

MTF At All Time High, While ADTO Remained Stagnant Sequentially

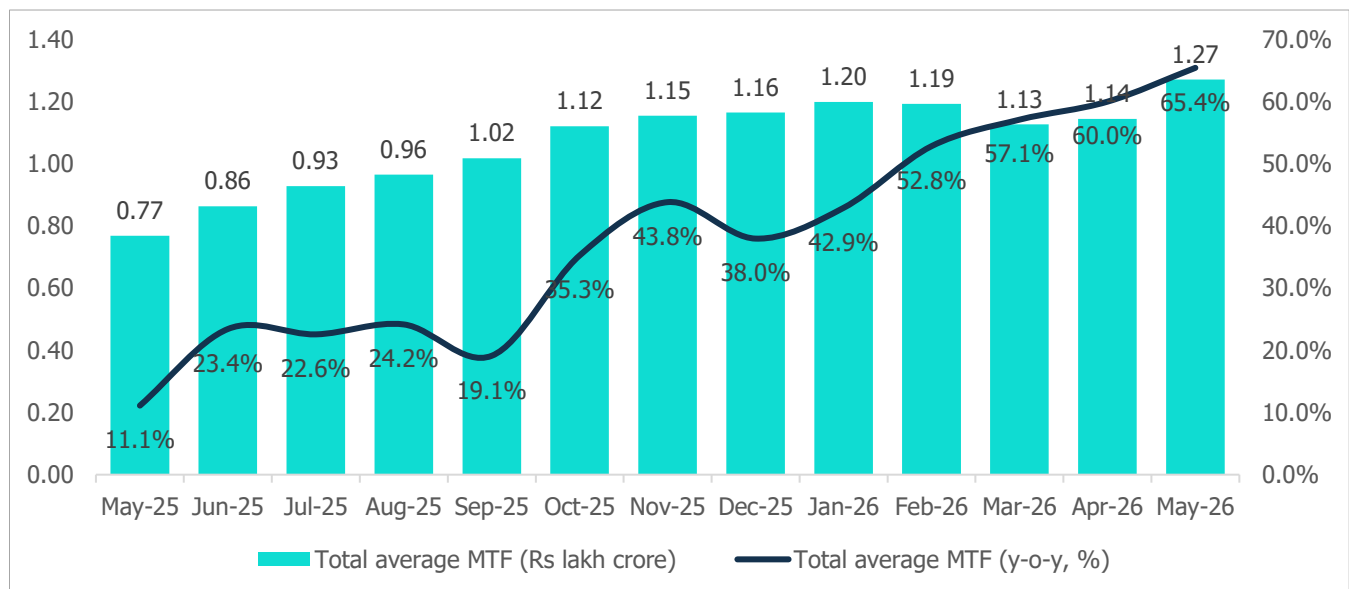
June 23, 2026 | BFSI Ratings

Synopsis

- As of May 2026, the Margin Trading Facility (MTF) book recorded healthy sequential growth of 11.1%, compared with the muted growth of 1.6% witnessed in April 2026. On a year-on-year basis, the MTF book expanded by 65.4% to Rs 1.27 lakh crore, reflecting sustained growth in leveraged equity exposure. Notably, BSE's MTF book registered a robust 58.3% y-o-y increase in May 2026, inching closer to NSE's MTF y-o-y growth of 65.7% during the same period. Despite strong growth, BSE's contribution to the overall MTF book remained modest, while NSE continued to dominate the segment with a 96% market share.
- The Average Daily Turnover (ADTO) across Futures & Options (F&O) and equity rose significantly by 39.5% y-o-y to Rs 487.4 lakh crore, supported by a low base, strong derivatives activity, and elevated market volatility. However, on a sequential basis, overall ADTO remained stagnant, with a marginal increase of Rs 0.2 lakh crore in May 2026, primarily due to higher Securities Transaction Tax (STT) rates on derivatives trading, which raised overall trading costs.
- Additionally, in May, expectations of stabilisation in the West Asia situation improved sentiment and reduced the need for aggressive hedging and speculative positioning, which typically lowers derivatives churn. On the other hand, cash market ADTO improved in May 2026, rising 28.3% y-o-y and 5.7% sequentially, supported by higher investor participation and MTF activity.

