EBONY WEALTH

Monthly Market Update March 2026

The market discussion and view presented in the document is inherently provisional, poised for rapid evolution amid fluid oil market dynamics, the ultimate pivot for global assets.

Lower oil prices could unleash a brisk rally in equities and bonds, trigger a USD sell-off, and deliver tailwinds to worldwide equities (including EM) and bonds; conversely, upward oil pressure would reverse these dynamics, fostering equity/bond headwinds and dollar strength.

Iran Conflict and Oil Dynamics

Escalating tensions involving Iran have introduced a new layer of uncertainty into global markets, primarily through the energy channel. While the situation remains fluid, our current assessment suggests that the macroeconomic impact is contained for now, with risks skewed toward higher inflation in short term (1-6 months) rather than assuming a medium term de-railment in growth. Policy makers, particularly central banks, are likely to remain cautious and data-dependent in the near term.

Macro Perspective

At this stage, the developments do not justify a material shift in the core macro-outlook. Growth expectations have seen only modest adjustments, while inflation assumptions have edged higher given the sensitivity to energy prices. Central banks globally appear inclined to pause and observe, with limited urgency to alter policy trajectories.

However, regional divergence is notable. Europe appears relatively more exposed due to its vulnerability to energy price shocks, which could weigh on both growth and inflation simultaneously. Over the medium term, this episode may reinforce the region's push toward energy security and diversification, including accelerated adoption of alternative energy sources.

Oil as the Transmission Channel

Energy markets remain the key conduit through which geopolitical risks translate into economic outcomes. More than the absolute level of oil prices, the duration of elevated prices and the extent of disruption to critical supply routes especially the Strait of Hormuz will determine the scale of the impact.

In a stress scenario, the transmission of geopolitical disruption into the global economy is unlikely to be linear. Instead, it would typically unfold across three distinct but overlapping phases, each with differing implications for inflation, growth, policy, and financials assets

1. Acute Disruption: Supply Shock and Price Spike

The initial phase is characterised by a sudden breakdown in supply visibility, particularly if critical routes such as the Strait of Hormuz face meaningful disruption for longer duration. Markets tend to react disproportionately in this stage, pricing in worst-case outcomes amid limited clarity.

Oil prices can further spike sharply in a short span, driven as much by risk premia as by actual supply loss. This creates an immediate inflation impulse globally, with energy costs feeding through into transportation, manufacturing, and consumer prices. At the same time, the uncertainty shock weighs on business confidence and financial conditions, creating early signs of a growth slowdown.

From a policy standpoint, central banks are typically constrained. While growth risks rise, the inflation spike limits their ability to respond proactively, resulting in a cautious, wait and watch stance. Financial markets in this phase often see heightened volatility, risk-off sentiment, and pressure on risk assets, particularly in import-dependent economies.

2. Adjustment Phase: Rerouting and Partial Stabilisation

As the situation evolves, market participants begin adapting to the new constraints. Energy flows are gradually rerouted, alternative suppliers step in, and strategic reserves may be utilised to smoothen supply disruptions. However, these adjustments come with frictions higher transportation costs, longer delivery times, and reduced efficiency.

Oil prices typically moderate from peak levels but remain elevated relative to pre-crisis norms. Inflation becomes more broad-based and persistent during this phase, as second-order effects start to take hold across goods and services. Growth continues to face headwinds, particularly in regions heavily reliant on imported energy.

Policy response becomes more nuanced. While central banks remain cautious, governments may step in more actively through fiscal measures such as subsidies, tax adjustments, or targeted support to cushion the impact on households and businesses. Markets begin to differentiate more clearly across regions and sectors, rewarding resilience and pricing power while penalising vulnerability to input cost pressures.

3. Fragile Normalisation: Partial Recovery with Residual Risks

In the final phase, some degree of normalcy returns to supply chains, either through de-escalation or through the system adapting to a new equilibrium. Energy flows partially resume, and price pressures begin to ease, although not necessarily reverting to earlier levels.

Inflation starts to stabilise, but the lagged effects of the earlier shock may keep it above target for a period. Growth gradually recovers, though the pace is uneven and contingent on how deeply the earlier phases impacted demand and investment.

Central banks regain some flexibility, but policy normalisation remains cautious given the risk of renewed volatility. Importantly, this phase often leaves behind structural shifts greater focus on energy security, diversification of supply chains, and accelerated investment in alternative energy sources.

