

**Domestic Equity Market Update**

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 0.86% & and Nifty 50 ending higher by 0.89% WoW, respectively. The BSE Midcap index ended higher by 0.80% and the BSE Small cap index ended higher by 1.51%.
- On the BSE sectoral front, indices ended on a mixed note. Realty, Healthcare and Consumer Durables, were the biggest outperformers.
- Domestic equity markets ended the week on a positive note driven by positive global cues, softer crude oil prices and growing expectations of a more accommodative global interest-rate environment. Sentiment was further supported by optimism surrounding a potential US-India trade agreement.

Global Market Updates

- US equity markets ended the week on a positive note primarily driven by a softer-than-expected June 2026 jobs report, which eased inflation concerns and reduced pressure on the Federal Reserve to raise interest rates.
- European equity ended the week on a positive note as strong gains in the AI and technology sectors supported investor sentiment. Meanwhile, easing geopolitical concerns and resilient corporate earnings further strengthened risk appetite.
- Brent oil futures fell from 72.99 USD/bbl to 71.59 USD/bbl as easing geopolitical tensions reduced supply risks.

Macro Data & Domestic News Released During the Week

- According to the Ministry of Statistics and Programme Implementation (MoSPI), India's Index of Industrial Production (IIP) grew 5.1% YoY to stand at 122.7 in May 2026, supported by expansion in manufacturing and electricity and gas supply. Manufacturing, which carries the largest weight in the index, grew 5.5% YoY, while electricity and gas supply rose 9.9% YoY.
- According to EY, India's economy is expected to grow at 6.6-6.8% YoY in FY27, and a gradual normalisation of global energy markets is expected to ease supply-side pressures, improve cost conditions, and support growth and inflation outcomes.
- According to the Comptroller and Auditor General (CAG) of India, Capital Expenditure (capex) by 20 states fell in proportionate terms in April-May 2026, as they utilised 5.86%, or Rs 586.36 bn, of their combined budgeted capex allotment of Rs 10 trillion. This is down from the 6.21% at the same point a year earlier.
- Provisional data from the CMIE showed that the value of new project announcements surged 28.6% YoY to Rs 14.5 trillion in the West Asia crisis-hit Q1 FY27, primarily driven by private sector announcements in the power segment. New private sector project announcements rose over 70% YoY and MoM bases, to touch Rs 13.1 trillion. Government capex announcements more than halved both YoY and sequentially to Rs 1.4 trillion.
- According to preliminary data from the Petroleum Planning and Analysis Cell (PPAC), despite higher fuel prices, India's petrol consumption increased 7% YoY in June 2026, while diesel demand rose 5.52% YoY.
- As per official data, India's Power Consumption grew by 11.62% YoY to 166.46 bn units (BU) in June 2026 due to heat wave conditions and late onset of monsoon across the country, which pushed usage of cooling appliances like air conditioners.
- 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.
- HSBC's India Manufacturing Purchasing Managers' Index (PMI) compiled by S&P Global, fell to 54.2 in June 2026 from 55 in May 2026. The June reading was also the second-lowest in four years, with only March 2026 (53.9) recording a weaker print during the period.

Outlook

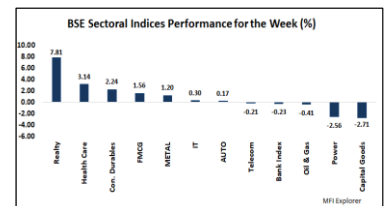
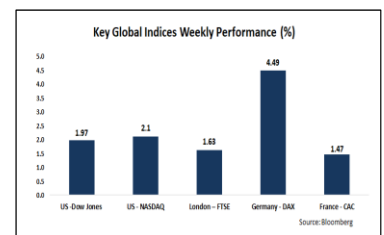
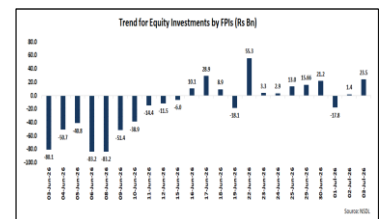
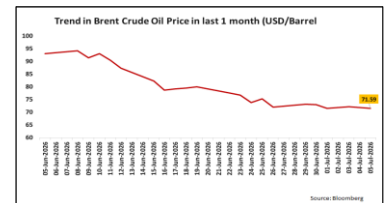
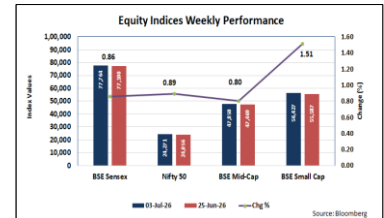
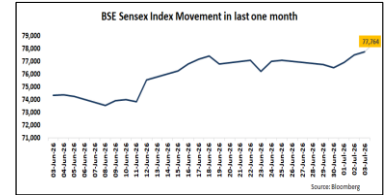
Going forward, the Indian equity market is likely to be supported by any moves around the final details pertaining to India-US trade deal, Declining crude oil prices, Forex inflows led by FCNR-B and ECB concessions by the RBI. Though spatial distribution of monsoons, rising concerns over AI-led disruptions, movement in the US Dollar index and INR, remains a risk. 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 although markets could look through the earnings for Q1FY27 as oil prices have come off substantially. India's growth momentum remained strong in FY26 reflecting the inherent strength of our economy, although RBI's projection of lower growth and higher inflation indicates fears of slowdown on back of West Asia war. The US and Iran have agreed to halt recent hostilities and the traffic through Strait Hormuz is increasing, but the situations remain volatile because both sides have continued to accuse each other of violating the peace agreement.

