quality remains strong. Credit growth across the industry has been fast; Kotak Mahindra Bank reported loan growth of 24.7 per cent in its provisional update for the quarter.

The risk is that the RBI raises rates again in December. Higher rates help banks earn more on new loans, but they hurt the value of bonds already held and, over time, make it harder for some borrowers to repay. This week's first fall in bond yields in 11 weeks will help treasury books in October. A rate rise in December could reverse it.

Bajaj Finance raises its growth forecast

India's largest consumer lender grew its loan book 26 per cent and its profit 29 per cent in July to September. It also set aside more money for bad loans and will sell new shares to fund further growth.

BY ARNAV GOEL

Bajaj Finance, which lends to consumers buying phones, appliances and cars and to small businesses, reported consolidated profit after tax of ₹6,367 crore for July to September, up 29 per cent from ₹4,948 crore a year earlier. Its assets under management, the total value of loans it manages, grew about 26 per cent to ₹5,84,624 crore, with ₹37,680 crore added in the quarter alone.

Net interest income rose 24 per cent to ₹13,335 crore. Return on assets was 4.6 per cent and return on equity 20.6 per cent, both high for a lender.

MORE GROWTH EXPECTED

Management raised its forecast for growth in assets under management this year to 26 to 27 per cent, from 23 to 25 per cent previously. That is an unusual move when the RBI has just raised interest rates. It suggests the company sees strong demand for consumer credit, consistent with record festive spending on cars and appliances.

To fund that growth, the board approved raising ₹17,500 crore through a qualified institutional placement, a sale of new shares to large investors, and a preferential issue to its promoters. A lender needs capital in proportion to its loans. If the loan book grows by more than a quarter, the capital supporting it must grow too, or the lender's ratio of capital to risk-weighted assets falls. Raising equity early lets the company keep lending without hitting that limit.

PRESSURE ON MARGINS

Not everything was positive. One report flagged mild pressure on the net interest margin, the gap between the rate the company earns on loans and pays on borrowings. Non-bank lenders such as Bajaj Finance borrow from banks and bond markets, so when interest rates rise their funding costs go up quickly, while the rates on existing fixed-rate consumer loans cannot be changed. The shares reportedly fell on the day of the results.

Loan losses and provisions were ₹2,166 crore. That included a ₹337 crore provision against possible future losses linked to the economic outlook, money set aside in case borrowers struggle as rates and prices rise. Making such a provision in a good quarter is a sign of caution.

A SIGNAL FOR THE ECONOMY

Consumer lenders are an early warning system. If households start to struggle with higher prices and interest rates, missed repayments on small consumer loans tend to show up before problems in larger loans. For now Bajaj Finance's figures show demand for credit rising rather than falling.

The RBI will be watching that closely. Rapid growth in unsecured consumer lending worried the central bank in 2023, when it raised the capital banks and lenders must hold against such loans. With inflation above its target and a policy meeting due on December 2 to 4, strong credit growth is one more reason the committee may lean towards tightening.



New cars, electric trucks and older vehicles in a traffic jam in the rain. EPSOS.DE / CC BY 2.0

Car makers ship record numbers, but registrations fall

Mahindra, Tata Motors and Maruti Suzuki all reported strong October dispatches to dealers. Registrations of new cars, which count actual sales to buyers, were lower than a year earlier.

BY ARNAV GOEL

India's car makers reported strong sales for October, the heart of the festive season. Mahindra & Mahindra sold a record 73,338 sport-utility vehicles at home and 1,31,109 vehicles in total, up about 9 per cent from a year earlier, with exports up 77 per cent. Tata Motors' passenger vehicle sales rose 23 per cent to 75,426 units from 61,295, with domestic sales up 21 per cent to 73,894 and its electric vehicle volumes up 75 per cent. Maruti Suzuki's total sales were about 2.76 lakh units, up 25 per cent and a record, according to one report.

These figures, released on Sunday, November 1, measure dispatches: the number of vehicles that leave factories for dealers. They are not the same as sales to customers.

DISPATCHES AND REGISTRATIONS

The other measure, registrations, counts vehicles that buyers have actually taken home and registered with transport offices. On that measure October looked very different. One tally of registrations put Maruti Suzuki at about 2,11,450 units, down 15.2 per cent from October 2025. Tata Motors registered 73,002, down 8.6 per cent, and Mahindra 64,248, down 12.7 per cent. Registrations rose about 15 per cent from September, as festive buying picked up.

The gap between the two measures matters. When dispatches run well ahead of registrations, cars pile up at dealers. In Maruti's case the difference in October was roughly 64,000 vehicles. Some of that is normal: dealers stock up before and during the festive season, and some sales made in late October will be registered in November. But if stocks keep building, car makers eventually have to cut production or offer bigger discounts.

THE BASE EFFECT FROM LAST YEAR

The source of the registration figures attributes the fall from a year earlier to an unusually high base. Last October buyers rushed to showrooms after the cut in goods and services tax on cars, which lowered prices sharply. Comparing this October with that one makes demand look weaker than it is. The rise from September suggests buyers are still active.

WHAT IS SELLING

Sport-utility vehicles continue to drive the market, as Mahindra's record shows. Electric vehicles are growing quickly from a small base; Tata's 75 per cent rise in electric sales came as fuel prices at private pumps went up by ₹5 a litre for petrol. Mahindra's 77 per cent jump in exports shows that Indian-made vehicles are finding buyers abroad as well.

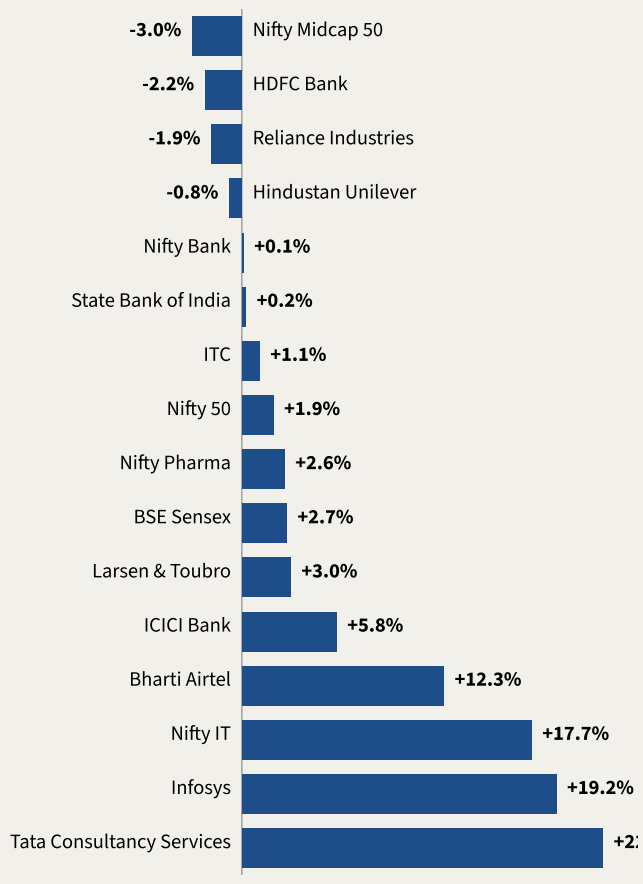
Electric scooters and motorcycles are following the same path. Registrations of electric two-wheelers reached 2,14,654 in October, up 2.9 per cent from September, with TVS Motor in first place and Bajaj Auto second at 49,068.

THE OUTLOOK

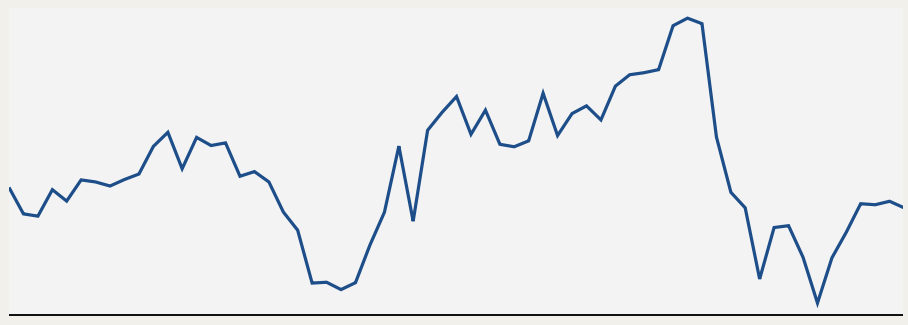
The quarter just ended showed the tension in the industry. Maruti sold a record number of cars in July to September, but its profit fell 26 per cent as costs linked to the conflict in West Asia rose. If dealers are carrying high stocks into November and car makers' costs remain elevated, the industry has little room to cut prices to clear inventory. Dearer loans after the RBI's October rate rise add to the pressure, because most cars in India are bought on credit.