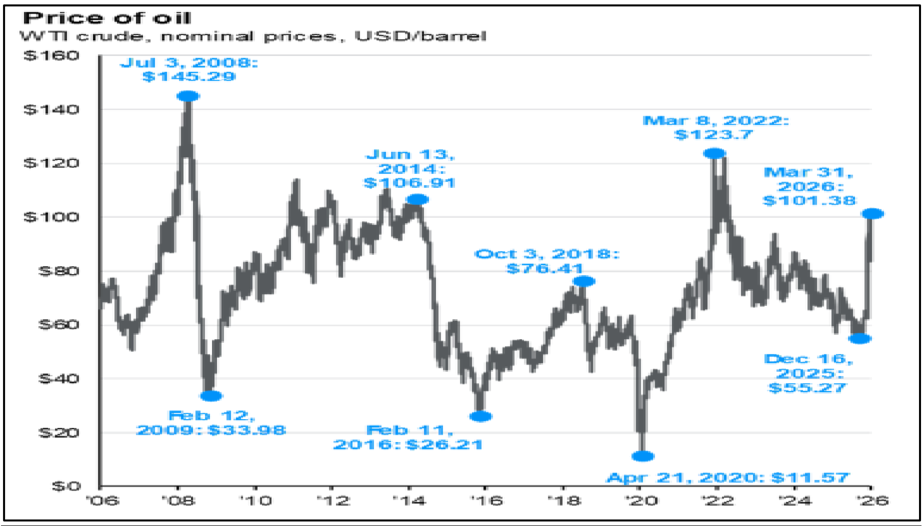
For markets, volatility subsides relative to the initial phase, but risk premia remain elevated. Asset allocation becomes more forward-looking, with investors repositioning toward beneficiaries of structural change rather than purely cyclical recovery.

Table 1: Global Oil Market and Oil Price

Change in production and consumption of liquid fuels
Production, consumption and inventories, millions of barrels per day

Production	**'23**	**'24**	**'25***	**'26***	**'27***	**'23-'27**
U.S.	22.0	22.8	23.6	23.9	24.6	20.5%
OPEC	32.9	32.9	33.8	33.4	34.6	3.9%
Russia	10.9	10.5	10.5	10.7	10.7	-3.0%
Global	**102.7**	**103.3**	**106.3**	**107.0**	**109.6**	**8.9%**
Consumption						
U.S.	20.3	20.5	20.6	20.6	20.7	3.6%
China	16.0	16.4	16.6	16.8	17.0	11.9%
India	5.4	5.6	5.7	6.0	6.3	22.2%
Global	**101.4**	**102.8**	**103.9**	**105.2**	**106.6**	**6.9%**
Inventory Change	1.2	0.5	2.4	1.9	3.0	

Chart 1: Oil Price



Source: JP Morgan

U.S. Equities

US equities are transitioning more clearly into a late-cycle regime, where macro variables particularly oil, inflation, and interest rates are beginning to dominate over the earnings momentum that drove markets through 2024-2025. While the S&P 500 remains near elevated levels, underlying conditions have become more fragile, with volatility rising as markets adjust to a more complex and less supportive macro environment.

Growth remains resilient but is moderating at the margin. U.S. GDP is expected to trend toward ~1.8-2.0%, reflecting the lagged impact of relatively restrictive monetary policy, continuing uncertainty around tariffs, fading fiscal tailwinds, and softer global demand. Consumption, which has been the primary driver of US economic strength, is beginning to show early signs of fatigue as excess savings are largely normalized and real wage growth stabilizes. This shift suggests that the economy is moving away from above-trend expansion toward a more mature phase of the cycle, where growth becomes more sensitive to shocks particularly from energy and financial conditions.

The earnings outlook remains constructive at the headline level but increasingly uneven beneath the surface. Consensus expectations for 2026 point to EPS growth in the ~12-14% range, but this remains heavily concentrated in a narrow set of sectors. Largecap technology continues to benefit from the AI-driven capex cycle, energy is seeing strong upward revisions due to elevated oil prices, and defence related sectors are supported by sustained geopolitical tensions. In contrast, broader market earnings are less robust. Cyclicals, industrials, and consumer-facing sectors are facing margin compression from rising input costs and weakening pricing power. This narrowing of earnings breadth is a classic late-cycle signal and leaves the market more exposed to negative surprises if growth does not come in relative to expectations or cost pressures intensify.

Valuations remain the central constraint for equities at this stage of the cycle. At the same time, 10-year Treasury yields in the ~4.3-4.5% range imply a relatively compressed equity risk premium. This combination leaves equities highly sensitive to changes in discount rates. Unlike earlier phases of the cycle, there is limited scope for multiple expansion, instead, the risk is skewed toward valuation compression, particularly if inflation surprises to the upside or bond yields drift higher.

