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MARKET OUTLOOK

July 2026

Agenda

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India Macro

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Section 1:

Global Markets

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Four months into US-Iran war — initial signs of conflict resolution

Donald J. Trump
@realDonaldTrump

The Deal with the Islamic Republic of Iran is now complete. Congratulations to all! I hereby fully authorize the toll free opening of the Strait of Hormuz, and, simultaneously herewith, authorize the immediate removal of the United States Naval blockade. Ships of the World, start your engines. Let the oil flow! President DONALD J. TRUMP

881 ReTruths 2.79k Likes Jun 15, 2026, 7:29 AM

Press TV
@PressTV

🔴 Iran's Foreign Ministry Spokesman Baghaei:

🔺 The text of the Iran–US memorandum has been officially finalized, as both sides have signed it.

Source: Twitter, Truth Social, News Articles, Bloomberg

Iran War has impacted Trump’s approval ratings and Democrats have an upper hand in Midterm elections

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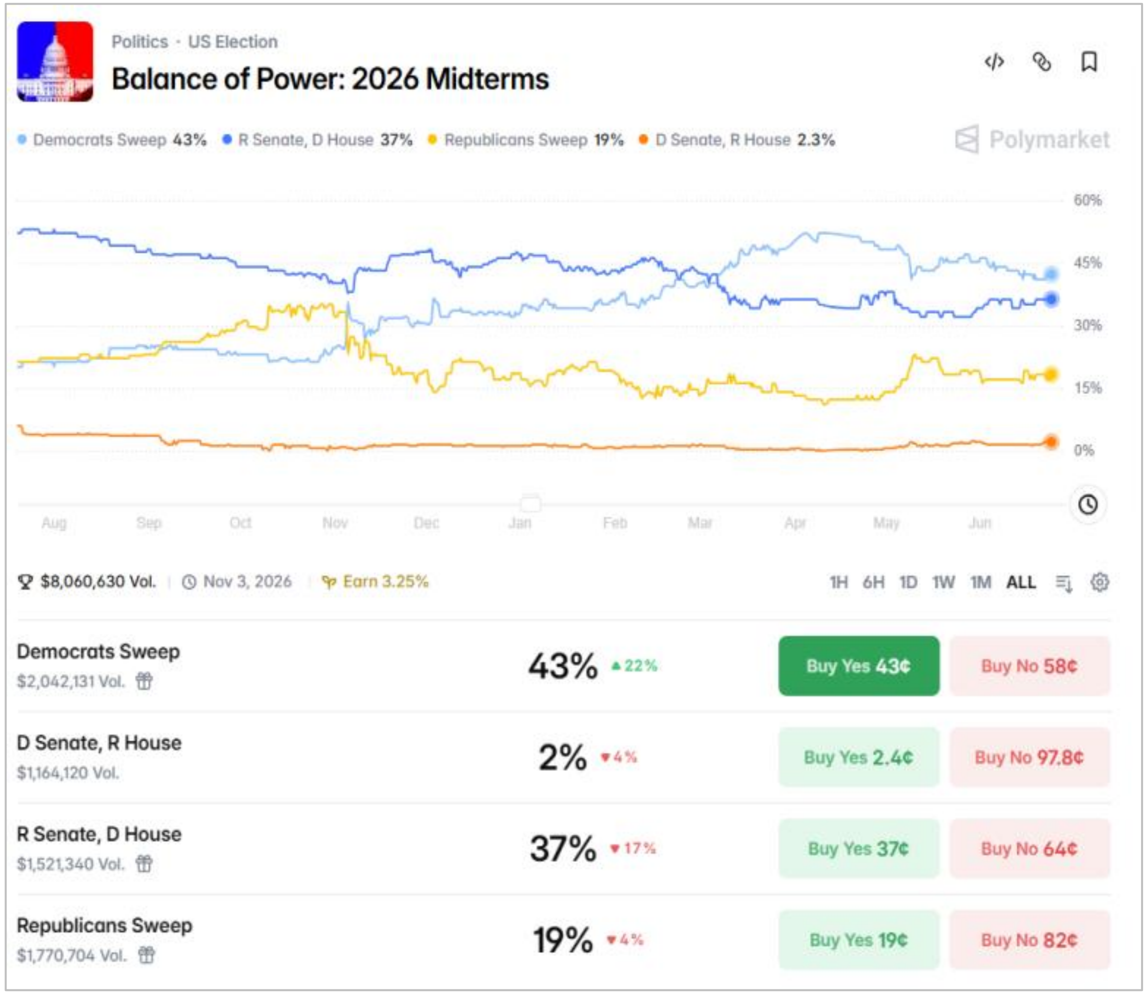
Trump’s approval rating remains at one of the lowest levels

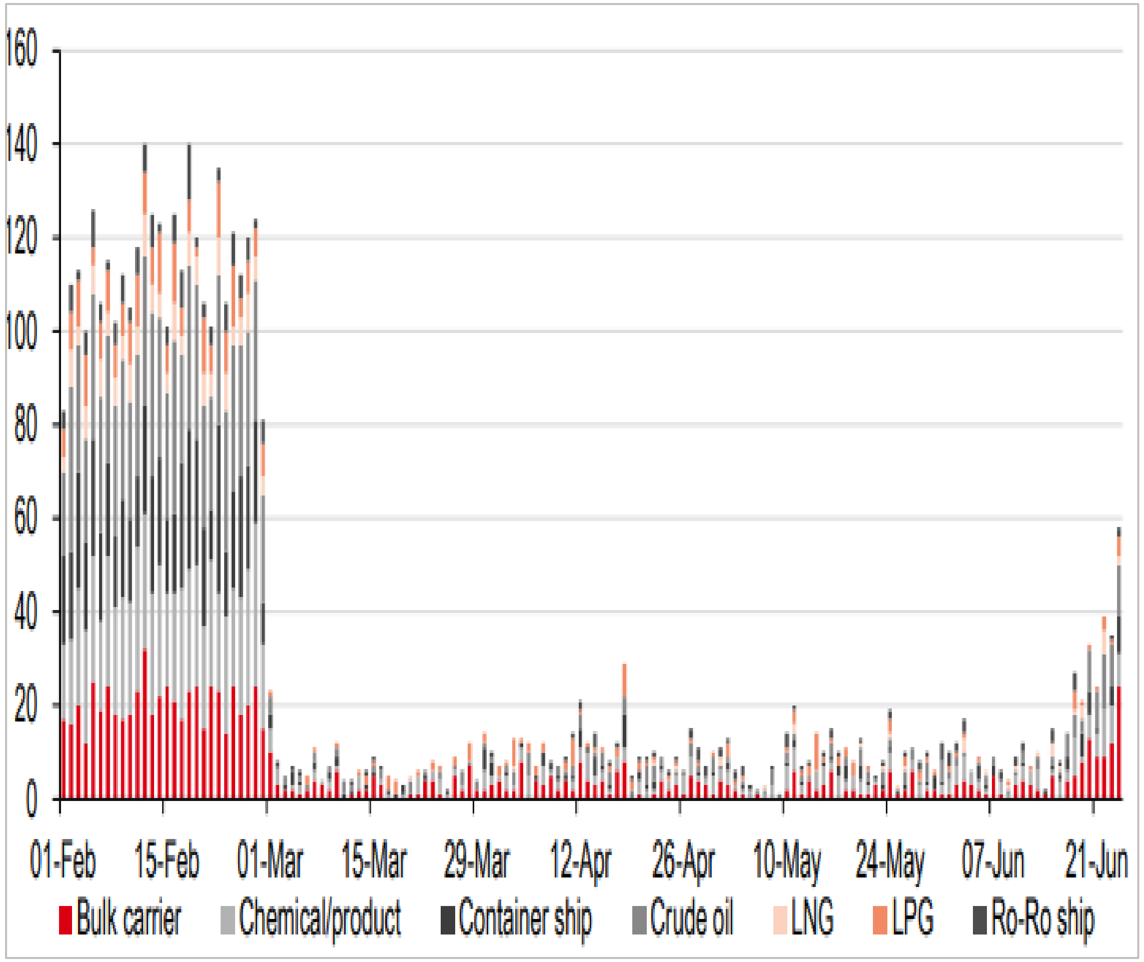
Democrats have an upper hand currently for Midterms



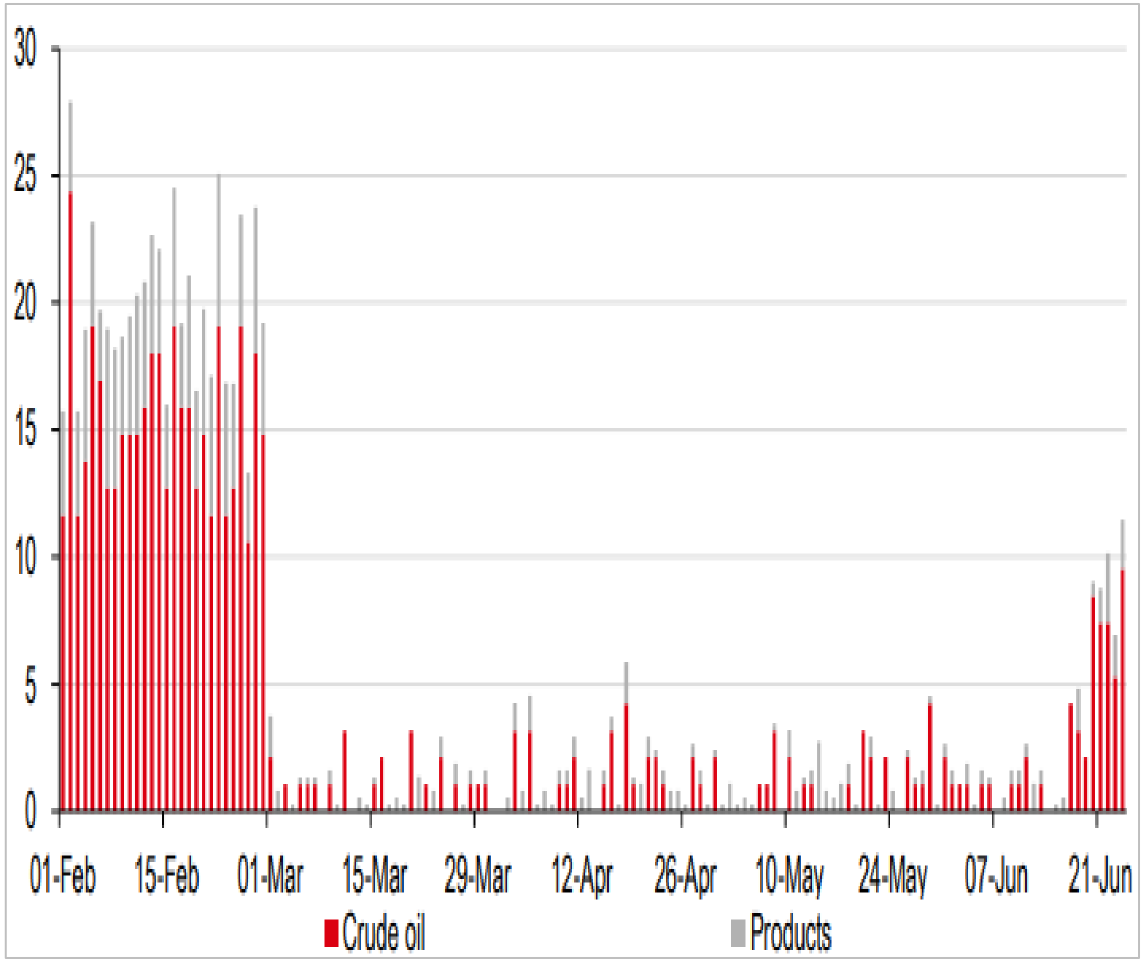
Source: CLSA, Bloomberg, Polymarket

Ceasefire has helped improve traffic in Strait of Hormuz and oil exports from Gulf

Strait of Hormuz daily traffic, number of ships



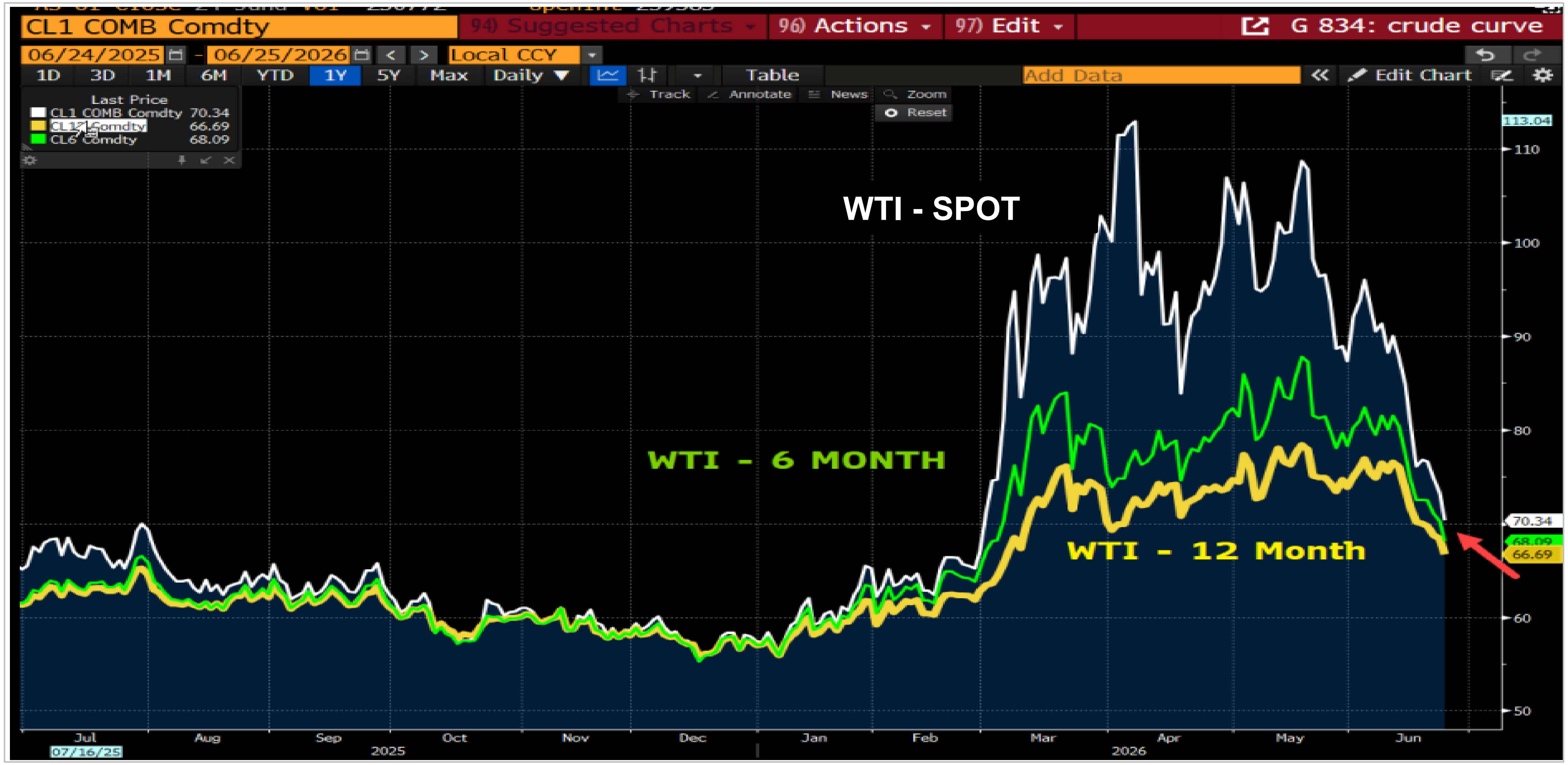
Estimate of daily crude and product exports from the Gulf (mbd)



Source: HSBC
Note: Data as of 24 Jun 2026

Oil prices have corrected sharply indicating the end of Iran war

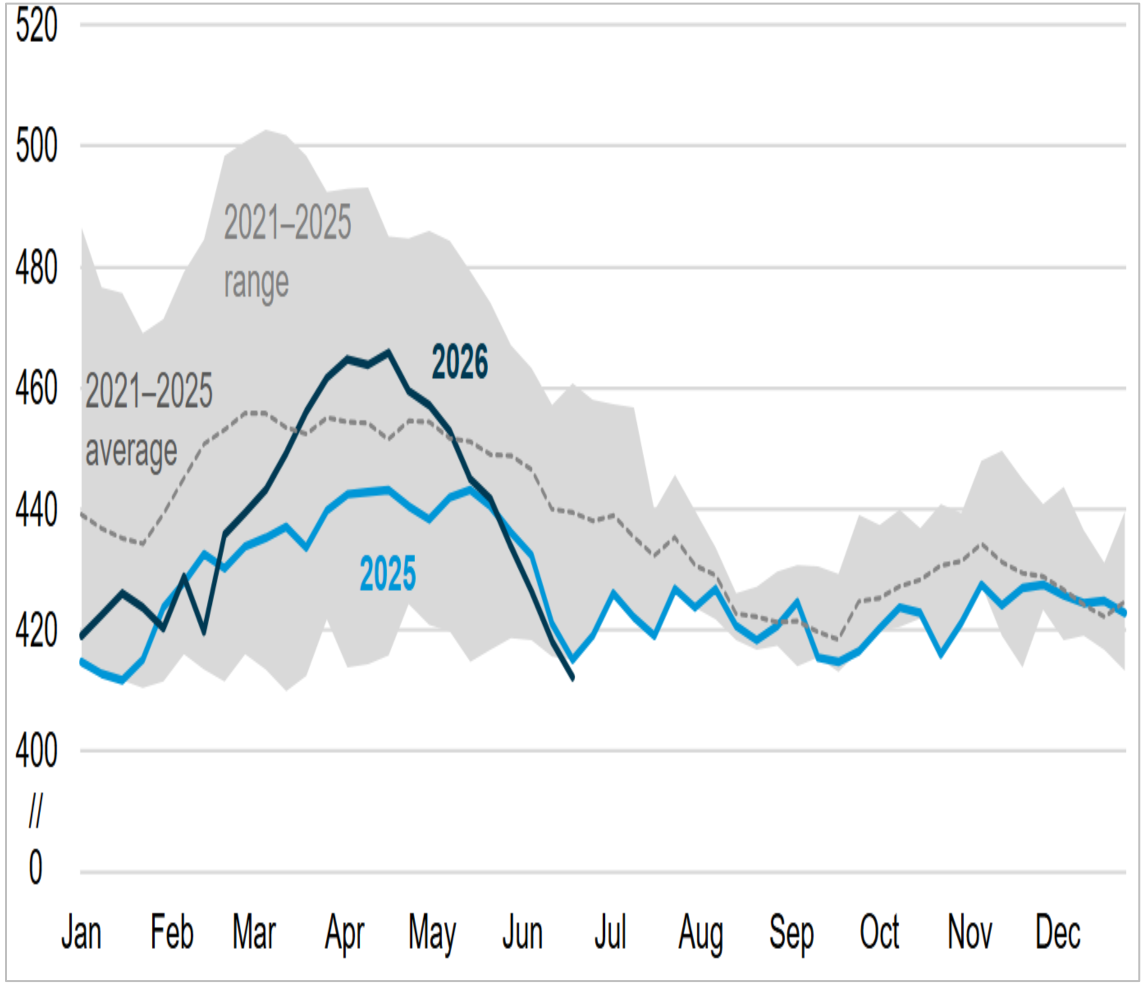
Crude oil prices Spot vs. 6M forward vs. 12M forward



Source: CLSA, Bloomberg
Note: Data as of 29 Jun 2026

While oil futures indicating end of war, physical inventories to act as floor on oil price

US Commercial Crude Oil Inventories, weekly (mn barrels)



US Crude Oil Balance (thousands of barrels per day)

	6/19/2026	6/12/2026	week-on-week change	6/20/2025	year-on-year change
Field Production	13,819	13,806	13	13,435	384
Imports	5,570	5,134	436	5,944	-374
Exports	4,669	4,327	342	4,270	399
Stock Change (+/build; -/draw)	-2,164	-2,458	294	-800	-1,364
Transfers to Crude Oil Supply	391	391	-1	626	-235
Adjustment	-163	-270	107	453	-616
Inputs to Refineries	17,111	17,192	-81	16,987	124

US Petroleum Inventories (million barrels)

	6/19/2026	6/12/2026	week-on-week change	6/20/2025	year-on-year change
Crude Oil	743.3	758.5	-15.1	817.6	-74.3
Commercial (Excluding SPR)	412.1	418.2	-6.1	415.1	-3.0
Strategic Petroleum Reserve (SPR)	331.2	340.3	-9.1	402.5	-71.3
Total Motor Gasoline	216.3	214.2	2.1	227.9	-11.6
Fuel Ethanol	24.6	24.5	0.1	24.4	0.2
Kerosene-Type Jet Fuel	46.3	45.0	1.3	44.5	1.8
Distillate Fuel Oil	106.1	103.1	3.1	105.3	0.8
15 ppm sulfur and Under	95.7	93.5	2.2	96.5	-0.8
Residual Fuel Oil	21.3	22.3	-1.0	22.7	-1.4
Propane/Propylene	90.0	87.4	2.6	72.6	17.4
Other Oils	285.5	288.1	-2.6	318.1	-32.6
Unfinished Oils	74.8	75.3	-0.5	81.9	-7.1
Total Stocks (Excluding SPR)	1202.3	1202.9	-0.5	1230.7	-28.4

Source: Energy Information Administration
Note: Data as of 24 Jun 2026

Some cool off seen in commodity prices off late, but still higher on a 12m basis

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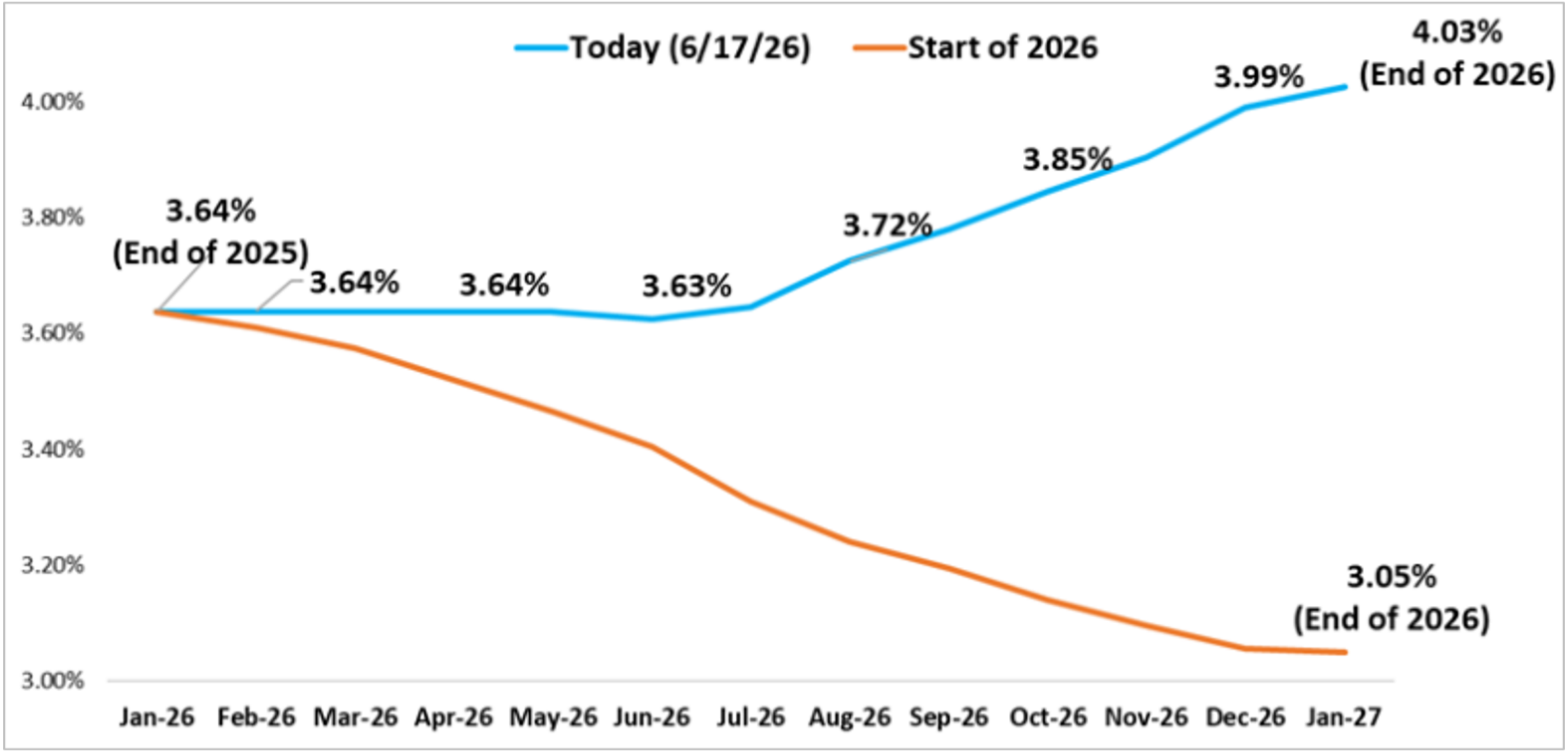
Price performance of key commodities (in USD)

	Unit	Price	Return (%) 1 Wk	3m	12m	3yr	5yr
Energy							
Brent Crude	USD/ barrel	72.7	(9.0)	(28.9)	7.4	(1.6)	(4.6)
Coal	USD/ MT	114.3	(2.1)	4.3	26.1	13.5	(1.4)
Industrial Metals							
Aluminum	USD/ MT	3,105.8	(8.9)	(6.1)	20.5	45.4	28.4
Steel	USD/ MT	491.0	(0.8)	0.9	4.6	(13.8)	(37.8)
Nickel	USD/ MT	16,635.6	(6.9)	(0.7)	13.0	(21.2)	(9.7)
Tin	USD/ MT	49,281.0	(10.4)	12.0	52.5	75.8	52.4
Lead	USD/ MT	1,881.4	(3.5)	1.3	(5.7)	(13.5)	(14.8)
Copper	USD/ MT	13,029.7	(5.3)	8.5	32.7	54.9	38.7
Zinc	USD/ MT	3,428.0	(4.2)	13.6	28.8	45.8	18.1
Precious Metals							
Gold	USD/ t oz.	3,987.3	(5.3)	(11.5)	19.7	107.5	123.8
Silver	USD/ t oz.	57.5	(12.5)	(19.3)	58.5	156.3	120.2
Platinum	USD/ t oz.	1,577.7	(7.1)	(18.0)	16.5	71.2	42.0
Agriculture							
Sugar	USD/ lb.	13.4	(3.4)	(14.0)	(16.3)	(44.7)	(20.8)
Rubber	THB/ kg	97.8	3.4	29.8	44.2	97.2	62.6
Palm Oil	MYR/ MT	4,513.0	0.1	1.5	14.6	23.8	21.9
Wheat	EUR/ MT	113.3	0.0	(0.2)	0.9	14.8	–
Rice	USD/ cwt	12.9	8.3	17.7	(2.6)	(27.0)	(1.7)
Corn	USD/ bu.	406.5	(3.4)	(13.0)	(0.9)	(35.6)	(36.1)

Source: 360 ONE
Note: Data as of 25 Jun 2026

Bond market is now pricing in 2 FED hikes by end of year

Market expectations for FED Funds Rate (Jan 2026 – Jan 2027)



Source: Charlie Billelo
Note: Data as of 17 Jun 2026

While 2020s is on pace to be the strongest decade for US Equities since 1990s, they might be the worst decade in history for 10Y Treasury Bonds