October in charts

How Indian indices and leading shares moved over the month, and the rupee and oil prices behind them.

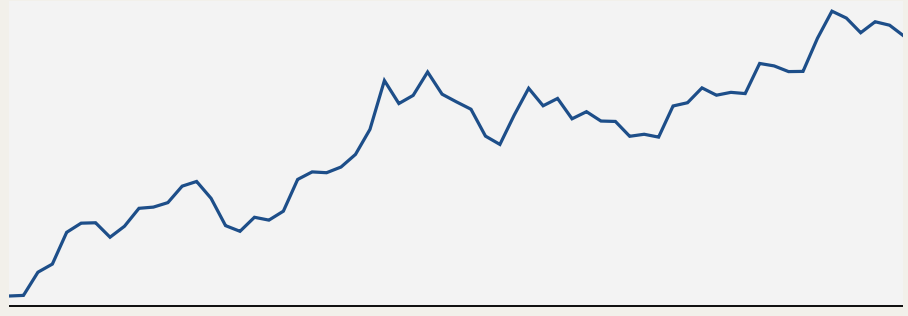


Rupee per dollar, last three months



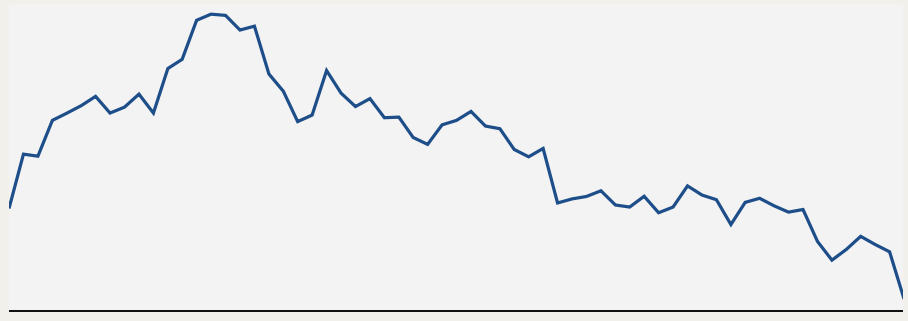
4 Aug: 95.33 High 96.82 · Low 94.31 30 Oct: 95.15

Brent crude, $/bbl, last three months



4 Aug: 79.36 High 116.72 · Low 79.36 30 Oct: 113.43

Gold, $/oz, last three months



4 Aug: 4,153 High 4,698 · Low 3,899 30 Oct: 3,899



A vendor at the Richfield Farmers' Market in Richfield, Minnesota. MYOTUS / CC0

UPI handles more than ₹1 lakh crore a day for the first time

Indians made a record 25.47 billion UPI payments worth ₹31.53 lakh crore in October. The festive season helped, and so, according to one report, did a delay in new charges on merchants.

BY ARNAV GOEL

The Unified Payments Interface, India's real-time payment system, processed 25.47 billion transactions in October worth about ₹31.53 lakh crore, according to NPCI figures reported by Entrackr. That was a record, above the previous high of 24.51 billion in August. Volume rose about 5.8 per cent from September's 24.07 billion.

The average daily value crossed ₹1 lakh crore for the first time. Divide ₹31.53 lakh crore by the 31 days of the month and the result is about ₹1.02 lakh crore a day. The average number of transactions a day rose to about 822 million from 802 million in September.

COMPARING LIKE WITH LIKE

Some of the monthly increase is a matter of the calendar. October has 31 days and September 30, so a rise of about 3.3 per cent would come from the extra day alone. The rise in daily averages, from 802 million to 822 million transactions, is the cleaner measure, and it shows growth of about 2.5 per cent in a month.

From a year earlier, volume grew about 23 per cent and value about 16 per cent. The gap between the two means the average payment is getting smaller. At about ₹1,238 per transaction in October, the typical UPI payment is a small purchase: a vegetable seller, a cup of tea, a taxi ride. That is the system working as designed, replacing cash in everyday purchases.

THE FESTIVE EFFECT AND MERCHANT CHARGES

Diwali shopping lifted spending, as it does every year. One report also linked part of the surge to a decision by NPCI, taken on October 13, to defer until after Diwali the planned merchant discount rate, a fee charged to merchants on some UPI payments. Reports differ on the timing of the new charge, which had been due to start on October 15. In September UPI volume fell 1.8 per cent, which Business Standard reported came ahead of the planned start of the charges.

The fee question matters because UPI has been free for most users since it began. Banks and payment apps bear the cost of running it, partly offset by government subsidies. A fee on larger merchant payments would give banks a reason to invest more in the system, but could push some merchants back towards cash for big-ticket sales.

TEN YEARS ON

UPI completed ten years this year, and the government describes it as the world's largest real-time payment system. Its growth has implications beyond convenience. Digital payments leave a record, which helps the tax authorities and lenders. Small businesses that accept UPI build a transaction history they can use to borrow. And the RBI gets better data on spending.

The challenge now is to keep the system growing without making it fragile. Daily volumes of more than 800 million transactions put heavy demands on the banks' computer systems, and outages, when they happen, now affect a large share of the country's retail spending.



The Frankfurt Stock Exchange. ANK KUMAR / CC BY-SA 4.0

A plastics maker draws bids for 241 times the shares on offer

BLS Polymers was the most sought-after of several share sales that closed this week. Larger offers drew much less demand, and the gap shows how investors are choosing.

BY ARNAV GOEL

The week of Jio Platforms' record listing was also busy for smaller share sales. The most popular was BLS Polymers, whose initial public offering ran from October 27 to October 29 and drew bids for about 241 times the shares on offer, according to figures from one market tracker. Allotment was expected on October 30.

Other offers drew far less demand. SFC Environmental Technologies closed on October 29 with bids for about 9.34 times its shares and is due to list on the NSE and BSE on Tuesday, November 3. EAAA India Alternatives, an asset manager, closed on October 28 with subscription of about 5.19 times. MK Sons Fine Jewels, which was open from October 28 to October 30, drew about 5.06 times. Among small companies listing on the exchanges' SME platforms, Carver Roboweld closed on October 30 with bids for about 20.5 times its shares.

Most of these figures come from market data aggregators rather than final exchange filings, and may be revised.

WHAT 241 TIMES MEANS

A subscription ratio of 241 means investors asked for 241 shares for every one available. In practice, very few applicants get what they bid for. In the retail portion, shares are usually allotted by lottery in minimum lots, so most small applicants get nothing. In the institutional portion, each bidder receives a sliver of what it asked for.

Such ratios are often inflated by investors who bid for far more than they want, knowing they will be scaled back, and by those who borrow to apply in the hope of selling at a profit on the first day. That is one reason heavy oversubscription does not guarantee a strong debut. A small issue that draws a lot of money can still list below its price if the business itself does not hold up to scrutiny.

BIG AND SMALL

Jio Platforms showed a different pattern. Its ₹30,213 crore offer was subscribed 22.2 times overall, with the institutional portion bid 70.55 times and the retail portion 2.72 times. For an issue of that size, those are very strong numbers, and the shares rose 21 per cent when they listed on Wednesday. Smaller offers can reach much higher multiples simply because there is less stock to go round.

Paras Healthcare also began trading on October 28, listing at ₹720 a share, according to one aggregator.

WHY ISSUERS ARE COMING NOW

Companies tend to sell shares when prices are high and investors are confident. The Nifty rose 2 per cent this week and foreign investors returned as net buyers on Friday. Jio's debut showed there is money available even for very large offers. Several more small issues remain open into next week.

