

# Market Outlook

April 2026

**Ceasefire Holds or Conflict Escalates:  
Mapping Market Outcomes**



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# Outlook Summary

## Equity View

### Large Cap

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

- ▶ Nifty experienced a sharp decline in March, ending the month 11.3% lower as escalating US-Israel-Iran conflict and the closure of the Strait of Hormuz triggered a global "risk-off" sentiment.
- ▶ FPIs turned aggressive net sellers following a brief return in Feb with outflows exceeding \$12bn in March alone, driven by surging crude prices and rising global yields.
- ▶ Market recovery remains contingent on geopolitical de-escalation, where a diplomatic breakthrough would likely ease volatility and support a broad-based rebound.
- ▶ While valuations have normalized, whether they stabilize or there is further de-rating is contingent upon the prolonged nature of the war.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Indian Equities	Large Cap	Nifty 50	22,331	Positive

#### Quick Overview

- War-led uncertainty, its duration and impact on energy prices could result in two scenarios in our view.
- First, a prolonged conflict could potentially pressure corporate earnings for CY27 and result in a subdued growth rate of ~6%. This translates to Nifty index trading at ~24,000 @19x forward PE multiple by year end.
- Our base case assumption is a relatively swifter resolution to the conflict, implying limited pressure on earnings with a significant pick up in H2CY27 resulting in ~15% growth. This translates to Nifty index trading at ~26,000 assuming the same earnings multiple.
- Buy on market dip / stagger investments over next few months.

## Equity View

### Mid & Small Cap

#### Valuation Moderation and Strategic Positioning in Broader Markets

- Broader markets saw a correction in March with Nifty Midcap 100 down by 10.9% while Smallcap 250 down 10.0%.
- Ongoing correction has driven a broad-based moderation in valuations, with mid- and small-caps easing from their peaks and now trading at premiums of 4% and 15% to their LPA.
- 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	52,650	Neutral



#### Quick Overview

- Nifty Midcap 100 Index valuation premium has come off over the past year and now trades at ~4% premium to its long period averages. Nifty Smallcap 100 Index too now trades at 15% 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 Adopts a Wait and Watch Approach as Geopolitical Risks Threaten the Outlook

- RBI kept rates unchanged retaining “neutral” stance allowing room to respond judiciously to new information while adopting a wait-and-watch approach amid changing circumstances.
- External volatility will continue to shape market expectations, and we prefer a dynamic and continuously reassessed approach to debt investments.
- Besides the higher borrowing as per Budget, excise subsidies and delay in increasing fuel prices could mean impending pressure on borrowings program. This 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	6.91%	Positive on 2y-5y maturity funds and high yield strategies
	AAA Corporate	3y AAA	7.54%	
	AA Corporate	3y AA	8.42%	
	A Corporate	3y A	9.54%	

#### Quick Overview

- ~60% in 2yr – 5yr AAA/AA accrual strategies and ~40% 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	6,529	Neutral
	Europe	MSCI Europe	2,554	Negative
	China	Shanghai Composite	3,892	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 prices fell 12% in Mar-26 while silver saw a 19% correction.
- Fading rate-cut expectations and conflict-driven inflation concerns have weighed on prices. A surging U.S. dollar and high energy costs have further intensified these pressures, keeping gold prices under check.
- 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.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Precious Metal	Gold	LBMA USD	4,608.4	Neutral
	Silver	LBMA USD	72.7	Neutral

## Commodities View

### Crude

- Brent crude oil price (currently \$102/bbl) have been on the rise since the start of the war, seeing momentary respite on news of ceasefire in early-April, while its sustenance needs to be monitored.
- Forecasts expect prices peak in 2Q26 at \$115/b before easing as production shut-ins slowly abate. Prices are expected to fall below \$90/b in 4Q26 and average \$76/b in 2027, however remain highly dependent on our assumptions of both the duration of conflict in the Middle East and resulting outages in oil production

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Commodities	Crude	Brent Crude (US\$/bbl)	118.4	Neutral



## Geopolitical Tensions Weigh on Global Risk Assets

Broad market weakness as West Asia tensions dampened investor sentiment, most asset classes corrected while yields hardened amid elevated uncertainty.

As of 31 <sup>st</sup> March 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	6,529	-5.1	-4.6	-2.7	16.3	-4.6	11.0	23.3	24.2	-19.4	26.9	16.3
S&P 500 Equal-Weight	7,779	-6.2	0.2	0.9	10.7	0.2	9.5	10.9	11.6	-13.1	27.5	10.5
Nasdaq	21,591	-4.8	-7.1	-5.1	24.8	-7.1	11.8	28.6	43.4	-33.1	21.4	43.6
Russell 2000	2,496	-5.2	0.6	2.2	24.1	0.6	11.9	10.0	15.1	-21.6	13.7	18.4
MSCI Emerging Markets	1,397	-13.3	-0.6	3.3	26.9	-0.5	29.9	5.1	7.0	-22.4	-4.6	15.8
Shanghai Composite	3,892	-6.5	-1.9	0.2	16.7	-1.9	16.1	12.7	-3.7	-15.1	4.8	13.9
<b>Indian Indices</b>												
Nifty 50	22,331	-11.3	-14.6	-10.1	-5.1	-14.5	-5.6	8.8	20.0	4.3	24.1	14.9
Nifty 500	20,528	-11.4	-14.1	-10.5	-3.8	-14.0	-8.3	15.2	25.8	3.0	30.2	16.7
Nifty MidCap 100	52,650	-10.9	-13.3	-7.7	1.9	-13.0	-8.0	23.9	46.6	3.5	46.1	21.9
Nifty SmallCap 250	14,288	-10.0	-14.3	-15.3	-5.4	-14.4	-19.5	26.4	48.1	-3.6	61.9	25.1
<b>Other Assets (levels)</b>												
Brent Crude	118.4	72	61	65	75	61	75	77	86	78	52	66
Gold	4,608	5,222	4,368	3,872	3,115	4,368	2,609	2,078	1,814	1,806	1,888	1,515
Silver	73	90	72	47	34	72	29	24	24	23	26	18
Dollar index	100	98	98	98	104	98	108	101	104	96	90	96
USD/INR	95	91	90	89	85	90	86	83	83	74	73	71
<b>Credit/ Yields (%)</b>												
India 10 year G-sec	7.0	6.7	6.6	6.5	6.6	6.6	6.8	7.2	7.3	6.5	5.9	6.6
US 10 year G-sec	4.3	3.9	4.2	4.1	4.2	4.2	4.6	3.9	3.9	1.5	0.9	1.9

