



**PL Capital**  
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WEALTH  
MANAGEMENT

# Market Outlook

Key Trends & Actionable Insights

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March 2026

# March Outlook (1/4)

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## *Volatility Returns; Opportunity in Quality*

### **Key Highlights**

Indian equity markets entered March amid heightened volatility following geopolitical tensions in the Middle East and the resulting increase in crude oil prices. While such developments may create short-term uncertainty across financial markets, India's underlying macroeconomic fundamentals remain relatively resilient.

Domestic growth continues to be supported by strong consumption demand, government-led infrastructure spending and improving balance sheets across corporates and financial institutions. Corporate earnings growth remains healthy across several sectors, although revisions have been uneven, indicating that market performance may increasingly become stock-specific.

In the near term, markets may remain sensitive to global developments and commodity price movements. However, India's structural growth drivers – including the infrastructure investment cycle, financial sector expansion and rising domestic consumption – continue to support a constructive long-term outlook for equities.

## **Market Drivers**

### **Global Developments**

Global markets have recently experienced increased volatility due to geopolitical tensions in the Middle East. Rising crude oil prices have raised concerns regarding inflation and global growth prospects. As India remains a significant importer of energy, sustained increases in oil prices could influence inflation expectations and currency movements.

### **Domestic Economic Momentum**

Despite global uncertainties, India's domestic economic environment remains supportive. Strong infrastructure spending, improving manufacturing activity and steady consumption demand continue to support economic growth. Corporate balance sheets have strengthened over recent years, while the banking sector has demonstrated improving asset quality and stable credit growth.

### **Earnings Trends**

Corporate earnings across several sectors have shown improvement over the past year, supported by operating leverage and better capital allocation. However, earnings revisions remain uneven across sectors, suggesting that market returns may increasingly depend on company-specific fundamentals rather than broad-based sector movements.

### **Flows & Liquidity**

FPIs are sensitive to global rate moves; DIIs remain the consistent domestic anchor. Liquidity and RBI stance will govern the depth of any correction.

# March Outlook (2/4)

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## *Market Valuation Snapshot*

Indian equity valuations remain above long-term historical averages compared with several emerging markets, reflecting confidence in India's growth prospects and sustained domestic liquidity flows.

While valuations in certain segments of the market appear elevated, improving earnings growth and strong domestic participation continue to support overall market stability. Periods of volatility may therefore create opportunities to accumulate fundamentally strong companies at more attractive valuations.

## *Sectoral Outlook*

### **Financials**

Financials remain one of the most important drivers of India's equity market. Strong credit growth, improving asset quality and rising financial penetration continue to support earnings visibility across banks and financial institutions.

### **Infrastructure and Capital Goods**

Infrastructure and capital goods companies are benefiting from strong government spending and improving private sector investment. The ongoing capex cycle is expected to support sustained earnings growth across engineering and construction companies.

### **Automobiles**

The automobile sector continues to benefit from steady domestic demand, premiumization trends and improving export opportunities. Rural demand recovery and product innovation are expected to support the sector's growth outlook.

### **Consumer**

Consumer-oriented sectors remain structurally attractive due to rising incomes, urbanization and expanding consumption patterns. Companies with strong brands and pricing power are likely to maintain stable earnings growth despite near-term cost pressures.

### **Information Technology**

The IT sector is currently undergoing structural change driven by artificial intelligence and digital transformation. While global technology spending cycles may create short-term uncertainty, long-term demand for digital services remains intact.

### **Metals and Commodities**

Metals companies have benefited from improving global commodity conditions and operating leverage. However, the sector remains cyclical and sensitive to global economic conditions.

## March Outlook (3/4)

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### **Energy and Utilities**

Energy and utilities companies continue to provide relatively stable earnings visibility. Rising energy demand and continued investment in renewable energy projects support the sector's long-term outlook.

### **Healthcare and Pharmaceuticals**

The healthcare sector offers defensive characteristics during periods of market volatility and continues to benefit from both domestic demand and export opportunities.

### ***Portfolio Positioning***

Given the current market environment, portfolios should focus on sectors with strong earnings visibility and structural growth drivers. Financials and infrastructure remain core portfolio allocations due to their strong earnings outlook and direct exposure to India's economic growth.

Selective exposure to consumption-oriented companies and high-quality industrial businesses can provide additional growth opportunities. Defensive sectors such as healthcare and utilities can help stabilise portfolios during periods of heightened market volatility.

Maintaining diversification across sectors and asset classes remains important for managing portfolio risk.

# Equity Market – Overview and Strategy (4/4)

Equity markets may remain volatile in the near term due to global developments and commodity price movements. However, India's structural growth drivers remain intact. Investors should therefore maintain a disciplined approach, focusing on high-quality businesses and deploying capital gradually during periods of market correction.