The risk for investors is the opposite of the issuer's opportunity. When many companies rush to list at once, prices tend to be set at the top of what the market will bear. Investors who apply for everything because recent listings have done well can find that the next batch performs less well, especially if interest rates keep rising and oil keeps squeezing profits.



Stacking intermodal containers at the Port of Chittagong. ROY UPAM / CC BY-SA 4.0

GST collections jump 23 per cent to a record

Gross goods and services tax receipts in October were the highest for any month. Tax on imports rose 42 per cent, far faster than tax on domestic sales.

BY ARNAV GOEL

Gross collections of goods and services tax reached ₹2,31,290 crore in October, up 22.9 per cent from ₹1,88,125 crore a year earlier, according to provisional government figures published on Sunday, November 1. After refunds of ₹27,934 crore, net collections were ₹2,03,356 crore, up 25.6 per cent. Several reports called it the highest monthly figure on record.

Of the gross total, central GST was ₹42,935 crore, state GST ₹51,340 crore and integrated GST, which is levied on sales between states and on imports, ₹1,37,015 crore.

IMPORTS GREW FASTER THAN DOMESTIC SALES

Revenue from domestic transactions rose 15.8 per cent to ₹1,59,044 crore. Revenue from imports rose about 42 per cent. Subtracting the domestic figure from the gross total puts import revenue at about ₹72,250 crore, close to a third of the whole.

GST on imports is charged on their value in rupees at the border. When the rupee weakens, the same shipment costs more in rupees and pays more tax, even if the quantity imported does not change. The rupee has fallen from about 88 to the dollar a year ago to about 95 now, a drop of roughly 7 per cent. That alone would lift import tax collections noticeably. Crude oil itself is outside GST, so dearer oil does not directly raise these collections, but many other imported goods have also become more expensive in rupees.

WHAT OCTOBER'S FIGURE REFLECTS

GST collected in a month largely reflects sales made in the previous month, because businesses file their returns after the month ends. October's collections therefore mostly capture September's transactions, including the run-up to the festive season. The comparison with a year earlier also matters: rates on many goods were cut last year, which held down collections in the months that followed and makes this year's growth look stronger.

For April to October, net collections were about ₹12.69 lakh crore, up about 12.6 to 13 per cent depending on the source, and gross collections about ₹14.77 lakh crore, up 13.2 per cent.

WHY IT MATTERS FOR THE BUDGET

The central government needs stronger tax receipts. Its fiscal deficit reached 42.1 per cent of the annual target in April to September, partly because gross tax revenue grew only about 6.1 per cent while spending rose 11 per cent. A month of strong GST collections does not change that by itself, and much of the GST collected belongs to the states. But if the pace holds through the second half, it would ease the pressure on the government to borrow more than planned.

It would also help the states, whose finances depend heavily on their share of GST. October's figure suggests that, a year after the rate cuts, higher spending and dearer imports are lifting revenue again.

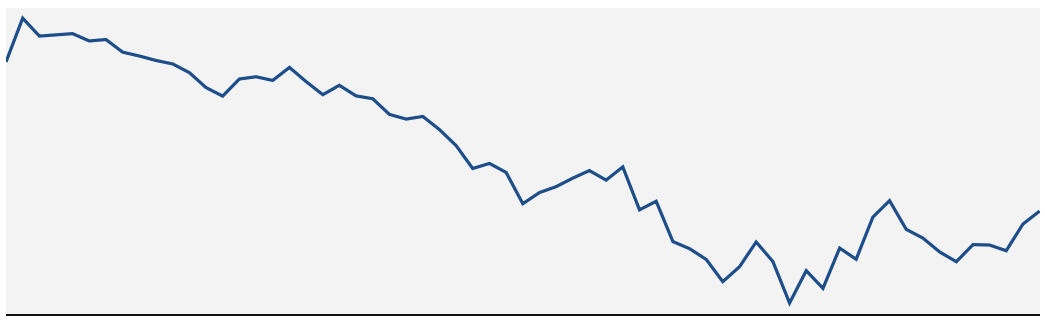
Indian Markets

Closing levels to Friday, October 30, 2026. Changes over five and 21 trading sessions. Source: Yahoo Finance.

	Last	Week	Month
INDICES			
BSE Sensex	74,460	+1.8%	+2.7%
Nifty 50	23,053	+2.0%	+1.5%
Nifty Bank	54,687	+0.7%	+0.8%
India VIX	15.30	-9.3%	+14.1%
SECTORS			
Nifty IT	32,607	+1.9%	+17.8%
Nifty Pharma	27,125	+7.1%	+0.7%
Nifty Midcap 50	16,513	+2.8%	-3.0%
RUPEE			
Rupee per dollar	95.15	+0.5%	-0.8%
Rupee per euro	106.39	+0.1%	-2.1%
Rupee per pound	127.32	+0.9%	+0.1%

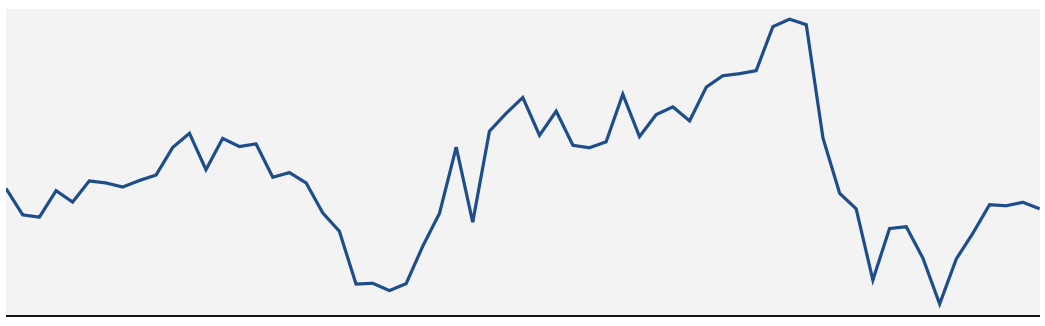
	Last	Week	Month
LEADING SHARES, ₹			
Reliance Industries	1,165	-2.1%	-1.4%
HDFC Bank	692.80	+0.0%	-4.1%
ICICI Bank	1,398	+0.3%	+8.2%
Bharti Airtel	1,974	+4.3%	+11.4%
Tata Consultancy Services	2,503	-1.1%	+23.1%
Infosys	1,185	+2.7%	+16.7%
State Bank of India	961.85	+0.3%	-0.3%
ITC	265.60	+3.0%	+0.2%
Larsen & Toubro	3,872	+6.2%	+3.3%
Hindustan Unilever	1,865	+2.7%	+0.0%

Nifty 50, last three months



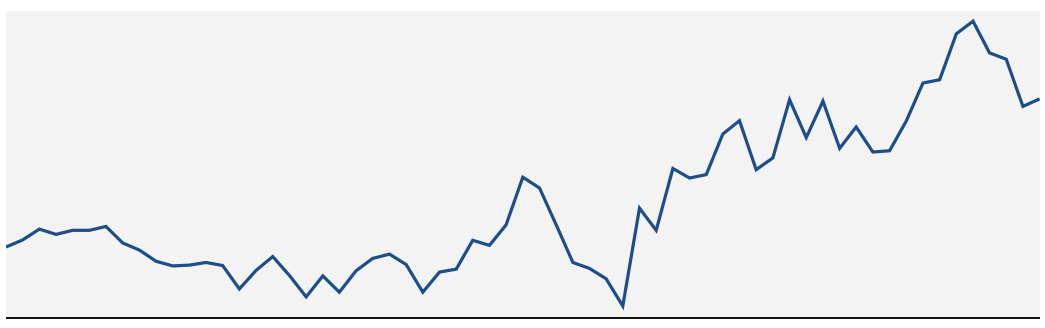
31 Jul: 24,384 High 24,774 · Low 22,232 30 Oct: 23,053