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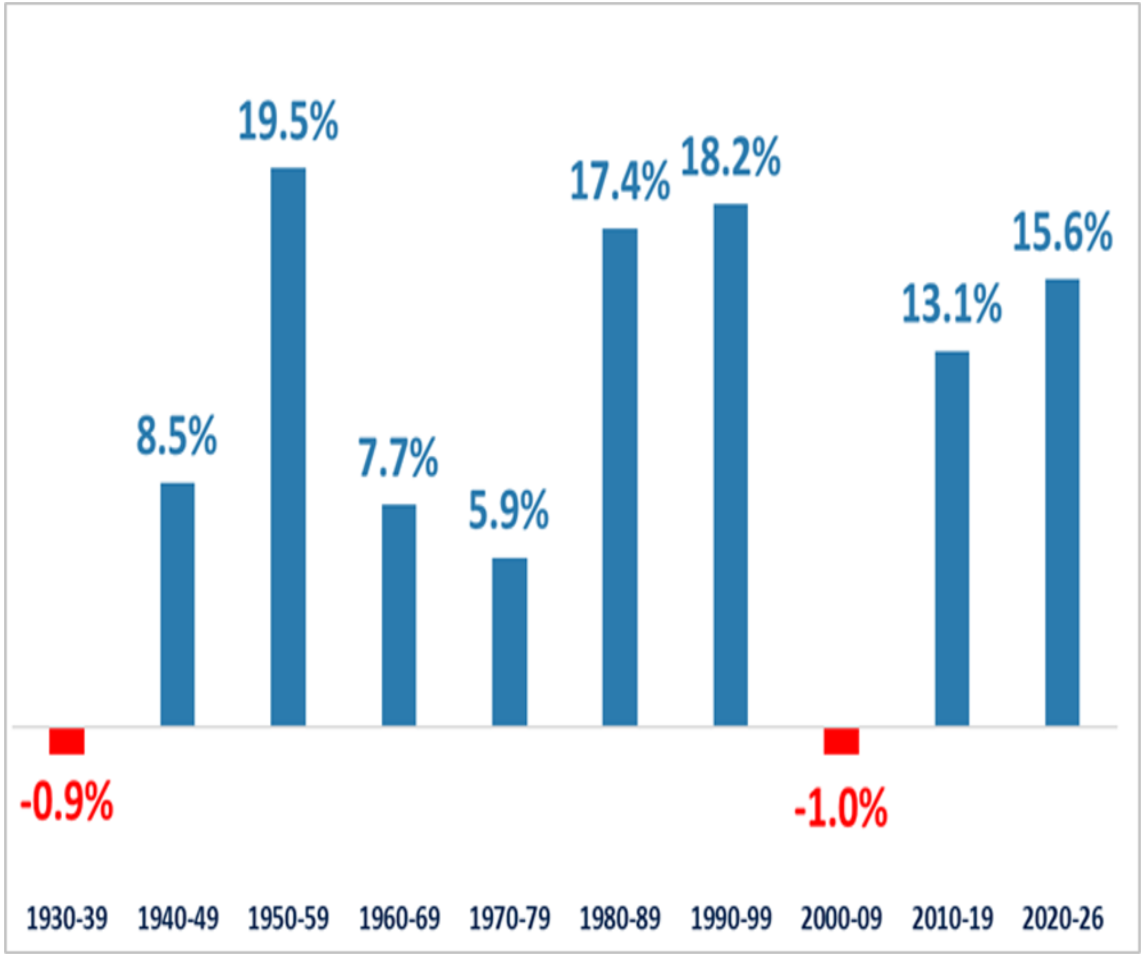
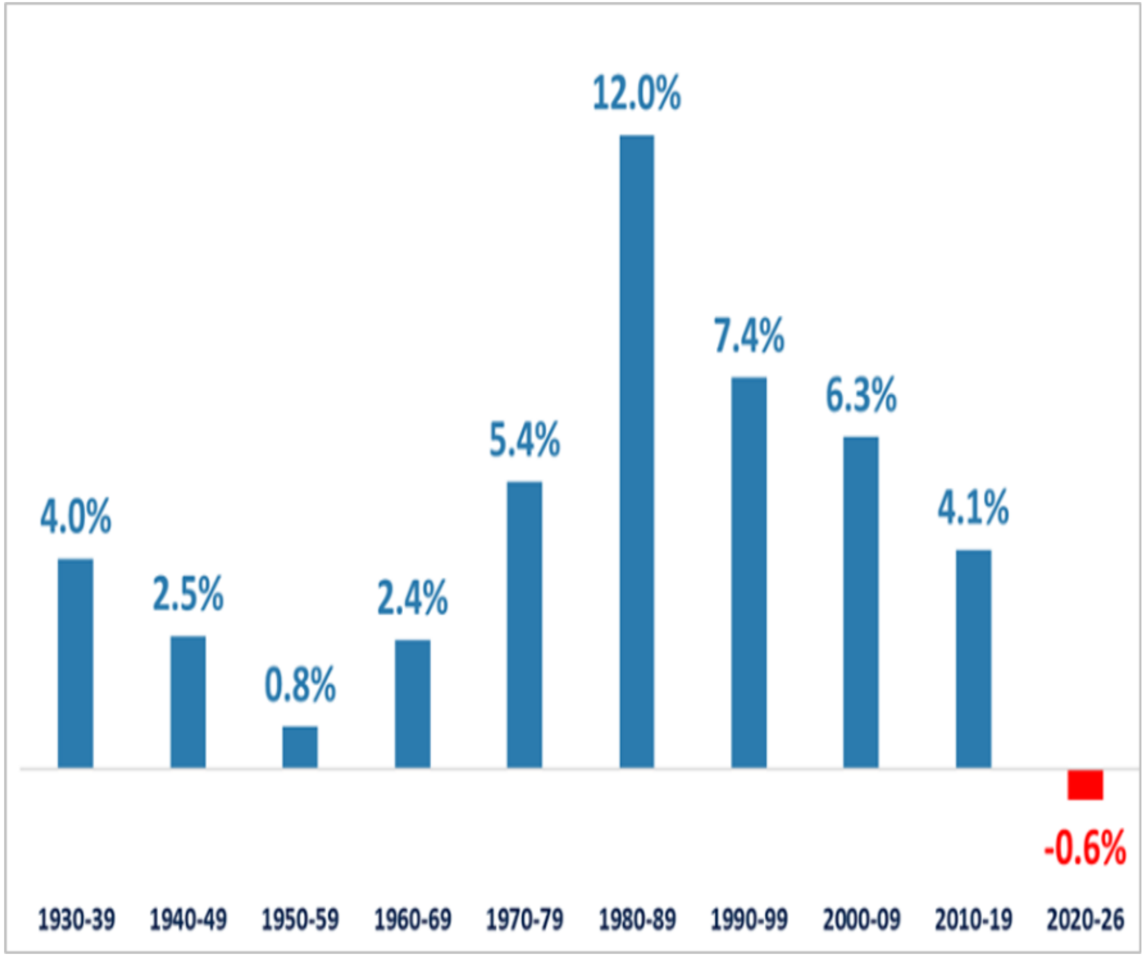
S&P 500: Annualized total returns by decade (1930 – YTD 2026)



10Y T-Bond: Annualized total returns by decade (1930 – YTD 2026)



Source: Charlie Billelo
Note: Data as of 20 Jun 2026

Is it now time to be cautious? Nasdaq 100 has a higher 10Y return than Japan in 80s, Dow in 20s and S&P in 50s

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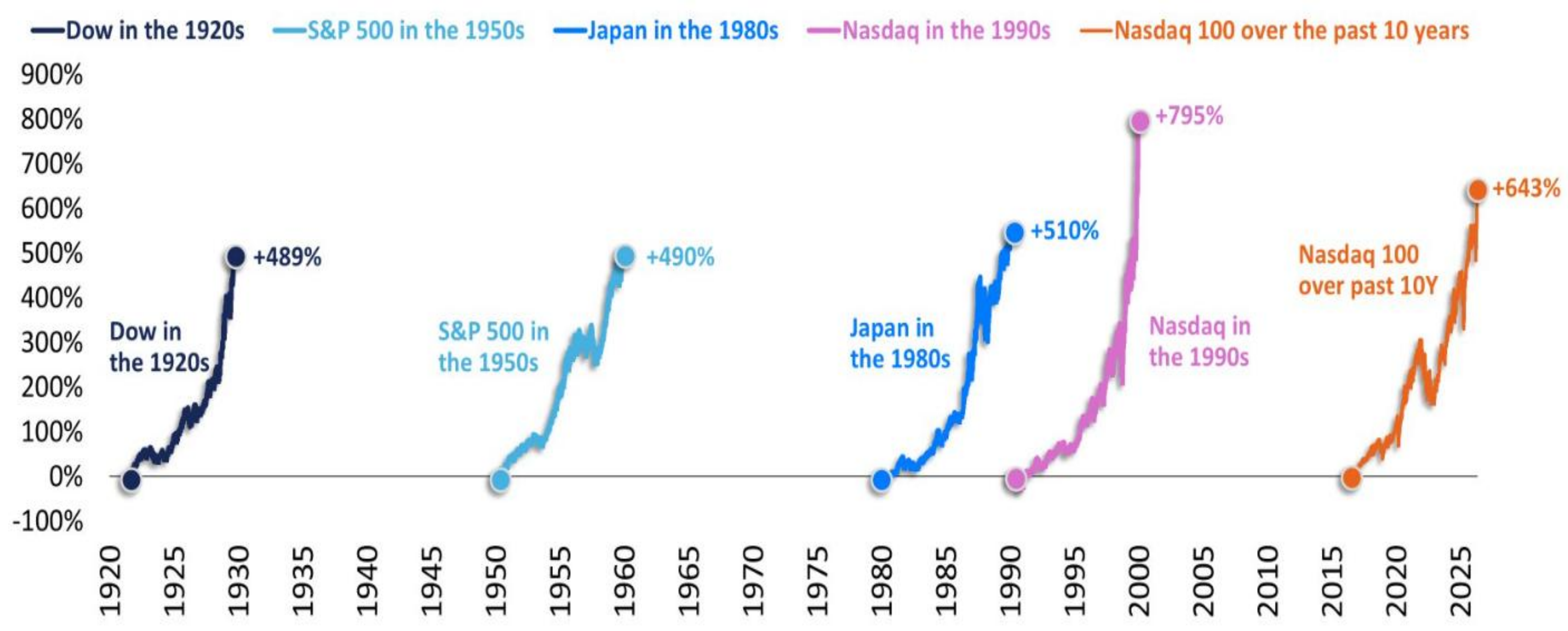
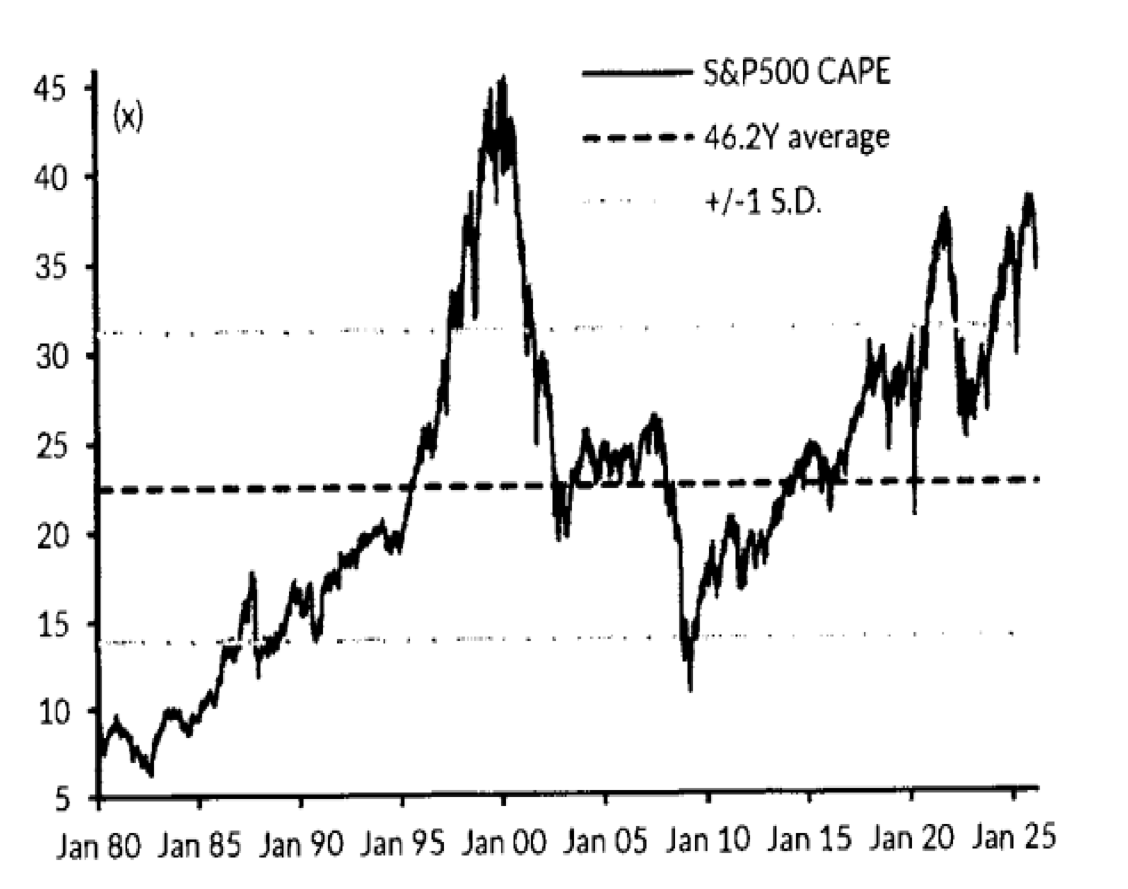
Cumulative total returns in past meltups



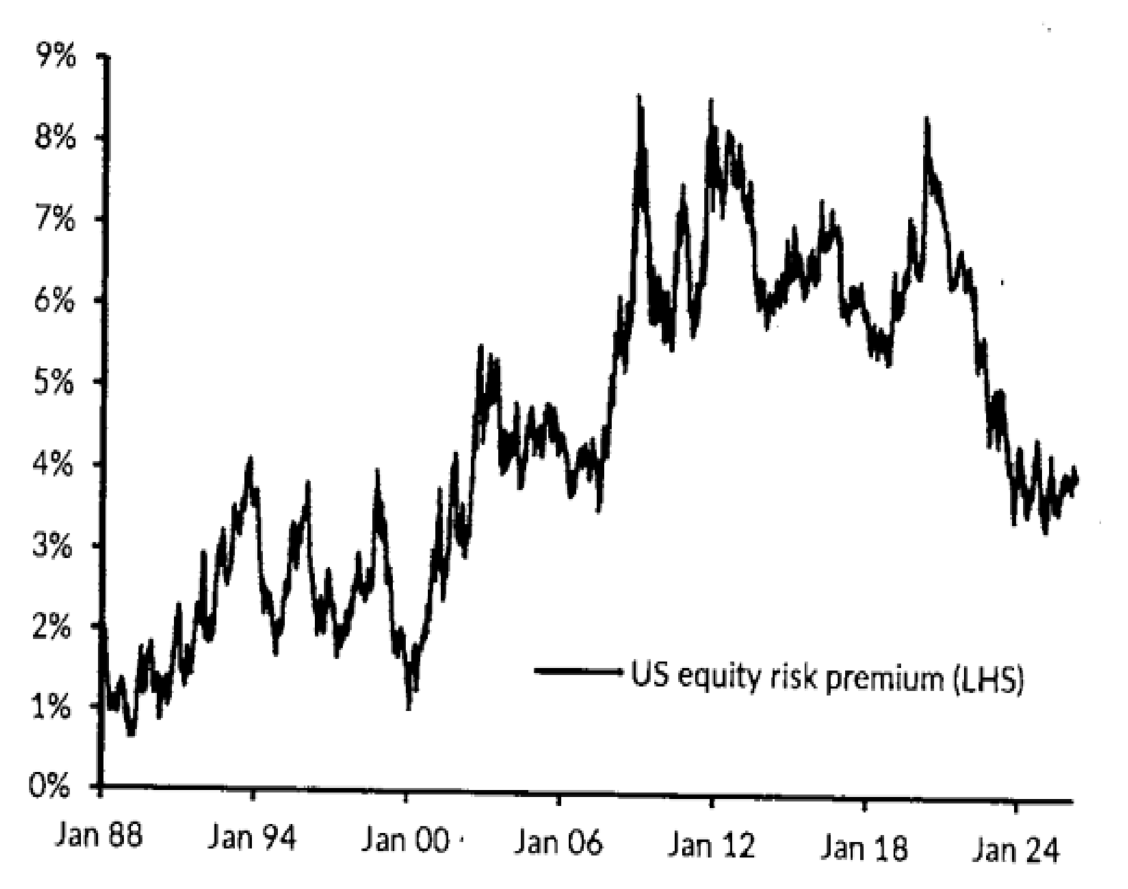
Source: CLSA

S&P trades at 35x CAPE – close to Dot Com bubble highs

S&P 500 CAPE



US implied equity risk premium



Source: CLSA

Margin debt and retail margin credit are reaching all time highs– Quite scary!

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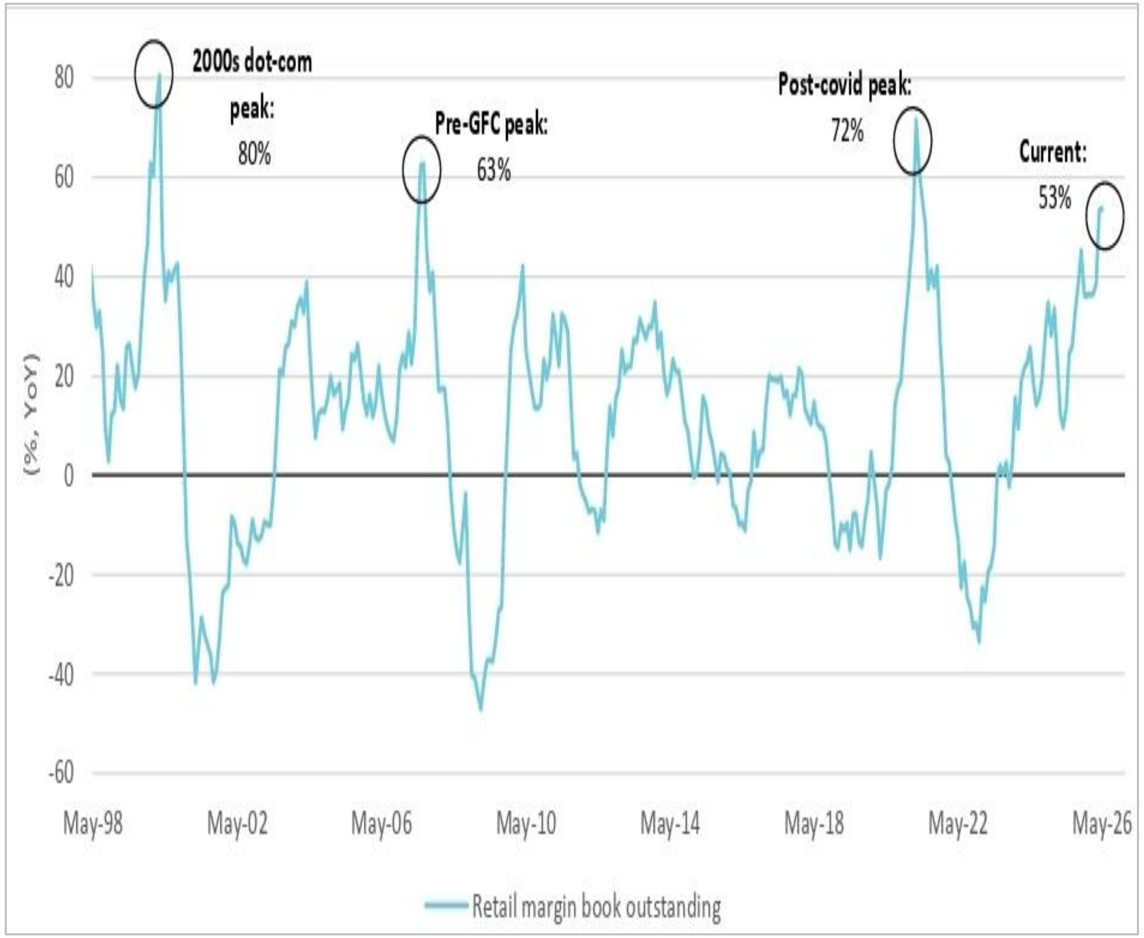
Margin debt provided by brokers at $1.3Tn

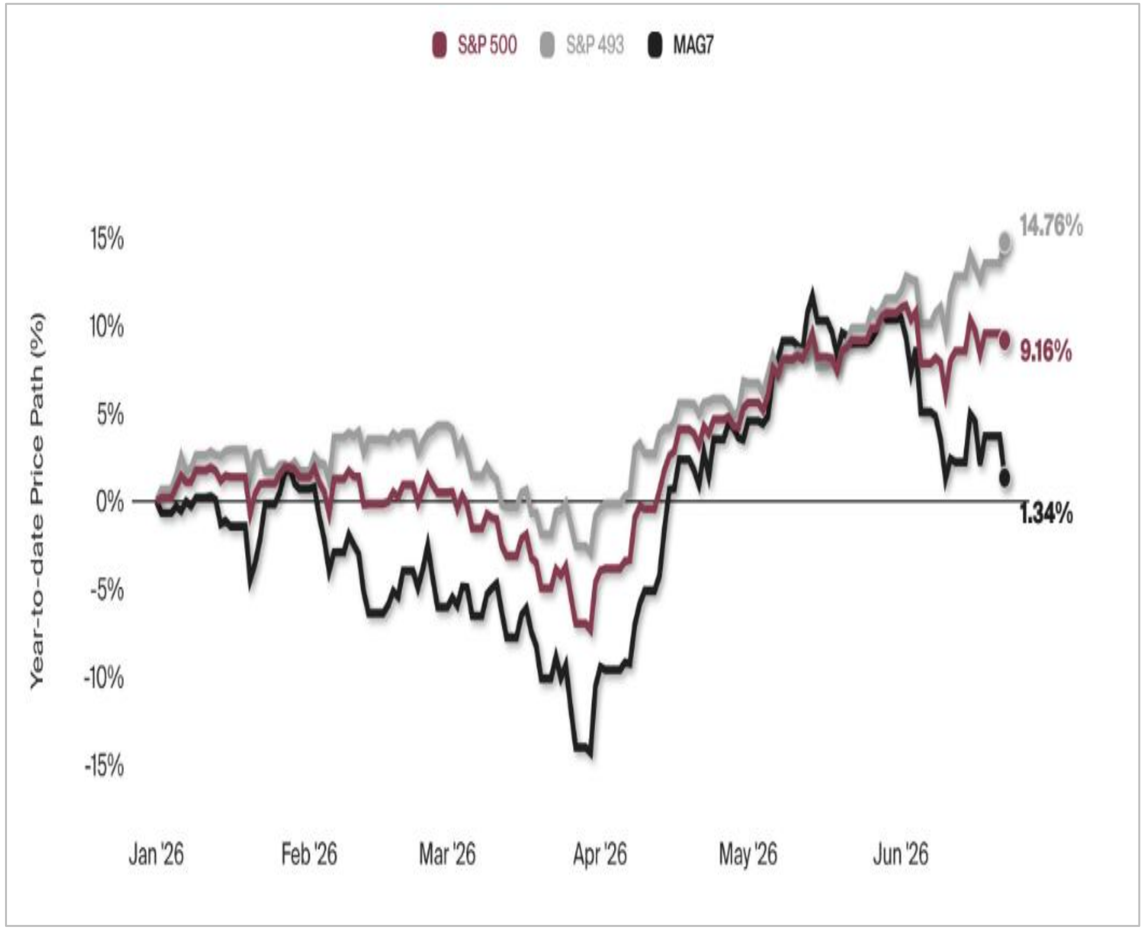
US retail margin credit has risen quite sharply



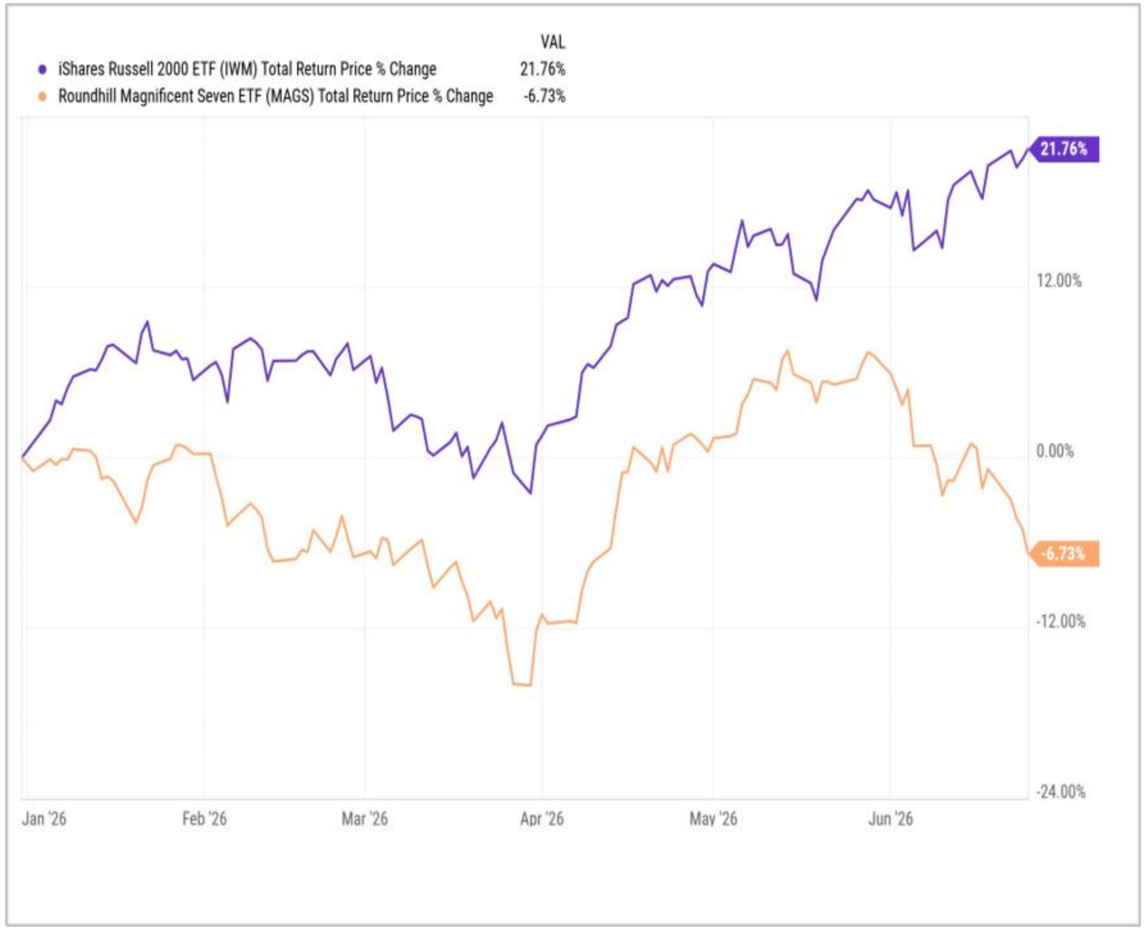
Source: CLSA

First signs of exhaustion as Mag7 starts underperforming S&P 500 and Russell 2000

S&P 500 vs S&P 493 vs Mag 7 in 2026



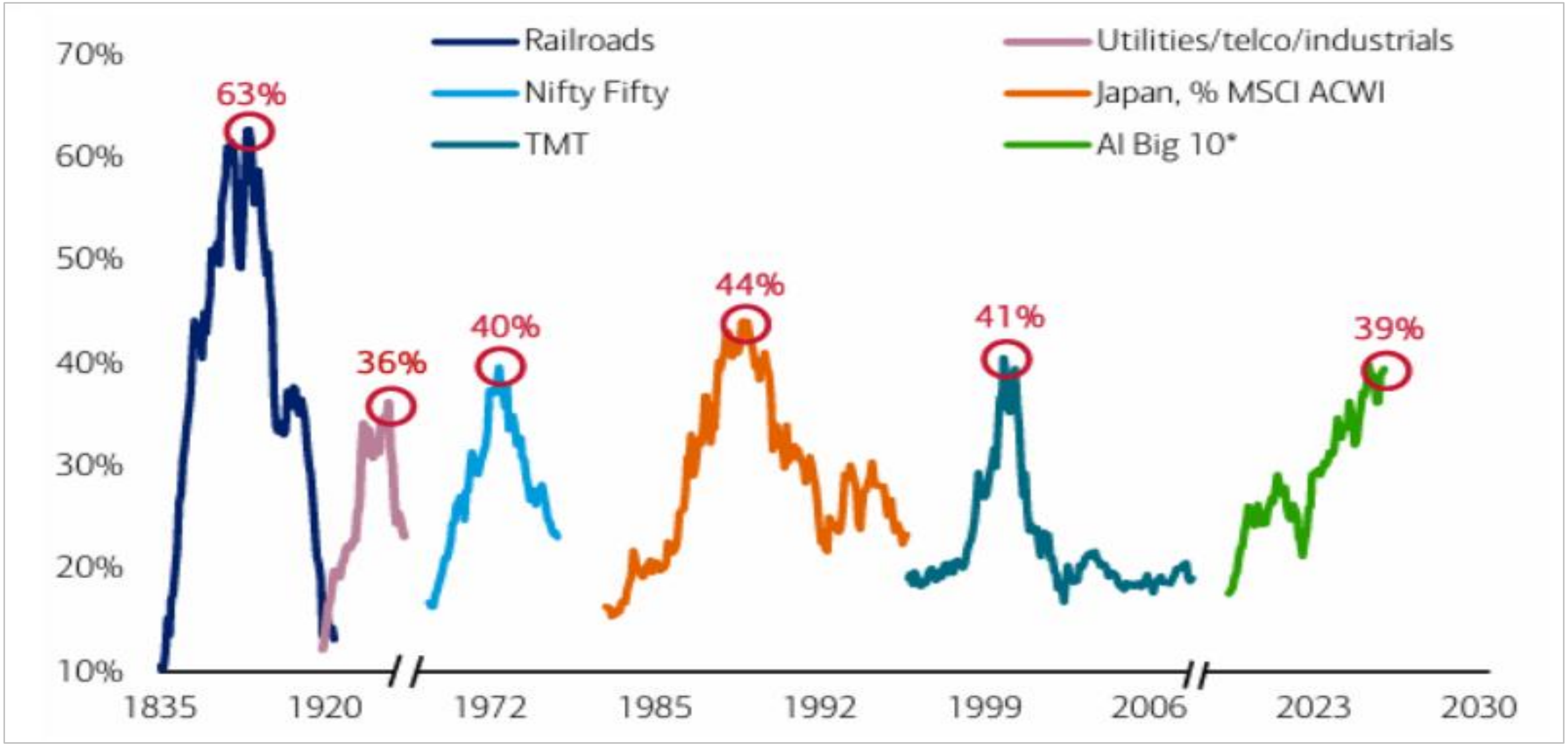
Divergence between Mag 7 and Russell 2000



Source: Ben Carlson

AI concentration close to historical bubble peaks

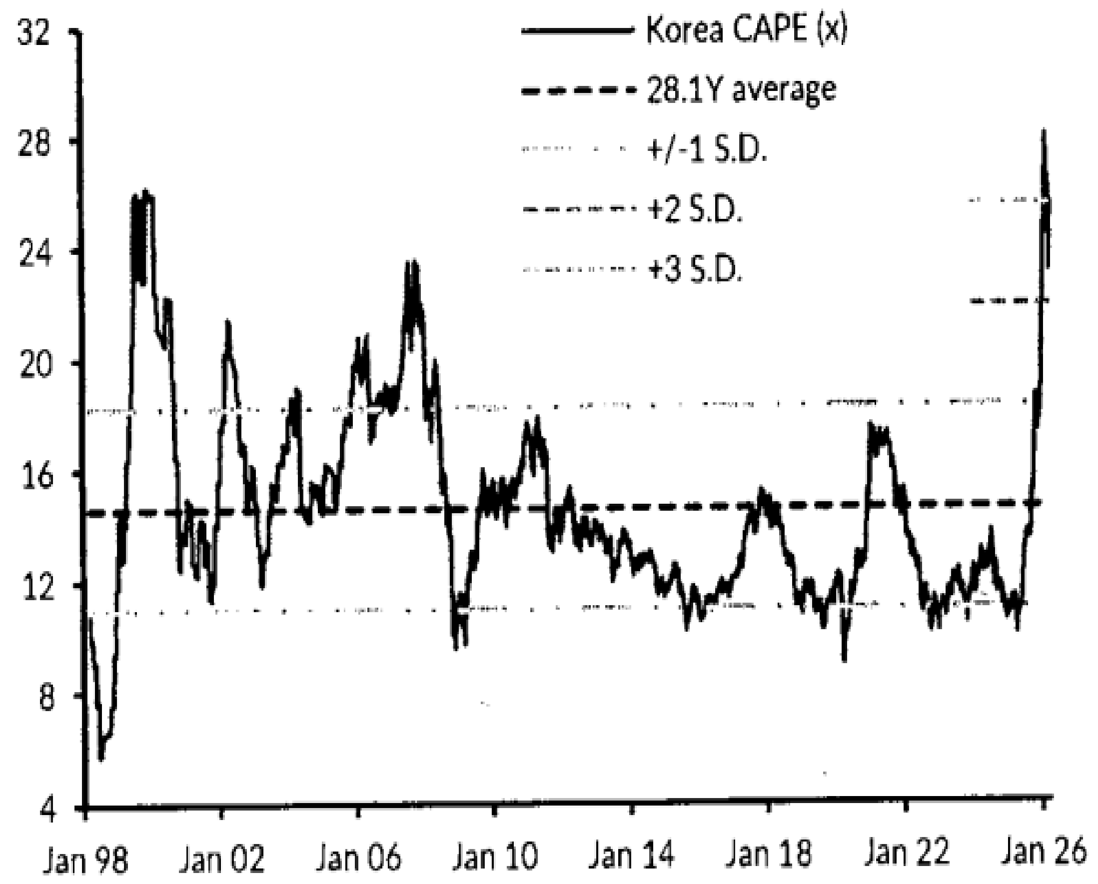
History of stock market concentration as a % of US Market Cap



