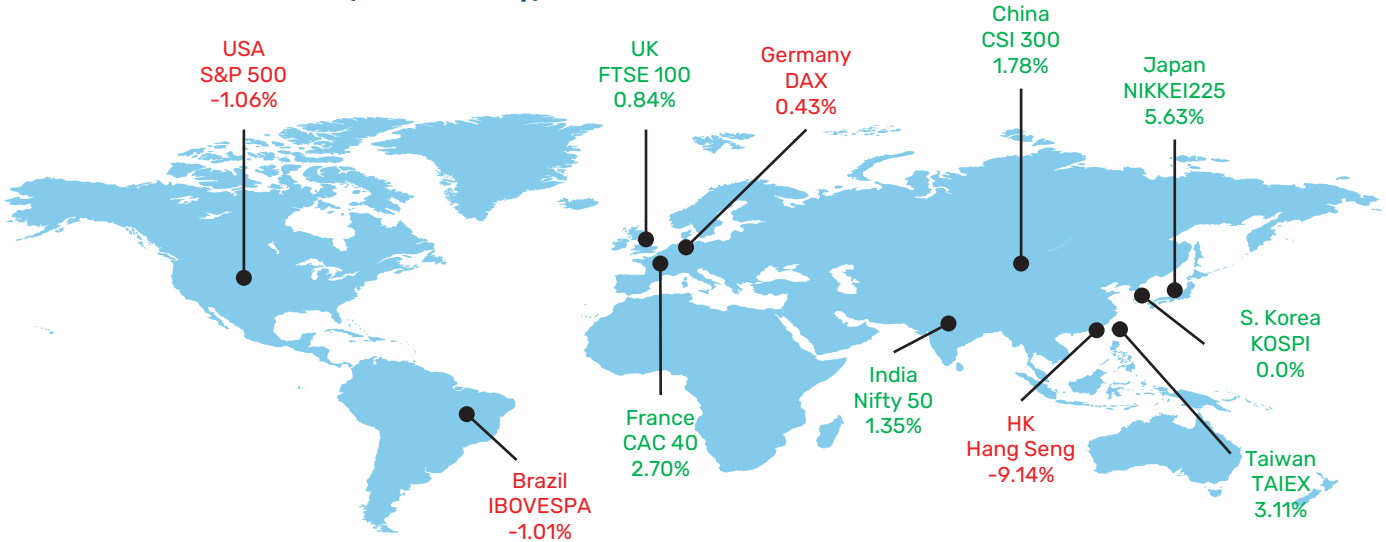


### Global Markets and Economy

#### Global Indices 1m Returns (local currency)

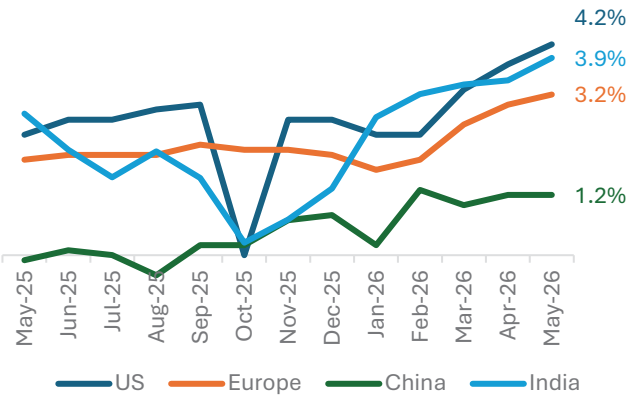


Past performance may or may not be sustained in future.

- Global markets ended June on a mixed note as AI-driven optimism moderated, prompting a rotation away from richly valued technology stocks.
- Hong Kong was the weakest performer as persistent concerns over China's weak domestic demand, property sector slowdown and deflation weighed on mainland-linked stocks.
- India's Nifty 50 rose 1.35%, supported by resilient domestic fundamentals, steady institutional inflows and improving investor sentiment despite an uncertain global backdrop.