## Markets Retreat as West Asia Conflict Escalates

### Geopolitical Uncertainty in West Asia Triggers Market Correction

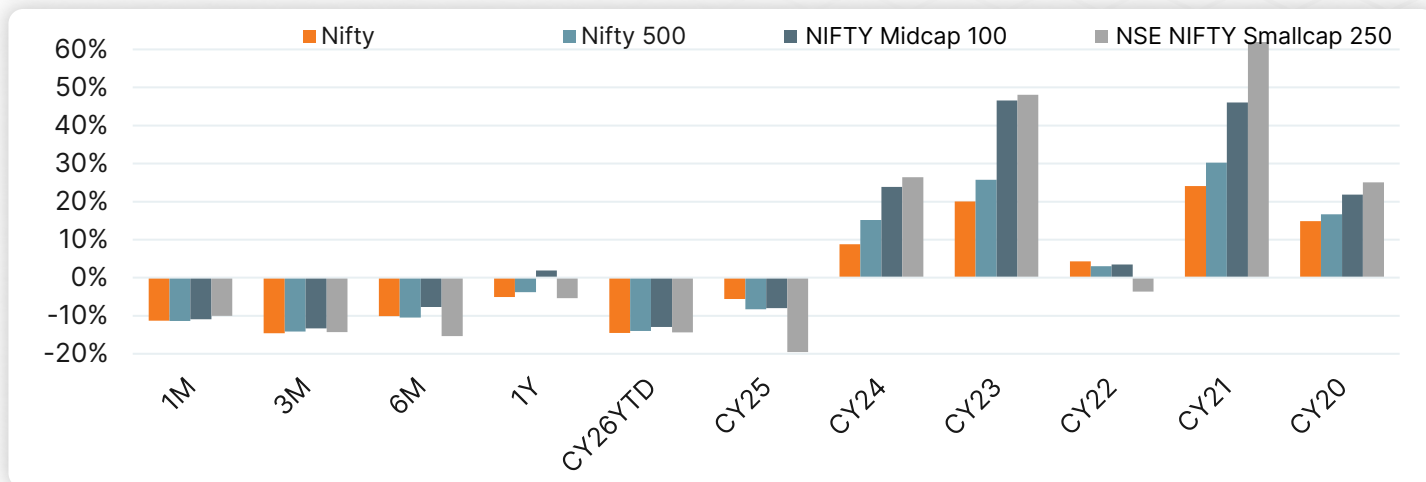


Figure 1.

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	-15.6	-15.0	-10.8	-6.2	-14.8	17.4	9.4	13.2	9.5	14.0	4.5
Nifty Bank	-16.9	-15.8	-9.2	-2.5	-15.6	17.1	5.3	12.3	21.2	13.5	-2.8
BSE Capital Goods	-8.8	-4.5	-6.6	2.4	-4.3	-1.0	21.8	66.9	16.0	53.4	10.6
NSE Infrastructure	-10.2	-11.6	-5.1	1.2	-11.0	13.6	15.9	39.1	6.1	35.6	12.2
NSE IT	-5.0	-23.9	-14.3	-21.2	-23.3	-12.6	22.0	24.1	-26.0	59.6	54.9
Nifty India Defence PR	-11.2	-6.6	-9.6	12.8	-6.9	19.3	55.5	89.2	-	-	-
NSE Auto	-15.6	-16.5	-11.2	11.6	-15.7	23.5	22.6	47.6	15.3	19.0	11.5
NSE FMCG	-11.0	-15.2	-17.4	-15.0	-17.9	-2.3	-0.3	29.0	17.5	10.0	13.5
Nifty Healthcare PR	-4.5	-2.8	-0.8	3.8	-3.0	-2.1	40.6	32.9	-10.8	18.3	-




Figure 2.

- In Mar-26, Nifty 50 Index underperformed the Mid & Small Cap indices by 0.4% and 1.3%, respectively.
- Healthcare, IT and Capital Goods have fallen the least in Mar-26.
- Bank, Financials and Auto have corrected the most.

# Global Macro & Markets

## Global Macro

## Rate Decisions Deferred Amid Heightened Geopolitical Uncertainty

		Quarterly GDP Dec-25 SA qoq (%)	Inflation Feb-26 yoy (%)	Current Policy Rate Mar-26	10Y bond yield 9-Apr-26
US		1.4%	3.3%	3.50% - 3.75%	4.23%
Europe		0.3%	2.5%	2.15%	2.98%
Japan		0.1%	1.3%	0.75%	2.39%

## USA

- Fed kept interest rates steady in the Mar-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".
- The Fed revised up its 2026 PCE inflation projection to 2.7% (up from 2.4% in December 2025), citing lingering price pressures.

## Europe

- ECB kept its key interest rate unchanged at its March meeting, for the sixth consecutive meeting.
- ECB noted that war in the Middle East has made the outlook uncertain, creating upside risks for inflation and downside risks for economic growth.
- Inflation projections have been revised upwards for 2026 (2.6%), owing to the war in the middle east. Growth expectations have also been lowered (0.9% for 2026, 1.3% in 2027 & 1.4% in 2028) reflecting the global effects of the war on commodity markets, real incomes and confidence.
- 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 March, maintaining its bias for tighter monetary policy, warning that surging oil prices driven by the Middle East conflict could exacerbate inflationary pressure.
- The Governor also noted that a wait-and-see approach was warranted given that BOJ will not release its updated quarterly forecasts until April and needs time to release new estimates of underlying inflation that strip out the government's recent efforts to contain cost-of-living pressures.

## Globally equities have seen a major impact of West Asia war

Global stock market index % change since 28 Feb 2026

Country	Index	Ticker	YTD	Since 28 Feb 2026
Ghana	GSE Composite Index	GGSECI	67.07%	16.60%
Oman	MSX30 Index	MSM30	34.93%	7.08%
Argentina	S&P Merval TR ARS	MERVAL	-6.71%	5.64%
Malaysia	FTSE Bursa Malaysia KLCI	FBM KLCI	3.82%	-2.02%
Singapore	Straits Times Index STI	STI	5.25%	-3.85%
US	S&P 500 Index	SPX	-4.22%	-4.69%
Brazil	Brazil IBOVESPA Index	IBOV	17.96%	-5.71%
Hong Kong	Hang Seng Index	HSI	-2.22%	-5.94%
China A	Shanghai SE Composite	SHCOMP	0.12%	-7.20%
Canada	S&P/TSX Composite Index	SPTSX	0.30%	-7.99%
UK	FTSE 100 Index	UKX	-0.21%	-9.22%
Italy	FTSE MIB Index	FTSEMIB	-4.98%	-10.01%
Taiwan	Taiwan TAIEX Index	TWSE	14.08%	-10.07%
Australia	S&P/ASX 200 Index	AS51	2.35%	-10.59%
Japan	TOPIX Index (Tokyo)	TPX	5.25%	-11.33%
France	CAC 40 Index	CAC	-6.27%	-11.59%
India	Sensex	SENSEX	-16.95%	-11.86%
Germany	DAX Index	DAX	-8.98%	-12.30%
Thailand	Stock Exch of Thai Index	SET	7.51%	-12.35%
Japan	Nikkei 225	NKY	4.85%	-12.89%
Philippines	PSEI - Philippine SE Idx	PCOMP	-2.82%	-13.70%
Indonesia	Jakarta Composite Index	JCI	-17.68%	-14.58%
Korea	KOSPI Index	KOSPI	29.23%	-14.71%

