IKIGAI
Asset Manager
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Market Outlook

August 2026

Agenda

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Global Markets
01

SECTION 2
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Section 1:

Global Markets

Five months into US-Iran war – Still little clarity persists

Donald J. Trump
@realDonaldTrump

The Islamic Republic of Iran has asked us to continue "talks." We have agreed to do so, but the United States has stated to them, in no uncertain terms, that the Cease Fire is OVER! Thank you for your attention to this matter. President DONALD J. TRUMP

286 ReTruths 1,05k Likes 10/07/26, 6:32 PM

Donald J. Trump
@realDonaldTrump

From this point forward, any time the Islamic Republic of Iran shoots at a ship in the Strait of Hormuz, whether it be by Missile, Rocket, Drone, or any other device or weapon, the United States will bomb and destroy ONE BRIDGE OR POWER PLANT, including those located next to, or in, the Capital City of Tehran. Thank you for your attention to this matter! President DONALD J. TRUMP

US President Donald Trump

Where the Iran war has escalated

Source: Twitter, Truth Social, News Articles, Bloomberg

Oil has round-tripped straight back to ~USD 90 per barrel

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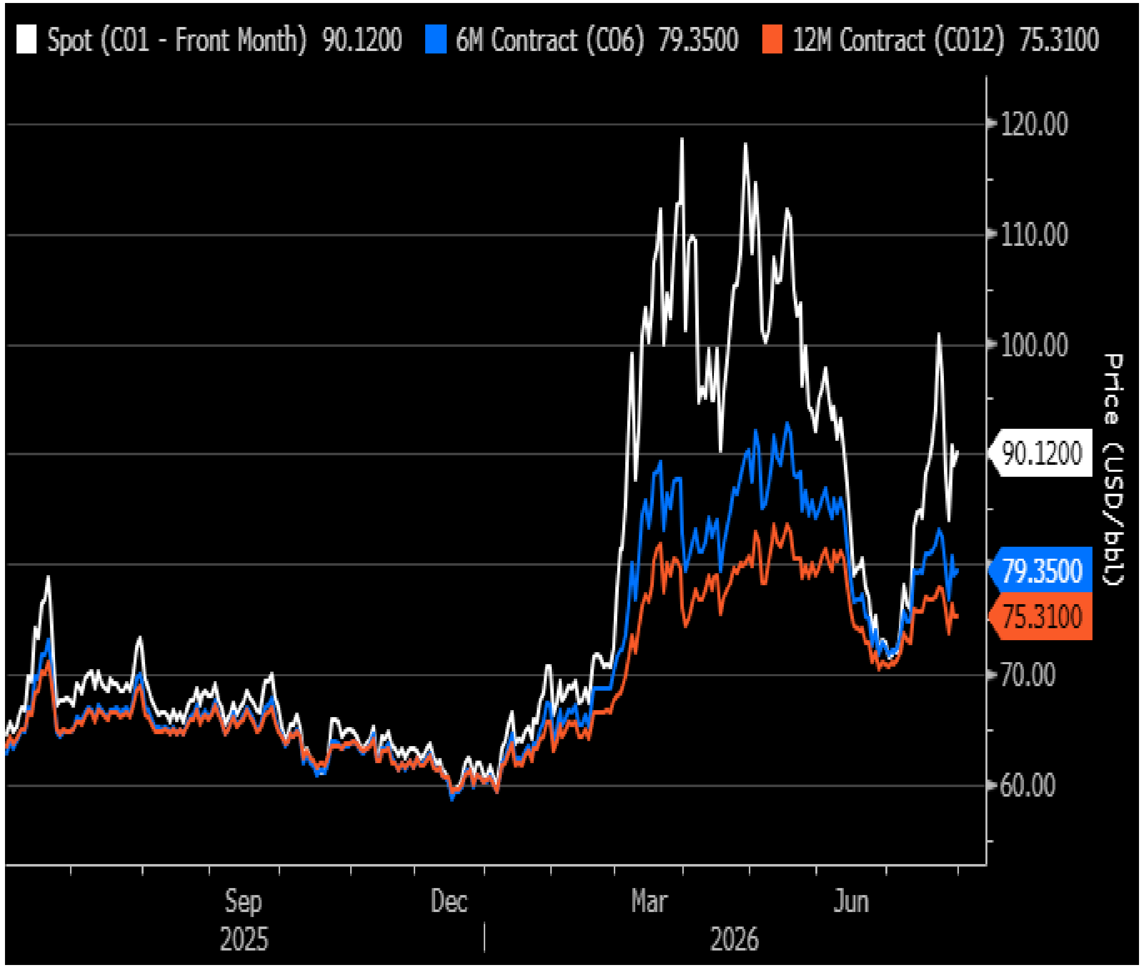
Crude has seen a spike to USD 95/bbl before stabilizing ~90/bbl

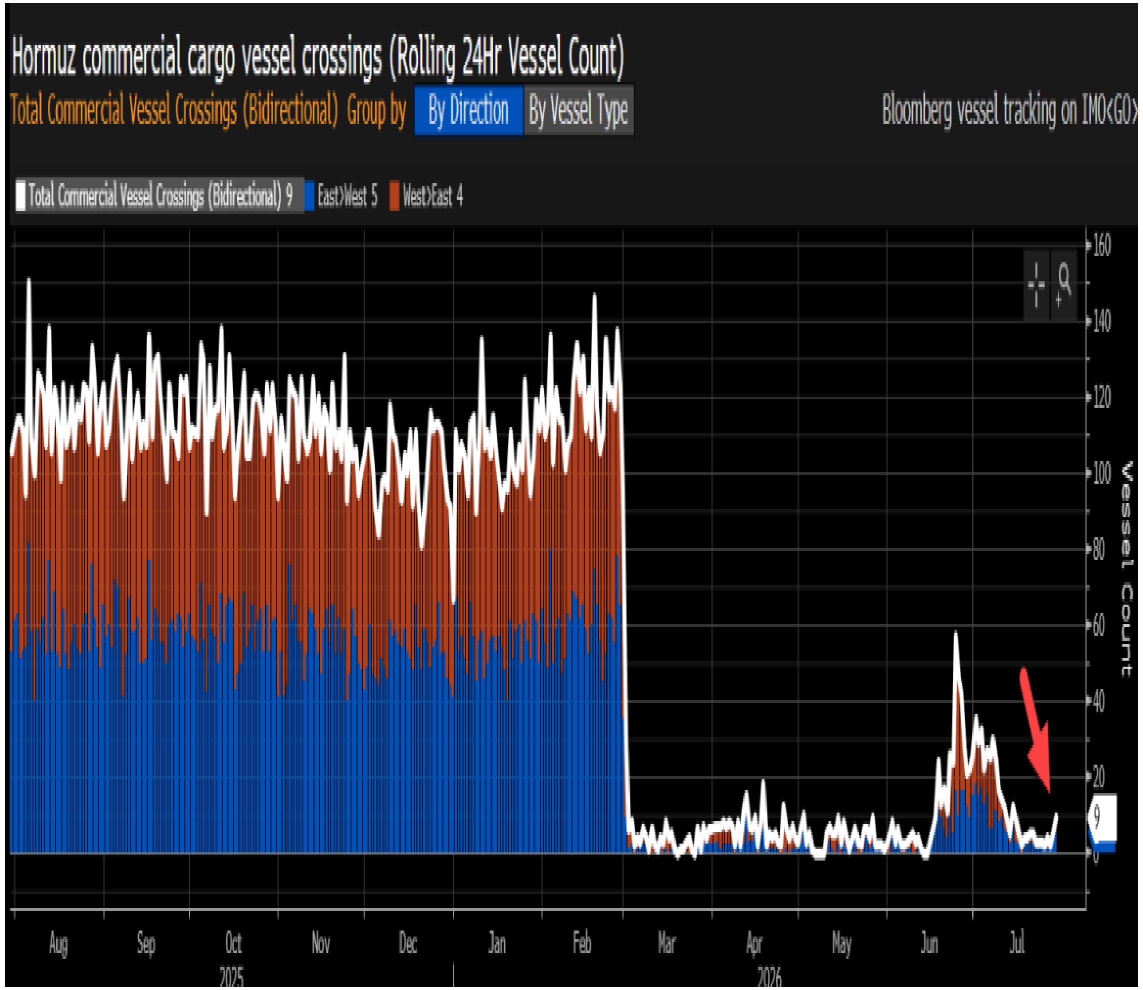


Odds of Hormuz normalizing by Dec'26 have never been lower

Source: Bloomberg, Polymarket

Hormuz traffic has retracted to war levels with Red Sea routes also under pressure

Strait of Hormuz daily traffic, number of ships



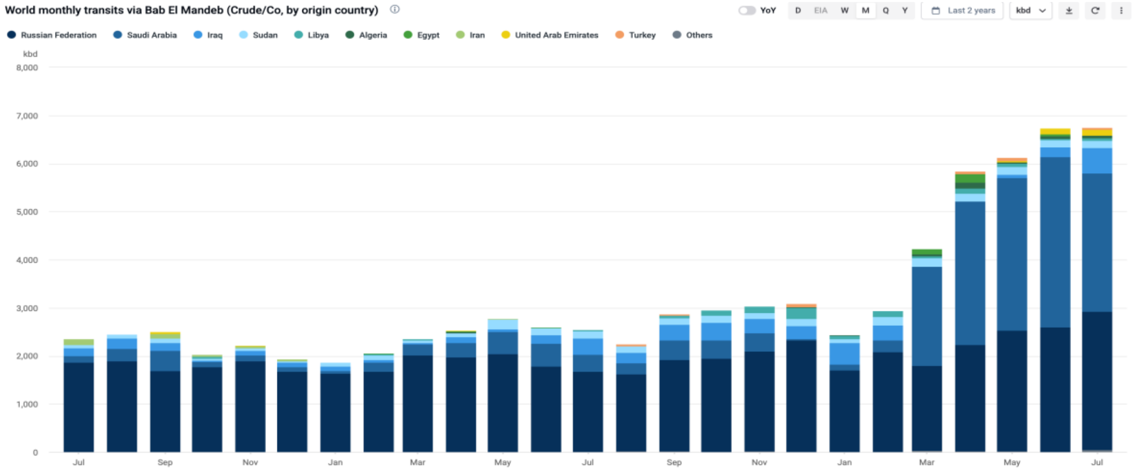
Houthis are now attacking tankers in Red Sea

Houthis Say They Attacked Tankers in Red Sea, Widening War (1)

Summary by Bloomberg AI

- The Houthis said they had targeted two oil tankers in the Red Sea, and the UK Maritime Trade Operations Center reported that a tanker had been struck southwest of Al Shuqaiq on the Saudi Red Sea coast.
- US Central Command said it had begun more strikes on Iran, marking the 12th night of the latest phase of the American military campaign, and Kuwait said it was fending off an incursion of Iranian drones.
- The conflict appears to be widening, with both the US and Iran showing little inclination to return to the negotiating table, and the US saying it will intensify its bombing campaign until Iran agrees to reopen the Strait of Hormuz and cease attacks on energy tankers.

Russia exports to India from Red Sea route

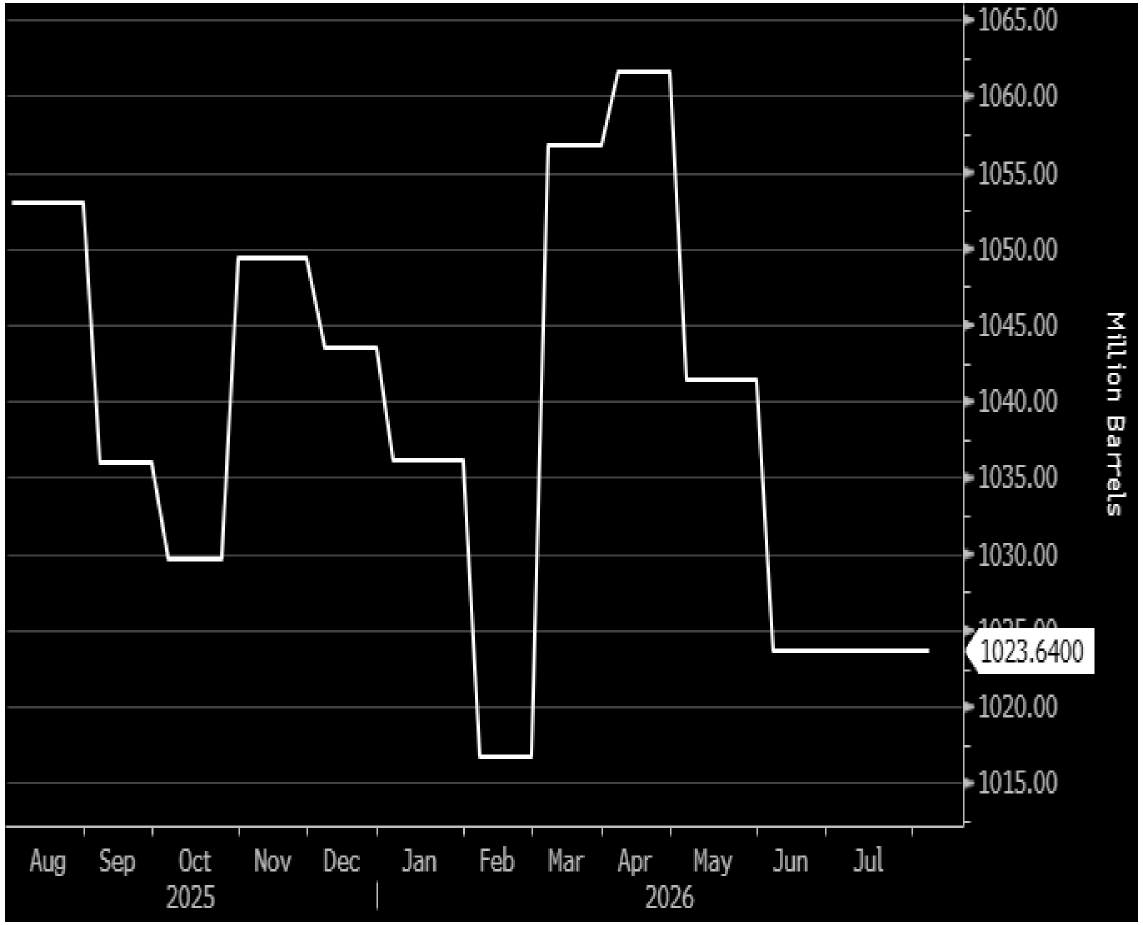


Source: CLSA, Bloomberg
Note: Data as of 24 Jul 2026

Physical crude inventories have been on a decline for a while

US Commercial Crude Oil Inventories, weekly (000s barrels)

Global Crude Oil Inventories, weekly (mn barrels)

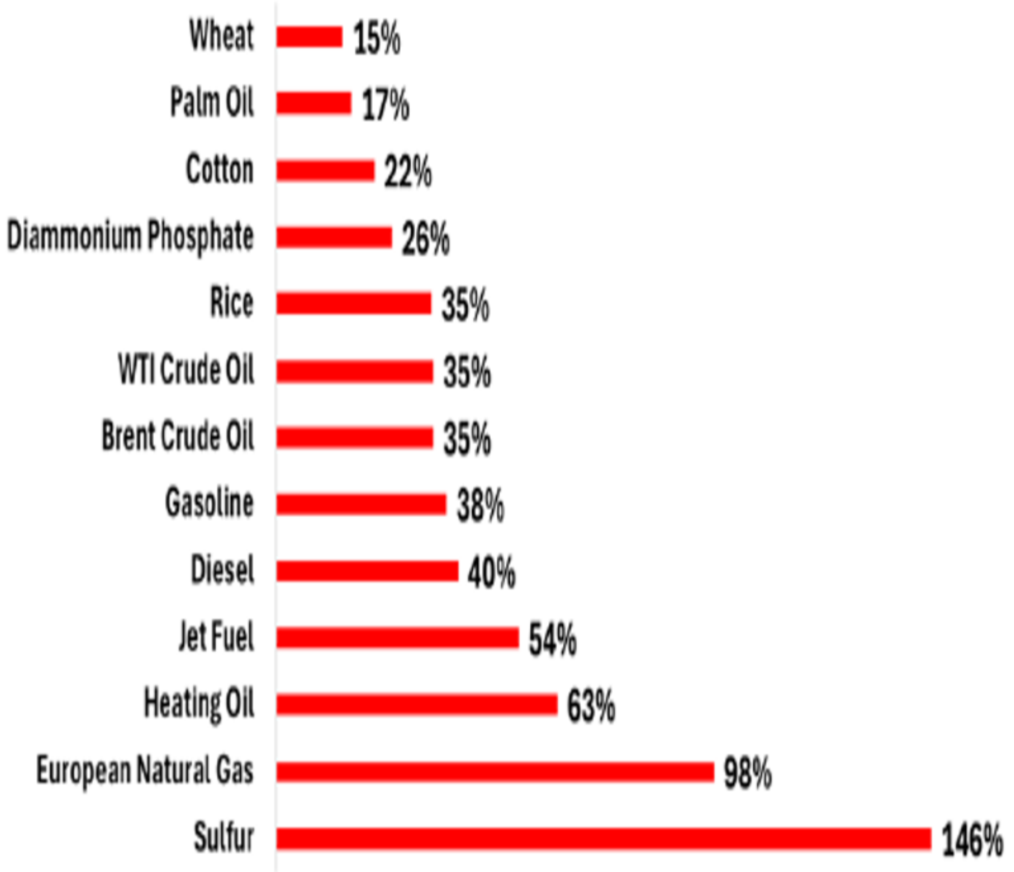


Source: Bloomberg
Note: Data as of 24 Jul 2026
Global inventory data is reported on a monthly basis by the IEA and is forward-filled on the weekly chart, which explains the step-function appearance

Some cool off in commodity prices recently but trend still higher due to geopolitical tensions (1/2)

Agricultural inflation has been the highest in past month

Price increases since start of Iran War (28 Feb to 25 Jul 2026)

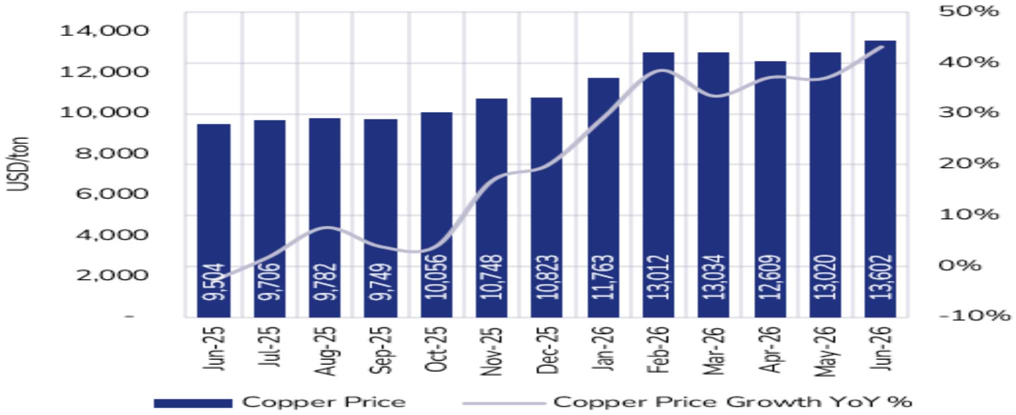


Source: CLSA, Bloomberg, Charlie Billelo
Note: Data as of 24 Jul 2026

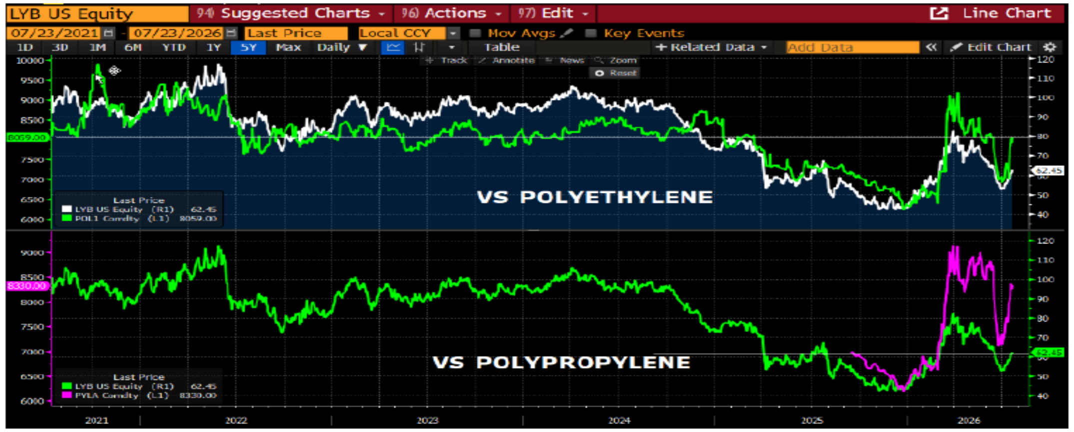
Some cool off in commodity prices recently but trend still higher due to geopolitical tensions (2/2)

Wheat has gone vertical

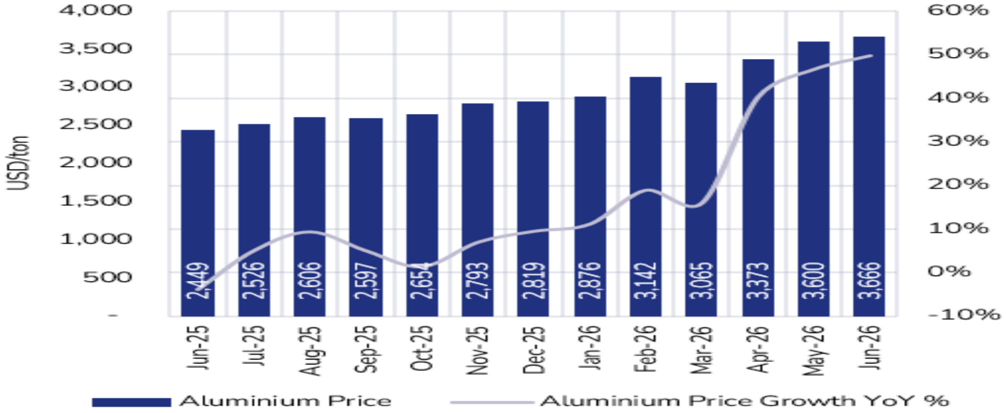
Monthly copper price (USD/ton)



Chemical prices have bounced with Hormuz closed again



Monthly aluminum price (USD/ton)



Source: CLSA, Bloomberg, JM Financial
Note: Data as of 24 Jul 2026

Which means the global inflation clock is ticking again?