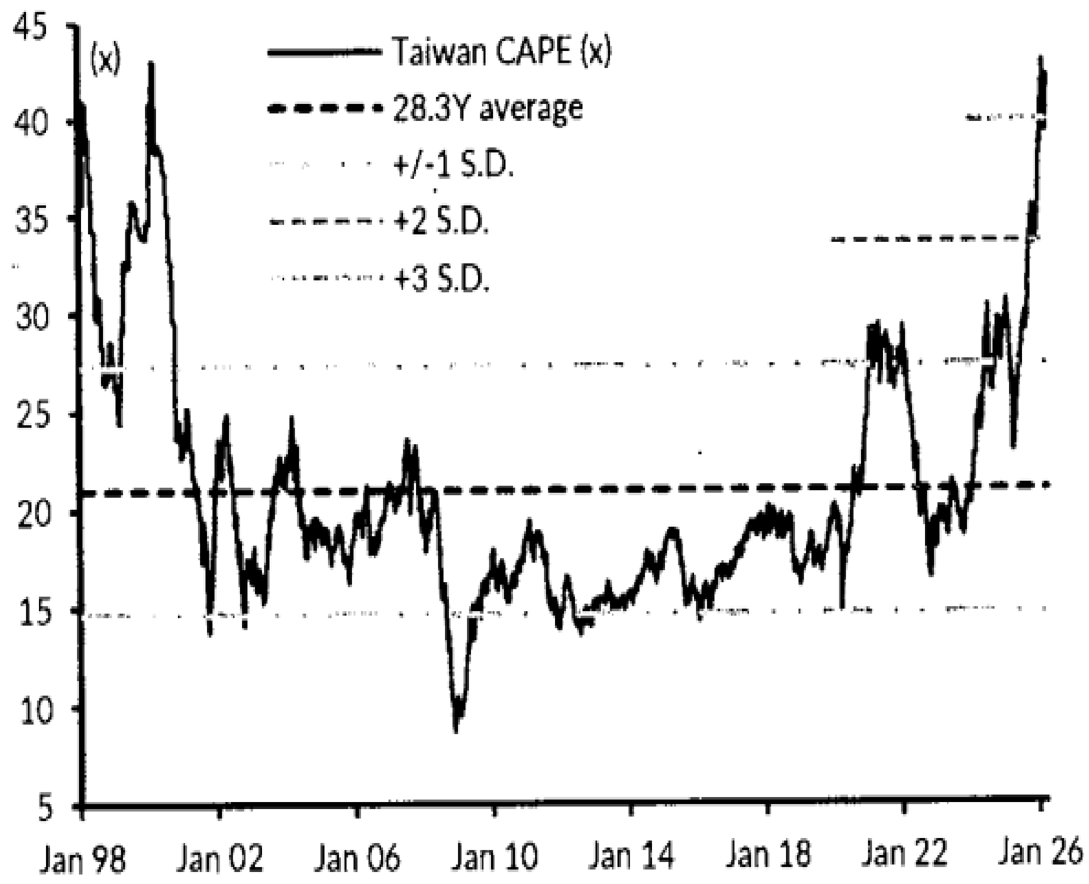
Source: BoFA
Note: AI Big Ten = Mag 7 + AVGO + MU + AMD

Is AI narrative in excess zone? Cyclically adjusted PEs above 3SD for Korea & Taiwan

Korea CAPE



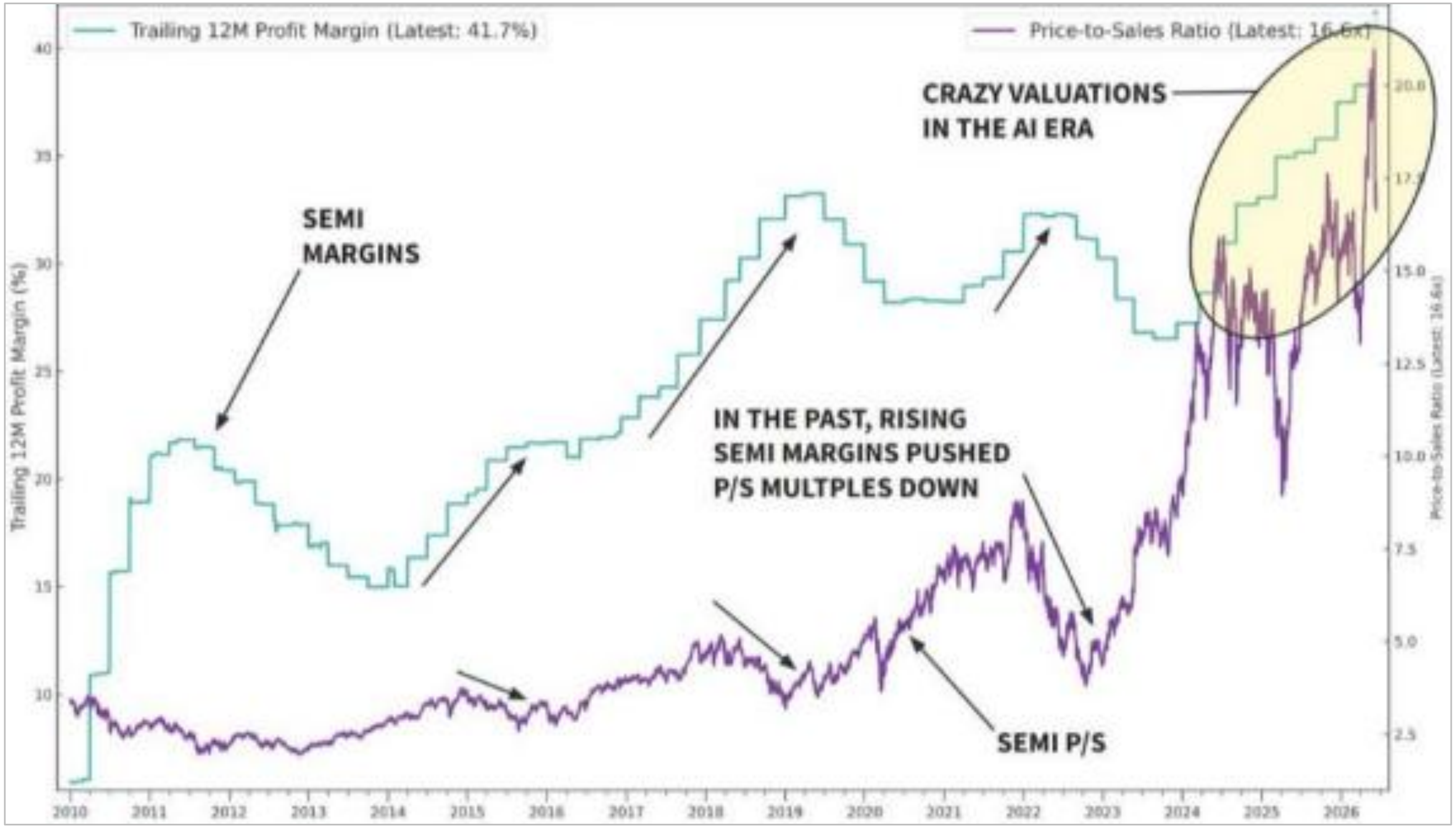
Taiwan CAPE (using TSMC liquidity weighted pricing for ADR)



Source: CLSA

Is AI narrative in excess zone? Are semicon margins at a peak?

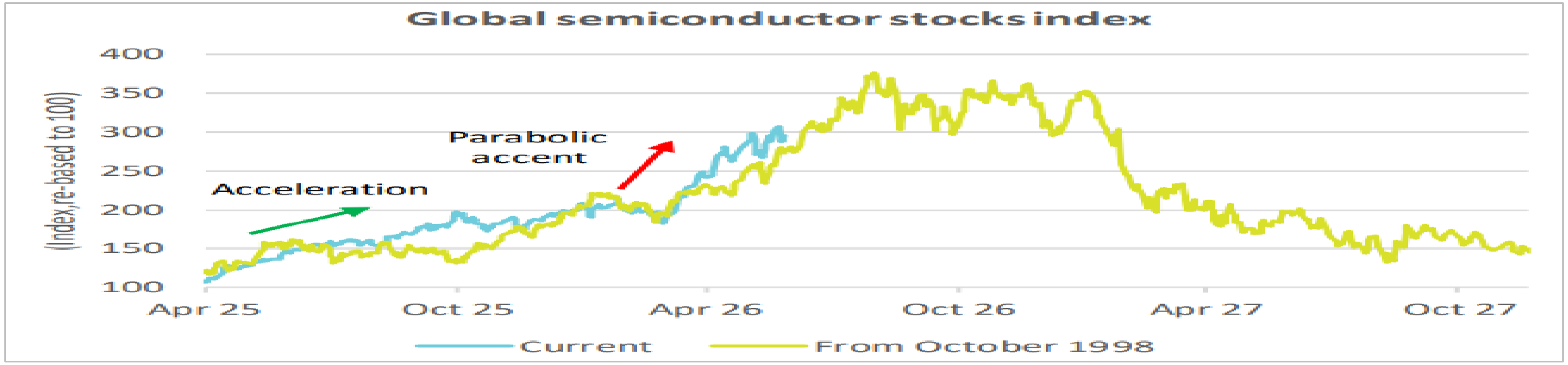
Semiconductors: Margin vs. Valuation levels



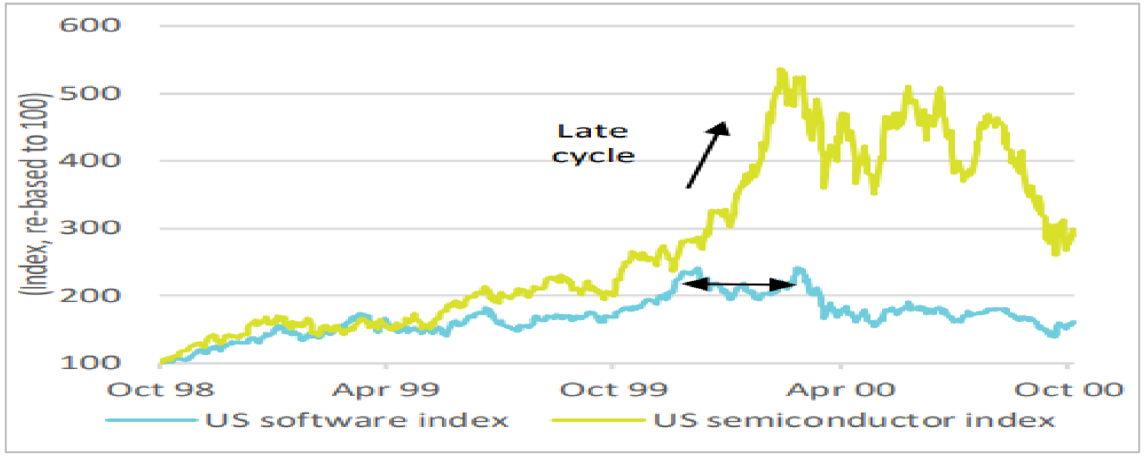
Source: CLSA, Twitter

Is AI narrative in excess zone? Current AI stocks rise is very similar to the 1990s

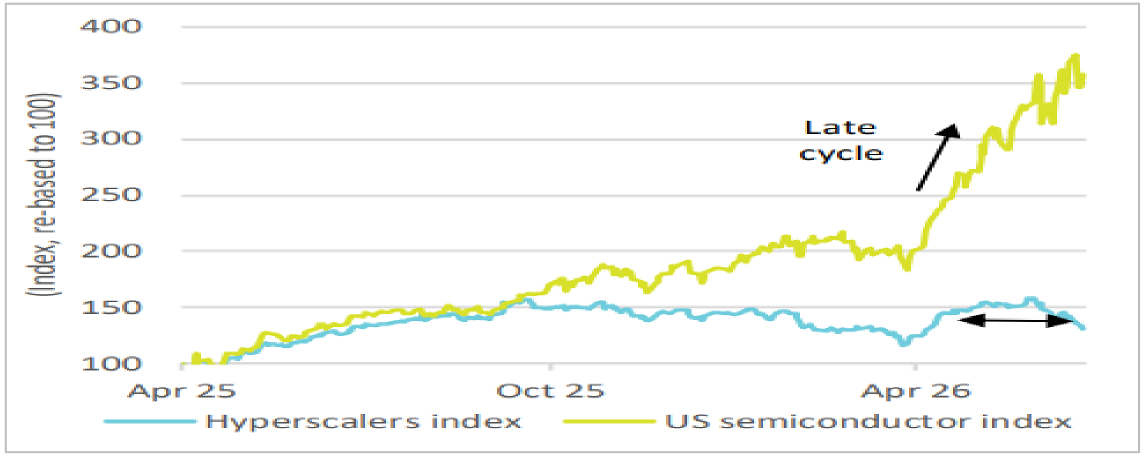
Global hardware index has great similarities with 1990s



Software and hardware stocks diverged in 1990s…



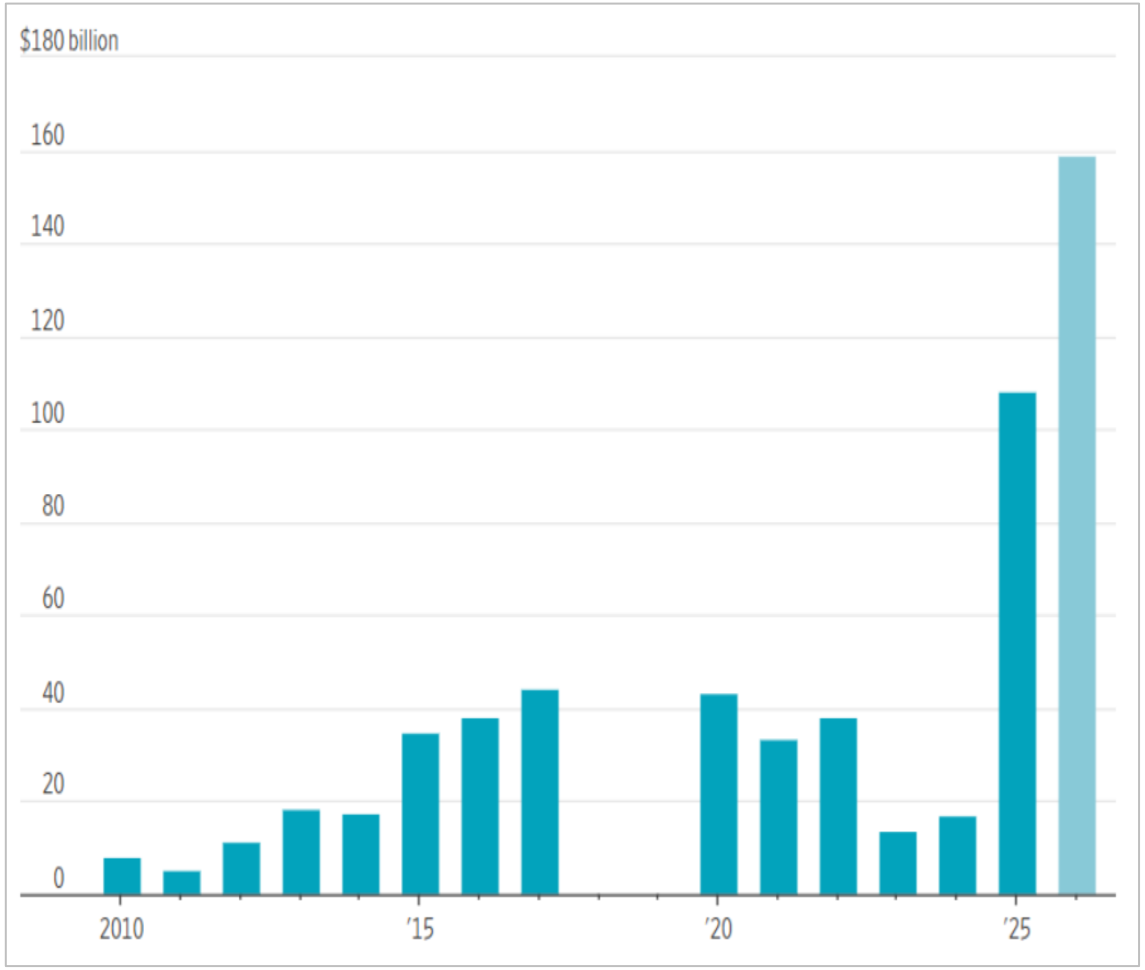
…it is a similar trend this time as well



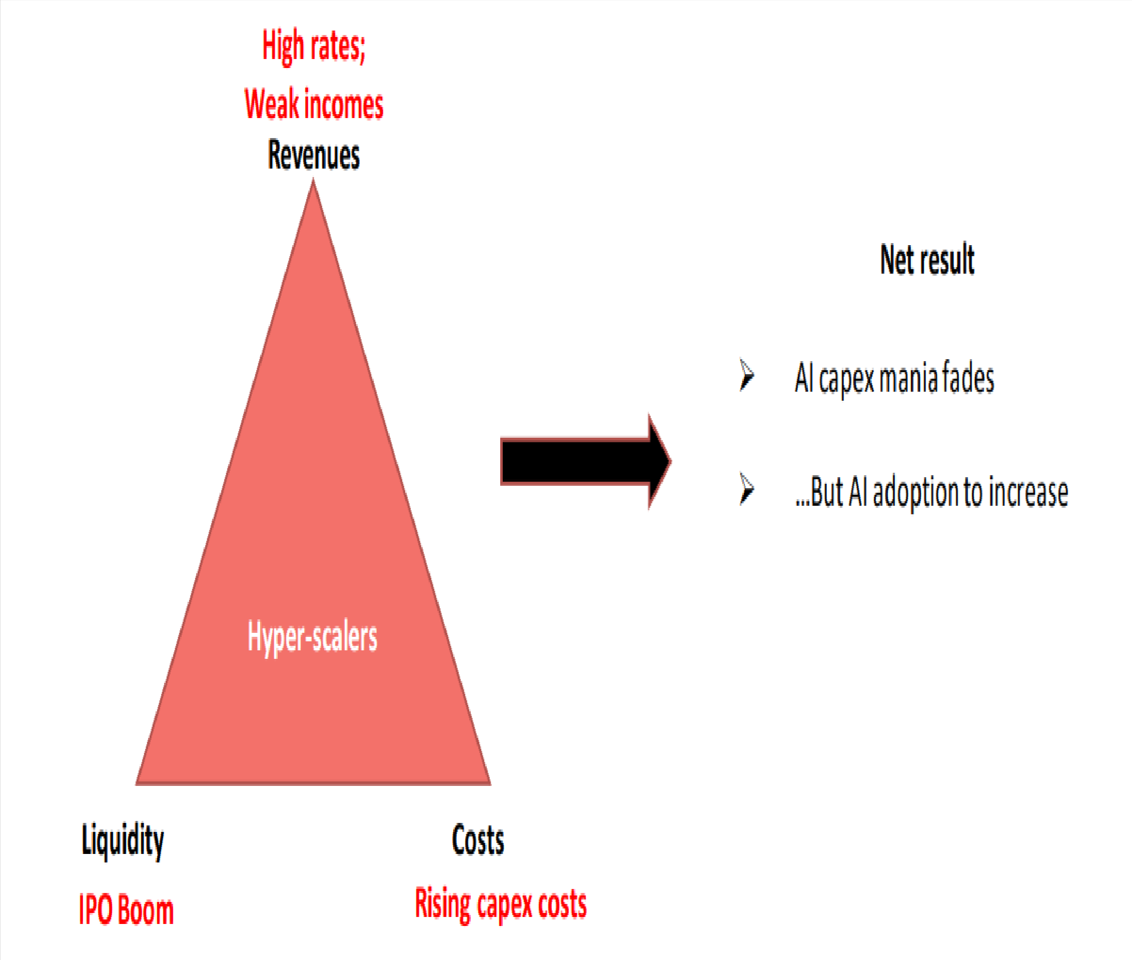
Source: Nuvama

Is AI narrative in excess zone? Cash generators turning into debt owners

Global bond issuances by big AI tech companies



Hyperscalers now facing hyper hurdles



Source: Charlie Bilello, Dealogic, Nuvama

Is AI narrative in excess zone? SpaceX becomes the newest entrant in the AI companies dominated trillion-dollar club

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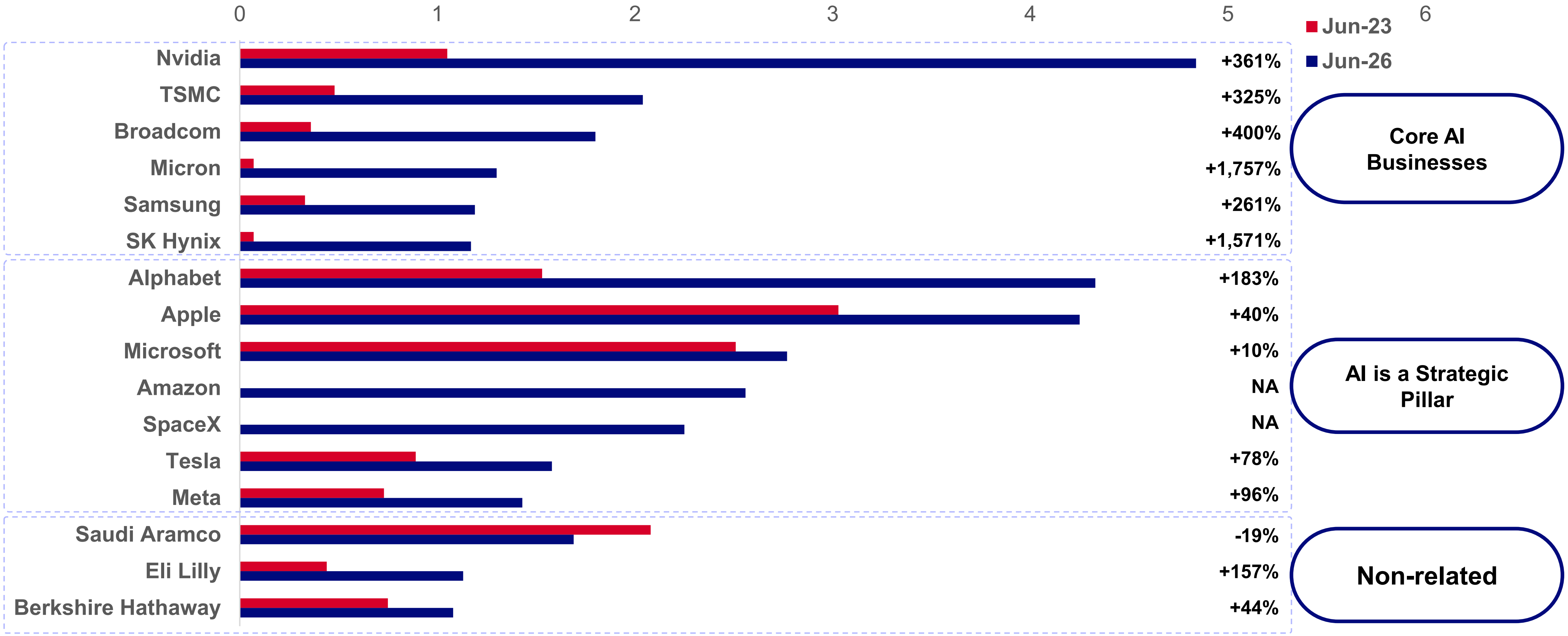
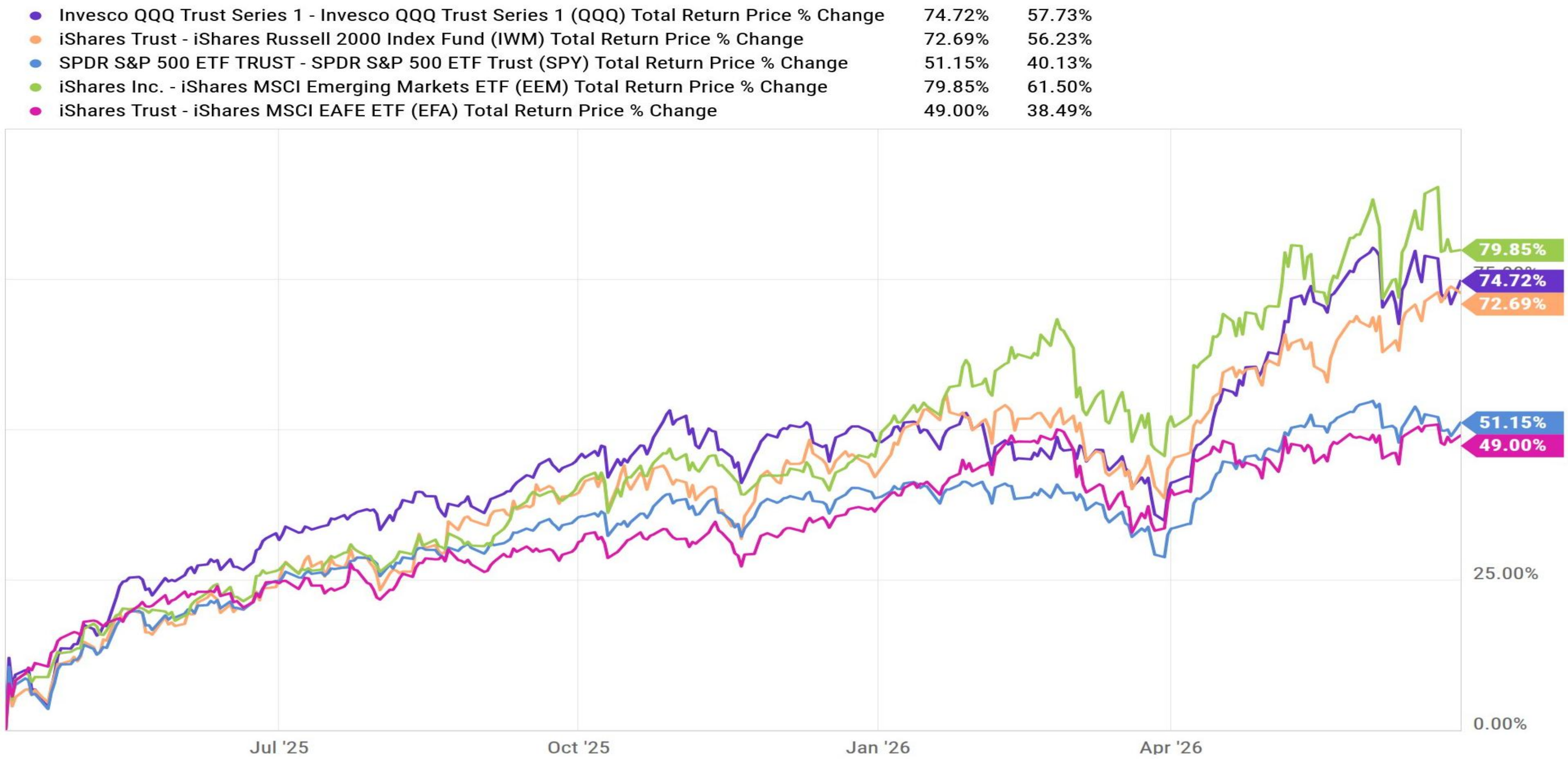
The $1 Trillion+ Club – Market Cap: June 2023 vs. June 2026



Source: Bloomberg

Non-US markets now outperforming US

12M Total Returns for Nasdaq 100 vs. S&P 500 vs. Russell 2000 vs. MSCI EM vs. MSCI EAFE



Source: Ben Carlson

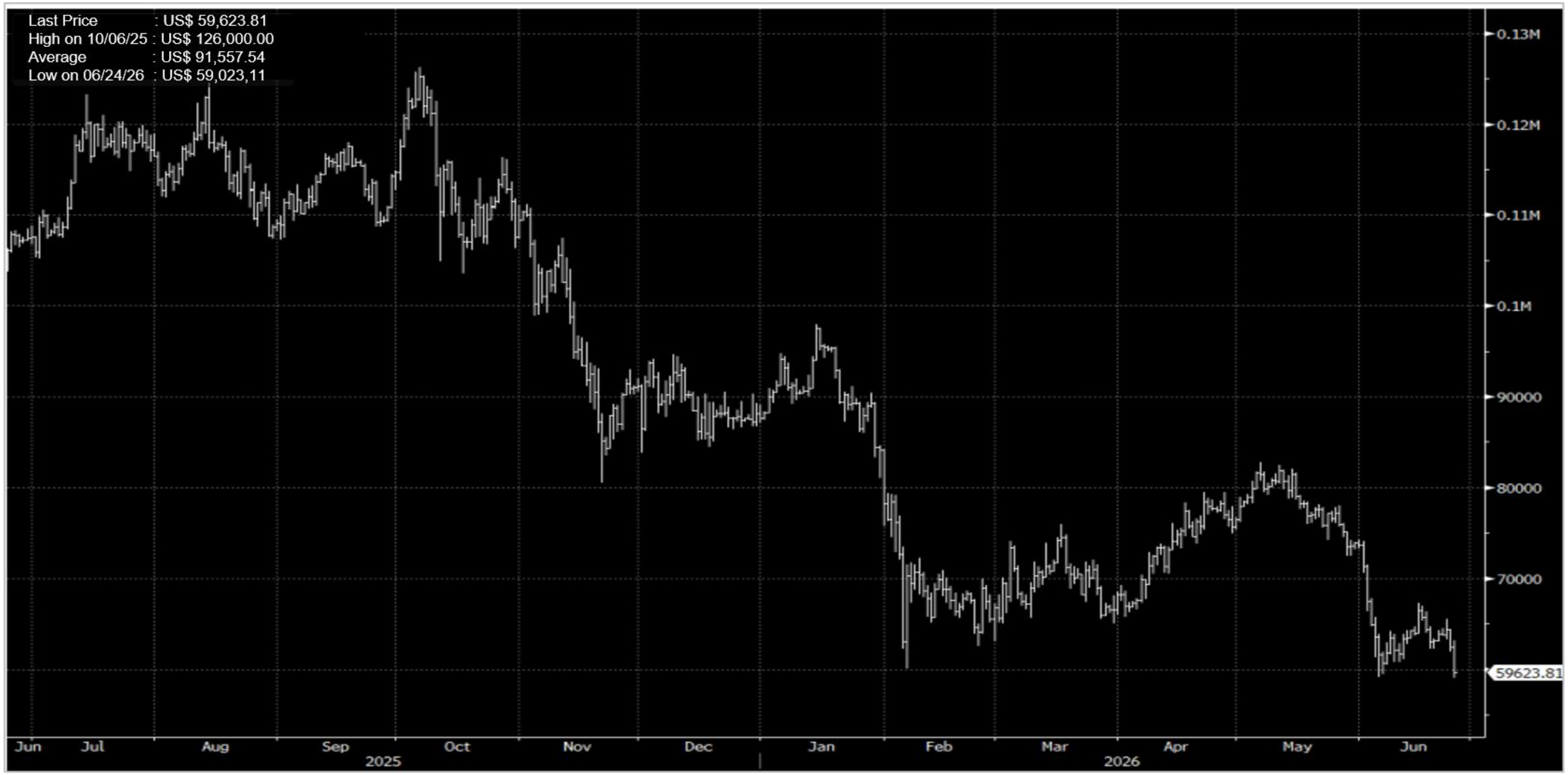
Jan'26 narrative was Gold and Silver – after correction now they look interesting

Gold / Silver Ratio — 50-Year Trend (1976–2026)

Gold & Silver Spot Prices — YTD 2026

Source: CLSA, Trading View

Don't chase the fad - Bitcoin has made new lows for the year



Source: CLSA

Section 2:

India Macro

Why Indian macros still in a comfortable zone even after West Asia crisis?