Worst performing YTD have been India, Indonesia, & Vietnam

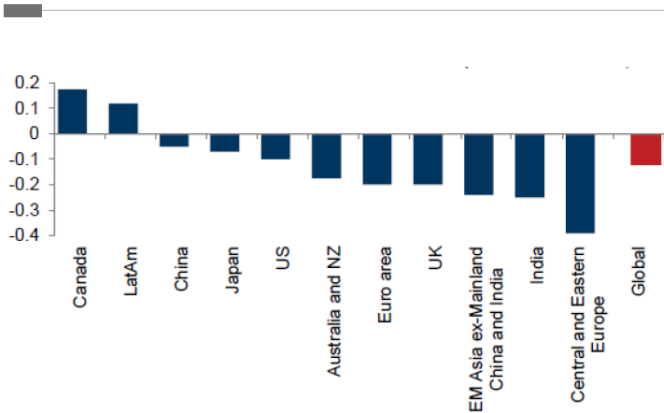
Group By	None	Last Update	03/25/26
Summary	Assets	Cost	Performance
Name	Flows	Liquidity	Allocations
ID	Return	MTD	Return YTD
Median			
1	VanEck Digital India ETF		-0.57%
2	Amplify Alternative Harvest ETF		-2.21%
3	VanEck Indonesia Index ETF		-0.29%
4	iShares MSCI Indonesia ETF		-0.82%
5	Invesco India Exchange-Traded Fund Trust		-1.04%
6	Columbia India Consumer ETF		-1.25%
7	Xtrackers Nifty 500 India ETF		-2.53%
8	iShares MSCI India Small-Cap ETF		-2.53%
9	iShares India 50 ETF		-2.58%
10	Franklin FTSE India ETF		-3.12%
11	Global X MSCI Vietnam ETF		-0.73%
12	iShares MSCI India ETF		-2.60%
13	VanEck Vietnam ETF		+0.24%
14	iShares MSCI Denmark ETF		-0.20%
15	WisdomTree India Earnings Fund		-3.06%
16	First Trust India NIFTY 50 Equal Weight ETF		-2.92%
17	VanEck India Growth Leaders ETF		-2.60%
18	WisdomTree India Hedged Equity Fund		-2.44%
19	Invesco Golden Dragon China ETF		-0.44%
20	KraneShares Dragon Capital Vietnam Growth Index ETF		-0.26%
21	Global X Dax Germany ETF		-1.14%
22	KraneShares Emerging Markets Consumer Technology L.		-1.71%
23	VanEck Morningstar International Moat ETF		-1.28%
24	iShares MSCI BIC ETF		-0.62%
25	iShares MSCI Germany ETF		-0.94%
26	Franklin FTSE Germany ETF		-0.67%
27	GlacierShares Nasdaq Iceland ETF		-0.85%
28	iShares MSCI Ireland ETF		-0.12%
29	iShares China Large-Cap ETF		-0.11%
30	iShares MSCI China ETF		+0.09%
31	iShares MSCI South Africa ETF		-0.75%
32	WisdomTree Trust WisdomTree China ex-State-Owned E.		-0.07%
33	Franklin FTSE China ETF		+0.27%
34	WisdomTree True Emerging Markets Fund		-1.17%
35	iShares MSCI United Kingdom Small-Cap ETF		-1.32%
36	Global X NASDAQ 100 Collar 95-110 ETF		-0.45%
37	VanEck Africa Index ETF		+0.72%

Figure 3.

## Global Macro Impact Scenarios

All wars have global consequences

Each 10% increase in oil prices lowers global GDP by 0.1%...



...and boosts global headline CPI by 0.2%

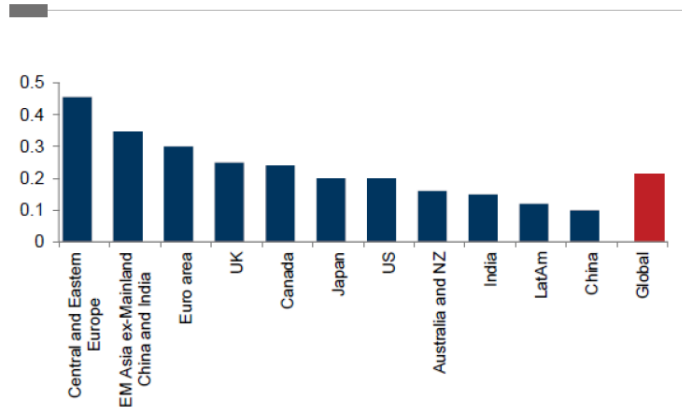


Figure 4.

# India Macro Update

# India Macro Outlook

**GST up 8.3% y-o-y; Auto sales close FY26 at historic highs; trade deficit widens**

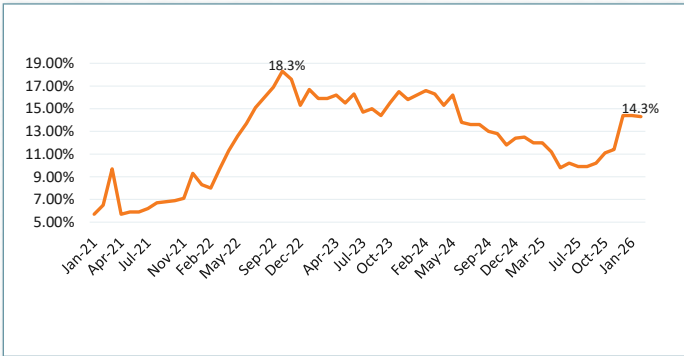


Figure 5. - Non-Bank Food Credit Growth (y-o-y)

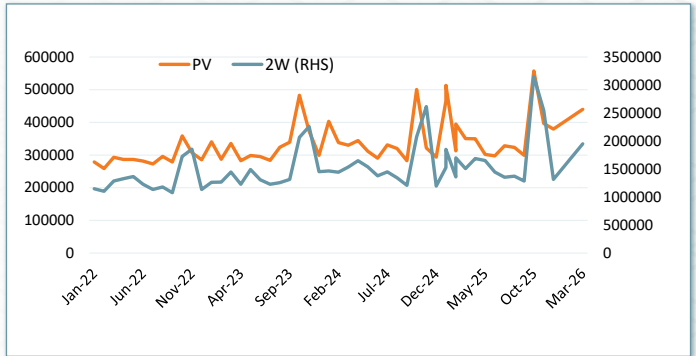


Figure 7. - PV & Two-Wheeler

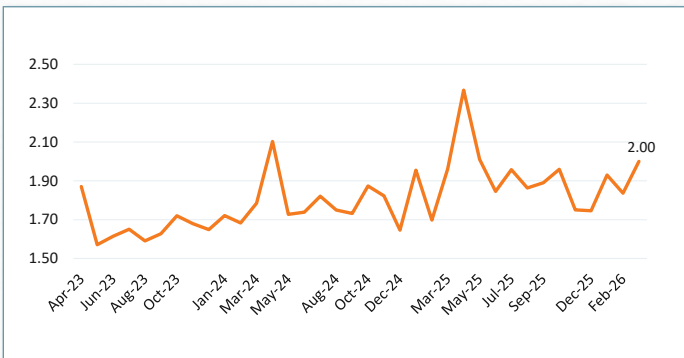


Figure 6. - GST Collection (₹Trn)

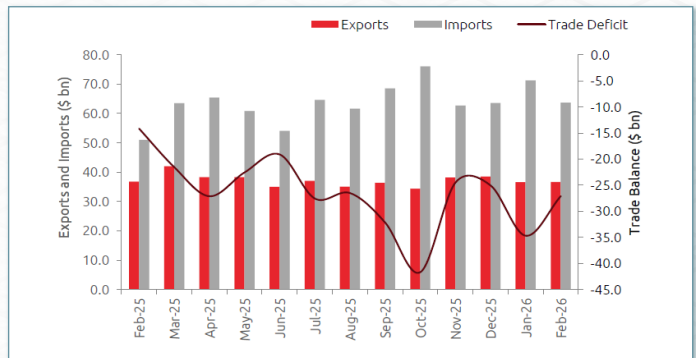


Figure 8. - Export & Import of Goods

**Growth marginally slows as inflation risk increases**

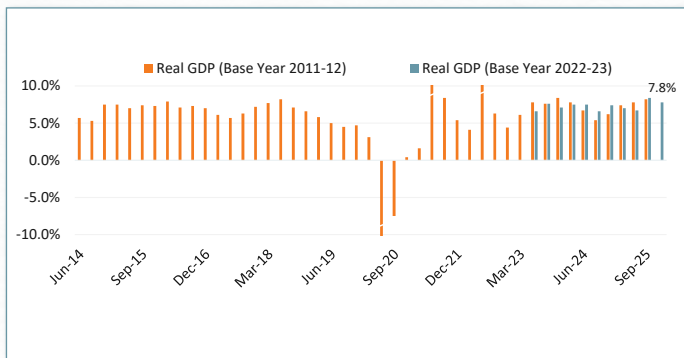


Figure 9. - GDP Trend (q-o-q)