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 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.

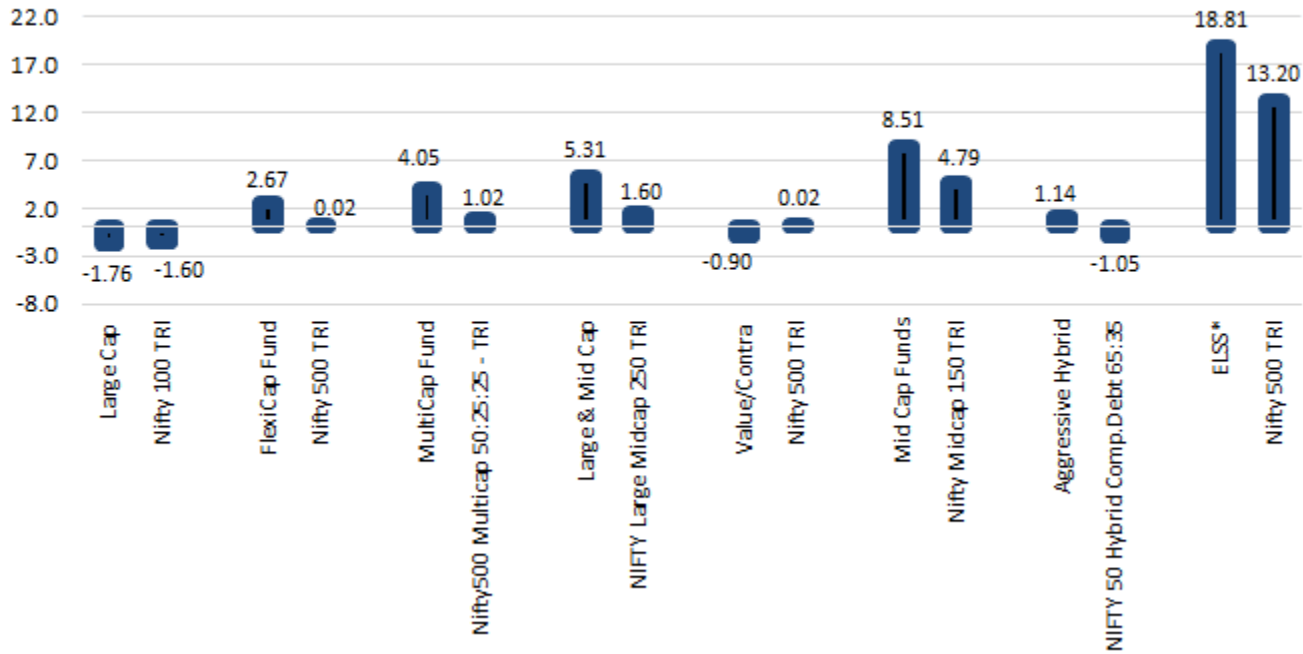
As the West Asia conflict has been contained, energy prices are cooling off sharply. The OPEC too has announced production hikes, which could ease oil prices once the Hormuz traffic normalises. Additionally, a better-than-expected US-India trade deal could also act as a tailwind. Thus, investors could use the market volatility due to this event as an investing opportunity.

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 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.