Rupee per dollar, last three months



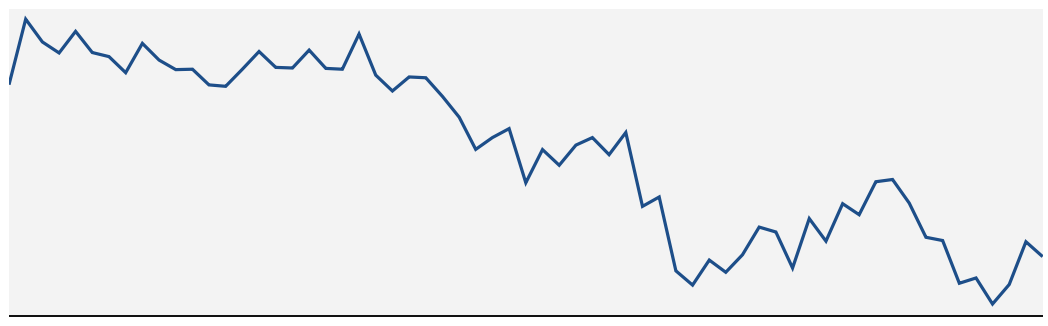
4 Aug: 95.33 High 96.82 · Low 94.31 30 Oct: 95.15

India VIX, last three months



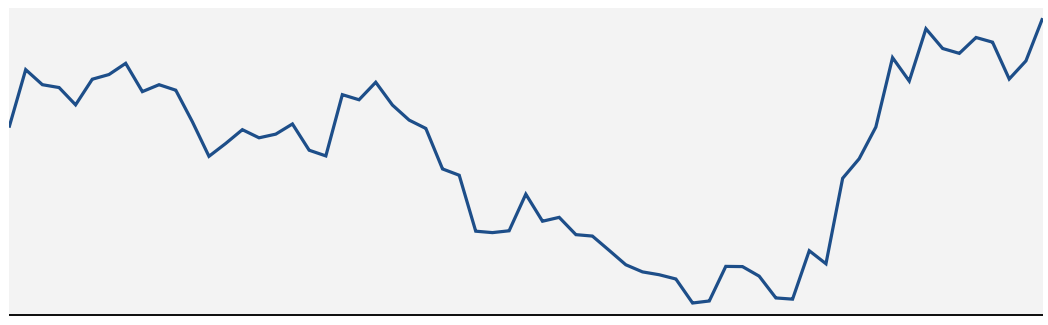
31 Jul: 11.76 High 17.16 · Low 10.35 30 Oct: 15.30

Nifty Bank, last three months



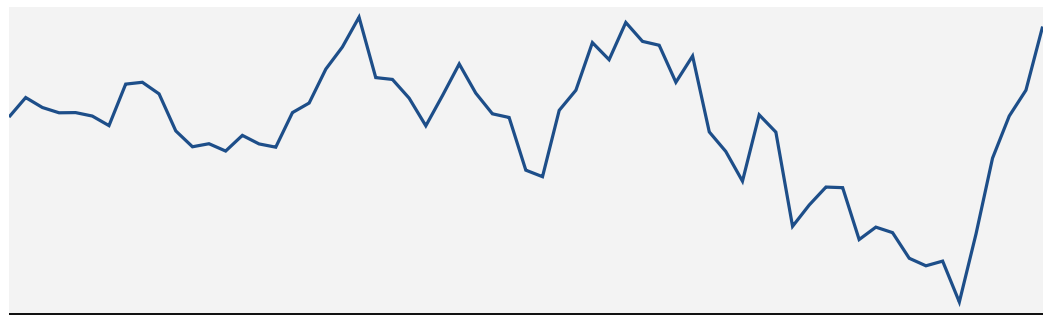
31 Jul: 57,265 High 58,248 · Low 53,975 30 Oct: 54,687

Nifty IT, last three months



31 Jul: 30,709 High 32,607 · Low 27,670 30 Oct: 32,607

Nifty Pharma, last three months



31 Jul: 26,535 High 27,186 · Low 25,329 30 Oct: 27,125

Opinion

Frozen pump prices are a subsidy nobody voted for

Holding petrol and diesel prices while crude tops $115 shifts the cost of the oil shock onto the budget, state-run companies and the RBI. It should be passed on, gradually and openly.

India's basket of crude averaged $120.46 a barrel in October, the highest monthly average since 2012. Yet a motorist filling up at an Indian Oil, Bharat Petroleum or Hindustan Petroleum station pays the same as before the latest jump in crude. The state-run companies, which run most of the country's pumps, have not changed regular petrol and diesel prices. Private retailers have: Nayara Energy and Jio-bp raised petrol by ₹5 a litre and diesel by ₹3 this month.

The freeze is popular. It is also a subsidy that appears in no budget and was approved by no parliament. The rating agency ICRA says the state-run companies' marketing margins on petrol and diesel are negative. Their losses on cooking gas have reached about ₹62,000 crore. Someone pays for all of this. An economist quoted by Business Today put it plainly: the cost is being shared by the central government, the states, the oil companies and the RBI.

Each of those payers has a reason to want the arrangement to end. The central government's fiscal deficit reached 42.1 per cent of the annual target by September, against 36.5 per cent a year earlier, with subsidies a big part of the increase. The oil companies are listed businesses with outside shareholders, whose losses will eventually have to be made good by the taxpayer or by higher prices later. And the RBI, which has been selling dollars directly to oil companies, is spending reserves that have already fallen by about $66 billion from their September peak.

There is a deeper problem. Prices exist to change behaviour. When crude costs more, the sensible response is to use a little less of it: fewer trips, fuller lorries, more public transport, a faster switch to electric vehicles. A frozen price tells people that nothing has changed. Every litre not saved is paid for in dollars.

Defenders of the freeze say higher fuel prices would add to inflation, which was already 5.54 per cent in September. That is true, but it only delays the effect. Pump prices will have to rise eventually unless crude falls sharply, and the economist quoted above expects increases after Diwali. A large rise later, after months of mounting losses, will be a bigger shock than a series of small ones now.

The better course is the one India followed when it freed petrol and diesel prices from government control: let them move with costs, in small and predictable steps. If the government wants to protect the poor, it can do so directly, through targeted support for cooking gas and for those who depend on public transport, paid for openly in the budget. That costs less than subsidising every litre for everyone.

The private retailers have already shown that the market can bear modest increases. The state-run companies should follow, before the bill grows any larger.

If the deficit slips, protect the roads

The government can still meet its 4.3 per cent target, but only if oil cooperates. If it has to choose, it should cut subsidies before it cuts capital spending.

The government's accounts for the first half of the year make uncomfortable reading. The fiscal deficit was ₹7.14 lakh crore in April to September, 42.1 per cent of the annual target and about a quarter more than a year earlier. Net tax receipts grew about 4 per cent. Total spending grew about 11 per cent, and subsidies drove much of the increase in day-to-day spending.

The target of 4.3 per cent of GDP is still within reach. The government can borrow ₹9.82 lakh crore more in the second half, more than it used in the first, and October's GST collections, up 22.9 per cent, suggest tax receipts may pick up. But much depends on oil. With Brent above $110 a barrel and attacks on tankers in the Strait of Hormuz continuing, the subsidy bill for cooking gas and fertiliser could keep rising.

Governments facing a squeeze like this have a habit. They protect what is visible to voters, such as subsidies, and quietly cut what is not, such as capital spending on roads, railways and power lines. There are already hints of this: Larsen & Toubro, India's biggest builder, said this week that its orders for domestic infrastructure fell 13 per cent in July to September because projects were deferred.

That would be the wrong choice. Capital spending, about ₹6.5 lakh crore in the first half, builds things that make the economy more productive for decades. Cutting it saves money this year at the cost of slower growth for many years after. Subsidies on fuel and fertiliser, by contrast, are consumed immediately, and much of the benefit goes to people who do not need it.

There is also an economic argument for keeping investment going now. Private companies are still building: capital goods output grew 10.4 per cent in September and core industries such as cement and steel are growing fast. Public investment that crowds in private investment is worth more when private demand is already strong, not less.

If the deficit must slip, the government should say so openly and explain why. A miss of a few tenths of a percentage point, caused by an oil shock the government did not create, would not frighten the bond market as much as a target met by hidden cuts and accounting tricks.

