

**Domestic Equity Market Update**

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 0.24% & Nifty 50 ending higher by 0.32% WoW, respectively. The BSE Midcap index ended higher by 1.32% and the BSE Small cap index ended higher by 0.50%.
- On the BSE sectoral front, indices ended on a mixed note., IT, Realty and Telecom were the biggest outperformers.
- Domestic equity markets ended the week on a positive note supported by constructive global cues amid expectations of easing tensions in the Middle East. The upward momentum was further bolstered by a decline in crude oil prices following signs of progress in US-Iran talks.

Global Market Updates

- US equity markets ended the week on a positive note as Treasury yields eased, resulting in a winning week for Wall Street despite heightened volatility. Markets gained further support from easing inflation concerns and optimism surrounding geopolitical developments, while a favorable earnings backdrop helped them recover from recent weakness.
- European equity ended the week on a positive note amid optimism about a potential end to the US-Iran conflict, as negotiations between the two nations showed some progress.
- Brent oil futures fell from 109.26 USD/bbl to 100.21 USD/bbl as the US and Iran signalled progress toward a deal.

Macro Data & Domestic News Released During the Week

- The United Nations has revised downward India's economic growth forecast for CY26 to 6.4% YoY from its earlier projection of 6.6% YoY, citing global uncertainties and economic shocks arising from the ongoing West Asia crisis. For FY27, the GDP growth is projected at 6.6% YoY.
- According to an RBI report, credit card transaction volumes in India increased to 5.7 bn in CY25, up from 2.16 bn in CY21, while transaction value rose to Rs 23.2 trillion from Rs 8.9 trillion during the same period.
- According to an RBI report, UPI processed 85.5% of all payment transactions in India by volume but accounted for just 9.5% of the total value in H2 CY25. Meanwhile RTGS, which handled a mere 0.1% of volumes, accounted 68.6% of total transaction value during the same period.
- According to the Power Ministry, India touched an all-time high peak power demand of 260.45 GW, and it was met without any shortfall. The government has projected peak power demand to reach 270 GW in CY26.
- As per data from the Ministry of Commerce and Industry, India's infrastructure output, as measured by the Index of Eight Core Industries (ICI), grew by 1.7% YoY in April 2026.
- According to ICRA, the domestic two-wheeler industry is projected to witness moderate wholesale volume growth of 3-5% YoY in FY27.
- According to S&P Global, the flash India Composite Purchasing Managers' Output Index (PMI) fell to 58.1 in May 2026, down from a final reading of 58.2 in April 2026.
- According to CRISIL Ratings, the FMCG sector is expected to post 8-10% YoY revenue growth in FY27, marginally higher than the 8% YoY growth witnessed in FY26.
- From Nifty 200 universe, 176 companies have announced their Q4 FY26 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 11.25%, 15.04% and 39.58% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 13.29%, 14.58% and 55.45% YoY respectively. PAT growth seems to be on the higher side due to one off in the telecom sector.**
- From Nifty 500 universe, 416 companies have announced their Q4 FY26 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 11.14%, 11.76% and 34.56% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 12.73%, 15.95% and 50.27% YoY respectively.**

Outlook

Going forward, the Indian equity market is likely to be driven by any moves around the final details pertaining to India-US trade deal, Q4 FY26 earnings season and guidance given by managements, crude price volatility, weak monsoons, rising concerns over AI-led disruptions, geopolitical tensions, movement in the US Dollar index and INR, improvement in consumption demand, FPI/DII flows and moves by the RBI to support liquidity. Trends from Q4 FY26 earnings season seem to indicate positive momentum across sectors. However, fund managers believe that the impact of raw material inflation on account of the supply side disruption could be felt in the coming quarters. Recent call for restraint in using crude and its derivatives from Prime Minister may be suggestive of rising supply chain issues which may impact the overall economic growth.