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	4.78	-5.45	-1.76	1.70	12.61	13.09
Flexi Cap Funds	5.50	-1.51	2.67	4.67	15.64	15.03
Multi Cap Funds	4.28	1.07	4.05	3.60	18.83	19.25
Large & Mid Cap Funds	6.44	2.18	5.31	6.20	19.87	16.57
Mid Cap Funds	6.14	4.68	8.51	10.06	23.04	20.05
Small Cap Funds	5.08	5.48	4.07	6.03	19.91	17.87
Value/Contra Funds	3.22	-4.68	-0.90	1.85	16.32	16.61
Focused Funds	5.04	-1.66	3.99	5.52	16.98	15.98
Aggressive Hybrid Funds	3.77	-1.88	1.14	4.91	13.34	12.60
Dynamic Asset Allocation Funds	3.38	-1.45	2.56	4.92	12.18	12.10
Equity Linked Saving Schemes	4.30	2.42	1.99	4.67	18.81	15.63
Business Cycle Funds	6.67	2.34	5.14	6.63	15.80	--
Nifty 50 TRI	4.06	-7.22	-3.36	1.14	9.17	10.35
Nifty 500 TRI	4.02	-2.82	0.02	1.95	13.20	12.66
NIFTY Large Midcap 250 TRI	3.51	-1.90	1.60	3.04	15.52	14.64
Nifty Infrastructure TRI	2.89	-2.62	1.69	2.68	18.93	18.07

Note: Data as on July 03, 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 July 03, 2026

- Domestic G-Sec prices closed the week ended 03rd July 2026 on a positive note wherein the yield on the 10-year benchmark, the 6.94% G-Sec 2036 bond, closed 6 bps lower at 6.71% as against its previous weekly close of 6.77% on 25th June 2026.
- In case of AAA rated corporate bonds, yields up to the one-year segment fell by up to 54 bps on a WoW basis. In case of the greater than one-year segment yields fell by up to 11 bps on a WoW basis.

● Movement in G-sec yields :-

- Indian G-sec yields declined supported by sustained foreign inflows amid expectations that Indian government bonds will be included in the Bloomberg Global Aggregate Bond Index, a move expected to attract significant overseas investment into the domestic bond market. However, gains were capped by a widening monsoon deficit.
- The total Government bond supply for the week stood at Rs 476 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 340 bn. The cut off yield for 10-year G-Sec for the week came in at 6.73%. There was no 10-year G-sec in the previous week's auction. The SDLs' auction was to the tune of Rs 136 bn and the maturities were in the range of 4-29 years. There was no 10-year SDL in this week's auction. The average cut off yield for 10-year SDLs was 7.57% for the previous week. The G-secs' auction was for the following: 6.94% GS 2036.
- Banking system liquidity improved, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 907 billion during the week as against a daily average deficit of ~Rs 211 billion bn during the previous week.

● Macro Data released during the week :-

- As per Government data India's fiscal deficit in April-May 2026 stood at Rs 1.62 trillion, or 9.6% of the Budget estimate for FY27. It was Rs 131.6 bn for the corresponding period of the previous financial year.
- As per RBI, India's external debt rose by USD 26.3 bn to USD 762.8 bn by March 2026 from a year earlier, while the external Debt-to-GDP ratio increased to 20.8% from 19.8%. The USD remained the dominant currency in the external debt composition, accounting for 55.5% of the outstanding stock.
- According to the RBI, India's foreign exchange reserves declined to USD 666.93 bn during the week ended June 27, 2026, the lowest since the week ended March 28, 2025. The total reserves fell by USD 5.65 bn due to a decline in gold reserves, which fell by USD 5.39 bn to USD 102.54 bn during the reported week.

● Other macro-economic news :-

- According to provisional data released by the finance ministry, Gross and Net Goods and Services Tax (GST) collections rose 13.9% YoY and 11.2% YoY respectively, in June 2026, with the growth largely driven by robust revenues from imports even as domestic collections remained subdued. While net GST collections, after adjusting for refunds, increased to Rs 1.62 trillion, gross collections rose to Rs 1.95 trillion.
- According to IMD, India recorded its driest June 2026 in more than a decade and the fifth driest since rainfall records began in 1901, with monsoon rainfall ending the month 39.8% below the long-period average.
- According to the Comptroller and Auditor General (CAG) of India, Capital Expenditure (capex) by 20 states fell in proportionate terms in April-May 2026, as they utilised 5.86%, or Rs 586.36 bn, of their combined budgeted capex allotment of Rs 10 trillion. This is down from the 6.21% at the same point a year earlier.