Energy, power and input commodities – Monthly indicators

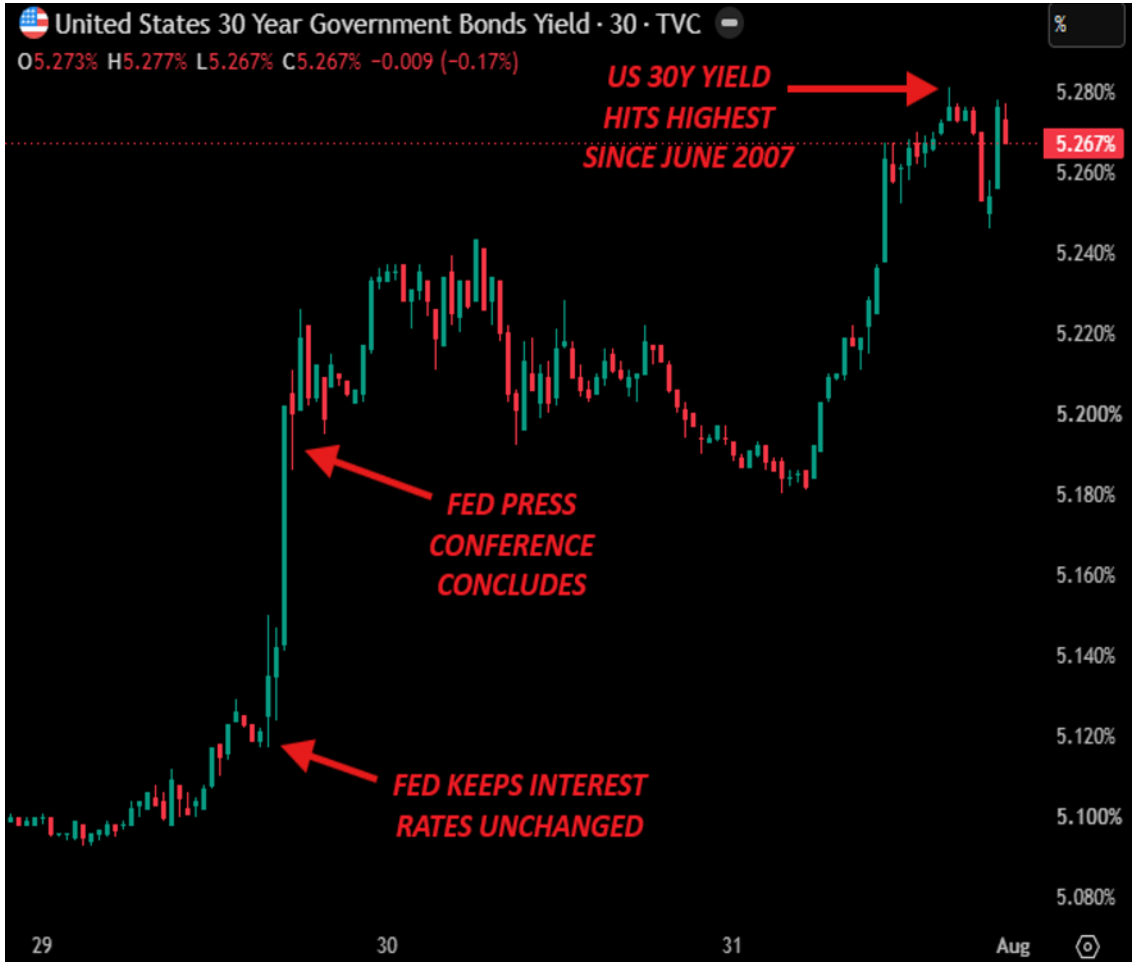
Energy, Power and Input Commodities	Unit	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26	Apr'26	May'26	Jun'26	Average FY27 YTD	Average FY26 YTD
Brent Crude Price	USD /bbl	71.5	71.0	68.2	68.0	64.7	63.6	62.7	66.0	71.1	103.6	120.3	107.6	73.0	100.3	72.2
Crude Oil Production	% YoY	0.0%	-0.6%	-0.8%	0.1%	1.1%	-2.2%	-3.9%	-5.1%	-4.1%	-3.5%	-2.5%	-4.7%		-3.6%	-1.3%
Natural Gas Production	% YoY	-6.5%	-0.5%	-3.1%	-5.8%	-0.7%	-6.8%	-1.4%	-5.0%	-14.7%	-3.7%	-6.7%	-5.0%		-5.8%	-1.4%
Crude Oil Consumption	% YoY	0.5%	-4.4%	4.8%	7.0%	-1.5%	0.6%	4.5%	0.7%	5.5%	2.2%	-6.5%	-5.3%	-3.1%	-5.0%	0.6%
Natural Gas Consumption	% YoY	-6.9%	-1.9%	-1.2%	0.5%	-2.7%	1.6%	2.9%	5.4%	2.0%	-15.1%	-7.2%	-10.5%		-8.9%	-9.3%
Electricity Generation: Non-Renewable	% YoY	-6.1%	-0.8%	1.0%	0.8%	-10.6%	-5.0%	4.4%	2.2%	-1.6%	-1.1%	2.3%	7.5%	8.3%	6.0%	-5.4%
Electricity Generation: Renewable	% YoY	28.7%	26.4%	22.7%	16.4%	21.4%	22.9%	18.0%	22.9%	25.3%	11.7%	23.2%	29.9%		26.6%	23.1%
Share of Renewable in Total Generation	%	18.4%	19.7%	17.2%	16.7%	15.2%	15.6%	15.6%	16.8%	17.4%	16.7%	17.7%	19.5%		18.6%	15.9%
Installed Capacity: Non-Renewable	% YoY	0.7%	1.4%	1.7%	1.9%	2.2%	2.7%	2.4%	2.5%	1.9%	2.2%	4.3%	5.0%	4.0%	4.5%	-0.1%
Installed Capacity: Renewable	% YoY	24.7%	25.0%	26.1%	27.6%	28.2%	28.4%	27.5%	28.3%	28.5%	29.5%	29.5%	29.1%	28.1%	28.9%	22.7%
Coal Production	% YoY	-6.8%	-12.4%	11.6%	-1.0%	-8.5%	2.1%	3.7%	3.3%	2.3%	-4.1%	-9.0%	-9.5%	1.4%	-5.7%	-0.1%
Aluminium Price	% YoY	-3.9%	5.0%	9.3%	5.0%	1.3%	6.9%	9.4%	11.1%	18.9%	15.9%	40.2%	46.6%	49.7%	45.5%	-5.0%
Copper Price	% YoY	-2.8%	1.9%	7.6%	3.9%	3.9%	16.8%	19.9%	29.2%	38.5%	33.4%	37.1%	37.0%	43.1%	39.1%	-4.7%
Domestic Petcoke Price	% YoY	5.9%	7.7%	8.5%	12.8%	27.8%	27.4%	20.7%	21.8%	14.3%	10.0%	25.1%	51.5%	46.8%	41.1%	8.4%
International Petcoke Price	% YoY	-4.7%	-1.8%	2.8%	12.7%	23.7%	18.6%	10.8%	13.2%	17.4%	24.6%	40.8%	52.0%	30.7%	41.2%	-5.3%

Source: JM Financial
Note: Data as of 26 Jul 2026

US borrowing costs just hit their highest since 2007….

US borrowing rates just hit the highest level since June 2007

Most of the move came after FED's decision not to hike rates

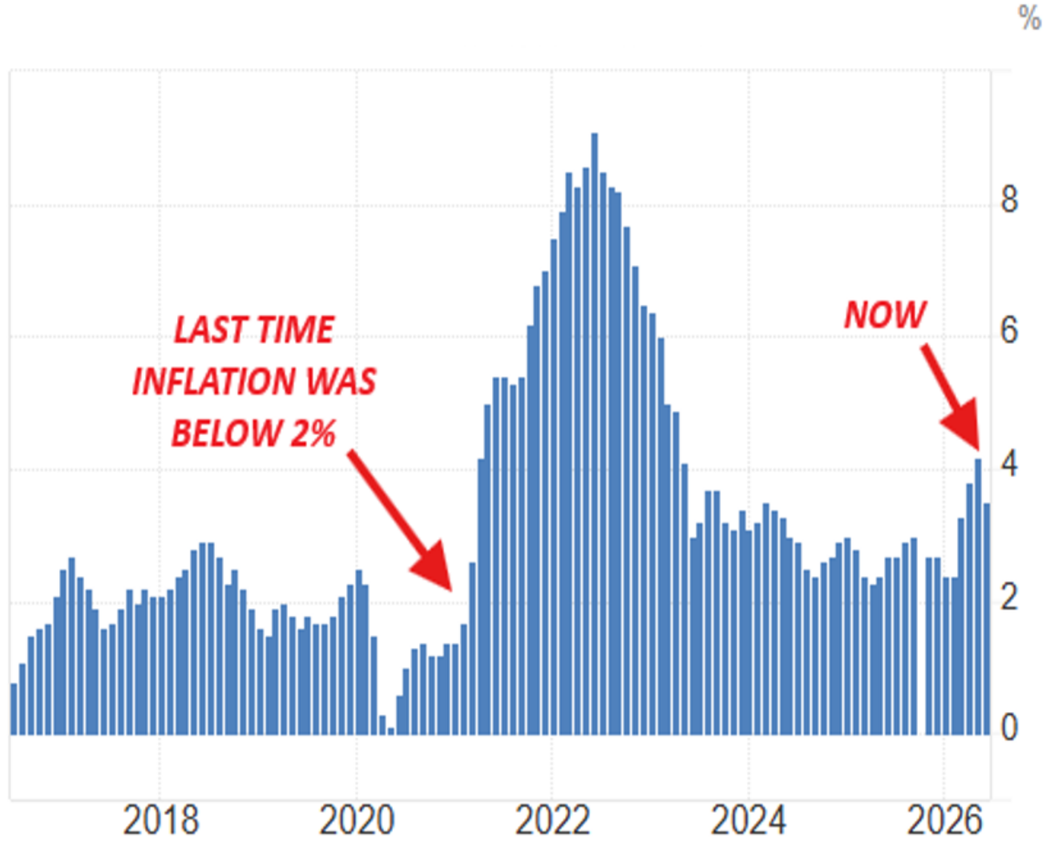


Source: Kobeissi Letters

….and the US consumer is starting to show some cracks

64 straight months of inflation being above FED's 2% target

US CPI Inflation



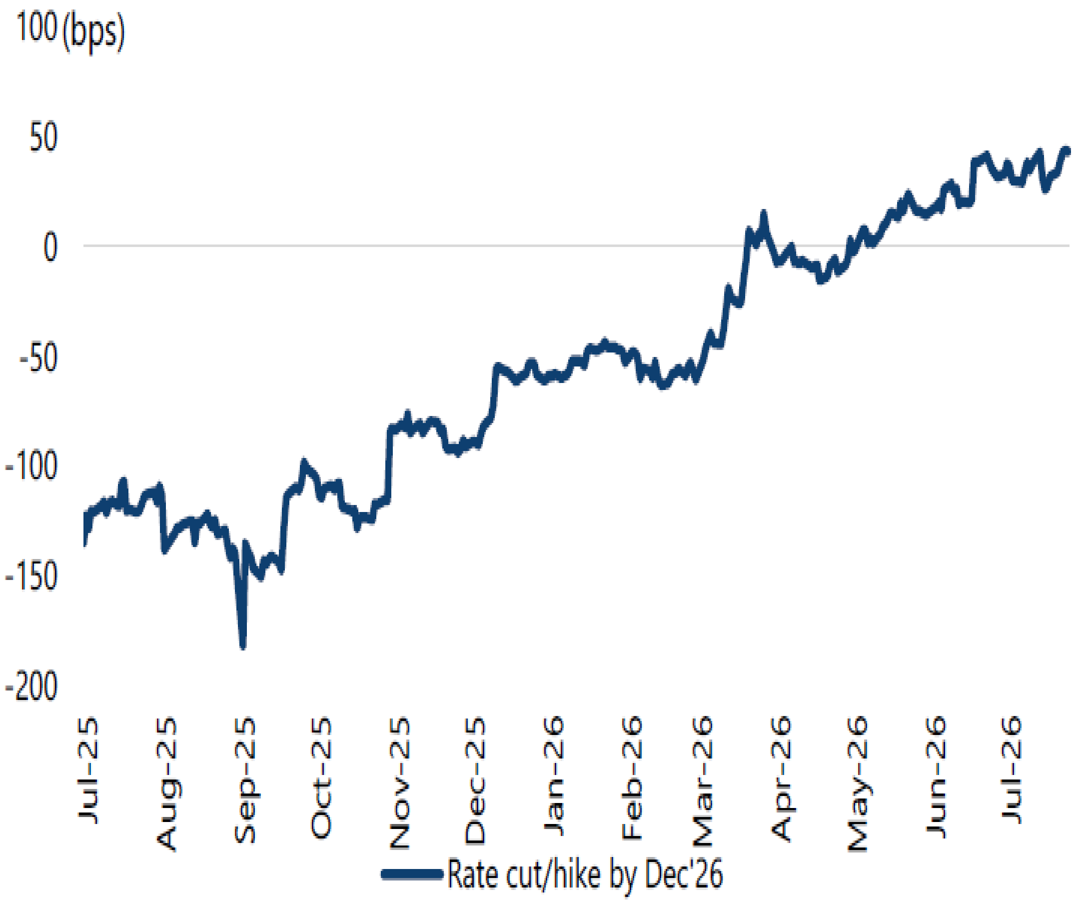
Credit card serious delinquencies hit 13.1%, highest since 2010

Delinquent 30+ Days, % of student loan balances

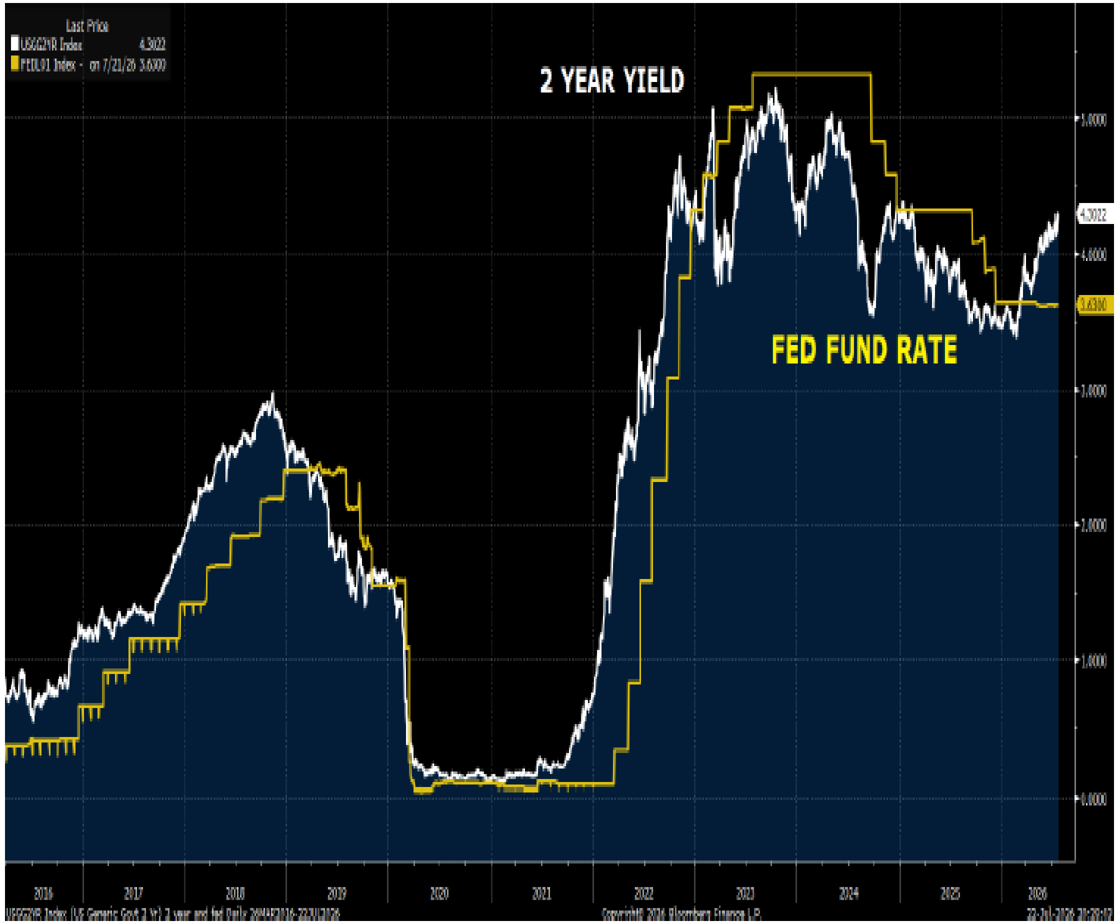
Source: Kobeissi Letters

The bond market has flipped to pricing rate hikes and not cuts

Market is pricing in 43bps rate hike in Fed rate by Dec'26



2-year yield rallied to new highs above the FED FUND Rate



Source: Jefferies, CLSA

The excess of AI – July saw the biggest drop in 15 years

SOX, Korea and Taiwan saw a concurrent collapse

Range 01/02/2026 - 08/06/2026 Period Daily No. of Period 216 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	SOX Index	USD	63.54%	64.07%	16.98%	130.87%
2)	KOSPI Index	KRW	46.10%	47.09%	--	91.94%
3)	TWSE Index	TWD	51.27%	53.25%	6.17%	105.74%
4)						
5)						
6)						