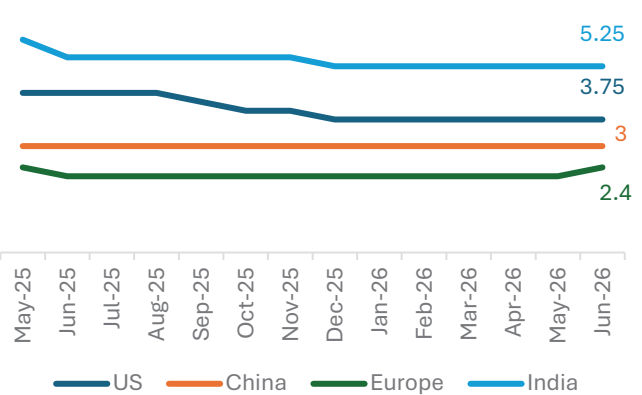
Source: Bloomberg. Data as on 30<sup>th</sup> June 2026.

#### Global Inflation Rates



Source: Bloomberg. Data as on 31<sup>st</sup> May 2026 as per the latest available.

#### Global Policy Rates



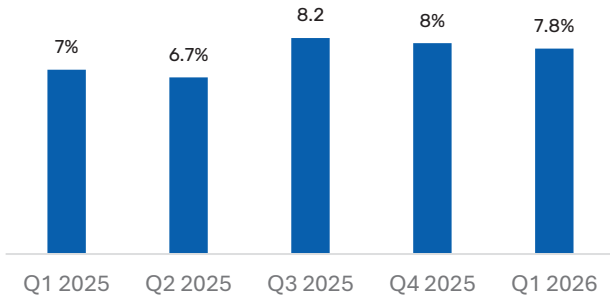
Source: Bloomberg. Data as on 30<sup>th</sup> June 2026.

- Global inflation has turned stickier in recent months, with price pressures re-emerging across major economies, led by the US and the Eurozone, while India also witnessed an uptick.
- Consequently, central banks have largely maintained a cautious policy stance, prioritizing inflation control over growth support, even as China continues to pursue accommodative policies amid subdued domestic demand.

Source: Reuters. Data as on 30<sup>th</sup> June 2026.

### Indian Economy

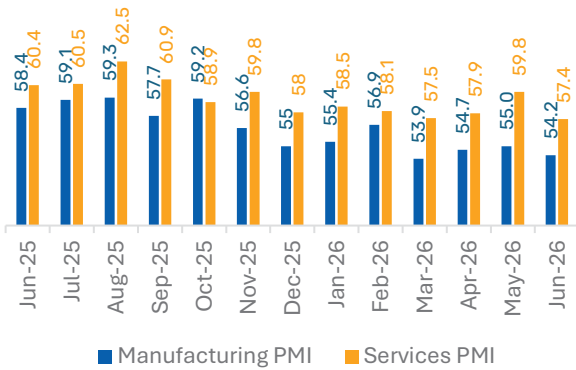
#### India GDP Growth Rate



- India's Q1 2026 GDP grew a stronger-than-expected 7.8%, led by robust investment activity and resilient private consumption, underscoring the economy's strong domestic growth engine.
- Growth quality improved, with manufacturing and services driving expansion, reflecting increasing support from private sector demand and capital expenditure.
- While FY26 growth remained strong at 7.7%, FY27 is expected to moderate amid higher crude prices, geopolitical risks, monsoon uncertainty and potential inflationary pressures.

Source: PIB. Data as on 5<sup>th</sup> June 2026 as per the latest available.

#### India Manufacturing and Services PMI



India's manufacturing activity moderated in June, with the PMI easing to 54.2 as growth in output, new orders and exports softened amid weaker demand. While easing input cost pressures reduced pricing pressures, business confidence slipped to a five-month low, reflecting concerns over demand and the broader market outlook.

India's services activity moderated in June, with the PMI easing to 57.4 as output and new order growth softened. Export demand remained resilient, while easing input cost inflation helped contain price pressures. However, employment declined and business confidence weakened amid a softer demand outlook.

Source: S&P Global. Data as on 30<sup>th</sup> June 2026.