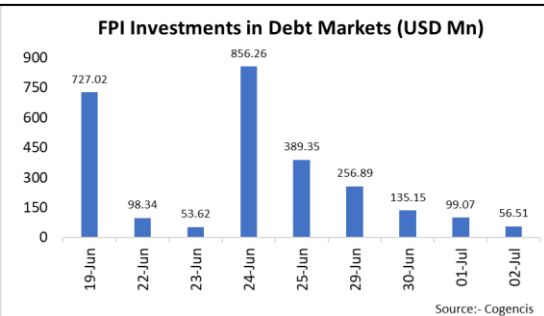
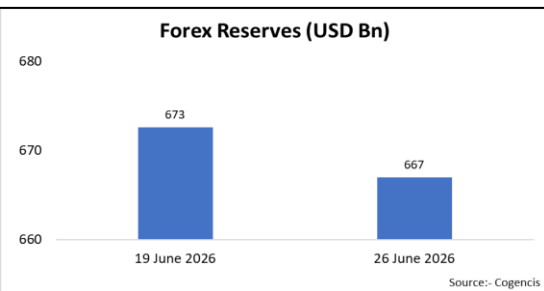
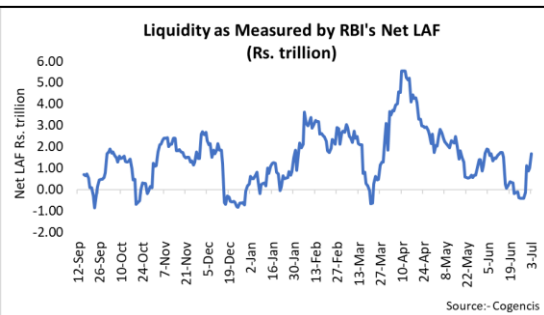
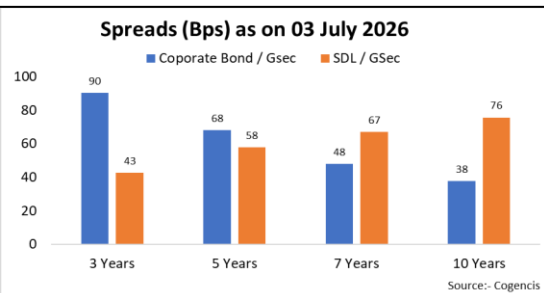
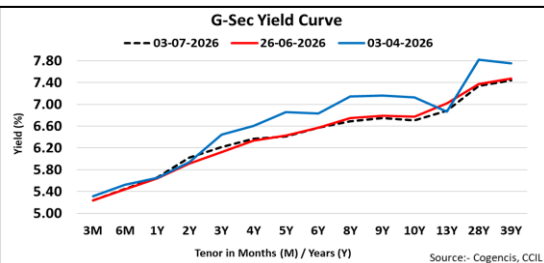
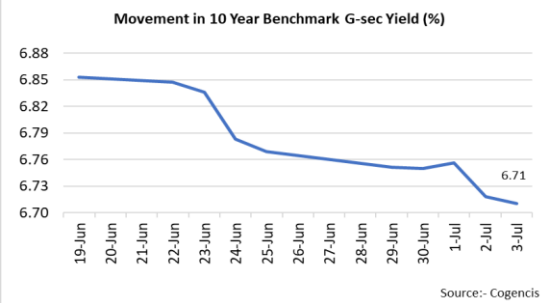
● Global Updates :-

- The US Labor Department said that job openings in US crept up to 7.59 mn in May 2026 from a downwardly revised 7.59 mn in April 2026. Economists had expected job openings to decrease to 7.30 mn.
- As per Eurostat, Eurozone Inflation weakened to 2.8% YoY in June 2026 from 3.2% YoY in May 2026. This was the lowest rate since March 2026 and remained below the forecast of 3.0% YoY.
- Data from the UK Office for National Statistics showed that UK GDP grew 0.6% QoQ in Q1 CY26, following a revised 0.1% QoQ expansion seen in Q4 CY25, primarily driven by services activity.

