

Market Outlook

June 2026

**Markets remain directionless,
Conflict resolution & growth revival
are key triggers**



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Outlook Summary

Equity View

Large Cap

Markets Await Diplomatic Clarity; Selective Buying Opportunities Emerge

- ▶ The Nifty-50 paused after April's sharp rebound, ending May 2% lower and taking its CYTD decline to 10%.
- ▶ FPIs remained net sellers for the third consecutive month, with outflows of \$3.5 billion in May and \$24 billion so far in CY26. However, strong domestic inflows continued to provide a cushion to the market.
- ▶ Sustainability of the market recovery hinges on de-escalation of geopolitical tensions, with any meaningful diplomatic progress likely to support sentiment and reduce volatility.
- ▶ Although valuations have corrected significantly from previous peaks, the direction and magnitude of future market moves will depend on how soon geopolitical normalcy returns and its impact on broader markets.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Indian Equities	Large Cap	Nifty 50	23,548	Positive

Quick Overview

- Markets to remain in a range unless signs of resolution or escalation are seen on the horizon.
- Risks emerge from continued Hormuz disruption, economic and corporate growth moderating and inflationary environment leading to rate hikes globally. This needs to be monitored and could lead to markets testing March lows if these risks play out.
- We believe that greenshoots might emerge in H2CY27 and earnings growth might recover to ~15%. At a 19x forward multiple, this implies a Nifty level of ~26,000, a moderate upside from current levels.
- This, buying on market dips / staggering investments over next few months is suggested.

Equity View

Mid & Small Cap

Valuation Moderation and Strategic Positioning in Broader Markets

- Broader markets maintained their positive momentum in May, with Mid and Small Caps advancing 3% and 2%, respectively, taking CY26 gains to 2%.
- Valuations have also normalized meaningfully, with Mid Cap and Small Cap multiples correcting ~22% and ~9%, respectively, from their Sept-24 peaks.
- We remain neutral on Mid & Small Caps, with a preference for selective allocation within the segment.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Indian Equities	Mid and Small Cap	Nifty Midcap 100	61,724	Neutral



Quick Overview

- Nifty Midcap 100 Index valuation premium has moderated and now stands at ~16% above its long-term average. Similarly, the Nifty Smallcap 100 Index is currently trading at a ~27% premium to its historical average.
- 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

Hawkish Hold, Rupee gets support; RBI Sets the Stage for Future Hikes

- RBI maintained the status quo on rates and retained its “neutral” stance, allowing policy flexibility amid an uncertain geopolitical backdrop.
- Despite the pause, the policy tone was relatively hawkish, with lower growth forecasts and higher inflation projections. With real rates having narrowed to just 15 bps, we expect cumulative rate hikes of 75–100 bps over FY27.
- Govt & the RBI unveiled a set of measures aimed at deepening the G-Sec market and enhancing foreign capital participation.
- With supportive liquidity measures offsetting the impact of prospective rate hikes, bond yields are likely to remain range-bound, reinforcing our preference for shorter-duration debt opportunities.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Fixed Income	G-Sec	10-year G-Sec	6.96%	Positive on 2y-5y maturity funds and high yield strategies
	AAA Corporate	3y AAA	7.32%	
	AA Corporate	3y AA	8.20%	
	A Corporate	3y A	9.33%	

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	7,580	Neutral
	Europe	MSCI Europe	2,776	Negative
	China	Shanghai Composite	4,069	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 saw marginal correction in May while silver saw gains of 3%.
- Easing expectations of rate cuts, along with conflict-led inflation concerns, have kept prices in check, while a stronger U.S. dollar and elevated energy costs have added further pressure on gold.
- Gold's inability to breach previous highs despite recent Middle East developments suggests that it is currently in a consolidation phase.
- 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	4,546.0	Neutral
	Silver	LBMA USD	75.8	Neutral

Commodities View

Crude

- Brent crude oil price (currently \$92/bbl) fell in May following reports of a possible agreement between the United States and Iran.
- However, basis EIA's forecasts, on the assumption that the Strait of Hormuz remains closed to most shipping traffic in the near term, falling oil inventories keep Brent prices at an average of \$105/b in June and July.
- Once flows through the Strait of Hormuz incrementally resume allowing producers to gradually restore shut-in production, they expect prices to fall to an average of \$79/b in 2027.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Commodities	Crude	Brent Crude (US\$/bbl)	92.1	Neutral



Global Equities Rally as AI Momentum and Easing Trade Tensions Lift Sentiment

Global equities recovered sharply led by US and EM markets driven by AI momentum while commodities and yields stayed flattish.