As of 28th Feb 2026	1M	3M	6M	YTD	1Y	2Y	3Y	5Y	2021	2022	2023	2024	2025
NIFTY 50	0.0	-4.0	1.9	-3.6	11.7	6.5	13.1	11.6	24.1	4.3	20.0	8.8	10.5
NIFTY 500	1.5	-3.3	1.8	-3.0	14.0	6.8	16.8	13.7	30.2	3.0	25.8	15.2	6.7
BSE 200	1.3	-3.0	2.6	-2.7	13.6	6.9	15.9	13.1	27.6	4.2	22.8	13.4	8.0
Nifty Midcap 150	3.5	-2.6	3.5	-1.9	20.2	9.9	24.4	19.9	46.8	3.0	43.7	23.8	5.4
BSE 250 Small Cap	3.5	-6.4	-6.0	-5.6	10.4	1.5	19.3	17.1	57.7	-2.0	45.8	24.2	-5.9
NIFTY BANK	2.2	1.3	11.2	1.6	24.2	14.0	14.5	11.7	13.5	21.2	12.3	5.3	17.2

Source: ACE MF, Data as of 28<sup>th</sup> Feb 2026

## Short Term View (0 – 6 months)

In the near term, markets may remain range-bound as investors assess geopolitical developments and global macro conditions. A cautious approach with gradual deployment of capital is advisable.

Large-cap equity mutual funds and diversified flexi-cap strategies can provide stability during periods of volatility. PMS focused on quality compounders (large cap growth or defensive growth mandates). Maintaining some allocation to gold may also help hedge portfolios against geopolitical risks. For a defensive/moderate risk-taking investor, allocation to BAF (balance advantage funds) is recommended. These BAFs give good stability during volatile markets with the presence of debt in their portfolio.

## Medium Term View (6 – 24 months)

Over the medium term, improving corporate earnings and continued infrastructure spending are expected to support equity market performance. As the investment cycle strengthens, sectors such as financials, infrastructure and industrials may benefit.

Diversified equity mutual funds, flexi-cap funds and Gradual accumulation in Mid-Cap Funds (selective), Large & Mid Cap hybrid funds & Infrastructure sector funds, Manufacturing/Industrial thematic funds; Category III AIFs & PMS targeting capex/capital-goods plays may provide opportunities for investors to participate in earnings growth. An investor can even explore the MLD opportunities to reap short term benefits.

## Long Term View (24 – 60 months)

Over the long term, India's structural growth story remains compelling. Rising consumption, expanding financial markets, digital transformation and infrastructure development are expected to support sustained economic growth.

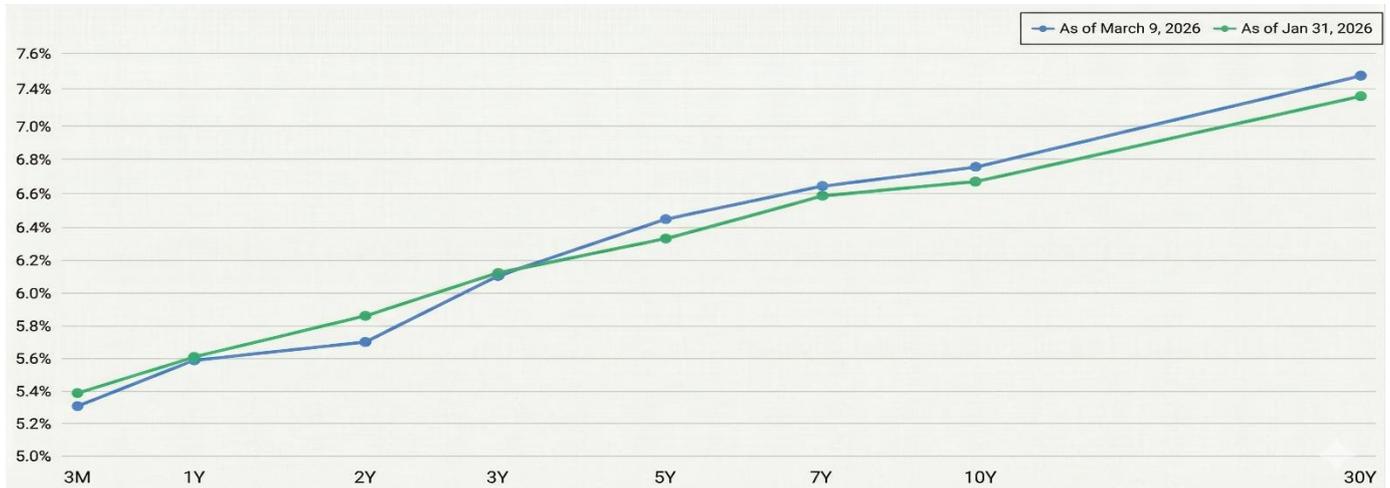
Equities are likely to remain the primary wealth creation asset class over this period. Investors may consider maintaining core allocations through diversified equity mutual funds while selectively using Long-term holdings in Flexi-cap, Large Mid & Small cap funds, Index funds for core allocation. PMS for concentrated alpha; Category II/III AIFs (private credit, growth equity) for accredited investors. Gold and silver can continue to play a role as diversification assets within long-term portfolios.