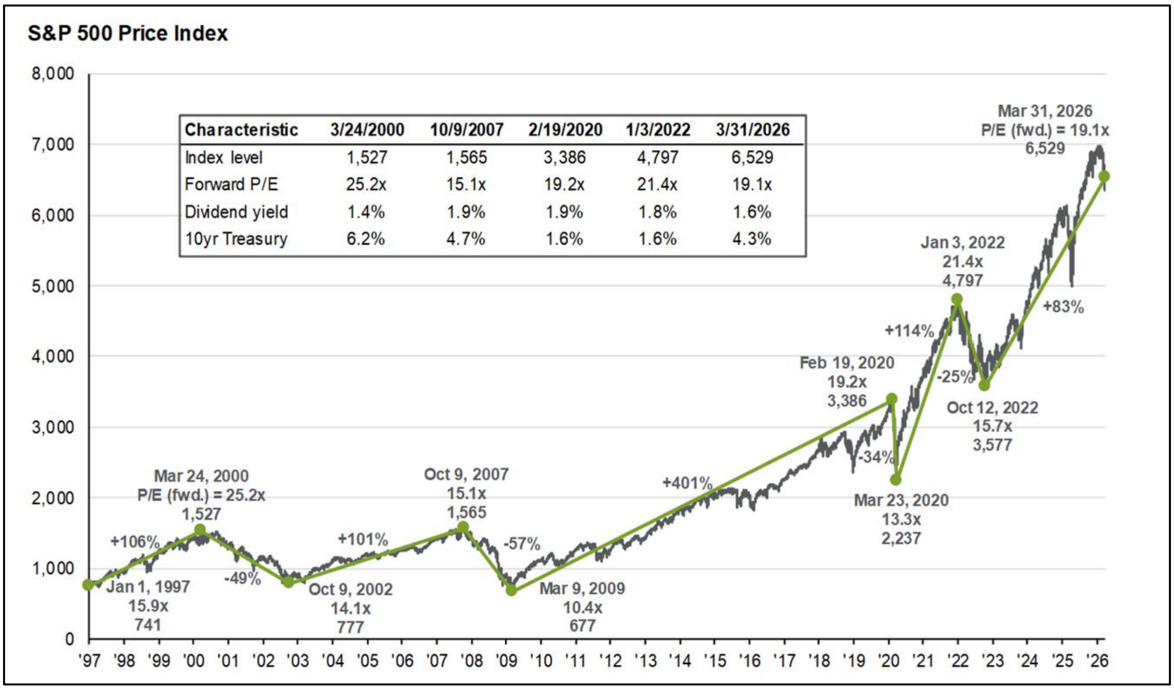
The recent escalation in the Iran conflict has introduced a significant macro shock via energy markets. Disruptions to flows through the Strait of Hormuz have pushed crude prices above $100 per barrel, creating a cost-push inflation impulse across the global economy. Higher energy prices are feeding into transportation, manufacturing, and consumer costs, raising the risk of both higher headline inflation and second-round effects on core inflation. At the same time, elevated oil prices act as a tax on consumption, tightening financial conditions and increasing the probability of a sharper slowdown if sustained. This dynamic introduces a stagflationary tilt to the outlook, complicating both earnings and valuation trajectories.

The Federal Reserve's policy stance reflects this complexity. With policy rates in the 3.5-3.75% range and inflation risks re-emerging, the Fed has limited flexibility to ease. The most likely path is an extended pause with a strong data-dependent bias, as policymakers balance the risk of re-accelerating inflation against the risk of slowing growth. This effectively reinforces a "higher-for-longer" rate environment, keeping real yields elevated and limiting the valuation support that equities have historically derived from falling interest rates.

From a market perspective, this combination of elevated valuations, moderating growth, and tighter financial conditions points to a regime of lower forward returns, higher volatility, and increased dispersion. In a base case scenario where oil prices gradually moderate toward the $80-90 range and growth stabilizes, equities could deliver broadly in line with earnings growth. However, if oil remains elevated above $100 and inflation proves sticky, the risk of multiple compression combined with margin pressure could drive a correction. Conversely, a rapid de-escalation in geopolitical tensions would ease inflation pressures and improve policy flexibility, but upside is likely to remain capped given already elevated starting valuations.

Overall, US equities are shifting from a liquidity and multiple driven market to one that is fundamental and macro-driven, where earnings quality, balance sheet strength, and valuation discipline become increasingly important. In this phase of the cycle, the interaction between oil prices, inflation dynamics, and interest rates will be the primary determinant of market direction, with a clear premium on selectivity and risk management.

Chart 2: S&P 500 Index Valuation relative to last 30 years



Source: JPMorgan

Table 2: Global Heat Map

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Q1 '26
UK FTSE All-Share 16.8%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	MSCI EM 34.4%	Japan TOPIX 3.6%
US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	MSCI Asia ex-Japan 33.0%	UK FTSE All-Share 2.4%
MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	Japan TOPIX 25.5%	MSCI EM -0.1%
MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	UK FTSE All-Share 24.0%	MSCI Asia ex-Japan -1.1%
MSCI Europe ex-UK 3.2%	MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	MSCI Europe ex-UK 20.1%	MSCI Europe ex-UK -2.3%
Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	US S&P 500 17.9%	US S&P 500 -4.3%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 March 2026.

U.S. Bonds

US fixed income markets are undergoing a regime transition from inflation dominance to growth uncertainty, with the Iran-driven oil shock acting as a catalyst for this shift. In the near term, higher crude prices feed directly into headline inflation, pushing CPI expectations higher and creating volatility in bond yields. However, beyond the immediate impact, sustained high energy prices act as a drag on consumption and corporate profitability, eventually leading to slower growth.

This creates a non-linear bond market response. Initially, yields rise (or remain elevated) due to inflation fears, but as growth begins to deteriorate, bonds start to rally in anticipation of policy easing. Markets are currently in this transition phase, leading to heightened volatility across the curve.

The Federal Reserve's reaction function is central. While inflation remains above target, the Fed is unlikely to cut aggressively. However, as labor markets soften and growth indicators weaken, the balance of risks will shift toward supporting growth. This suggests that the peak in policy restrictiveness is likely behind us, even if cuts are delayed.

Curve dynamics are evolving accordingly:

- Front-end yields remain anchored by policy rates and are slow to adjust.
- Intermediate maturities (5-10Y) offer the best risk-reward, as they are most sensitive to growth expectations.
- Long-end yields face structural upward pressure from fiscal deficits, increased treasury issuance, and term premium normalization.

