

# Market Outlook

March 2026

**West Asia Turmoil To  
Keep Markets Volatile**



# Index

1 Outlook Summary

---

2 Global Macro & Markets

---

3 India Macro Update

---

4 Equity Market Outlook

---

5 Fixed Income Outlook

---

# Outlook Summary

## Equity View

### Large Cap

#### War Clouds Global Markets; Beyond near-term uncertainty earnings remain in focus; Accumulate Selectively

- Nifty ended flattish in Feb-26 losing 0.6%, weighed down by weakness in IT and other export-oriented sectors
- FPIs returned after a four-month hiatus, aided by a stabilizing rupee and lower hedging costs.
- Feb was marked by a sharp divergence: the Union Budget, a landmark US-India trade deal, and the US Supreme Court's decision to strike down the validity of IEEPA tariffs helped establish a structural floor for several sectors. US-Israel-Iran war however has created near-term turbulence and is testing the structural floor.
- Valuations have normalized to marginally below averages (Nifty 50 trades @~18.7x 1yr forward – a 4% discount to LPA)

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Indian Equities	Large Cap	Nifty 50	25,179	Positive

#### Quick Overview

- We expect Nifty 50 Index to deliver EPS of 1,400 for CY27 (16% growth over CY26). However, war-led uncertainty and its impact on energy prices could potentially pressure corporate earnings and could lower these expectations further. Hence, we suggest investors to remain patient before expecting markets to start delivering meaningful returns.
- Buy on sharp market dips / stagger investments over next 2 – 3 months.

## Equity View

### Mid & Small Cap

#### Broader markets to make a comeback

- Broader markets saw marginal upmove; Nifty Midcap 100 was up by 1.2% while Smallcap 250 gained 0.7%.
- Valuations have moderated following recent corrections but remain elevated v/s averages; however, support is emerging from reassuring Q3 FY26 earnings and improving earnings breadth.
- Neutral on Mid & Small Caps with selective allocation to this space.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Indian Equities	Mid and Small Cap	Nifty Midcap 100	59,116	Neutral



#### Quick Overview

- Nifty Midcap 100 Index valuation premium has come off over the past year and now trades at ~14% premium to its long period averages. Nifty Smallcap 100 Index too now trades at reasonable premiums to its averages.
- Consider phased investments over next 3 months to 4 months period, limiting allocation to 25% for mid and 15% for small caps.

## Fixed Income View

### RBI approach remains balanced; Crude needs to be watched for fiscal / inflationary pressures

- ▶ The narrative across many markets with respect to central banks currently is that of a long hold ahead, after a period of easing.
- ▶ RBI's neutral policy stance remains unchanged, reflecting a balanced approach in response to the evolving domestic growth-inflation dynamics and ongoing geopolitical uncertainties.
- ▶ For bonds, incremental impact on INR and external account and its bearing on RBI's forward looking inflation expectations due to elevated crude prices will be critical to watch out for. Higher borrowings will weigh in on market sentiment and will keep pressure on yields which in our view is negative for duration play.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Fixed Income	G-Sec	10-year G-Sec	6.68%	Positive on 2y-5y maturity funds and high yield strategies
	AAA Corporate	3y AAA	6.91%	
	AA Corporate	3y AA	7.86%	
	A Corporate	3y A	8.90%	

### Quick Overview

- ~45% in 2yr – 5yr AAA/AA accrual strategies, ~20% in dynamic/long-duration, ~35% in high-yield assets (A rated and below).
- Credit environment stable; spreads remain attractive.

## Global Equities View

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Global Equities	US	S&P 500	6,879	Neutral
	Europe	MSCI Europe	2,770	Negative
	China	Shanghai Composite	4,163	Neutral

### USA

- Rich valuations on Tech, narrow market rally and open trade risk are key reasons for caution. Concentrated earnings growth could favour broader markets, specifically US Small caps.

### Europe

- Lack of earnings, rich valuations and strong Euro is a headwind for exports.

### China

- Continue to remain neutral given sharp rise in valuations and 20%+ 1yr returns; Prefer Global EMs

## Commodities View

### Precious Metal

- Gold gained 5% in Feb-26 while silver saw a 13% correction.
- Slower growth and lower rates could support moderate gains; a deeper downturn could drive stronger upside.
- Faster U.S. growth and reduced geopolitical risk could strengthen the dollar and pressure gold lower.
- Failure of gold to make a new high given the Middle East news flow is an indication that gold has entered a period of consolidation
- Precious metals remain a key portfolio diversifier and stabilizer amid ongoing market volatility and can be allocated up to 10% of the portfolio.
- Reinvesting existing gains into gold MLDs offers an attractive hedge opportunity.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Precious Metal	Gold	LBMA USD	5,222	Neutral
	Silver	LBMA USD	90	Neutral

## Commodities View

### Crude

- Brent crude oil price (currently \$90/bbl) and European natural gas prices have risen by 13% and 55% respectively so far since the start of war.
- Surge in energy prices was triggered by the seeming closure of the Strait of Hormuz.
- While forecasts for 2027 are left unchanged, there is a broad-based \$10/bbl increase in forecasts for Brent in 2026 and its expected to trade around \$70/bbl.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Commodities	Crude	Brent Crude (US\$/bbl)	72.5	<b>Negative</b>



## EM, Gold, and Silver Lead the February Pack

Emerging Markets outperformed Indian markets; Nasdaq saw some correction while broader markets were flat