$50-80bn potential inflows can act as shock absorber – FCNR and taxation changes steps in the right direction

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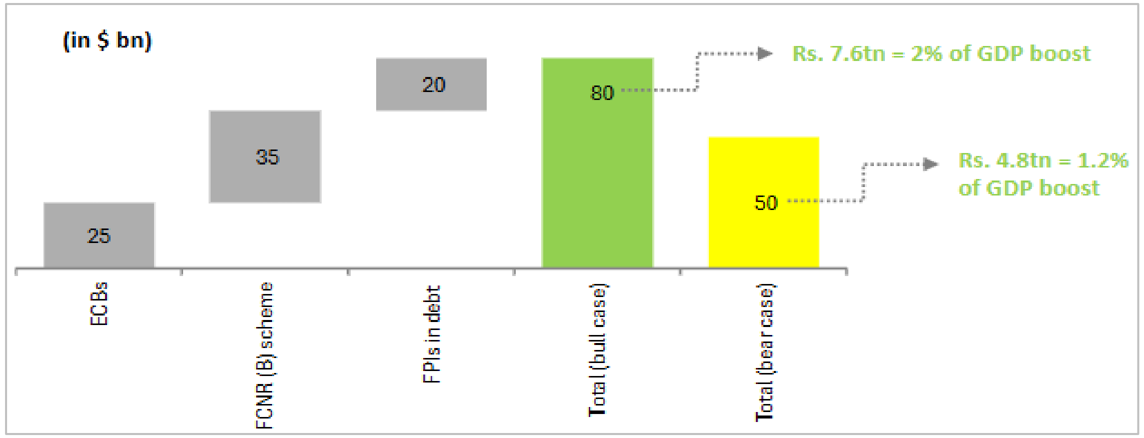
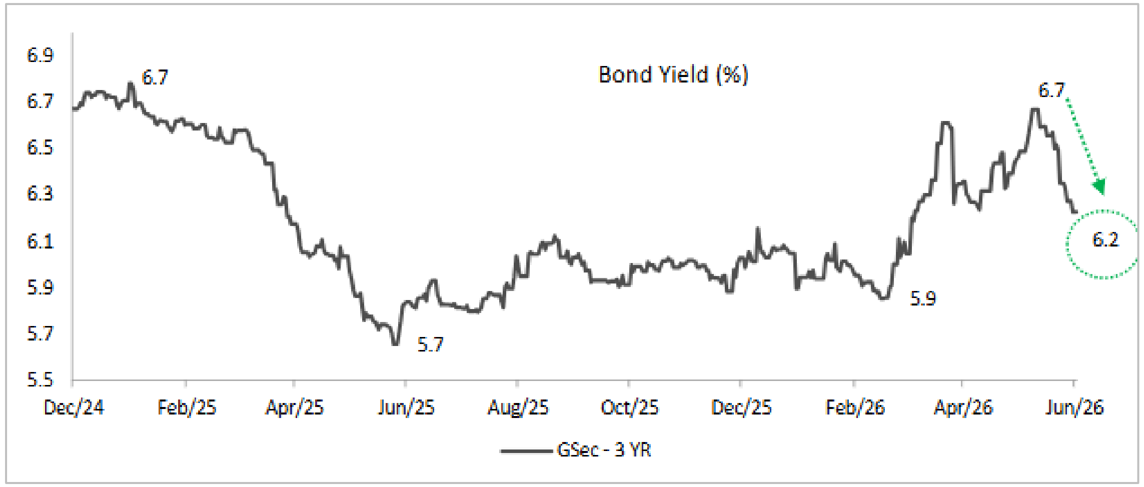
Around $50-$80bn potential dollar inflows



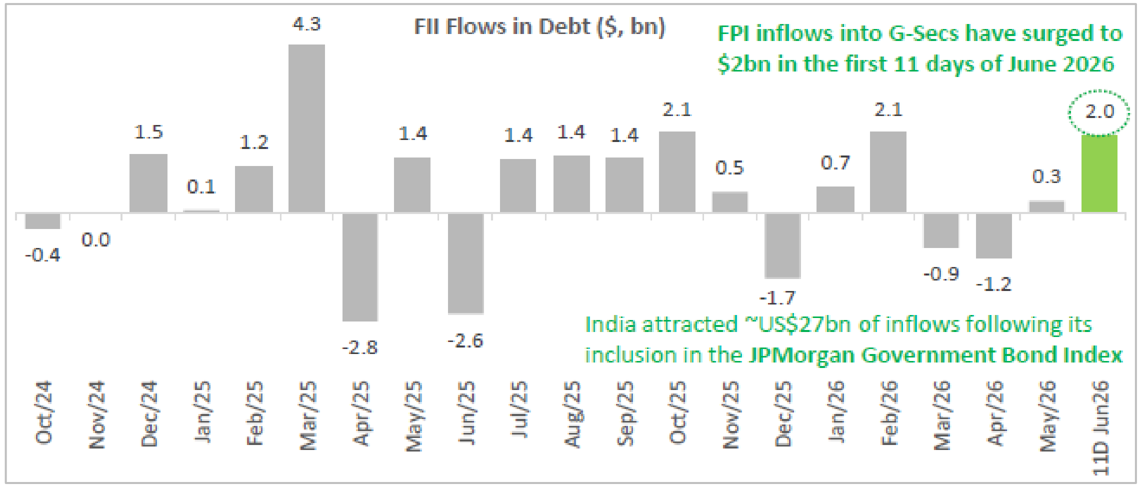
FCNR could be quite successful because of the high IRRs

Assumption / Output	Unit	2013	2026	Comments
Own capital	USD	100,000	100,000	NRI's equity contribution
FCNR(B) deposit rate	%	5.0%	6.5%	Rate Ceiling for 2026; illustrative 2013 rate
Offshore loan cost	%	2.0%	5.3%	SBIN's overseas yield for 2026; illustrative 2013 rate
Loan-to-value	%	87.5%	87.5%	8.0x uniform leverage assumed
Deposit tenor	Years	3.0	3.0	3-year fresh deposit in the 2013 window
Gross FCNR(B) deposit	USD	800,000	800,000	8.0x of equity contribution
Offshore loan amount	USD	700,000	700,000	Loan taken by the NRI to lever up
Gross leverage	x	8.0x	8.0x	8.0x uniform leverage assumed
Annual deposit interest	USD	40,000	52,000	Gross FCNR(B) deposit * FCNR(B) deposit rate
Annual loan interest	USD	14,000	37,100	Offshore loan amount * Offshore loan cost
Annual net carry	USD	26,000	14,900	Deposit interest received - Loan interest paid
Return on own capital	%	26.0%	14.9%	Return on NRI's equity (Money doubles in 5 years)

3Y bond yields softened ~40-50bps from 7Y highs



India could be included in the Bloomberg Global Bond Index



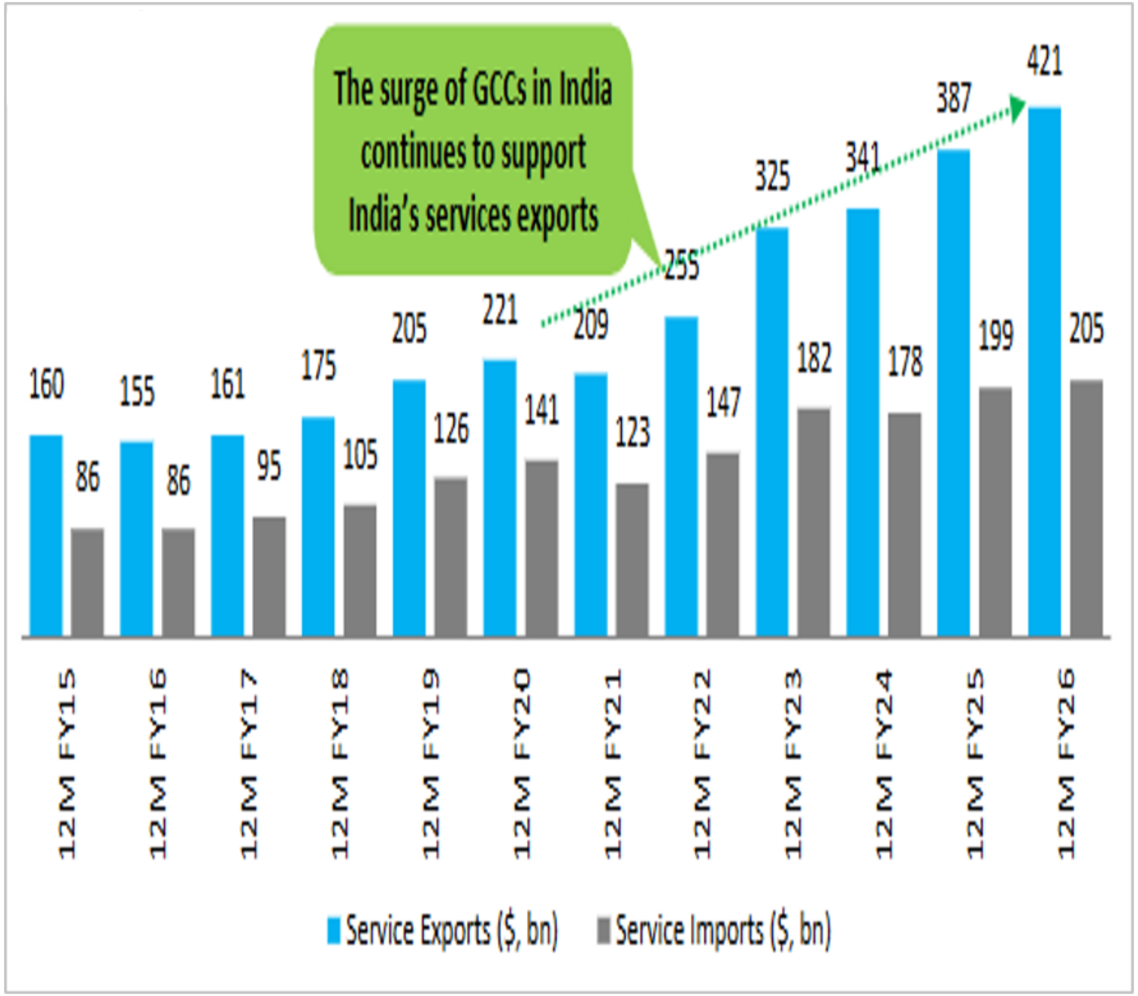
Source: Avendus Spark Research

Crude under $90/bbl is a sweet spot for India – BoP could be surplus at $80/bbl

BoP outlook scenarios at Crude $80 vs. $90 vs. $100 /bbl

					Three scenarios for FY27E		
Crude oil assumption	108	105	84	$68/bbl	$80/bbl	$90/bbl	$100/bbl
CAD (US$ bn)	FY13	FY14	FY15	FY26	FY27E	FY27E	FY27E
Total imports (a)	491	450	448	775	848	874	901
- Oil imports	164	165	138	174	212	239	265
- Gold imports	54	29	34	72	65	65	65
- Non-oil & non-gold imports	273	257	275	529	570	570	570
Total Exports (b)	300	314	310	442	498	502	507
- Oil exports	61	63	57	54	67	76	84
- Non-oil exports	240	251	254	388	431	427	423
Trade balance (b-a) = i	-190	-136	-138	-333	-350	-372	-394
Invisibles (ii)	107	115	118	312	319	309	303
- Software exports (GCCs)	63.5	67.0	70.4	180	190	187	185
- Business Services	-1.9	1.3	0.8	55	60	58	58
- Other Businesses	1.3	2.2	3.1	5	5	5	5
- Remittances	64	65	66	145	137	134	131
- Other services	-20	-21	-22	-72	-74	-75	-77
CAD (i+ii) = a	-88	-32	-27	-25	-31	-63	-91
CAD (% of GDP)	-4.8	-1.7	-1.3	-0.7	-0.7	-1.5	-2.2
Capital account (US$ bn)	FY13	FY14	FY15	FY26	FY27E	FY27E	FY27E
Foreign Direct Investment	20	22	31	7	15	14	12
Portfolio Investment	27	5	42	-16	0	-5	-10
- Equity	26	13	17	-20	-10	-15	-20
- Debt	5	-5	25	3	10	10	10
Commercial Borrowings	8	12	2	11	16	16	16
NRI Deposits	15	39	14	14	30	30	30
External Assistance	1	1	2	3	3	3	3
Short Term Credit	22	-5	0	14	14	16	16
Capital account (b)	89	49	89	2	68	64	57
Balance of Payment (a+b+c)	4	16	61	-24	37	1	-34

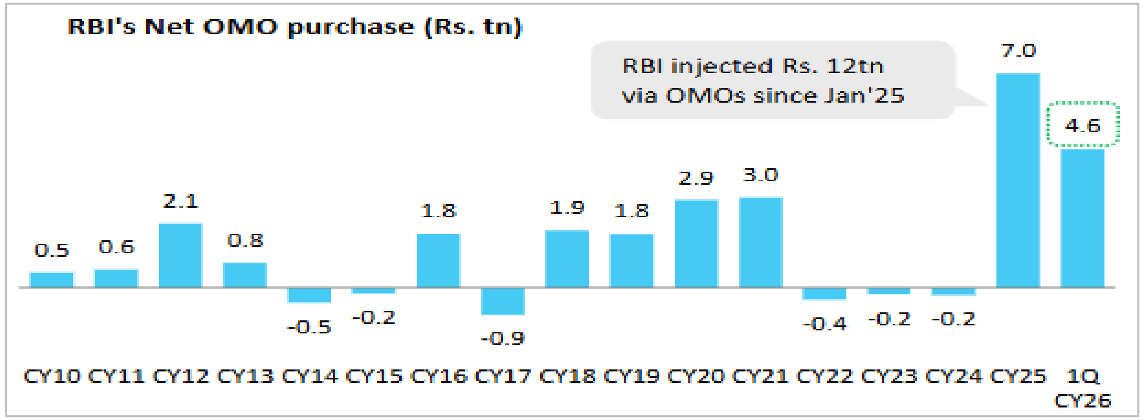
India services trade surplus jump ~3x since FY2020



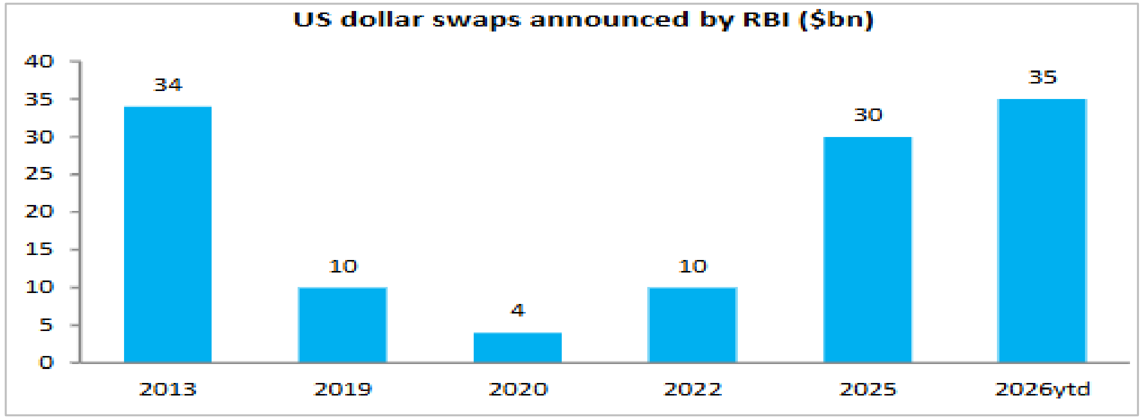
Source: RBI, Avendus Spark Research

RBI has supported growth by injecting INR 18tn since Jan’25 for system liquidity

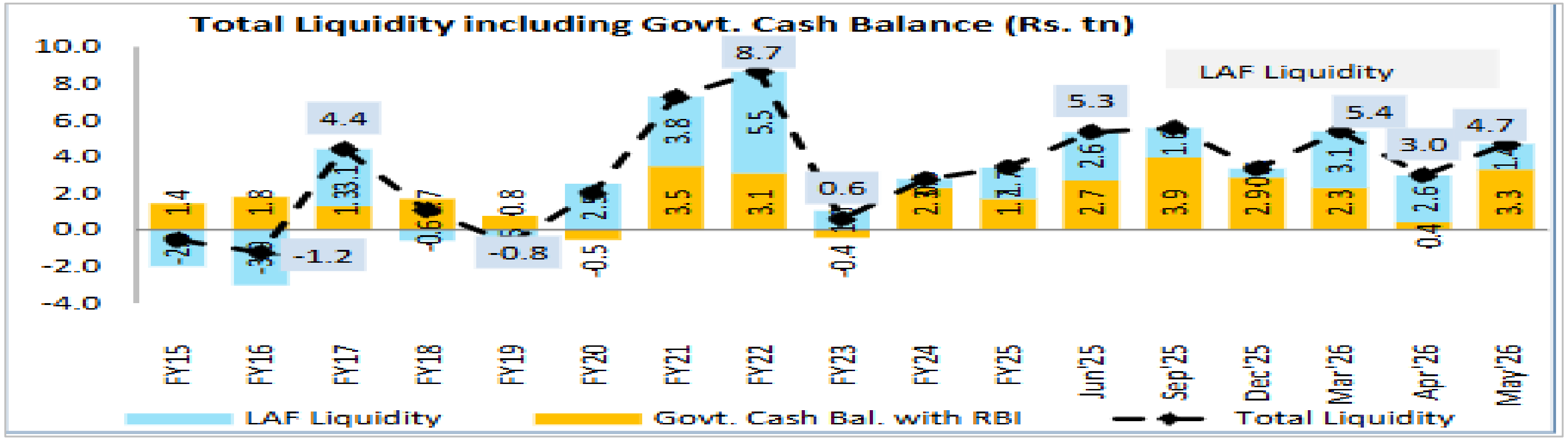
RBI has injected INR 12tn via OMO since Jan’25



RBI has injected INR 5.7tn via dollar swaps since Jan’25

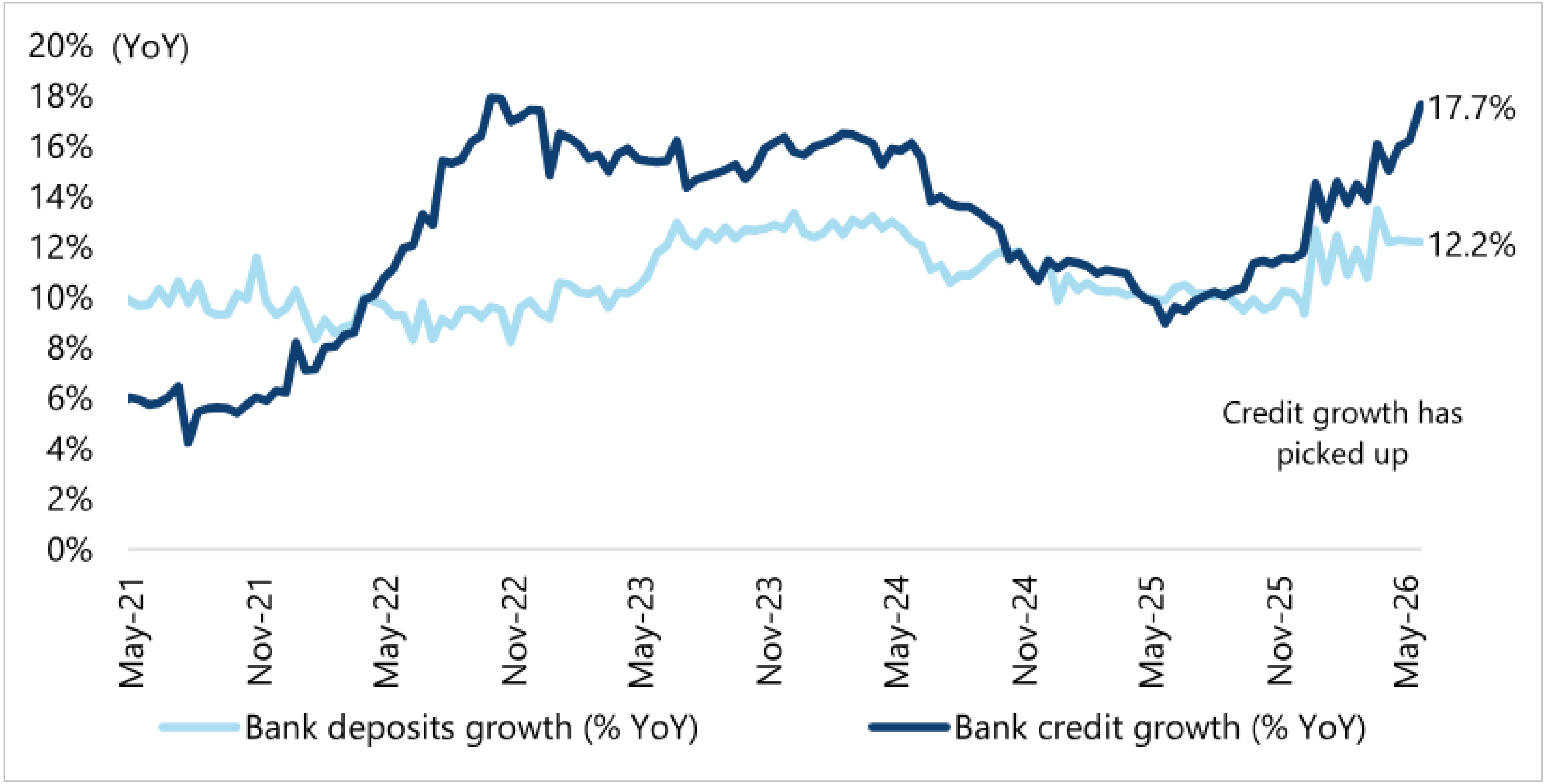


LAF surplus at INR 1.6tn post RBI’s USD 5bn swap in May’26



Source:MOC, Avendus Spark Research

Credit growth is picking up in the economy

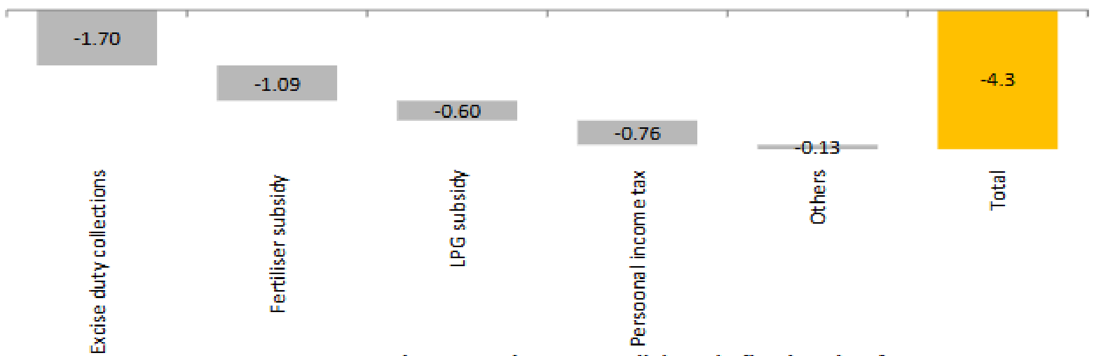


Source: RBI, Jefferies

Despite 1.1% drag on GDP from West Asia crisis, fiscal deficit looks manageable

INR 4.5tn full year impact possible on govt. finances

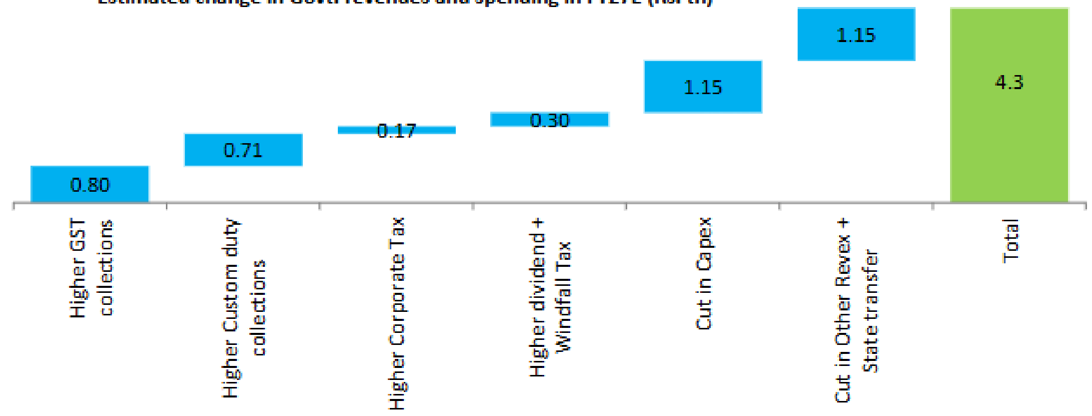
Revenue shortfall + cost overrun in FY27E (Rs tn)



Debt-to-GDP becomes India's main fiscal anchor from FY27

Shortfall likely to be offset by higher tax and non-tax revenues

Estimated change in Govt. revenues and spending in FY27E (Rs. tn)



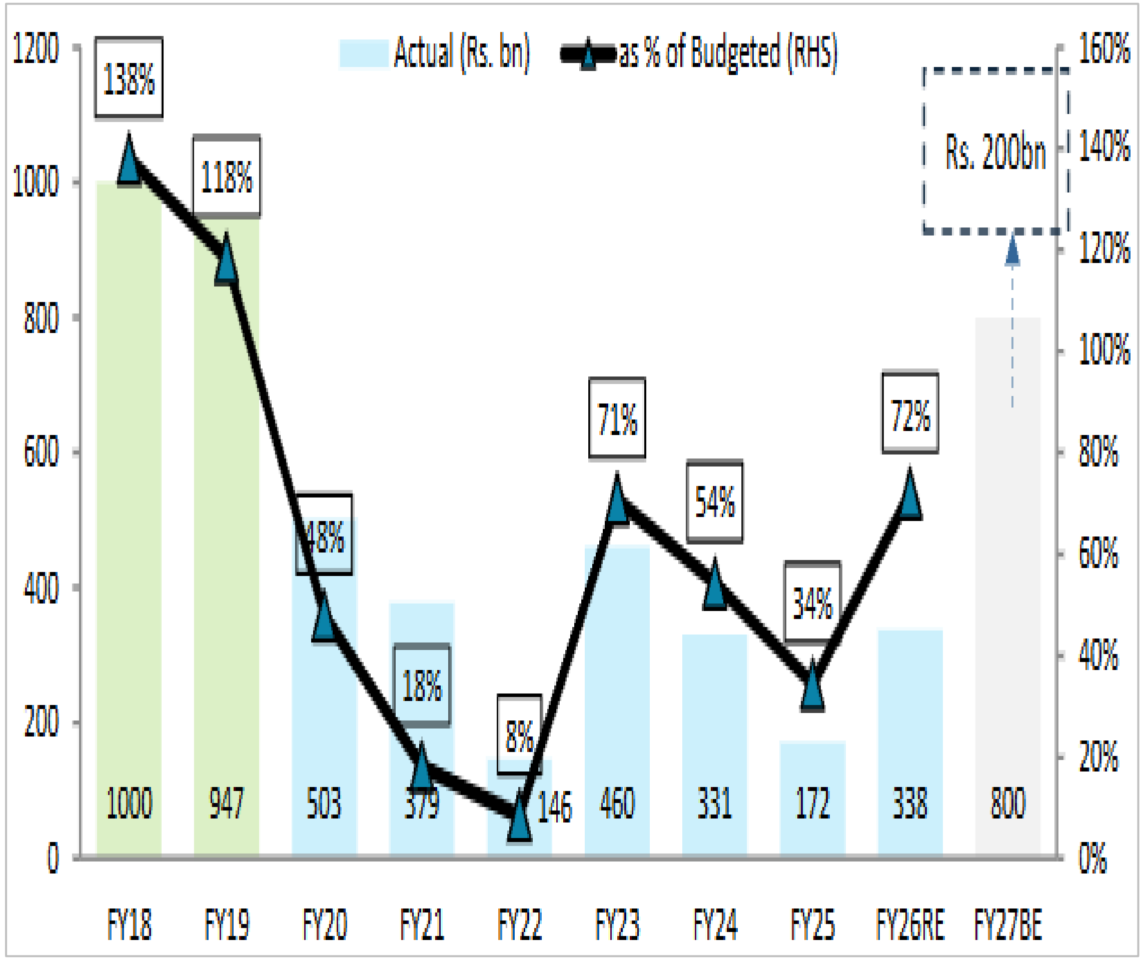
Expect govt. to meet the fiscal deficit target of 4.3% GDP in FY27e

	Absolute values (Rs. bn)				Growth (%, yoy)	
	FY26RE	FY27BE	FY27E	Delta	FY27BE	FY27E
Gross Tax Revenue	40,243	44,041	43,000	-1,041	9.4%	6.8%
Direct taxes	23,447	26,970	26,376		15.0%	12.5%
Corporation tax	10,991	12,310	12,475	165	12.0%	13.5%
Income tax	12,456	14,660	13,901	-759	17.7%	11.6%
Indirect taxes	16,796	17,071	16,624		1.6%	-1.0%
CGST + IGST + Cess	10,725	10,190	10,993	803	-5.0%	2.5%
Custom duty	2,644	2,712	3,424	712	2.6%	29.5%
Excise duty	3,419	3,889	2,190	-1,700	13.8%	-36.0%
(-) Devolvement to States	14,011	15,372	15,008	-363	9.7%	7.1%
Net tax revenue (i)	26,233	28,669	27,992	-678	9.3%	6.7%
Non-tax revenue (ii)	6,790	6,662	6,790	127	-1.9%	0.0%
Non debt capital receipts (iii)	838	1,184	1,140		41.4%	36.2%
Disinvestment of PSUs (iii)	591	800	756	-44	35.3%	27.9%
TOTAL REVENUES (i+ii+iii) = A	33,860	36,515	35,922	-594	7.8%	6.1%
Revenue expenditure (a)	38,361	41,255	41,727	472	7.5%	8.8%
Interest payment	12,426	14,040	13,780	-260	13.0%	10.9%
Salary and Pensions	7,724	7,984	7,983		3.4%	3.4%
Major Subsidies	4,539	4,105	5,331	1,226	-9.5%	17.5%
Food	2,281	2,276	2,372	96	-0.2%	4.0%
Fertilizer	2,114	1,708	2,801	1,093	-19.2%	32.5%
Oil	144	121	158	37	-16.0%	10.0%
Rural & Agri spend	2,986	4,229	3,733	-497	41.6%	25.0%
Other revex	10,687	10,897	10,900	3	2.0%	2.0%
Capex (b)	10,691	12,218	11,065	-1,153	14.3%	3.5%
TOTAL EXPENDITURE (a+b) = B	49,052	53,473	52,792	-681	9.0%	7.6%
Fiscal deficit (B-A)	15,192	16,958	16,271	-687	11.6%	7.1%
Fiscal deficit (% of GDP)	4.4%	4.5%	4.3%	-0.18%	...	...
Debt to GDP (%)	56.1%	55.6%	55.6%		...	...