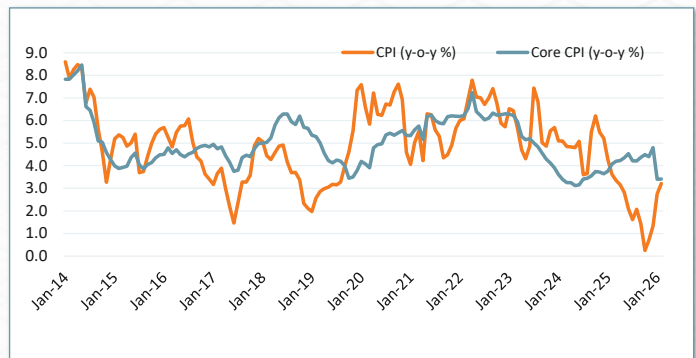


Figure 11. - CPI & Core CPI – line chart

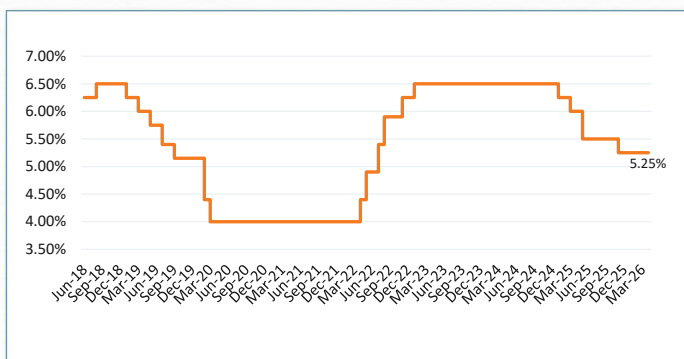


Figure 10. - Policy Rate – line graph

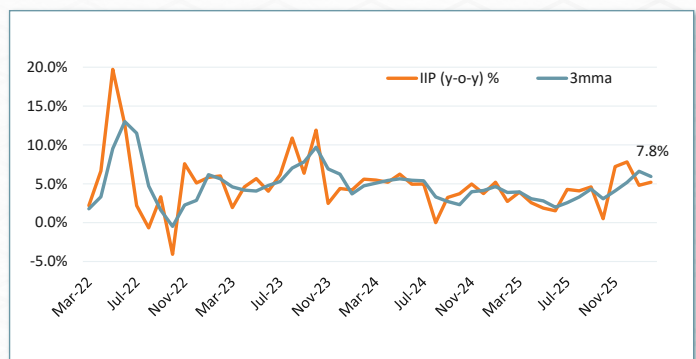


Figure 12. - IIP

## India Macro Outlook

India's heavy energy import dependence amplifies vulnerability

India imports 89% of its crude oil requirement and half of its LNG requirement

2024-25	mn metric tonnes			% of domestic demand met via:	
	Production	Net Imports	Domestic demand (Production + Net Import)	Production	Imports
Crude Oil	29	243	272	11	89
Major Products:					
LPG	13	20	33	39	61
Naphtha	18	-16	2	770	-670
MS (Petrol)	48	-4	44	110	-10
ATF (Aviation Turbine Fuel)	18	-9	9	193	-93
SKO (Kerosene)	1	-0	1	101	-1
HSD (High Speed Diesel)	118	-28	90	131	-31
LDO (Light Diesel Oil)	1	-	1	100	-
Lubes	1	3	4	31	69
FO & LSHS (Furnace Oil)	11	5	16	67	33
Bitumen	5	3	8	65	35
Petcoke	15	12	27	55	45
Others	35	-1	33	104	-4
<b>Total product</b>	<b>284</b>	<b>-14</b>	<b>270</b>	<b>105</b>	<b>-5</b>
<b>Total Crude + Product</b>	<b>312</b>	<b>229</b>	<b>542</b>	<b>58</b>	<b>42</b>
<b>LNG (Million Standard Cubic Meter)</b>	<b>35,594</b>	<b>35,720</b>	<b>71,314</b>	<b>50</b>	<b>50</b>

Figure 13.

For India, the consequences of this disruption are particularly significant. India faces five major channels of exposure:

- The higher cost of oil and commodity imports immediately **inflates the import bill**.
- Physical shortages of energy supply expose the industrial and services sectors to **operational disruptions**, thereby impacting India's economic output.
- **Fertilizer prices surge** when gas supply becomes tight, pushing up subsidy requirements for the government. Overall **fiscal position deteriorates**.
- India's **exports to the Middle East**, which account for around **14% of its outbound trade**, face logistical delays and reduced demand.
- **Remittances** from the region, almost **40%** of India's total, are expected to slow as economic activity in the Gulf faces disruptions.

An aerial photograph of a person standing in a vast, arid desert canyon. The canyon walls are layered with various shades of brown, orange, and red, showing signs of erosion. The floor of the canyon is a mix of light-colored sand and darker, rocky patches. The person is a small figure in the center, providing a sense of scale to the massive landscape. The lighting is dramatic, with strong shadows and highlights that emphasize the textures of the rock and sand.

**Flow, Valuations, Earnings**

## Flows, Valuations, Earnings

### Domestic Flows Absorb War-Led Foreign Selling Pressure

- ▶ FII pull out from Indian equities in March to the tune of \$12.7bn while staying buyers in debt at \$0.7bn.
- ▶ DIIs & MFs continued to support the equity markets adding \$15.4bn and \$10.6bn respectively.
- ▶ MFs continued to be net sellers of debt at \$14n.
- ▶ SIP inflows eased moderately in February after recent record highs.

Figure 14. - SIP inflows marginally drop, however up 15%yoy

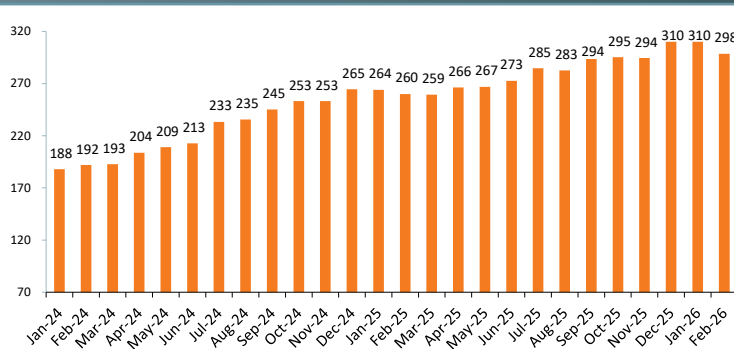
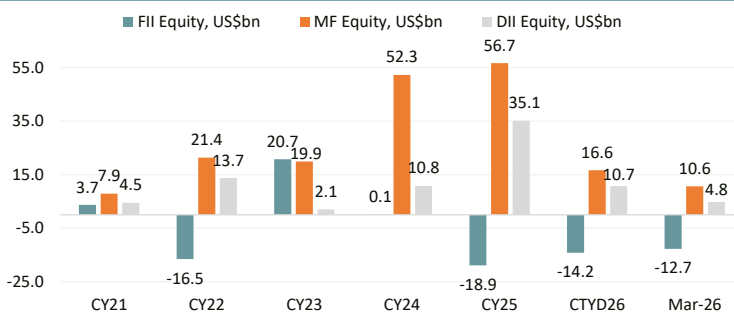
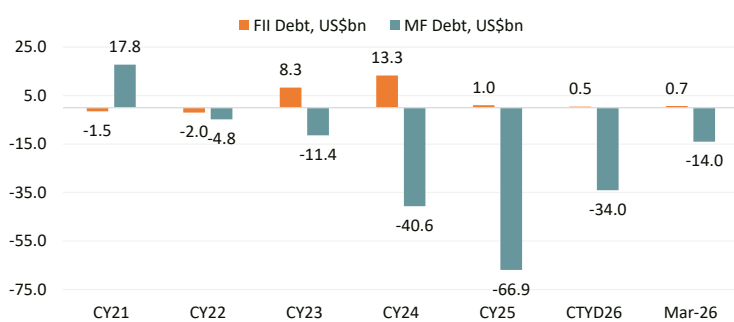