As of 27 <sup>th</sup> Feb 2026	Current Level	Point-to-Point (%)				Calendar Year (%)						
		1 Month	3 Months	6 Months	1 Year	2026 YTD	2025	2024	2023	2022	2021	2020
<b>Global Indices</b>												
S&P 500	6,879	-0.9	0.4	6.5	15.5	0.5	17.0	23.3	24.2	-19.4	26.9	16.3
S&P 500 Equal-Weight	8,291	3.4	7.0	8.7	13.8	6.8	16.8	10.9	11.6	-13.1	27.5	10.5
Nasdaq	22,668	-3.4	-3.0	5.7	20.3	-2.5	17.4	28.6	43.4	-33.1	21.4	43.6
Russell 2000	2,632	0.7	5.3	11.2	21.7	6.1	18.0	10.0	15.1	-21.6	13.7	18.4
MSCI Emerging Markets	1,611	5.4	17.8	28.0	46.8	14.7	49.8	5.1	7.0	-22.4	-4.6	15.8
Shanghai Composite	4,163	1.1	7.1	7.9	25.4	4.9	24.2	12.7	-3.7	-15.1	4.8	13.9
<b>Indian Indices</b>												
Nifty 50	25,179	-0.6	-3.9	3.1	13.8	-3.6	6.5	8.8	20.0	4.3	24.1	14.9
Nifty 500	23,167	0.4	-3.2	3.1	16.5	-3.0	3.5	15.2	25.8	3.0	30.2	16.7
Nifty MidCap 100	59,116	1.2	-3.2	6.1	23.4	-2.3	3.3	23.9	46.6	3.5	46.1	21.9
Nifty SmallCap 250	15,881	0.7	-5.1	-3.8	14.7	-4.8	-10.5	26.4	48.1	-3.6	61.9	25.1
<b>Other Assets (levels)</b>												
Brent Crude	72.5	71	63	68	73	61	75	77	86	78	52	66
Gold	5,222	4,982	4,191	3,429	2,835	4,368	2,609	2,078	1,814	1,806	1,888	1,515
Silver	90	103	54	39	31	72	29	24	24	23	26	18
Dollar index	98	97	99	98	108	98	108	101	104	96	90	96
USD/INR	91	92	89	88	88	90	86	83	83	74	73	71
<b>Credit/ Yields (%)</b>												
India 10 year G-sec	6.7	6.7	6.5	6.6	6.7	6.6	6.8	7.2	7.3	6.5	5.9	6.6
US 10 year G-sec	3.9	4.2	4.0	4.2	4.2	4.2	4.6	3.9	3.9	1.5	0.9	1.9

## Broad-based weakness in Indian equities

Markets remain broadly flattish, IT sees correction amid AI worries

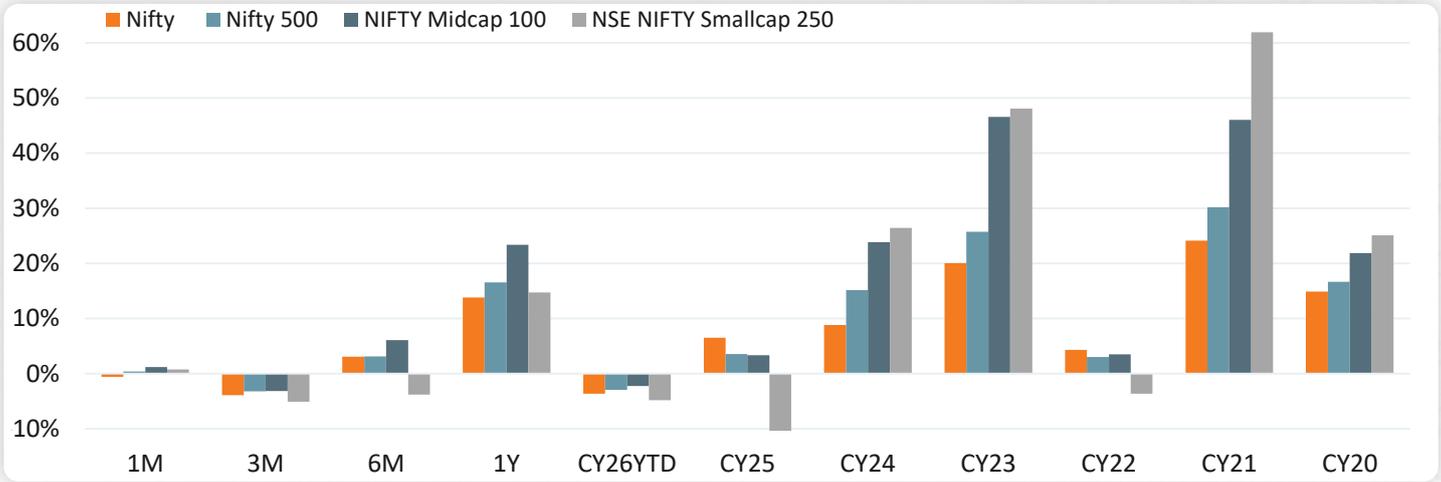


Figure 1.

Sectoral Indices	Point-to-Point (%)				Calendar Year (%)						
	1 Month	3 Month	6 Month	1 Year	2026 YTD	2025	2024	2023	2022	2021	2020
NSE Financials	2.0	-0.1	9.0	21.0	0.9	18.5	9.4	13.2	9.5	14.0	4.5
Nifty Bank	1.5	1.3	12.8	25.2	1.6	19.0	5.3	12.3	21.2	13.5	-2.8
BSE Capital Goods	5.7	1.8	7.7	27.5	5.0	3.9	21.8	66.9	16.0	53.4	10.6
NSE Infrastructure	4.1	-1.3	7.4	24.4	-0.9	12.6	15.9	39.1	6.1	35.6	12.2
NSE IT	-19.5	-18.2	-13.0	-18.0	-19.2	-29.4	22.0	24.1	-26.0	59.6	54.9
Nifty India Defence PR	-0.7	1.5	9.7	58.4	4.9	25.1	55.5	89.2	-	-	-
NSE Auto	5.3	1.4	12.8	37.4	-0.1	23.3	22.6	47.6	15.3	19.0	11.5
NSE FMCG	-0.1	-8.0	-8.9	0.9	-7.8	-10.0	-0.3	29.0	17.5	10.0	13.5
Nifty Healthcare PR	7.0	-1.1	3.6	17.2	1.6	-0.5	40.6	32.9	-10.8	18.3	-

Figure 2.

- In Feb-26, Nifty 50 Index underperformed the Mid & Small Cap indices by 1.7% and 1.3%, respectively.
- Healthcare, Capital Goods and Auto have been outperformers in Feb-26.
- IT, Defence and FMCG have underperformed.