Source: MOC, Avendus Spark Research

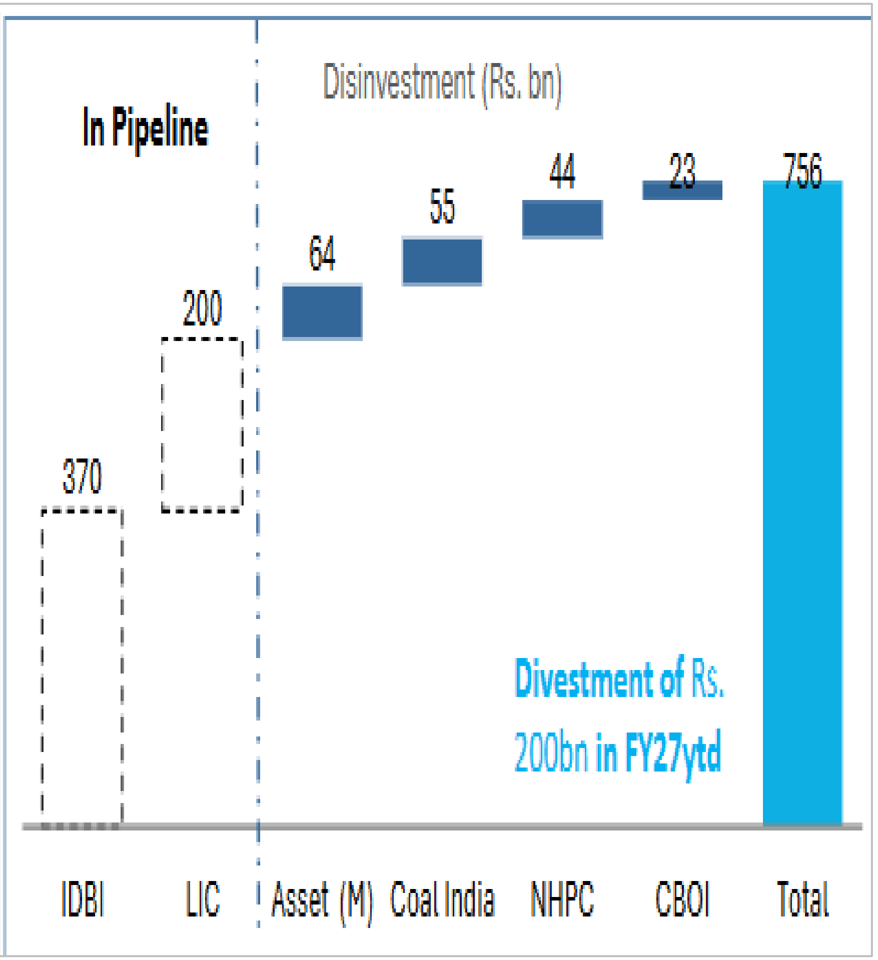
Start of disinvestment has been encouraging – GoI has already completed INR 200bn (25% of budgeted target)

FY27 Budget assumes INR 800bn of disinvestment



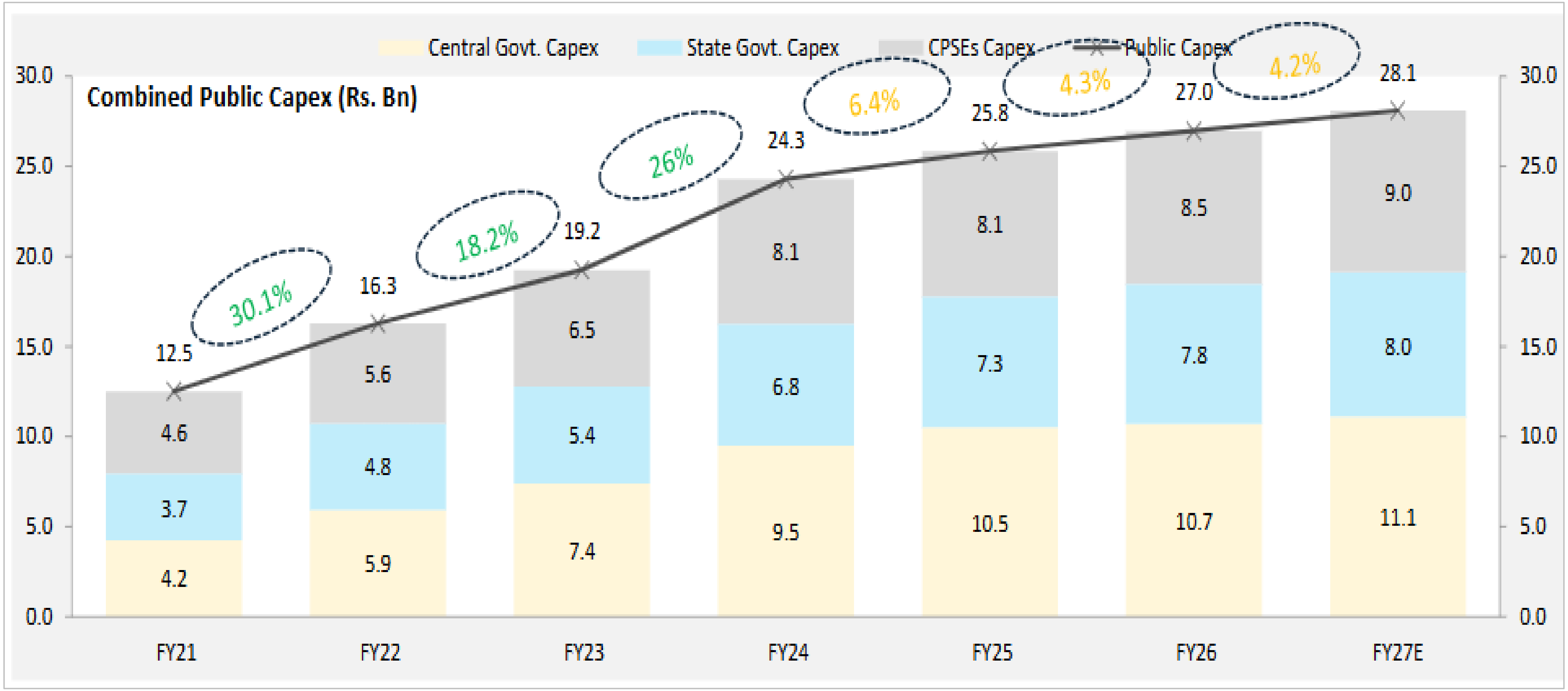
GoI has completed 25% of budgeted target

- The sale of the government's 30.48% stake in IDBI could fetch around Rs. 370bn.
- The govt. may also offload up to a 3% stake in LIC in FY27, potentially realizing as much as Rs 200bn.



Source:MOC, Avendus Spark Research

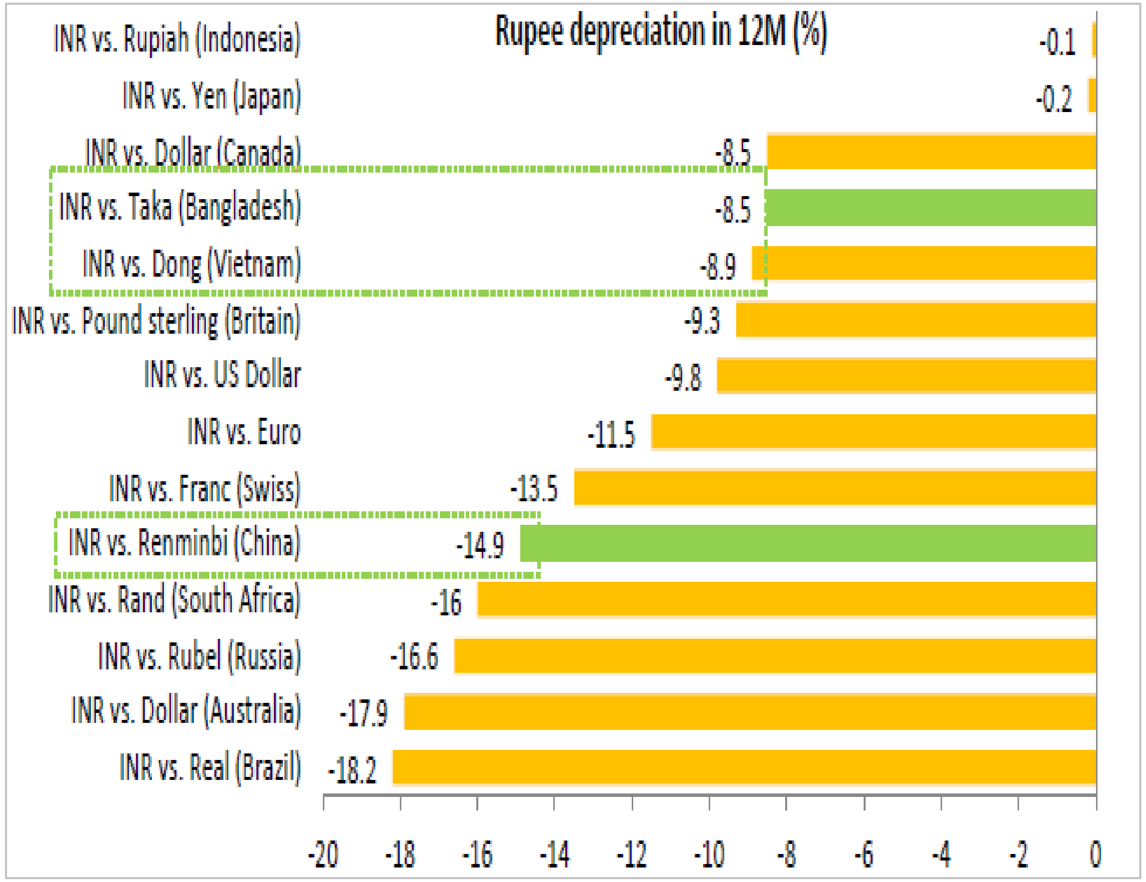
However, some capex pruning is likely by both Centre and States



Source: MOC, Avendus Spark Research

Rupee has depreciated sharply – glass half full, half empty? Creating opportunities for exporters and import substitution

Rupee has depreciated 8-18% against most currencies



Proposed trade agreements can boost exports by ~$53bn

FTAs Partners ($, bn)	Exports			Share in Imports		Potential Increase per year
	2025	2026E	2029E	2026E	2029E	
EU	88	92	183	1.1%	1.8%	30.2
USA	93	97	144	2.6%	3.4%	15.8
UK	14	14	25	1.5%	2.2%	3.6
UAE	39	41	51	8.7%	9.5%	3.5
Total	233	244	404	1.8%	2.5%	53

Source: CEIC, Avendus Spark Research

As a result, exports have picked up to an all time high in May'26

Absolute values (US$ bn)	FY25	FY26	2M FY26	2M FY27	May-25	Apr-26	May-26
Total imports (i+ii+iii = A)	720	775	126	145	60.9	71.9	73.4
Oil imports (i)	186	174	35	41	14.8	18.6	22.7
Gold imports (ii)	58	72	5.6	9.0	2.5	5.6	3.4
Non-oil & non-gold imports (iii)	477	529	85	95	43.6	47.7	47.3
Exports (a+b+c = B)	438	442	77	89	38.3	43.6	45.2
Oil exports (a)	62	56	13	18	5.4	9.6	8.4
Gems & Jewellery exports (b)	30	28	4.9	4.9	2.4	2.3	2.5
Non-oil & non-gold exports (c)	346	358	59	66	30.5	31.6	34.2
Services Exports (C)	387	421	65	74	32.5	37.0	36.8
Services Imports (D)	199	205	34	37	16.7	18.4	19.1
Non-oil & non-gold trade balance	-130	-171	-26	-29	-13.1	-16.0	-13.1
Merchandise Trade balance (B-A) = (1)	-283	-333	-50	-57	-22.6	-28.4	-28.2
Services Trade balance = (C-D) = (2)	189	217	32	36	15.8	18.6	17.7
Overall Trade balance (1+2)	-93.7	-116.6	-18.0	-20.3	-6.8	-9.8	-10.5
Growth (%, yoy)	FY25	FY26	2M FY26	2M FY27	May-25	Apr-26	May-26
Total imports (i+ii+iii = A)	6.9%	7.6%	8.7%	15.1%	-1.3%	10.0%	20.6%
Oil imports (i)	3.9%	-6.4%	-2.8%	16.5%	-26.1%	-10.1%	53.8%
Gold imports (ii)	27.4%	24.1%	-3.8%	60.1%	-12.6%	81.7%	34.0%
Non-oil non-gold imports (iii)	6.0%	11.0%	15.3%	11.6%	12.3%	14.7%	8.6%
Exports (a+b+c = B)	0.1%	0.9%	-2.5%	15.9%	-1.2%	13.8%	18.0%
Oil exports (a)	-26.7%	-9.5%	-17.1%	43.4%	-32.9%	34.7%	54.9%
Gems & Jewellery exports (b)	-8.8%	-5.4%	-2.8%	-0.4%	-13.9%	-7.1%	6.7%
Non-oil & non-gold exports (c)	8.1%	3.3%	1.2%	11.4%	9.2%	10.4%	12.3%
Services Exports	13.6%	8.7%	9.2%	13.0%	9.6%	12.7%	13.2%
Services Imports	11.4%	3.0%	-0.01%	11.5%	-1.0%	8.9%	14.2%

Gold imports grew 34% yoy to \$3.4bn in May'26 vs. \$2.5bn in May'25.

Oil exports grew 54.9% yoy to \$8.4bn in May'26

Non-oil and non-gold trade deficit narrowed to \$13bn in May'26 vs. \$16bn widening in Apr'26

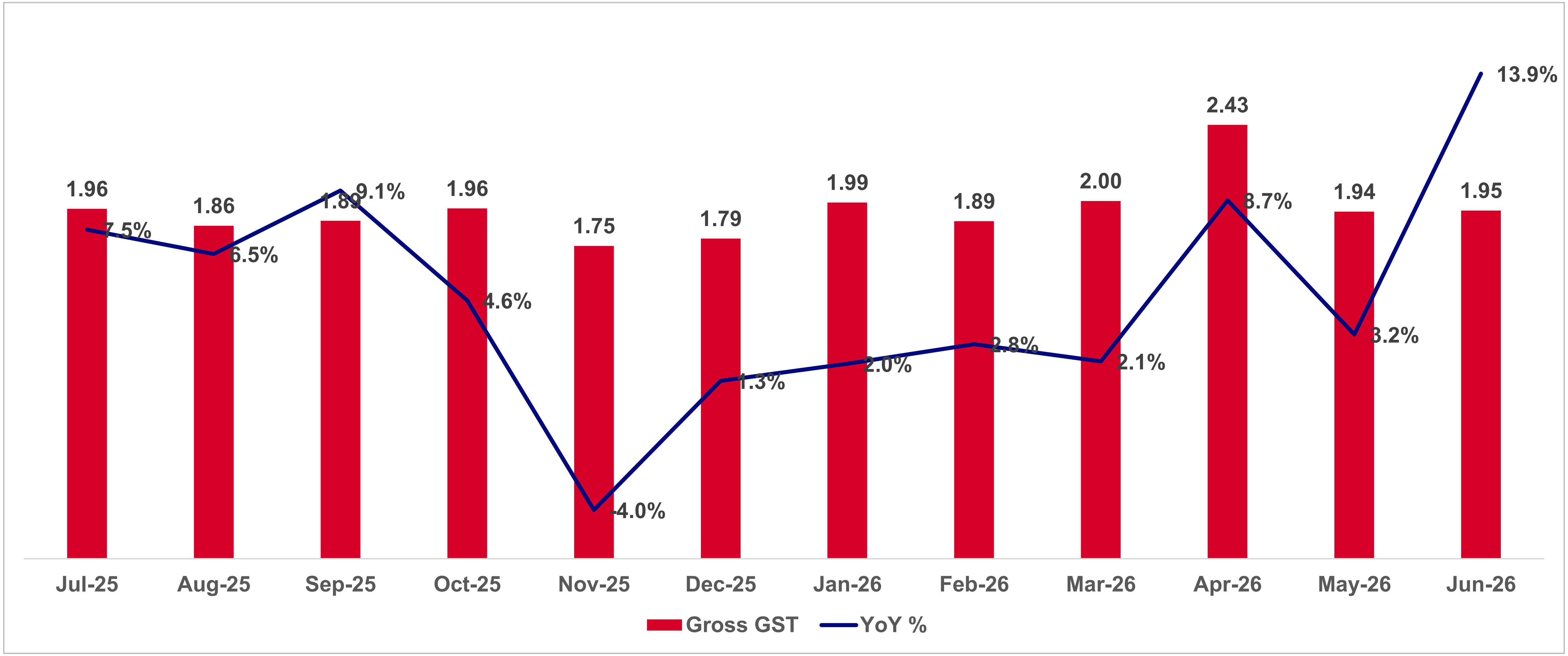
Service exports witnessed a jump, rising 13.2% yoy to \$36.8n in May'26; Service imports grew 14.3% yoy to \$19.1bn in the same month

Non-oil & non-gold exports grew 12.3% yoy to \$34.2bn in May'26 vs. \$30.5bn in May'25

Source: MOC, Avendus Spark Research

GST Collections record a strong month in Jun'26 growing 13.9% YoY

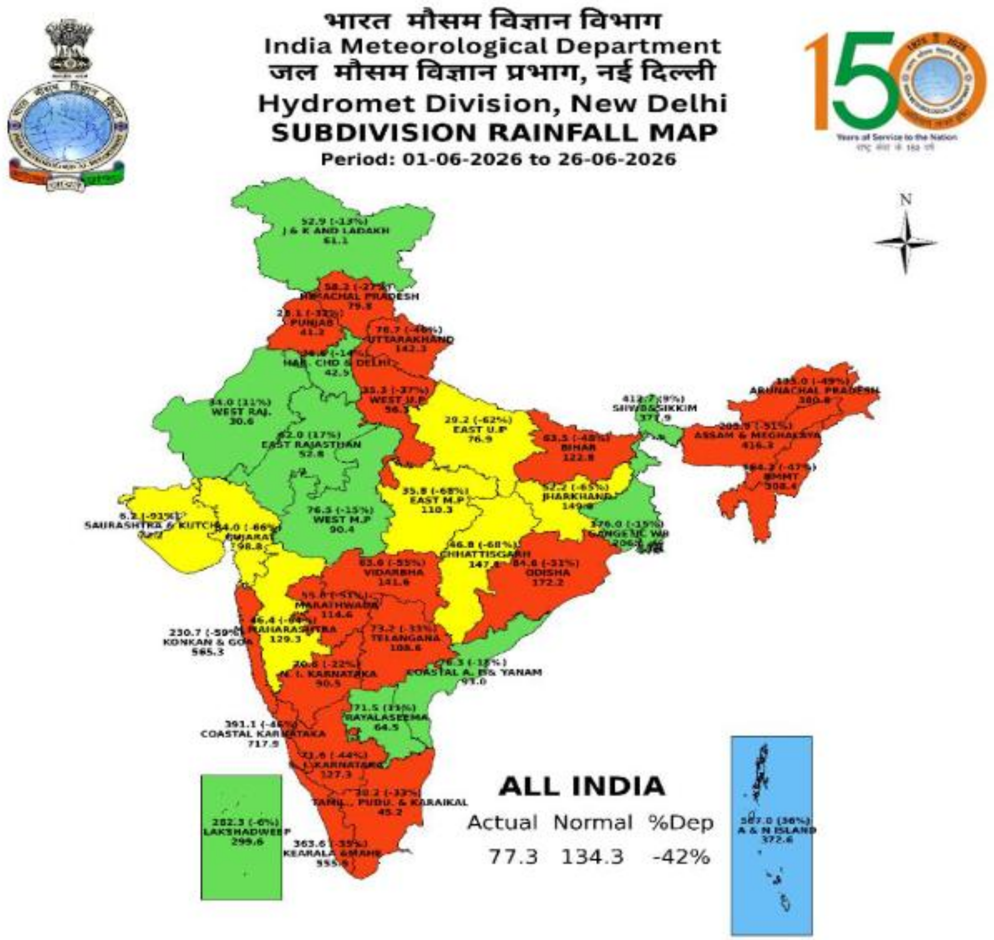
Monthly Gross GST Collections, in INR Tn



Source: GST Portal

However El Nino could be a risk in the near term

Till Jun’26, rainfall has been in deficit for most of India



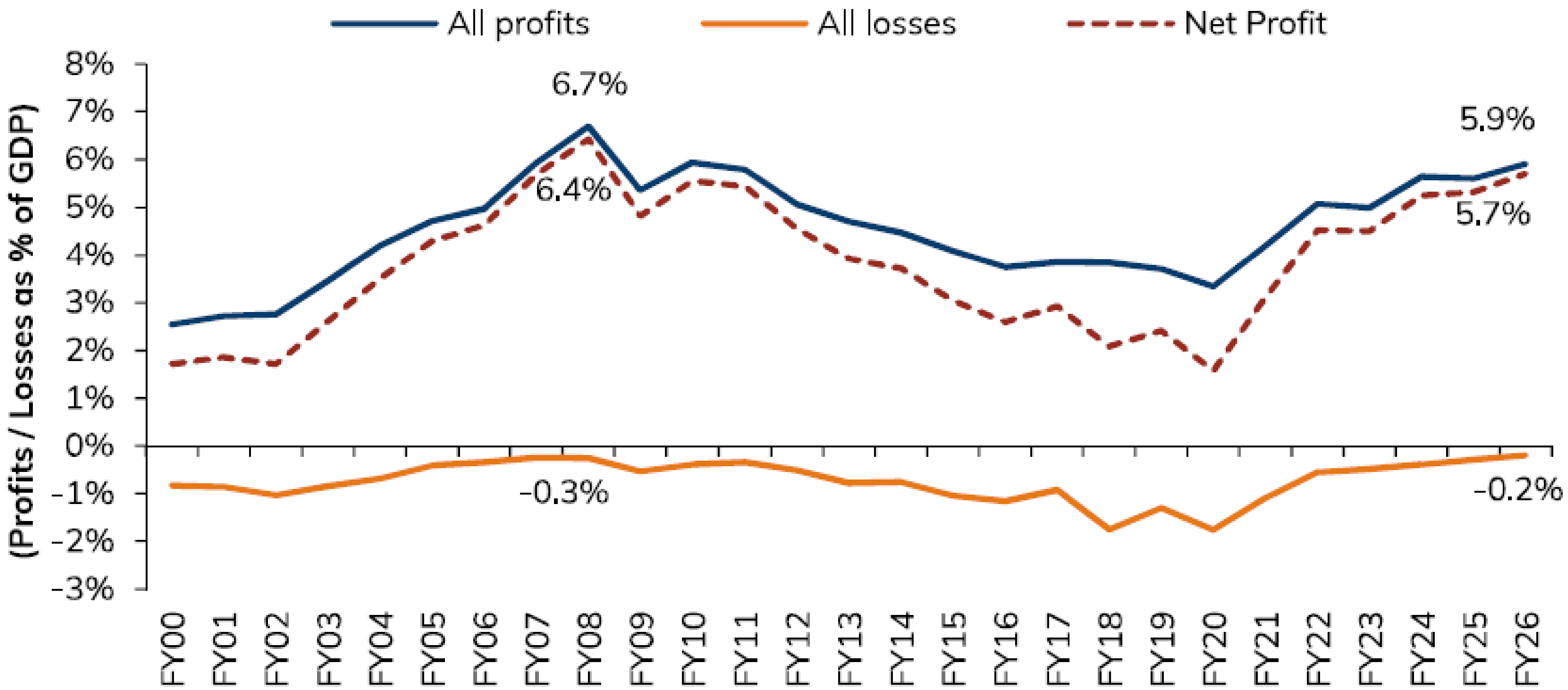
But Kharif crop sowing has been slightly higher than last year

Acreage for major crops, December calendar year-ends, (mn hectares)

As on June 19, 2026	2026	2025	Change (%)
Rice	1.2	0.8	53
Pulses	0.7	0.6	12.8
Coarse cereals	1.2	1.0	27
Oilseeds	0.7	0.8	(10.7)
Sugarcane	5.7	5.7	1.2
Jute & Mesta	0.6	0.6	2.1
Cotton	1.7	2.3	(25)
Total	**12.0**	**11.8**	**1.6**

Source: KIE

Corporate profits continue to be on an uptrend



Source: Capitaline, CEIC, I-Sec research

Commodity inflation can lead to margins squeeze in first half of FY27

Sharp rise in input costs over past three months

	Commodity Name	Units	Jun/26	1M	3M	6M	12M	24M
Non-Agri	Titanium Dioxide NNS	Rs./kgs	330	2%	8.2%	10%	3%	-4%
	Petrol Retail Price	Rs./litre	102	8%	7.8%	8%	8%	8%
	Diesel Retail Price	Rs./litre	95	9%	8.6%	9%	9%	9%
	Lead	Rs/MT	186,779	-3%	8.6%	7%	10%	7%
	Iron Ore	Rs/MT	9,293	-8%	-4.1%	2%	20%	9%
	Steel	Rs/MT	50,841	-2%	7.5%	12%	23%	10%
	VAM	Rs/MT	82,218	-28%	-23.3%	11%	26.46%	25%
	Crude Oil (Brent)	Rs/BBL	8,301	-18%	-13.0%	50%	30%	20%
	Coal	Rs/tonne	11,588	15%	24.4%	32%	34%	22%
	Gold	Rs./10gm	151,700	-9%	-8.1%	12%	48%	105%
	ZINC	Rs/MT	340,092	0%	13.0%	17%	52%	50%
	Copper	Rs./MT	1,297,000	-2%	10.6%	24%	55%	62%
	Aluminium	Rs/MT	335,791	-6%	4.6%	31%	56%	63%

Food and agri commodities relatively subdued vs. non-agri

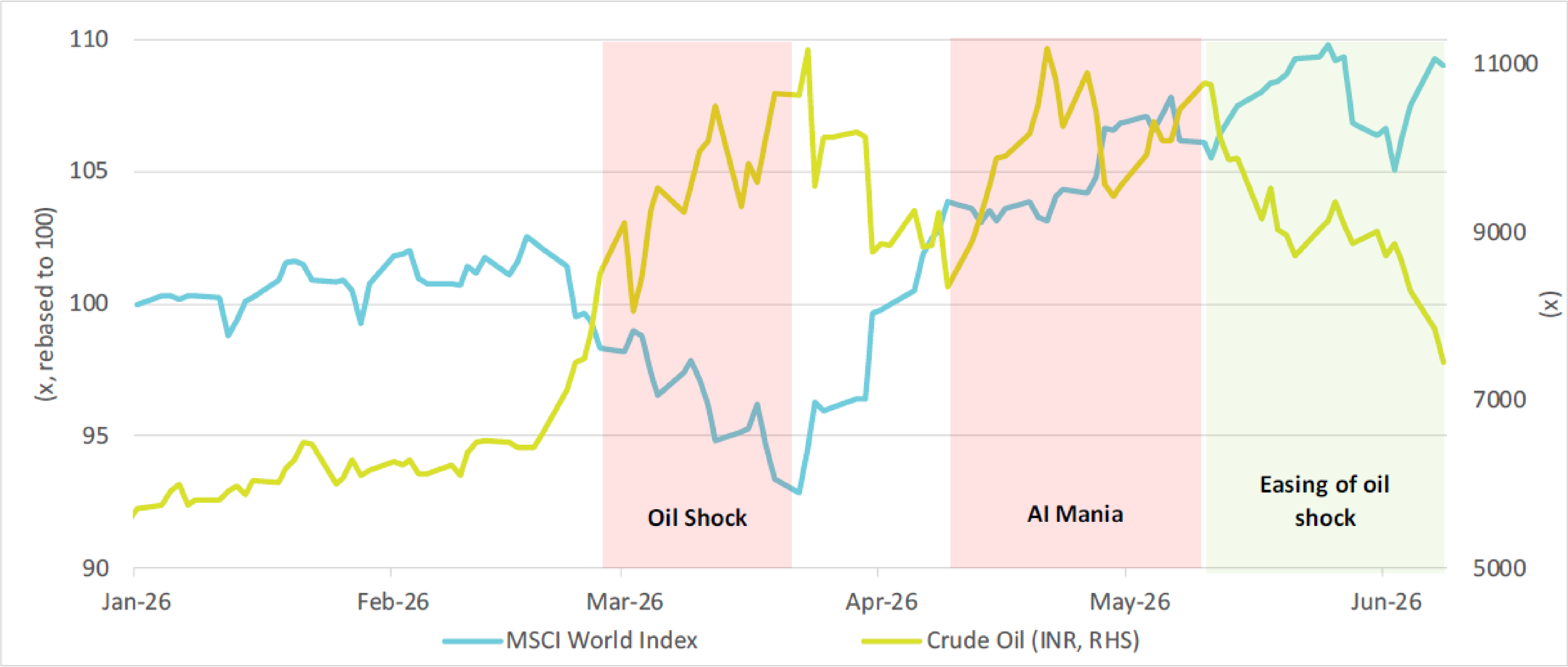
	Commodity Name	Units	Jun/26	1M	3M	6M	12M	24M
Agri	Potato	Rs./50kgs	350	17%	27%	40%	-46%	-53%
	Tomato	Rs./25kgs	525	75%	110%	-42%	-19%	31%
	Wheat	Rs./qtl	3,850	0%	0%	-3%	-1%	15%
	Onion	Rs./40kgs	600	25%	4%	41%	0%	-44%
	Barley NNS	Rs/qtl	2,415	0%	10%	5%	2%	16%
	Sugar	Rs/qtl	4,180	0%	2%	3%	4%	7%
	Milk	Rs./liter	62	3%	2%	9%	5%	9%
	Rice (Basmati)	Rs/qtl	15,600	7%	8%	8%	11%	8%
	Dal Masoor	Rs/qtl	9,800	3%	20%	-4%	23%	17%
	Soyabean	Rs./15kg	2,575	3%	10%	21%	27%	56%
	Cotton	Rs/qtl	29,500	2%	27%	33%	28%	26%
	Palm Oil	Rs/qtl	105,911	-1%	0%	19%	34%	51%
	Copra	Rs/qtl	36,500	0%	9%	11%	46%	192%
	Soya	Rs/qtl	6,650	-5%	27%	48%	61%	42%