● Outlook :-

The liquidity condition, as measured by RBI's net LAF, improved, and moved back to surplus during the week. In its June 2026 MPC meeting, the RBI had kept the Repo Rate unchanged at 5.25% and continued with its neutral stance. They also had revised its CPI inflation estimate for FY27 upwards at 5.1% YoY from 4.6% YoY previously and the GDP growth estimate downwards to 6.6% YoY from their previous estimate of 6.9% YoY. India's retail inflation, measured by the CPI, accelerated to 3.93% YoY in May 2026, from 3.48% YoY in April 2026. **The weak start to the monsoon season and its further progress will be keenly watched as the adverse impact of El-Niño conditions on rainfall and inflation continues to remain a point of concern. The market has been factoring in the possibility of rate hikes going forward. However, the RBI may take further policy action only after seeing the second order effect of crude prices on inflation which has come off since interim peace deal between US and Iran took place. The spate of measures announced by the RBI in the latest monetary policy is expected to incentivize capital flows to India and has been positive for market sentiments and capital flows.** Market participants are now seeing higher probabilities of inclusion of Indian G-secs in Bloomberg's index which can aid in keeping liquidity comfortable and support bond prices going forward. In the US, as widely anticipated, in the first meeting under the new Fed Chair Kevin Warsh, the Federal Reserve kept rates unchanged in the June Policy meeting, keeping their target range at 3.50-3.75%. However, they saw 9 members predicting a rate hike and highlighted their strong and unanimous commitment towards bringing down inflation. **Market will be keenly monitoring whether the recently concluded interim peace deal between US & Iran holds and traffic through the Strait of Hormuz remains active or not.**

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 despite narrowing of spreads yields are still lucrative. 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 03 July 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	5.11	5.16	5.08	5.08	5.03	5.05	5.15	5.23	5.75	6.07
Liquid Funds	5.76	9.23	7.90	6.78	6.63	6.53	6.30	6.18	6.63	6.82
Floater Funds	9.36	17.63	20.17	10.70	10.02	6.73	6.36	6.05	7.55	7.59
Low Duration Funds	6.83	14.49	14.31	8.19	7.91	6.04	5.88	5.86	6.95	6.97
Money Market Funds	-1.91	14.09	13.20	7.91	7.73	6.41	6.23	6.13	7.01	7.07
Ultra Short Duration Funds	2.67	12.92	11.55	7.40	7.26	6.30	6.04	5.96	6.64	6.72
Banking And PSU Funds	10.12	18.56	22.54	11.83	10.85	5.77	5.45	5.15	7.10	7.04
Corporate Bond Funds	11.96	18.87	23.04	12.07	11.18	5.80	5.45	5.20	7.32	7.19
Medium Duration Funds	16.91	21.57	24.77	13.46	12.45	6.79	6.17	6.00	7.77	7.47
Short Duration Funds	11.53	17.44	21.20	11.17	10.34	5.78	5.41	5.23	7.17	7.03
Medium To Long Duration Funds	5.28	23.30	30.99	15.79	15.74	6.02	4.90	3.98	6.20	6.42
Long Duration Funds	-29.04	34.74	45.97	21.75	24.75	5.65	3.88	2.92	5.09	6.48
Dynamic Bond Funds	-3.51	21.32	27.86	14.27	14.08	5.77	4.71	3.97	6.22	6.61
Credit Risk Funds	18.14	19.91	20.13	11.86	14.45	10.10	8.68	8.21	9.72	9.10
Gilt Funds / Gilt Funds with 10 year constant duration	-21.70	24.86	37.21	18.68	20.01	5.80	4.24	3.21	5.86	6.47
Conservative Hybrid Funds	15.20	20.45	27.70	11.78	16.45	2.31	3.53	3.03	5.15	7.85
Index Funds	10.81	10.23	15.81	9.30	9.40	5.80	5.68	5.36	7.32	7.30
Arbitrage Funds	14.38	7.21	9.88	6.15	5.62	5.95	6.03	5.81	6.26	6.70

* 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	38.39	20.09	6.06	3.91	6.62	6.93
Dynamic Bond Fund	28.27	14.98	7.06	5.10	7.04	7.19
Gilt Funds & Gilt Funds with 10 year constant duration	32.98	18.27	6.60	4.07	6.74	7.01
Short Duration / Medium Duration	23.29	10.88	6.22	5.79	7.54	7.43
Banking and PSU Funds	22.37	11.08	6.10	5.74	7.37	7.27
Corporate Bond Funds	23.58	11.79	6.11	5.66	7.66	7.53
Ultra Short Duration Funds /Low Duration / Floater Funds	13.47	7.86	6.51	6.30	7.20	7.26
Money Market Funds	13.55	7.92	6.57	6.28	7.23	7.32
Liquid Funds & Overnight Funds	8.26	6.83	6.72	6.31	6.74	6.92
Arbitrage Funds	10.47	5.99	6.20	6.05	6.52	6.96

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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