# Global Macro & Markets

Impact on India GDP to be limited due to Crude rise

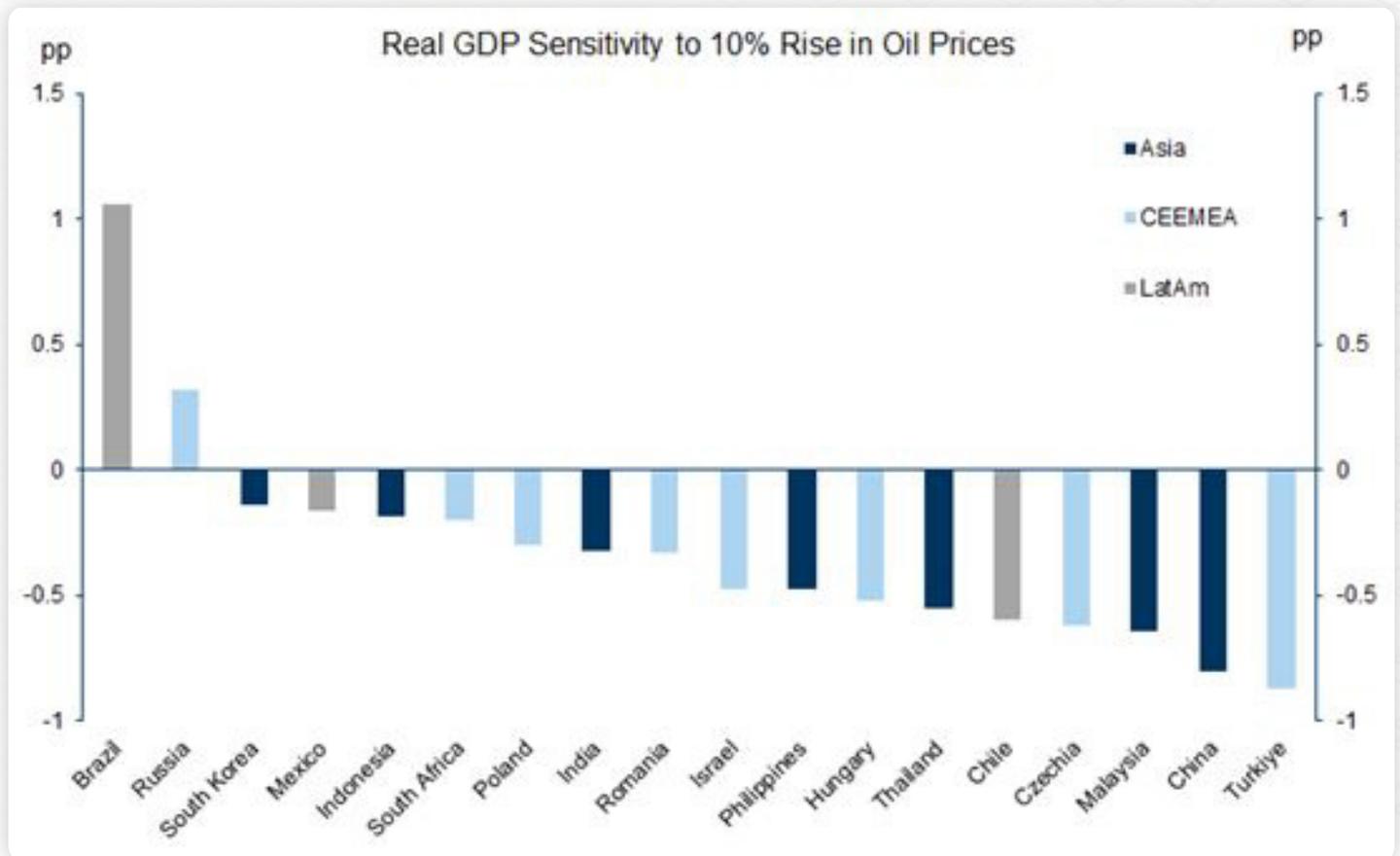


Figure 3.

## Global Macro

## Fed Holds Steady as Inflation Cooling Boosts Confidence

		Quarterly GDP Dec-25 SA qoq (%)	Inflation Dec-25 yoy (%)	Current Policy Rate Dec-25/ Jan-26	10Y bond yield 2-Mar-26
US		1.4%	2.4%	3.50% - 3.75%	3.96%
Europe		0.3%	1.7%	2.15%	2.64%
Japan		0.1%	1.5%	0.75%	2.07%

## USA

- Fed kept interest rates steady in the Jan-26 meet, at 3.50% - 3.75%, but as per Fed Dot plot we expect just one more rate cut in 2026.
- The Committee views the current policy stance as appropriate to balance growth and inflation objectives.
- According to the FOMC's post-meeting statement, available indicators suggest that economic activity has been "expanding at a solid pace"
- Fed Chair Powell said the decline in prices is helping the central bank gain confidence, allowing it to consider cutting back on restrictive policy over time.

## Europe

- ECB kept its key interest rate unchanged at its February meeting, for the fifth consecutive meeting.
- ECB commented that while inflation trajectory and wider economic conditions did not warrant a move, but the outlook was unpredictable, owing particularly to ongoing global trade policy uncertainty and geopolitical tensions.
- ECB President Lagarde added that the bank will remain data-dependent, taking a "meeting-by-meeting" approach and avoiding any pre-commitment to a specific rate path.

## Japan

- BOJ held rates steady at 0.75% in January, after raising it to the highest level in 30 years in December, ahead of the snap elections to be held in February.
- It was however noted that BOJ must raise interest rates in a timely fashion to prevent underlying inflation from surpassing its 2% target.
- BOJ's GDP forecasts were upgraded to 1% for fiscal year 2026, from 0.7%.

# India Macro Update

# India Macro Outlook

**Credit growth has started picking-up; GST boost seen in PV sales; Trade deficit has widened**



Figure 4. - Non-Bank Food Credit Growth (y-o-y)

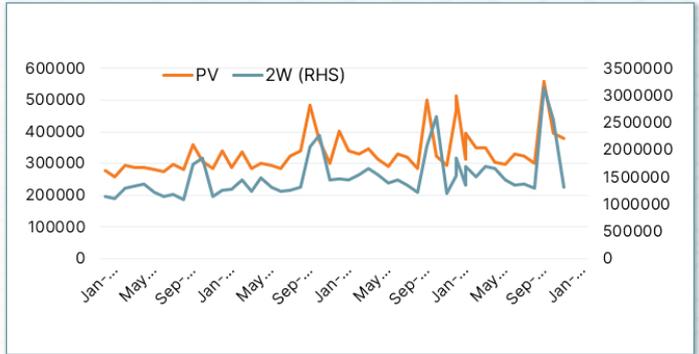


Figure 6. - PV & Two-Wheeler

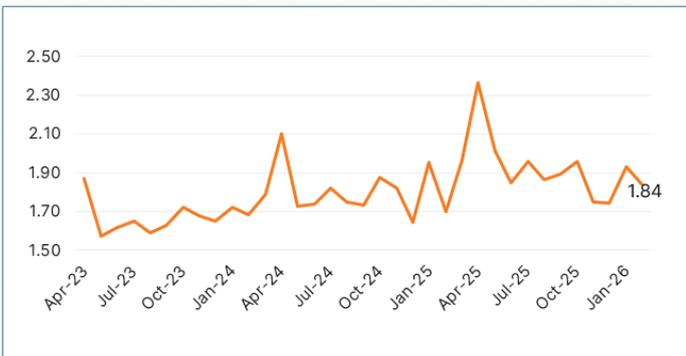


Figure 5. - GST Collection (₹Trn)