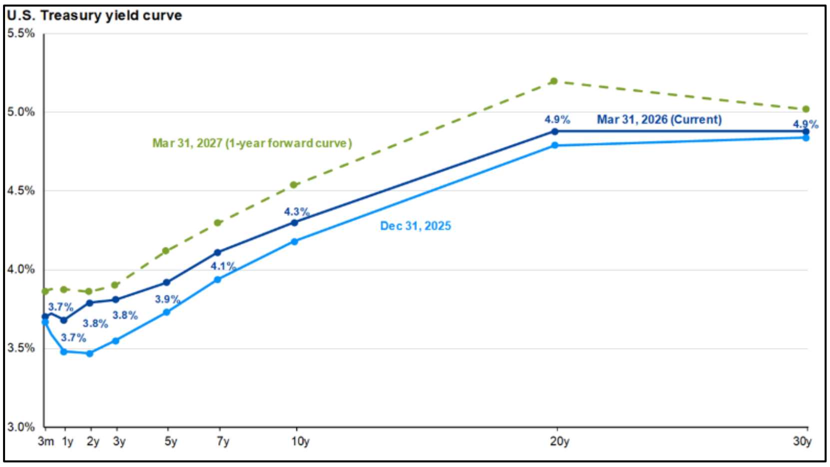
Inflation remains the key uncertainty. A sustained oil shock risks keeping inflation elevated and delaying the bond rally. However, history suggests that oil shocks ultimately become demand-destructive, reinforcing the medium-term bullish case for bonds. Flows are also supportive. Institutional demand for duration is improving as investors seek protection against equity volatility and growth risks. Global factors—such as slower growth in Europe and China further enhance the relative attractiveness of US Treasuries.

Scenario Framework:

- Base Case: Growth slows gradually → Fed pauses then cuts → yields drift lower (bullish duration).
- Bear Case: Persistent oil-driven inflation → delayed easing → yields stay elevated.
- Bull Case: Sharp growth slowdown → aggressive Fed cuts → strong bond rally.

In summary, US bonds offer asymmetric upside over the medium term, with the asset class transitioning into a growth hedge rather than an inflation hedge.

Chart 3: U.S. Yield curve over time



Source: JP Morgan

India: Twin Deficits, Capital Flows and now "OIL" Underpin Currency Stress

The Indian rupee's depreciation since last many months is not a single factor story but a convergence of oil shock, capital flight, structural trade deficits, and global macro shifts. Until there is a meaningful reversal in either oil prices or capital flows, the currency is likely to remain under sustained pressure, with policy tools with twin tasks of managing volatility as well as defending levels.

The rupee is undergoing one of its sharpest and most broad-based depreciations in over a decade, reflecting not just cyclical pressures but deeper structural imbalances. In FY26, the currency has weakened ~10%, breaching historic levels beyond 95 per US dollar its worst annual performance in more than a decade.

What's behind the Weakness?

1. The Oil Shock - India imports around 85-90% of its crude oil requirements. With Brent crude prices rising well above $100 per barrel on the back of geopolitical tensions in the Middle East, the cost of this import bill has surged sharply. The direct consequences are a wider current account deficit, stronger dollar demand, and higher imported inflation all of which weigh on the rupee.

2. Relentless Capital Outflows - What makes this episode particularly acute is the scale and persistence of foreign investor selling. Foreign institutional investors have pulled out over ₹1.6 lakh crore from Indian equities in FY26 alone, alongside notable debt outflows. This has been driven by global risk aversion, stretched Indian equity valuations, rising US interest rates, and a broader reallocation of global capital. The result is the inflows that once cushioned India's trade deficit has dried up, creating sustained balance of payments stress.

3. A Structural Vulnerability - India runs a persistent goods trade deficit driven by energy, electronics, and gold imports that is only partly offset by services exports and remittances. This means the rupee has long been reliant on volatile portfolio flows to maintain stability. When those flows reverse, as they have now, the currency bears the brunt.

However, unlike prior episodes, the current weakness is being amplified by persistent and large capital outflows. Foreign institutional investors have been relentless sellers, with FY26 outflows crossing ₹1.6 lakh crore in equities alone, alongside significant debt outflows. This reflects a combination of global risk aversion, elevated Indian equity valuations, rising US yields, and relative underrepresentation of India in new global investment themes. The result is a sustained balance of payments pressure, where capital inflows are no longer sufficient to offset the structural trade deficit.

On the policy front, the Reserve Bank of India has intervened through spot and forward markets, regulatory tightening, and liquidity measures. Yet, these actions have largely smoothed volatility rather than reversing the trend. Episodes of temporary appreciation have faded quickly, highlighting that intervention cannot offset sustained macro pressures. Additionally, FX reserves have declined due to intervention, while higher oil and higher expected inflation have pushed bond yields higher, creating a feedback loop across markets.

Looking ahead, risks remain skewed to the downside. If oil prices remain elevated and geopolitical tensions persist, further depreciation toward 96-100 levels cannot be ruled out, with stress scenarios extending beyond that. Policy responses may need to broaden, potentially including fiscal measures (besides fuel tax cuts, further covering under-recovering of downstream OMCs), incentives for foreign currency inflows (e.g., NRI deposits), and calibrated tolerance for a weaker currency.