The better path is to avoid the choice altogether by passing on more of the oil price to fuel users, as private retailers have already done, while protecting poorer households directly. Failing that, the government should be clear about its priorities. Subsidies can be cut back when oil falls. Roads that are not built this year will not be built next year either.

The ₹6,450 crore question

A 21 per cent jump on the first day is cheered as a success. It is also money the seller chose not to collect.

Jio Platforms opened at ₹1,358 on Wednesday, ₹239 above the price at which it sold 27 crore shares a few days earlier. Multiply the two and you get about ₹6,450 crore. That is the paper gain made in a single morning by the funds and individuals lucky enough to be allotted shares. It is also, in a sense, money Reliance Industries left on the table.

Bankers have a name for this: underpricing. It is common around the world, and there are respectable reasons for it. A share sale that ends in a first-day fall leaves investors bitter and makes the next one harder. A seller planning to sell more stock later, as large shareholders in a company like Jio may well do, has an interest in a happy first experience. A modest discount is a kind of marketing expense.

But 21 per cent is not modest, and the shape of the demand suggests something else was going on. Institutional investors bid for 70.55 times the shares reserved for them. Retail investors bid for 2.72 times. The big funds wanted far more than they could get, and many of them had to buy on the first day. The price that cleared on Wednesday is the price at which those frustrated buyers could finally get some stock.

Seen that way, the jump was less a verdict on Jio's prospects than a sign of scarcity. Only about 3 per cent of the company was sold. Index funds and large investors who need to own India's second-biggest company had to compete for a very small supply. That kind of squeeze can lift a price well above what the business would fetch if more shares were available.

Who gains? The allottees, of course. A retail investor who got a minimum lot made a quick profit. Who loses? In a narrow sense Reliance, which could have priced the issue higher and raised more. In a broader sense, the investors who bought on Wednesday at ₹1,358 are taking the risk that the scarcity premium fades when more stock comes to market, for instance when lock-ins on pre-listing shareholders end.

None of this means Jio was a bad deal for anyone. The company earned ₹21,879 crore of operating profit in July to September and is growing revenue at 11 per cent a year. It is a real business with real cash flows. The point is narrower. A first-day jump measures the gap between the price set in a book-building and the price set by a squeeze. It says much less about what the company is worth. That answer will come later, when there are more sellers.

The week ahead

Monday, November 2. Final HSBC India manufacturing PMI for October; the flash reading was 54.9. Apple reports results after the American market closes.

Tuesday, November 3. America holds its midterm elections for Congress. SFC Environmental Technologies lists on the NSE and BSE.

Thursday, November 5. The Bank of England announces its interest-rate decision. Bank Rate is 3.75 per cent and markets expect a rise to 4 per cent.

Friday, November 6. America's jobs report for October; payrolls rose by 29,000 in September and unemployment was 4.2 per cent. Weekly foreign exchange reserves from the RBI.

Later. India's October inflation on November 12; the second estimate of American third-quarter GDP on November 25; India's October industrial output on November 30; the RBI's monetary policy committee meets from December 2 to 4.

World

World in brief

Fed holds, two dissent. The Federal Reserve kept its target range at 3.75–4 per cent on October 28, by a vote of 10 to 2. Both dissenters wanted a quarter-point rise. Chair Kevin Warsh said "politics played no role in the decision" a week before the midterm elections. Futures afterwards put the chance of a rise in December at 82.6 per cent.

Europe and Japan wait. The European Central Bank kept its deposit rate at 2.50 per cent on October 29; Christine Lagarde said the governing council debated a rise before voting unanimously to hold. The Bank of Japan held its rate at 1.25 per cent on October 30.

America grows faster. America's GDP grew at an annualised rate of 3.4 per cent in July to September, up from 2.2 per cent in the previous quarter, according to the advance estimate published on October 29. Investment, consumer spending and government spending drove the rise, while exports fell.

China's factories shrink. China's official manufacturing PMI fell to 49.3 in October from 50.1 in September, below forecasts and back under the 50 mark that separates growth from contraction. The statistics bureau blamed seasonal factors and a pullback in export orders after a surge in September.

Alphabet slumps. Shares in Alphabet fell by about 11 per cent on October 29 after its quarterly earnings per share of $2.12 missed forecasts, though revenue rose 25 per cent to $127.58 billion. Heavy spending on artificial intelligence has pushed its free cash flow negative.

Amazon's cloud speeds up. Amazon's net sales rose 12 per cent to $201.9 billion in July to September, and its cloud business, AWS, grew 39.3 per cent to $46.0 billion, the fastest in nearly five years. Earnings per share of $1.89 missed forecasts and the shares fell in after-hours trading.

More tankers burn. Iran's Revolutionary Guards said on October 30 that four oil tankers had caught fire and exploded while using routes it had not approved in the Strait of Hormuz. Shipping through the strait has been largely blocked since February 28.

Britain set to raise rates. Markets expect the Bank of England to raise Bank Rate to 4 per cent from 3.75 per cent on November 5, after unemployment fell to 4.7 per cent and pay growth beat expectations.

At 7.3%, the housing market stalls

America's 30-year mortgage rate dipped to 7.32 per cent, but the jump from about 6.2 per cent a year ago has already added roughly $276 a month to the cost of a typical home. Contract signings have fallen to a record low.

BY ARNAV GOEL · PUBLISHED ONLINE OCTOBER 27



Suburban development in Colorado Springs, Colorado. DAVID SHANKBONE / CC BY-SA 3.0

The average rate on a 30-year fixed mortgage in America fell last week, to 7.32 per cent from 7.40 per cent, according to Freddie Mac's weekly survey published on October 22. It was the first weekly fall since late August. A year ago the same loan cost 6.19 per cent. In September, before the latest rise, it averaged 6.86 per cent.

A drop of eight basis points will not change many decisions. The damage done by the rise that came before it is now visible in almost every housing number published this month, and it is worth tracing, because housing is usually where higher interest rates bite first.

WHAT A POINT AND A BIT COSTS

Take the median existing home, which sold for $417,500 in September, according to the National Association of Realtors, up 1.3 per cent on a year earlier. A buyer putting down 20 per cent and borrowing the rest over 30 years at last week's 7.32 per cent would pay about $2,294 a month in principal and interest. A year ago, on the median price then of $412,300 and a rate of 6.19 per cent, the same calculation gives about $2,018. That is $276 a month more, an increase of roughly 14 per cent, for a house whose price has barely risen. Almost all of the extra cost is interest.

Lenders limit what a household can borrow by what it can repay each month. A 14 per cent rise in the monthly payment therefore shuts out buyers on the margin even if prices do not move. It is happening while inflation-adjusted pay is falling: the Bureau of Labor Statistics reports real average hourly earnings 0.7 per cent lower in September than a year earlier.

CONTRACTS AT A RECORD LOW

The clearest sign came on October 20. The NAR's index of pending home sales, which counts contracts signed but not yet closed, fell 7.3 per cent in September to 66.0, the lowest reading in the index's history. Forecasters had expected a fall of about half a per cent. Every region declined, led by the West, down 9.2 per cent, and the South, down 8.2 per cent. Contracts lead closings by a month or two, so the drop will show up in completed sales this autumn.

Completed sales are already weak. Existing-home sales ran at an annual rate of 3.99 million in September, up 1.5 per cent on August but down 2.2 per cent on a year earlier. Lawrence Yun, the NAR's chief economist, said August and September were "the two slowest months for home sales this year", and that "further increases in mortgage rates in recent weeks mean fewer buyers can qualify to purchase a home".

BUILDERS PULL BACK

New construction is slowing too. Housing starts fell 5.2 per cent in September to an annual rate of 1.221 million, according to the Census Bureau, below the roughly 1.305 million economists had expected and 7.4 per cent lower than a year earlier. Permits for new single-family homes, a guide to future building, fell 4 per cent. The bureau warns that monthly changes in starts carry wide margins of error, but the direction matches the sales data. Builders are reluctant to start homes they fear they will struggle to sell at today's financing costs.

That has a cost beyond the building trade. America has been short of homes for years. Fewer starts now mean fewer completions in 2027 and 2028, which will tend to keep prices and rents high after mortgage rates eventually come down.