KOSPI Boom-Bust vs. Hang Seng Tech Decline

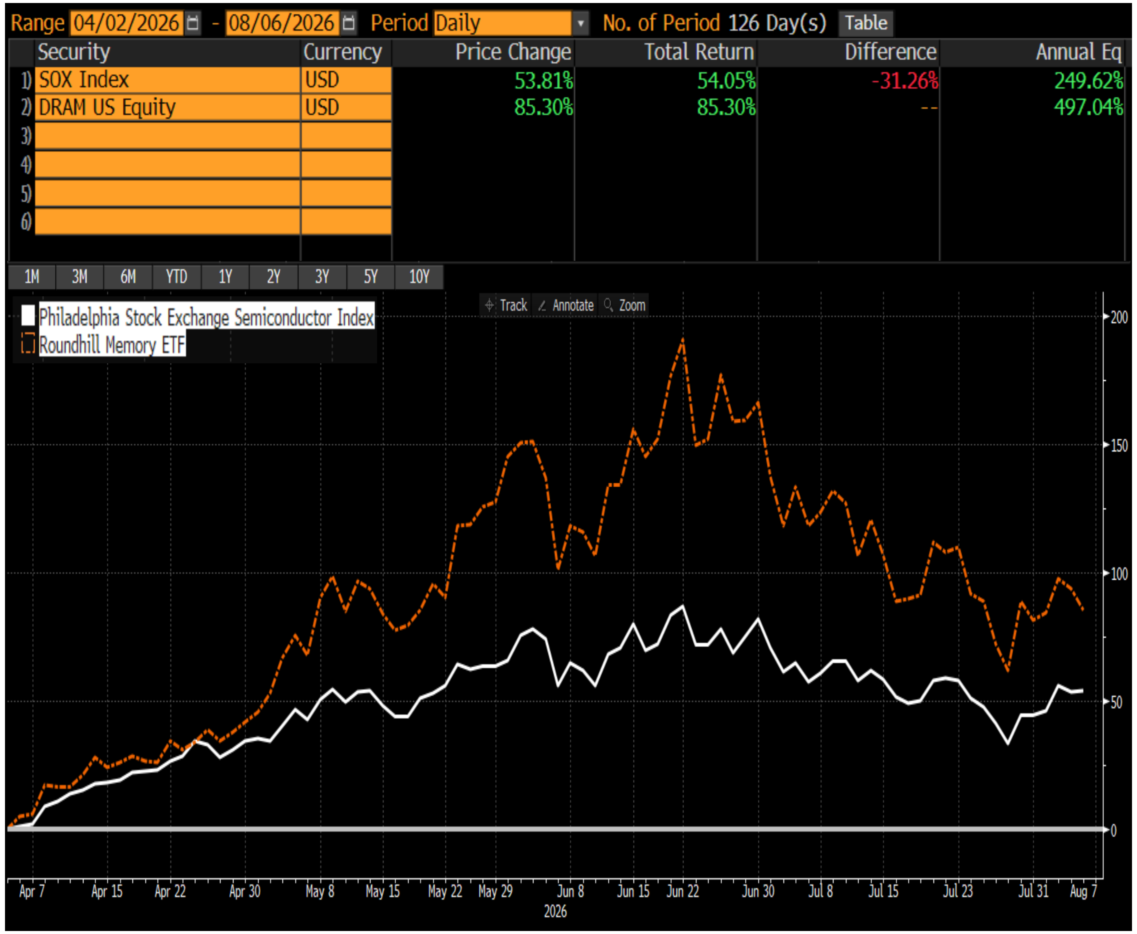
Range 01/02/2026 - 08/06/2026 Period Daily No. of Period 216 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	SPX Index	USD	12.42%	13.14%	-33.95%	23.20%
2)	KOSPI Index	KRW	46.10%	47.09%	--	91.94%
3)	HSTECH Index	HKD	-15.96%	-15.28%	-62.37%	-24.44%
4)						
5)						
6)						

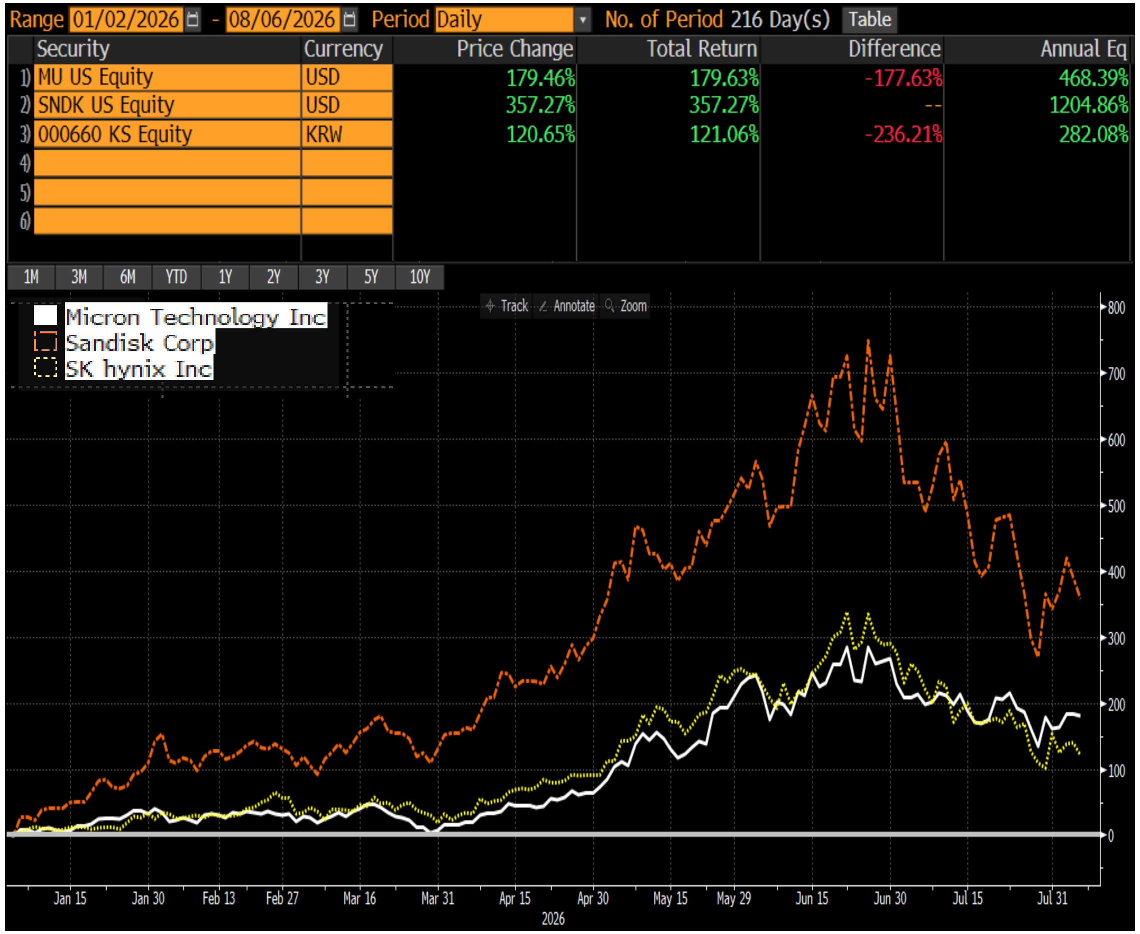
Source: Bloomberg

The excess of AI – Memory epicentre breaks down

SOX fell 21% in July as AI jitters returned globally



July saw the deepest falls in some of the highest flying names

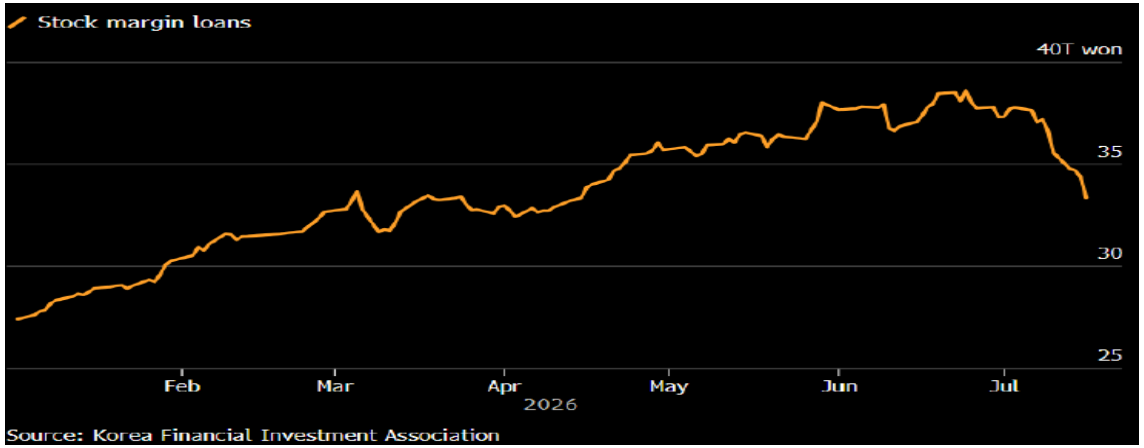


Source: Bloomberg

The excess of AI – Leverage plays spoilsport

Margin debt provided by brokers had reached $1.3Tn

Koreans have unwound margin to the lowest level since APRIL

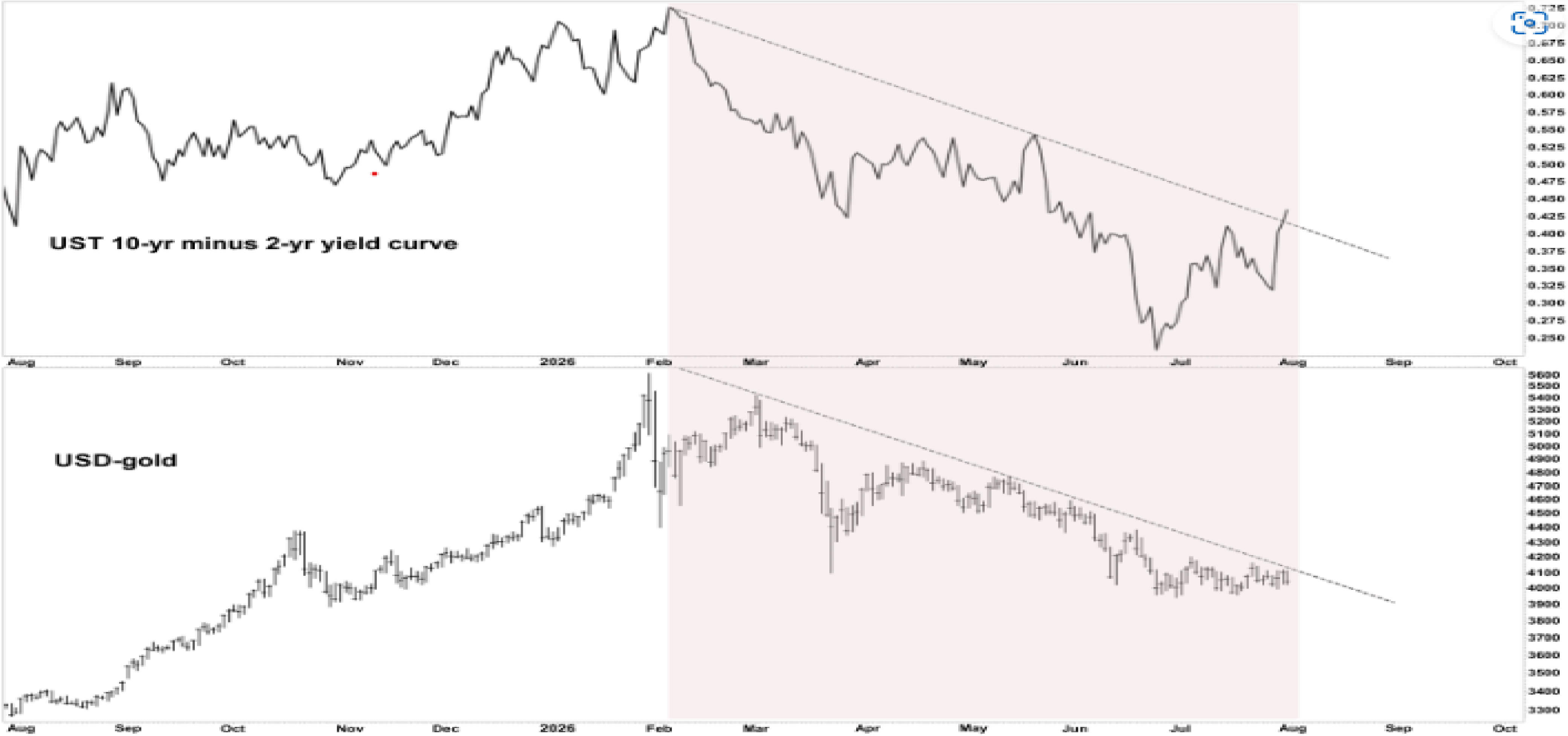


3.4% of the Korean population received margin calls

Source: CLSA

Correlation of USD Gold and steepening of US yield curve getting stronger

Gold has corrected >20% from Feb'2026 highs and looks interesting from here



Source: IKIGAI

Section 2:

India Macro

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

Start to Q1FY27 has been very positive

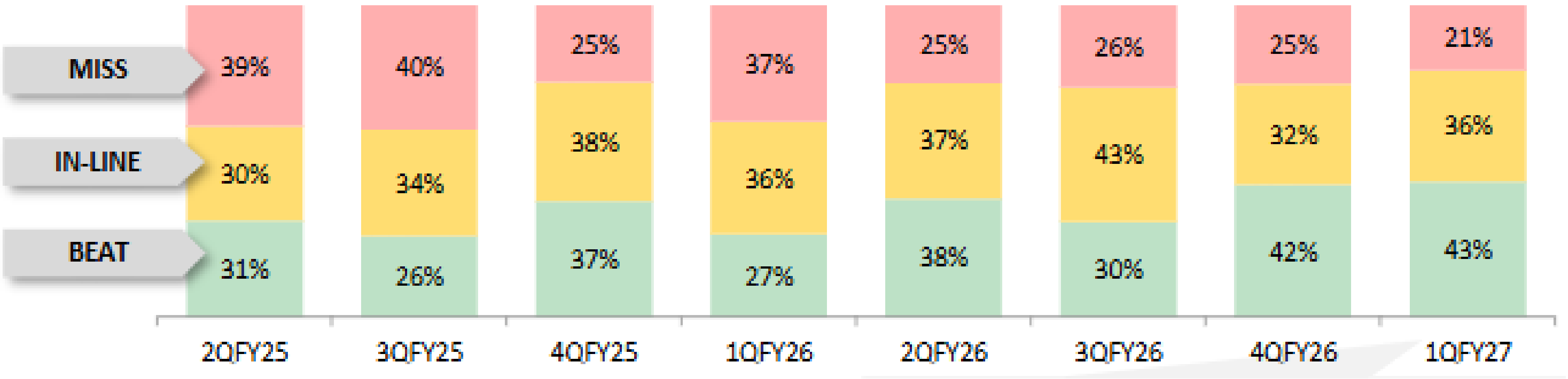
Rs in Trillion	No of Cos	Q1FY27					
		Revenue	YoY	Reported PAT (Parent's Share)	YoY	Adj PAT (Parent's Share)	YoY
NIFTY500	**282**	33.12	**22.0%**	3.16	7.3%	3.18	**10.8%**
BFSI	**78**	8.38	11.0%	1.38	24.8%	1.42	27.1%
Non-BFSI	**204**	24.73	26.2%	1.77	-3.2%	1.76	0.3%
Non-BFSI Exc Cement, O/G, Metal/Mining	**173**	14.73	22.1%	1.43	5.4%	1.46	12.9%
Commodities: Cement, O/G, Metal/Mining	**31**	10.01	32.7%	0.35	-27.7%	0.30	-35.1%
Nifty 500 Excl Commodities	**251**	23.11	17.8%	2.81	14.1%	2.88	**19.5%**

Nifty 500 Earnings	No of Cos	202409	202412	202503	202506	202509	202512	202603	202606	202606
		Last 8 Quarters Adjusted PAT Growth % YoY								Excl. commodities
Large Caps	75	-2.1%	2.8%	10.5%	8.6%	12.0%	16.2%	14.5%	12.8%	**17.3%**
Mid Caps	81	-6.2%	18.0%	11.0%	21.3%	24.9%	17.0%	24.0%	-11.0%	**25.4%**
Small Caps	126	-8.8%	9.4%	8.4%	10.5%	31.5%	19.1%	22.5%	37.7%	**29.3%**
Total	***282***	***-3.2%***	***5.3%***	***10.4%***	***10.5%***	***15.4%***	***16.5%***	***16.4%***	***10.8%***	***19.5%***

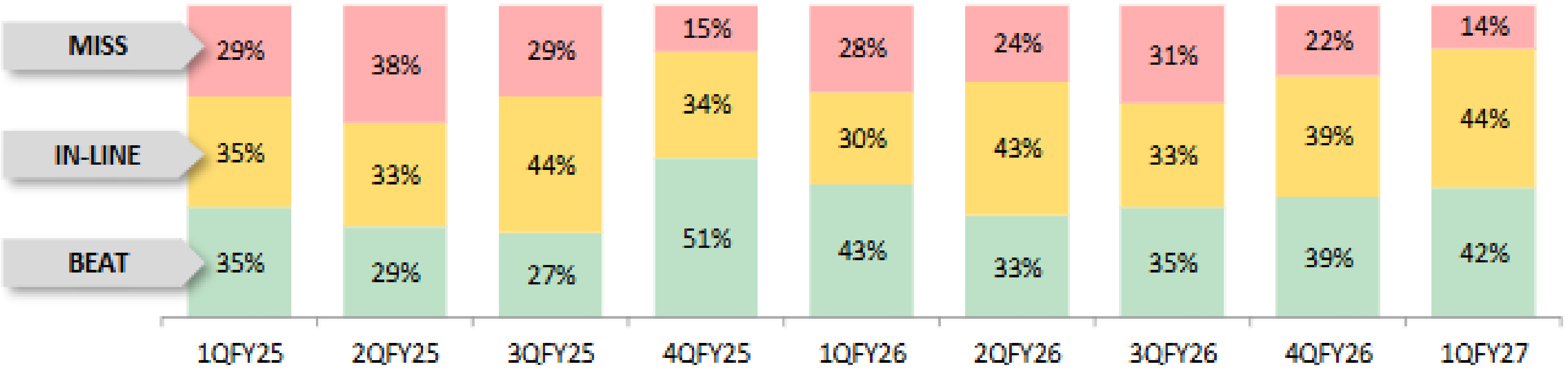
Source: Amsec
Note: Data as of 3 Aug 2026