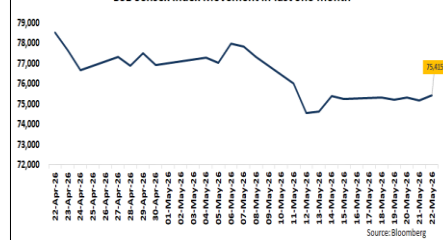
With the recent correction, driven by the ongoing war in the middle east and the blockade of Strait of Hormuz by Iran, the market valuations have meaningfully come off for large caps on back of FPI selling while there are also opportunities to be taken in Mid and Small cap space in names which can incrementally deliver higher earnings growth going ahead. Interestingly, Mutual Funds' cash, as a percentage of their total AUM, has dipped to recent lows, suggesting that Indian Mutual Funds feel that valuations are right to deploy higher cash.

The US-Iran conflict has emerged as the near-term risk to markets. As signs have emerged of containment of the conflict, energy prices are showing signs of cooling off. The OPEC too has announced production hikes, which could ease oil prices once the Hormuz traffic normalises. Thus, investors could use the market volatility due to this event as an investing opportunity. Nevertheless, this external issue has led to negative impact on the Indian macro conditions and a quick resolution is of utmost importance.

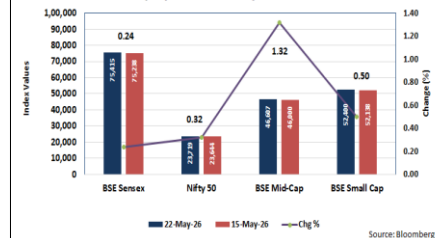
While FPIs have been big sellers in the Indian markets, India's relative underperformance vs its peers in the recent months and depreciated Rupee are likely to gradually make the Indian markets attractive for them. The FPIs' holdings in Indian markets have also fallen to recent lows which implies that 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 Flexicap, Multicap, Large and Midcap, Value 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.

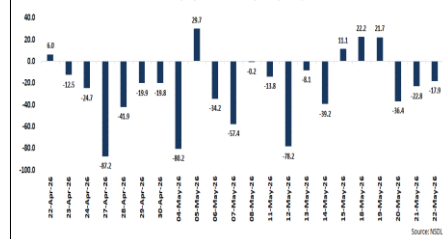
BSE Sensex Index Movement in last one month



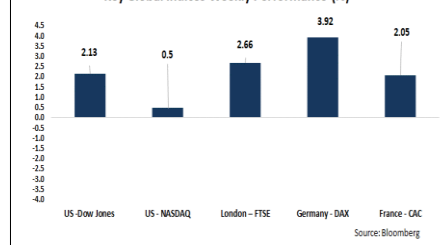
Equity Indices Weekly Performance



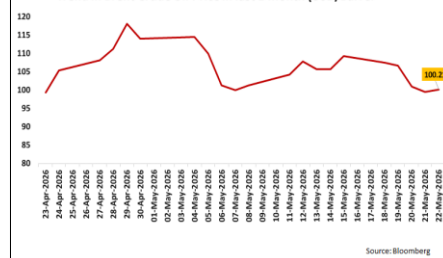
Trend for Equity Investments by FPIs (Rs Bn)



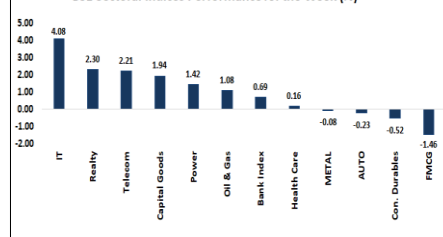
Key Global Indices Weekly Performance (%)