MTF Book Continues Uptrend on a Sequential Basis; Breaches Jan High

Figure 1: Trend in Average MTF (Rs lakh crore)



Source: NSE and BSE. Note: To calculate the average MTF, data from all Tuesdays in the month and the last working day of each month were considered.

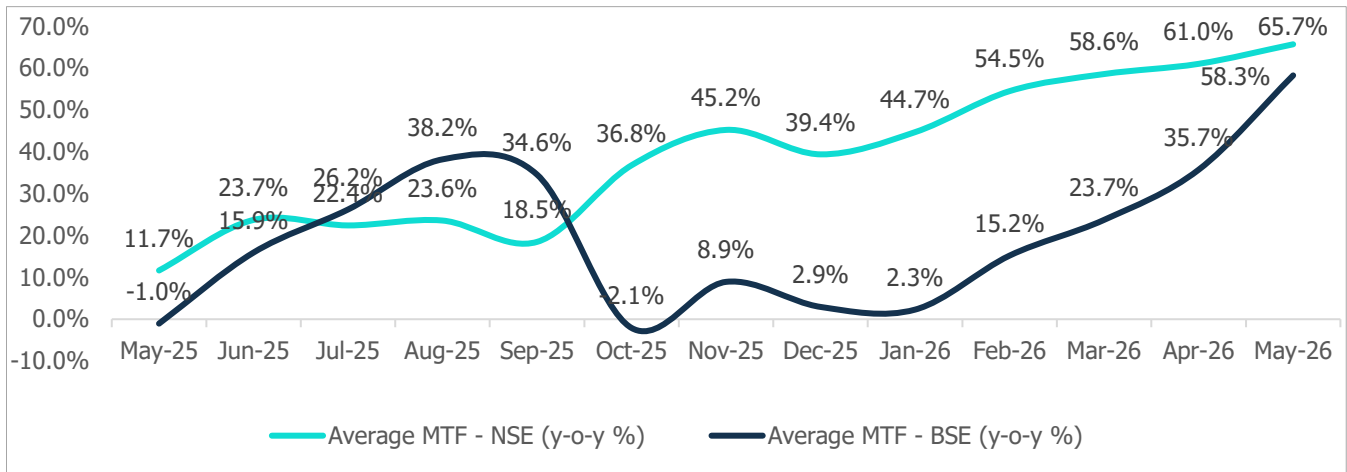
- As of May 2026, the total average MTF book stood at Rs 1.27 lakh crore, registering a sequential improvement from April 2026 of 11.1%, following a growth of 1.6% in April 2026 compared to a 5.6% decline in March 2026. On a y-o-y basis, however, the MTF book recorded a strong growth of 65.4%, significantly higher than

the 11.1% growth in May 2025, indicating continued strength in retail participation and sustained interest in leveraged positions despite intermittent market fluctuations. The improvement, in line with cash-segment activity, partly reflects a recovery in market sentiment, supported by expectations of stabilisation in the West Asia crisis.

- NSE continues to dominate the MTF segment, contributing over 96% of total MTF volumes. The average MTF book on NSE rose to Rs 1.22 lakh crore in May 2026, reflecting a strong 65.7% y-o-y growth. Further, on a sequential basis, the MTF book increased by Rs 0.12 lakh crore.
- In contrast, Bombay Stock Exchange’s (BSE) MTF book remained relatively small in comparison; however, it recorded a strong 58.3% y-o-y increase in May 2026 and stood at Rs 0.05 lakh crores.

NSE Drives Steady MTF Growth, While BSE Shows Significant Uptick

Figure 2: MTF Growth Trends (y-o-y, %)



Source: NSE, BSE, Note: The average MTF has been computed using data from all Tuesdays and the last working day of each month.

The implementation of STT led to an easing of F&O Volume.

