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EQUITY MARKET OVERVIEW

JUNE 12, 2026 TO JULY 13, 2026

Domestic Equity Market Update

Indian equity indices ended the period on a positive note, i.e., BSE Sensex delivered a positive return to the tune of 2.8% and Nifty 50 delivered a positive return of 2.5%. Broader market indices such as BSE Midcap delivered a positive return of 5.1% and BSE Smallcap delivered a positive return of 6.1%.

On the BSE sectoral front, indices ended on a mixed note. Realty, Consumer Durables, and Healthcare were the biggest outperformers. In June 2026, Foreign Portfolio Investors (FPIs) were net sellers in equities to the tune of ₹292 bn.

Indian equity indices ended the period on a positive note after crude oil prices declined following the US President's announcement of a tentative peace deal with Iran, easing investor concerns over inflation and boosting sentiment. However, any escalation in the West Asia War could dampen market sentiments going forward.

Domestic Macroeconomic Updates

- According to S&P Global Ratings, energy stress, a sub-par monsoon, and slowing global growth will pull down India's Gross Domestic Product (GDP) growth to 6.6% YoY in FY27. The Indian economy recorded 7.7% YoY in FY26 and 7.1% YoY in FY25. The growth projection is in line with the RBI's estimate.
- The International Monetary Fund (IMF) pared its growth forecast for India by 10 bps to 6.4% YoY for FY27 from its April 2026 forecast, saying higher energy prices may offset the resilience in the country's economic activity. For FY28, the multilateral organisation upgraded its growth forecast by 20 bps to 6.7% YoY.
- According to ICRA, India's power transmission sector is likely to witness ₹6 trillion in investment over the next six years through 2032 as the country gears up to integrate upcoming Renewable Energy (RE) capacity into the grid.
- According to data released by the GSTN, E-way bill generation under the Goods and Services Tax (GST) regime rose 14.5% YoY to a four-month high of 136.77 mn in June 2026 from 119.46 mn a year earlier. It's pointing to continued resilience in goods movement and steady tax compliance.
- According to Federation of Automobile Dealers Associations (FADA), India's passenger vehicle sales stood at 4,10,853 units, recording a jump of 28.63% YoY in June 2026. It reported that the total automobile industry retailed 25,57,234 units with a 21.83% YoY growth in June 2026 with tractors recording 25.31% YoY growth, two-wheelers at 21.22% YoY, commercial vehicles at 16.88% YoY and three-wheelers at 16.21% YoY.
- Final data compiled by S&P Global showed that the seasonally adjusted HSBC India Services PMI dropped to 57.4 in June 2026 from 59.8 in May 2026. The flash score was 57.3. The softer increase in services output was due to the slowest growth in new orders in over two-and-a-half years.
- As per data from the Ministry of Commerce and Industry, growth in India's Eight Core Sectors slowed to a seven-month low of 0.5% YoY in May 2026 from an upwardly revised 1.8% YoY in April 2026, weighed down by sharp contractions in coal and petroleum products.
- According to a report from the World Bank, global energy prices are expected to remain elevated in CY26 with a 36% YoY increase in the Brent crude oil prices due to the persisting conflict in the Middle East and the closure of the Strait of Hormuz.
- According to rating agency ICRA, geopolitical tensions in West Asia are likely to act as a key overhang, impacting earnings of India Inc with a 100-150 bps contraction in operating profit margin. Besides, development of El Nino conditions could potentially disrupt rural demand, impacting revenues of a large section of the corporate sector, which had posted a healthy revenue growth in Q4 FY26.

Global Market Updates

US equities (S&P 500, Dow Jones Industrial Average) ended the period on positive note, supported by gains in semiconductor stocks and improved geopolitical sentiments after the US President signalled progress toward a potential peace deal agreement with Iran, though this needs to be monitored carefully going ahead.

European equity markets ended the period on a positive note as optimism over potential US-Iran progress supported sentiments and helped lower energy prices.