Source: Capitaline, I-Sec research, RBI, HSBC

Section 3:

Indian Markets

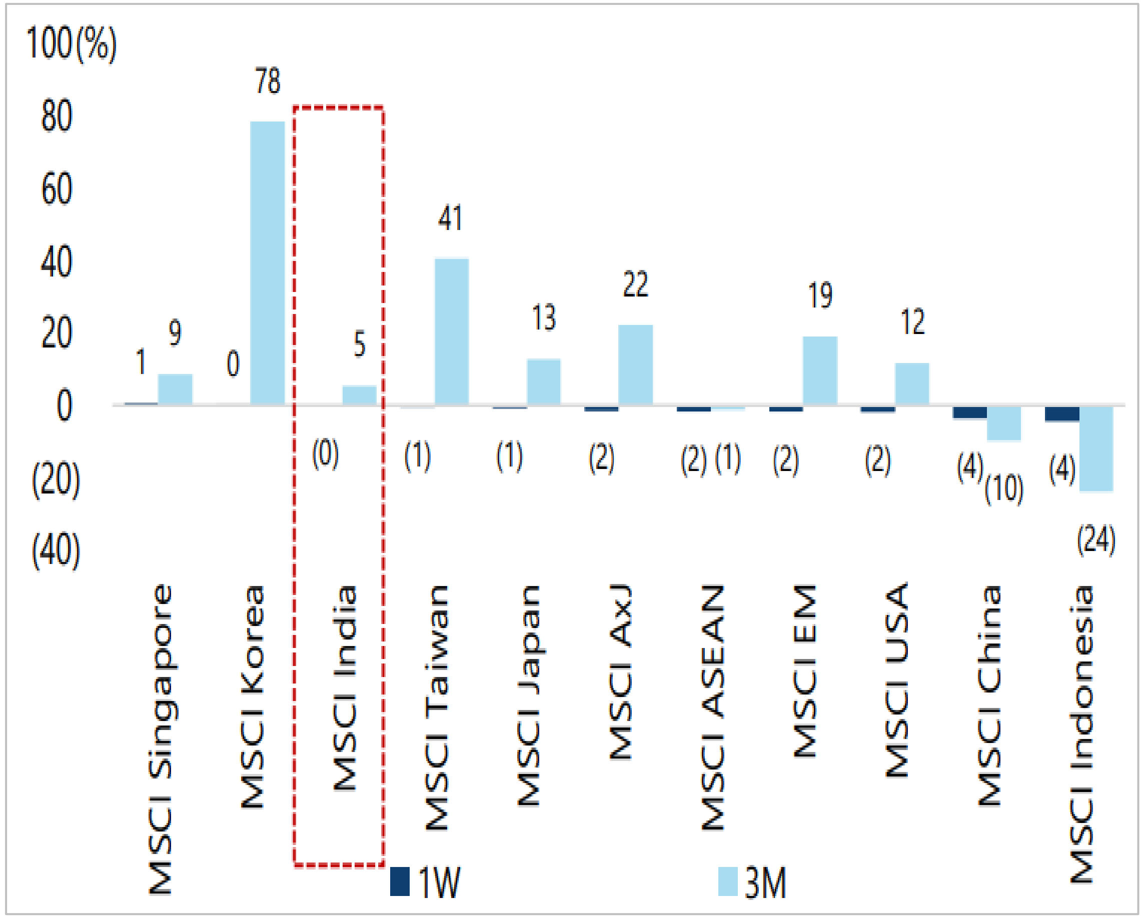
Global markets have been all over the place since start of 2026



Source: Nuvama

India has been an underperformer till Q2 CY2026

MSCI India performance vs. regional indices (in local currency)



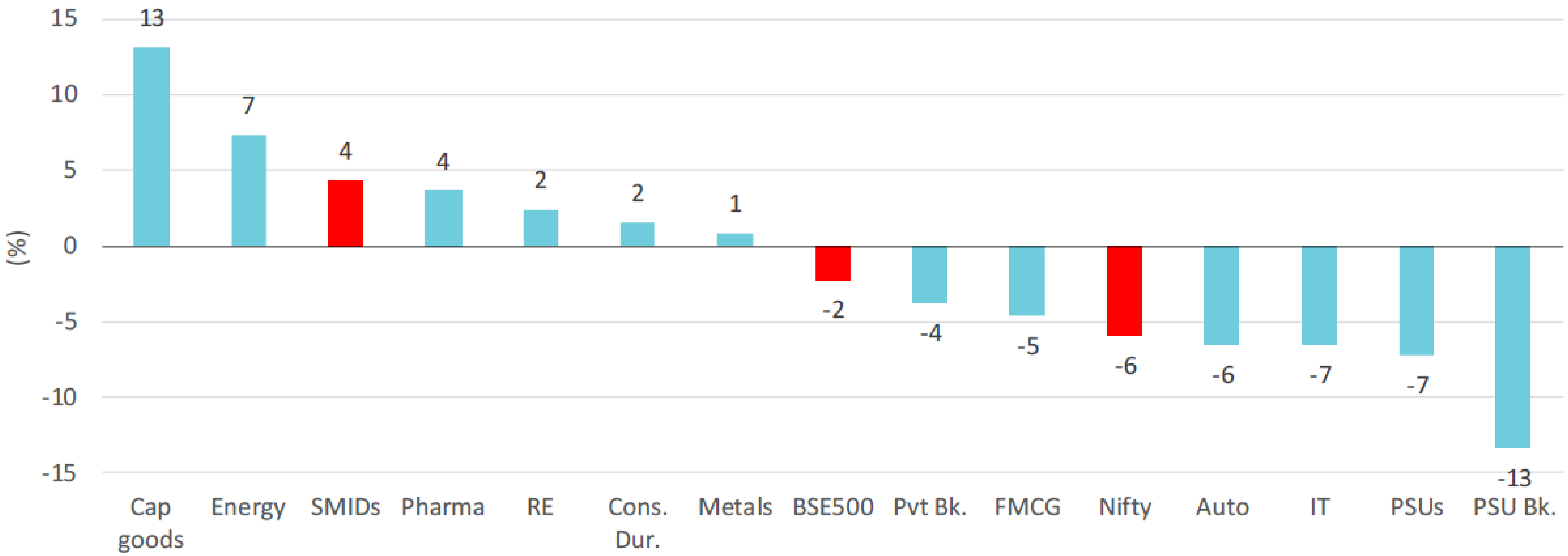
Nifty 50 vs MSCI EM Index — Indexed Performance YTD 2026

Source: Bloomberg, Jefferies

India's sectoral performance post-war

IKIGAI Asset Manager
Trust. Process. Performance.

Sector-performance – Impact of Iran-Israel War



Source: Bloomberg, Jefferies

Broader markets have done better than the index

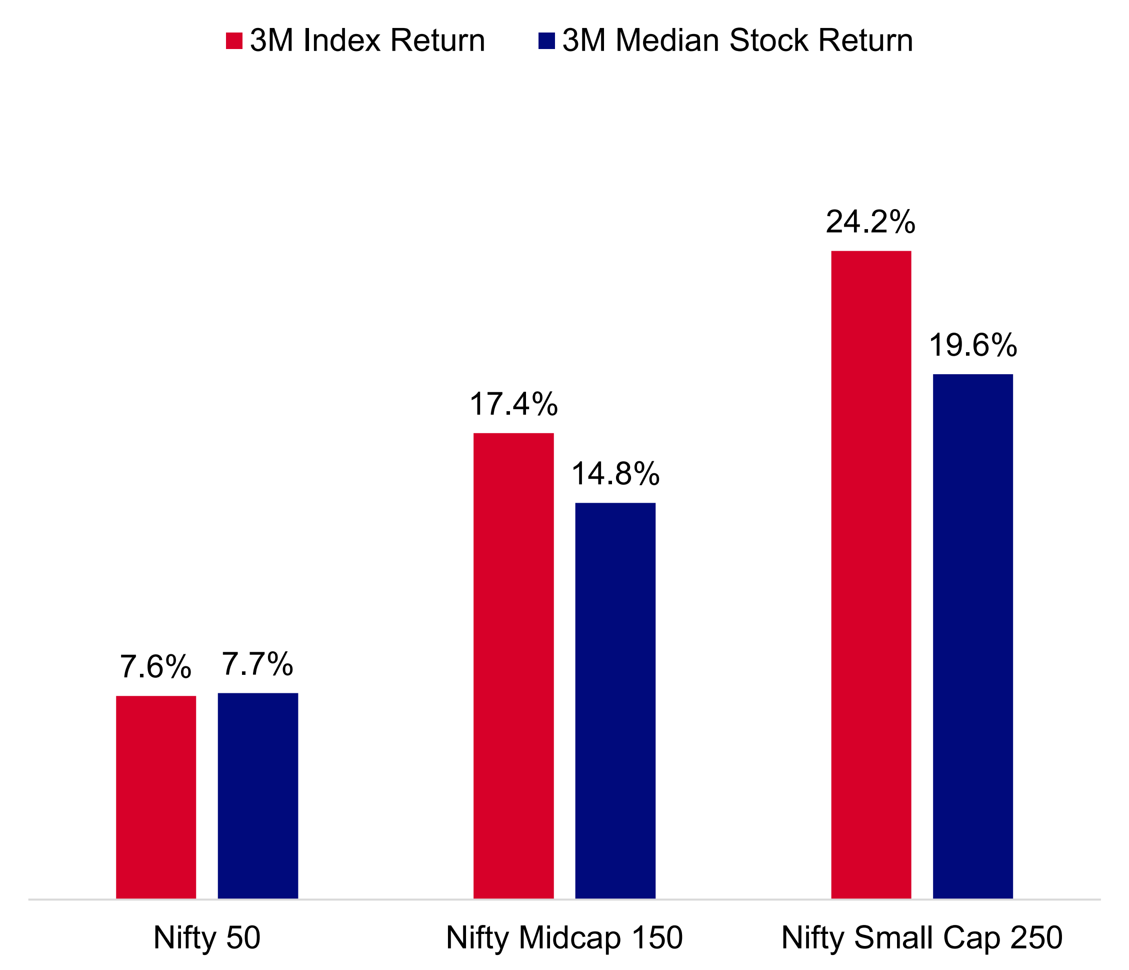
Nifty 50 vs Midcap 150 vs Smallcap 250 for Apr 1 to Jun 30, 2026

Index Returns Across Periods, as of June 30, 2026

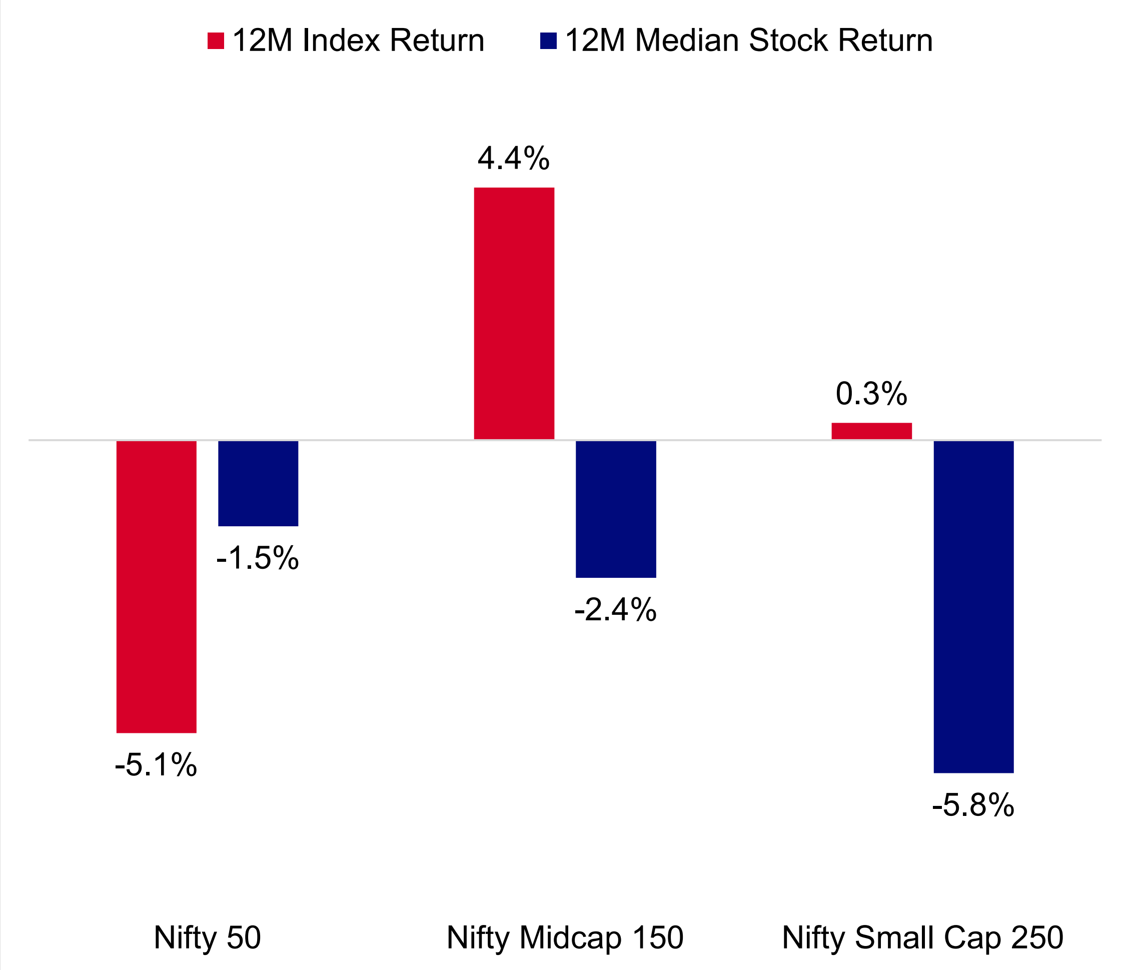
Source: Bloomberg

However, within broader markets bottoms up stock picking has been rewarded

Index returns vs. median for 3M as of Jun 30, 2026



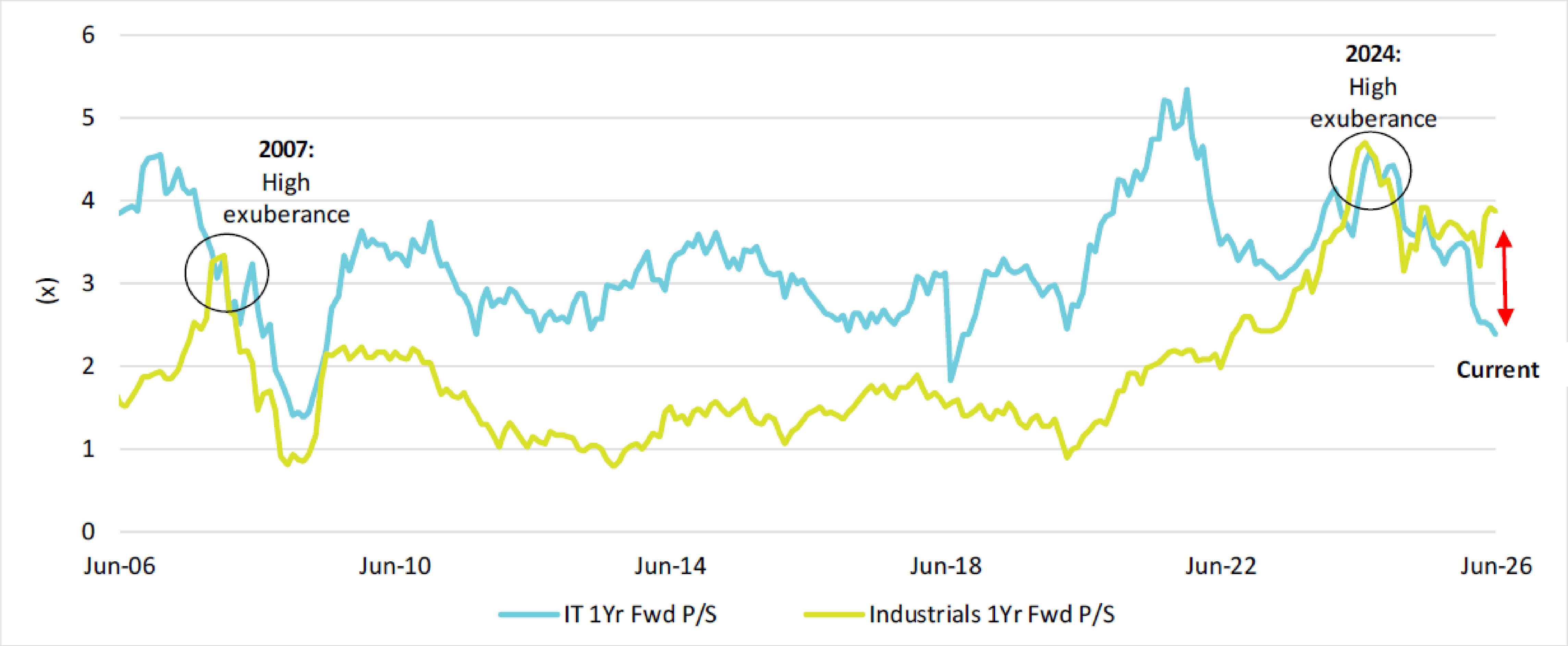
Index returns vs. median for 12M as of Jun 30, 2026



Source: Bloomberg

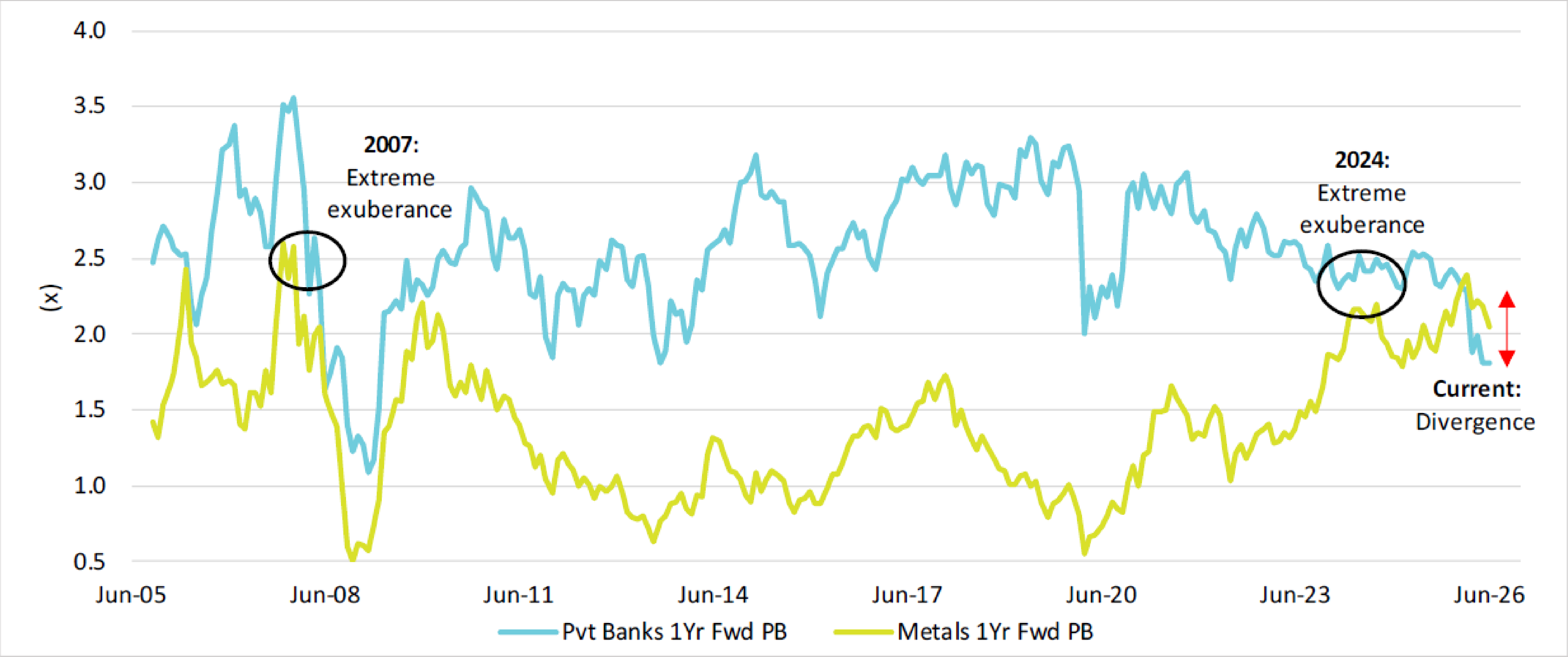
VALUATIONS
The Big Sectoral Divide

Industrials’ P/S is now higher than IT



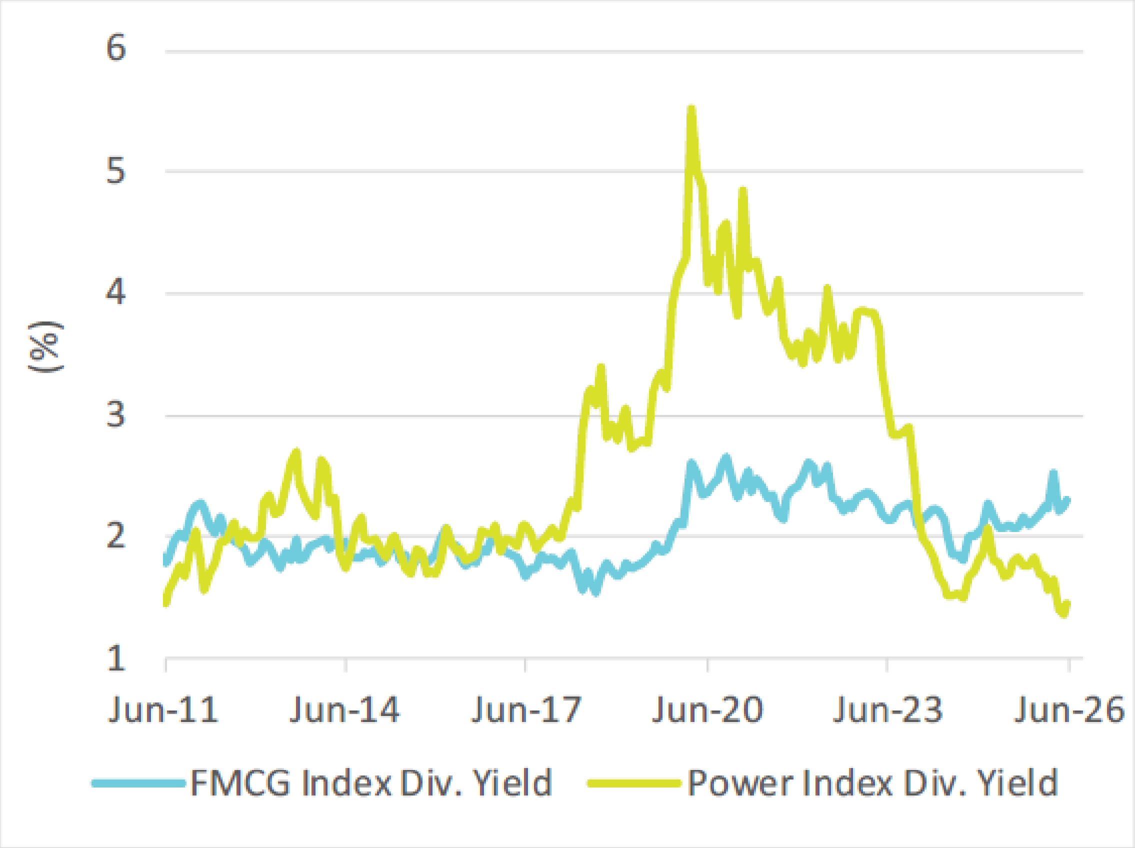
Source: Bloomberg, Nuvama

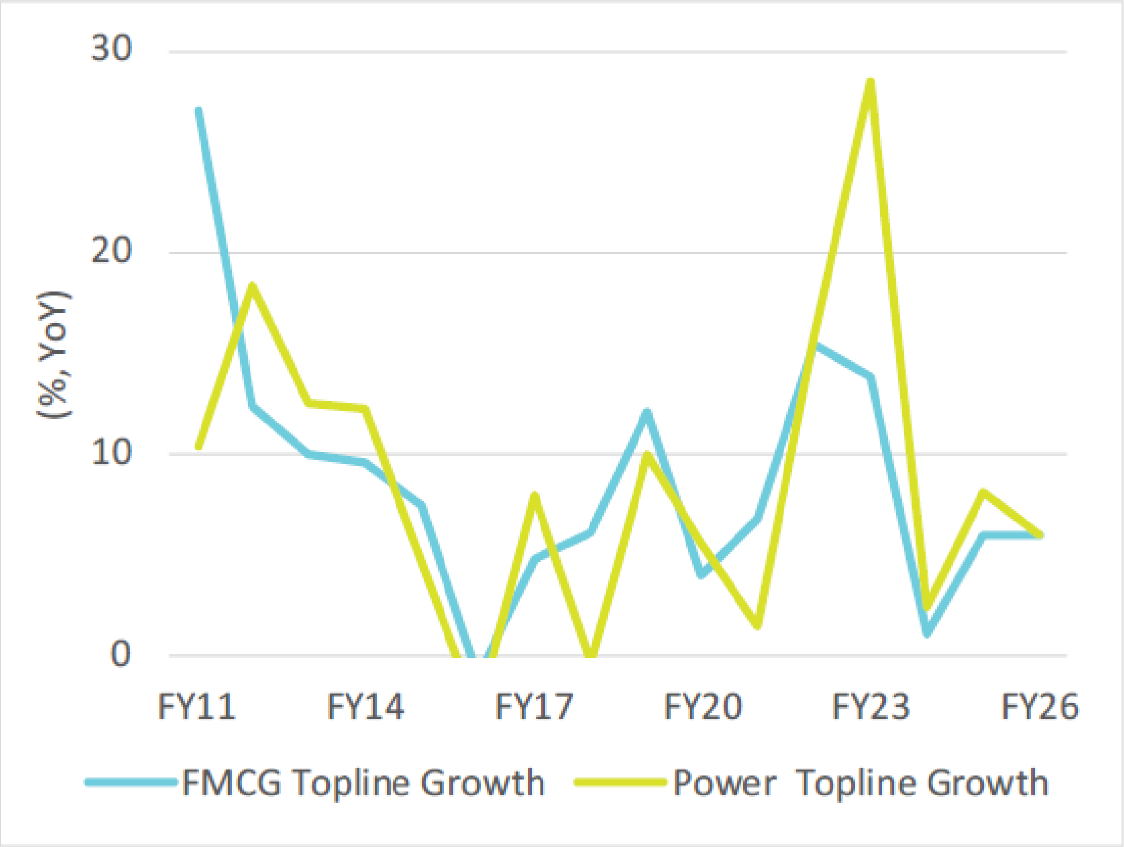
Metals are more expensive than private banks



Source: Bloomberg, Nuvama

FMCG dividend yield now higher than Power – despite similar topline growth





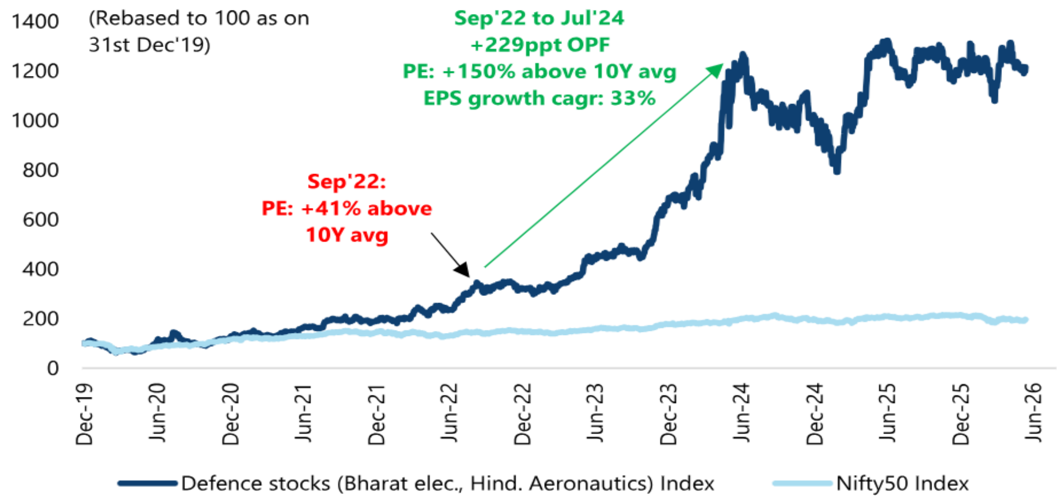
Source: Bloomberg, Nuvama

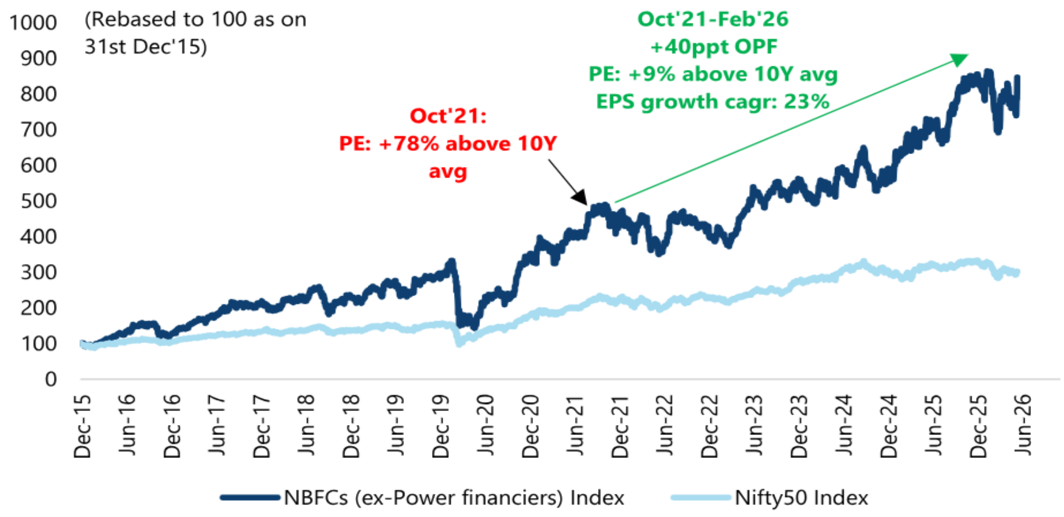
Street forecasting 16-18% nifty earnings growth in fy27 – Downgrades likely led by margins disappointment