Figure 3: Trend in ADTO - F&O (Rs lakh crore, y-o-y %)

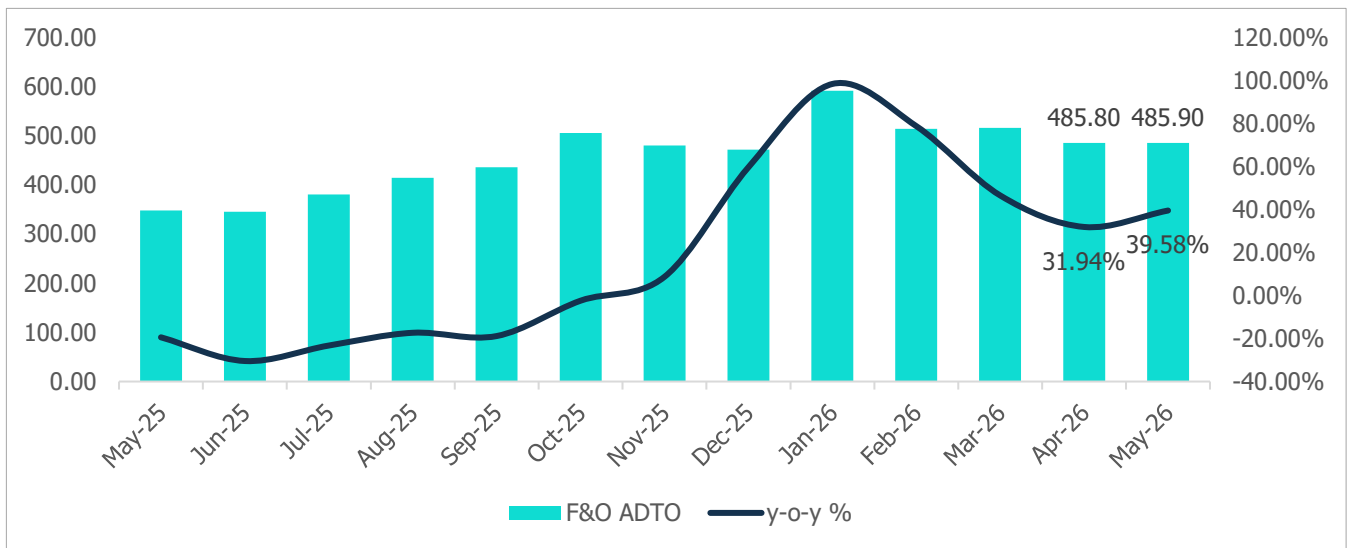
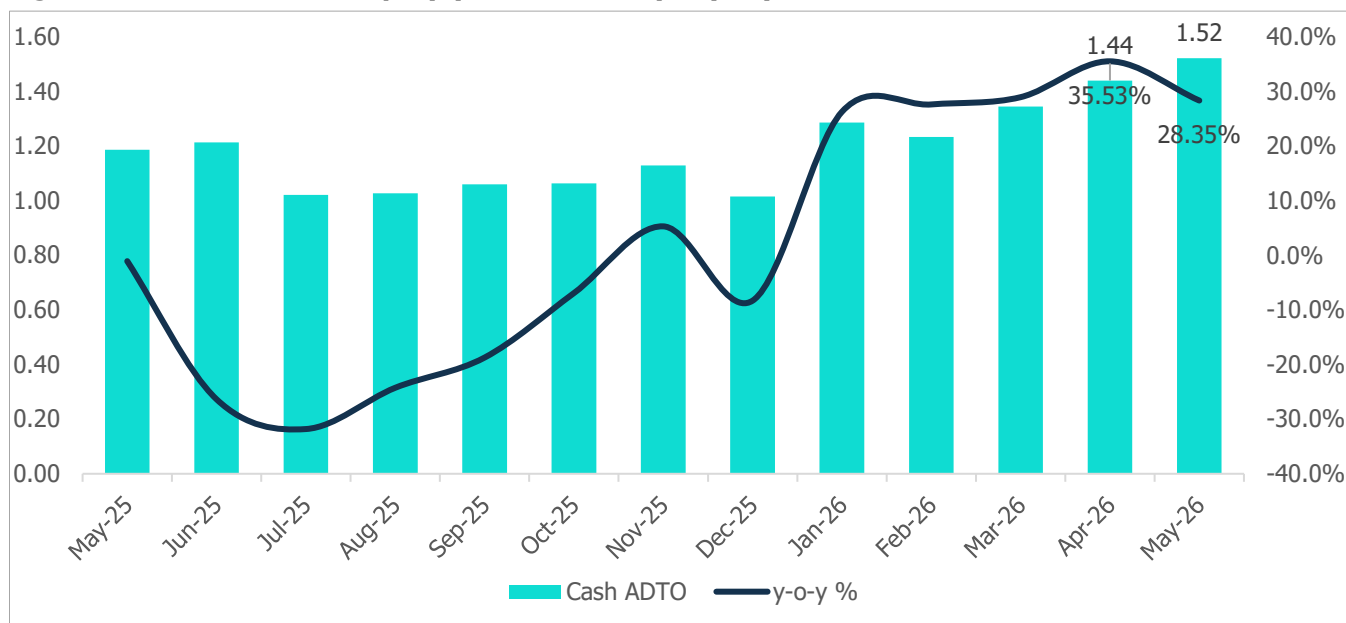