We seem to be moving towards an earnings upgrade cycle

Within coverage, % of companies missing estimates have come down



Nifty-50 companies - >85% have met/exceeded expectations in Q1

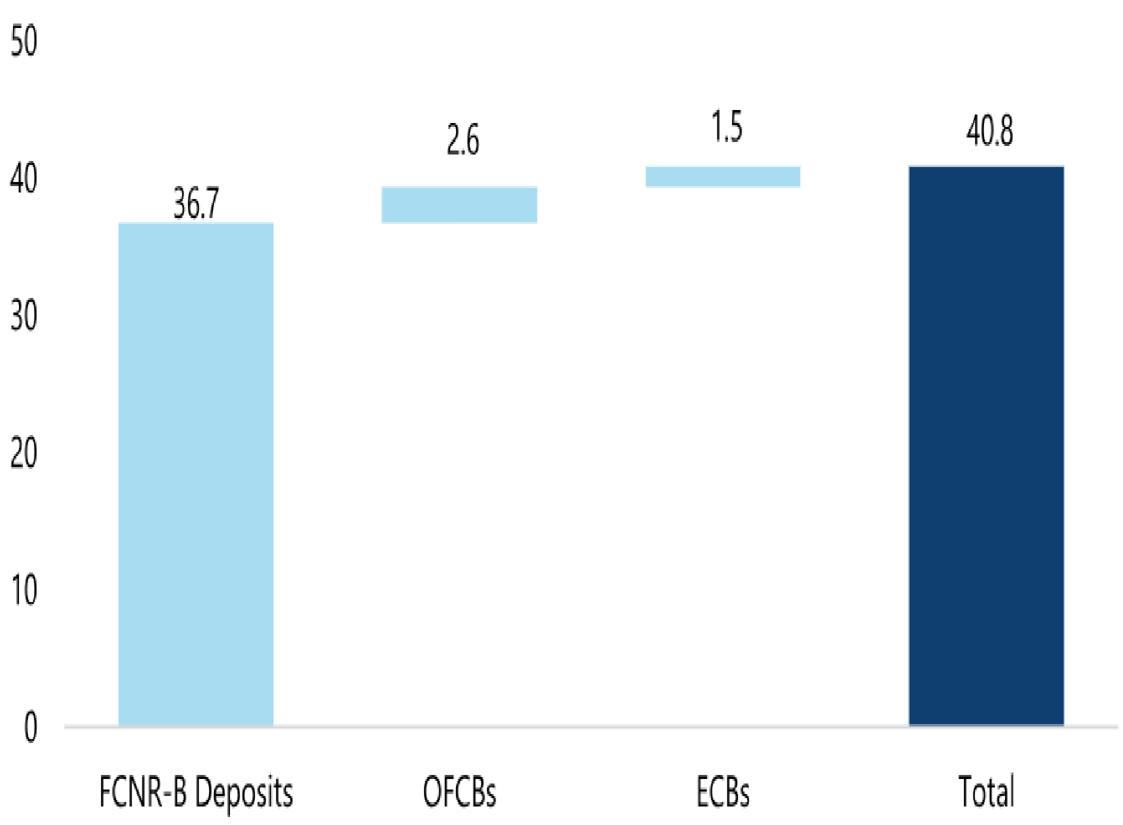


Source: Avendus Spark Research

RBI has mobilized more than USD 40bn till July 2026

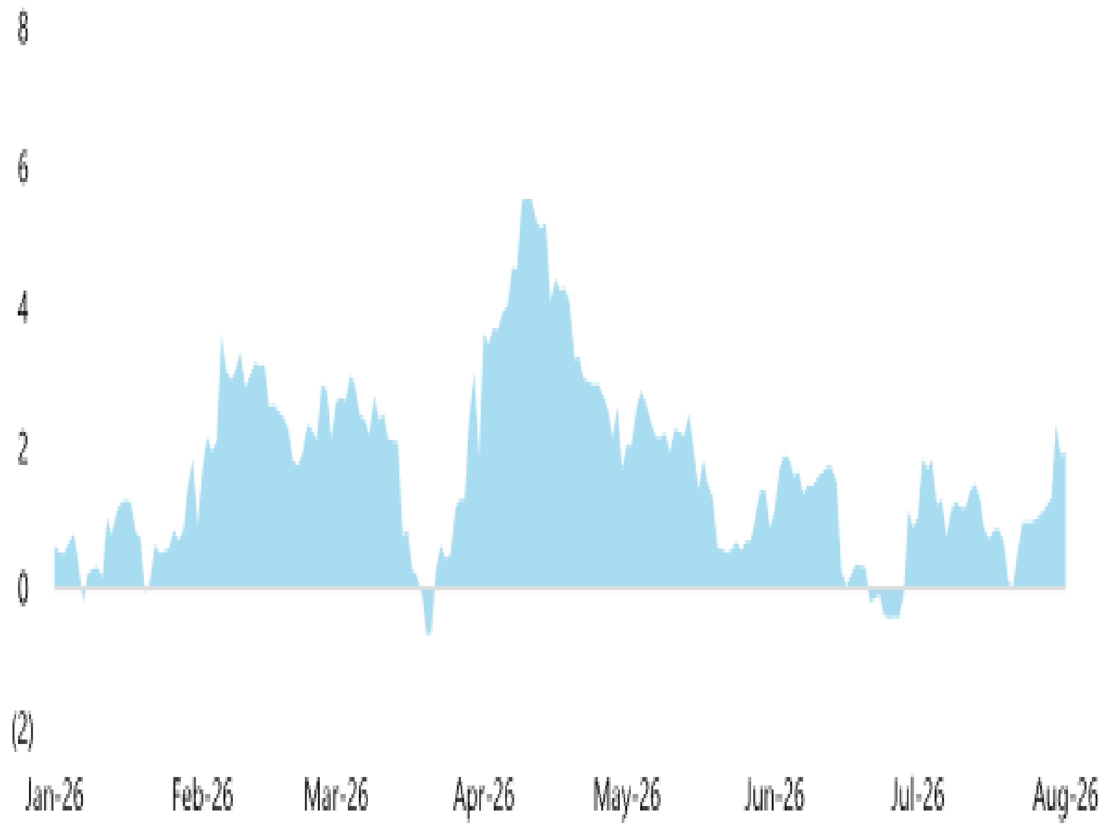
Banks have mobilized >$40bn through FCNR-B & other lines

Forex inflows under RBIs 2026 scheme till 31 Jul (US$ bn)



System liquidity at Rs2.3tn on 31-Jul vs. Rs1.4tn avg of previous 5D

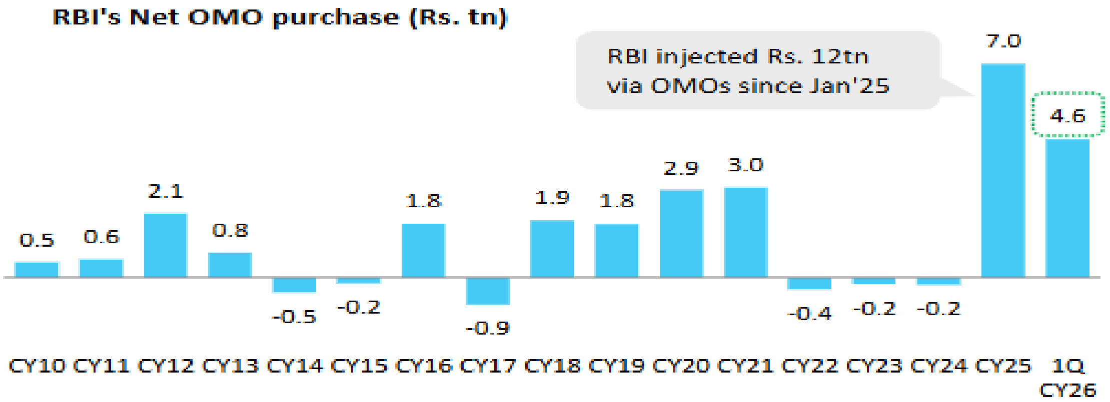
Surplus liquidity / (deficit) (INR Tn)



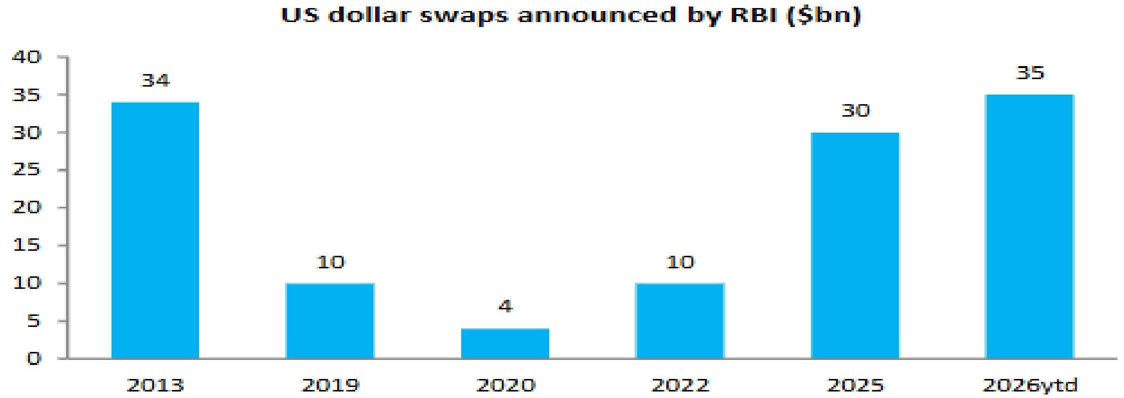
Source: Jefferies

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

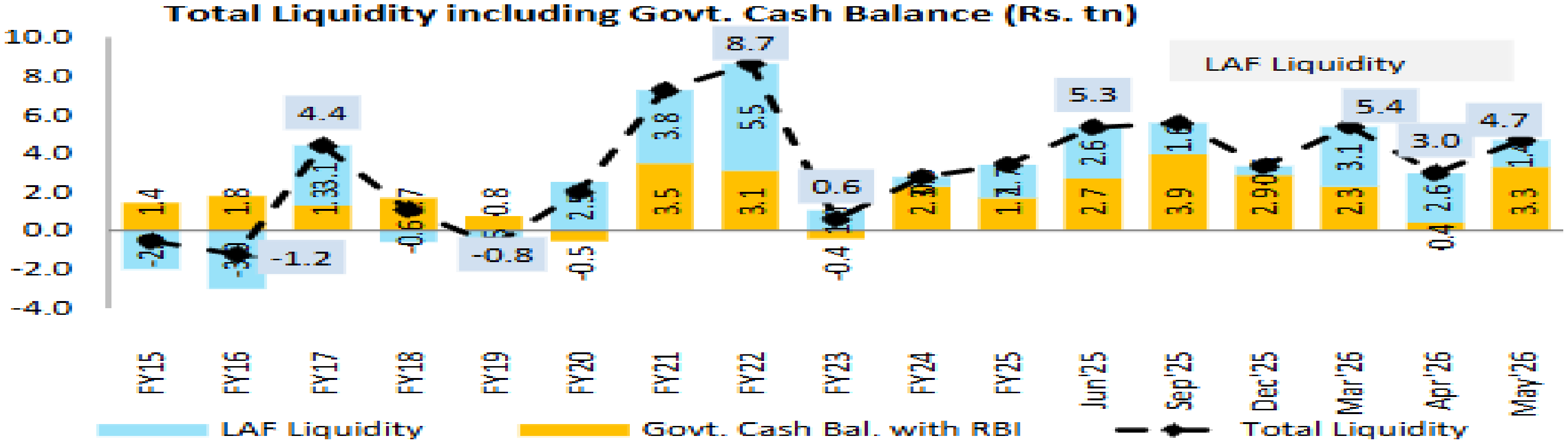
RBI has injected INR 12tn via OMO since Jan’25



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



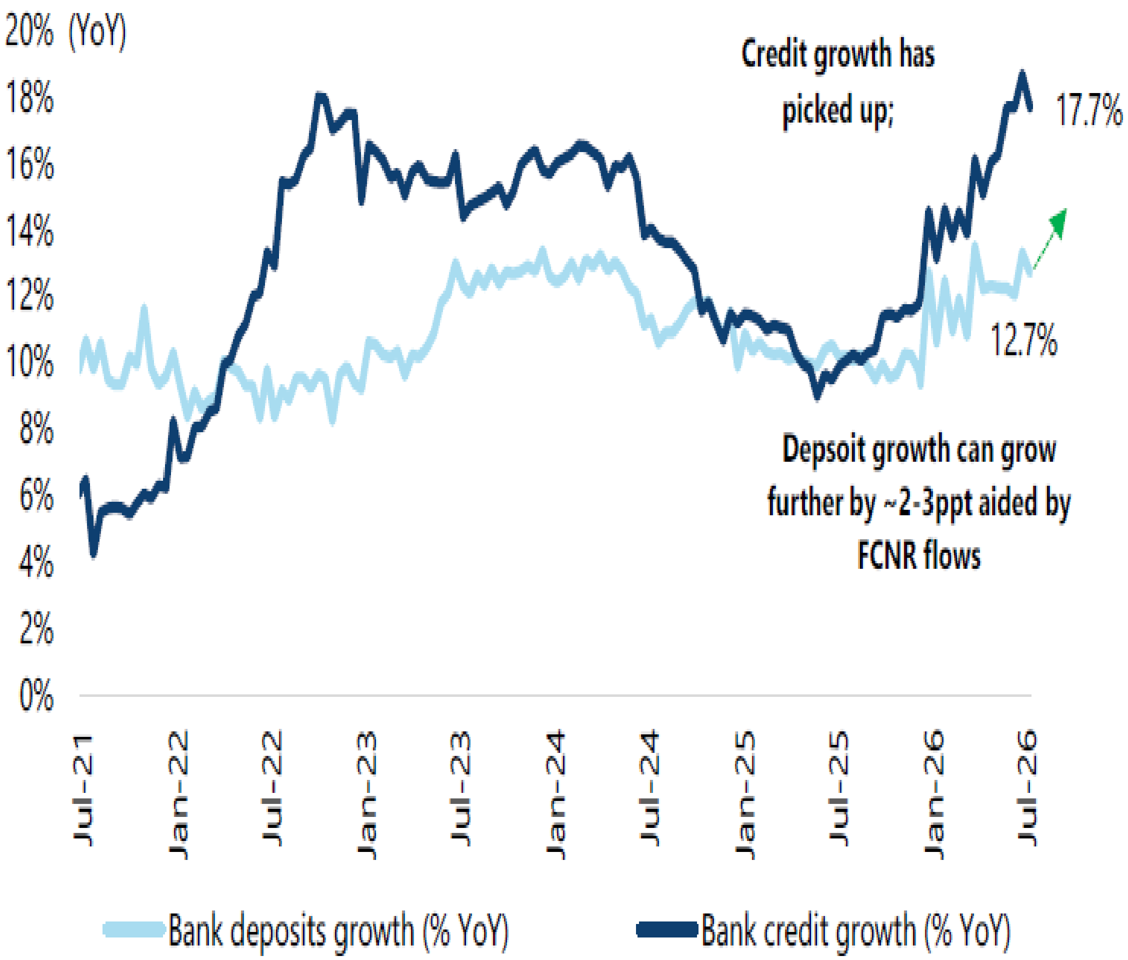
LAF surplus at INR 1.6tn post RBI’s USD 5bn swap in May’26



Source:MOC, Avendus Spark Research

Bank credit is growing at its fastest pace in over a decade

Credit and deposit growth trends for banks



Advances growth continues to outpace deposits

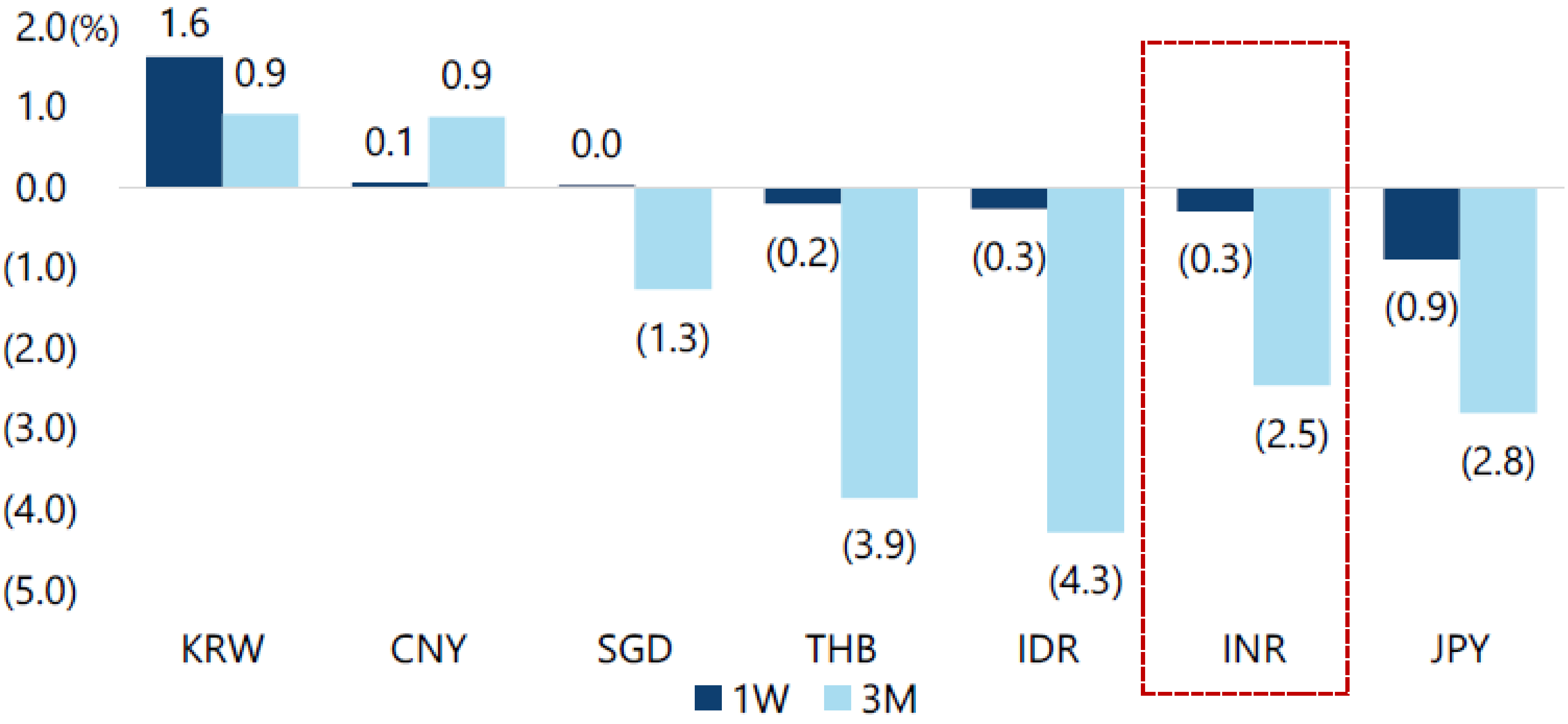
Banks	Advances growth q-o-q%							
	FY 25			FY 26				FY27
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
HDFCB	1.3%	0.9%	4.0%	0.3%	4.5%	2.7%	4.1%	3.4%
ICICIBC	4.4%	2.9%	2.1%	1.7%	3.2%	4.1%	6.0%	5.0%
KMB	2.5%	3.6%	3.2%	4.2%	4.0%	3.9%	3.2%	3.3%
AXSB	2.0%	1.5%	2.6%	1.8%	5.4%	3.8%	6.4%	2.3%
BOB	7.0%	2.7%	5.1%	-1.9%	6.0%	5.3%	6.3%	-0.9%
CBK	4.0%	4.0%	2.5%	2.3%	5.3%	3.8%	4.0%	4.7%
FB	4.3%	0.0%	1.9%	2.7%	1.4%	4.5%	3.5%	4.9%
IIB	2.7%	2.7%	-6.0%	-3.3%	-2.3%	-2.6%	-0.5%	3.3%
AUBANK	5.8%	5.0%	7.6%	2.6%	5.3%	6.7%	8.8%	3.2%
SBICARD	5.5%	-1.5%	2.1%	1.3%	5.9%	-4.5%	-0.4%	2.6%
RBK	1.4%	2.9%	2.4%	2.0%	6.5%	2.5%	10.8%	1.7%
KVB	3.4%	3.4%	2.1%	5.9%	3.6%	4.7%	1.7%	6.0%
CUBK	4.8%	3.4%	5.4%	1.8%	6.9%	5.9%	9.7%	1.5%