Figure 7. - Export & Import of Goods

**Macro resilience is seen with growth pick-up and benign inflation**

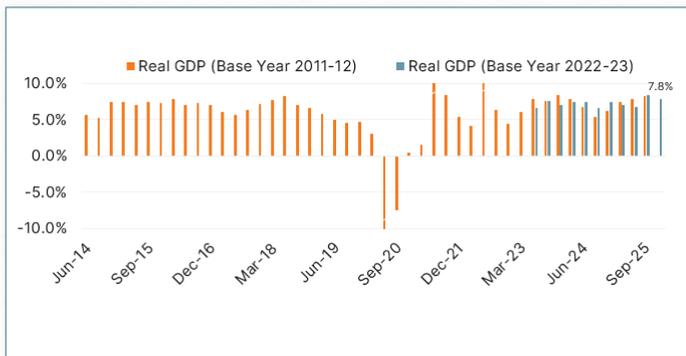


Figure 8. - GDP Trend (q-o-q)

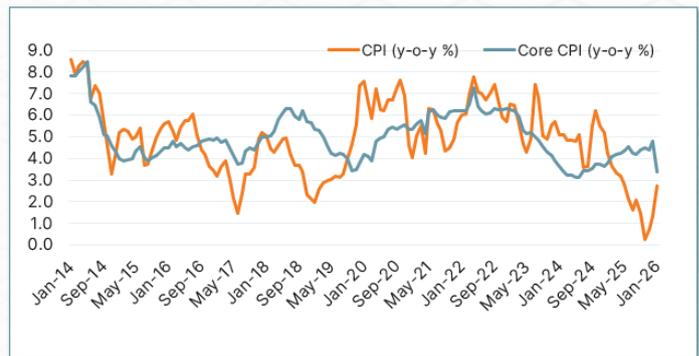


Figure 10. - CPI & Core CPI – line chart

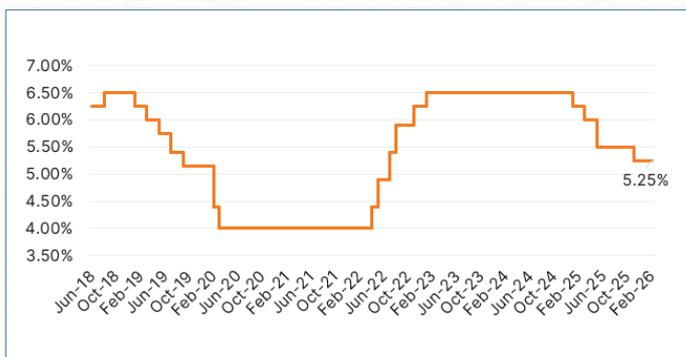


Figure 9. - Policy Rate – line graph

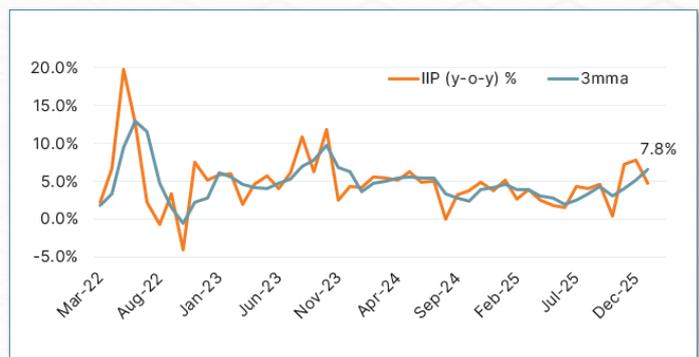


Figure 11. - IIP

An aerial photograph of a person standing in a vast, layered geological formation. The formation consists of concentric, wavy bands of earth in various shades of brown, orange, and blue. The person is positioned in the center of a large, light-colored, circular depression. The overall scene is dramatic and emphasizes the scale and complexity of the geological structure.

**Flow, Valuations, Earnings**

## Flows, Valuations, Earnings

### Foreign Investors Re-enter the Indian Market Alongside Steady DIIs

- ▶ FII's net sales turned positive in Feb, to the tune of \$2.5bn and \$0.6bn in equities and debt respectively.
- ▶ DIIs & MFs continued to support the equity markets adding \$4.2bn and \$0.3bn respectively.
- ▶ MFs continued to be net sellers of debt at \$7.8bn.
- ▶ SIP flows continue to come at all time high levels.

Figure 12. - SIP inflows continue to inch-up; gain 17%yoy

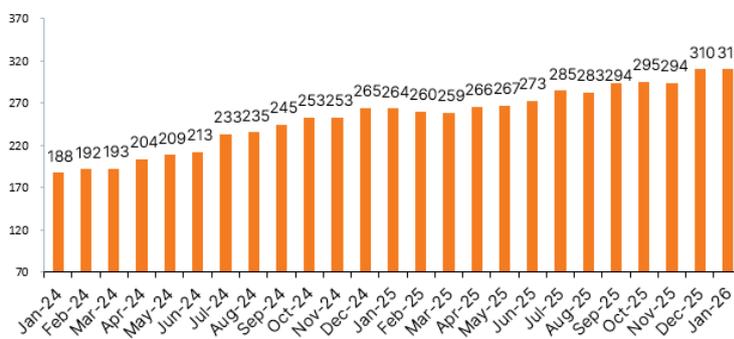


Figure 13. - FIIs stay net sellers, DIIs and MFs continue to be net buyers of Equities

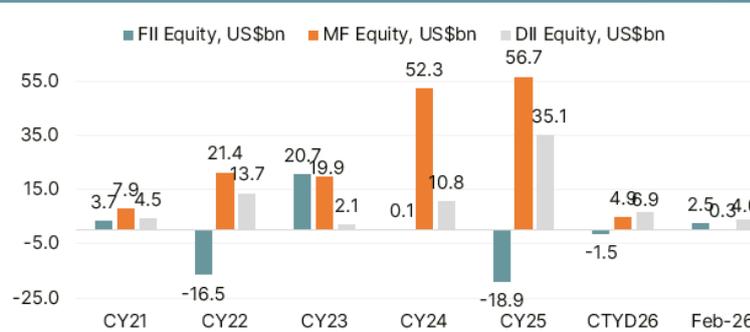
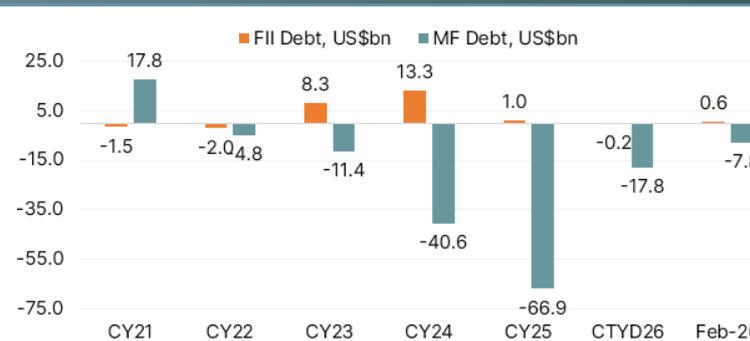