Figure 4: Trend in ADTO - Equity (Rs lakh crore, y-o-y %)



Source: NSE and BSE.

- As of May 2026, ADTO across F&O and equity stood at Rs 487 lakh crore, registering a 39.5% y-o-y increase. The strong annual growth was partly supported by a low base in May 2025, as trading activity was impacted by regulatory tightening. However, on a sequential basis, ADTO improved marginally by Rs 0.2 lakh crore in May 2026, primarily due to increased STT rates on derivatives trading, persistent geopolitical tensions, global macroeconomic uncertainty, and heightened market volatility.
- BSE's F&O turnover moderated sequentially by 18.9% in May 2026 after witnessing unusually strong activity in April 2026, which had benefited from holiday-related shifts in trading flows from NSE and elevated market volatility. With trading conditions normalising and liquidity gravitating back towards NSE, derivatives activity on BSE declined despite its competitive pricing initiatives. This trend was also reflected in NSE's performance, which recorded a 12.3% sequential growth during the same period, indicating a shift in trading activity back to the exchange.
- Cash market activity also strengthened in May 2026, with average daily turnover (ADTO) increasing by 28.3% y-o-y to ₹1.52 lakh crore, compared with a 1.1% decline recorded in the corresponding period of the previous year. On a sequential basis, cash market turnover rose by ₹0.12 lakh crore. The improvement in cash segment activity partly reflects a recovery in market sentiment, supported by expectations of stabilisation in the West Asia crisis.

CareEdge Ratings' View

In May 2026, the Margin Trading Facility (MTF) book continued its strong growth trajectory, expanding by 65.4% y-o-y to reach an all-time high of Rs 1.27 lakh crore, reflecting sustained investor participation in leveraged cash market positions. On a sequential basis, the MTF book grew by 11.1%, supported by a recovery in market sentiment amid expectations of stabilisation in the West Asia crisis. Despite the improvement in sentiment, investors remained cautious given the prevailing uncertainty in the global environment.

Overall market activity remained healthy on a year-on-year basis, with average daily turnover (ADTO) rebounding on the back of a favourable base, improved liquidity conditions, and sustained investor participation. However, on a month-on-month basis, ADTO remained largely flat. This was primarily attributable to higher Securities Transaction Tax (STT) rates on derivatives trading, which increased overall trading costs, and an easing of market volatility as expectations of stabilisation in the West Asia situation.

Looking ahead, with the easing of geopolitical tensions in West Asia and a gradual improvement in investor sentiment, capital market activity is expected to remain supportive going forward. Consequently, the MTF book could witness further growth, driven by increased investor participation and improving market confidence. However, the implementation of the Reserve Bank of India's regulatory amendments, which has been deferred from April 2026 to July 2026, could affect trading volumes and overall market activity once the revised framework takes effect.

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