WHERE PRICES GO FROM HERE

So far prices have held. The NAR's median has risen year on year for 39 consecutive months. But the balance is shifting towards buyers. Inventory reached 1.60 million homes, the highest since November 2019, equal to 4.8 months of sales, up from 4.5 months a year ago. The typical home spent 33 days on the market, up from 31 in August. Mr Yun said sellers "need to be realistic about local market conditions", which in estate-agent language means cutting prices.

The regional picture shows where that is starting. The median price in the West fell 0.3 per cent over the year, to $613,600, while the South was almost flat. Both regions also had the steepest falls in pending sales. Prices in the Northeast, where fewer homes are for sale, still rose 4.7 per cent.

THE LINK TO THE BOND MARKET

Mortgage rates follow the ten-year Treasury yield, which closed at 5.13 per cent on October 21, according to the Treasury, down from 5.31 per cent on October 5. Last week's dip in mortgage rates was that bond rally feeding through. The gap between the two, about 2.2 percentage points, reflects the extra return investors demand to hold mortgage debt, which homeowners can repay early when rates fall.

Whether the dip lasts depends on the Federal Reserve, which begins a two-day meeting today, and on oil. The Fed's own minutes show most officials expect another rate rise by the end of the year. For housing, the more important question is whether long-term yields keep falling as the economy slows. A record low in contract signings is the kind of evidence that makes that more likely, and it arrives with the next set of closings already lost.



The front of the Bureau of Engraving and Printing annex, showing its main entrance. G. EDWARD JOHNSON / CC BY 4.0

The Treasury rally that oil can't explain

The ten-year Treasury yield fell from 5.31 to 5.13 per cent in a fortnight of hot inflation and heavy borrowing. The fall came from real yields, a sign that bond investors expect higher rates to slow growth.

BY ARNAV GOEL · PUBLISHED ONLINE OCTOBER 22

Two weeks ago the yield on the ten-year Treasury note closed at 5.31 per cent, its highest close in about two decades, and talk on Wall Street was of 5.5 per cent and beyond. On October 21 it closed at 5.13 per cent, according to the Treasury's daily yield curve. The fall has happened in a fortnight in which inflation came in hotter than expected, the Fed was openly discussing another rate rise and the government kept borrowing heavily. Bonds should have sold off. Instead they rallied.

The reason lies in the details of how the yield fell. It is not the explanation most investors would reach for first.

NOT INFLATION, BUT REAL YIELDS

A nominal Treasury yield can be split into two parts. One is the real yield, the return after inflation, which can be read off inflation-protected Treasuries, known as TIPS. The other is the breakeven rate, the gap between the two, which approximates the inflation investors expect.

On October 5 the ten-year TIPS yield was 2.95 per cent, according to the Treasury's real yield curve. On October 21 it was 2.76 per cent. That is a fall of 19 basis points, slightly more than the 18-point fall in the nominal yield. The ten-year breakeven rate barely moved, from 2.36 to 2.37 per cent. In other words, the whole of the rally came from real yields. Investors did not suddenly decide that inflation would be lower over the next decade. They decided that the real return they need to hold long-term government debt should be lower.

That matters because the most popular explanation for the rally, hopes of a deal between Washington and Tehran that would bring down oil prices, ought to show up mainly in inflation expectations. Oil feeds directly into the breakeven rate. If the fortnight's move had been about crude, breakevens would have fallen. They did not.

A FLATTER CURVE

The shape of the yield curve tells the same story from another angle. Short-term yields, which track expectations for the Fed's policy rate, hardly moved. The two-year yield was 4.84 per cent on October 5 and 4.81 per cent on October 21. The three-month bill yield edged up, from 4.22 to 4.25 per cent. The gap between two-year and ten-year yields narrowed from 47 basis points to 32. The thirty-year bond rallied hardest, its yield falling 24 basis points, from 5.66 to 5.42 per cent.

Bond traders call this a bull flattening, and it usually means one of two things. Either investors expect the central bank to keep short-term rates high for long enough to slow the economy, which would lower long-run real returns, or they had been demanding an unusually large premium for holding long-dated bonds and have now decided they were overpaid. Both readings fit the evidence.

THE DAY INFLATION SURPRISED

The clearest test came on October 14, when September's consumer price figures showed headline inflation at 3.7 per cent, above forecasts. The two-year yield rose three basis points that day, to 4.82 per cent, as traders priced a greater chance of a Fed rise. The ten-year fell two basis points. The next day it fell nine more, to 5.10 per cent, and the thirty-year fell nine, to 5.43 per cent.

That is not the pattern of a market losing faith in the Fed. It is the pattern of a market that expects the Fed to respond to inflation and believes that response will hold inflation down in the long run, at some cost to growth. The minutes of the Fed's September meeting, which recorded that most officials expected another rise "by year end", gave investors little reason to doubt that.

SIGNS OF THE COST

The growth side of that bargain is starting to show. Real average

Continued



Onions for sale at Koyambedu wholesale market, Chennai. MCKAY SAVAGE FROM LONDON, UK / CC BY 2.0

India's inflation jump has a freight problem

Onions and precious metals did much of the work in India's jump to 5.54 per cent inflation, and neither responds to interest rates. The figure that should worry the RBI is the rising cost of moving goods by road.

BY ARNAV GOEL · PUBLISHED ONLINE OCTOBER 22

India's consumer prices rose 5.54 per cent in the year to September, up from 4.83 per cent in August, according to provisional figures published by the Ministry of Statistics on October 12. The figure, on the new index that uses 2024 as its base year, came five days after the Reserve Bank of India raised its policy rate for the first time since 2023. On the face of it, the central bank moved just in time.

The detail is more awkward for that story. A large part of the jump came from a single vegetable, and much of the rest from precious metals. Neither responds to the repo rate. But tucked lower down the release is a figure that does support the RBI's worry, and it is about lorries, not onions.

THE ONION EFFECT

Onion prices were 108.09 per cent higher than a year earlier, up from 48.78 per cent in August. Onions carry a weight of 0.70 per cent in the index. A rough calculation, multiplying weight by price change, suggests the acceleration in onion prices alone added about 0.4 percentage points to headline inflation between August and September. Headline inflation rose by 0.71 points. On that rough arithmetic, a vegetable that makes up less than one per cent of the basket explains more than half of the month's acceleration. The exact figure depends on how far onion prices have moved relative to the rest of the basket since the base year, so it should be read as an order of magnitude.

Ginger, garlic and lemons are also on the ministry's list of the five fastest-rising items, up 62.85, 54.62 and 36.41 per cent respectively. Food inflation as a whole rose to 7.74 per cent from 5.97 per cent. The cause is mostly the weather. The monsoon ended 13 per cent short of normal, the RBI noted at its October meeting, and summer crops such as onions are where a dry season shows first. At the same time, potatoes are 11.50 per cent cheaper than a year ago and tomatoes 8.62 per cent cheaper, a reminder of how quickly vegetable prices can swing back.

SILVER, GOLD AND THE 'MISCELLANEOUS' LINE

The second driver sits in a division called personal care, social protection and miscellaneous goods and services, where prices rose 13.75 per cent. Within it, the group the ministry calls "other personal effects", which includes jewellery, rose 38.69 per cent. Silver jewellery alone is up 87.80 per cent. These prices are set on world markets, where precious metals have soared this year, and Indian interest rates have little bearing on them.

The RBI knows this. Its own statement on October 7 reported that core inflation excluding precious metals was only 2.9 per cent in August, against 4.2 per cent including them. September's figures suggest that gap has not closed.

THE NUMBER THAT SHOULD WORRY THE RBI

If the story ended there, the case for further rate rises would be weak. It does not end there. The index for transport services for goods, which covers the cost of moving freight, rose 14.73 per cent over the year. The cost of running a private vehicle, mostly fuel, rose 7.46 per cent. And prices at restaurants and other food-serving businesses rose 9.39 per cent.