Figure 15. - FIIs stay net sellers, DIIs and MFs continue to be net buyers of Equities



3: FIIs are marginal buyers while mutual funds continue to sell

Figure 16. - FIIs are marginal buyers while mutual funds continue to sell



## Flows, Valuations, Earnings

### Retail is Losing Faith?

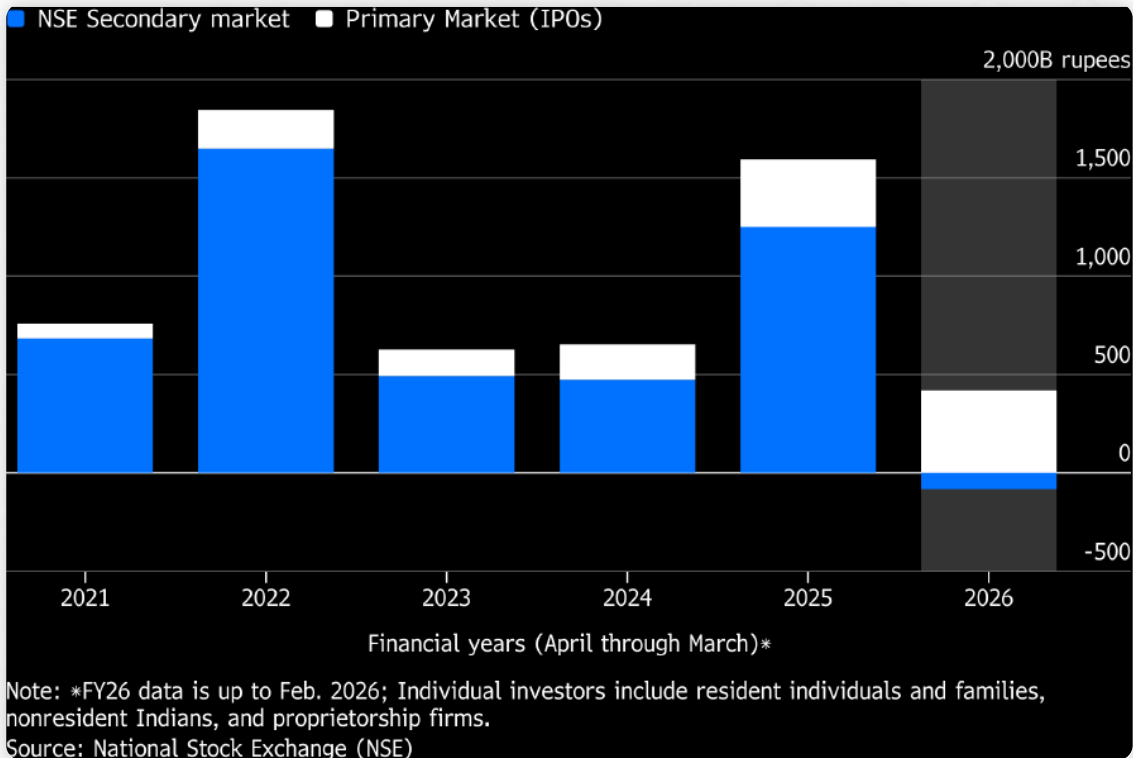


Figure 17. Individual Investors have pulled out of secondary markets in 2026

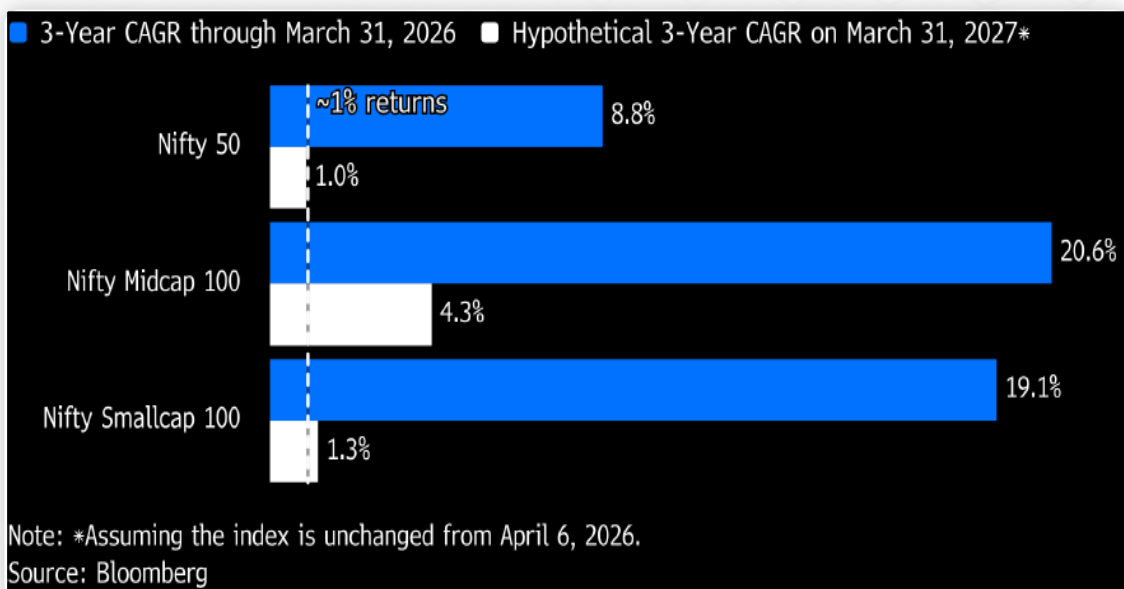


Figure 18. The shock of watching 3-Year returns disappear

- ▶ The resilience of record-high SIP inflows faces a critical test as prolonged sideways movement, and valuation concerns threaten to dampen retail investor expectations.