As of 31 st May 2026	Current Level	Point-to-Point (%)				Calendar Year (%)						
		1 Month	3 Months	6 Months	1 Year	2026 YTD	2025	2024	2023	2022	2021	2020
Global Indices												
S&P 500	7,580	5.1	10.2	10.7	28.2	10.7	16.4	23.3	24.2	-19.4	26.9	16.3
S&P 500 Equal-Weight	8,442	2.5	1.8	9.0	18.2	8.7	9.3	10.9	11.6	-13.1	27.5	10.5
Nasdaq	26,973	8.4	19.0	15.4	41.1	16.1	20.4	28.6	43.4	-33.1	21.4	43.6
Russell 2000	2,919	4.3	10.9	16.8	41.3	17.6	11.3	10.0	15.1	-21.6	13.7	18.4
MSCI Emerging Markets	1,752	9.5	8.8	28.2	51.4	24.8	30.6	5.1	7.0	-22.4	-4.6	15.8
Shanghai Composite	4,069	-1.1	-2.3	4.6	21.5	2.5	18.4	12.7	-3.7	-15.1	4.8	13.9
Indian Indices												
Nifty 50	23,548	-1.9	-6.5	-10.1	-4.9	-9.9	10.5	8.8	20.0	4.3	24.1	14.9
Nifty 500	22,657	-0.1	-2.2	-5.3	-0.6	-5.1	6.7	15.2	25.8	3.0	30.2	16.7
Nifty MidCap 100	61,724	3.2	4.4	1.1	7.5	2.0	5.7	23.9	46.6	3.5	46.1	21.9
Nifty SmallCap 250	16,992	1.6	7.0	1.6	0.9	1.8	-6.0	26.4	48.1	-3.6	61.9	25.1
Other Assets (levels)												
Brent Crude	92.1	114	72	63	64	61	75	77	86	78	52	66
Gold	4,546	4,611	5,222	4,191	3,278	4,368	2,609	2,078	1,814	1,806	1,888	1,515
Silver	76	74	90	54	33	72	29	24	24	23	26	18
Dollar index	99	98	98	99	99	98	108	101	104	96	90	96
USD/INR	95	95	91	89	86	90	86	83	83	74	73	71
Credit/ Yields (%)												
India 10 year G-sec	7.0	7.0	6.7	6.5	6.3	6.6	6.8	7.2	7.3	6.5	5.9	6.6
US 10 year G-sec	4.4	4.4	3.9	4.0	4.4	4.2	4.6	3.9	3.9	1.5	0.9	1.9

Market Breadth Remains Strong Amid Uncertainty

Broad-based participation kept market momentum intact with Mid and Small Caps delivering positive returns despite a decline in Nifty