Indian Equities: Valuation reset not a structural breakdown

1. Structurally Resilient Domestic Economy (Low Export Dependence)
India's growth remains firmly anchored in domestic drivers—consumption, financialization, and public capex—resulting in significantly lower export dependence relative to most emerging markets. This insulates the economy during global shocks, as domestic sectors such as banking, telecom, defence, consumption, pharmaceuticals, and autos provide earnings stability. As a result, external disruptions do not fully translate into an earnings collapse.

2. Government Capex and Defence Tailwinds Strengthening
A heightened global geopolitical environment is leading to increased defence spending worldwide, which aligns well with India's strategic push toward domestic defence manufacturing. This creates a sustained tailwind for the sector alongside broader capex momentum.

Government Capex: A Decade of Transformation

- FY2014-15: ₹1.97 trillion (~1.6% of GDP)
- FY2024-25: ₹11.1 trillion (~3.4% of GDP)
- FY2026-27E: ~₹12.2 trillion

This represents an approximately 5.5x increase in absolute terms over ten years. Nearly 75% of central capex is directed toward core infrastructure segments such as roads, railways, and defence, reinforcing long-term growth visibility.

3. Credible and Strengthening Policy Framework
India has demonstrated a meaningful improvement in macroeconomic discipline over the past decade, supported by:

- Gradual fiscal consolidation
  - ~4.8% of GDP (FY25 RE)
  - ~4.4% (FY26 RE)
  - ~4.3% (FY27 BE)
- A credible inflation-targeting monetary framework
  - RBI operates with a 4% CPI target (±2% band)
  - Inflation trajectory has moderated and remains within the tolerance band despite repeated supply shocks
- Strengthened banking system balance sheets
  - Gross NPAs reduced sharply from cycle highs to ~3% levels
  - Net NPAs near ~1% or below
  - Capital buffers remain strong, with system-wide CRAR well above regulatory thresholds

4. Strong Domestic Institutional Flows Supporting Market Stability
SIP inflows remain robust at ~₹28,000-30000 crore per month

- Domestic institutions have consistently absorbed sustained FII selling
- This has helped prevent sharp market drawdowns despite external volatility

5. FII Under-Ownership Offers Medium-Term Upside Optionality

- India's weight in EM portfolios has declined from ~21% at peak to ~14–15%
- Active EM funds remain underweight relative to benchmarks
- Persistent multi-year FII outflows have created positioning gaps

Any reversal in global liquidity conditions—such as rate cuts or US dollar weakness could trigger a meaningful reallocation back into Indian equities, driving incremental upside.

6. Valuation normalisation

Following the escalation of the Iran war 2026, Indian markets have undergone a meaningful correction, with:

- Benchmark indices down ~10–12% from peak levels
- Mid and small caps correcting ~18–25%, reflecting excess valuation unwinding

This has coincided with sustained FII outflows, with:

- ~$12–15 billion outflows in CYTD 2026
- India's weight in EM portfolios declining from ~20–21% peak to ~14–15%
- Active EM funds remaining structurally underweight India by ~200–300 bps
- Nifty 50 forward P/E:
    - Peak: ~22–23x
    - Current: ~18.5–19.5x
- Midcap valuations:
    - Peak: ~30–32x
    - Current: ~22–25x
- Small caps:
    - Compression of ~25–35% from peak multiples

Relative to Emerging Markets:

- India's premium to EM (MSCI India vs MSCI EM):
    - Peak: ~90–100% premium
    - Current: ~50–55% premium

<u>Challenges</u>

1. Structural Oil Dependence Remains a Key Vulnerability
India imports ~85% of its crude oil requirements, making it highly sensitive to sustained elevated oil prices. Crude above $100/barrel could:

- Widen the current account deficit
- Exert pressure on fiscal balances
- Lead to broader macro de-rating

2. Sticky Inflation Limits Policy Flexibility
Elevated crude prices can feed into broader inflation, which may:

- Delay monetary easing
- Keep real interest rates elevated

This environment could result in valuation compression and slower earnings upgrades.

3. Currency and External Sector Sensitivity
Prolonged oil shocks may lead to:

- INR depreciation
- Continued FII outflows
- Imported inflation (given India's net import position)
- Drawdown in forex reserves

4. Slowing Global Growth Environment
Weaker global growth can impact external demand, capital flows, and overall risk sentiment toward emerging markets, including India.

5. Persistent Inflation from Resource Nationalism
An increasingly fragmented global environment may lead countries to hoard critical resources and build strategic reserves. This can keep commodity prices structurally firm, sustaining higher inflation and pushing central banks toward a more hawkish stance.

6. Higher Government Borrowing Requirements
In a stress environment, governments may increase borrowing to support growth. In an already high global debt context, this can act as a negative multiplier through higher yields and crowding out effects.

7. Acceleration in De-Globalisation
Rising geopolitical tensions may accelerate de-globalisation trends, leading to inefficiencies in supply chains and structurally higher commodity and input prices.