Flows, Valuations, Earnings

India's underperformance among Emerging Markets widens

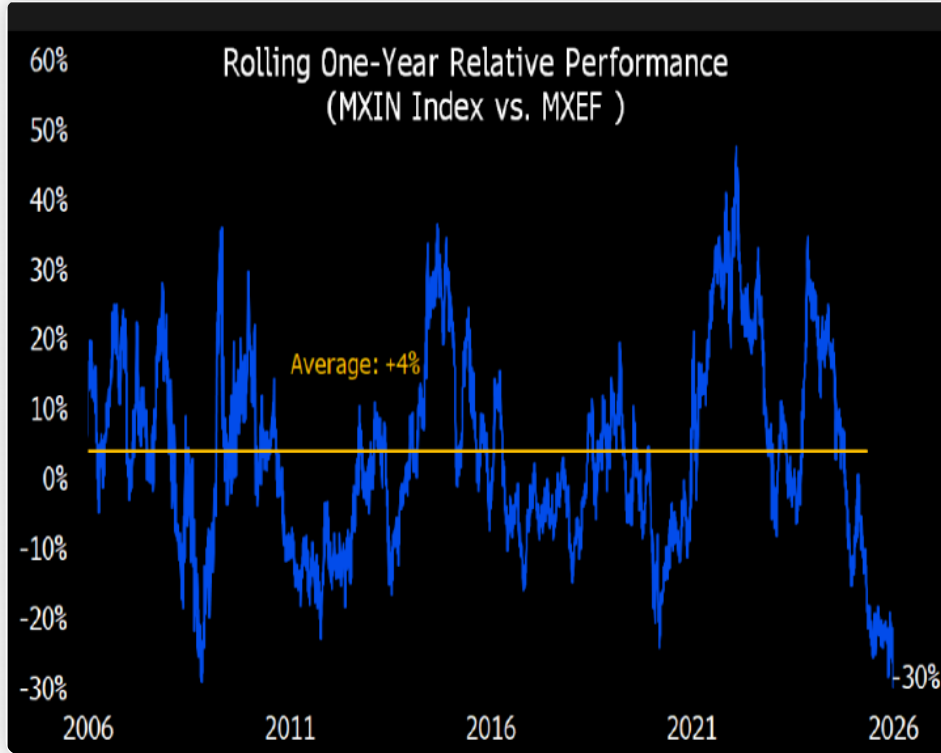


Figure 19. MSCI India lags 30% vs. EM over past year



Figure 20. Nifty in Dollar terms is back to 2021 levels

## Flows, Valuations, Earnings

Valuation metrics have cooled from their Sep-24 peaks

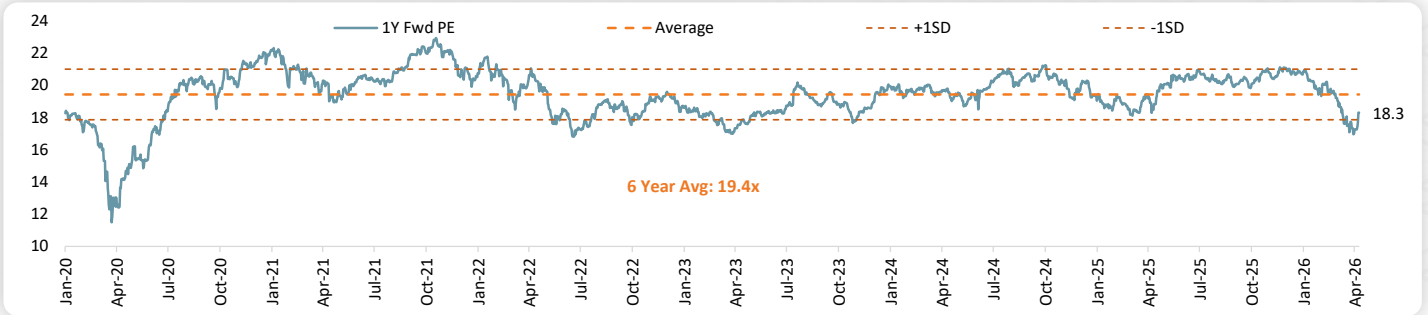


Figure 21. Nifty valuation marginally below long-term average (6% discount)

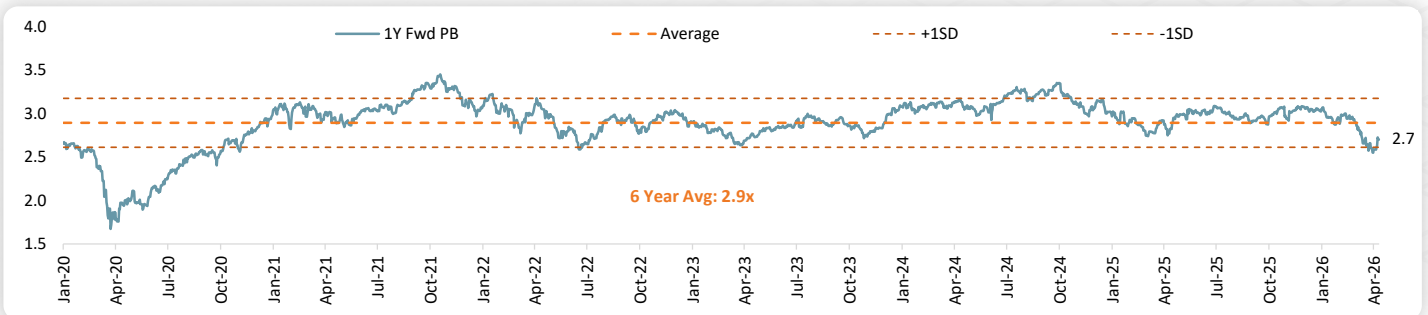


Figure 22. On P/B basis, Nifty trades at a discount (7% discount)

## Flows, Valuations, Earnings

## Valuations across the board look reasonable

Date	Nifty 50	P/E	EPS Change	Total Correction
Sep - 24	26,178	24.4	1,073	<b>-15.7%</b>
Mar - 26	24,865	21.8	1,141	
Change %	<b>-5.0%</b>	<b>-10.7%</b>	<b>6.3%</b>	

Date	Nifty Midcap 150	P/E	EPS Change	Total Correction
Sep - 24	22,360	45.8	488	<b>-34.1%</b>
Mar - 26	21,476	32.0	671	
Change %	<b>-4.0%</b>	<b>-30.1%</b>	<b>37.5%</b>	

Date	Nifty Smallcap 250	P/E	EPS Change	Total Correction
Sep - 24	18,399	33.5	549	<b>-38.9%</b>
Mar - 26	15,580	25.6	609	
Change %	<b>-15.3%</b>	<b>-23.6%</b>	<b>10.8%</b>	

Figure 23. Mid &amp; Small Cap Indices have corrected over 34-39% in the last 18 months

