EBONY WEALTH - MONTHLY MARKET UPDATE - JUNE 2026

Markets

> *Geopolitical events can alter the path of markets, but rarely the destination. Long term returns remain anchored to economic growth, corporate earnings, and valuation discipline.*
>
> — **STATLANE RESEARCH**

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.

“The Big Call” - Turning Constructive on INDIAN Equities as Key Headwinds Fade

Since September 2025, we have maintained a range-bound view on Indian equities; however, we are now turning structurally more constructive. A substantial portion of the FII selling cycle appears to be behind us, limiting the scope for further aggressive outflows, while lower crude oil prices, easing geopolitical risks and a late but favourable progression of the monsoon have materially improved the macro backdrop. On the external front, India has made significant progress on trade integration, with the UK agreement finalized, the India-EU FTA negotiations concluded and moving through the implementation process, and India-US trade negotiations advancing toward a potential first-phase agreement. Combined with ongoing policy measures by the Government of India and the RBI to enhance India's attractiveness for foreign capital, these developments point to a more durable improvement in the investment backdrop and strengthen the case for Indian equities heading into FY27.

Oil correction: Lower crude prices ease pressure on India's current account, inflation, and fiscal arithmetic, a multi-pronged tailwind for equities.

RBI/Government measures: RBI's FCNR(B) scheme is drawing offshore deposit inflows, supporting the Rupee after sustained depreciation since early 2025 and reducing the currency risk premium on Indian assets. The RBI is fully subsidizing FX hedging costs and offering CRR/SLR exemptions on fresh FCNR(B) deposits through September 2026, while the government has removed capital gains and withholding taxes on foreign investment in government securities. Additional support includes expanded FPI access to G-secs, higher NRI/OCI investment caps, a concessional swap facility for PSU external borrowings, and a shortened window for exporters to repatriate USD proceeds, together forming a coordinated fiscal-monetary push to draw in foreign capital and support the currency.

Fiscal discipline intact: The fiscal deficit remains broadly on track with Budget guidance; India's fiscal sustainability continues to compare favourably within the EM complex.

Monetary Policy Support: With a near-term rate hike unlikely, monetary policy remains accommodative alongside a stabilizing currency and oil backdrop.

Downgrade cycle maturing: A large part of the recent earnings downgrade cycle appears behind us, reducing the risk of further negative surprises.

Earnings estimates normalizing toward double digits: Consensus EPS growth expectations have cooled from earlier exuberant levels and are converging toward a more sustainable ~10% growth trajectory for FY27, lowering the bar for delivery after a volatile stretch.

FII positioning is light: After 2 years of continuous FII selling, positioning in Indian equities is underweight, creating room for a flow reversal.

OUR VIEW

With oil, the currency, and the fiscal backdrop all stabilizing and earnings estimates now more realistic, we see a reasonable probability of the ***Nifty 50 breaching its previous peak during FY27****, marking a meaningful shift from the cautious stance we have held since September 2025.*

For Risk to our view, refer Indian Equities Section

Oil Markets after the Hormuz shutdown: What comes next for prices

A Three-Month Shock, Now Unwinding

When military action between the United States, Israel, and Iran began on February 28, 2026, it triggered what the International Energy Agency has since called one of the largest disruptions to oil supply on record. Global output, which had been running close to 108 mn barrels a day before the conflict, collapsed by more than 10 mn barrels a day in March alone, as fighting damaged energy infrastructure and shipping through the Strait of Hormuz, the narrow channel that normally carries close to a quarter of the world's seaborne oil, ground to a near-halt. By May, global supply had fallen to about 94.5 mn barrels a day, some 13.6 mn barrels a day below pre-war levels, according to the IEA's June Oil Market Report. Brent crude, the benchmark most widely used to price oil globally, tracked the disruption closely: it began the year near USD 61 a barrel, climbed to an average of about USD 117 a barrel in April as the fighting peaked, and only began easing in May once reports surfaced that Washington and Tehran were nearing an agreement to wind the conflict down.

From a Ceasefire to a 60-Day Roadmap

On June 17, the United States and Iran signed the Islamabad Memorandum of Understanding, which immediately lifted the US naval blockade on Iranian oil shipments and opened a 60-day window for talks toward a final settlement. Commercial shipping through the Strait of Hormuz jumped to its highest level since mid-April within a day of the signing. A first round of high-level technical talks followed in Switzerland, and despite a brief walkout by Iran's delegation after pointed remarks from President Trump about Lebanon and the Strait, mediators Qatar and Pakistan announced on June 22 that both sides had agreed on a roadmap toward a final deal within that 60-day window, along with a new committee to oversee sanctions, nuclear, and monitoring issues, and a direct communication channel meant to prevent incidents in the Strait. Separately, the US Treasury issued a 60-day waiver permitting Iran to resume oil and petroleum exports outright, a concrete step beyond simply lifting the blockade. Gulf producers are already acting on the momentum: Kuwait has lifted its force majeure declarations, Abu Dhabi's national oil company has resumed supply operations, and Iran itself has ramped up shipments through the Strait to their highest level since the war began, including discounted cargoes sold into China

Brent has continued to fall as a result, slipping to around USD 78 a barrel by June 22, its lowest level since early March.

A 2027 Surplus Is Coming into View

Perhaps the more striking number in the IEA's latest report is not about this year but next. The agency now expects global oil supply to rebound by roughly 8 mn barrels a day in 2027, to about 110.3 mn barrels a day, as Gulf production normalizes and OPEC+ raises its own output targets. Demand, by contrast, is expected to grow by only about 2 mn barrels a day over the same period. That gap points toward a substantial oversupply once the current disruption fully unwinds, one the IEA suggests could give governments and companies a useful opportunity to rebuild the commercial and strategic oil stockpiles that have been drawn down sharply over the past few months. Traders also point to a more immediate, one-time effect on top of that structural picture: a full reopening of the Strait could release a backlog of roughly 80 mn barrels that built up in storage and floating cargoes during the closure, adding further near-term pressure to prices even before the 2027 supply growth arrives. For now, though, the agency also warns that inventories could fall further before that surplus arrives: global oil stocks have already dropped by roughly 3.8 mn barrels a day since the war began, and OECD government reserves are at their lowest level since 1990.

What Could Still Go Wrong

Progress has not been perfectly smooth even within the new roadmap. During the first round of talks, Iran's delegation reportedly walked out after President Trump warned of fresh strikes if Hezbollah continued attacking Israel and cautioned Tehran against closing the Strait again; mediators brought the talks back on track within hours, but the episode was a reminder that the 60-day path to a final deal can still be disrupted by a single statement.

Beyond the negotiations, the IEA continues to flag both demining work and unresolved transit-rights questions as operational hurdles that could delay Gulf supply's return. Separately, the unresolved war between Russia and Ukraine remains a wildcard for Russian oil supply heading into 2027: new Western sanctions or, alternatively, a peace settlement there could both move the global balance, in opposite directions.

Global Economic Update

Table 1 World Bank GDP Growth Projections of Select AEs and EMDEs

Projection for	2026		2027	
	January	June	January	June
World*	*3.2*	*2.9*	*3.3*	*3.4*
Advanced Economies (AEs)	*1.6*	*1.5*	*1.6*	*1.8*
US	2.2	2.2	1.9	2.1
Euro area	0.9	0.8	1.2	1.3
Japan	0.8	0.7	0.8	0.9
Emerging Market and Developing Economies (EMDEs)	*4.0*	*3.6*	*4.1*	*4.2*
Russia	0.8	0.8	1.0	0.7
India#	6.5	6.6	6.6	7.2
China	4.4	4.2	4.2	4.3
Latin America and the Caribbean	*2.3*	*2.2*	*2.6*	*2.5*
Mexico	1.3	1.3	1.8	1.7
Brazil	2.0	1.9	2.3	2.0
Middle East and North Africa	*4.3*	*1.6*	*4.3*	*5.0*
Saudi Arabia	4.3	3.1	4.4	4.9
Sub-Saharan Africa	*4.3*	*4.0*	*4.5*	*4.4*
South Africa	1.4	1.0	1.5	1.5

Notes: 1. *: Projections by the World Bank are PPP weighted.

#: India figures are for fiscal year (April-March).

Source: World Bank, Global Economic Prospects (January 2026 and June 2026 editions).

Table 2: Global PMI

Global Purchasing Managers' Index	**Jan-26**	**Feb-26**	**Mar-26**	**Apr-26**	**May-26**
PMI Composite	52.5	53.3	51.0	51.8	51.8
PMI Manufacturing	50.9	51.8	51.3	52.6	52.6
PMI Services	52.8	53.4	50.8	51.2	51.3
PMI Export Orders	49.7	51.2	49.6	49.6	48.9
PMI Export Orders: Manufacturing	49.9	51.4	50.0	50.2	49.6
PMI Export Orders: Services	48.9	50.5	48.3	47.6	46.6

Notes: 1. The Purchasing Managers' Index (PMI), a diffusion index, captures the change in each variable compared to the prior month, noting whether each has risen/improved, fallen/deteriorated or remained unchanged. A PMI value >50 denotes expansion; <50 denotes contraction; and = 50 denotes 'no change'. 2. Heat map is applied on data from April 2023 onwards. The map is colour coded - red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.
Source: S&P Global.