Scenario Analysis

Driver	Base Case	Bear Case
Oil	$80-90	$100+ sustained
Fiscal Deficit	4.2-4.4%	Above 4.6%
Current Account Deficit	1.25-1.5%	1.75-2%
Monetary Policy	Status quo to 1 Rate Cut	1 Rate hike
GDP Growth	6-6.5%	Sub 6%
Inflation	4.5-5%	Above 5%
FII Positioning	Underweight → Neutral	Remain Underweight
Valuation	18-19x	17-19x
EPS Growth for FY 2027	~10-12%	~5–7%
Estimated EPS FY 2027	EPS: ₹1,170–1,220	EPS: ₹1,120–1,170
Nifty Range	22000-26000	20000-24000
Source: StatLane		

Please note the estimates are subject to change basis economic and market developments

Base case reflects steady state normalization: manageable twin deficits, contained inflation, and a neutral-to-supportive policy backdrop sustaining mid-single digit growth and low double-digit earnings. Markets transition to earnings led returns while maintain current valuation multiple.

Bear case driven by an oil shock (> $100), triggering macro slippage (CAD + fiscal) and forcing a policy tightening response. Growth–inflation trade-off worsens in the downside scenario, leading to sub 6% growth and elevated inflation, constraining policy flexibility. Equities face a double hit in bear case: earnings downgrades + valuation compression, amplified by persistent FII underweight positioning.

Return asymmetry remains unfavourable: upside is gradual and earnings led, while downside is sharper, driven by macros, flows, and multiples. Oil remains the key swing factor, dictating both macro stability and market valuations across scenarios.

Indian Bonds

Indian fixed income markets are navigating a more constrained and externally sensitive macro environment, where policy flexibility is limited by inflation and currency dynamics. The oil shock is central, as it directly impacts inflation through fuel prices and indirectly through transportation, food, and core inflation components.

Inflation risks are therefore skewed to the upside, complicating the RBI's policy path. While domestic growth is likely to moderate in FY27, it will remain relatively strong, reducing the urgency for aggressive monetary easing. At the same time, a weakening rupee driven by higher oil imports and capital outflows forces the RBI to maintain a cautious stance.

This results in a **"Status Quo" interest rate environment**, particularly relative to market expectations of one more rate cut earlier in the year. Bond yields have already moved up, reflecting inflation risks and global yield pressures.

However, several structural factors provide support:

- Strong domestic demand from banks, insurance companies, and provident funds.
- Gradual fiscal consolidation, which anchors long-term debt sustainability.
- Improving financial system stability and liquidity management by the RBI.

Liquidity conditions remain a key variable. RBI's use of tools such as forex swaps, OMOs, and variable rate operations will be critical in managing liquidity without destabilizing the currency. Real yields remain relatively attractive, which should continue to anchor investor demand.

Over the medium term, the outlook improves meaningfully if oil prices stabilize. Lower inflation would allow the RBI to gradually shift toward easing, leading to **declining yields and potential capital gains** for duration strategies.

Scenario Framework:

- **Base Case**: Oil stabilizes → inflation manageable → yields range-bound → carry-driven returns.
- **Bull Case**: Oil declines → RBI cuts → bond rally.
- **Bear Case**: Oil spikes → inflation + INR pressure → yields rise further.

Overall, Indian bonds are best viewed as a **carry + tactical duration opportunity.**

Category	Tenor	30-Mar 26	1M Ago	3M Ago
AAA NBFC	1Y	7.72%	7.26%	7.02%
	3Y	7.79%	7.40%	7.28%
	5Y	7.80%	7.55%	7.37%
AAA PSU	1Y	7.29%	6.85%	6.55%
	3Y	7.54%	7.08%	6.91%
	5Y	7.65%	7.28%	7.02%
Corp Bond	1Y	7.43%	6.95%	6.64%
	3Y	7.46%	7.01%	6.78%
	5Y	7.57%	7.20%	6.94%
Govt Bond	5Y	6.90%	6.38%	6.32%
	10Y	7.02%	6.66%	6.60%
SDL	5Y	7.20%	6.70%	6.83%
	10Y	7.60%	7.37%	7.40%

Source: StatLane

Table 3: DII and FII trends in Indian Equity Market

Month	FII (USD bn)	DII (USD bn)
Jan-25	-8.4	10
Feb-25	-5.4	7.4
Mar-25	0.2	4.3
Apr-25	1.3	3.3
May-25	1.7	7.9
Jun-25	2.4	8.5
Jul-25	-2.9	7.1
Aug-25	-4.3	10.8
Sep-25	-2.1	7.3
Oct-25	1.3	9.5
Nov-25	0	5.8
Dec-25	-2.6	8.7
Jan-26	-3.3	8.9
Feb-26	1.7	7.6
Mar-26	-13.3	15.4