Banks	Deposits growth q-o-q%							
	FY 25			FY 26				FY27
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
HDFCB	5.1%	2.5%	5.9%	1.8%	1.4%	2.1%	8.6%	2.1%
ICICIBC	5.0%	1.5%	5.9%	-0.1%	0.3%	2.9%	8.1%	2.2%
KMB	3.1%	2.6%	5.4%	2.8%	3.1%	2.6%	5.5%	0.1%
AXSB	2.3%	0.8%	7.0%	-1.0%	3.6%	4.8%	6.0%	2.8%
BOB	4.3%	2.1%	5.7%	-2.5%	4.5%	3.1%	6.6%	-0.9%
CBK	0.9%	0.0%	6.2%	1.0%	3.9%	1.4%	3.1%	2.7%
FB	1.1%	-1.0%	6.5%	1.3%	0.5%	3.1%	5.4%	2.0%
IIB	3.6%	-0.8%	0.4%	-3.4%	-1.9%	1.0%	1.6%	3.6%
AUBANK	12.7%	2.3%	10.7%	2.8%	3.8%	4.5%	10.3%	3.3%
SBICARD								
RBK	6.5%	-1.1%	3.9%	1.6%	3.5%	2.6%	16.1%	-10.2%
KVB	3.8%	3.5%	2.9%	4.5%	3.6%	3.7%	0.9%	6.0%
CUBK	4.6%	1.6%	9.0%	3.5%	5.7%	1.5%	11.1%	1.3%

Source: Jefferies, Avendus Spark Research

INR has stabilized – Still undervalued on a REER basis

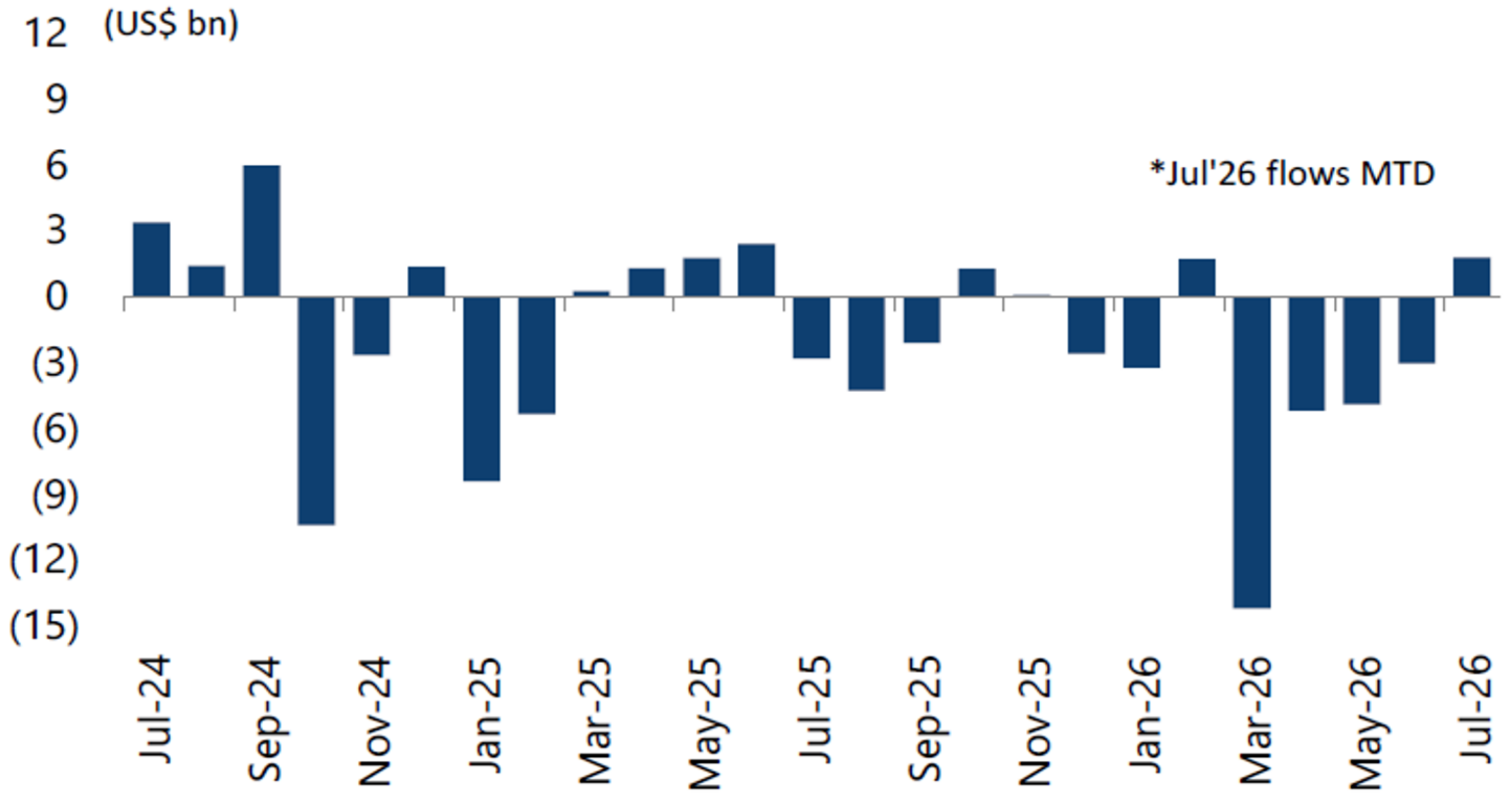
INR and regional currencies performance vs. the USD



Source: Bloomberg, Jefferies,
Note: negative no. is depreciation against the USD

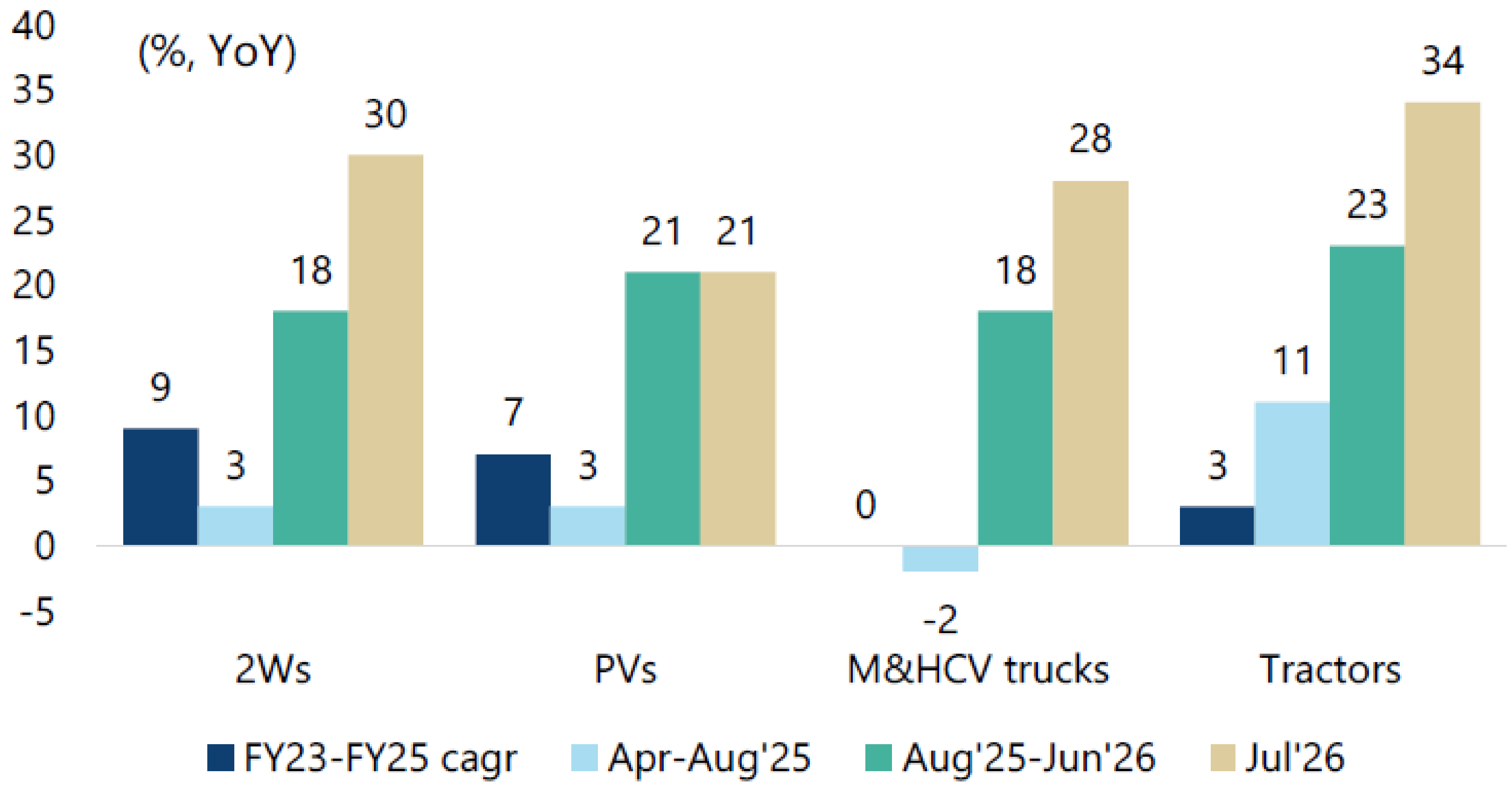
FPI flows turn positive in July after significant sell off in previous months

FPI net flows into equity



Source: Bloomberg, Jefferies
Note: Jul 2026 flows upto 28 Jul 2026

Auto sales growth in July is encouraging



Source: GoI, Jefferies

Consumption volumes are broadening further than automobiles

Consumer services reported highest growth in BSE500

BSE500 Index	EBITDA growth y-o-y %				
Sector	1Q 26	2Q 26	3Q 26	4Q 26	1Q 27
Consumer Services	-7%	-11%	12%	56%	50%
Realty	1%	39%	13%	42%	42%
Metals & Mining	12%	16%	22%	39%	38%
Capital Goods	19%	38%	35%	29%	35%
Power	1%	12%	10%	8%	29%
Chemicals	25%	10%	4%	5%	25%
Consumer Durables	-6%	20%	11%	14%	23%
Financial Services	8%	2%	8%	11%	18%
IT	4%	7%	9%	13%	17%
FMCG	-1%	6%	7%	17%	15%
Automobile	7%	19%	23%	20%	15%
Oil & Gas	3%	18%	4%	5%	12%
Construction	13%	9%	15%	7%	4%
Construction Materials	46%	57%	16%	8%	2%
Services	10%	3%	14%	-34%	-5%
Healthcare	11%	5%	-7%	-5%	-5%
BSE500	7%	9%	9%	12%	18%

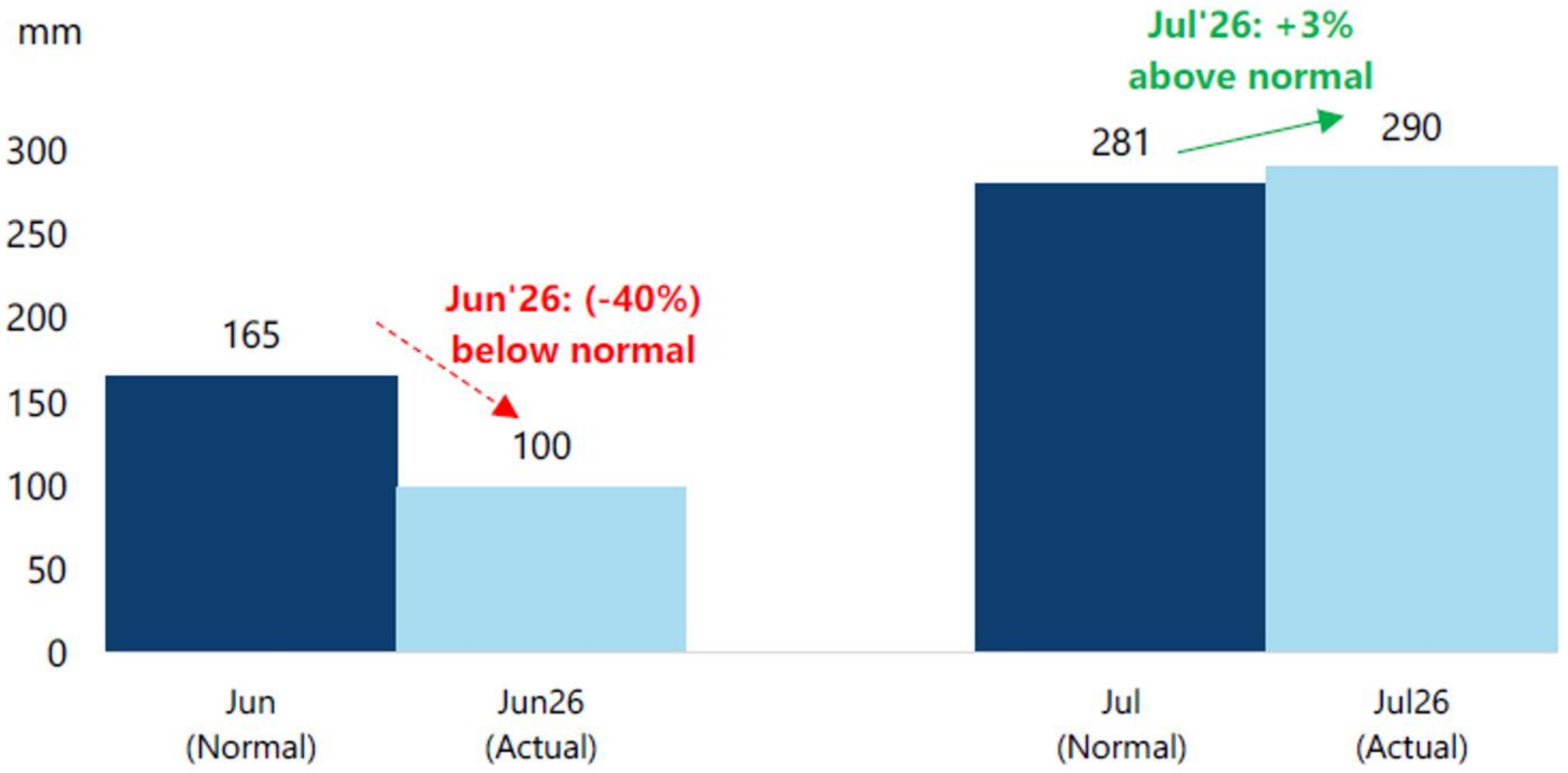
Broad-based volume growth seen in consumer companies

	Q2 26	Q3 26	Q4 26	Q1 27
FMCG				
Nestle India	7%	1%	7%	15%
Alco-bev				
RDCK (P&A)	22%	26%	28%	36%
Tilak Nagar (Overall)	16%	76%	134%	171%
FMEG - Revenue				
Havells	-2%	4%	9%	12%
Orient	0%	13%	8%	23%
Polycab	14%	18%	39%	68%
W&C Revenue				
Havells	12%	33%	14%	27%
Polycab	19%	54%	29%	38%
Auto - Volumes				
2W - Moped	-4%	8%	26%	29%
Passenger car	0%	20%	0%	21%
SUV Volumes	-2%	21%	20%	28%
LCVs	9%	21%	17%	20%

Source: Avendus Spark Research

After low Q1, July has seen above normal rainfall

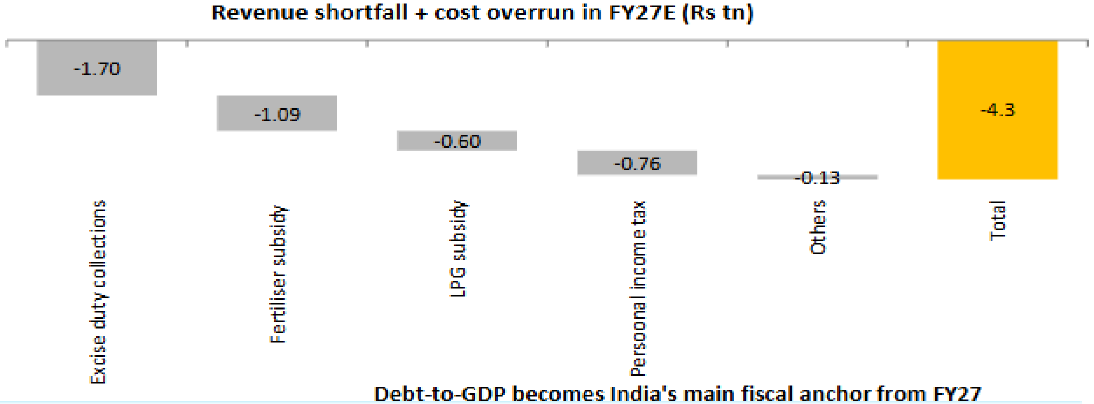
Rainfall in millimetres



Source: IMD, Jefferies

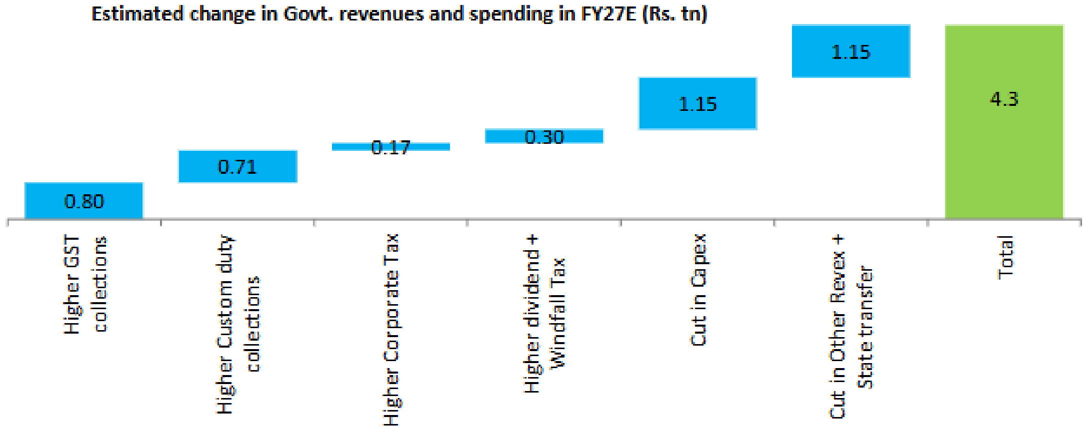
Despite 1.1% drag on GDP from West Asia crisis, fiscal deficit looks manageable

INR 4.5tn full year impact possible on govt. finances



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

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



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

Section 3:

Indian Markets

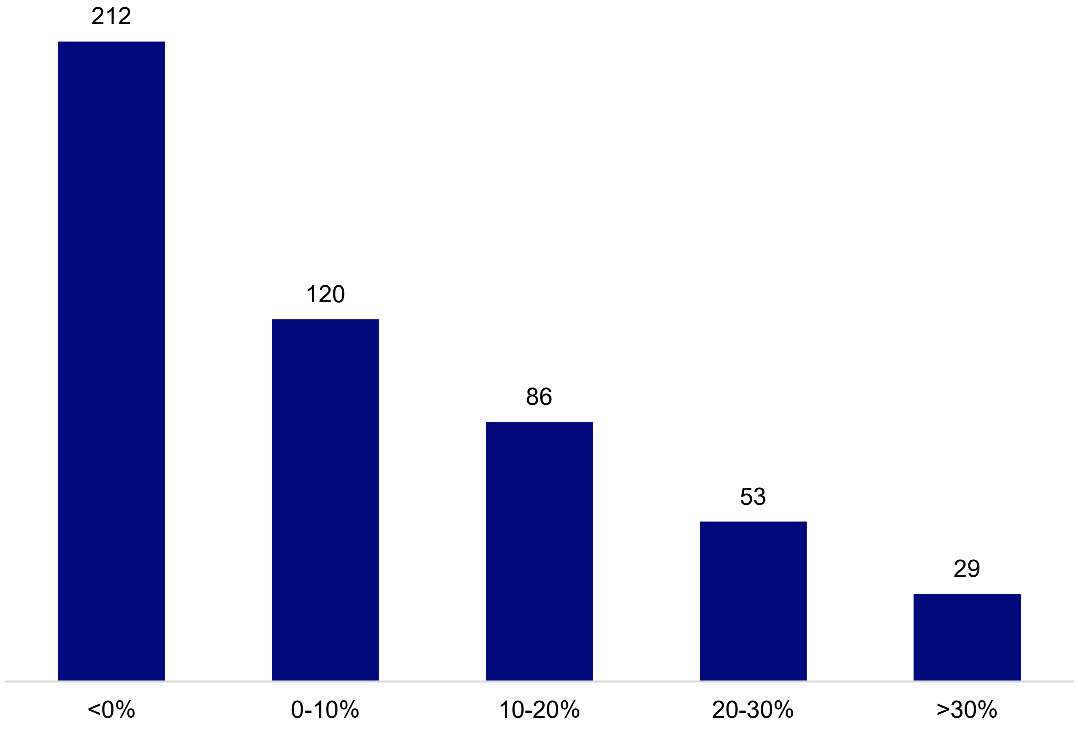
SMIDs have shown significant outperformance vs. large caps post war

Nifty 50 vs Nifty Midcap 150 vs Nifty Smallcap 250 – Apr'26 to Jul'26

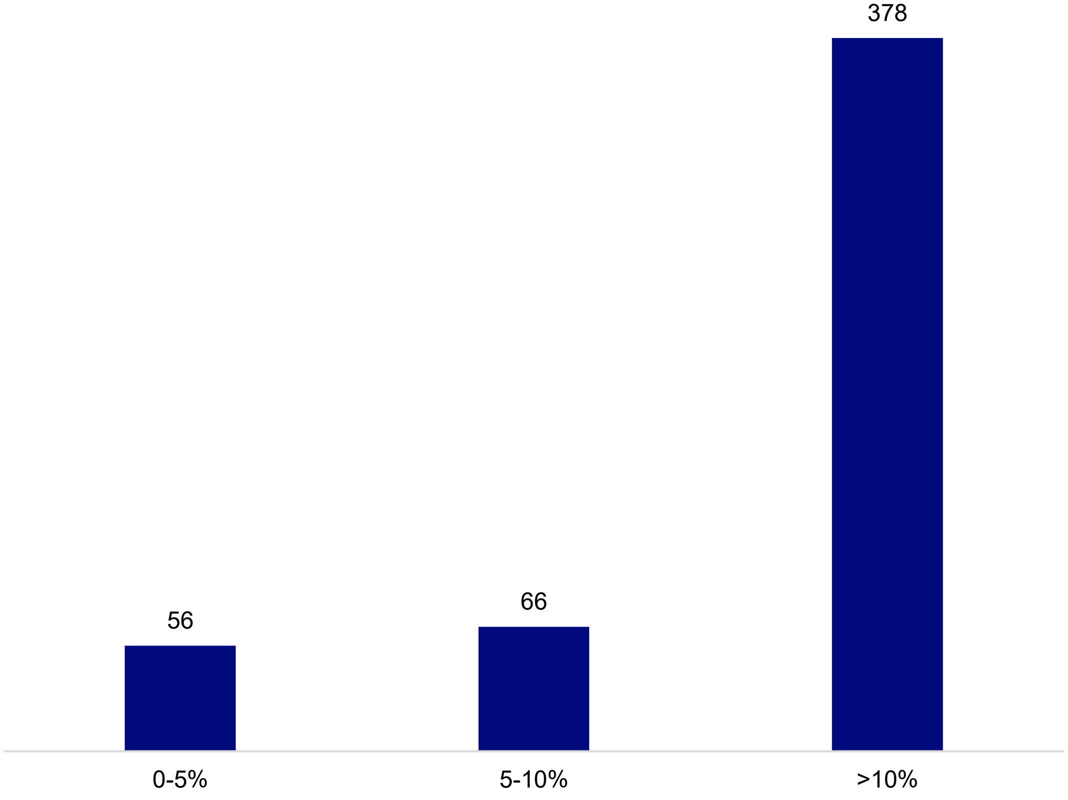
Source: Bloomberg

Though the market breadth has been widening, stock selection remains key

Nifty 500 – Trailing 3m return distribution (# stocks)



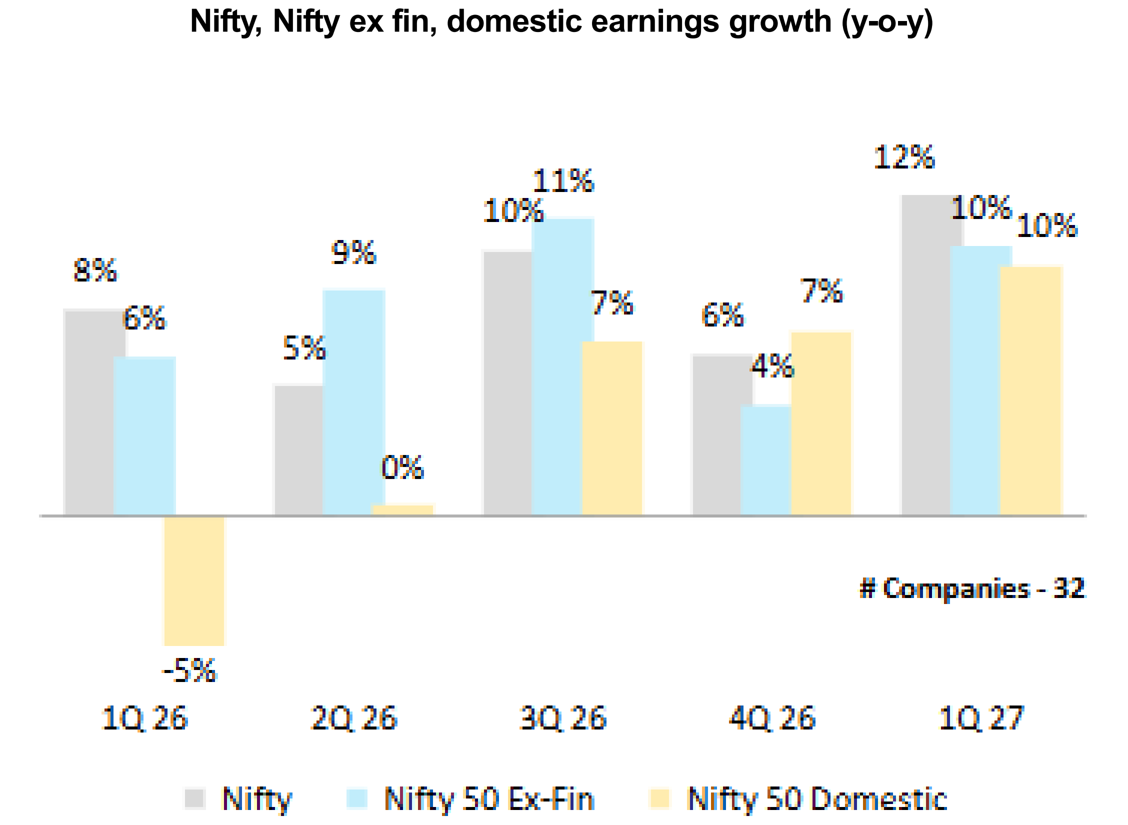
Only 11% stocks close to 52-week highs



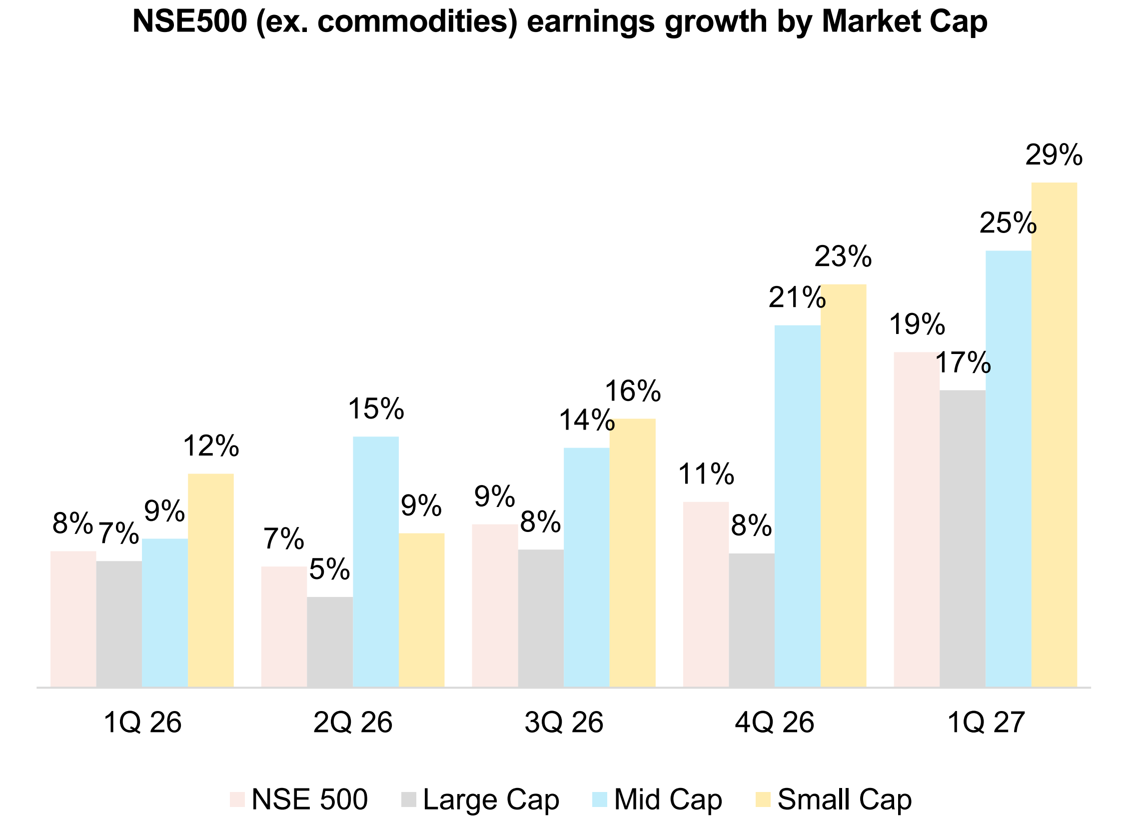
Source: IKIGAI Research

Looking past the index, bottom-up stock picking is rewarded

Nifty domestic earnings grew 10% YoY in Q1FY27



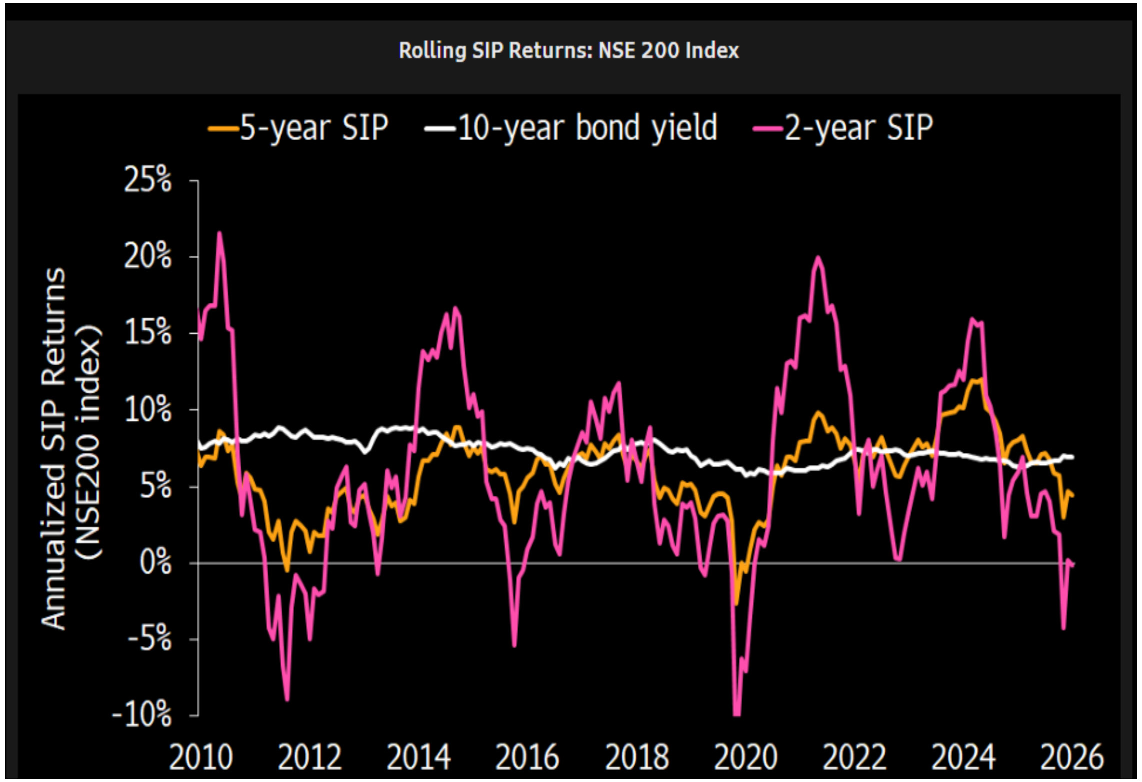
NSE 500 (ex. Commodities) earnings growth led by smallcaps