Table 3: Uncertainty Indices - Index (Jan 2024 = 100)

Month	Geopolitical Risk Index (RHS)	World Uncertainty Index	World Policy Uncertainty Index
Mar-25	108	275	290
Apr-25	91	375	410
May-25	106	320	440
Jun-25	138	320	460
Jul-25	84	400	495
Aug-25	88	460	590
Sep-25	80	595	685
Oct-25	97	555	625
Nov-25	66	440	515
Dec-25	83	430	505
Jan-26	106	310	445
Feb-26	73	340	460
Mar-26	206	385	475
Apr-26	158	350	465
May-26	141	325	455

Table 4: Headline Inflation in Advanced and Emerging Economies

Month	US (CPI)	UK	Euro area	Japan
Jan-25	2.9	3.0	2.5	4.0
Mar-25	2.4	2.6	2.2	3.7
May-25	2.3	3.5	1.9	3.6
Jul-25	2.7	3.8	2.0	3.1
Sep-25	3.0	3.8	2.2	3.0
Nov-25	2.7	3.4	2.1	2.9
Jan-26	2.4	3.0	1.7	1.5
Mar-26	3.3	3.0	2.6	1.5
May-26	4.2	2.8	3.2	1.5

Month	Brazil	Russia	South Africa	India	China
Jan-25	4.6	10.0	3.2	4.0	0.6
Mar-25	5.5	10.3	2.8	3.6	-0.7
May-25	5.2	9.6	2.9	3.0	-0.1
Jul-25	5.1	8.2	3.5	1.6	-0.1
Sep-25	5.1	7.6	3.5	-0.3	-0.5
Nov-25	4.4	5.5	3.6	1.0	0.3
Jan-26	4.6	5.8	3.0	2.8	1.2
Mar-26	4.0	5.6	3.2	3.2	1.0
May-26	4.7	5.3	4.5	3.9	1.2

Note: The break in the US inflation data series is due to the government shutdown during the period.

Sources: Bloomberg; and OECD.

U.S. Equities

The U.S. economy continues to demonstrate resilience despite operating under interest rates that remain significantly higher than those experienced during the decade following the Global Financial Crisis. Real GDP growth expanded by 2.9% in 2023 and approximately 2.8% in 2024, significantly exceeding consensus expectations of a recession. Economic momentum has moderated since then as the lagged effects of tighter monetary policy, higher borrowing costs and slower credit creation have begun to weigh on activity. Nevertheless, the Federal Reserve's latest projections continue to point towards growth of approximately 2.0-2.2% in 2026, a level that remains broadly consistent with trend growth and well above recessionary territory. While growth is slowing from the exceptionally strong post-pandemic expansion, it remains close to or slightly above the U.S. economy's estimated long-term potential growth rate of 1.8-2.0%.

Consumer spending remains the primary engine of the U.S. economy. Personal Consumption Expenditures account for approximately 67-68% of U.S. GDP and have remained within this range for more than two decades. The resilience of household spending has been supported by a labour market that remains historically healthy, positive real wage growth and elevated household net worth. Although higher interest rates have weighed on housing activity and other interest-rate-sensitive sectors, consumer spending continues to provide an important cushion against broader economic weakness and remains the principal reason why the U.S. economy has avoided recession.

The labour market remains one of the strongest components of the economic backdrop. The unemployment rate currently stands near 4.2-4.3%, modestly above the cycle low of 3.4% reached in early 2023 but still substantially below the long-term historical average of approximately 5.5-5.7%. Job creation has slowed from the extraordinary pace observed during the post-pandemic recovery, but monthly payroll growth remains positive and consistent with an expanding economy. Wage growth has moderated from peak levels but continues to run near 3.5-4.0%, supporting household purchasing power and consumer demand. The continued stability of employment conditions remains a key reason why recession expectations have steadily declined despite restrictive monetary policy.

Inflation remains the principal challenge facing policymakers and investors. Headline CPI inflation has moderated significantly from the peak of 9.1% recorded in June 2022 but remains above the Federal Reserve's target. Headline inflation is currently running around 3-4%, while core inflation measures remain closer to 3%. Core PCE inflation, the Federal Reserve's preferred inflation gauge, remains above the central bank's 2% objective. While the overall trend remains disinflationary relative to the post-pandemic period, progress has become more gradual and uneven. The persistence of services inflation, shelter costs and wage-related pressures suggests that the final phase of returning inflation to target may prove more challenging than the initial decline.

Against this backdrop, the Federal Reserve has maintained a cautious approach toward monetary policy. After raising the Fed Funds Rate from near zero in 2022 to a peak of 5.25-5.50%, policymakers have only partially eased monetary conditions. Policy rates currently remain near 3.50-3.75%, substantially above the average level that prevailed during much of the previous decade. Federal Reserve communications continue to emphasize a data-dependent approach, balancing the need to ensure inflation returns sustainably to target against the risk of unnecessarily slowing economic growth. For investors accustomed to the near-zero interest rate environment that characterized much of the 2010s, the current regime represents a structurally higher cost of capital and a more demanding environment for asset valuations.

From an equity market perspective, valuations remain elevated. The S&P 500 currently trades at approximately 22x forward earnings, compared with a long-term historical average closer to 17-18x. The market's premium valuation reflects investor confidence in the durability of corporate earnings growth, the resilience of the U.S. economy and the transformative potential of artificial intelligence. However, elevated valuations also imply a reduced margin of safety and leave equity markets increasingly sensitive to earnings disappointments, inflation surprises or higher bond yields. Future returns are therefore likely to depend more on earnings growth than on further valuation expansion.

Market concentration remains another defining characteristic of the current cycle. The Magnificent Seven - Apple, Microsoft, Nvidia, Amazon, Alphabet, Meta and Tesla, account for approximately one-third of the S&P 500's market capitalization, compared with roughly 12-13% a decade ago. Their combined market value exceeds USD 20 trillion and continues to represent a disproportionate share of index earnings growth. Nevertheless, a notable development during the past year has been the gradual broadening of market leadership. Earnings growth has increasingly expanded beyond the largest technology companies into sectors such as industrials, financials and healthcare, reducing the market's dependence on a narrow group of stocks and improving the sustainability of the broader bull market.

Artificial intelligence remains the dominant investment theme driving U.S. equity markets. The largest technology companies are collectively expected to invest well in excess of USD 300 billion annually in AI-related infrastructure over the coming years, including data centres, semiconductors, networking equipment and power infrastructure. Unlike previous technology cycles that were largely software-driven, the AI buildout is increasingly capital intensive. Consequently, even cash-rich technology companies have increased their use of debt markets in order to preserve financial flexibility while funding unprecedented levels of capital expenditure. Investors have thus far rewarded this spending because of the exceptional profitability and cash-generation capabilities of these businesses. However, over time, market performance will increasingly depend on whether these investments translate into sustainable revenue growth, productivity gains and attractive returns on capital.

An increasingly important development for global asset allocators is the gradual rebalancing away from concentrated U.S. exposure. Following more than a decade of exceptional outperformance, U.S. equities now account for approximately 70% of the MSCI World Index despite the U.S. representing roughly one-quarter of global GDP. Valuation differentials between regions have widened considerably. European equities trade closer to 14-15x forward earnings, while Japanese equities trade near 15-16x earnings, compared with more than 22x for the U.S. market. As a result, institutional investors are increasingly reducing marginal overweight positions in U.S. equities and reallocating capital towards Europe, Japan and selected emerging markets where valuations are more attractive and earnings cycles are improving. This shift should not be interpreted as a bearish view on U.S. equities but rather as a reflection of the growing opportunity set outside the United States after an extended period of U.S. market dominance.

