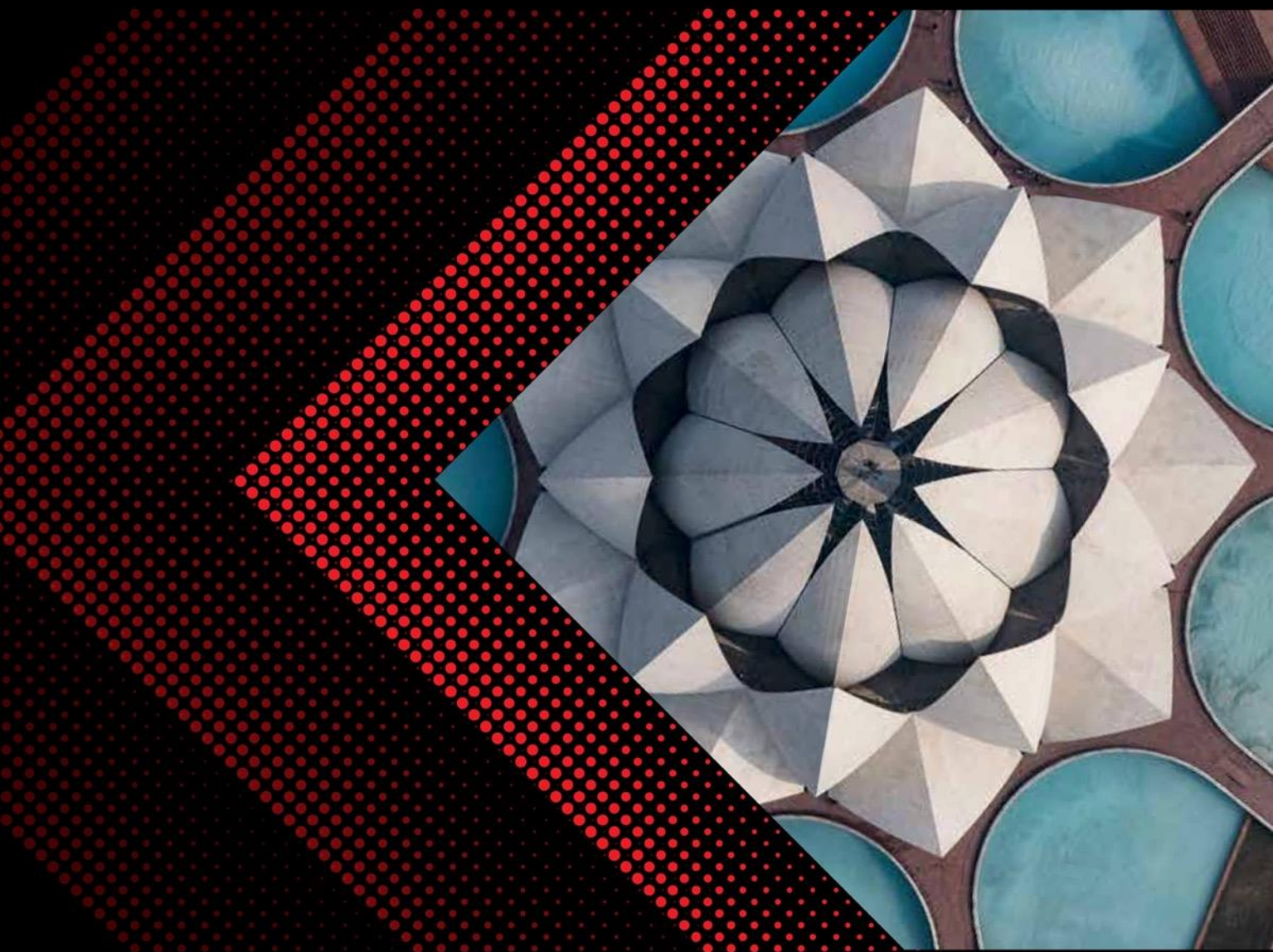


# India Fixed Income Primer

September 2025

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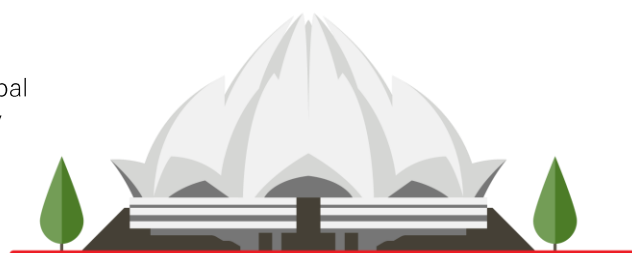
**HSBC** Asset Management