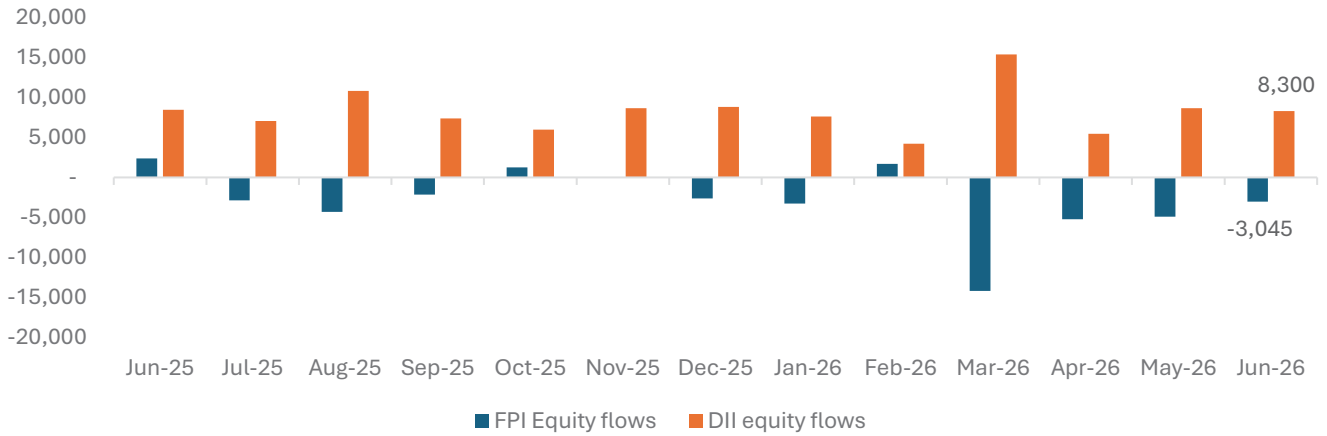
PMI: Purchasing Manager's Index

- Brent crude declined sharply during June, ending the month near US\$72/bbl after easing geopolitical tensions, the US-Iran ceasefire, improved shipping through the Strait of Hormuz and a better-than-feared global supply outlook unwound the war-driven risk premium.
- Gold weakened over the month as cooling geopolitical risks, falling oil prices and expectations of a higher-for-longer US Federal Reserve stance reduced safe-haven demand and supported the US dollar.
- The rupee strengthened modestly against the US dollar during June, aided by easing crude oil prices, improving global risk sentiment and supportive RBI-Government measures to bolster foreign capital inflows and external sector stability.

	Price in USD/unit as on 30 <sup>th</sup> June 2026	1 month change	1 year change
<b>Brent (per barrel)</b>	72.74	-13.59%	8.57%
<b>Gold (per troy ounce [oz])</b>	4,008	-11.72%	21.34%
<b>USD/INR</b>	95	0.60%	-10.58%

Past performance may or may not be sustained in future.  
Source: Reuters. Data as on 30<sup>th</sup> June 2026.

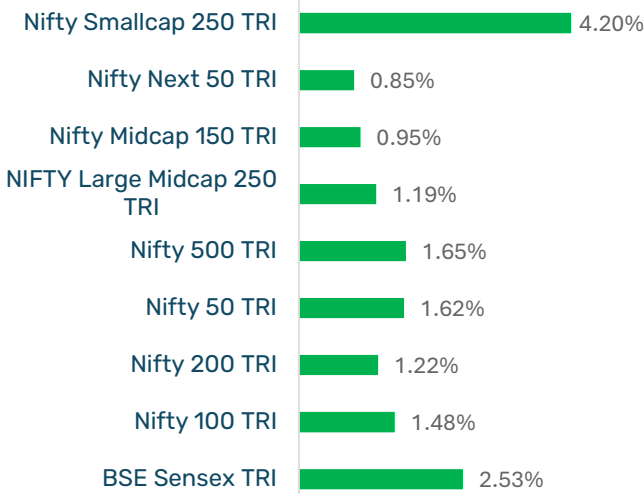
### Equity Flows (in USD mn)