Chart 1: Magnificent 7 Market cap gains over the decades

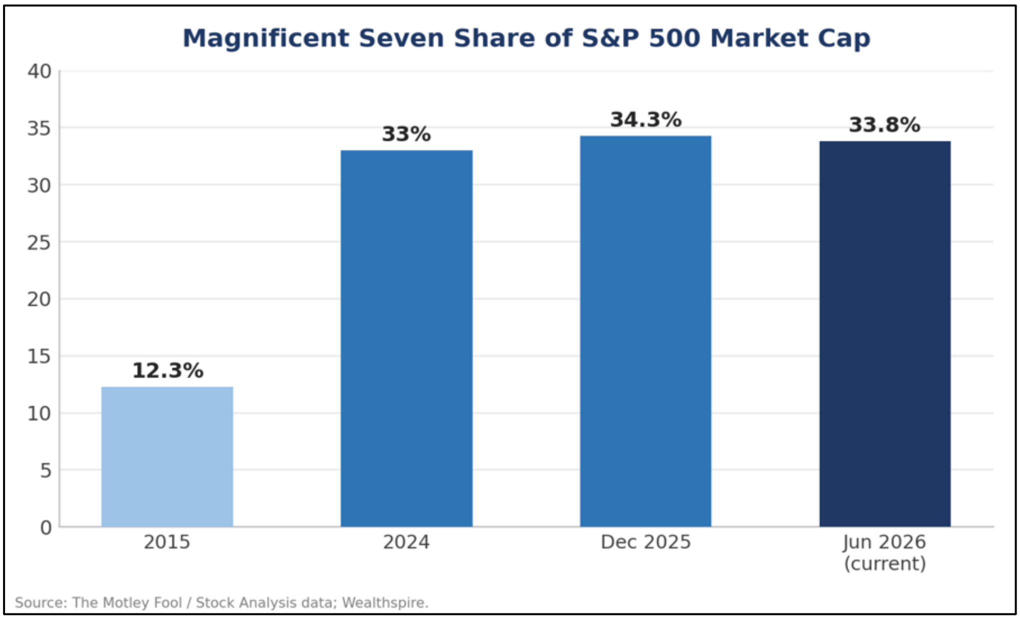


Chart 2: Premium valuation gap of US Equities

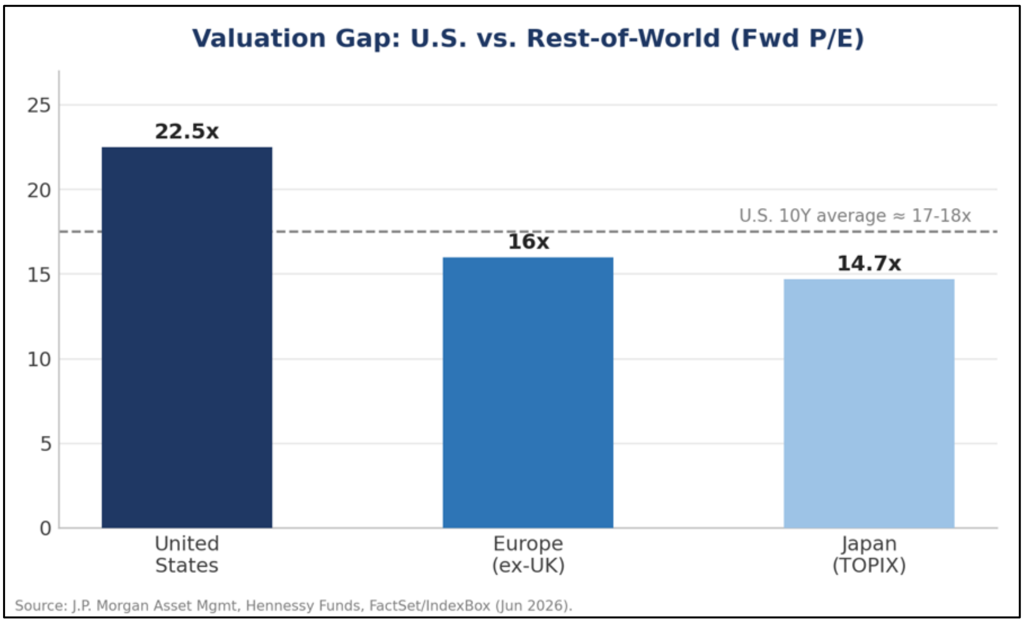


Table 5: World Stock Market Returns by Year

Q2 '26	YTD	2025	2024	2023	2022	2021	2020
MSCI Asia ex-Japan 27.8%	**MSCI Asia ex-Japan 26.3%**	MSCI EM 34.4%	US S&P 500 25.0%	Japan TOPIX 28.3%	UK FTSE All-Share 0.3%	US S&P 500 28.7%	MSCI Asia ex-Japan 25.4%
MSCI EM 24.1%	**MSCI EM 24.0%**	MSCI Asia ex-Japan 33.0%	Japan TOPIX 20.5%	US S&P 500 26.3%	Japan TOPIX -2.5%	MSCI Europe ex-UK 24.4%	MSCI EM 18.7%
US S&P 500 15.2%	**Japan TOPIX 18.6%**	Japan TOPIX 25.5%	MSCI Asia ex-Japan 12.5%	MSCI Europe ex-UK 17.3%	MSCI Europe ex-UK -12.2%	UK FTSE All-Share 18.3%	US S&P 500 18.4%

Japan TOPIX 14.4%	**MSCI Europe ex-UK 11.8%**	UK FTSE All-Share 24.0%	UK FTSE All-Share 9.5%	MSCI EM 10.3%	US S&P 500 -18.1%	Japan TOPIX 12.7%	Japan TOPIX 7.4%
MSCI Europe ex-UK 14.4%	**US S&P 500 10.2%**	MSCI Europe ex-UK 20.1%	MSCI Europe ex-UK 8.1%	UK FTSE All-Share 7.9%	MSCI Asia ex-Japan -19.4%	MSCI EM -2.2%	MSCI Europe ex-UK 2.1%
UK FTSE All-Share 4.7%	**UK FTSE All-Share 7.2%**	US S&P 500 17.9%	MSCI EM 8.1%	MSCI Asia ex-Japan 6.3%	MSCI EM -19.7%	MSCI Asia ex-Japan -4.5%	UK FTSE All-Share -9.8%

Source: J.P Morgan, 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 30 June 2026.

U.S. Bonds

The outlook for U.S. Treasuries remains closely tied to the path of inflation and Federal Reserve policy. After years of exceptionally low yields, government bonds once again offer meaningful income. The 10-year Treasury yield currently trades around **4.5%**, compared with an average yield of approximately 2% during the decade preceding the pandemic. Investors can therefore earn positive real yields for the first time in many years, improving the attractiveness of sovereign bonds as a strategic portfolio allocation.

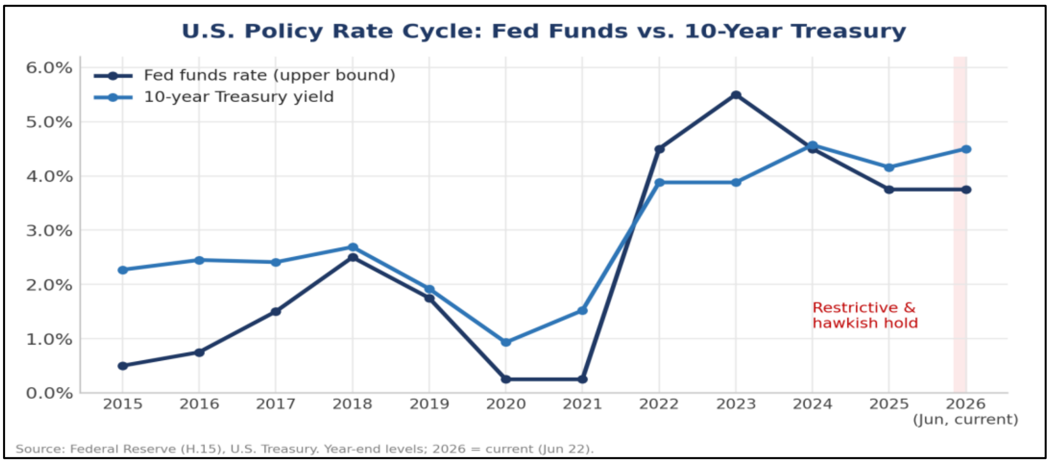
The Federal Reserve's shift toward a more hawkish stance has important implications for fixed income markets. While investors began 2026 expecting further policy easing, persistent inflation and resilient economic growth have led policymakers to adopt a more cautious approach. The current policy rate of 3.50%-3.75% remains restrictive, and several Fed officials now project at least one rate increase before year-end. As a result, bond investors should expect continued volatility in interest rate expectations and Treasury yields.

A second structural factor supporting higher Treasury yields is the U.S. fiscal position. Federal debt has exceeded **123% of GDP as of Q1 2026**, while annual fiscal deficits **are running at approximately 5.8-5.9% of GDP for fiscal year 2026.** Financing these deficits requires substantial Treasury issuance across maturities at a time when the Federal Reserve is no longer a significant buyer of government bonds. The combination of elevated supply and reduced central-bank demand suggests that long-term Treasury yields are likely to remain structurally higher than those experienced during the quantitative easing era.

The AI investment cycle is also beginning to influence fixed-income markets. Large technology companies that historically generated excess cash with relatively modest capital expenditure requirements are now undertaking some of the largest investment programmes in corporate history. Data centres, semiconductor fabrication facilities and power infrastructure require substantial capital commitments, resulting in increased debt issuance even among highly profitable technology companies. This represents a significant shift from the asset-light technology model that characterized much of the previous decade and may contribute to a larger supply of corporate and quasi-infrastructure financing requirements over the coming years.

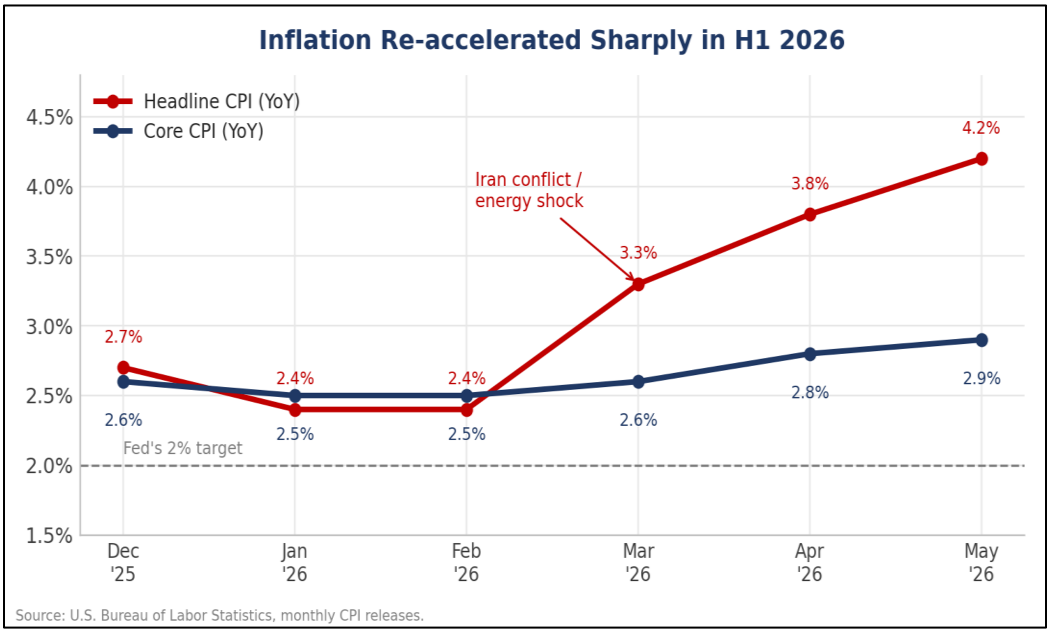
Overall, while U.S. economic growth remains healthy and corporate profitability continues to support equity markets, investors are increasingly operating in a world characterized by higher interest rates, elevated valuations and growing market concentration. We remain constructive on U.S. equities owing to their innovation leadership and earnings quality, but expect future returns to be increasingly driven by earnings growth rather than valuation expansion. At the same time, U.S. Treasuries have regained their relevance as a source of income and portfolio diversification, offering one of the most attractive risk-adjusted opportunities available in fixed income over the past decade.