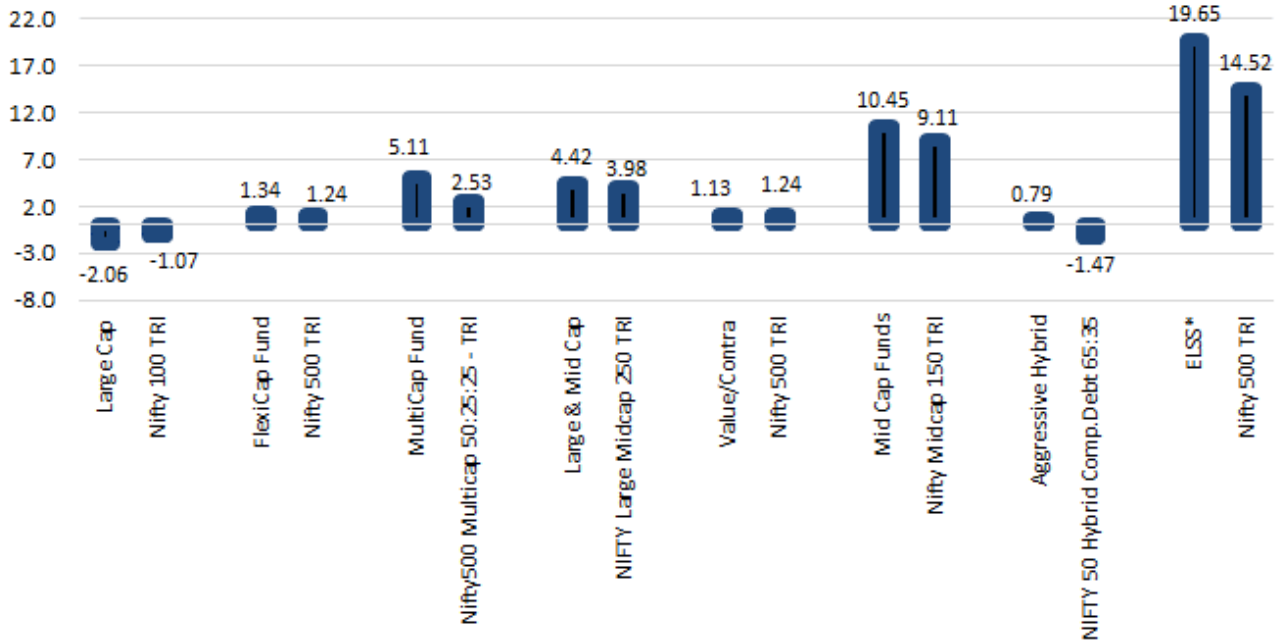
Trend in Brent Crude Oil Price in last 1 month (USD/Barrel)



BSE Sectoral Indices Performance for the Week (%)



Avg. Returns of Recommended Funds vs Benchmark in last one year (Absolute %)



Note:* ELSS performance is for 3 years on CAGR basis

Returns Absolute %			Returns Compounded Annualised %			
Category Average of Recommended Funds	1 Month	6 Months	1 Year	2 Years	3 Years	5 Years
Large Cap Funds	-2.51	-7.27	-2.06	3.61	13.83	13.27
Flexi Cap Funds	-2.35	-5.64	1.34	6.04	16.20	15.02
Multi Cap Funds	-0.33	-1.70	5.11	6.15	20.46	20.27
Large & Mid Cap Funds	-1.78	-3.20	4.42	7.39	20.03	17.02
Mid Cap Funds	0.88	-0.29	10.45	12.27	24.39	20.32
Small Cap Funds	0.44	0.40	5.78	8.09	21.25	19.12
Value/Contra Funds	-2.17	-5.00	1.13	4.49	18.17	17.30
Focused Funds	-1.80	-3.67	3.52	7.24	17.78	16.29
Aggressive Hybrid Funds	-1.78	-3.61	0.79	6.74	14.09	12.75
Dynamic Asset Allocation Funds	-1.81	-2.97	1.87	5.55	12.49	12.00
Equity Linked Saving Schemes	-1.85	-2.35	1.29	7.03	19.65	16.06
Business Cycle Funds	-1.31	-2.75	3.31	7.64	15.76	--
Nifty 50 TRI	-2.58	-8.78	-2.49	3.60	10.22	10.63
Nifty 500 TRI	-1.39	-4.56	1.24	4.23	14.52	13.01
NIFTY Large Midcap 250 TRI	-0.49	-2.62	3.98	5.78	17.54	15.36
Nifty Infrastructure TRI	0.11	-2.90	5.73	4.52	21.14	18.57