# Why India fixed income now?

## Market opportunities

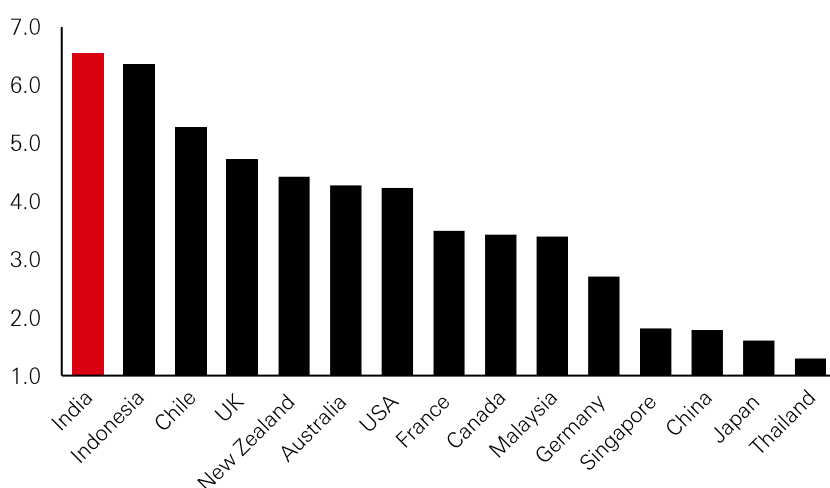
### Investment grade market with relatively compelling yields

India's sovereign credit rating was recently upgraded by S&P Global to BBB from BBB-. Moving into higher investment grade category opens the door to deeper pools of global capital, reducing India's risk premium and lowering funding costs across sovereign and corporate curves. India bonds already offer one of the highest investment grade yields and can potentially provide yield enhancement in a global bond portfolio.



### India offers a yield pick up against many emerging and developed markets

10-year government bond yield<sup>1</sup> (%)



### India sovereign rating action by major agencies<sup>2</sup>

#### S&P Global

**Rating** BBB

**Action** Upgrade

**Date** August 2025



#### Fitch Ratings

**Rating** BBB-

**Action** Upgrade

**Date** August 2006



#### Moody's

**Rating** Baa3

**Action** Downgrade

**Date** June 2020



Note 1: Source: Bloomberg, 29 August 2025. Note 2: Source: S&P Global, Fitch Ratings, Moody's, Bloomberg, August 2025.  
Source: HSBC Asset Management, Bloomberg, August 2025.

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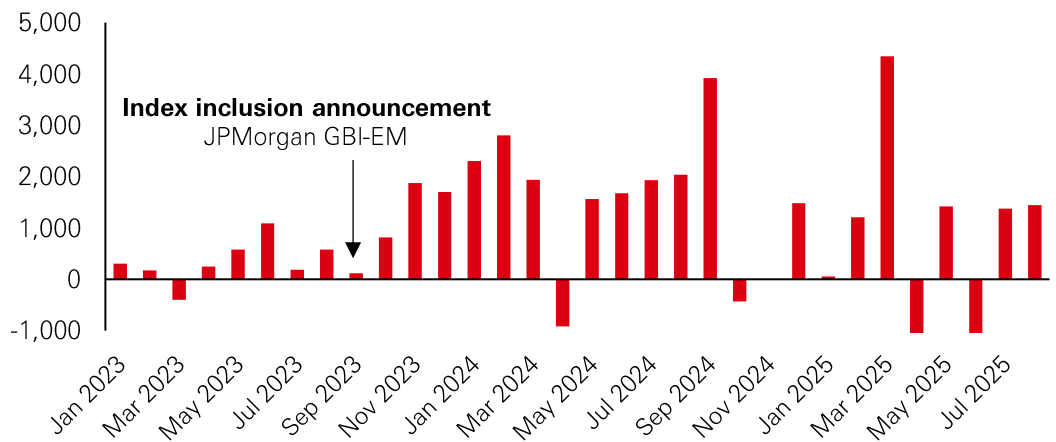


## Strong inflows

While the milestone JPMorgan index inclusion period has concluded, the bond market continues to see strong foreign inflows. Though to a smaller scale compared to JPMorgan, India bonds will be added to the FTSE Emerging Markets Government Bond Index (EMGBI) starting in September 2025. Over time, increasing passive and active flows from global investors would help improve demand, deepen the market, and compress risk premiums.