Chart 3: Spread of US 10yr over Fed Funds Rate



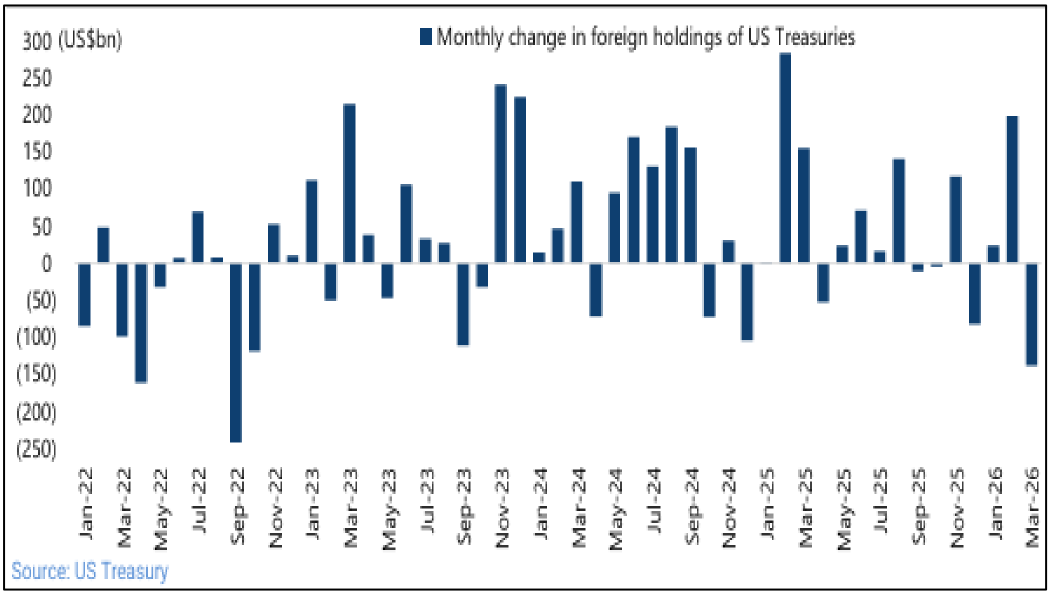
Rates have round-tripped a full cycle. The Fed funds rate and 10-year Treasury yield both sit near 2018 levels, a long way from the near-zero regime of 2020-21, and the Fed's June hold (plus hints of a possible hike) signals no quick return to it.

Chart 4: US Inflation trends CPI and Core CPI



The disinflation story reversed in March. Headline and core CPI had both drifted toward the Fed's 2% target by February, before the Iran-related energy shock pushed headline inflation to 4.2% by May, the fastest re-acceleration since 2022.

Chart 5: Monthly change in foreign holdings of US Treasuries



Indian Economy

GDP

India's economy demonstrated remarkable resilience in FY2025-26, estimated to have grown at 7.6% maintaining its position among the fastest-growing major economies globally. Growth in FY2026-27 is projected at 6.9% since the pandemic, India has recorded an average growth of 8.2% during 2021-25. Domestic demand continued to be supported by strong consumption and public investment.

Table 6: High Frequency Indicators for Industry Remained Robust (YOY Growth)

Indicator	Jan-26	Feb-26	Mar-26	Apr-26	May-26
IIP headline	4.4	5.2	3.2	4.9	
IIP manufacturing	5.0	5.9	3.9	6.2	
IIP capital goods	14.3	19.1	11.2	16.0	
PMI manufacturing	55.4	56.9	53.9	54.7	55.0
PMI export order	54.1	53.2	55.0	56.3	53.7
PMI manufacturing: future output	56.4	57.9	67.3	65.5	64.1
Index of Eight Core Industries	4.7	2.8	1.2	1.8	0.5
Electricity generation: conventional (volume)	2.2	-1.5	-1.1	2.3	7.4
Electricity generation: renewable (volume)	22.9	25.3	11.7	23.2	
Automobile production (volume)	15.0	22.1	20.2	26.0	13.3
Passenger vehicle production (volume)	5.6	9.8	9.0	12.8	10.9
Two-wheelers production (volume)	16.1	24.4	22.0	28.1	12.9
Three-wheelers production (volume)	33.2	29.9	34.0	41.6	32.9
Tractor production (volume)	14.6	80.0	28.6	18.1	15.5
Crude steel production (volume)	11.5	11.4	10.6	3.9	2.9
Finished steel production (volume)	12.5	8.6	8.2	6.4	7.7
Import of capital goods (value)	7.1	19.7	13.1	21.6	

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators (except for PMI). 2. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 3. The heatmap is applied on data from April 2023 to the latest month for which data is available. 4. All PMI values are reported in index form. A PMI value >50 denotes expansion, <50 denotes contraction and =50 denotes 'no change'. In the PMI heatmaps, red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.

Sources: Ministry of Statistics and Programme Implementation; S&P Global; Central Electricity Authority, Ministry of Power; Society of Indian Automobile Manufacturers; Office of Economic Adviser, GoI; Joint Plant Committee; Directorate General of Commercial Intelligence & Statistics; and Tractor and Mechanisation Association

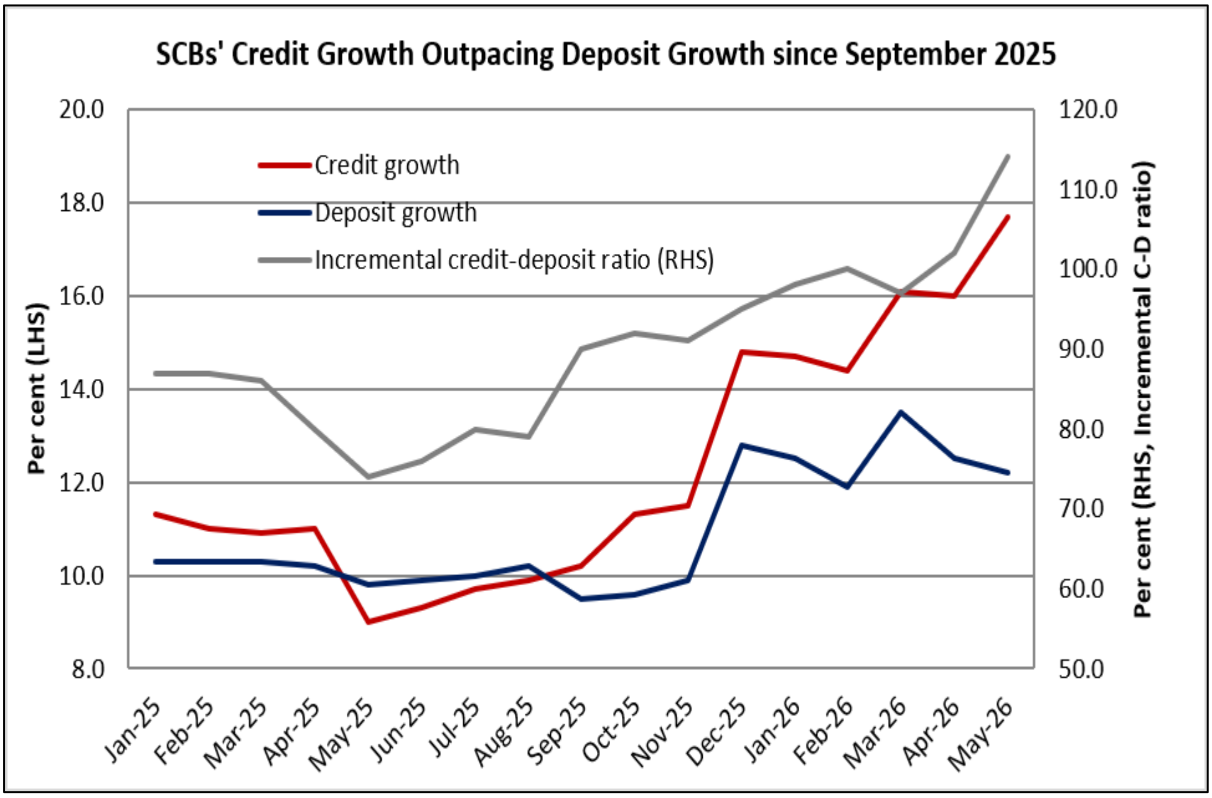
Table 7: High Frequency Indicators for Services Remained Resilient

Indicator	Jan-26	Feb-26	Mar-26	Apr-26	May-26
PMI services	58.5	58.1	57.5	58.8	59.8
International air passenger traffic	7.1	3.0	-18.5	-16.7	-9.7
Domestic air cargo	8.7	18.5	10.8	8.2	
International air cargo	8.4	17.5	-6.0	11.5	
Port cargo traffic	7.6	5.1	0.6	2.4	6.6
Retail commercial vehicle sales	15.1	28.9	15.1	18.8	5.3
Steel consumption	4.9	12.8	13.7	8.1	9.2
Cement production	11.3	8.9	4.7	9.4	
Foreign tourist arrivals	5.2	6.1	-1.6	-14.7	
Hotel occupancy	-8.5	1.2	-4.0	-1.0	

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators (except for PMI). 2. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 3. The heatmap is applied to data from April 2023 to the latest month for which data is available. 4. All PMI values are reported in index form. A PMI value >50 denotes expansion, <50 denotes contraction and =50 denotes 'no change'. In the PMI heatmaps, red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series.

Sources: Federation of Automobile Dealers Associations; Indian Ports Association; Airports Authority of India; Joint Plant Committee, Ministry of Steel; Office of Economic Adviser, Ministry of Commerce & Industry; Ministry of Tourism; HVS Anarock; and S&P Global.