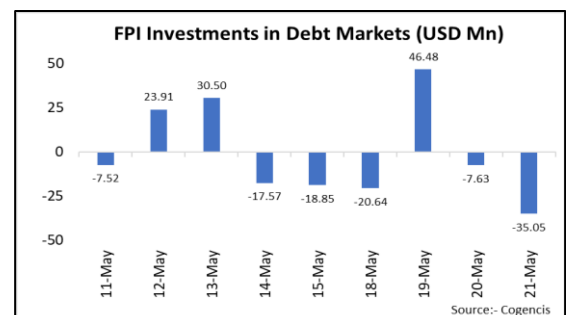
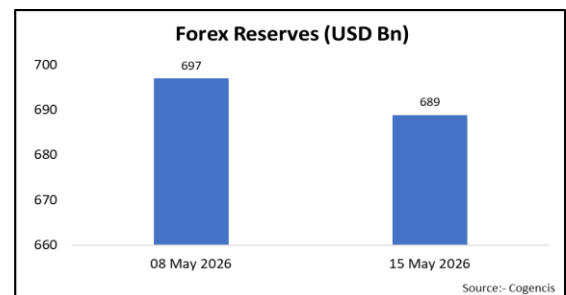
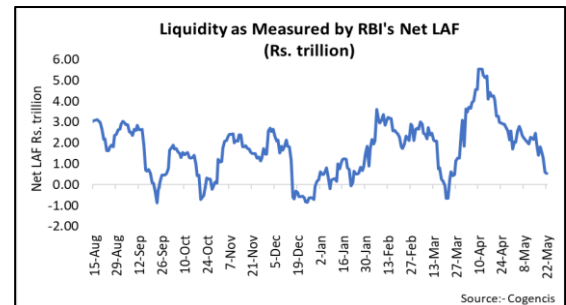
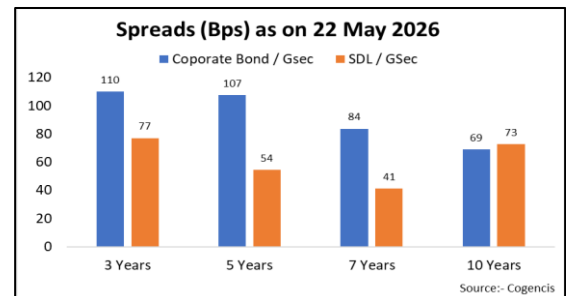
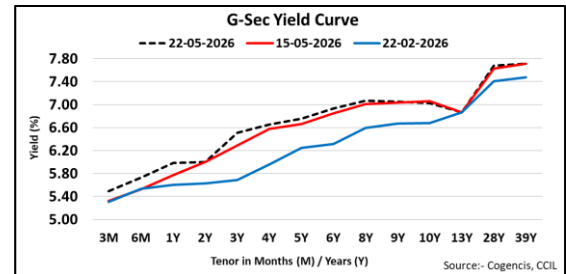
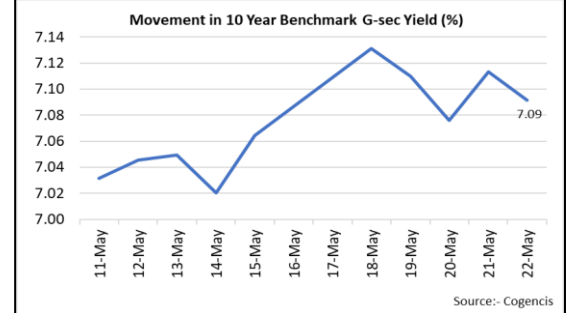
Note: Data as on May 22, 2026. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms. Data has been sourced from ACE MF.

Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 22 May 2026

- Domestic G-Sec prices closed the week ended 22nd May 2026 on a negative note wherein the yield on the 10-year benchmark, the 6.48% G-Sec 2035 bond, closed 3 bps higher at 7.09% as against its previous weekly close of 7.06% on 15th May 2026.
- In case of AAA rated corporate bonds, yields up to the one-year segment rose by up to 80 bps on a WoW basis. In case of the greater than one-year segment, yields rose by up to 31 bps on a WoW basis.
- Movement in G-sec yields :-**
 - Indian G-sec yields rose, reflecting cautious market sentiment amid expectations of possible RBI measures to support the rupee and concerns over domestic fiscal dynamics.
 - The total Government bond supply for the week stood at Rs 521 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 320 bn. There was no 10-year G-sec auction in this week's auction. The SDLs' auction was to the tune of Rs 201 bn and the maturities were in the range of 6-30 years. The average cut off yield for 10-year SDLs for the week came in higher at 7.82% compared to 7.77% in the previous week. The G-secs' auction was for the following: 6.03% GS 2029, 7.24% GS 2055 and 6.68% GS 2033.
 - Banking system liquidity deteriorated, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 1.15 trillion during the week as against a daily average surplus of ~Rs 2.22 trillion during the previous week.
- Macro Data released during the week :-**
 - As per data from the Commerce Ministry, India's merchandise exports rose 13.8% YoY to a 4-year high of USD 43.56 bn in April 2026. Still, the trade deficit widened to a 3-month high of USD 28.38 bn, as imports surged 10% YoY to a 6-month high of USD 71.94 bn, driven by rising inflows of gold and silver.
 - According to the Comptroller and Auditor General (CAG) of India, 20 states utilised 77.23% of their combined annual budgeted capital expenditure of Rs 10.26 trillion, amounting to Rs 7.92 trillion in FY26.
 - According to RBI data, India's forex reserves dropped by USD 8.09 bn to USD 688.89 bn during the week ended May 15, 2026. Foreign Currency Assets, a major component of the reserves, decreased by USD 6.48 bn to USD 545.90 bn. Gold reserves also declined by USD 1.54 bn to USD 119.32 bn.
- Other macro-economic news :-**
 - According to the Governor, Sanjay Malhotra, RBI is keeping a close vigil on whether and when the West Asia conflict induced supply shock can become embedded in the general price level that may warrant monetary policy action.
 - As per India Ratings and Research, the RBI is unlikely to either raise or cut the repo rate during the rest of FY27 and is expected to maintain status quo at 5.25%. They project retail inflation at 4.4% YoY for FY27.
 - As per the NSO, India's overall unemployment rate for persons aged 15 years and above came in at 5.2% in April 2026, higher from 5.1% in March 2026.
 - According to Crisil Ratings, with the West Asia conflict pushing global crude oil prices sharply higher, India's oil trade deficit is expected to widen significantly in FY27. This, along with pressure on remittances from West Asia, is projected to push India's Current Account Deficit (CAD) to 2.2% of GDP in FY27, against an estimated 0.8% in FY26.
- Global Updates :-**
 - As per minutes of the April 28-29, 2026 US FOMC meeting, a majority of Federal Reserve officials warned the central bank would likely need to consider raising interest rates if inflation continued to run persistently above their 2% YoY target.
 - According to Eurostat data, Eurozone inflation accelerated as the harmonized index of consumer prices rose by 3.0% YoY in April 2026, up from the 2.6% YoY increase in March 2026, driven by higher energy prices.
 - According to Japan's Cabinet Office, Japan's Gross Domestic Product (GDP) rose a seasonally adjusted 0.5% QoQ in Q1 CY26, up from 0.2% QoQ increase in Q4 CY25.
- Outlook :-**

The liquidity condition, as measured by RBI's net LAF, deteriorated, but remained in surplus during the week. RBI announced a USD 5 bn USD/INR Buy/Sell Swap auction to inject liquidity in the system. In its April 2026 MPC meeting, the RBI had kept the Repo Rate unchanged at 5.25% and continued with its neutral stance. RBI estimated Consumer Price Index (CPI) inflation for FY27 at 4.6% YoY. They also introduced a core inflation estimate of 4.4% YoY. Real GDP growth for FY27 is projected at 6.9% YoY. India's retail inflation, measured by the Consumer Price Index (CPI), accelerated to 3.48% YoY in April 2026, from 3.40% YoY in March 2026. **The recent increase in fuel prices is expected to have a direct and indirect adverse impact on inflation. The record RBI dividend transfer which was lower than market expectation was still higher than the budget estimate and may provide some marginal cushion to fiscal maths. However, the market is factoring in the possibility of rate hikes going forward. Also, as the strait of Hormuz is yet to reopen, it is putting further upward pressure on crude prices, thereby affecting currency negatively and leading to imported inflation. On the other hand, as the monsoon season approaches, its timing, adequacy and spatial distribution will be keenly watched. While El-Niño can have an adverse impact on rainfall, the same may get partially offset by a positive Indian Ocean Dipole. Together, they may result in a near term spike in bond yields. The same can open up tactical opportunities as when the situation improves, it may lead to a rally in bond prices. In the US, as widely anticipated, the Federal Reserve kept rates unchanged in the April Policy meeting, keeping their target range at 3.50-3.75%. But minutes of the meeting released later showed Fed officials warning about the possibility of rate hikes. In the near term, the development of geopolitical conflict remains a key monitorable, as if the Strait of Hormuz opens up, it may lead to a fall in crude prices, negating the inflation concern.**

Thus, at this juncture, with lucrative yields, a case continues to exist for investment into Corporate Bonds that are at the 3-5-year segment of the curve. 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.