Figure 14. - FIIs are marginal buyers while mutual funds continue to sell



# Flows, Valuations, Earnings

## Most valuations metric have cooled from their Sep-24 peaks

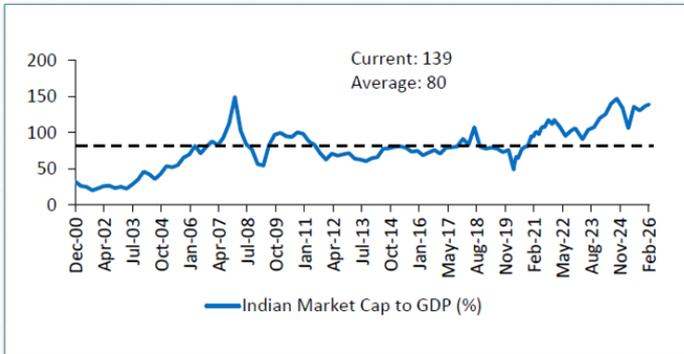


Figure 15. - India's market cap to GDP increases however still down from all time highs

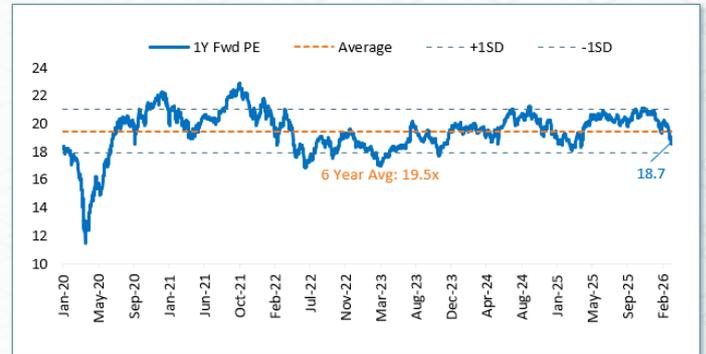


Figure 17. - Nifty valuation marginally below long-term average (4% discount)

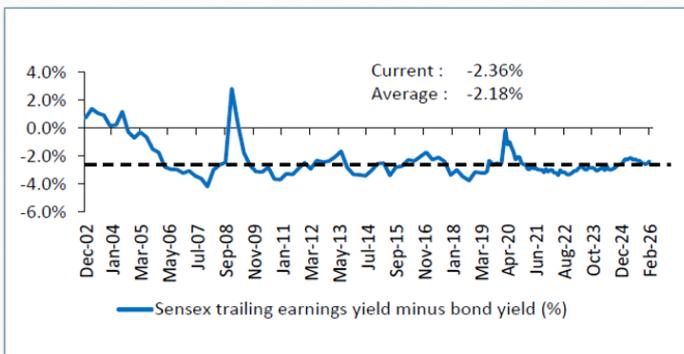


Figure 16. - Earnings yield-to-bond yield marginally above average



Figure 18. - On P/B basis, Nifty trades at a premium (5% premium)

Flows, Valuations, Earnings

Q3FY26 Earnings – key highlights

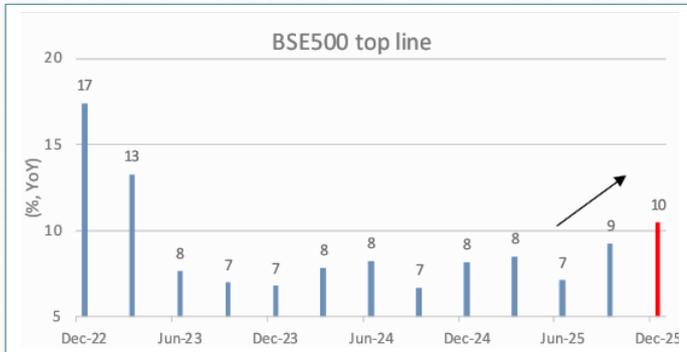


Figure 19. - Top-line growth improves: 1st double-digit top-line growth after 3yrs

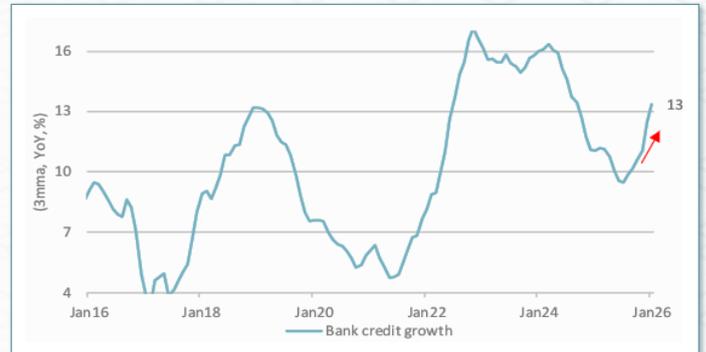


Figure 21. - Bank Credit growth reports acceleration



Figure 20. - BSE500 EBITDA growth remains stable while PAT accelerates

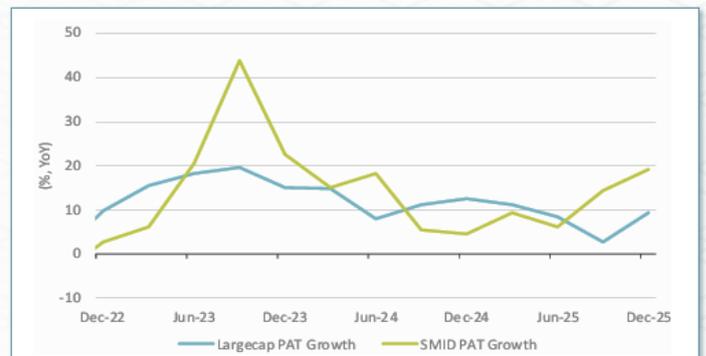


Figure 22. - SMID's profits accelerate in quarter

## Flows, Valuations, Earnings

### Increasing Contribution of Small Cap; Earnings strong



Figure 23.