Brent crude futures fell from USD 83.81 per barrel to USD 83.30 per barrel. However, the current negotiations between US and Iran remain fragile and any escalation can lead to further volatility.

Fund Managers' Corner

Indian Fund Managers remain cautiously optimistic, backed by strengthening macroeconomic fundamentals and strong growth prospects but tempered by elevated valuations, inflation concerns and global geopolitical uncertainties. Although high-frequency indicators like PMI and auto sales show resilient momentum, FPI outflows, crude spikes and elevated valuations in Mid/Small caps can add to short term uncertainty. Additionally, developments in the AI space and its potential to disrupt will be a key monitorable.

India – Europe FTA boosted overall sentiments but market participants await clarity on the final details on the US tariff front, which could further help reverse the exodus of FPIs from the Indian markets. Further, the cessation of war between US and Iran could ease the Balance of Payments pressure and be a positive for the economy.

Though valuations have come off compared to past averages on the back of the West Asia war, a Fund Manager's ability to identify better bottom-up ideas and adjust their portfolios

Domestic Indices	Close	12-Jun-26	Absolute Change	% Change
BSE Sensex	77616	75528	2088	2.8
Nifty 50	24211	23623	588	2.5
Nifty Next 50	72111	70007	2104	3.0
Nifty 500	23347	22600	747	3.3
BSE 200	11333	11009	324	2.9
BSE 100	25798	25089	708	2.8
Nifty Midcap 100	63041	60768	2273	3.7
Nifty Smallcap 100	19423	18197	1226	6.7
BSE Bankex	65784	63988	1796	2.8
BSE IT	28163	27168	995	3.7
BSE Auto	59592	57913	1679	2.9
BSE FMCG Sector	18257	18140	117	0.6
BSE Oil&Gas	26324	26151	172	0.7
BSE Healthcare	49937	47388	2548	5.4
BSE Cap Goods	78454	78892	-438	-0.6
BSE Metal	40535	42004	-1470	-3.5
BSE Power	7827	7920	-94	-1.2
BSE Cons Durable	62367	58426	3940	6.7
BSE Infra.	598	596	2	0.4
BSE Realty	7312	6011	1302	21.7

Overseas Indices	Close	12-June-26	Absolute Change	% Change
S&P 500	7515	7431	84	1.1
Dow Jones Ind Avg	52499	51202	1296	2.5
Dax (Germany)	25114	24635	479	1.9
FTSE (UK)	10498	10472	27	0.3
Hang Seng	24214	24718	-504	-2.0
Nikkei	67243	66020	1223	1.9
Shanghai Composite	3996	4032	-35	-0.9

Source: Bloomberg

Note: Closing prices of all the above indices are as on July 13, 2026

periodically could be drivers of relative outperformance vs their peers, irrespective of their investing style. Given that return volatility continues in the market, actively managed equity funds assume importance in an investor's portfolio.

Outlook & Investment Strategy

Going forward, the Indian equity market is likely to be supported by any moves around the final details pertaining to the India-US trade deal, Declining crude oil prices, and Forex inflows led by FCNR-B and ECB concessions by the RBI. However spatial distribution of monsoons, rising concerns over AI-led disruptions, and movement in the US Dollar index and INR remain key risks. The fund managers believe that the impact of raw material inflation on account of the supply side disruption could be felt in the coming quarters, though markets could look through the earnings for Q1 FY27 as oil prices have come off substantially. India's growth momentum remained strong in FY26, reflecting the inherent strength of our economy, though RBI's projection of lower growth and higher inflation indicates fears of slowdown on the back of the West Asia war. The renewed hostilities between the US and Iran have casted a doubt on the future of the interim ceasefire agreement signed last month which aimed to reopen the Strait of Hormuz and end the war after 60 days of negotiations. Rising Energy prices and disruption in the flow of oil from the Middle East, due to this event, could lead to further volatility in Indian equity markets.