# Equity Macro Outlook

# Equity Market Outlook

## Nifty 50 performance in major conflicts in the past

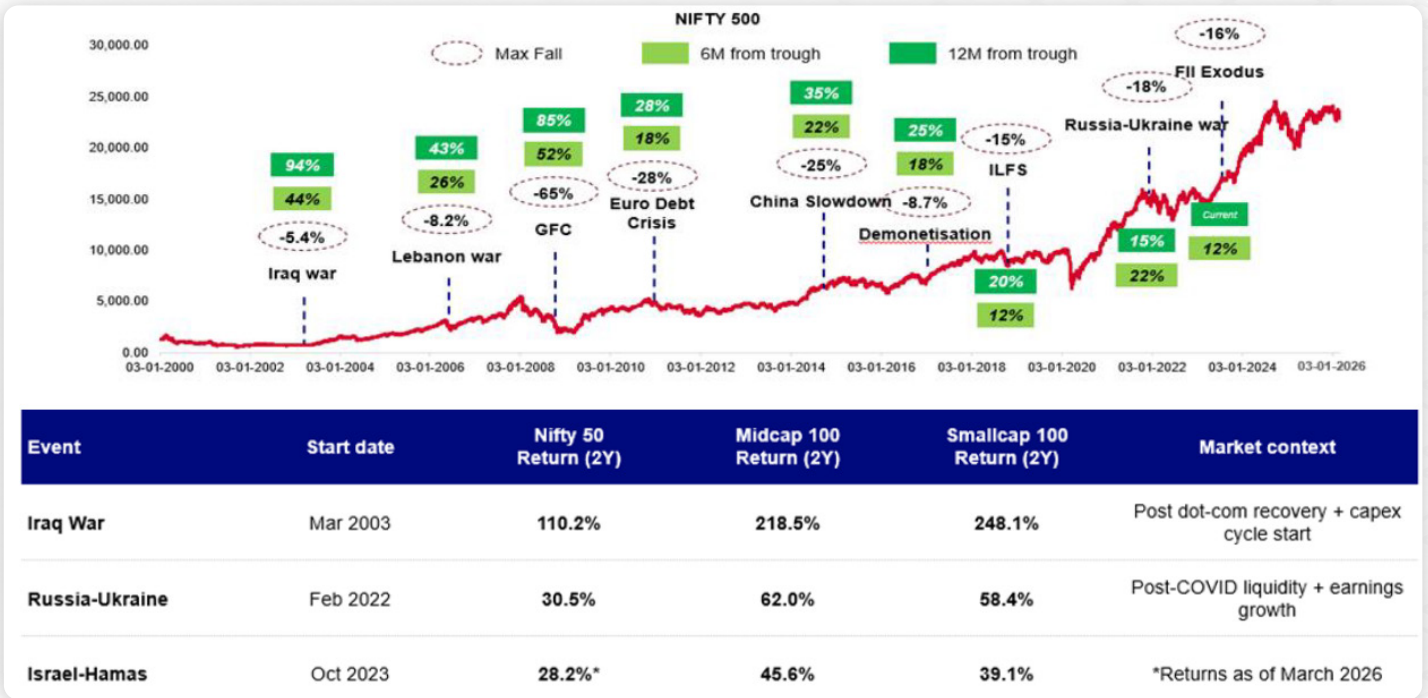


Figure 24.

## Equity Market Outlook

Historically Jan-Feb have been weakest months with rebounds seen later

Nifty Small 100	Drawdown during Jan-March	Date of Bottom	Bounce Back within the Next Fiscal Year	Peak Date	Bounceback Time (months)	Month (Jan 2009 to Jan 2026)	Average Returns for Nifty Smallcap 100
2009	-24%	09-Mar-09	176%	18-Jan-10	11	January	-1.3%
2011	-21%	10-Feb-11	19%	07-Apr-11	2	February	-3.1%
2013	-21%	26-Mar-13	20%	31-Mar-14	12	March	1.5%
2016	-24%	12-Feb-16	60%	31-Mar-17	14	April	5.3%
2018	-20%	23-Mar-18	9%	30-Apr-18	1	Ma	3.1%
2020	-47%	24-Mar-20	154%	04-Mar-21	12	June	2.4%
2022	-22%	24-Feb-22	17%	08-Apr-22	1	July	2.1%
2023	-11%	27-Mar-23	90%	07-Feb-24	11	August	0.4%
2025	-23%	03-Mar-25	31%	16Jul.25	5	September	1.2%
2026	-9%	?	?	?	?	October	2.6%
Average	-24%		64%		8	November	1.0%
						December	2.2%

Figure 25.

## Equity Outlook

### Geopolitical uncertainty lingers; domestic resilient flows support selective accumulation

- ▶ Markets turned volatile in Mar-26, risk assets remained under pressure amid tensions in West Asia.
- ▶ Global equities, crude and precious metals corrected during the month, while bond yields hardened as geopolitical risks fueled inflation concerns and dampened sentiment.
- ▶ FII flows remained negative through March, driven by risk-off sentiment. However, record DII inflows provided a strong counterbalance, absorbing foreign selling and supporting markets.
- ▶ We believe heightened volatility is likely to persist as markets track geopolitical developments and policy signals.
- ▶ Market direction remains contingent on US–Iran de-escalation, adherence to the ceasefire and resolution of flash points to revive sentiment.
- ▶ Duration of the uncertainty and its impact on energy prices could result in two scenarios in our view.
- ▶ First, a prolonged conflict could potentially pressure corporate earnings for CY27 and result in a subdued growth rate of ~6%. This translates to Nifty index trading at ~24,000 @19x forward PE multiple by year end.
- ▶ Our base case assumption is a relatively swifter resolution to the conflict, implying limited pressure on earnings with a significant pick up in H2CY27 resulting in ~15% growth. This translates to Nifty index trading at ~26,000 assuming the same earnings multiple.
- ▶ Buy on market dip / stagger investments over next few months.

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

Scenario	1yr Forward PE	CY27 EPS	Nifty Level
Prolonged Conflict (Bear)	19.0	1,265	24,035
Quick Resolution (Base)		1,370	26,030

#### Key Takeways

- Downside risks to be watched for basis the time take for normalcy to be established across West Asia. Till such time markets could remain under pressure.
- 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.

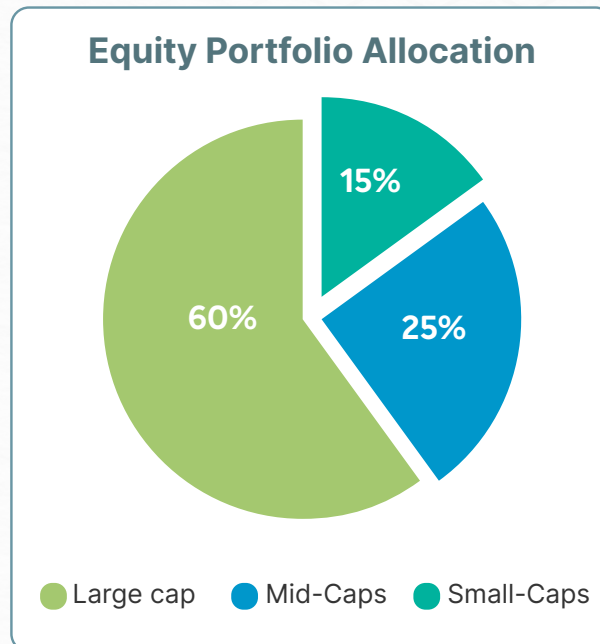
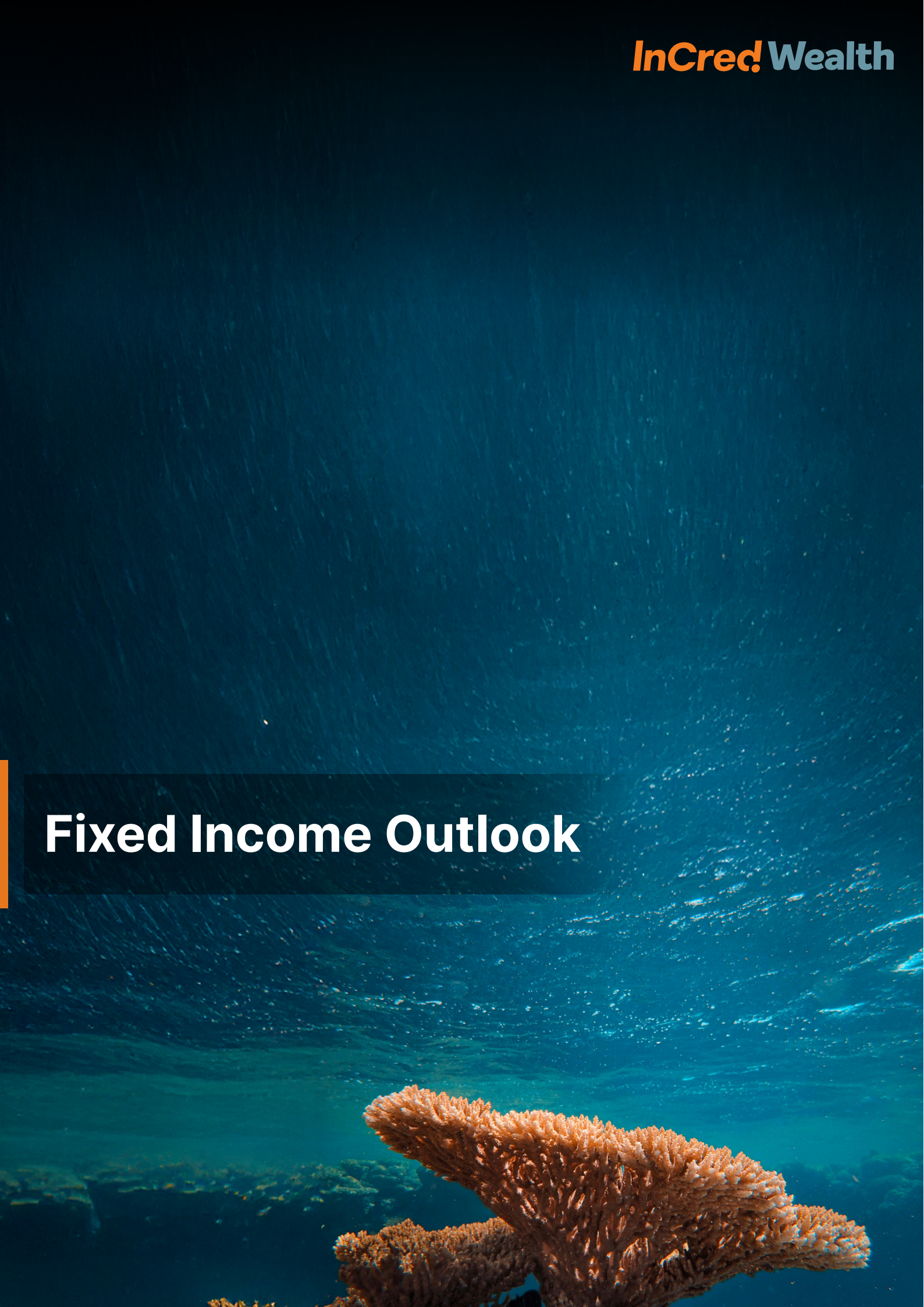