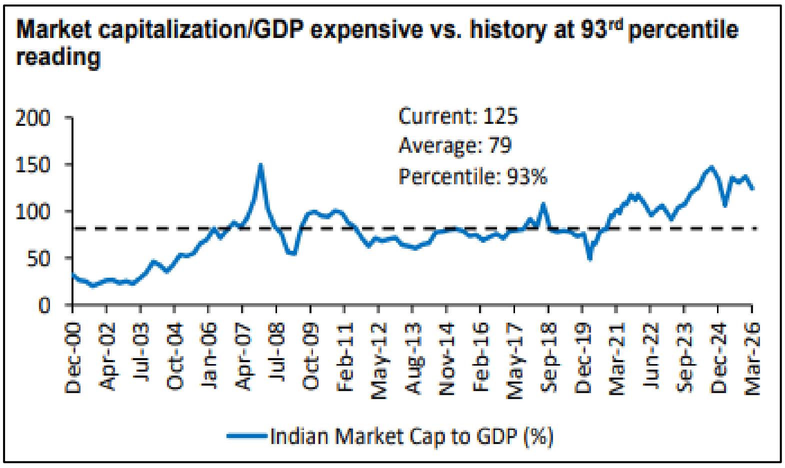
Source: StatLane

Table 4: Performance of Global Indices CYTD till March 2026

Country/Index	Change LCY(%)
Korea	20
Brazil	16
Taiwan	10
UK	2
Japan	1
MSCI EM	-1
China	-2
US	-5
Germany	-7
India	-15
Indonesia	-18

Source: StatLane

Chart 4: Market cap to GDP still remains expensive



Source: SBI MF

Chart 5: India MF Flows

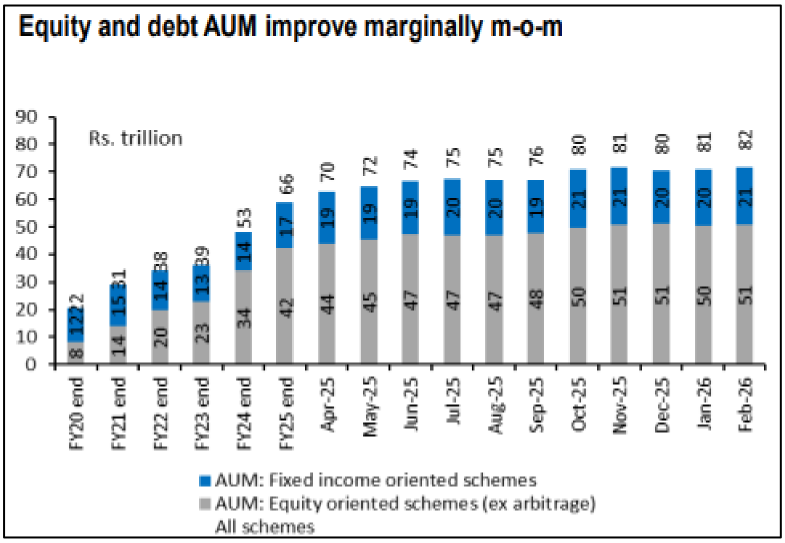


Chart 6: Domestic Equity MF flows

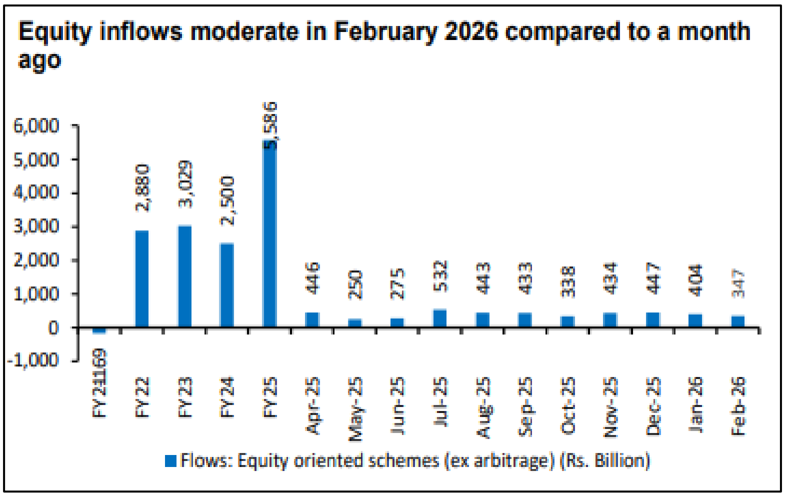
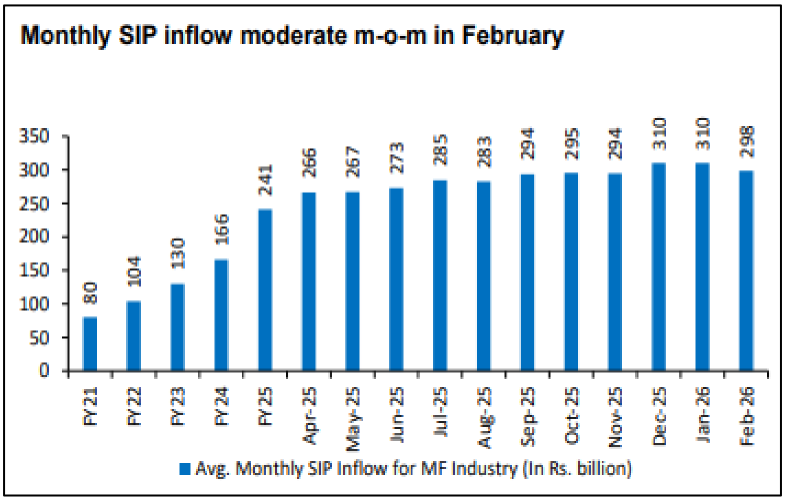