Category Average Returns as on 22 May 2026

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	5.06	5.15	5.02	5.07	5.02	5.06	5.18	5.25	5.83	6.12
Liquid Funds	5.36	5.18	4.97	6.78	6.37	6.13	6.02	6.05	6.61	6.78
Floater Funds	17.32	-7.85	-2.05	2.11	2.87	3.78	4.79	4.63	6.99	7.14
Low Duration Funds	7.68	-6.85	-1.01	3.46	3.55	4.16	4.81	5.22	6.60	6.69
Money Market Funds	-2.88	-4.78	-0.14	4.43	4.42	4.92	5.27	5.68	6.73	6.85
Ultra Short Duration Funds	0.81	-2.34	1.33	5.10	5.01	5.05	5.29	5.59	6.43	6.55
Banking And PSU Funds	26.12	-11.50	-5.13	0.47	0.60	1.86	3.48	3.24	6.34	6.38
Corporate Bond Funds	27.44	-12.38	-5.60	0.23	0.40	1.73	3.44	3.26	6.51	6.52
Medium Duration Funds	25.74	-7.86	-4.58	0.75	0.74	2.56	4.17	3.83	6.91	6.69
Short Duration Funds	22.10	-11.38	-4.66	0.63	0.82	2.12	3.58	3.59	6.44	6.41
Medium To Long Duration Funds	26.08	-9.09	-6.83	-1.37	-0.56	0.58	2.25	0.60	5.13	5.39
Long Duration Funds	54.23	-12.39	-11.79	-4.10	-3.12	-1.44	0.69	-2.92	3.66	4.72
Dynamic Bond Funds	20.05	-8.18	-5.92	-0.65	-0.14	1.02	2.59	0.64	5.32	5.73
Credit Risk Funds	18.70	-5.46	2.08	8.10	6.56	6.88	7.16	6.80	9.08	8.53
Gilt Funds / Gilt Funds with 10 year constant duration	32.66	-8.43	-8.93	-2.99	-1.90	-0.25	1.52	-1.31	4.55	5.26
Conservative Hybrid Funds	31.62	-2.75	-9.64	4.68	-3.85	-1.40	1.41	1.46	5.26	7.61
Index Funds	6.96	-6.75	-1.66	1.53	2.14	3.59	4.55	4.17	6.92	6.76
Arbitrage Funds	-29.86	-5.63	2.64	4.41	4.79	5.38	5.49	5.68	6.26	6.64

* Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year

Recommended Funds' Average Returns (% Annualised Returns)	1 Months	3 Months	6 Months	1 Year	2 Year	3 Year
Medium to Long Duration Funds & Long Duration Funds	-8.24	-1.71	-0.11	-0.21	5.22	5.66
Dynamic Bond Fund	-4.57	1.96	2.55	1.94	6.13	6.29
Gilt Funds & Gilt Funds with 10 year constant duration	-7.68	-0.07	1.29	0.43	5.52	6.01
Short Duration / Medium Duration	-4.81	0.91	2.34	4.02	6.75	6.80
Banking and PSU Funds	-4.13	1.31	2.51	3.92	6.63	6.64
Corporate Bond Funds	-5.24	0.86	2.25	3.72	6.84	6.89
Ultra Short Duration Funds /Low Duration / Floater Funds	0.33	4.46	4.91	5.78	6.90	7.03
Money Market Funds	-0.27	4.44	5.07	5.83	6.95	7.10
Liquid Funds & Overnight Funds	4.98	6.52	6.26	6.15	6.70	6.87
Arbitrage Funds	2.96	5.06	5.60	5.93	6.52	6.91

Please Note that all the Dividend options factor in the taxation applicable for corporates
Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year
Returns shown in the chart above are for growth options.
Source for entire data stated above is Accord Fintech Pvt Ltd.

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