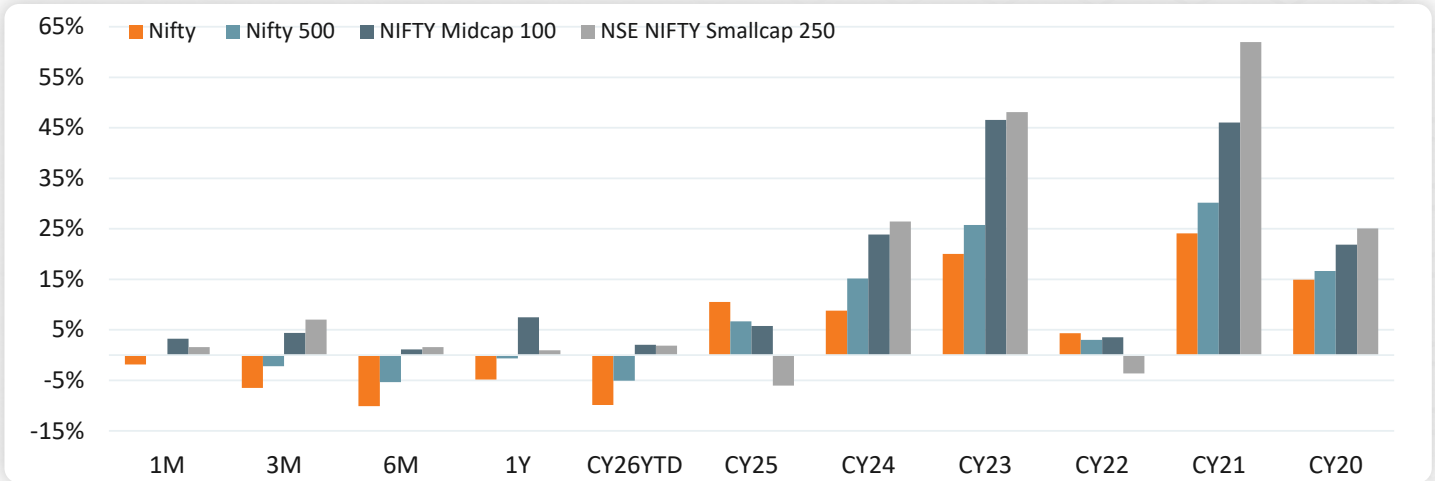


Figure 1.

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	-1.2	-9.0	-9.1	-4.3	-8.2	17.4	9.4	13.2	9.5	14.0	4.5
Nifty Bank	-1.1	-10.4	-9.2	-2.7	-9.0	17.1	5.3	12.3	21.2	13.5	-2.8
BSE Capital Goods	4.7	14.7	16.8	13.7	20.4	-1.0	21.8	66.9	16.0	53.4	10.6
NSE Infrastructure	-0.7	-1.9	-3.1	4.3	-2.7	13.6	15.9	39.1	6.1	35.6	12.2
NSE IT	-0.9	-5.0	-22.3	-22.1	-23.2	-12.6	22.0	24.1	-26.0	59.6	54.9
Nifty India Defence PR	1.5	12.1	13.7	4.9	17.6	19.3	55.5	89.2	-	-	-
NSE Auto	1.6	-6.5	-5.2	12.9	-6.6	23.5	22.6	47.6	15.3	19.0	11.5
NSE FMCG	-3.3	-3.4	-11.2	-10.7	-11.0	-2.3	-0.3	29.0	17.5	10.0	13.5
Nifty Healthcare PR	3.2	3.5	2.4	10.8	5.1	-2.1	40.6	32.9	-10.8	18.3	-




Figure 2.

- Nifty saw a marginal correction of 1.9% in May post a decent rebound in April. Mid and Small-caps however saw positive returns gaining 3.2% and 1.6% thus outperforming large-caps.
- Capital Goods, Healthcare and Auto saw highest gains in the month.
- FMCG, Financials and Banks underperformed in May-26.

Global Macro & Markets

Global Macro & Markets

Rate Decisions Deferred Amid Heightened Geopolitical Uncertainty

	Quarterly GDP Mar-26 SA qoq (%)	Inflation Apr-26 yoy (%)	Current Policy Rate Jun-26	10Y bond yield 8-Jun-26
US 	1.6%	3.8%	3.50% - 3.75%	4.57%
Europe 	-0.2%	3.0%	2.15%	3.03%
Japan 	0.5%	1.4%	0.75%	2.72%

USA

- Fed kept interest rates steady in the April-26 meet, at 3.50% - 3.75%, while the vote was split 8-4.
- This was the third straight policy where Fed kept rates unchanged, citing higher inflation as the reason behind its action.
- The Fed maintained a cautious stance, citing Middle East risks and uncertainty around both inflation and growth.
- The Fed had revised 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 April meeting, for the sixth consecutive meeting.
- ECB noted that the Middle East war has driven energy prices higher, raising inflation and clouding the economic outlook, with the impact depending on how long and severe the shock remains.
- The bank will remain data-dependent, taking a “meeting-by-meeting” approach and avoiding any pre-commitment to a specific rate path.

Japan

- The BOJ kept rates unchanged at 0.75% but signaled growing concern over Middle East-driven inflation, with three members backing a hike.
- Governor Kazuo Ueda said the BOJ is monitoring the economic impact of the conflict, while remaining prepared to raise rates if inflation risks broaden and growth remains resilient.