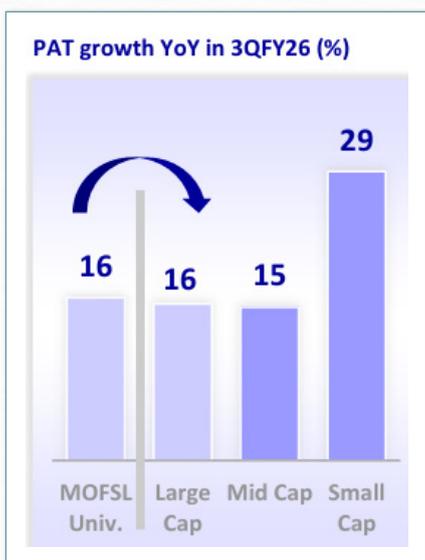


Figure 24.



Figure 25.

- ▶ 3QFY26 earnings season reaffirms that the aggregate earnings revision trajectory has become more palatable. There has been a slowing intensity in earnings cuts until Q1FY26 and has resulted in upgrades since Q2 & Q3FY26
- ▶ Nifty 12m Fwd valuations @18.7x is as a marginal discount to LPA
- ▶ MOSL large-cap universe is anticipated to deliver a 13% YoY earnings growth in FY27E, while mid-cap is estimated to deliver 27% YoY growth, and small-cap is estimated to deliver a 37% YoY growth in FY27E.
- ▶ Financials, Metals, and Automobiles sectors are projected to be the key growth engines.

Historically, market bottoms post geopolitical events

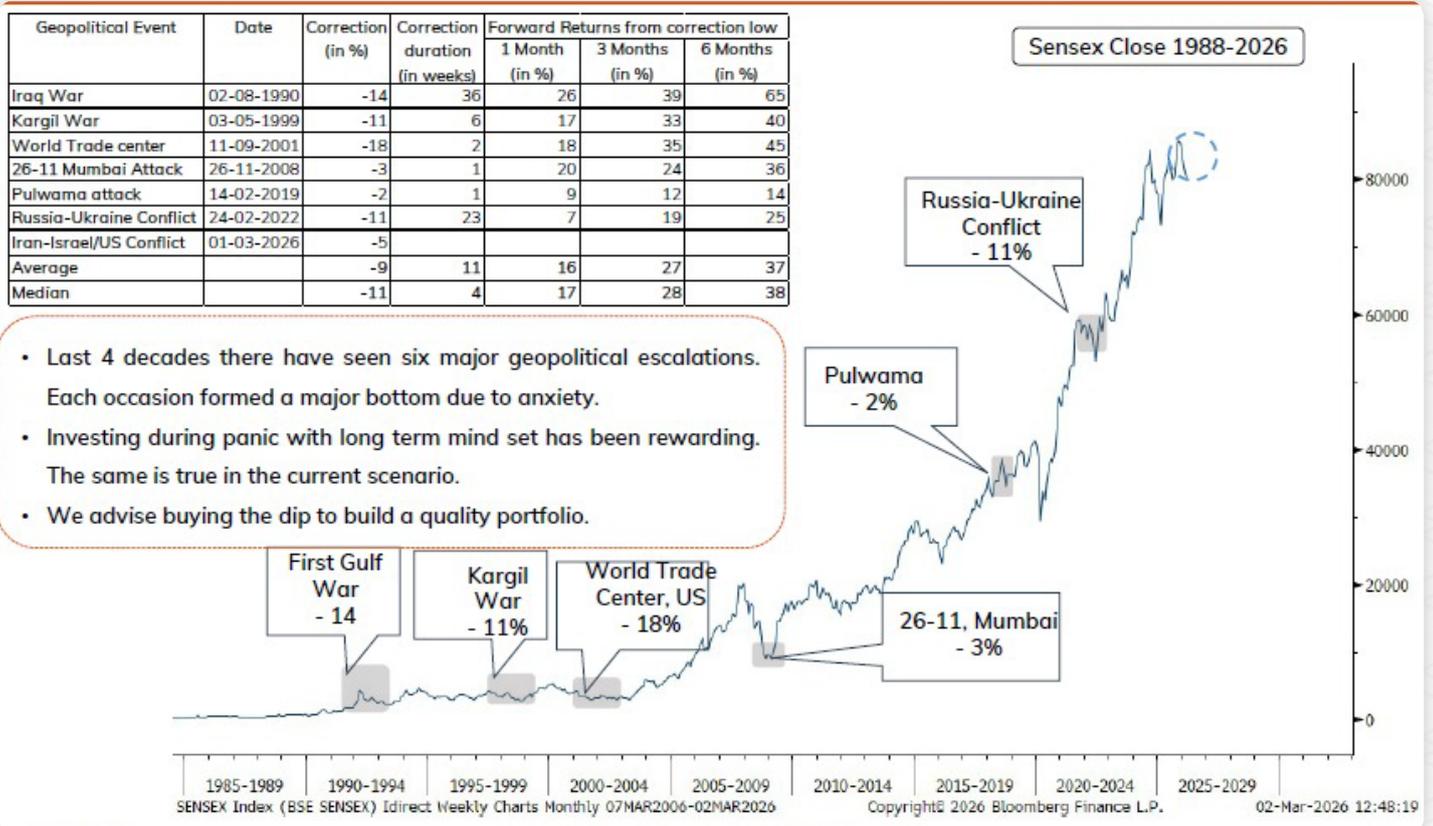


Figure 26.

# Equity Macro Outlook

## Equity Outlook

### War Clouds Global Markets; Beyond near-term uncertainty earnings remain in focus; Accumulate Selectively

- Markets displayed a mixed but broadly resilient performance in Feb-26. Nifty declined 0.6%, weighed down by weakness in IT and other export-oriented sectors. Mid and small caps continued to outperform, rising 1.2% and 0.7% respectively.
- The month was marked by a sharp divergence: while the Union Budget, a landmark US-India trade deal, and the US Supreme Court's decision to strike down the tariffs helped establish a structural floor for several sectors, the IT sector witnessed its worst monthly decline in decades, triggered by an "AI scare".
- FPIs returned after a four-month hiatus, aided by a stabilizing rupee and lower hedging costs. At the same time, India's recent underperformance versus EM peers has improved relative valuations, creating a more attractive entry point for global capital.
- On the earnings front, Q3FY26 corporate results indicated an improvement in sectoral breadth, with Nifty 50 PAT growing 7.5% YoY and Nifty 500 earnings rising 14% YoY, indicating broader market earnings strength.
- We have lowered our EPS expectations for Nifty 50 Index to 1,400 for CY27 (16% growth over CY26). War-led uncertainty and its impact on energy prices could potentially pressure corporate earnings and could lower these expectations further. Needs to be monitored going forward.
- In our view, market de-rating has reduced incremental downside risk and has created an opportunity to allocate towards Indian equities, albeit in a calibrated and selective manner.