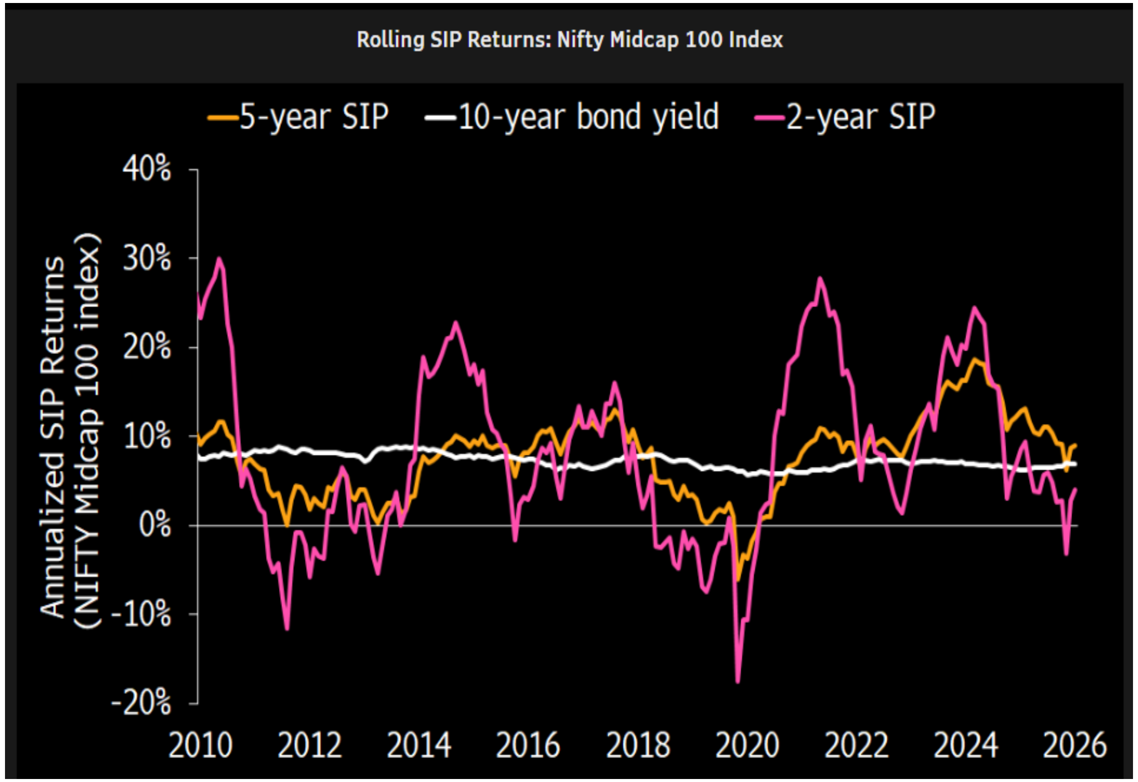
Source: Avendus Spark, IKIGAI

Despite rolling 2-year returns being close to zero or negative

Rolling SIP returns for NSE 200

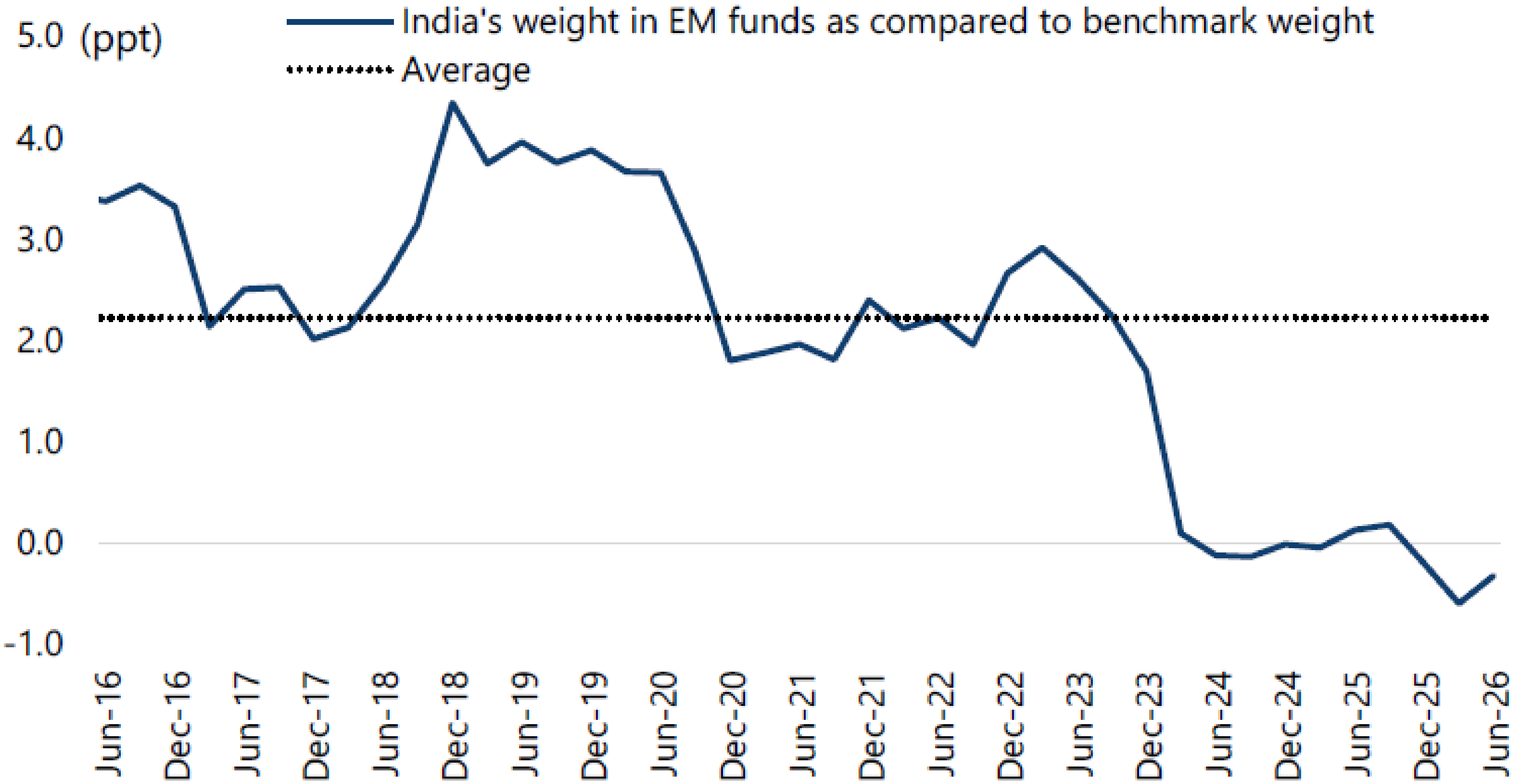


Rolling SIP returns for Nifty Midcap 100



Source: Bloomberg Intelligence

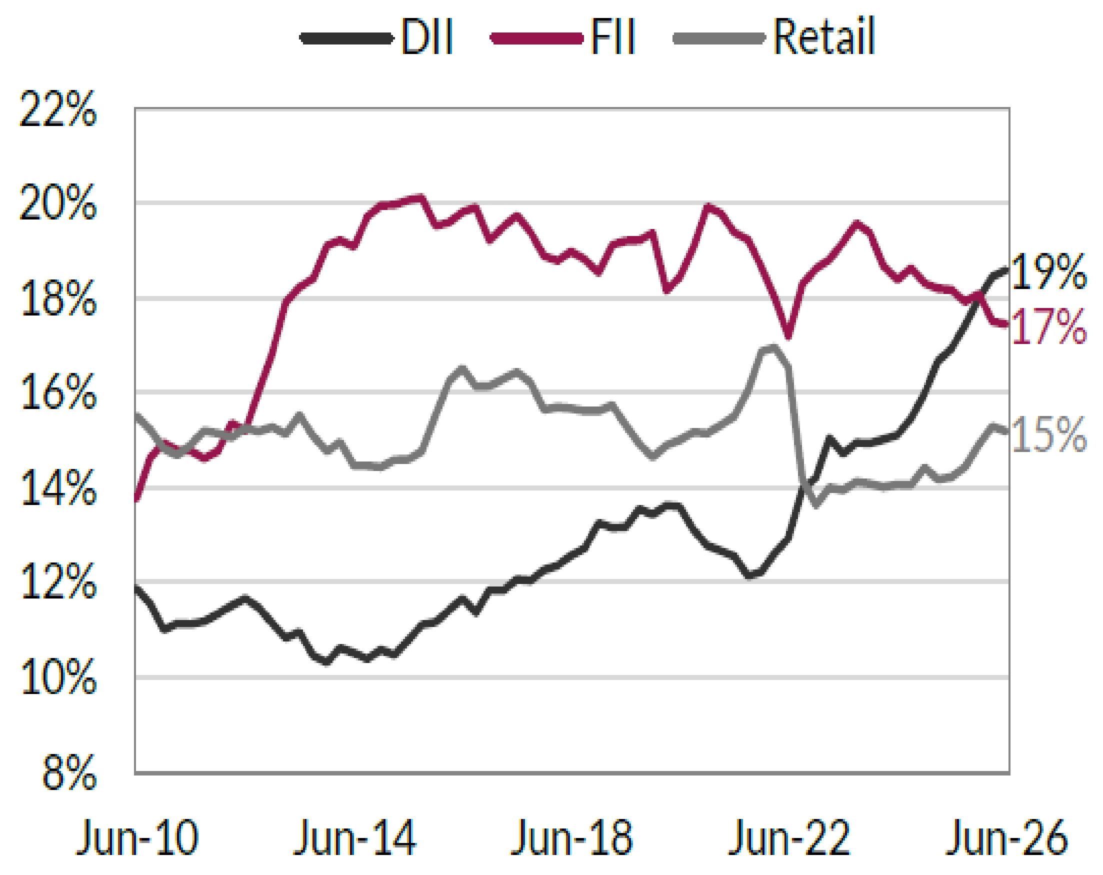
EM funds remain underweight India



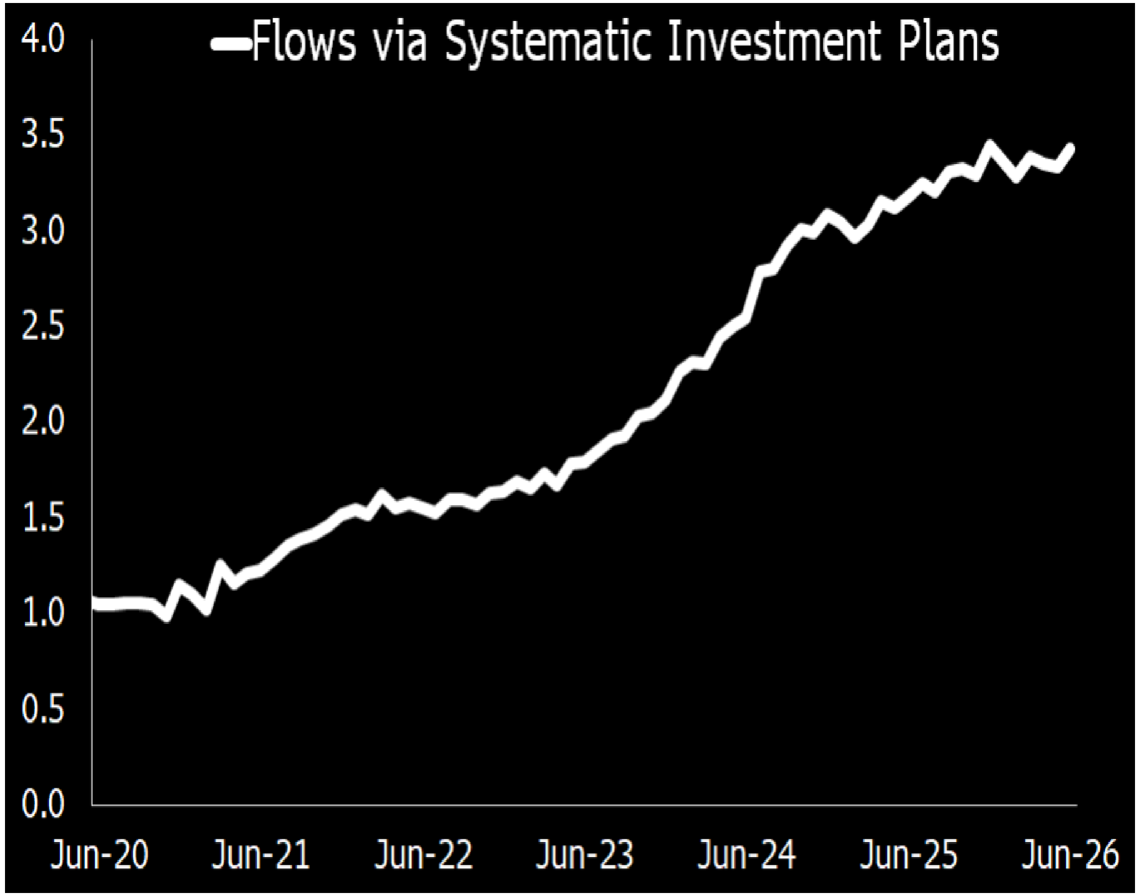
Source: Bloomberg, Jefferies.
Note: Considered 70 EM funds with a combined AUM of US$380bn as of 30 Jun 2026

While domestics continue to support the markets

DII share continues to rise while FII share flips

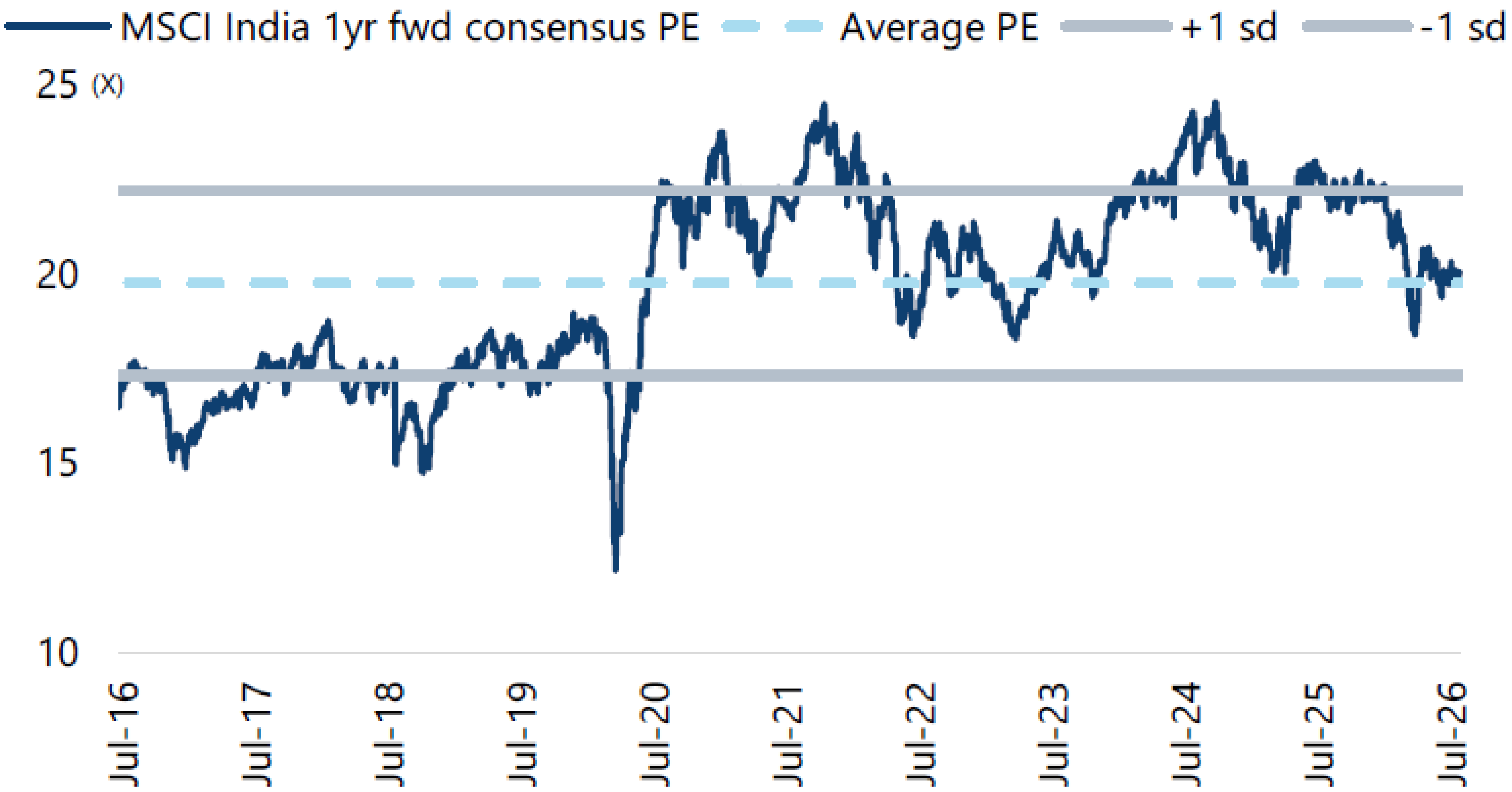


SIP flows rising at 30%+ annual rate since pandemic



Source: Bloomberg, Axis Capital

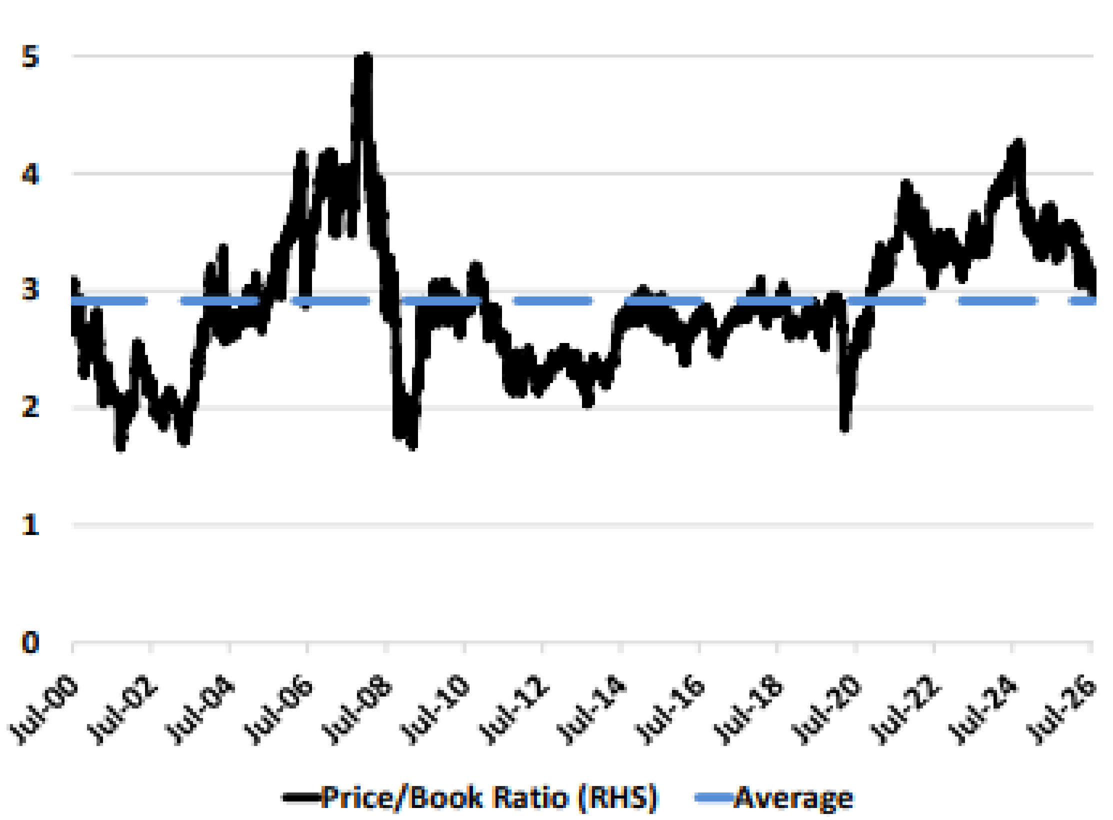
Valuations now reasonable and growth is returning



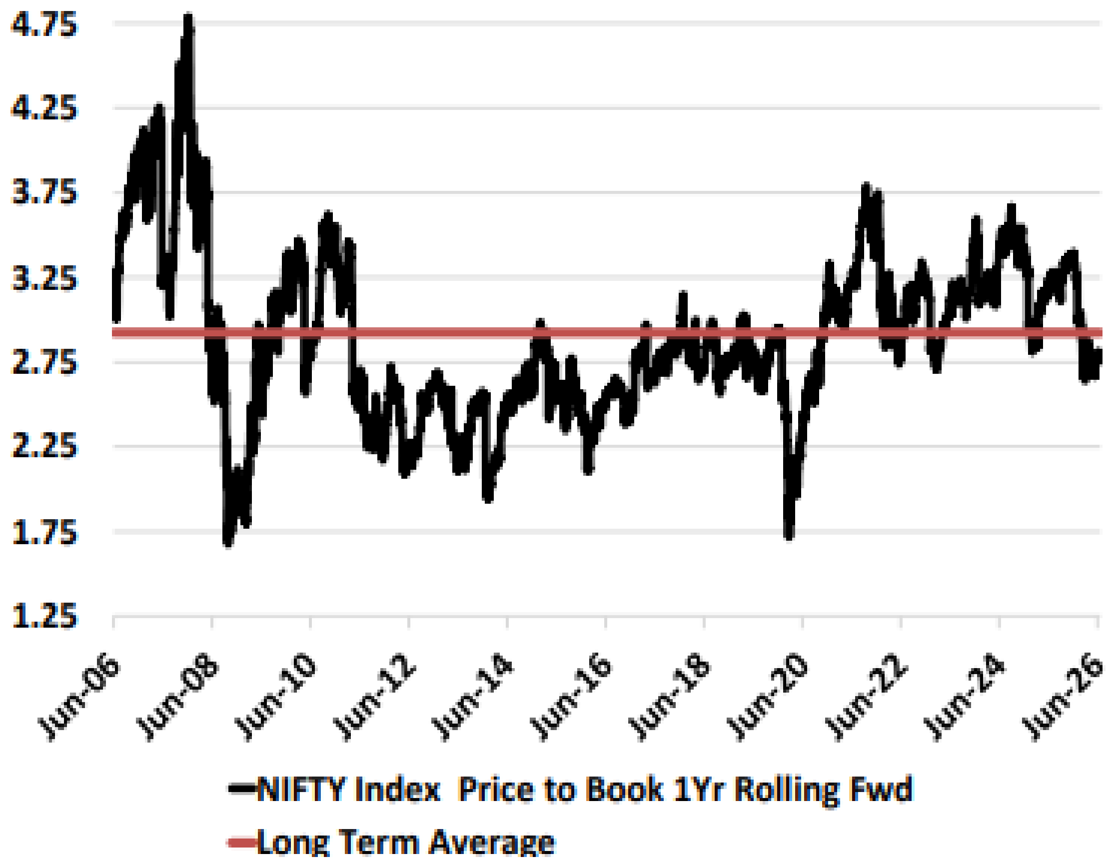
Source: Bloomberg, Jefferies.