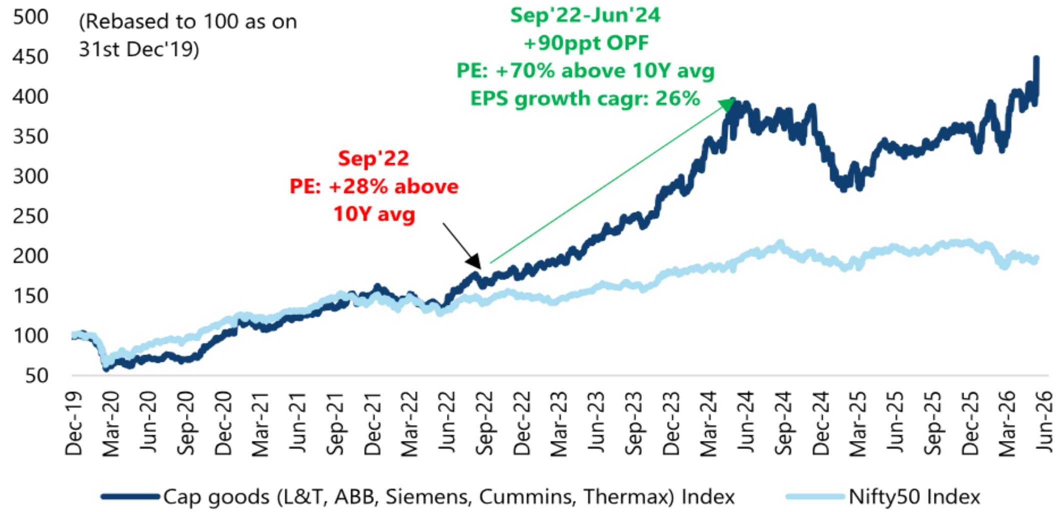
	Mcap. (US$ bn)	Adj. mcap. (US$ bn)	EPS growth (%)			Free-float PER (X)			EV/EBITDA (X)			Price/BV (X)			Div. yield (%)			RoE (%)		
			2026	2027E	2028E	2026	2027E	2028E	2026	2027E	2028E	2026	2027E	2028E	2026	2027E	2028E	2026	2027E	2028E
Automobiles & Components	152	92	(14.0)	23.6	21.2	28.5	22.9	18.8	16.3	12.7	10.3	4.1	3.8	3.3	1.1	1.5	1.7	14.3	16.1	17.2
Banks	422	404	6.2	7.9	12.7	16.8	15.4	13.7	–	–	–	2.2	2.0	1.8	1.2	1.4	1.6	13.9	13.4	13.6
Capital Goods	136	89	11.3	23.0	21.1	39.0	32.1	26.3	28.5	23.3	19.3	6.3	5.7	5.1	0.7	0.9	1.0	13.1	14.5	15.7
Commodity Chemicals	28	15	12.4	6.9	17.0	58.3	54.6	46.6	38.7	36.3	30.9	12.4	11.3	10.2	1.0	1.1	1.2	21.2	20.8	21.9
Construction Materials	58	31	35.1	17.3	25.5	40.4	34.4	27.3	13.9	12.6	11.1	3.1	2.9	2.7	1.4	0.6	0.7	7.6	8.4	9.9
Consumer Staples	134	80	5.0	(2.1)	13.7	29.6	31.2	27.4	25.6	25.8	22.6	8.7	8.4	8.1	2.5	2.4	2.8	24.5	23.2	25.5
Diversified Financials	135	76	21.7	29.4	22.5	29.1	22.2	18.1	–	–	–	3.2	2.6	2.3	0.4	0.5	0.7	11.0	11.6	12.4
Electric Utilities	66	37	10.4	0.1	7.0	14.4	14.4	13.5	11.2	10.1	9.6	2.0	1.8	1.7	2.8	2.8	2.9	13.8	12.7	12.5
Health Care Services	24	21	22.6	18.2	24.8	65.3	55.2	44.3	36.5	31.3	25.8	10.5	9.0	7.6	0.2	0.2	0.2	16.2	16.3	17.2
IT Services	200	107	7.9	8.9	6.7	16.2	14.9	14.0	10.3	9.3	8.7	4.8	4.5	4.3	4.9	5.4	5.8	30.2	30.7	30.9
Insurance	33	18	3.8	20.4	16.4	70.3	58.3	50.1	–	–	–	8.4	7.4	6.6	0.3	0.4	0.4	11.9	12.6	13.1
Metals & Mining	84	53	86.3	40.8	9.2	17.2	12.5	11.7	9.8	7.5	6.9	2.3	2.0	1.8	1.0	1.3	1.4	12.7	15.3	14.7
Oil, Gas & Consumable Fuels	253	134	2.3	36.4	5.2	18.2	13.6	12.7	8.1	6.9	5.9	1.7	1.5	1.4	1.7	2.2	1.9	10.4	12.8	12.2
Pharmaceuticals	69	42	(6.1)	1.6	20.9	29.4	29.4	24.5	20.8	18.8	15.6	4.2	3.8	3.4	0.9	0.7	0.8	13.6	12.5	13.5
Retailing	59	35	30.8	24.7	19.3	82.1	65.3	54.7	47.1	39.1	32.7	24.6	18.8	14.6	0.2	0.3	0.3	30.5	29.0	26.9
Telecommunication Services	121	70	44.3	48.9	33.8	38.9	26.1	19.5	10.3	8.8	7.1	7.7	6.8	5.9	1.3	2.2	2.7	19.7	26.1	30.1
Transportation	66	30	(29.0)	(6.3)	129.6	61.2	71.2	20.9	17.7	15.4	9.7	6.0	5.5	4.5	0.3	0.4	0.5	12.8	10.9	20.5
Nifty-50 Index	**2,067**	**1,357**	**8.0**	**17.8**	**14.4**	**22.5**	**19.4**	**16.9**	**13.1**	**11.2**	**9.7**	**3.2**	**2.9**	**2.6**	**1.6**	**1.8**	**1.9**	**14.1**	**14.9**	**15.3**
Nifty-50 Index (ex-energy)	**1,814**	**1,224**	**9.3**	**14.0**	**16.7**	**23.1**	**20.3**	**17.5**	**15.2**	**13.0**	**11.2**	**3.7**	**3.3**	**3.0**	**1.5**	**1.7**	**1.9**	**15.2**	**15.5**	**16.2**
Nifty-50 Index (ex-banks)	**1,645**	**953**	**8.8**	**21.9**	**15.0**	**26.3**	**21.8**	**18.7**	**13.1**	**11.2**	**9.7**	**3.7**	**3.3**	**2.9**	**1.6**	**1.9**	**2.0**	**14.2**	**15.5**	**16.0**

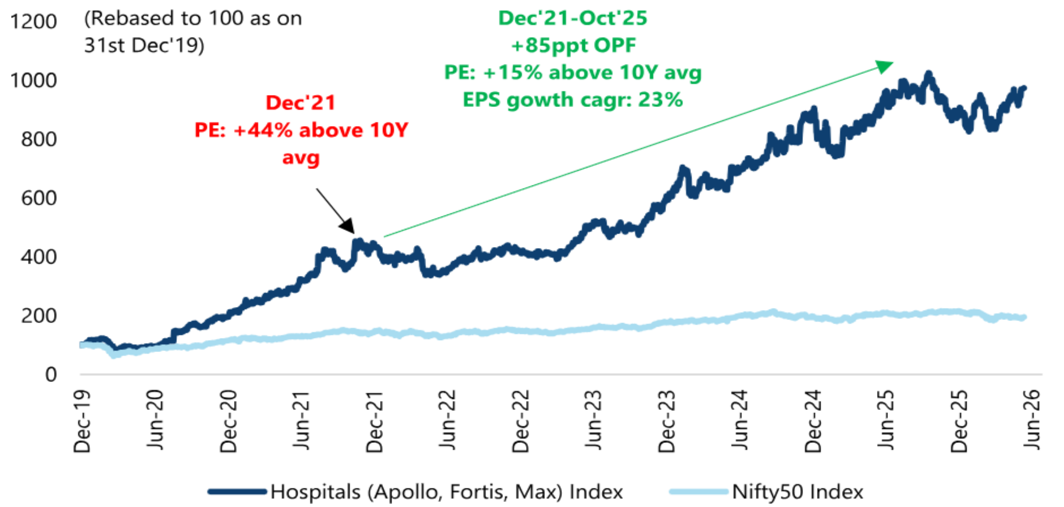
Source: Jefferies

Thematic stocks have outperformed the markets in the past few years









Source: Jefferies

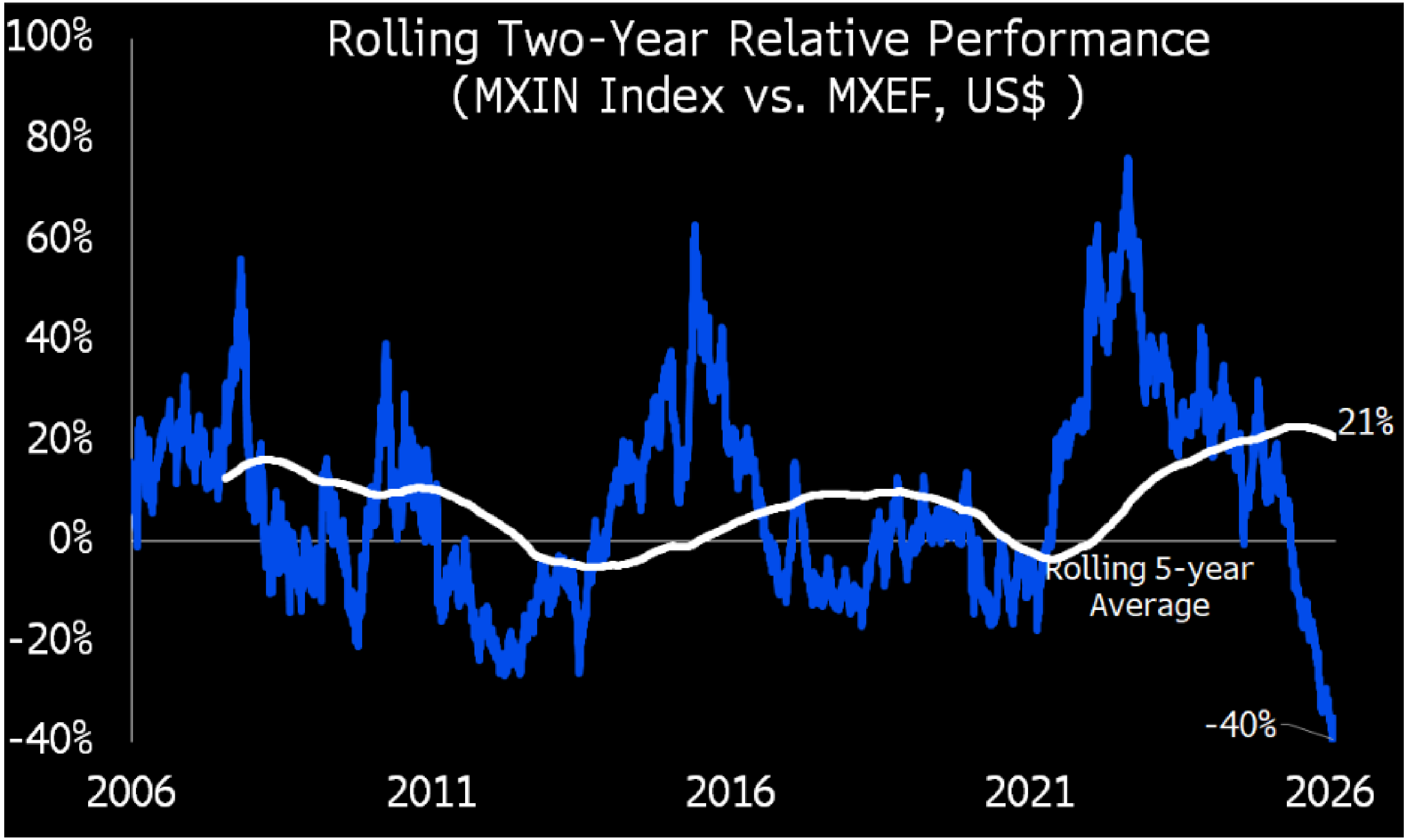
Nifty in Dollar terms is back to 2021 levels

Nifty 50 in USD terms

Source: Bloomberg

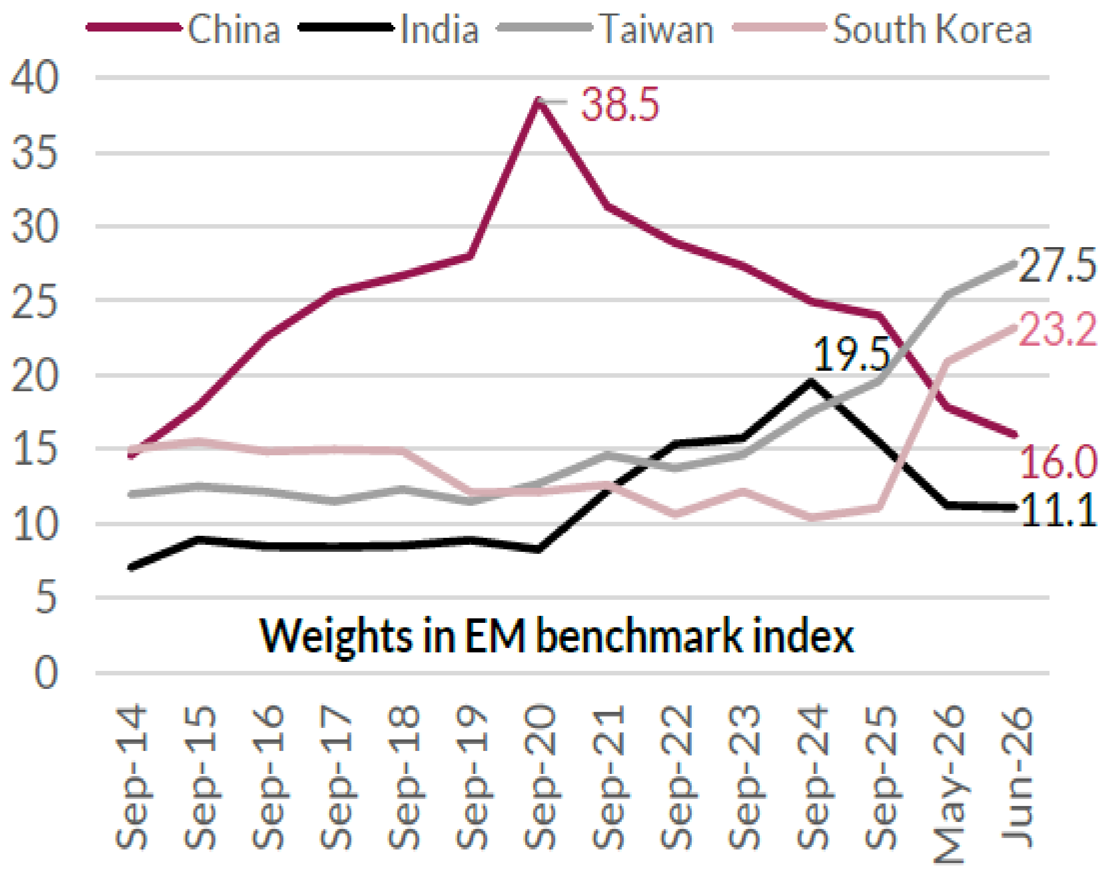
India's underperformance vs. EMs is close to historical troughs

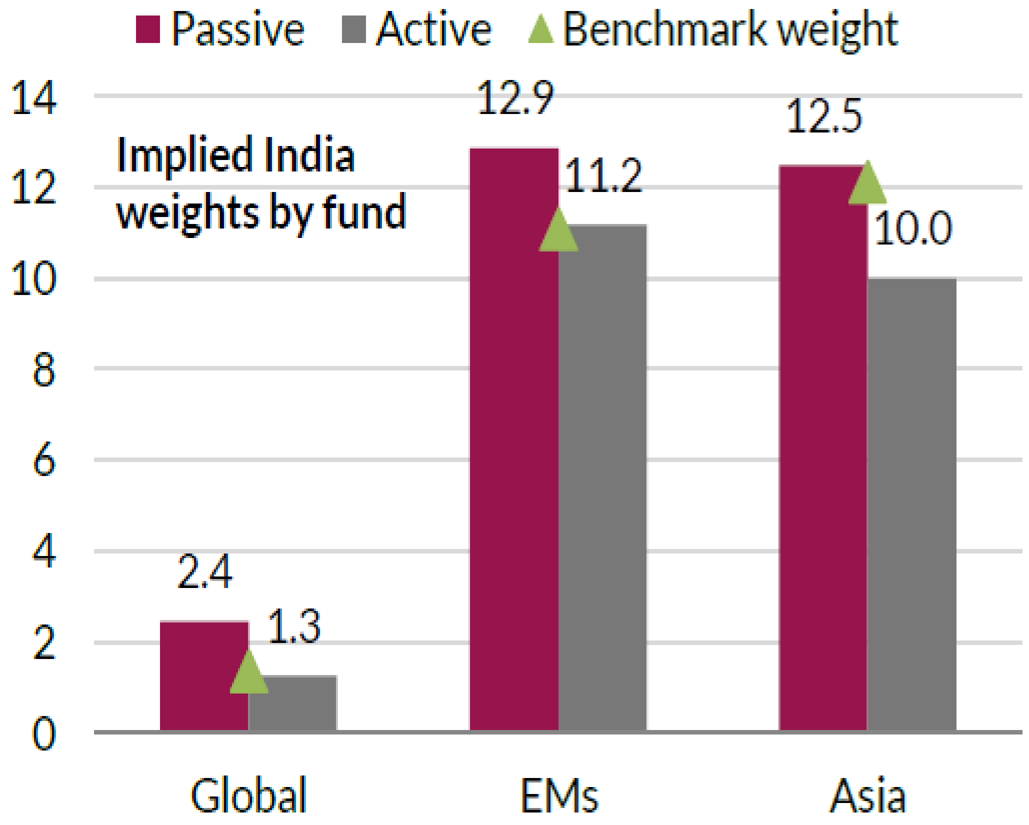
MSCI India lags by 40% vs. EM over past 2 years



Source: Bloomberg Intelligence

Global/EM funds remain Neutral India, Asia funds UW India

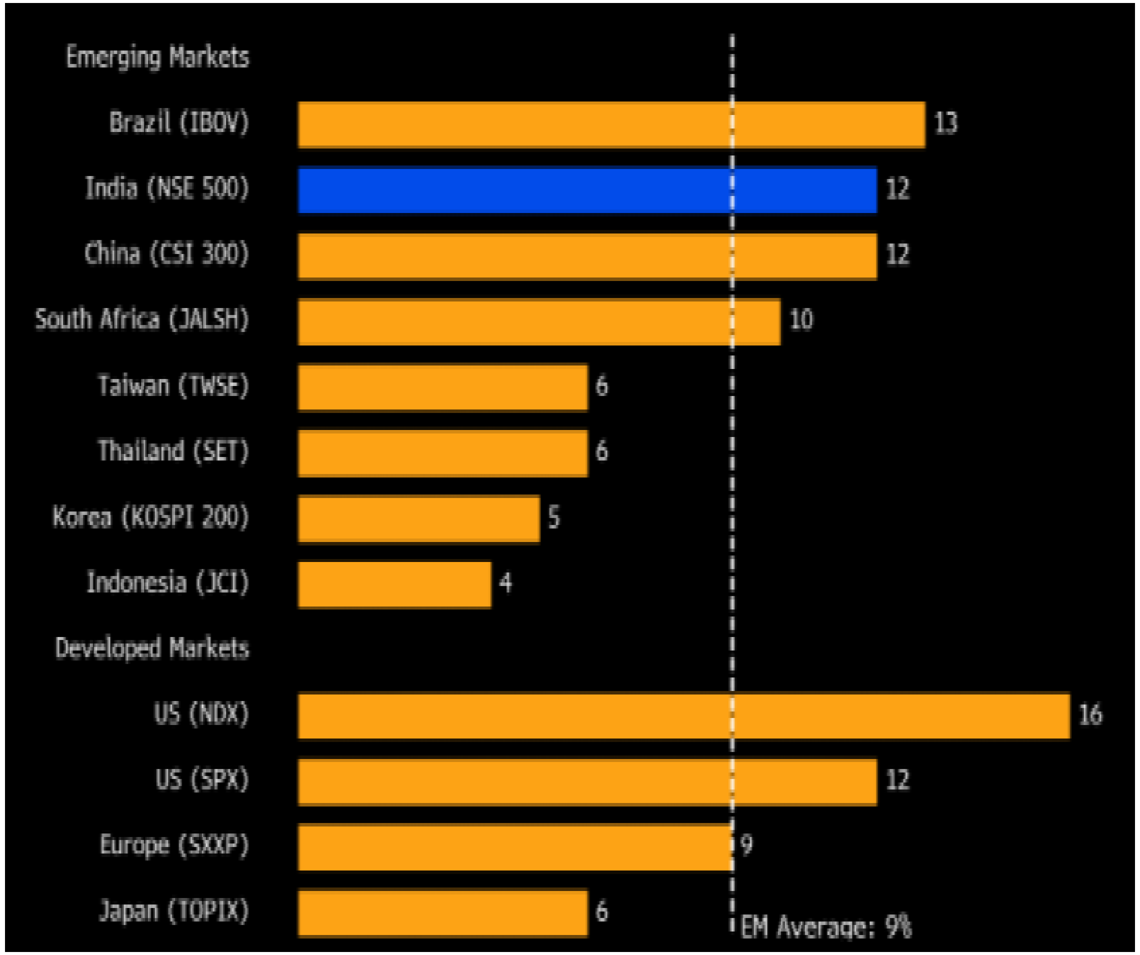




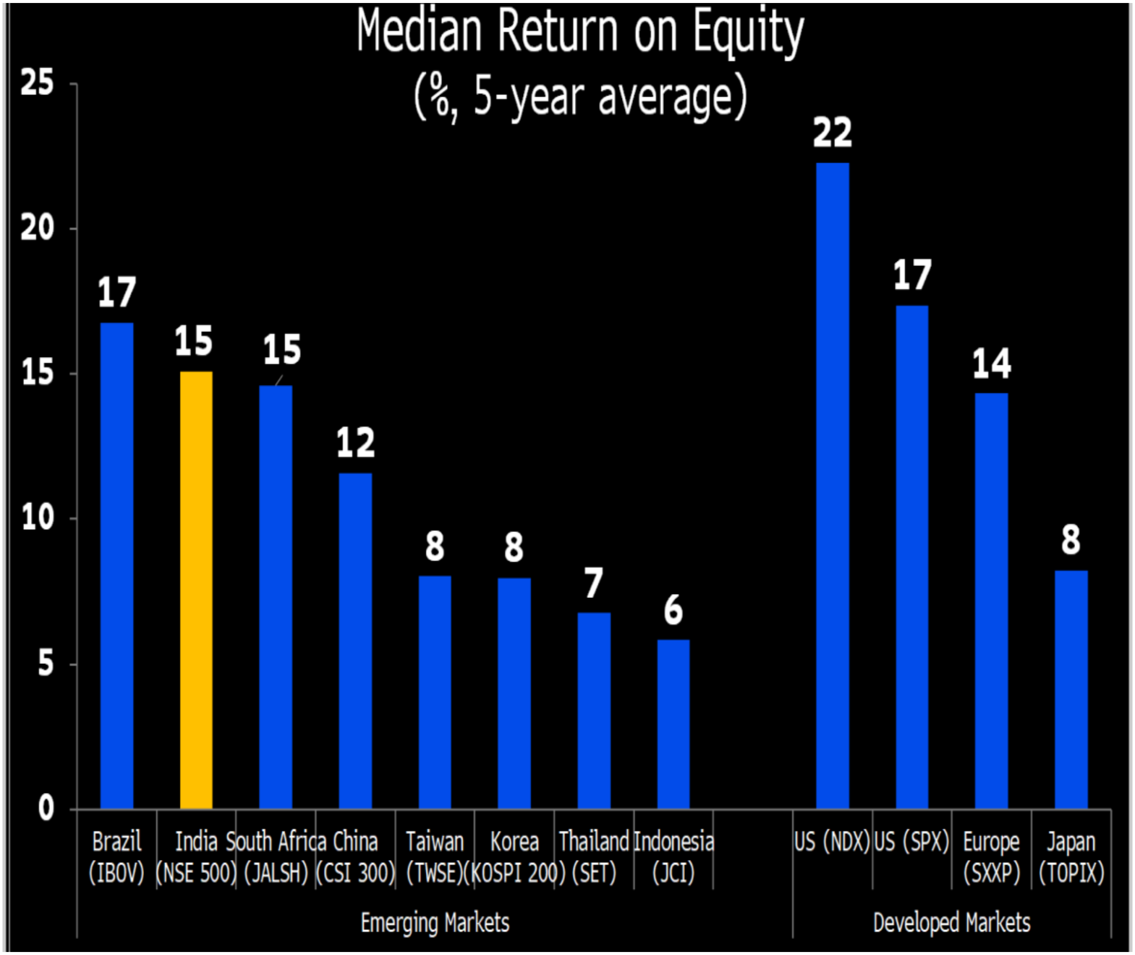
Source: Bloomberg, Axis Capital

But fundamentals stand firm vs. others

Median Net Profit Margin (%, 3-yr average)



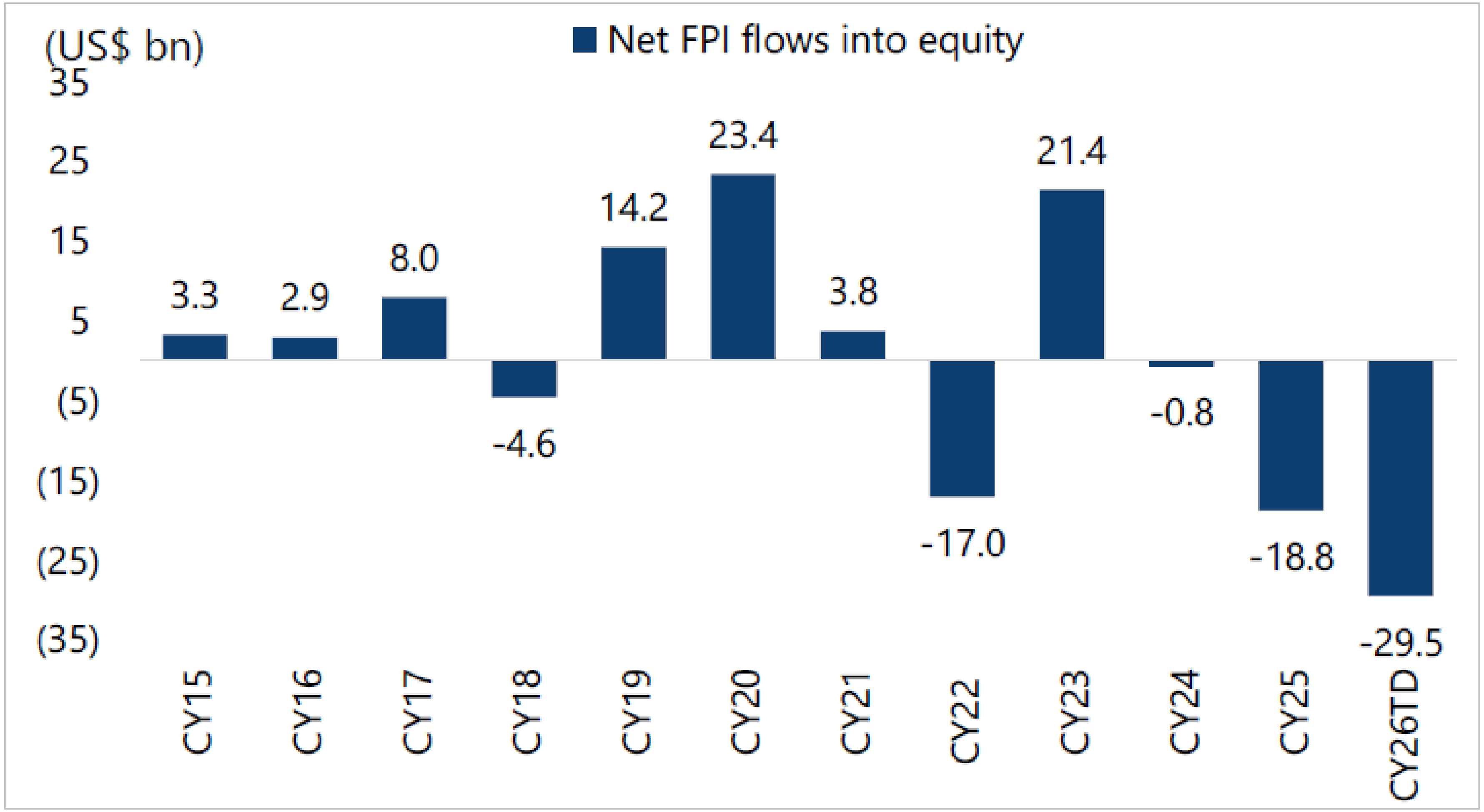
Median Return on Equity (%, 5-yr average)



Source: Bloomberg

FPIs have heavily sold Indian equities with highest-ever selling in CY26 so far...