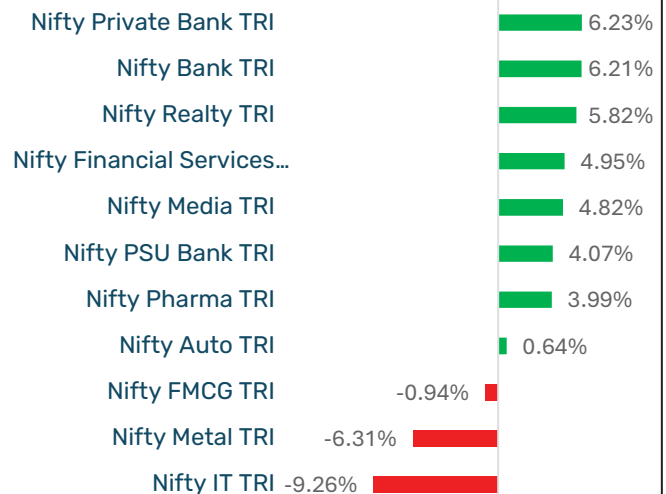
Source: Bloomberg, NSDL. Data as on 30<sup>th</sup> June 2026.  
FPI is Foreign Portfolio Investment and DII is Domestic Institutional Investor.

## Equity Indices

### Broad Indices (1m performance)



### Sectoral Indices (1m performance)



- Indian equities extended their gains in June, with the broader market outperforming as easing geopolitical tensions, softer crude prices and resilient domestic macroeconomic data improved investor sentiment.
- Broader markets, led by Small Cap, benefited from renewed risk appetite.
- Rate-sensitive sectors such as Private Banks, Banks and Realty outperformed on expectations of improving credit growth and lower funding costs. In contrast, IT and Metals lagged amid fading AI-driven optimism, weaker global demand and softer commodity prices.

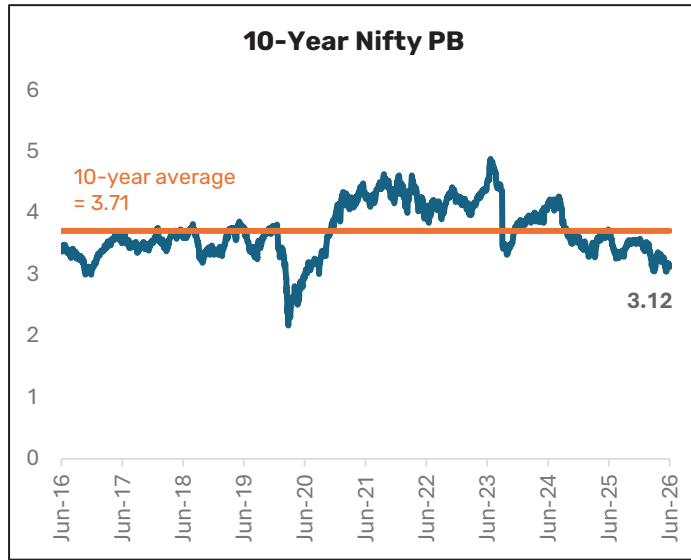
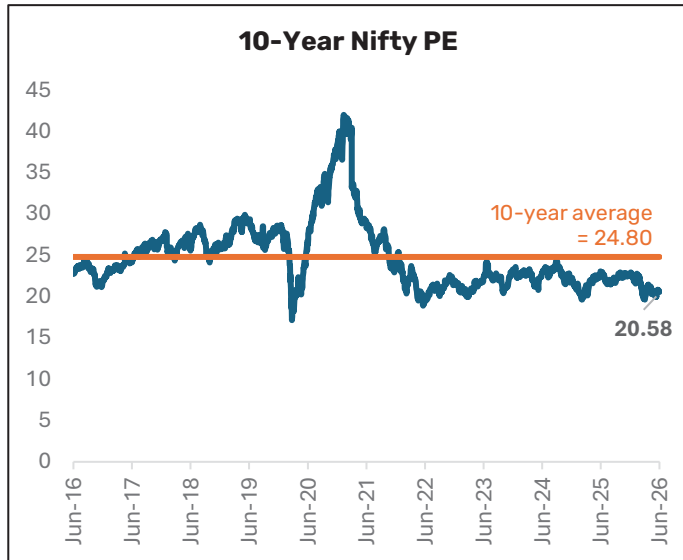
Past performance may or may not be sustained in future.