#### 1: Nifty December 2026 target range based on adjusted EPS expectations

	-1SD	5 Year Average	+1SD
Nifty 1-year forward PE	18.0	19.5	21.0
Nifty 50 EPS expectations for end Dec-27		1,400	
Nifty range at end of 2026	25,200	27,300	29,400

#### Key Takeways

- Downside risks appear contained amid policy support, improving earnings breadth, and returning foreign flows.
- Sustained market upside will depend on earnings delivery and macro momentum, even as volatility may offer selective buying opportunities.

## Equity Allocation Strategy

### Points to consider for equity portfolio management

- 1) SMID segment continues to trade at a premium relative to Large Cap stocks, and to its respective long period average valuations (while the premium has significantly reduced). But a positive earnings growth view prompts us to change our stance.
- 2) We hold out neutral stance in Mid & Small caps and suggest selective allocation to this space. Our preference for Large Caps reflects in suggesting 60% of equity portfolio towards this segment and balance towards broader markets.
- 3) Deploy over 2 – 3 months in Large Cap strategies and extend the stagger from 3 months – 4 months for any mid and small cap allocation.
- 4) Alternative investment solutions such as MLD ideas can be actively considered offering principal protection and accelerated participation.

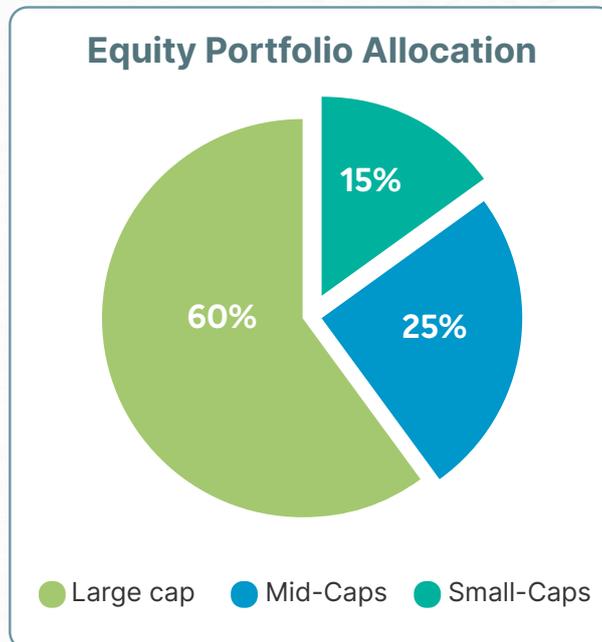
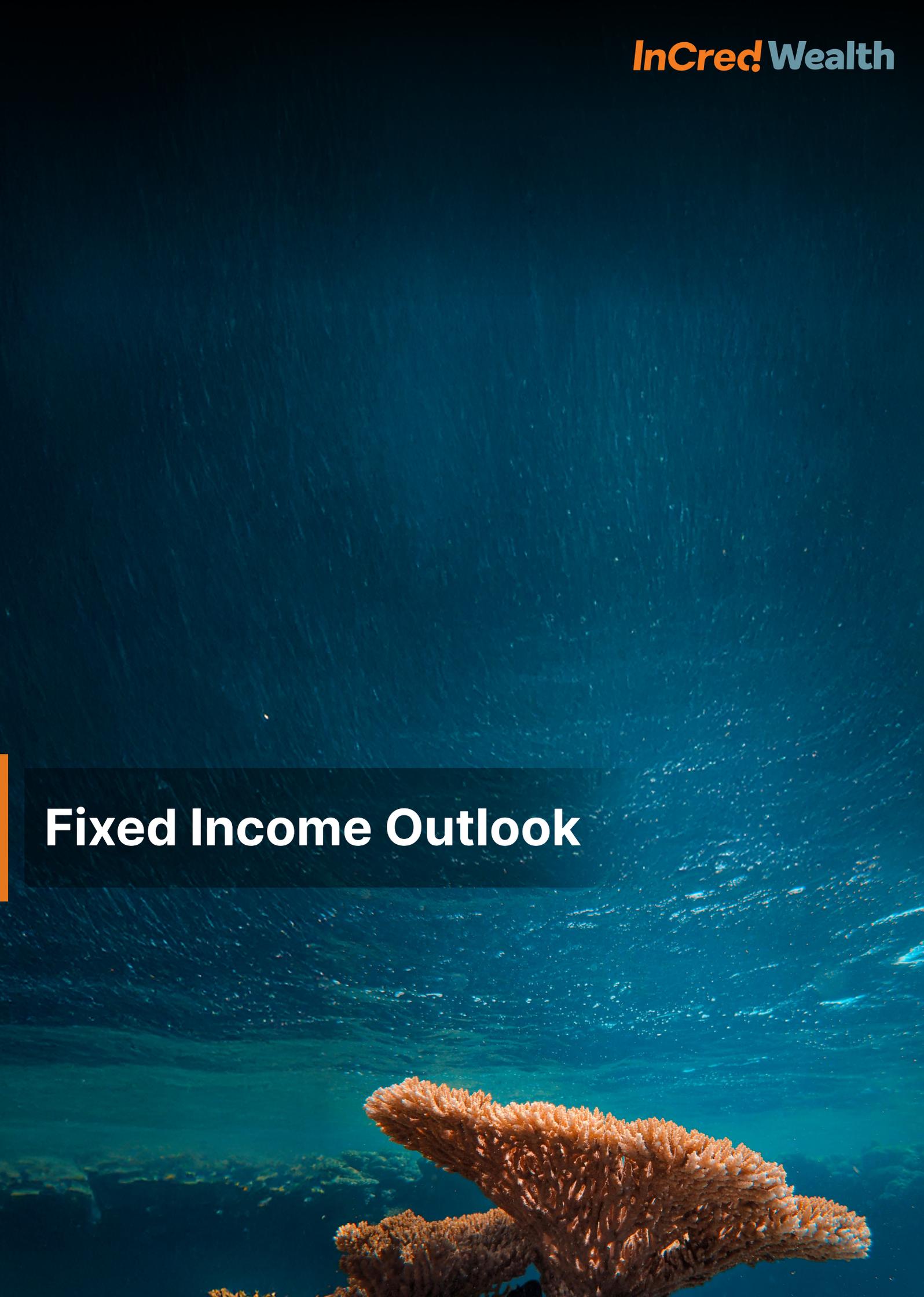


Figure 27.