These are the channels through which an oil shock spreads. A lorry operator paying more for diesel raises freight charges; the shopkeeper whose deliveries cost more raises shelf prices; the restaurant facing dearer vegetables and dearer gas raises its menu. This is what central bankers mean by second-round effects, and it is the thing the RBI's monetary policy

Continued

The Treasury rally that oil can't explain

Continued

hourly earnings fell 0.7 per cent in the year to September, according to the Bureau of Labor Statistics. Pending home sales dropped 7.3 per cent in September, against a forecast of a 0.5 per cent fall, a decline FXStreet attributed to rising mortgage rates. A ten-year yield above 5 per cent sets the floor for mortgage rates, and housing is usually the first part of the economy to feel it.

WHAT COULD REVERSE IT

None of this means the high in yields is in. The ten-year is still higher than at any point between 2007 and this autumn, and real yields near 2.8 per cent remain high by the standards of the past two decades. The fortnight's rally could unwind quickly if the Fed signals it is less worried about growth than the bond market is, or if a deal with Iran falls through and oil climbs again.

The Fed meets on October 27 and 28. Most traders do not expect a rise there; what matters more is what the committee signals about December. The bond market has already decided that higher short-term rates mean slower growth ahead. If the Fed sounds less worried about growth than the bond market is, long-dated yields could rise again.

India's inflation jump has a freight problem

Continued

committee said it was trying to prevent when it lifted the repo rate to 5.50 per cent. A freight index rising at nearly 15 per cent a year is evidence that the second round has begun.

Elsewhere, the pressure is modest. Housing, water, electricity and fuel prices rose 2.74 per cent. Health rose 1.40 per cent. Clothing and footwear rose 3.93 per cent. Car prices are 4.51 per cent lower than a year ago. Outside food, fuel-linked services and jewellery, India does not look like an economy with a broad inflation problem.

VILLAGES PAY MORE

The burden is uneven. Rural inflation was 6.08 per cent, above the RBI's upper tolerance limit of 6 per cent, while urban inflation was 4.88 per cent. Rural food inflation was 8.06 per cent. Food takes a larger share of rural household budgets, so a vegetable shock hits villages harder. By state, Tamil Nadu recorded the highest rate among large states at 6.81 per cent, followed by Odisha at 6.70 per cent and Madhya Pradesh at 6.68 per cent.

WHAT IT MEANS FOR DECEMBER

The RBI projected inflation of 6.0 per cent for the October to December quarter, so September's 5.54 per cent is roughly on the path it expected. That cuts both ways. The committee has no surprise to react to, but nothing in the figures suggests it was wrong to tighten.

The October figures, due on November 12, will show whether onion prices have peaked as the new crop arrives. If they have, headline inflation could ease even as the freight and restaurant numbers keep climbing. That is the combination the committee should watch most closely before it meets again on December 2 to 4. Headline inflation will tell it about the weather. The freight index will tell it whether the oil shock is becoming general inflation.

Gasoline did most of September's inflation

American consumer prices rose 3.7 per cent in the year to September, but petrol accounted for more than half of the monthly rise. Whether the Fed treats that as a one-off depends on core prices, shelter and crude.

BY ARNAV GOEL · PUBLISHED ONLINE OCTOBER 22



A Freedom Fuel Network gas station in Egg Harbor Township, New Jersey, on August 23, 2026. SNOWFIRE / CC BY 4.0

American consumer prices rose 0.6 per cent in September, after 0.4 per cent in August, and 3.7 per cent from a year earlier, up from 3.4 per cent in August. Forecasters had expected 3.6 per cent. The report, published by the Bureau of Labor Statistics on October 14, was the last reading of inflation before the midterm elections on November 3, and it arrived two weeks before the Federal Reserve meets to decide whether to raise interest rates for the second time in two months.

Read quickly, the numbers say inflation is accelerating. Read closely, they say something narrower: that one product is driving most of it.

HALF THE RISE CAME FROM ONE PUMP

The gasoline index jumped 9.1 per cent in September alone. The bureau's own release says that rise accounted for "over half of the monthly all items increase". Over twelve months gasoline is up 34.2 per cent, and energy as a whole is up 20.4 per cent. The cause is the war with Iran, which has cut the flow of crude out of the Persian Gulf and raised the price of everything refined from it. Airline fares, which follow the price of jet fuel, are up 22.4 per cent on the year.

Strip out food and energy and the picture is calmer. Core prices rose 0.3 per cent in September, the same pace as in August, and 2.6 per cent over the year, up from 2.4 per cent. That is above the 2.5 per cent forecasters expected, but it is far from the headline figure. Food prices were flat on the month; groceries fell 0.1 per cent. Shelter, the largest item in the core index, rose 0.4 per cent, a little faster than in August.

So September looks less like an economy overheating than an economy absorbing an oil shock. That distinction matters because it is exactly the one central banks are taught to draw. A rate rise cannot pump more oil through the Strait of Hormuz. What it can do is make it harder for firms and workers to turn a one-off jump in fuel costs into a lasting rise in prices and wages.

THE SQUEEZE ON PAY

On the evidence of September, workers are not winning that race. The bureau's companion release on earnings shows real average hourly earnings, which adjust pay for inflation, fell 0.5 per cent from August to September and are 0.7 per cent lower than a year earlier. Nominal hourly pay rose just 0.1 per cent in the month.

That is the opposite of a wage-price spiral. When pay lags prices this badly, households have less to spend, which in time slows demand and eases price pressure on its own. It is also the reason energy shocks are politically corrosive. Petrol is the most visible price in the economy, bought weekly and posted in foot-high numbers on every corner.

WHAT THE FED SAID IT IS WATCHING

The Fed raised its target range by a quarter of a percentage point to 3.75 to 4 per cent on September 16, its first increase in three years, by a vote of 12 to 0. The minutes of that meeting show officials worried less about the oil price itself than about where it might lead. Many noted that the longer energy prices stay high, "the greater the risk that cost increases in certain sectors could lead to broader price pressures". A couple argued that a higher policy rate would help keep "sector-specific price increases stemming from energy market disruptions" from broadening into persistent inflation. Most expected that another increase "would likely be appropriate by year end".

The same minutes contain the best argument for patience. Participants judged that longer-term inflation expectations "remained at levels consistent with the Committee's 2 percent objective", even as short-term expectations had risen. Some also warned that after more than five years above target, high inflation could begin to affect expectations and wage-setting. September's report gives some support to each side. Core prices rose faster than forecast, but real wages fell, which is not what a wage-price spiral looks like.

A MARKET THAT CHANGED ITS MIND TWICE

Traders have struggled to decide. Before the release, CME Group's FedWatch tool, which infers probabilities from futures prices, put the chance of a rise at the October 27 to 28 meeting at 22 per cent. Within hours of the report it had climbed to about 50 per cent, according to CME Group. By October 20, FXStreet reported that money markets were pricing a hold in October, with a rise in December still seen as likely.

That shift makes sense. A Fed that raises rates into an oil shock risks squeezing households already losing ground to inflation. A Fed that waits risks letting a supply shock become an inflation problem. December gives officials two more inflation reports, and possibly a clearer view of the oil supply, before they have to choose.

WHAT TO WATCH

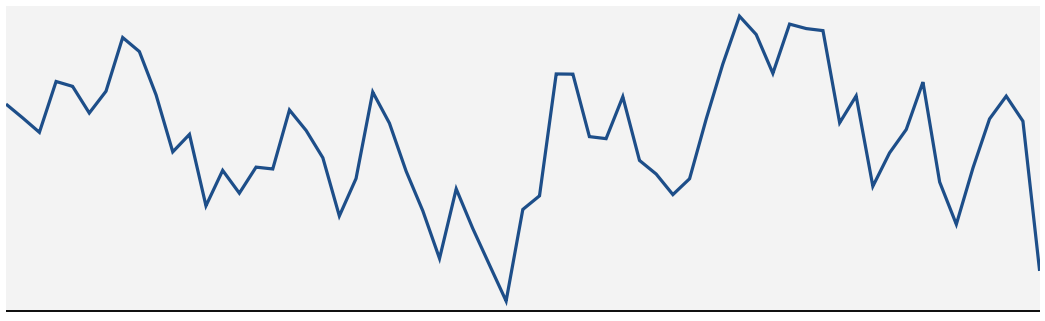
Three numbers will decide it. The first is core prices excluding airfares and other fuel-heavy services; if they settle back towards 0.2 per cent a month, the shock is staying in its lane. The second is shelter, which has started to firm. The third is crude. Reports on October 20 that Washington and Tehran may be nearing a deal pushed oil lower, according to FXStreet, though officials said no agreement had been finished. A deal would do more to bring headline inflation down than any rate rise, and the Fed knows it.