The valuations of Indian equity markets remain fair, with the Largecap indices trading below long-term averages and Smallcap indices' earnings growth potential supporting the premium multiples, while Midcap indices remain the most expensive of the three. With expectations of improved liquidity conditions post the FCNR(B) collections, there could be a case for further re-rating in companies that can show improved incremental growth potential.

Fund Managers who can be fairly nimble and identify growth ideas could generate alpha vs their peers. While FPIs have been big sellers in the Indian markets, India's relative underperformance vs its peers in the recent months and a depreciated Rupee are likely to gradually make the Indian markets attractive for them. The FPIs' holdings in Indian markets have also fallen to recent lows which implies that they may not be willing sellers for long.

Investment deployment strategy could remain 60% lumpsum and rest 40% to be staggered over the next 3-4 months. Mutual Fund investors can look to focus on categories like Largecap, Flexicap, Multicap, Large and Midcap and Hybrid funds while using STPs as an instrument to invest in Midcap and Smallcap funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor.

DEBT MARKET OVERVIEW

JUNE 12, 2026 TO JULY 13, 2026

Highlights

Domestic G-Sec yields ended on a positive note during the above mentioned period, wherein yield on the 10-year benchmark, the 6.94% G-Sec 2026 bond, closed lower by 17 bps at 6.72% from 6.90%. In case of AAA-rated corporate bonds, yields up to the 1-year segment fell by up to 27 bps during the aforementioned period, whereas yields above the 1-year segment fell by up to 8 bps.

Movement in G-Sec yields

Indian G-sec yields declined due to easing oil prices, which eased inflationary pressure. Prices saw further gains due to sustained foreign inflows amid expectations that Indian government bonds will be included in the Bloomberg Global Aggregate Bond Index. Gains were also supported after the Reserve Bank of India (RBI) Governor said it was "premature" to discuss rate hikes, noting that the central bank would first assess the second-round impact of rising crude oil prices on broader inflation before making any rate decisions. However, gains were partially offset by renewed escalation in the US-Iran conflict, which drove crude oil prices higher, and by a weak monsoon season.

Liquidity Conditions - Domestic banking system liquidity, as measured by the Reserve Bank of India's (RBI's) net Liquidity Adjustment Facility (LAF), deteriorated to stand at a daily average surplus of around ₹725 bn during the above-mentioned period as compared to the daily average surplus of around ₹1.37 trillion during the period of May 12, 2026 to June 12, 2026.

Macro Data released during the period

India's Consumer Price Index (CPI) based inflation for June 2026 accelerated to 4.38% YoY (provisional), higher than the previous month's (final) print of 3.92% YoY and also higher than the market expectations of 4.30% YoY. This was the first time since January 2025 that the reading was higher than the RBI's medium-term target of 4%. India's Merchandise Trade Deficit widened to ₹131.6 bn for the corresponding March 2026 from a year earlier, vs ₹121.6 bn for the corresponding March 2025. Net Goods and Services Tax (GST) net GST collections increased to ₹1.37 trillion for the corresponding March 2026 from ₹1.35 trillion for the corresponding March 2025.

Global Updates

In the Minutes of the US Federal Reserve meeting, uncertainty surrounded their inflation expectations and inflation expectations for 2026, down from 3.2% YoY in May 2025 to 2.4% YoY from 2.6% YoY in May 2025. The Fed's target for the 12th straight session, was retained at 3.50%.

Outlook

The liquidity condition, as measured by the RBI's net LAF, deteriorated to stand at a daily average surplus of around ₹725 bn during the above-mentioned period. In its June 2026 meeting, the RBI continued with its neutral stance on inflation, down from 4.6% YoY previously and the 6.9% YoY India's retail inflation, in May 2026. Despite improving its spatial distribution remains a concern. However, the RBI may raise prices on inflation. The spate of rate cuts for debt market yields. Market prices for Bloomberg's Global Aggregate Bond Index are going forward. In the US, the Fed kept rates unchanged, as widely expected. Members predicting a rate hike and highlighted their strong and unanimous commitment towards bringing down inflation. The recent exchange of attacks between US and Iran has raised doubts around the sustainability of the interim peace deal and the recent energy price correction, hence it remains a key monitorable.