Chart 7: SIP trend



Source of charts on this page: Bloomberg, SBIMF, AMFI

Market Data

India Index Performance % 31 March 26	1M	3M	1Yr	3Yr
Nifty 50	-11.3%	-14.4%	-4.0%	10.0%
Nifty Next 50	-13.3%	-12.7%	-3.3%	17.8%
Nifty 200	-11.5%	-13.9%	-2.8%	12.7%
Nifty 500	-11.4%	-13.9%	-2.9%	13.2%
Nifty Midcap 150	-11.1%	-12.6%	2.3%	20.3%
Nifty Smallcap 250	-10.0%	-14.3%	-4.9%	18.3%
Nifty Microcap 250	-11.3%	-16.1%	-8.3%	23.2%
Nifty Total Market	-11.4%	-14.0%	-3.1%	13.5%
Thematic/Sectoral Index				
Nifty Auto	-15.6%	-15.5%	12.8%	25.8%
Nifty Bank	-16.9%	-15.6%	-1.7%	8.3%
Nifty Chemicals	-10.2%	-14.1%	-10.1%	4.1%
Nifty FMCG	-11.0%	-17.8%	-13.8%	1.3%
Nifty IT	-5.0%	-22.9%	-19.4%	2.6%
Nifty Metal	-8.8%	0.0%	23.6%	27.4%
Nifty Oil & Gas	-11.9%	-11.6%	3.2%	15.7%
Nifty Pharma	-3.1%	-1.9%	5.9%	23.7%
Nifty PSU Bank	-19.8%	-7.7%	26.6%	29.4%
Nifty Realty	-16.6%	-25.8%	-23.3%	19.3%

Source: NSE India, StatLane Research, Index = Total Return Index, Performance over 1 year is CAGR

India Index valuations 31 March 26	P/E	P/B	Div Yield
Nifty 50	19.6	3.0	1.3
Nifty Next 50	17.0	3.2	1.6
Nifty 100	19.1	3.0	1.4
Nifty 200	20.7	3.2	1.3
Nifty 500	21.2	3.2	1.2
Nifty Midcap 150	30.6	4.1	0.8
Nifty Smallcap 250	25.8	2.9	0.8
Thematic/Sectoral Index			
Nifty Auto	28.1	4.1	1.3
Nifty Bank	13.4	1.7	1.2
Nifty FMCG	32.6	8.0	1.8
Nifty IT	20.6	5.4	3.6
Nifty Metal	18.9	2.9	1.8
Nifty Pharma	33.3	4.9	0.7
Nifty PSU Bank	7.8	1.3	2.5
Nifty Realty	31.0	3.1	0.5
Nifty India Consumption	34.5	7.0	1.1
Nifty Commodities	15.3	2.2	1.8
Nifty Infrastructure	19.7	2.9	1.1
Nifty PSE	10.4	1.9	3.0
Nifty India Defence	45.7	9.6	0.7
Nifty Capital Markets	39.6	10.9	1.2
Nifty Chemicals	35.1	3.7	0.7
Nifty Oil & Gas	9.0	1.5	2.5

Source: NSE India, StatLane Research

Global Index Performance (%) 31 March 26	1M	QTD	12M
S&P 500	-5.0	-4.3	17.8
Dow Jones Industrial Average	-5.4	-3.6	10.3
S&P Europe 350	-7.5	-0.8	12.7
S&P Asia 50	-15.2	3.5	47.8
S&P EM BMI	-10.1	-2.8	19.8

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

U.S. Smart Beta Index Performance (%)31 March 26	1M	QTD	12M
S&P 500 Momentum	-5.8	-5.7	22.5
S&P 500 Equal Weight	-6.0	0.7	12.9
S&P 500 Growth	-5.4	-8.1	22.7
S&P 500 Value	-4.6	0.0	12.9
S&P 500 Low Volatility	-5.3	3.1	0.3

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

India Fixed Income Indices			Index Return %	
As of 31 March 26	Yield (%)	MD (Yrs)	1M	1Y
Nifty 3Y SDL Index	7.14	2.67	-0.73	5.28
Nifty 5Y SDL Index	7.50	4.44	-1.18	4.49
NIFTY 10 yr Benchmark G-Sec	7.14	6.97	-1.84	2.57
NIFTY Corporate Bond Index	7.81	2.38	-0.32	5.65
NIFTY Banking and PSU Debt Index	7.56	2.77	-0.37	5.66
NIFTY Low Duration Debt Index	7.59	0.70	0.37	6.55
NIFTY Short Duration Debt Index	7.51	1.82	-0.21	6.00
NIFTY Credit Risk Bond Index	9.05	1.85	-0.15	5.99
NIFTY Long Duration Debt Index	7.75	8.56	-2.53	-1.87
NIFTY Short Duration G-Sec Index	6.56	2.41	-1.09	5.42
NIFTY Long Duration G-Sec Index	7.80	11.07	-3.75	-3.03

Source: NSE India, StatLane Research, MD=Macaulay Duration

Commodities	31 March 26	Month ago
Oil (Nymex)	102.6	66.7
Gold (D)	4670	4474

Source: StatLane Research

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