# Fixed-Income Outlook — March 2026

## Key Datapoint Snapshot

Macro	Value	Commentary
<b>GDP FY 26 (F)</b>	7.4	Growth remains steady, supported by a resilient services sector and a continued revival in manufacturing
<b>Core CPI FY26 (F)</b>	2.75	Pick-up in core inflation primarily led by higher precious metal prices, while other components remain stable
<b>Repo rate/ Stance</b>	5.25/ Neutral	Repo rate remains unchanged considering a comfortable inflation
<b>USDINR</b>	92.6	Rupee faced depreciation pressure following a surge in Brent crude prices and global dollar strength
Liquidity	Value	Commentary
<b>Net Durable Liquidity</b>	Rs. 5.6 Tn	Ample liquidity to absorb Q4 seasonal pressures
<b>OMO (Rs. Cr)</b>	50,000	System liquidity transitioned into a comfortable surplus; but anticipate support as signaled by RBI
<b>USD Fwd Sales OS (Dec – 25)</b>	\$ 62.3 Bn	Driven by tactical combination of RBI's "buy-sell" swap operations & organic shifting of existing contracts between maturity windows
Short Term Rates	Value	Commentary
<b>OIS 1Y</b>	5.83	Gone up by 24bps since last month; CPI rising to 2.75 and volatile USDINR warrants market's curb on rate cut expectation
<b>OIS 1Y Spread</b>	58 bps	Spread widened from February levels, reflecting shifting market views on near term rate trajectory
<b>OIS 1s5s</b>	60 bps	Marginal flattening of the curve predominantly due to increase in short term OIS rate
<b>WACR</b>	4.76	Trading well below the repo rate of 5.25%, signaling a significant liquidity surplus in the system
Long Term Rates	Value	Commentary
<b>US 10Y</b>	4.19	US 10Y has fallen 4 bps since last month; closed at Dec'25 level
<b>G Sec 10Y</b>	6.76	Rising crude oil prices and rupee depreciation led to selling pressure in sovereign bonds
<b>Spread over US</b>	257 bps	The spread has remained range bound since common geopolitical drivers influencing the sovereign rates than the domestic levers
<b>SDL 10Y Spread</b>	63 bps	Spread remains stable; signals prolonged attractiveness of SDL
FPI Flow (Rs. Cr)	Value	Commentary
<b>Debt</b>	18,791	Substantial jump in net inflows driven by strong appetite for FAR and VRR route bonds
<b>MF</b>	294	Improved net flows into mutual fund schemes
<b>Equity</b>	22,615	Robust net buying indicates foreign investor confidence in domestic equities

# Fixed-Income Outlook — March 2026



**Short-end led softening:** The short end of the curve (3M-3Y) experienced the most significant downward shift, with yields declining by 9-15 bps. This movement reflects improved systemic liquidity following the RBI’s proactive liquidity management (OMOs and FX swaps) and a benign domestic inflation environment which has kept the front end well supported.

**Anchored belly:** The belly of the curve (5Y-10Y) remained remarkably stable, with yields moving in a tight range of -1 to +2 bps. This suggests that medium-term expectations are well anchored by the RBI’s "neutral" stance and that the market has largely priced in the current repo rate trajectory despite global volatility.

**Steepening at the long end:** The 30Y yield saw a rise of approximately 8 bps, leading to a noticeable steepening of the curve. This upward pressure at the long end is primarily driven by risk off sentiment due to escalating geopolitical tensions in the Middle East and a subsequent spike in Brent crude prices, which increases the long term term premium.

**Bull-Steepening "Twist":** Unlike the broad upward shift seen in previous months, the curve has recently undergone a 'twist'. Short-term yields are softening due to domestic liquidity comfort, while long-term yields are hardening under the weight of global supply concerns and a weaker Rupee (approaching 92.60/\$). The spread between the 3M and 30Y tenors has widened, reflecting a market that is comfortable with immediate policy but cautious about long-term global shocks.