Figure 26.

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

- ▶ March saw sharp surge in oil prices, FPI outflows and pressure on INR as a result of which yields steepened across the curve and segments.
- ▶ RBI support via OMOs of ~₹2trn, neutral policy stance expectations of higher CPI in FY27 is weighing on market participants.
- ▶ 3yr Spreads in the AA / A rated segment continue to remain attractive.

Figure 27. - Issuers with credit rating "A" offers higher credit spreads

3-year tenor	8-Apr-26	Dec-25	Dec-24	Dec-23	Dec-22
G sec	6.26	5.92	6.72	7.09	7.04
<b>Credit Spreads (bp)</b>					
AAA over G sec	128	75	81	56	71
AA over AAA	88	94	76	67	57
A over AA	112	125	184	134	191

Figure 28. - 10yr G-Sec yields back to pre-rate cut level; Short term remains anchored

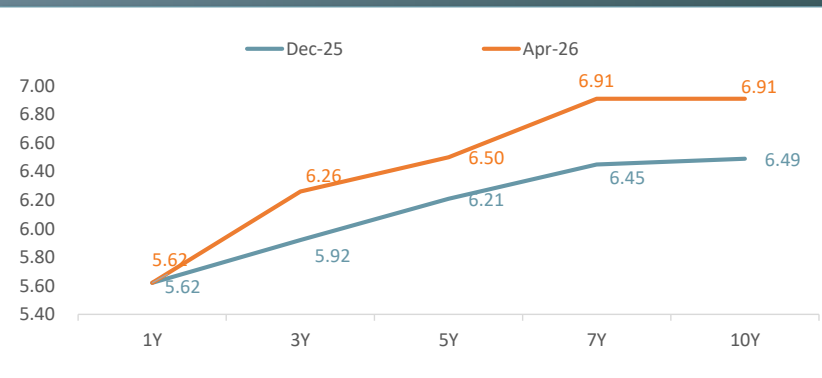
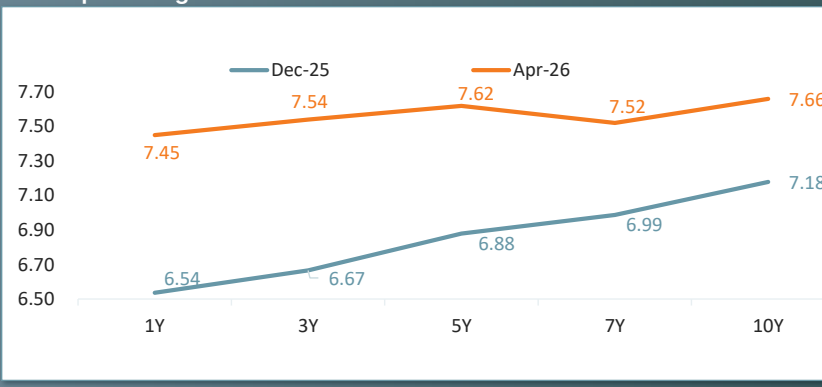


Figure 29. - AAA curve has shifted ~20bps in 1yr-5yr segment; by ~45bps in long duration in 1m



## Fixed Income Outlook and Allocation Strategy

### 🔦 Outlook

- RBI kept rates unchanged retaining “neutral” stance allowing room to respond judiciously to new information while adopting a wait-and-watch approach amid changing geo-political circumstances.
- Before the West Asia conflict began, India’s macroeconomic fundamentals were strong, marked by robust growth and low inflation. However, conditions deteriorated in March as the conflict expanded and intensified.
- At present, the RBI (and the Government) might have to wait for answers to some key questions that are posed by the uncertainty of impact on the Indian economy due to supply disruptions in Gulf economies and the time it would take to normalize.
- External volatility will continue to shape market expectations, and we prefer a dynamic and continuously reassessed approach to debt investments.
- Besides the higher borrowing as per Budget, excise subsidies and delay in increasing fuel prices could mean impending pressure on borrowings program.
- This will weigh in on market sentiment and will keep pressure on yields which in our view is negative for duration play.

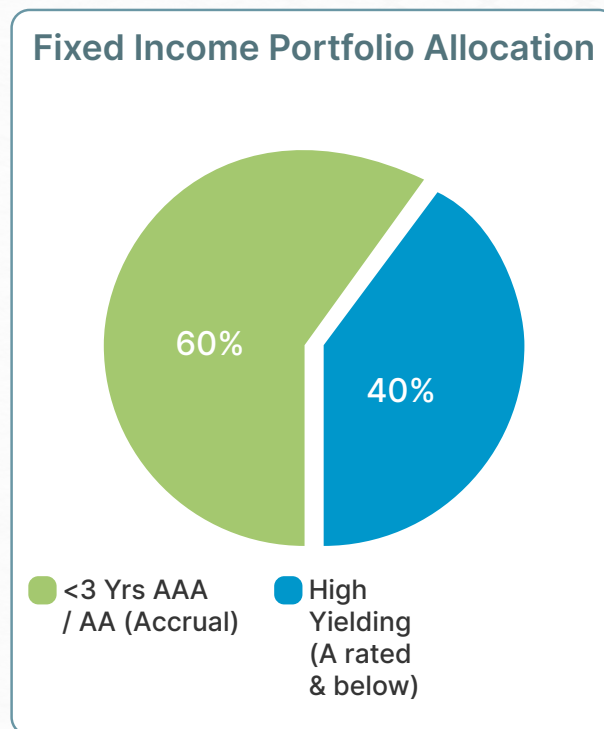


Figure 27.

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

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