World Markets

Closing levels to Friday, October 30, 2026. Changes over five and 21 trading sessions. Source: Yahoo Finance.

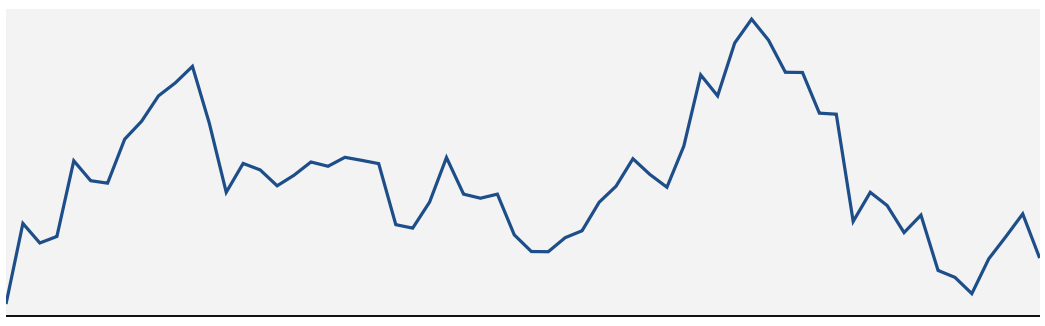
	Last	Week	Month
GLOBAL STOCKS			
S&P 500	7,580	-0.6%	-1.1%
Dow Jones Industrials	51,770	-0.9%	+1.7%
Nasdaq Composite	25,437	-2.0%	-5.3%
FTSE 100	10,730	+0.4%	+2.9%
Nikkei 225	63,290	+1.0%	-5.2%
Hang Seng	23,294	+0.9%	-5.0%
COMMODITIES			
Brent crude, $/bbl	113.43	-2.8%	+10.9%
WTI crude, $/bbl	104.12	+0.8%	+12.1%
Gold, $/oz	3,899	-2.7%	-7.2%

S&P 500, last three months



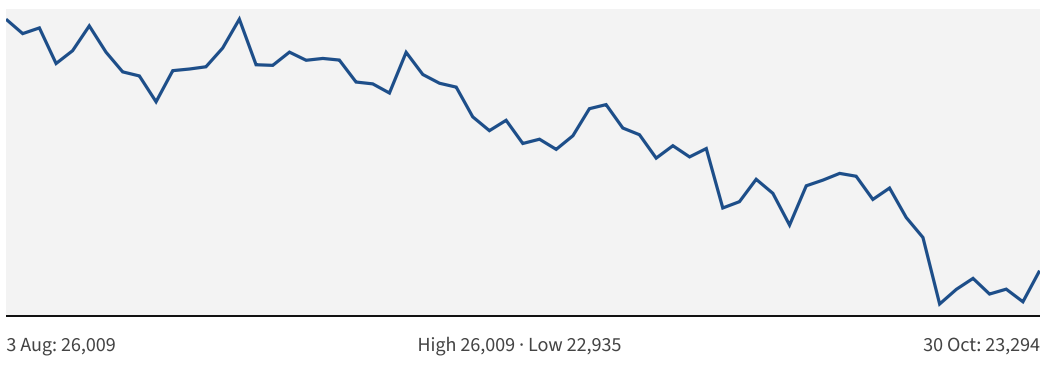
4 Aug: 7,737 High 7,819 · Low 7,552 30 Oct: 7,580

Nikkei 225, last three months



30 Jul: 61,867 High 70,684 · Low 61,867 30 Oct: 63,290

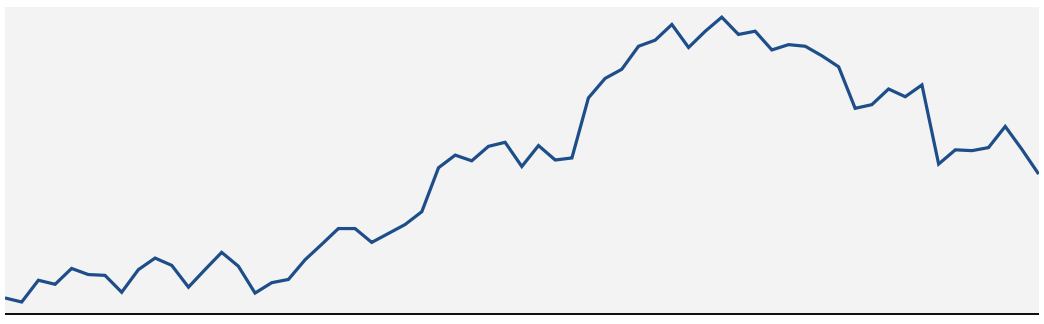
Hang Seng, last three months



3 Aug: 26,009 High 26,009 · Low 22,935 30 Oct: 23,294

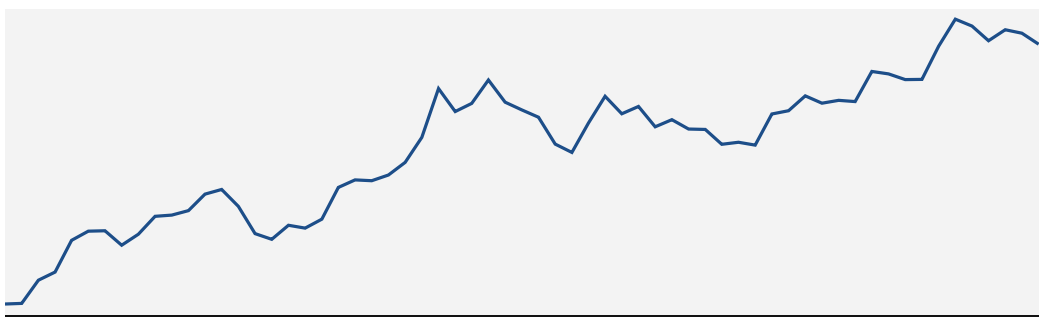
	Last	Week	Month
US RATES			
US 3-month bill, %	3.97	-6bp	-1bp
US 5-year Treasury, %	4.72	-8bp	-28bp
US 10-year Treasury, %	4.93	-6bp	-31bp
US 30-year Treasury, %	5.31	-1bp	-29bp

US 10-year Treasury, %, last three months



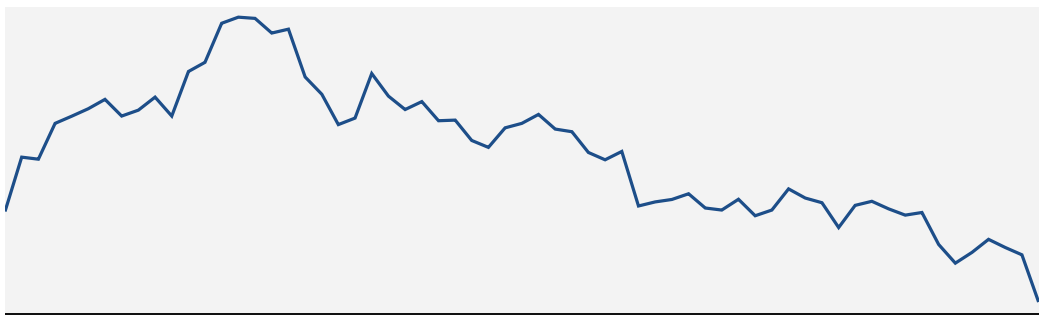
4 Aug: 4.63 High 5.31 · Low 4.62 30 Oct: 4.93

Brent crude, $/bbl, last three months



4 Aug: 79.36 High 116.72 · Low 79.36 30 Oct: 113.43

Gold, $/oz, last three months



4 Aug: 4,153 High 4,698 · Low 3,899 30 Oct: 3,899