## Segment views

### Short (1-3Y) - Overweight

- Instruments: 3-6 M CD/CP, Overnight, Liquid, Money Market Funds, FDs
- Strategy: Capital preservation and short-term liquidity
- Rationale: Banking system liquidity remains consistent with short-term rates aligned to the RBI’s steady 5.25% repo rate. Current levels offer attractive risk-adjusted returns for short-term accrual.

### Mid (5-8Y) - Tactical / monitor

- Instruments: 5-8 Y SDLs, AAA Corporate bonds, Medium to Long Duration Funds, Gilt Funds, Dynamic Bond Funds
- Strategy: High Accruals & Selective Duration
- Rationale: High-quality AAA papers continue to see steady demand with stable spreads over G-Secs. This segment remains a "wait and watch" play, offering solid accrual income while market participants monitor for clearer signals on the timing of future rate cuts.

### Long (10Y+) - Selective overweight (Opportunity sleeve)

- Instruments: 10+ years G Sec & SDL, Target maturity Funds, Credit Risk Funds
- Strategy: Tactical and Timely allocation of Duration
- Rationale: Moderate CPI inflation trends, signals of RBI’s willingness for OMO and the possibility of rate cuts later in FY26 make current long-term yield levels attractive for locking in returns. While global cues and US Treasury movements may cause intermittent volatility, the long-term outlook favors duration.

**Stick to high-credit-quality portfolios to mitigate risks amid global economic uncertainty. Preference remains for accrual-led strategies in the short end for stable carry, while duration exposure at the long end should be built tactically on yield upticks to capture potential gains from the expected shift in the monetary policy cycle later this fiscal year.**

# Commodities – Overview & Outlook

## Overview

*Directionally like the previous month, but with new catalysts and higher volatility.*

### **Geopolitical Risk Has Shifted — Not Reduced**

In February, the main geopolitical narrative was Russia–Ukraine tensions. Since then, the risk landscape has shifted toward the Middle East, particularly tensions involving Iran and disruption risks around oil supply routes. These developments have kept safe-haven demand elevated, which continues to support Gold prices. Recent developments around potential conflict escalation and oil disruptions have also driven volatility in commodities broadly.

Gold and Silver have witnessed a strong rally over the past 7–8 months, followed by a phase of consolidation in recent months, largely driven by the strengthening of the U.S. dollar. Looking ahead, the outlook remains constructive. With central banks expected to step up their gold purchases, investors increasingly allocating to gold as a diversification and portfolio-hedging asset, and the U.S. dollar likely to soften over time, gold prices are expected to regain upward momentum. A sustained move higher in gold could also help stabilise volatility in silver prices, gradually easing the premium that silver has been trading at following its earlier speculative surge.

Silver remains significantly more volatile than Gold, with price movements heavily influenced by futures positioning and liquidity conditions. While structural demand from industrial applications remains supportive, price action is likely to remain episodic and momentum-driven in the near term. **Silver remains tactical rather than a structural investment call for most portfolios.**

**Implication: Safe-haven demand remains intact. Gold continues to receive structural support from geopolitical uncertainty.**

### **Outlook:**

*Gold Outlook: Gold is expected to maintain a sideways-to-positive bias in the coming months. If prices hold above 160,000, a gradual recovery toward 175,000–180,000 appears likely. Any pullbacks are expected to attract strategic allocation rather than aggressive selling. A sustained break below key supports would be required to alter this constructive medium-term view.*

*Silver Outlook: Silver is likely to remain range-bound with elevated volatility. While sharp rallies cannot be ruled out given Silver’s sensitivity to liquidity and industrial demand expectations, sustainable upside will require clearer confirmation through renewed investment flows and stabilized futures positioning. Until then, price action is expected to remain episodic rather than trend-driven.*

*Gold remains a core defensive asset, supported by policy shifts, central-bank demand, and geopolitical uncertainty. Medium-term upside remains intact. Silver has reset from speculative excess and should be approached tactically, with disciplined sizing and clear risk management. The recent volatility reflects liquidity and positioning stress, not a breakdown in fundamentals. From a portfolio perspective, Gold continues to offer stability, while Silver offers optionality—with risk.*

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4. Ministry of Statistics, Planning & Implementation (MoSPI), Government of India
5. World Bank
6. Ministry of Finance, Government of India
7. State Bank of India
8. World Silver Survey
9. Federal Reserve (US Treasury Custody Holdings data)
10. US EIA (Energy Information Administration)
11. LSEG (London Stock Exchange Group)

## GET IN TOUCH

For more information or to arrange a meeting to discuss your wealth management strategy, please email us at [wealthconnect@plindia.com](mailto:wealthconnect@plindia.com), or contact your **PL Wealth Manager**.

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