Category	InCred Outlook
Large Cap	Positive
Mid and Small Cap	Neutral

# Fixed Income Outlook



## Fixed Income Outlook

### Defensive positioning in portfolios to help; Credit Spreads attractive

- G-sec yields have stayed flattish since Feb MPC and trade closer to 6.68%.
- Neutral policy stance, multiple Bond auctions at higher cut-off yields and expectations of higher CPI in Q1FY27 is weighing on market participants.
- AAA bond yields have seen hardening across segments
- 3yr Spreads in the AA / A rated segment continue to remain attractive
- Short-term yields have remained steady amid the ongoing phased CRR reductions and supportive liquidity conditions in the system.

Figure 28. - Issuers with credit rating "A" offers higher credit spreads

3-year tenor	2-Mar-26	Dec-25	Dec-24	Dec-23	Dec-22
G sec	5.85	5.92	6.72	7.09	7.04
<b>Credit Spreads (bp)</b>					
AAA over G sec	106	75	81	56	71
AA over AAA	95	94	76	67	57
A over AA	104	125	184	134	191

Figure 29. - 10yr G-Sec yields back to pre-rate cut level; Short term remains anchored



Figure 30. - AAA curve has shifted ~20bps in 1yr-5yr segment; by ~45bps in long duration in 1m



## Fixed Income Outlook and Allocation Strategy

### Lightbulb | Outlook

- The narrative across many markets with respect to central banks currently is that of a long hold ahead, after a period of easing.
- RBI's neutral policy stance remains unchanged, reflecting a balanced approach in response to the evolving domestic growth-inflation dynamics and ongoing geopolitical uncertainties.
- For bonds, incremental impact on INR and external account and its bearing on RBI's forward looking inflation expectations due to elevated crude prices will be critical to watch out for.
- Higher borrowings will weigh in on market sentiment and will keep pressure on yields which in our view is negative for duration play.
- Credit environment continues to remain stable, and credit spreads remain attractive.

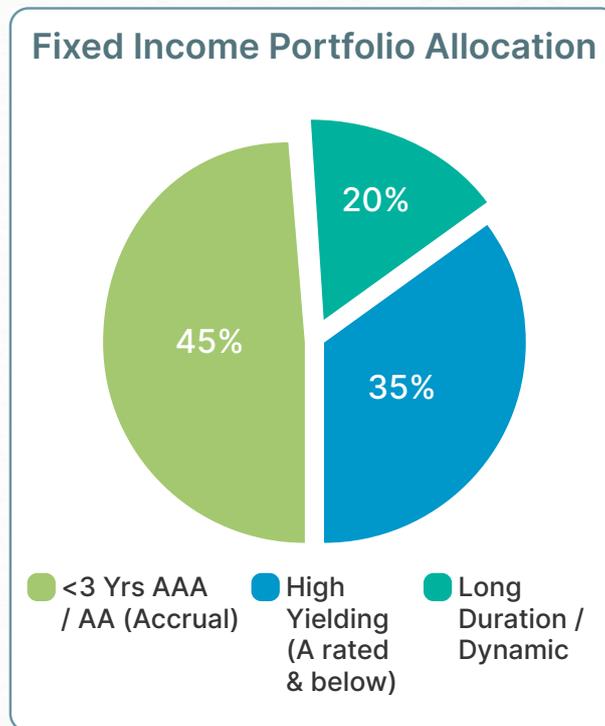


Figure 31.

Category	Outlook
Fixed Income	Positive on <3 yrs maturity accrual funds and high yield strategies

## Disclaimer

InCred Wealth and Investment Services Private Limited ("InCred Wealth"), is engaged in the business of distribution of third party financial products or acts as a referral agent of third party financial products and services ("Investment Products"). InCred Wealth may earn fees, commissions from the manufacturers of Investment Products.

InCred Wealth does NOT provide investment advisory services in any manner or form. InCred Wealth is AMFI registered Mutual Fund Distributor & SIF Distributor.

InCred Wealth may discuss with you ("Client/investor") about investment products that are in line with your risk profile rating as maintained with us. Investment products are referred/distributed by InCred Wealth on a non discretionary and non participation basis. Such discussion would be a service without any consideration by InCred Wealth to the Investor and the final investment decision shall always exclusively remain with the investor. Clients/ Investors should independently evaluate the investment, risks and carry out the required due diligence prior to making any investment decision. Investment products are subject to market risks and are not guaranteed by InCred Wealth. Investment products are subject to investment risks, including the possible loss of the principal amount invested. Past performance is not indicative of future results, investments are subject to market risks which may result in appreciation or depreciation. There is no assurance or guarantee that the objectives of investment will be achieved. The risks associated with the Investment products are mentioned in the product documentation supplied by the manufacturer of the products. Please read the relevant disclosure documents or Term Sheet or investment agreement or offer documents or prospectus or scheme information document as applicable carefully before investing. Information and opinions contained in this report/presentation have been obtained from sources believed to be reliable, but no representation or warranty, expressed or implied, is made that such information is accurate or complete. This document has been prepared in good faith and provided to you by InCred Wealth for informational purposes only, is intended for your use only and may not be quoted, circulated or otherwise referred to without InCred Wealth's expressed consent. This document is not a research report or a research recommendation and does not constitute a personal recommendation. The information and opinions are not and should not be construed as an offer or solicitation to buy or sell any securities or make any investments. The financial instrument discussed, and opinions expressed in this presentation/note may not be suitable for all investors, who must make their own investment decisions, based on their own investment objective, financial positions and respective needs. This presentation /note should not be taken in substitution for the exercise of independent judgement by any recipient. The recipient should independently evaluate the investment, risks and carry out the required due diligence. The client is solely responsible for consulting his/her/its own independent advisors as to the legal, tax, accounting and related matters concerning investments and nothing in this document or in any communication shall constitute such legal, tax or accounting advice. As a condition for providing this information, the client agrees that InCred Wealth makes no representation and shall have no liability in any way arising to them or any other entity for any loss or damage, direct or indirect, arising from the use of this information. All third party trademarks (including logos and icons) referenced here are for illustration purposes only and remain the property of their respective owners and constitute neither an endorsement nor a recommendation of those organizations/owners and not intended to imply, directly or indirectly, that those organizations endorse or have any affiliation with InCred Wealth.

### **InCred Wealth and Investment Services Private Limited**

A Mutual Fund distributor & SIF distributor registered with AMFI.

Registered Office and Corporate Office Address: Unit No 1203, 12th Floor, B Wing, The Capital, C 70, B Block, BKC, Bandra (E), Mumbai 400051; Phone: +91 22 68446100;

website: [www.incredwealth.com](http://www.incredwealth.com) ; CIN: U67190MH2020PTC350270.