Chart 6: Credit and Deposit growth trends



Source: RBI

Chart 7: India Forex Reserves (USD Bn)

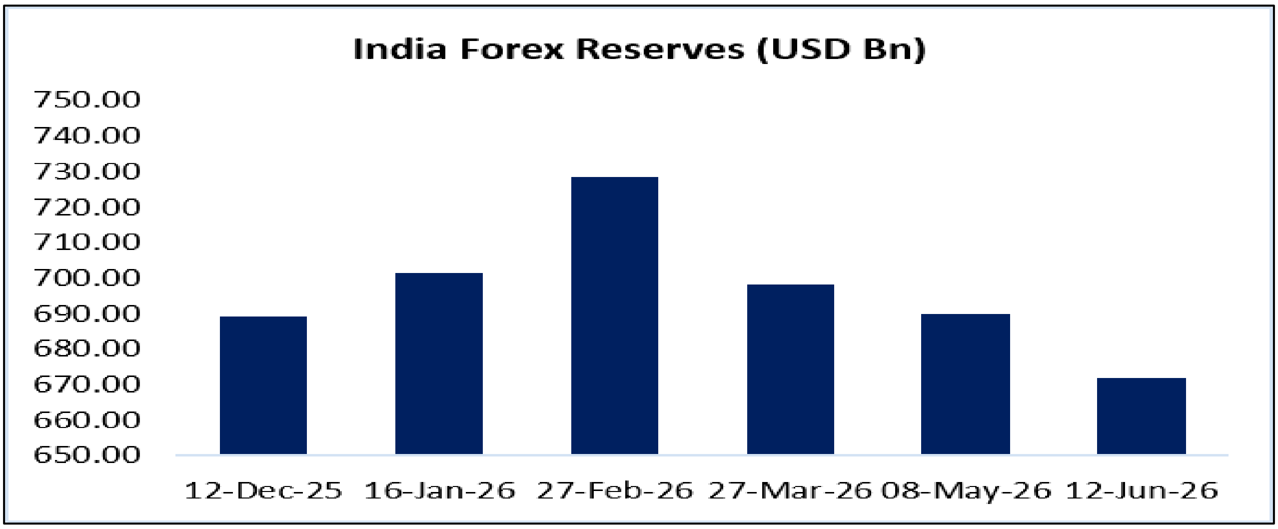


Chart 8: India's GDP

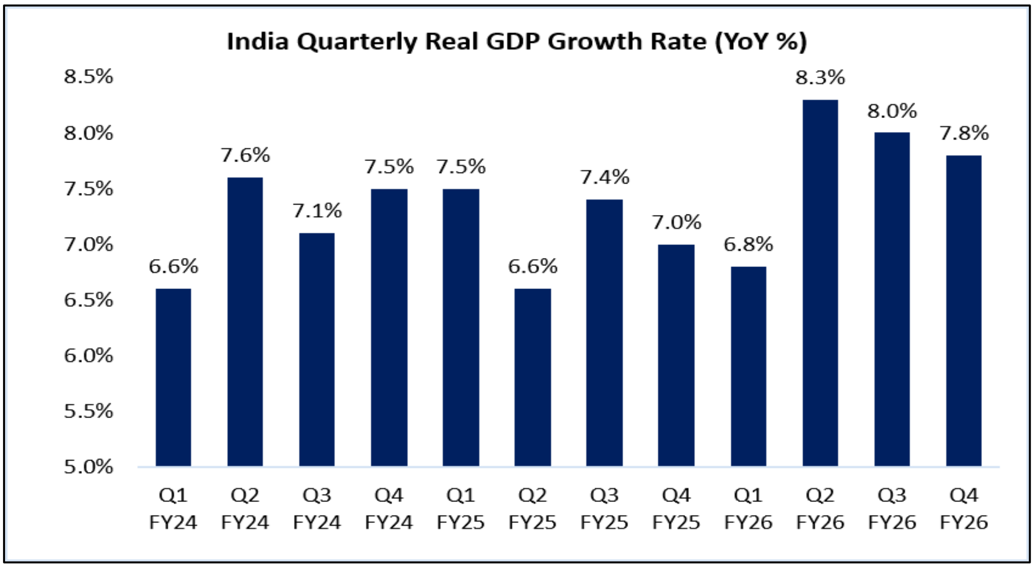
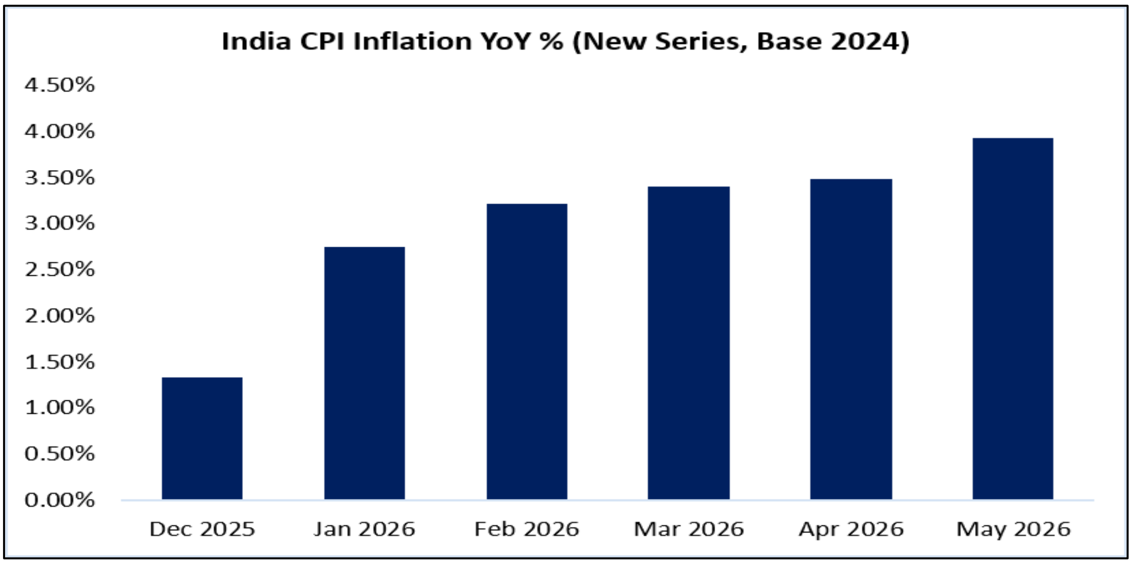


Chart 9: India's CPI



Source: RBI

Chart 10: India's WPI Index

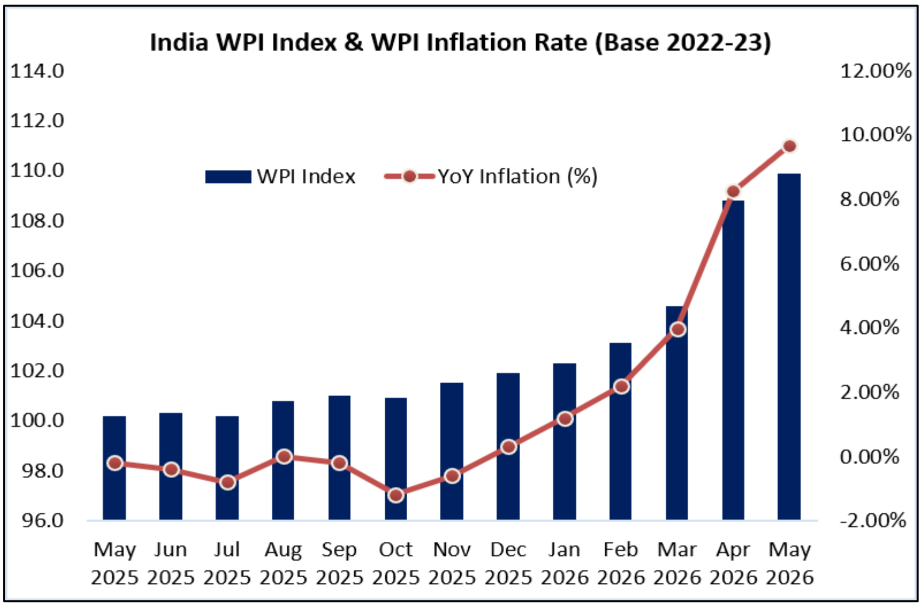
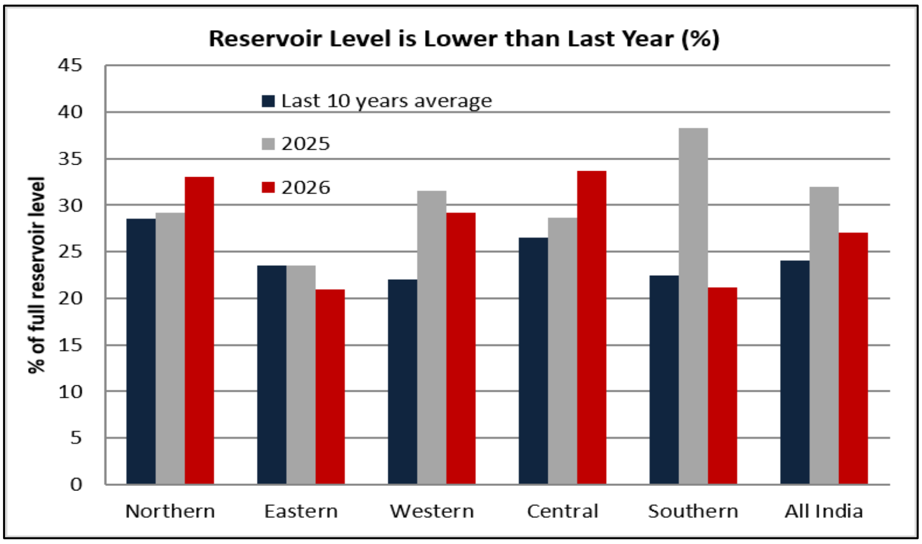
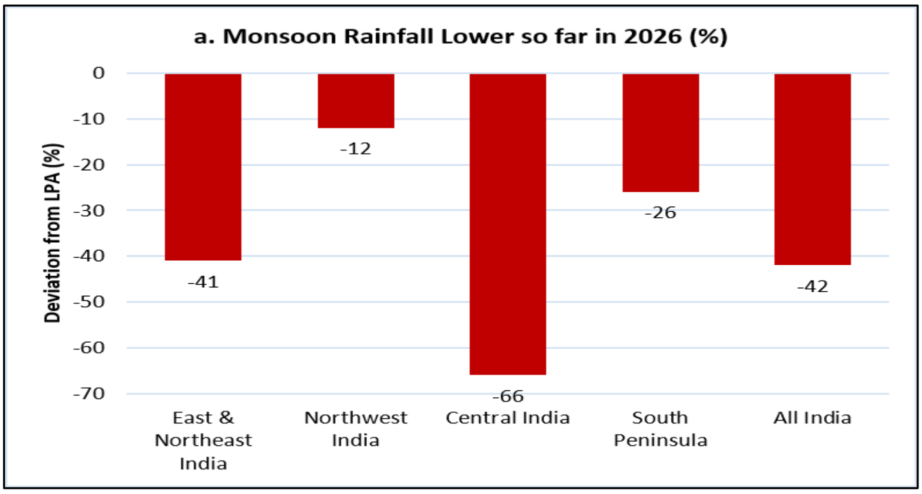


Chart 11 & 12: Downside Risks to Agriculture Production





Notes: 1. Data for rainfall pertains to June 01-21. 2. Data for reservoirs pertain to June 18. Sources: India Meteorological Department and Central Water Commission. Source: RBI

Indian Equities

Indian equities are working through a transition from a macro-driven correction to an earnings-driven recovery, and the transition is accelerating since our late May note.