Fund Managers' Outlook

During the mentioned timeframe, most Fund Managers (FMs) highlighted that the latest Monetary Policy Committee (MPC) announcement can be positive for the Fixed Income market where the RBI has taken a host of measures to incentivise capital flows. Keeping the probable Bloomberg index inclusion aside, ~USD 75 bn inflows can come into the country. The FMs felt that the RBI does not need to hike rates aggressively, as we do not have any internal imbalances. However, they see a possibility of 50-100 bps of rate hikes in the long run. They continued highlighting upside risks to RBI's inflation estimate due to the weak monsoon season and developments around the West Asia conflict, both of which have introduced a lot of uncertainty. The same may average in the range of 5.5-6% YoY for FY27. Also, they see downside risks to growth, which may average between 5-6.5% YoY for FY27. The yield curve is expected to steepen over the near term and may bear flatten post that. The 10-year G-sec yield has come down, and may get further support if the Bloomberg index inclusion happens. Hence, most FMs have highlighted that accrual at the shorter end through corporate bonds, short term funds, money market funds, and low duration funds remains a good strategy from a risk-reward perspective as they have lucrative YTTMs and could possibly see some capital gains arising from easing of yields. Some FMs have also aggressively built up duration in their portfolios using FART (Fully Accessible Route) securities.

Fixed Income Mutual Fund Investment Strategy

Thus, at this juncture, a case continues to exist for investment into Corporate Bonds that are at the 3-5-year segment of the curve, as yields are still lucrative despite narrowing of spreads. Hence, investors can look at Corporate Bond Funds and Short Duration Debt Funds for a horizon of 15 months and above. For a horizon of 24 months and above, investors may consider Income Plus Arbitrage FoFs or consider Dynamic Bond Funds for tactical opportunity. As yields in the less than 1-year segment remain high for corporates, for a horizon of 3 months and above, investors can consider Arbitrage Funds and Low Duration Funds. Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds. Investors should invest in line with their risk profile and product suitability.

Indicative Quotes

October'26 (3-month) - T-Bill	5.25%
January'27 (6-month) - T-Bill*	5.49%

* Based on the cut-off at the last auction

HDFC Bank FD Interest Rate (p.a.) Applicable from 6th March 2026

Period	Interest Rate (p.a.)
7 Days - 14 Days	2.75%
15 Days - 29 Days	2.75%
30 Days - 45 Days	3.25%
46 Days - 60 Days	4.25%
61 Days - 89 Days	4.25%
90 Days < = 6 Months	4.25%
6 Months 1 Day < = 9 Months	5.50%
9 Months 1 Days to < 1 Year	5.75%
1 Year to < 15 Months	6.25%
15 Months to < 18 Months	6.35%
18 Months to < 21 Months	6.45%
21 Months to < 24 Months	6.45%
24 Months to < 27 Months	6.45%
27 Months to < 30 Months	6.45%
30 Months to < 33 Months	6.50%
33 Months to < 36 Months	6.40%
36 Months to < 39 Months	6.40%
39 Months to < 42 Months	6.15%

*) Above rates are subject to RBI's decision and are subject to change

High - 5.40%
Low - 4.70%

Months ago	1 Year ago
5.58%	5.58%
6.36%	5.99%
6.60%	6.37%
7.06%	6.81%

Source: Capgemini, RBI

Curve



Note: 1Y represents 364 Days 1-Bill's auction cut-off yield

Source: Capgemini, RBI

The G-Sec term spread between the 1-year and 10-year G-Secs widened to ~107 bps on 13 July, as against ~89 bps on 12 June. Also, the G-Sec term spread between the 1-year and 5-year G-Secs widened to ~75 bps on 13 July, as against ~58 bps on 12 June.