Source: Bloomberg, ICRA MFI360; Data as on 30<sup>th</sup> June 2026.

Please note that the reference to any industry/sector/stock is provided for illustrative purposes only. This should not be construed as a research report or a recommendation to buy or sell any security or sector.

# The MacroScope

June 2026



Source: Bloomberg. Data as on 30<sup>th</sup> June 2026.

- Nifty valuations have corrected further in the recent selloff, deepening the valuation comfort.
- The setup strengthens the long-term investment case, as improving earnings outlook, scope for FII re-entry, and strong domestic flows position markets for earnings-led compounding rather than valuation expansion.

# The MacroScope

June 2026

## Equity Outlook

- The sharp correction in Brent crude from nearly US\$90/bbl to US\$72-75/bbl during June has materially improved India's macro backdrop. Lower oil prices strengthen the outlook for corporate profitability. However, the absence of a formal peace agreement and lingering uncertainty around the Strait of Hormuz suggest energy markets could remain volatile.
- The June quarter earnings season is expected to begin on a subdued note, reflecting the lagged impact of global uncertainties. However, the outlook for the remainder of FY27 remains constructive, supported by lower crude prices, easing input costs, resilient domestic consumption and a gradual recovery in corporate profitability. Coupled with a healthy economic cycle, earnings cycle and credit cycle, the foundation for a sustained earnings trajectory remains in place. A favorable monsoon and stable interest rates could further strengthen earnings momentum.
- The recent correction has brought valuations to more reasonable levels, with the Nifty 50 now trading below its long-term average. This provides a stronger margin of safety than a year ago and lays a healthier foundation for the next phase of earnings-driven market gains, while still warranting selectivity in the mid and small cap space.
- Leadership is expected to remain domestic rather than global. Financials, capital goods, manufacturing, renewables, consumer discretionary and digital infrastructure remain well positioned, backed by India's capex cycle, improving credit growth and structural investment themes.
- The medium-term outlook for Indian equities remains constructive, supported by resilient domestic fundamentals and improving earnings visibility. However, the next leg of the rally is likely to be earnings-led rather than liquidity-led, with markets closely tracking Q1FY27 results, crude prices, monsoon progress, inflation and global central bank actions.

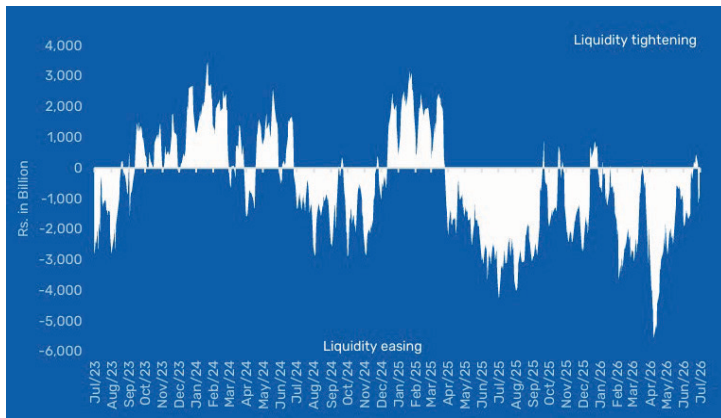
**Our Recommendations:** Investors may consider staggering fresh investments over the next 3-4 months to navigate market volatility in a better way. Investors may consider maintaining a core allocation to Large Cap Funds, complemented by Flexi Cap Funds and Multi Cap Funds and initiate a SIP in Small Cap Funds to participate in the broader earnings recovery. Additionally, for those seeking a more balanced approach, Balanced Advantage Funds and Multi Asset Allocation Funds remain suitable options due to their ability to dynamically manage risk across asset classes.