1. Oil & Geopolitics: De-escalation Eases Energy Risks

Geopolitical tensions in the Middle East have eased meaningfully following the U.S.-Iran ceasefire agreement reached in mid-June, which reopened the Strait of Hormuz to commercial shipping and restored confidence in Gulf oil exports. Brent crude, which had traded above USD110/bbl during the height of the conflict, has fallen sharply to around USD76-78/bbl as shipping flows normalised and markets priced in a lower probability of supply disruption. Major forecasters have subsequently reduced their oil price expectations for both 2026 and 2027.

For India, which imports approximately 85% of its crude oil requirements, the decline in oil prices is a significant macroeconomic positive. Lower crude prices support the current account balance, reduce inflationary pressures and ease fiscal risks associated with energy subsidies.

While tensions briefly resurfaced following disagreements over implementation of the ceasefire, subsequent negotiations resulted in a structured 60-day roadmap that includes monitoring mechanisms, direct communication channels and working groups to address outstanding disputes. Although key issues relating to Iran's nuclear programme and regional conflicts remain unresolved, the ceasefire framework has so far held up under pressure.

Consequently, the risk of a renewed oil price spike has diminished materially. While Brent could still revisit USD115-120/bbl under an adverse scenario involving a breakdown of negotiations or renewed disruption to Strait of Hormuz traffic, this is increasingly viewed as a tail risk rather than the base case. The current environment points to lower and more stable energy prices, which is supportive for both global growth and oil importing economies such as India.

2. Currency, Monetary Policy and External Buffers

The RBI's Monetary Policy Committee, meeting 3-5 June, held the repo rate at 5.25% for a third consecutive meeting and retained its neutral stance, a decision taken unanimously. Importantly, this decision was taken before the Iran MOU crystallised, and the Committee's own projections reflected the more difficult conditions prevailing at the time: the FY27 GDP growth forecast was cut to 6.6% from 6.9%, and the FY27 CPI inflation forecast was raised to 5.1% from 4.6% (core inflation projected at 4.7%).

The backdrop to all of this is that the rupee's pressure through the conflict has come from two distinct, simultaneous channels, and the policy response has been built to address both. The first is the equity channel: foreign investors have been net sellers of Indian equities through much of 2026, and that selling converts into dollar demand against the rupee regardless of what's happening on the current account - a pure portfolio-flow pressure that has nothing to do with trade. The second is the current account channel: the oil import bill spiked through the war, and gold and silver imports, already running well above prior-year levels, added a second, largely discretionary source of dollar outflow on top of energy. The RBI and the government have responded to each channel separately rather than relying on a single lever:

- **On the equity-outflow side**, the RBI and government introduced measures aimed at opening up offsetting *debt-side* inflow channels, so that even as FPI equity flows stayed negative, other dollar inflows could pick up the slack. Capital gains tax on government securities was scrapped for foreign portfolio investors and the Bank for International Settlements, effective 1-April-2026, making Indian sovereign debt more attractive to foreign holders who had been deterred by the tax friction. FCNR(B) deposits (Foreign Currency Non-Resident Bank deposits) got a direct subsidy: the RBI committed to bear the full hedging cost on new three-to-five-year deposits opened through 30-September-2026, which banks would otherwise pass back to NRI depositors as lower effective yields - removing that cost makes these deposits materially more attractive and gives banks a commercial incentive to actively solicit the inflow. A concessional forex swap facility for external commercial borrowings was extended through the same date, lowering the hedging cost for Indian corporates borrowing abroad and keeping ECB issuance flowing rather than drying up. Together, these three measures create FPI-debt, NRI-deposit, and corporate-ECB inflow channels that can run independently of equity sentiment - useful precisely because equity flows have been the source of pressure, not the cure for it.

- **On the current-account side**, the government moved directly on the discretionary half of the import bill it can actually influence. Oil is largely non-discretionary (India imports ~85% of its crude), but gold and silver import duty was raised sharply, from roughly 6% to 15% (Basic Customs Duty up from 5% to 10%, the Agriculture Infrastructure and Development Cess up from 1% to 5%), effective 13-May-2026 - explicitly framed by the government as a move to curb non-essential imports and ease pressure on the rupee, alongside public appeals for citizens to defer bullion purchases. Gold and silver had been running far above normal levels into the duty hike (April imports up 81.7% and 157.2% YoY respectively) and made up nearly 11% of India's merchandise imports in FY26, so this is a meaningful, targeted lever on the one major import category the government can actually discourage through price, unlike energy.

Taken together, INR stability now rests on three legs rather than one: continued progress on the oil/Iran front, the success of the debt-and-deposit inflow measures in offsetting persistent FPI equity selling, and whether the gold/silver duty hike actually dents bullion import volumes as intended rather than simply being absorbed by resilient cultural demand, as has happened after past duty hikes.

3. Monsoon Risk

A risk factor absent from our prior note has emerged since: the monsoon is off to a poor start. Per IMD data, onset has been delayed by roughly three weeks, and the IMD's own probability of a below-normal season (<90% of the long-period average) now stands at 84%. The medium term picture is similarly soft, with El Niño conditions expected to persist through the rest of 2026 and into 2027 (global ENSO model probabilities run 97-100% through the IMD's tracked window). This raises near-term risk to food inflation and rural incomes, layering a domestic supply-side concern on top of the oil-driven external one discussed above.

The buffers against this shock look genuinely better than in past El Niño years, however. Reservoir live storage stood at 29.58% of full reservoir level as of Jun-26, against a 10-year average of roughly 25.1% - a comfortable cushion - while foodgrain stocks at end-April were at record levels (roughly 377mn tonnes against a 10-year average near 304mn tonnes). Historically, India's policy response to El Niño-driven food inflation has also improved: spikes have been contained to roughly 6-7% over the past decade against 14-15% in the pre-2015 El Niño years, and the drag on growth from weak rural incomes has been similarly muted, helped by allied agricultural activities (livestock, fisheries, forestry) now accounting for roughly 46% of agri GVA and cushioning the crop-side hit specifically. Our own house view is that this is a passing phase likely to cause a short-term wobble in consumption and a transient uptick in inflation, rather than a structural dent to either - though it is a genuine, fresh source of two-way risk that was not part of our late-May framing.

4. Domestic Flows and Foreign Positioning

Domestic flows continue to function as the structural shock absorber we highlighted in the prior note, though the pace has moderated from its peak. Industry data show net equity mutual fund inflows of ₹22,908cr in May 2026, down 40% from April's ₹38,440cr, while SIP contributions held essentially steady at ₹30,953cr (down a marginal 0.5% from April's ₹31,115cr) - a slowdown in lump-sum conviction rather than any retreat in the systematic, retail-anchored flow that has been the more durable source of support.

On the foreign side, ownership of NSE-listed equities has fallen to roughly 16.9% as of end-March 2026, a multi-year low, with FII outflows running well ahead of the prior year's pace (cumulative 2026 outflows already exceeding all of 2025's by early May). A second set of flow data corroborates the broad shape of this: FPI net equity selling has softened since the March peak without yet turning to sustained buying, while MF net equity purchases have stepped up over the same period, acting as the offsetting cushion.

5. Earnings, Valuations and Market Outlook

Q4 FY26 earnings suggest that the earnings cycle may be stabilising, although a meaningful recovery has yet to emerge. Nifty50 revenues registered the strongest growth in three years, but profit growth remained subdued at around 4.5% as margin pressures persisted. Importantly, earnings growth outside the Nifty50 was significantly stronger, indicating that profit growth is broadening beyond the largest companies.

The challenge for investors is that FY26 marked a second consecutive year of earnings disappointment. Nifty EPS growth was approximately 4.5%, well below the double-digit growth expectations that prevailed at the start of the year. While consensus now expects FY27 earnings growth of around 15%, investors are likely to seek evidence of delivery before fully pricing in such a recovery.

Encouragingly, earnings revisions appear to be stabilising. The pace of earnings downgrades has slowed materially over recent quarters and the proportion of companies expected to deliver strong earnings growth in FY27 has increased. While the upgrade cycle has not yet begun, there are growing signs that the earnings downgrade cycle is nearing its end.

Valuations remain reasonable rather than compelling. The Nifty50 trades broadly in line with its long-term average on trailing earnings and at a modest discount on forward earnings. This suggests that future market gains will need to be driven primarily by earnings growth rather than multiple expansion.

Our base case remains constructive. With oil prices easing, macroeconomic risks moderating and earnings expectations stabilising, **we expect the Nifty to revisit and potentially exceed its previous highs during FY27.** However, this outcome will depend largely on corporate earnings delivering on expectations rather than on further valuation expansion.

On positioning, we would favour largecaps over mid and small caps at this stage, given the relative comfort on valuation and stronger balance sheet. That said, a meaningful midcap allocation remains warranted within the portfolio, since earnings growth in this segment continues to outpace largecaps. The smallcaps, by contrast, call for a more sensitive and selective approach, given the wider dispersion in quality and the richer valuations prevailing in that space.