## USD 27 billion of net foreign inflows into India bonds since September 2023

USD million<sup>3</sup>

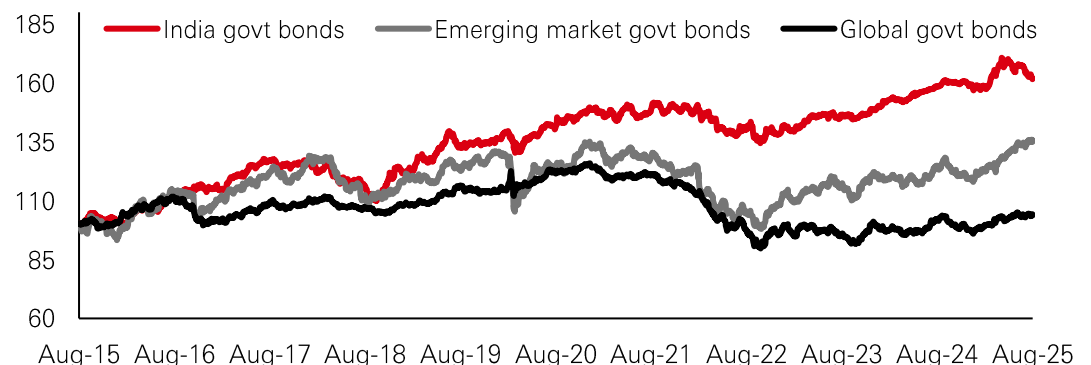


## Diversification benefits

Adding India bonds to a global bond portfolio could potentially provide diversification benefits and improve returns. Over the last 10 years, India government bonds have meaningfully outperformed global and emerging market government bonds. Correlation between India bonds and global bonds has also been low at only 0.15 over the last 10 years,<sup>3</sup> strengthening the case for India bonds as a diversifier especially amid today's global uncertainties.

## Relatively solid India bond performance

10-year index performance, USD terms, rebased at 100<sup>4</sup>



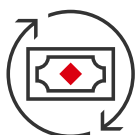
Note 3: NSDL, August 2025. Note 4: Source: Markit, JPMorgan, FTSE, August 2025.  
Source: HSBC Asset Management, Bloomberg, August 2025.

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# Why India fixed income now?

## Macro tailwinds

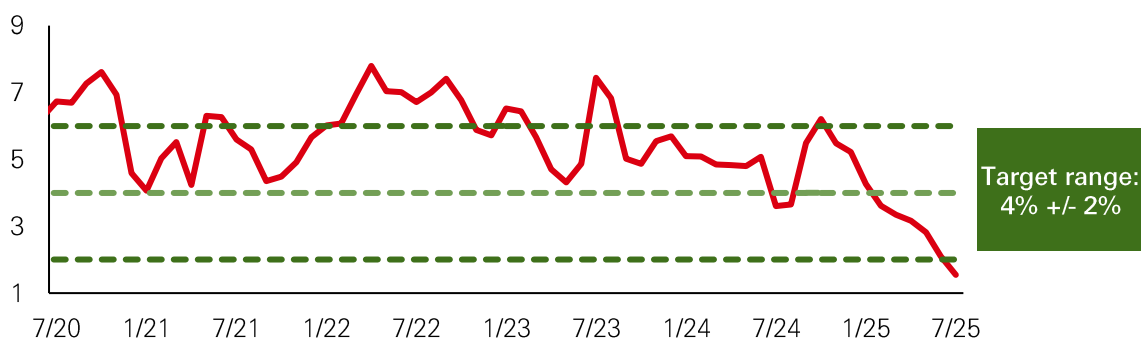


### Resilient economy, disinflationary environment

India's sovereign credit rating upgrade by S&P reinforces India's economic resilience, strong GDP growth, improved external fiscal position, structural reform efficiencies and increased economic stability compared to the past. At the same time, India's inflation has been moderating, led by softer food prices and more stable core inflation. This collectively forms a constructive and favourable environment for India bonds. India's GST overhaul, announced in early September, could increase the fiscal deficit, but we believe this would be by a marginal amount with scope of offset from potentially higher direct tax collection.