Nifty valuations de-rating have reached pre-Covid levels

Nifty trailing P/B is below long period average



Nifty 1yr forward P/B has fallen below long period average



Source: DSP Netra

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

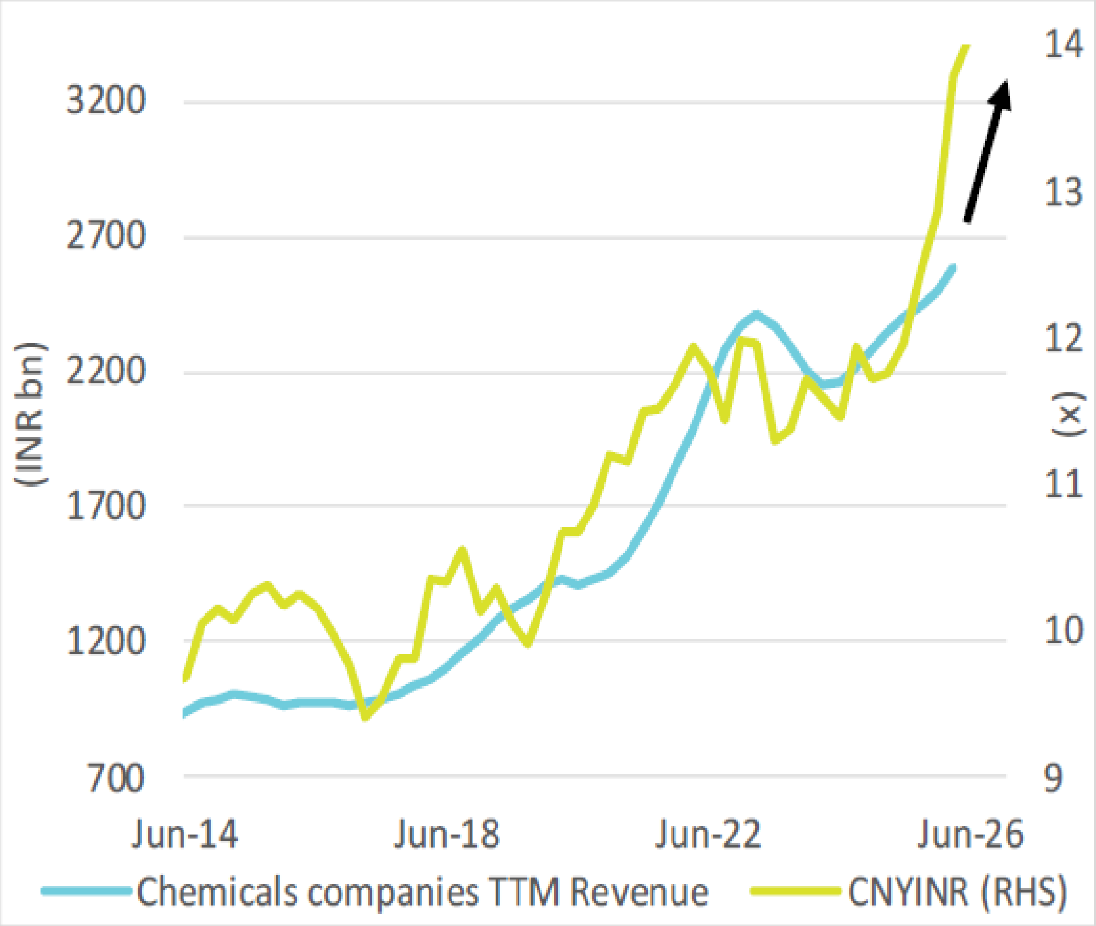
Source: TradingView

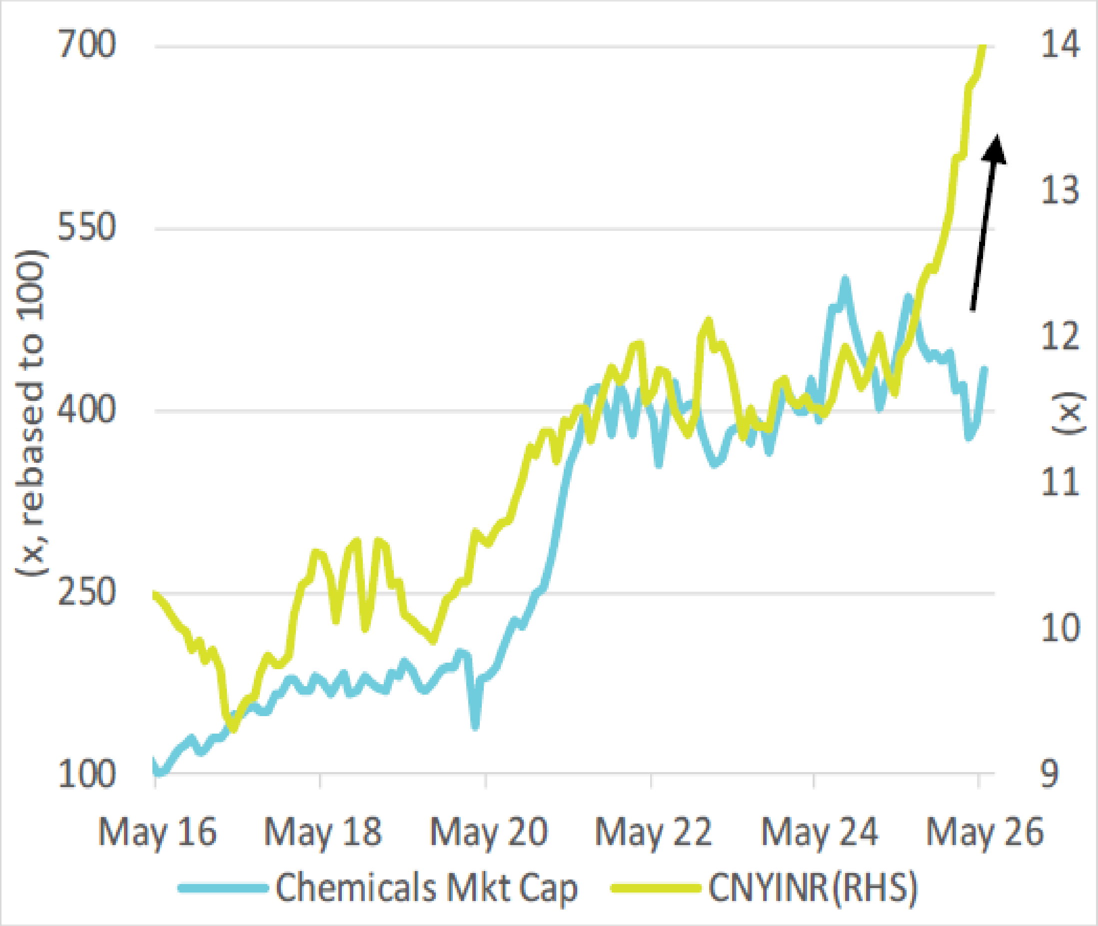
Sectors that could benefit from CNY appreciation helping import substitution

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

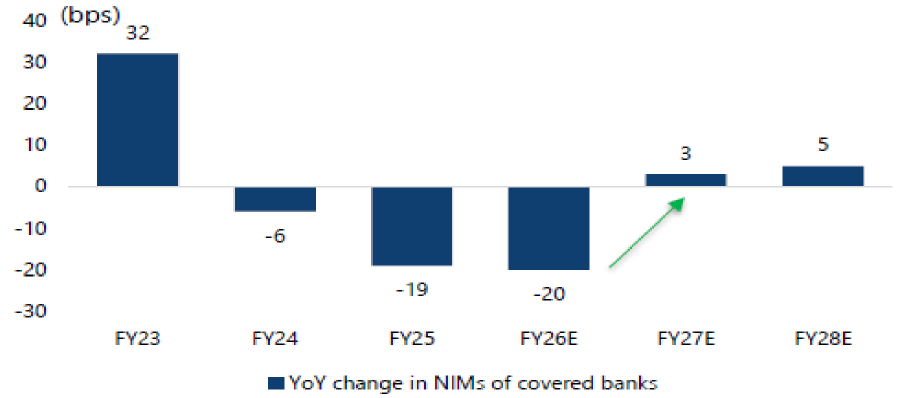




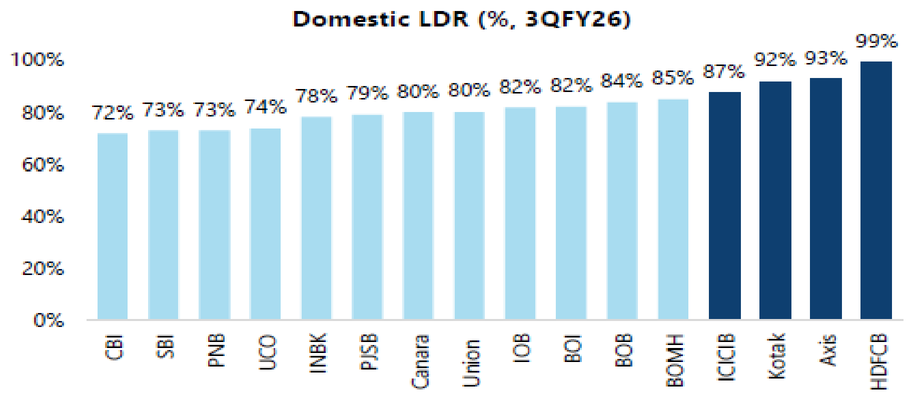
Source: Bloomberg, Nuvama

Why we believe financials are in a sweet spot

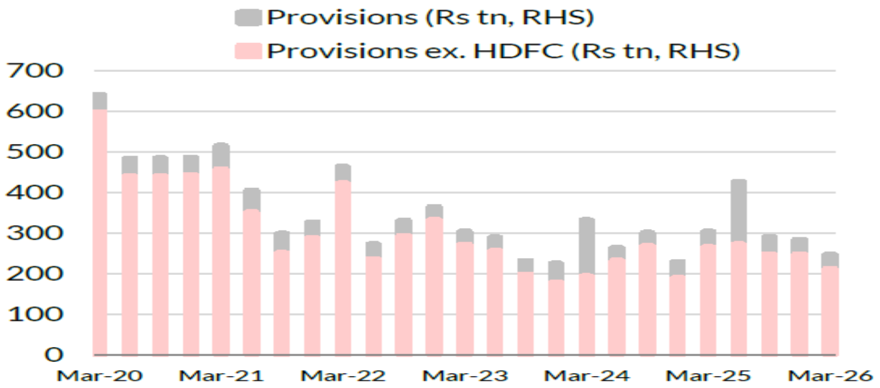
NIM compression behind now



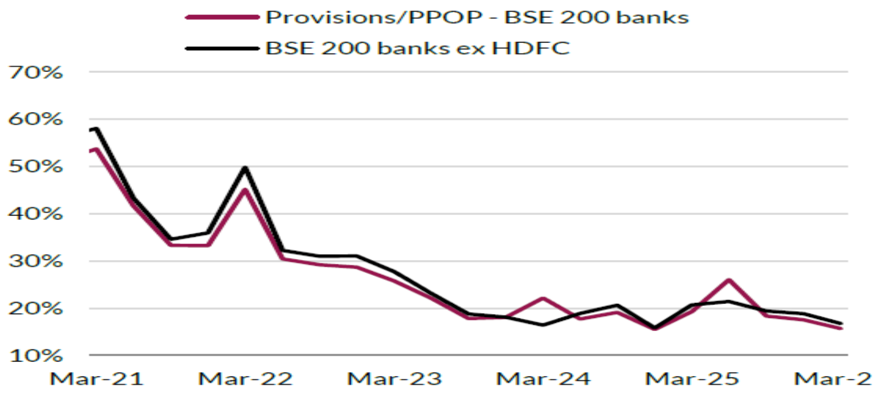
PSU banks' LDR relatively lower than Pvt banks



Slowdown in provisions in Q4FY26…



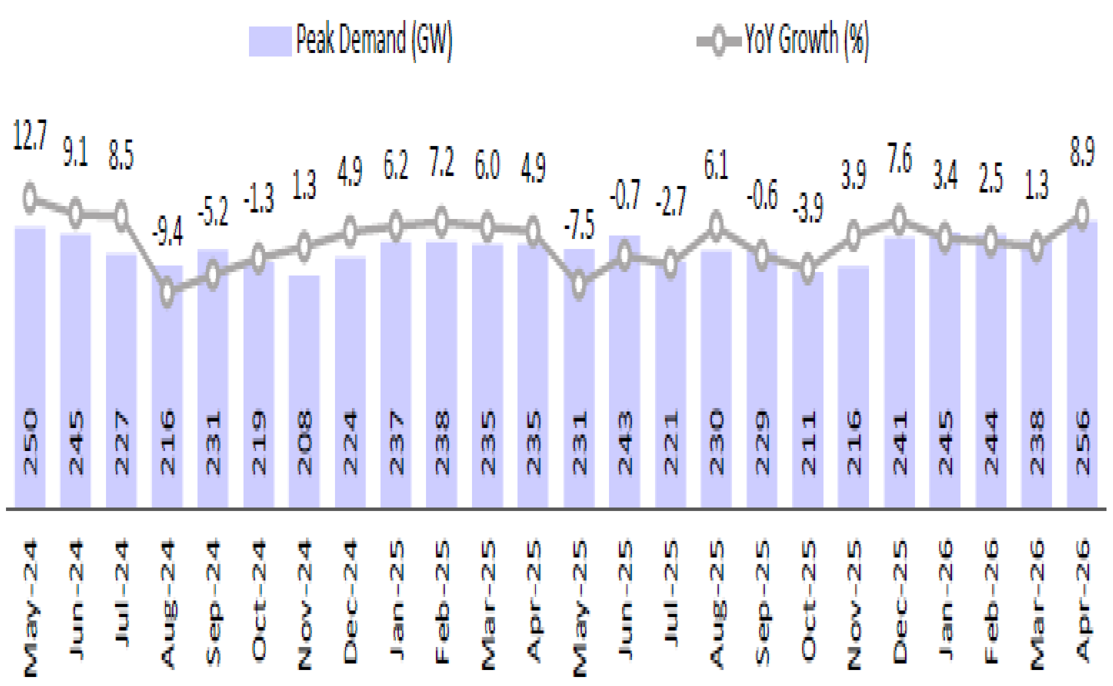
… implies limited pressure for asset quality



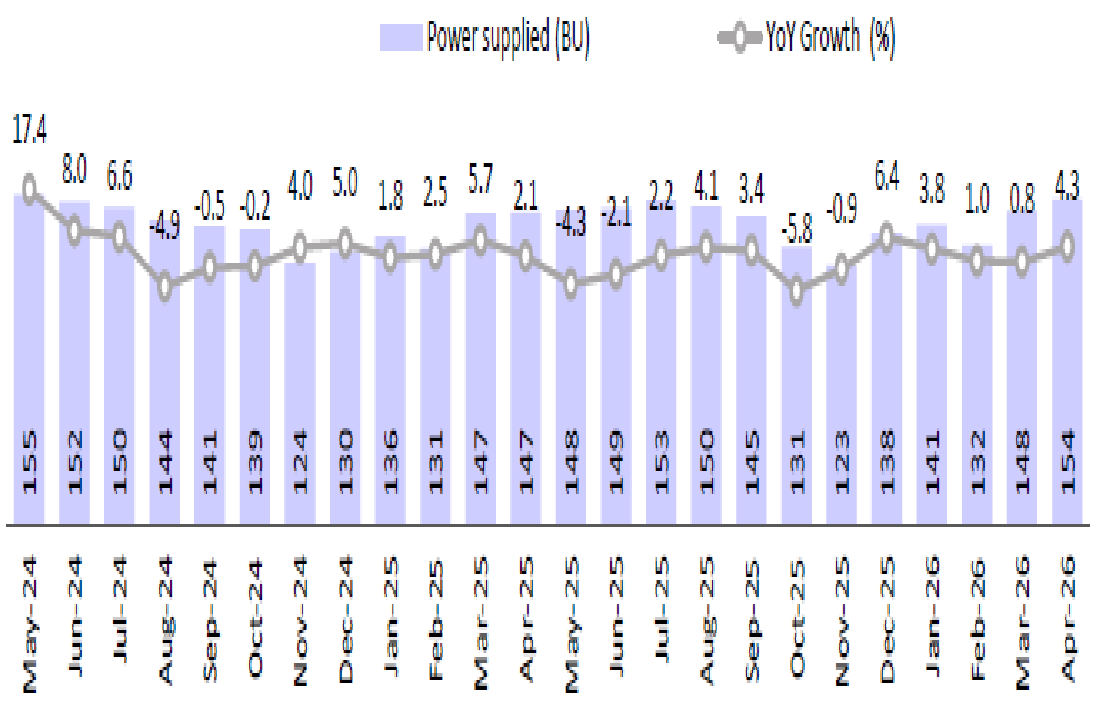
Source: Bloomberg, Jefferies, Axis Capital

Hot summers and deficit monsoon to keep power demand high

India's peak power demand (GW)



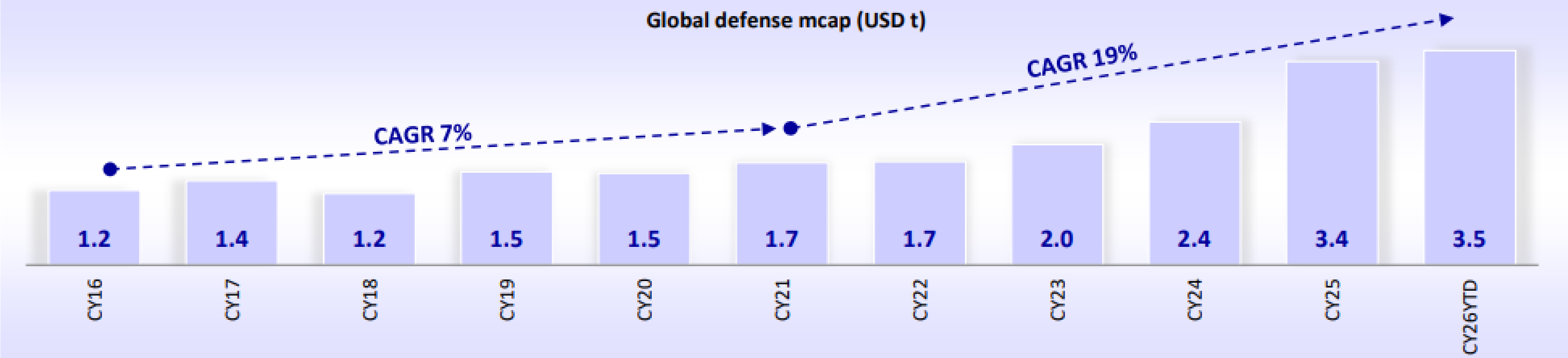
India's power supplied (BU)



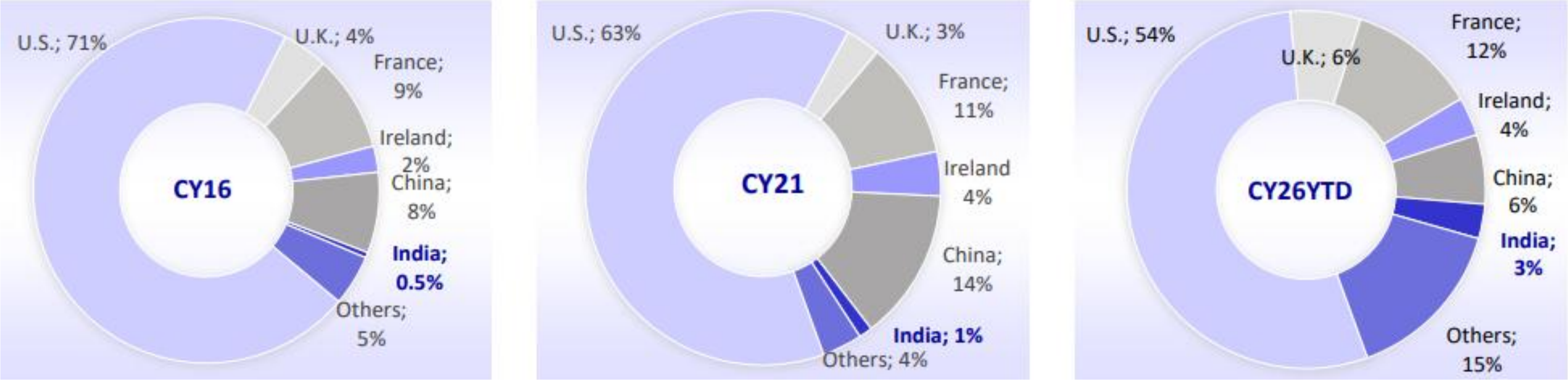
Source: MOSL

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?

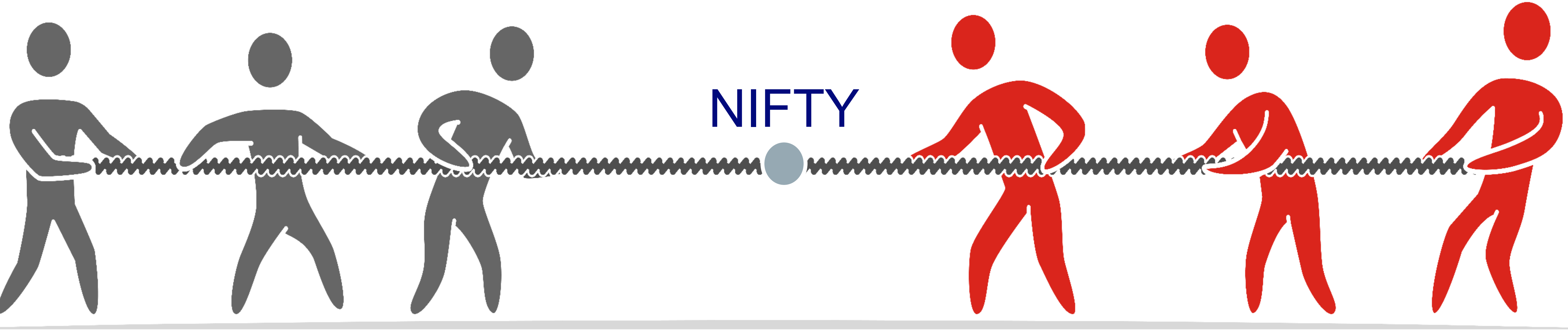
- We are constructive on the markets. After the rally, we believe bottom-up stock picking should be rewarded.
- We recommend to raise equity exposure in a staggered manner from hereon:
  - ✓ Top up allocations/SIPs
  - ✓ Sectors that can do well - Metals, healthcare, chemicals, power, auto ancillaries,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