Sector view: We prefer Banking, select NBFCs, Infrastructure, and Capital Goods over IT, though we will still buy IT selectively given post de-rating value. We also like Pharma and Discretionary, where earnings have held up better. Within Discretionary, we favour staggered accumulation over lump-sum buying, as Auto has already rallied on GST cuts, leaving less valuation comfort near-term. Defence stays a core long-term theme, but rich valuations call for gradual, not lump-sum, accumulation.

Key risks to our view: This constructive view depends on several things going right, and any of them could reverse. If oil prices spike again, due to conflict or supply disruption then the currency, inflation, and fiscal tailwinds we're counting on would fade. If FCNR(B) inflows fall short, the Rupee's stability may not hold, and FII currency concerns could return. A bigger-than-expected slip in the fiscal deficit would pressure bond yields and weaken confidence in India's fiscal position. Globally, a hawkish surprise from the Fed, a stronger dollar, or broader risk-off sentiment in emerging markets could trigger fresh FII outflows, regardless of how India is doing on its own. And if FY27 earnings growth comes in below the ~10% we expect, current valuations would come under pressure.

Chart 13: Broad Market Indices - P/E Valuation shift June 25 vs. June 2026

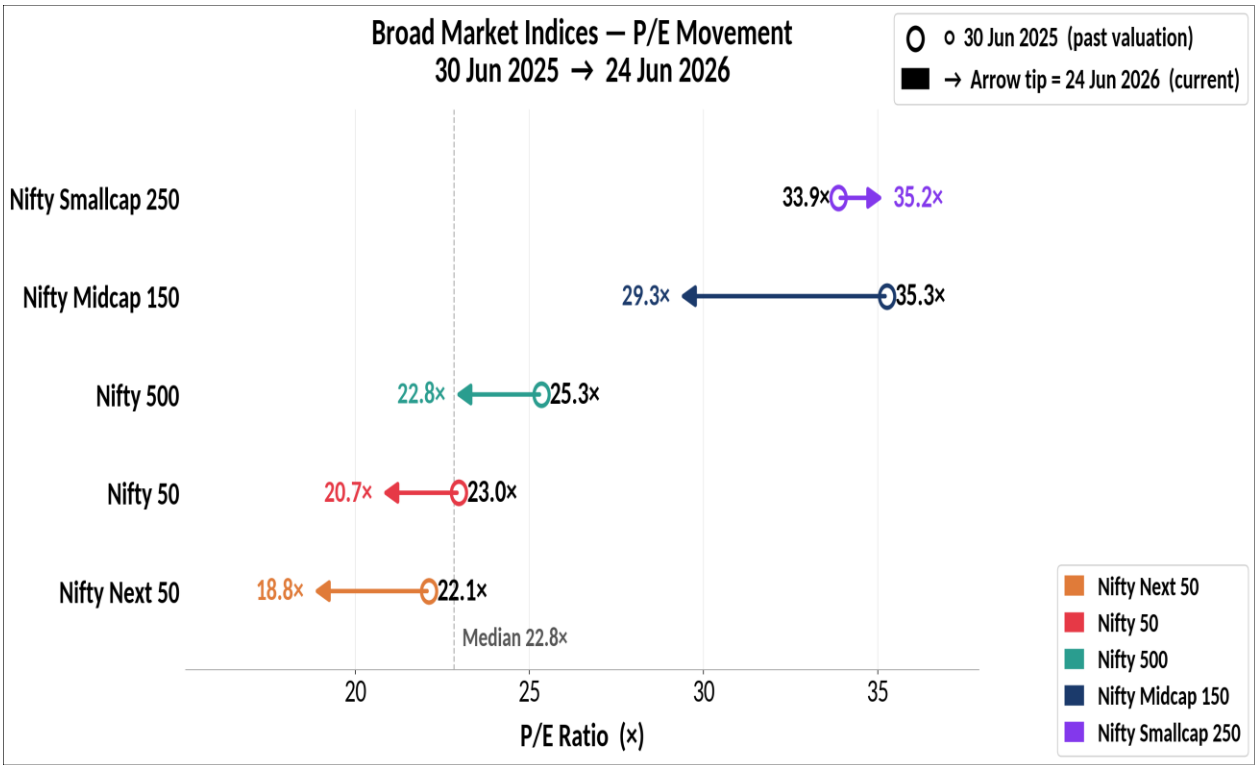
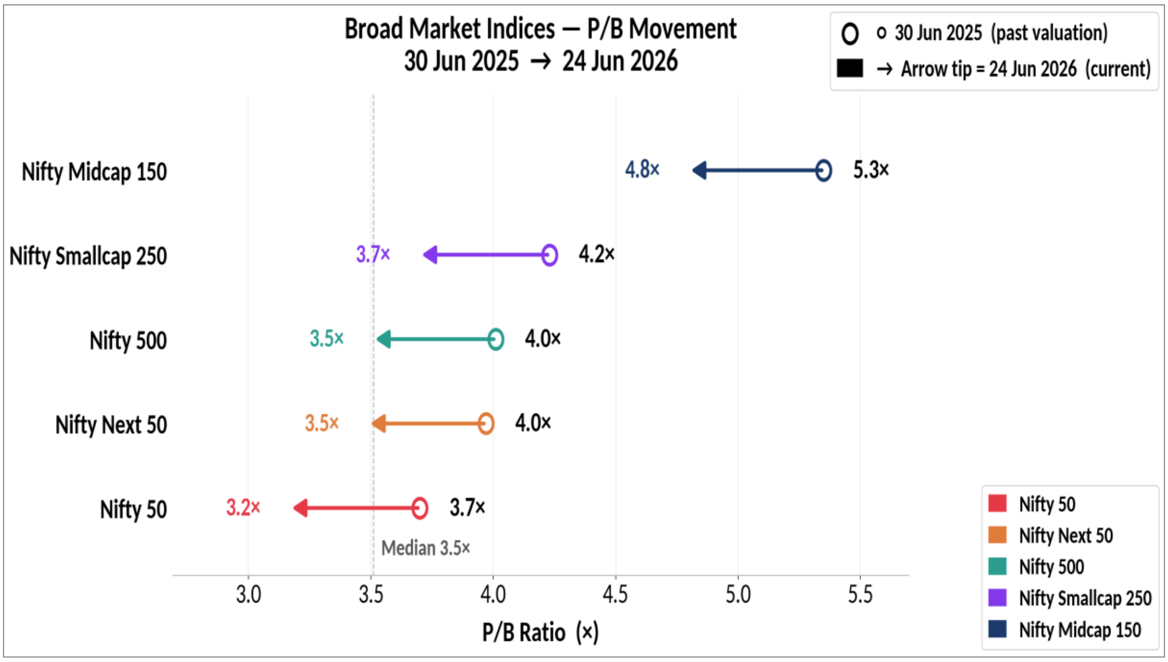
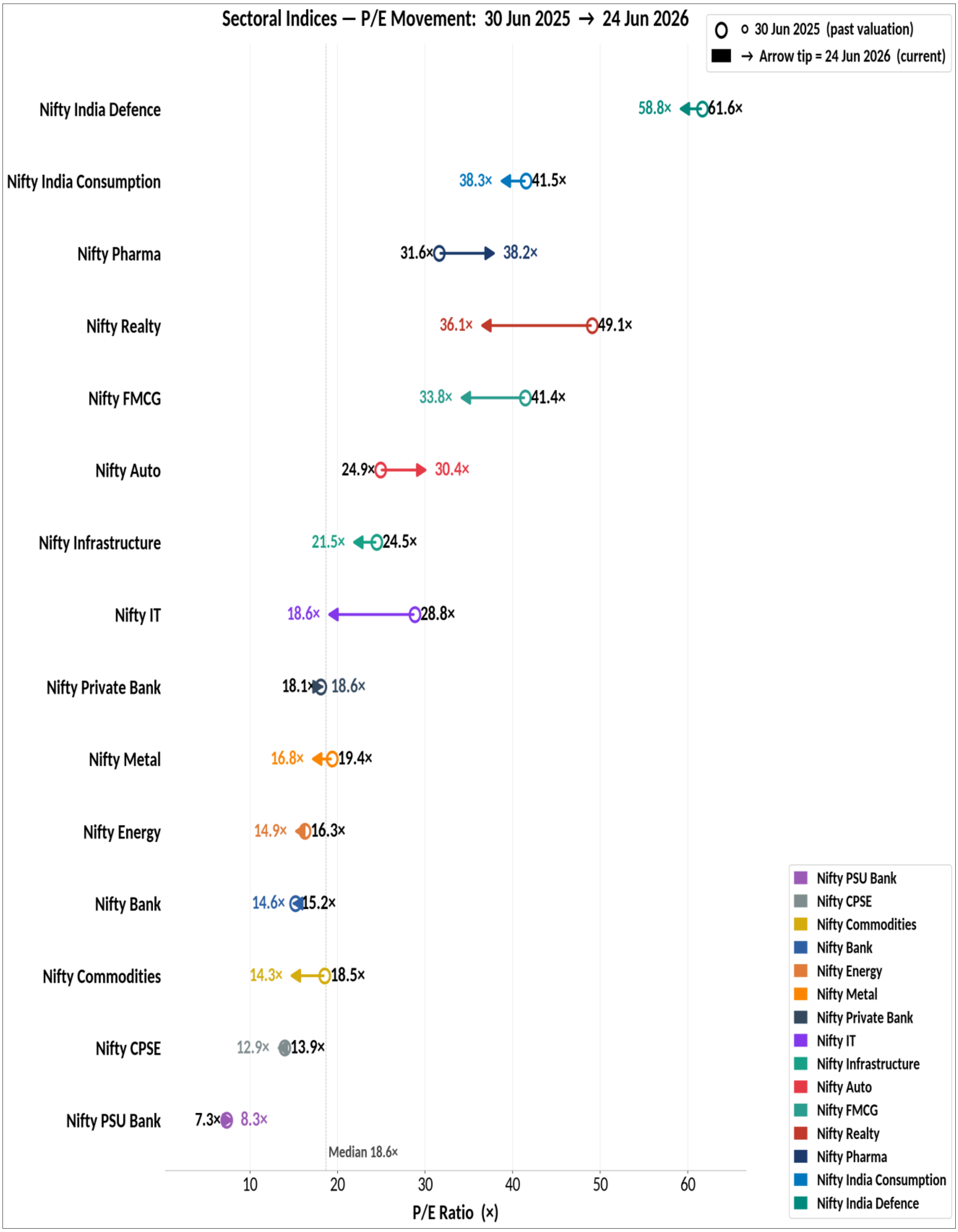