### Better than expected inflation numbers

CPI year-on-year increase (%)<sup>5</sup>

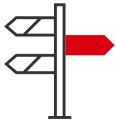


Note 5: Source: Bloomberg, Reserve Bank of India, August 2025.  
Source: HSBC Asset Management, Bloomberg, August 2025.

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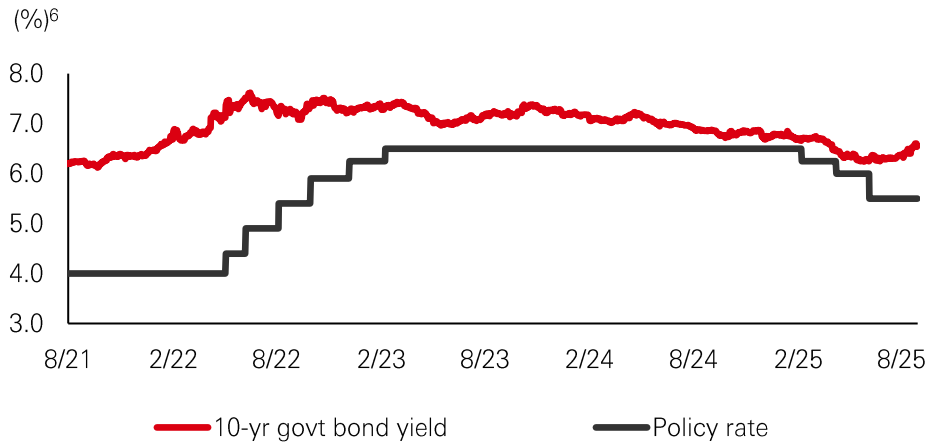




## Room for central bank to act

While the Reserve Bank of India (RBI) held rates steady in the August MPC meeting, it had frontloaded rate cuts in past meetings. We believe there may be room to act later in the year, which would also be dependent on the assessment of tariff related uncertainties on India's growth.

### Yields relative to policy rate



## External resilience should support the INR

India's structural shift in the balance of payments dynamics, an uptrend in FDI and strong FX reserves have reduced India's external vulnerability. Thanks to this and a robust macro framework, the INR is more stable today than in the past. India's domestically oriented economy also provides added resilience, which is particularly valuable against the heightened uncertainty in the global investment environment.

### Strong central bank foreign exchange reserves cushions INR volatility

Currency vs USD, 3-year annualised volatility<sup>7</sup>

₹ INR	3.5%
¥ CNY	4.0%
C\$ CAD	5.8%
€ EUR	7.4%
£ GBP	8.4%
¥ JPY	10.6%
R\$ BRL	11.8%

Lower  
volatility

Higher  
volatility

Note 6: Source: Bloomberg, RBI, August 2025. Note 7: Source: Bloomberg, 22 August 2025. Volatility is based on weekly data.

Source: HSBC Asset Management, Bloomberg, August 2025.

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# India Fixed Income with HSBC Asset Management



## Strong combination of domestic and global presence

- Portfolio managers in Singapore and Hong Kong have significant experience both in India and Asia fixed income and are supported by HSBC Asset Management's global fixed income platform
- Supported by considerable fixed income investment resources domestically in India, which were strengthened by the acquisition of L&T Investment Management in 2022
- Investment process is built on solid proprietary research and knowledge of Asian and Indian bond markets



## Flexible style, with a focus on quality

- Bonds which are not rated by global agencies are rigorously selected according to our credit research
- Flexible allocation in both the onshore and offshore Indian bond markets



## Rigorous credit selection and risk management

- Maintain strong risk management discipline
- Uses rates curve and credit positions to diversify active risk



Source: HSBC Asset Management, August 2025.

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