*Source: Internal Analysis, Bloomberg, RBI. Data as on 30<sup>th</sup> June 2026.*

### Debt Market

Indicators	May-29	1M ago	3M ago	6M ago	1Y ago
Call rate	5.43%	5.47%	6.90%	5.48%	5.50%
1-year T-Bill	5.60%	5.98%	5.70%	5.54%	5.53%
1-Month CP	6.63%	7.20%	7.90%	6.43%	6.29%
3-Month CP	6.63%	8.00%	7.75%	6.48%	6.20%
6-Month CP	7.15%	8.13%	7.65%	6.88%	6.50%
1-year CP	7.40%	8.35%	7.60%	7.10%	6.75%
3Y AAA	7.23%	7.84%	7.51%	6.89%	6.58%
5Y AAA	7.29%	7.84%	7.67%	6.96%	6.72%
10Y GSEC	6.76%	7.00%	7.02%	6.61%	6.32%

Source: Bloomberg. Data as on 30<sup>th</sup> June 2026.

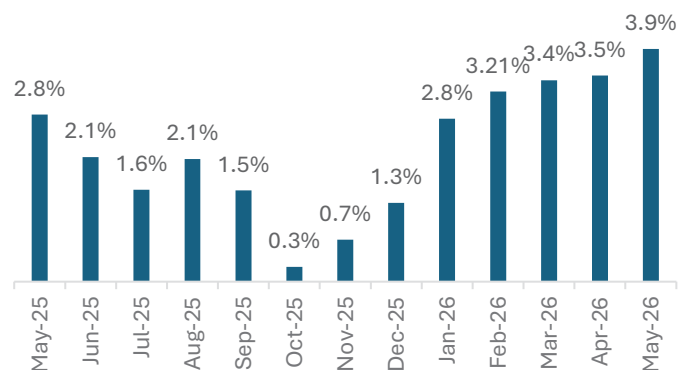


Source: RBI. Data as on 2<sup>nd</sup> July 2026.

- Banking system liquidity witnessed phases of tightening during the month, primarily due to GST collections and advance tax outflows that temporarily drained funds from the banking system.
- The RBI responded through timely liquidity infusion measures, including Variable Repo Rate (VRR) auctions, ensuring orderly money market conditions.
- As government spending accelerated towards the month-end, liquidity improved and the banking system returned to a surplus, reinforcing stable short-term funding conditions.

### India Inflation Rates

- Headline inflation, in May 2026 rose to 3.93% from 3.48% in April, driven primarily by higher food inflation (4.78%).
- Core inflation remained relatively contained, with housing, transport and health witnessing modest price increases, indicating that inflationary pressures remained largely concentrated in food rather than broad-based across the economy.



Source: MOSPI. Data as on 12<sup>th</sup> June 2026 for May 2026 as per the latest available.

### Debt Outlook

- Indian debt markets strengthened in June as easing geopolitical tensions and the fall in Brent crude from nearly US\$90/bbl to the US\$75–77/bbl range eased inflation concerns. RBI's measures to improve foreign participation, along with strong FPI demand for government securities, further supported bond prices and pushed yields lower.
- The macro backdrop for bonds has turned more favorable, with moderating inflation, improving liquidity conditions and lower oil prices reducing near-term pressure on yields. However, a large part of the recent rally has already been priced in, suggesting future yield movements are likely to be more gradual.
- Looking ahead, markets will closely track monsoon progress, food inflation, crude oil prices, global bond yields and foreign capital flows. The 10-year G-Sec is expected to trade in the 6.70%–6.90% range, with inflation and energy prices remaining the key variables shaping RBI policy expectations.
- While the RBI is expected to remain data-dependent, the consensus is that liquidity management and capital flow measures are likely to remain the preferred policy tools in the near term. Any meaningful policy action will depend on whether higher crude prices or an adverse monsoon lead to sustained inflationary pressures.

**Our Recommendations:** Investors may consider Liquid Funds, Money Market Funds and Low Duration Funds for parking money. Investors with relatively longer investment horizons may evaluate Banking & PSU Funds as part of their overall asset allocation strategy.

*Source: Internal Analysis, Bloomberg, RBI. Data as on 30<sup>th</sup> June 2026.*