Chart 14: Broad Market Indices - P/B Valuation shift June 25 vs. June 2026



Source: NSE, Nifty Indices. P/E is trailing P/E, P/B is trailing P/B

Chart 15: Sectoral Indices - P/E Valuation shift June 2025 vs. June 2026



Source: NSE, Nifty Indices. P/E is trailing P/E, P/B is trailing P/B

Indian Bonds

The RBI's June 2026 review held the repo rate at 5.25% for a third consecutive meeting, after similar holds in February and April, and retained a neutral stance on a unanimous vote. Some in the market had braced for a possible rate hike to defend the rupee, so the hold itself was a mild relief. The more telling signal is the direction of the RBI's own forecasts. FY27 GDP growth, projected at 7.4 % in February, has been cut twice, to 6.9% in April and then 6.6% in June, while the FY27 CPI inflation forecast has moved the other way, from about 4% in February to 4.6% in April, and now 5.1% in June. The risk to rates has flipped: the next move is now arguably more likely to be up than down. The reason for this flip is almost entirely the West Asia conflict and its effect on oil. When the US-Israel-Iran conflict.

The Observer Research Foundation estimates that every USD10 rise in crude widens India's current account deficit by 40 to 50 basis points, so moves of this size matter directly for India's external account, and run well above the RBI's own working assumption of 95 dollars a barrel for FY27, itself raised from 85 dollars assumed in April. The rupee bore the brunt, weakening from around 89.9 to the dollar in January to record lows near 96.8 on May 20, hit by the oil-led CAD widening alongside more than USD 19bn of foreign outflows from Indian equities and bonds and a generally strong dollar. The RBI responded with direct measures: capping banks' net open currency positions, curbing bank participation in offshore non-deliverable forward markets, asking public-sector refiners to route dollar purchases away from the spot market, and intervening directly in spot and forward markets. This came at a cost: reserves fell from a 2026 peak of about USD 728bn to roughly USD 681bn by late May.

Alongside the June 5 hold, the RBI announced measures to draw in dollars without further drawing down reserves, including a temporary removal of the rate ceiling on FCNR(B) deposits and an expansion of the Fully Accessible Route for foreign investment in government bonds. These worked quickly: foreign investors bought more than USD 2.2bn of Indian bonds in the following weeks, the strongest pace of buying in 15 months, a sharp reversal from the roughly USD 12.6bn of bond outflows seen in the January to March quarter, when the India-US yield spread had narrowed to about 1.8 % and made Indian bonds less attractive to foreign holders. The combination of these inflows and a fall in oil prices, with Brent now trading around 77 to 79 dollars a barrel on signs of a US-Iran roadmap toward a peace agreement and resumed shipping through the Strait of Hormuz, has pulled the 10-year G-Sec yield back to around 6.8 %, a three-month low, down from a high of 7.03% in late May.

Putting this together: the rate cut cycle is not just over, the risk now leans toward eventual hikes if the West Asia conflict reignites and the oil-led CAD and inflation pressure returns. The current rally in yields and the rupee is real but rests on a 60-day roadmap toward a peace deal, not a signed agreement, and on FPI flows that can reverse as quickly as they arrived.

Investors should expect continued range-bound but volatile yields, broadly between 6.7 and 7.3 %, with the West Asia conflict and oil price as the dominant swing factor, layered on top of elevated government borrowing for FY27 and some risk of fiscal slippage if subsidy costs rise.

Accrual over duration, remains the call, and if anything, the case has strengthened now that rate-hike risk is genuinely on the table. For most investors, the 2-to-4-year part of the curve remains the better risk-reward, offering solid carry with limited mark-to-market risk. Short-duration debt funds or target maturity funds in the 2-to-4-year window remain the most practical vehicle for this approach. In short: take the income, keep duration short to intermediate, stay selective on credit.

From a tax efficiency perspective, investors with a minimum investment horizon of over two years may also consider income plus arbitrage strategies as part of their allocation mix.

“Overall, Indian bonds are best viewed as a carry + tactical duration opportunity”

Table 8: Yield Matrix

Money Market Yields %	29-Jun	Wk. Ago	Mth. Ago	Year Ago
Call Rate	5.34	5.33	5.47	5.38
Repo	5.25	5.25	5.25	5.50
Treasury Bills				
91 Day T-Bill	5.23	5.21	5.50	5.36
364 Day T-Bill	5.60	5.73	5.98	5.53
Certificate of Deposit				
3 Month CD Rate	6.62	6.63	7.25	5.95
1 Year CD Rate	7.10	7.35	7.90	6.39
Commercial Paper				
3 Month CP Rate	7.02	6.97	8.00	6.30
1 Year CP Rate	7.47	7.65	8.34	6.74

	29-Jun	1 Week Ago	1 Month Ago	3 Month Ago
AAA PSU				
1 Year	7.10	7.35	7.85	7.24
3 Year	7.22	7.37	7.84	7.60
5 Year	7.33	7.37	7.80	7.65
10 Year	7.60	7.65	7.90	7.73
Corporate Bond				
1 Year	7.13	7.38	7.93	7.38
3 Year	7.20	7.29	7.76	7.52
5 Year	7.28	7.29	7.72	7.57
10 Year	7.60	7.65	7.90	7.74
Government Bond				
1 Year	5.65	5.73	6.06	5.79
5 Year	6.43	6.49	6.82	6.78
10 Year	6.77	6.87	7.00	6.94
30 Year	7.32	7.46	7.64	7.69
SDL				
1 Year	5.89	6.02	6.50	5.94
5 Year	6.92	7.03	7.39	7.12
10 Year	7.44	7.50	7.73	7.67

Source: ICRA, Bandhan AMC

Market Data

India Index Performance % 30 Jun 26	1M	3M	1Yr	3Yr
Nifty 50	1.7	7.4	-5.4	8.8
Nifty Next 50	0.9	18.9	4.8	18.8
Nifty 200	1.3	10.9	-2.2	12.1
Nifty 500	1.7	12.4	-1.7	12.9
Nifty Midcap 150	1.0	17.4	4.2	20.1
Nifty Smallcap 250	4.3	24.1	0.2	19.6

Nifty Microcap 250	6.4	33.2	4.4	24.7
Nifty Total Market	1.9	13.2	-1.5	13.3
Thematic/Sectoral Index				
Nifty Auto	0.7	11.7	12.2	21.6
Nifty Bank	6.4	15.0	1.2	9.6
Nifty Chemicals	1.3	18.8	-6.6	8.3
Nifty FMCG	-1.0	7.5	-10.3	-0.7
Nifty IT	-9.6	-9.0	-31.0	-1.8
Nifty Metal	-6.5	12.9	32.8	27.4
Nifty Oil & Gas	-1.3	2.4	-5.5	14.6
Nifty Pharma	4.1	14.0	15.7	23.5
Nifty PSU Bank	4.2	8.6	18.8	28.3
Nifty Realty	6.0	27.4	-15.6	17.2

India Index valuations 30 Jun 26	P/E	P/B	Div Yield
Nifty 50	20.6	3.1	1.2
Nifty Next 50	18.7	3.5	1.2
Nifty 100	20.2	3.2	1.2
Nifty 200	21.6	3.4	1.1
Nifty 500	22.7	3.5	1.1
Nifty Midcap 150	29.2	4.8	0.7
Nifty Smallcap 250	35.5	3.7	0.7
Thematic/Sectoral Index			
Nifty Auto	30.6	4.6	1.1
Nifty Bank	14.5	1.9	0.8
Nifty FMCG	33.6	8.4	0.9
Nifty IT	17.3	4.7	3.5
Nifty Metal	16.7	2.8	1.7
Nifty Pharma	38.7	5.3	0.6
Nifty PSU Bank	8.1	1.2	1.0
Nifty Realty	36.5	3.9	0.4
Nifty India Consumption	38.4	7.6	0.7
Nifty Commodities	14.2	2.2	1.8
Nifty Infrastructure	21.2	2.9	1.1
Nifty PSE	10.2	2.0	2.8
Nifty India Defence	57.7	12.7	0.5
Nifty Capital Markets	47.7	13.2	0.7
Nifty Chemicals	47.5	4.3	0.6
Nifty Oil & Gas	8.8	1.5	2.5

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

Global Index Performance (%) 30 Jun 26	1M	QTD	YTD
S&P 500	-1.0	15.2	10.2
Dow Jones Industrial Average	2.5	12.9	8.9
S&P Europe 350	0.8	11.0	8.1
S&P Asia 50	-0.9	42.1	47.1
S&P EM BMI	-2.4	12.0	8.8

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 (%) 30 Jun 26	1M	QTD	YTD
S&P 500 Momentum	7.5	44.4	36.2
S&P 500 Equal Weight	2.4	11.4	12.1
S&P 500 Growth	-1.8	21.9	12.0
S&P 500 Value	0.1	8.0	8.0
S&P 500 Low Volatility	3.9	3.1	6.2

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

Table 9: Commodities	30 Jun 26	Month Ago
Oil (Brent)	72.9	93.4
Gold	4007	4492

Source: StatLane Research

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