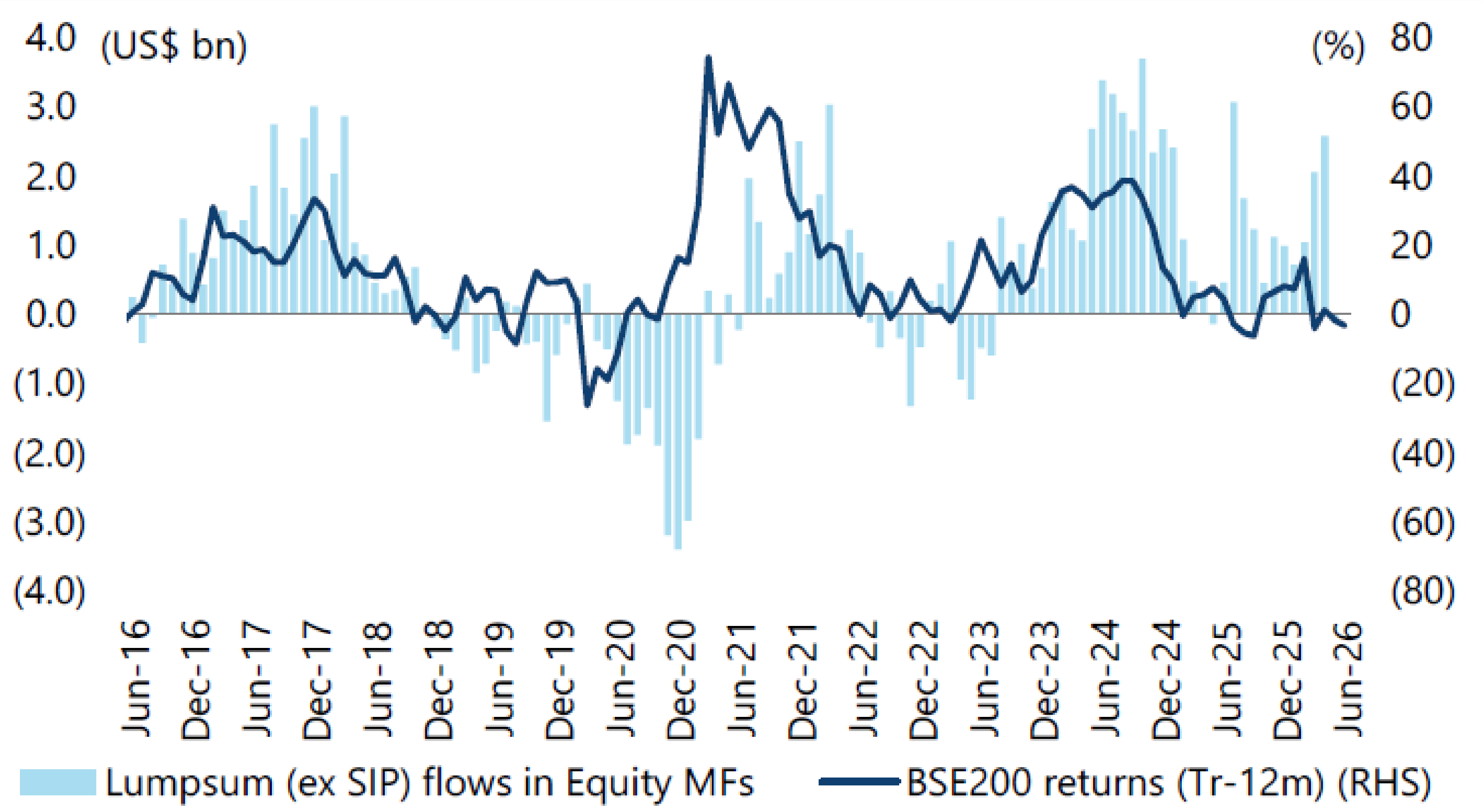
FPI net flows into equity



Source: NSDL, Jefferies
Note: CY26TD flows upto 24 June 2026

Muted Trailing 12M equity returns are weighing on lumpsum (ex-SIP) flows

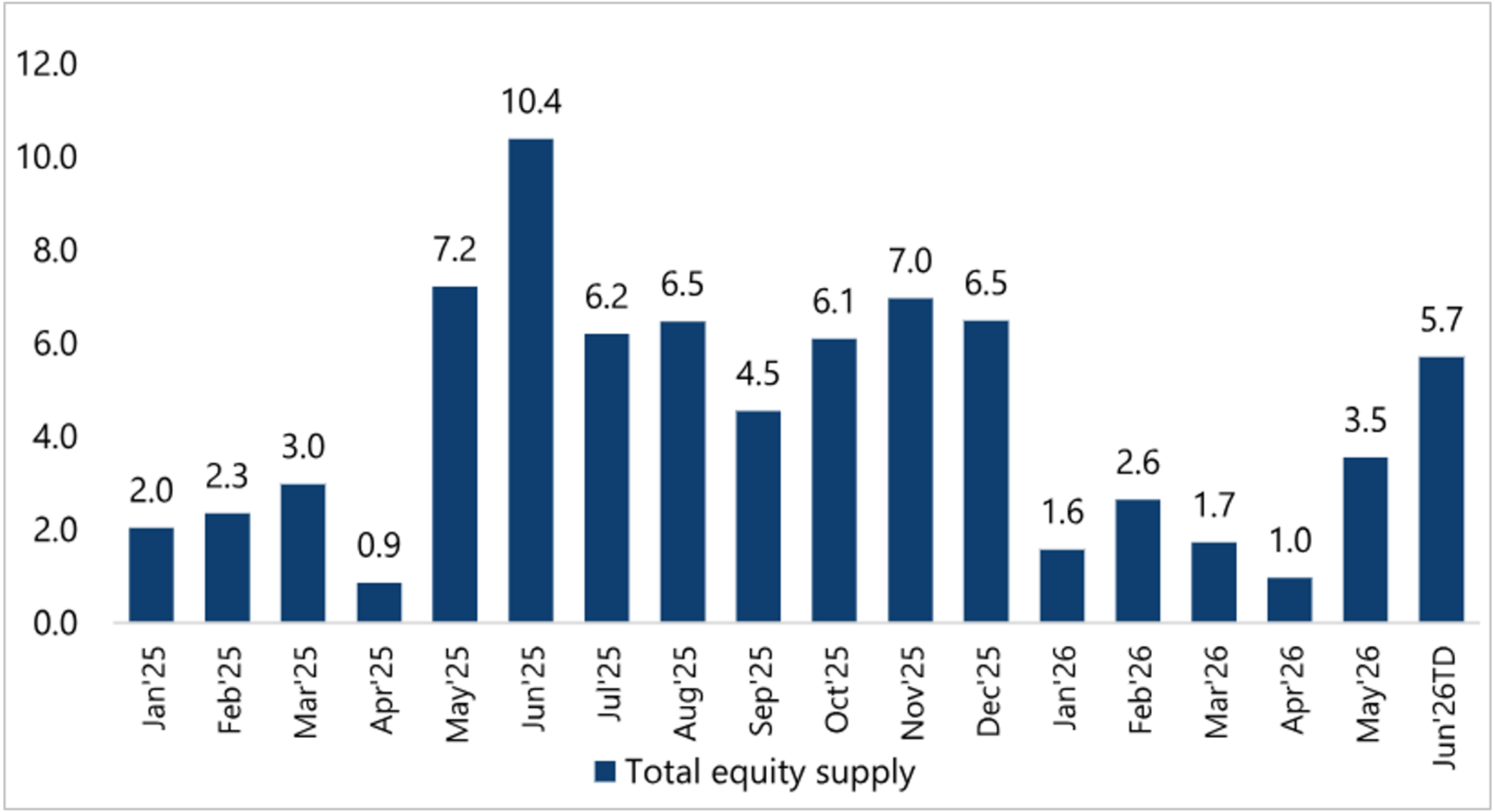
Lumpsum (Equity MF inflows ex-SIP) vs, Tr-12M market returns



Source: AMFI, Bloomberg, Jefferies

Rising equity supply can cap equity returns

Total equity supply monthly trend (US$ bn)



Source: NSDL, Jefferies
Note: CY26TD flows upto 24 June 2026

Themes we like

Sectors that could benefit from INR weakness

Sector	Primary Benefit Mechanism	Key Risk
Information Technology	USD revenue, INR cost base; direct EPS uplift	AI disruption and pricing renegotiation
Pharmaceuticals (Exporters)	Export realisations in USD/EUR	Imported API cost inflation
Specialty Chemicals	Export competitiveness, higher INR realisations	Import-dependent raw material costs
Auto & Auto Ancillaries	Translation gains on US/Europe exports	Imported component cost pass-through
Upstream Oil & Gas	USD-billed crude/gas revenue, INR opex	Global oil price volatility
Textiles & Apparel	Price competitiveness in global markets	US tariff headwinds

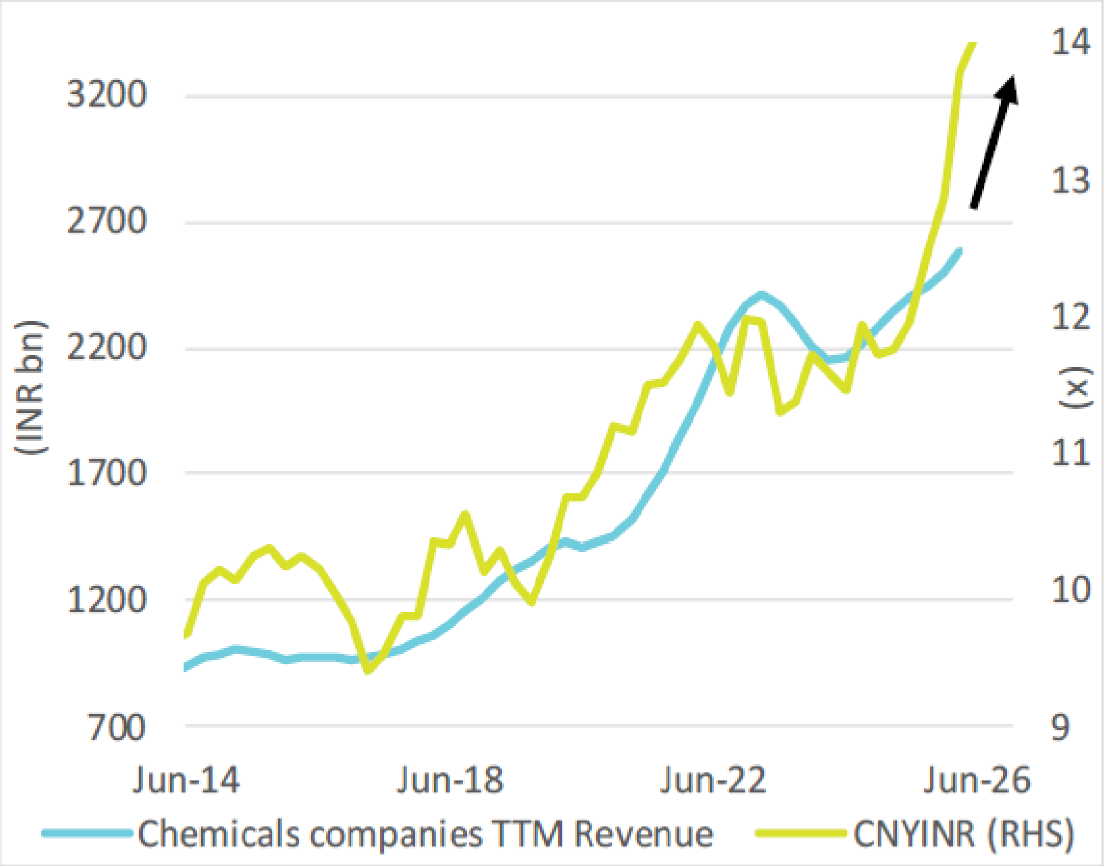
Source: TradingView

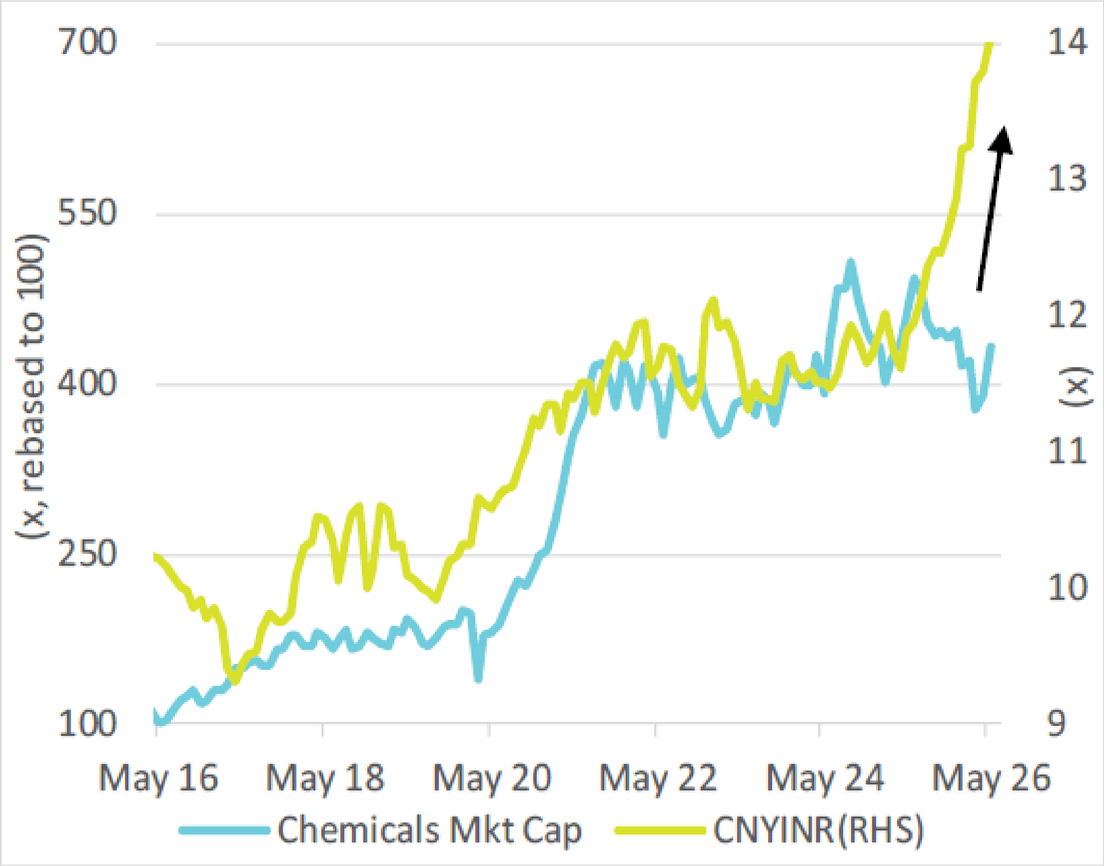
Sectors that could benefit from CNY appreciation helping import substitution

Sector	CNY Appreciation Benefit	Import Substitution	Key Risk
Specialty & Bulk Chemicals	Direct — competes with Chinese exporters	Agrochemicals, dyes, fluorochemicals	China excess capacity, aggressive pricing
Capital Goods & Industrial	Raises landed cost of Chinese equipment	Power T&D, cables, conductors	Execution risk on domestic capacity
Telecom Equipment	Displaces Chinese network hardware	Already demonstrating export growth	Technology gap vs. Chinese incumbents
Consumer Durables & Electronics	Raises cost of Chinese finished goods	PLI-driven domestic assembly	Component import dependency
Metals & Steel	Raises floor on Chinese export pricing	Domestic capacity additions	Global demand slowdown
Textiles & Apparel	Order diversion from China	Labor-intensive manufacturing	US tariff headwinds
Pharma — API & CDMO	Raises cost of Chinese API imports	PLI for domestic API manufacturing	Scale-up timeline, quality compliance

Source: TradingView

INR weakness + CNY appreciation + Import substitution could lead to India manufacturing gaining with early signs visible

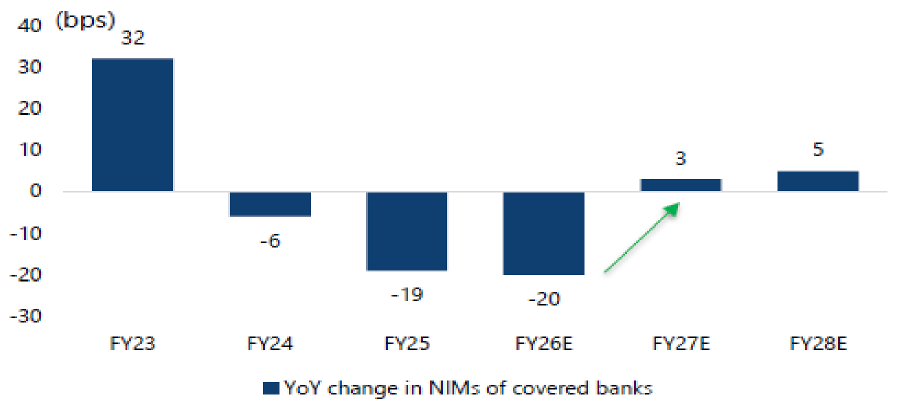




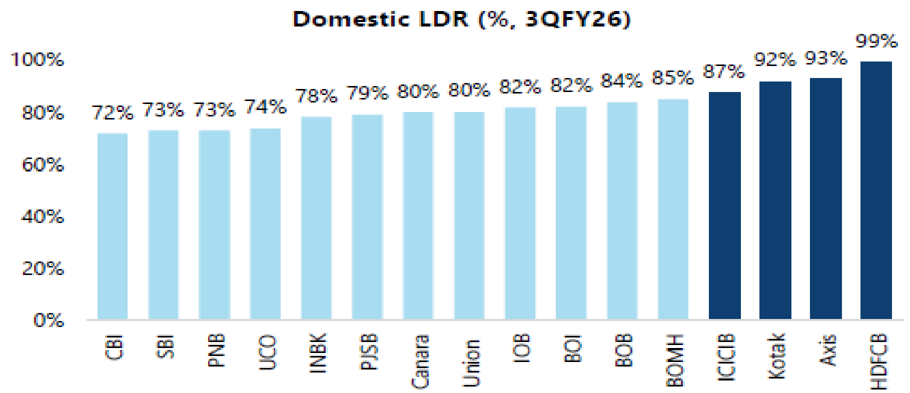
Source: Bloomberg, Nuvama

Why we believe financials are in a sweet spot

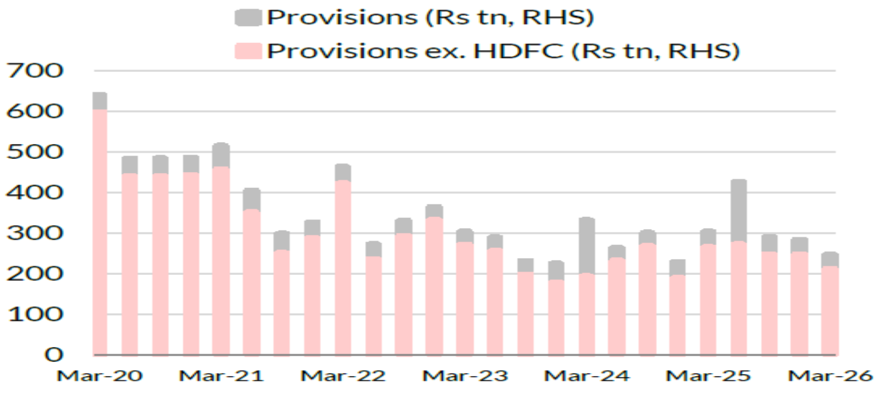
NIM compression behind now



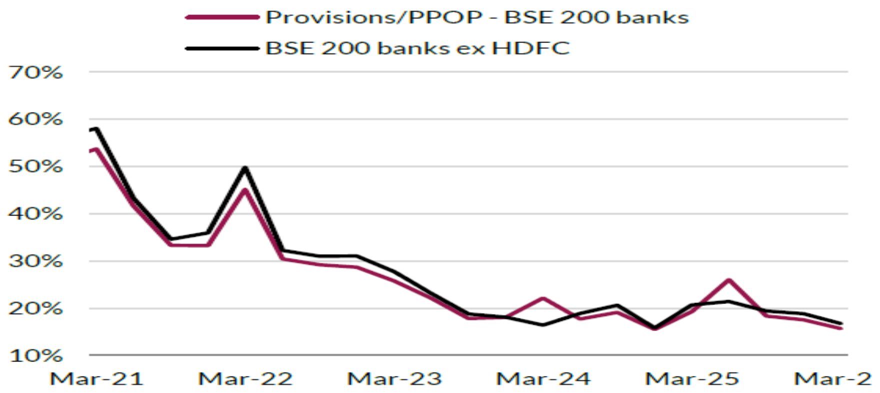
PSU banks' LDR relatively lower than Pvt banks



Slowdown in provisions in Q4FY26…



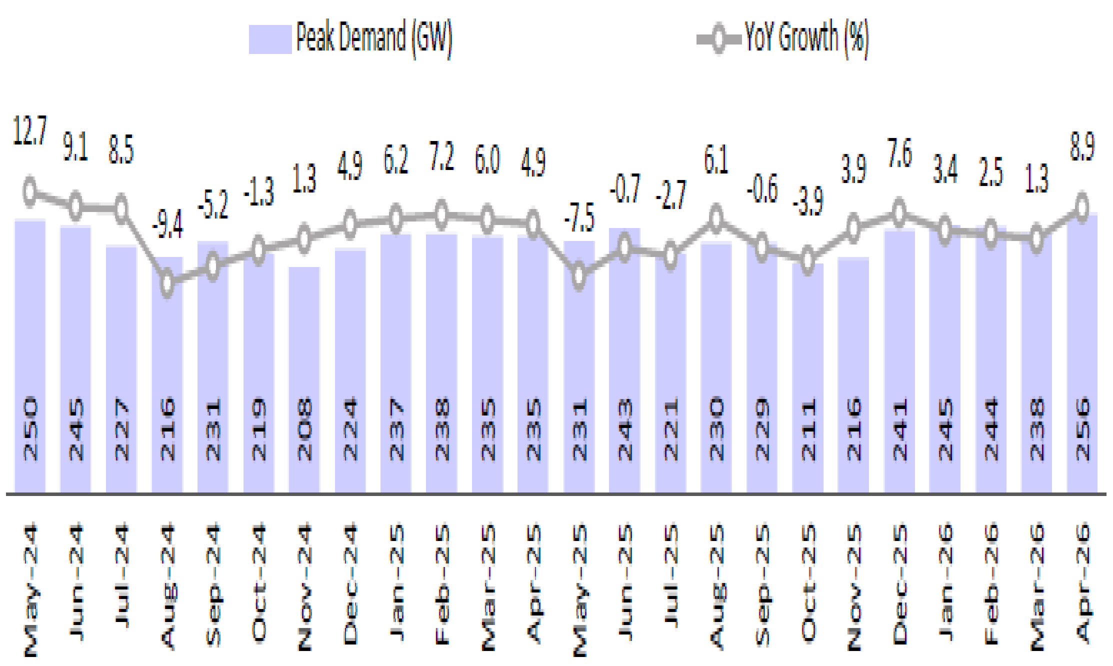
… implies limited pressure for asset quality



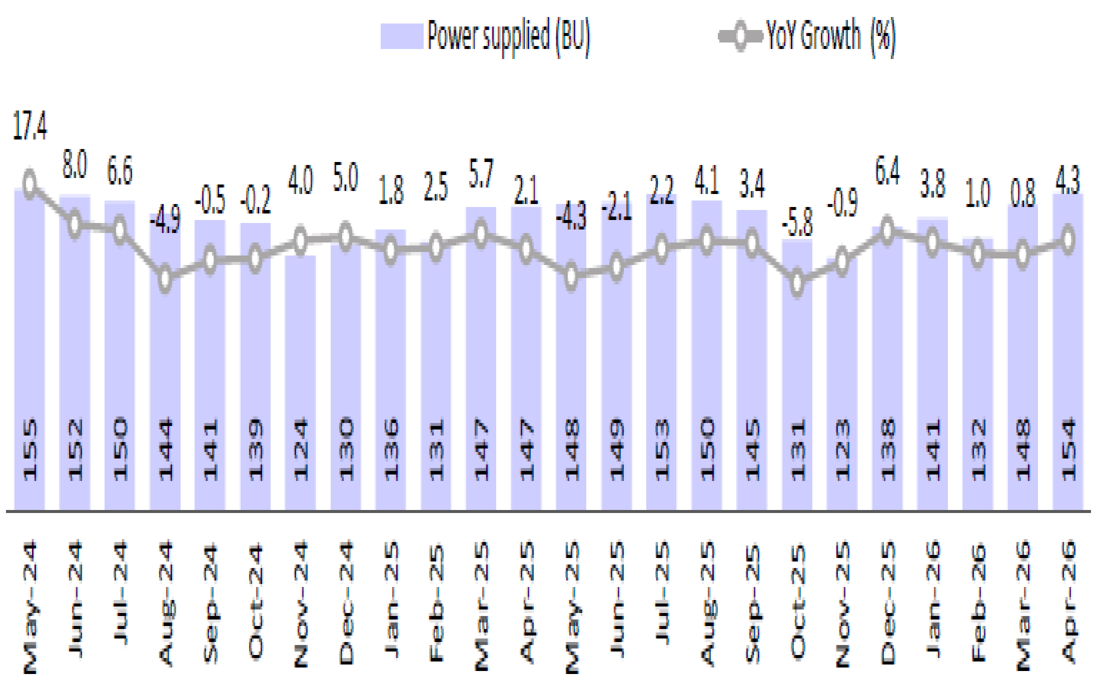
Source: Bloomberg, Jefferies, Axis Capital

Hot summers and deficit monsoon to keep power demand high

India's peak power demand (GW)



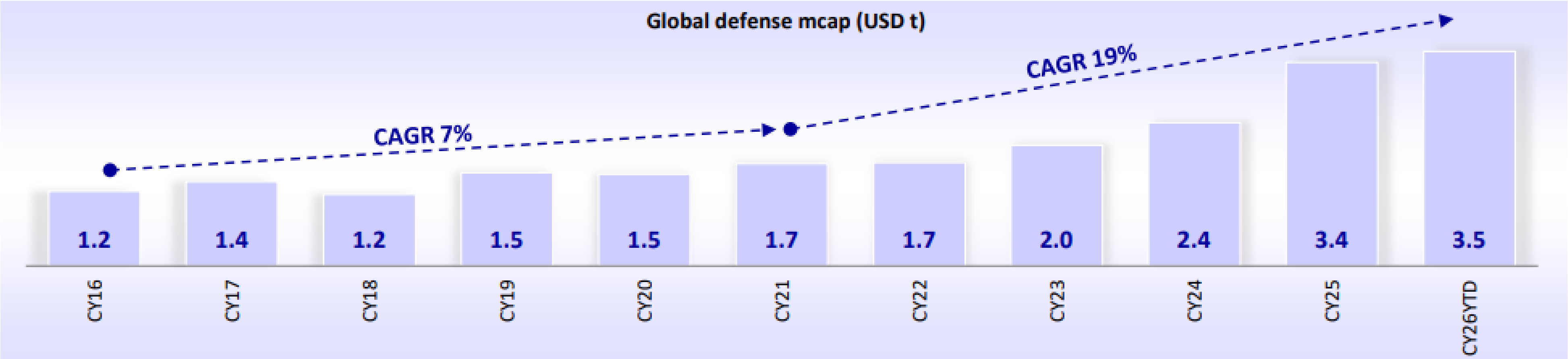
India's power supplied (BU)



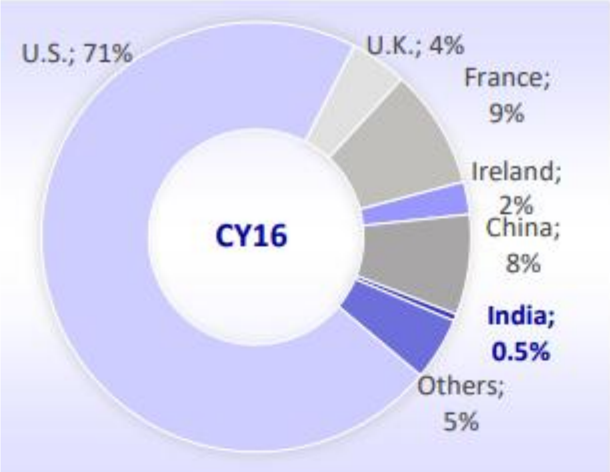
Source: MOSL

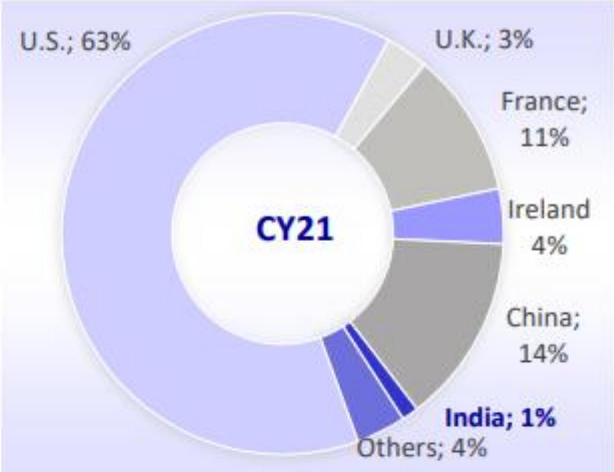
Rising geopolitical tensions can lead to accelerating Defence spend

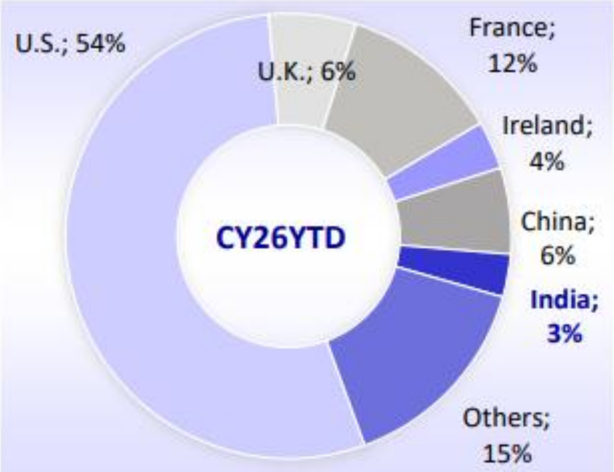
Aggregate market cap of global defense names (USD trn)



Contribution of key countries to global defense market cap (%)







Source: MOSL

What should Investors do?

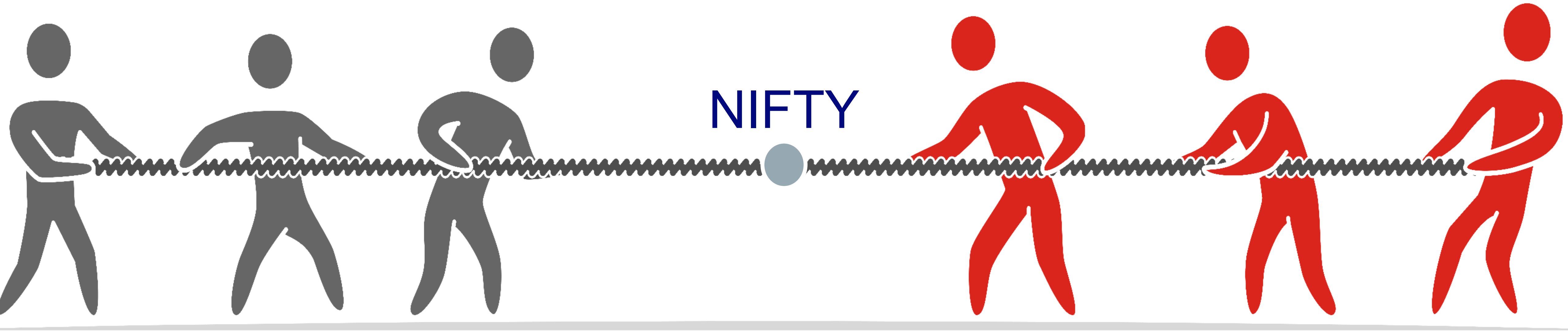
- We are constructive on the markets. After the rally, we believe bottom-up stock picking should be rewarded.
- We recommend to raise equity exposure in a staggered manner from hereon:
  - ✓ Top up allocations/SIPs
  - ✓ Sectors that can do well - Metals, healthcare, chemicals, power, auto ancillaries, private sector, financials and NBFCs, consumer discretionary.

Be Ready For Volatility

Events: US Tariff war, Energy Prices and Geopolitical uncertainty

23K — **24K** — **26K**

Extended Middle-East war	Risks to Earning Trajectory	Earnings Pickup	Favourable India Macros
Global Liquidity Tightening	External Shocks	Yield Softening	FII Flows Returning



Thank You