Global Macro & Markets

History shows war-led oil price spikes fade faster than expected

Period / Episode	Price Movement	Why Price Rose	Start Date of Brent price rise	Duration of elevated crude (in mths)	Brent price 6 mths prior to the start of Oil Shock (in US\$/bbl)	Peak price during the Oil Shock (US\$/bbl)
1973–74 Oil Crisis	Sharp Rise	• Global demand boom (1972–73) raised demand for crude • Arab producers cut output (repudiation of Tehran/Tripoli agreement) • Dollar depreciation + rising US inflation eroded real price received by producers	Oct-73	6	3	12
1979–80 Oil Crisis	Large and delayed Rise	• Strong global economic growth raised flow demand • Inventory demand increase from fears of future shortages after Iranian Revolution	Sep-78	12	14	34
Iran–Iraq War (1980–81)	Small Rise	• Actual physical disruption in Iran & Iraq	Sep-80	12	28	38
1990 Gulf War	Short-lived Spike then Fall	• Actual disruption in Kuwait + Iraq • Strong precautionary inventory demand expecting attack on Saudi Arabia	Aug-90	5	22	40
2003 Iraq War + Venezuela Strikes	Very Mild / Brief Rise	• Supply losses in Iraq and Venezuela largely offset by other producers	Jan-03	4	27	37
2003–08 Great Oil Price Surge	Massive Rise	• Strong global demand, especially from emerging Asia/China • Low supply elasticity	Jun-03	60	27	140
2022 Russia–Ukraine War	Short-lived Spike then Fall	• Fears of sanction on Russia, but few months later Russian crude found way to market at discounted rates restoring supply	Feb-22	8-9	74	115

Figure 3.

'Big Tech' market cap surge dwarfs that of India and other key EMs

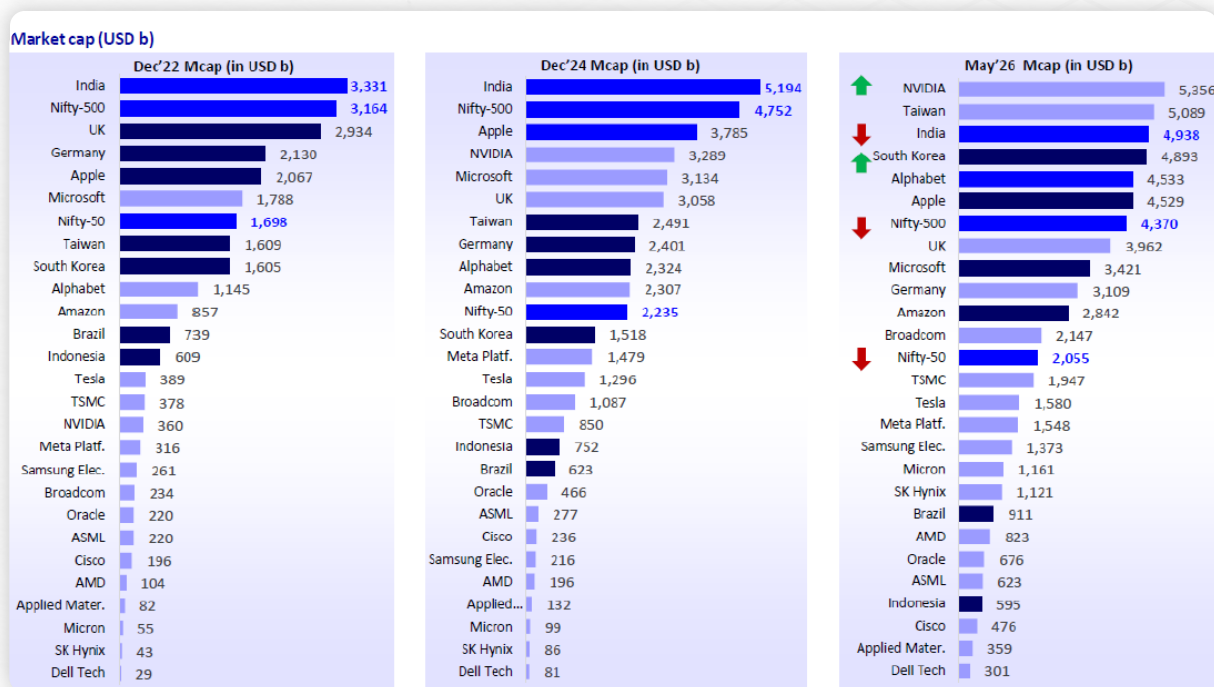


Figure 4.

- **AI-led rally has reshaped global market rankings.** In USD terms, India's market cap now trails NVIDIA and Taiwan, despite ranking well ahead of them only a few years ago.
- Nifty-500's market cap is now smaller than Taiwan, South Korea, NVIDIA, Alphabet, and Apple, reflecting the extraordinary scale of the AI and Big Tech boom.
- Capital, earnings, and investor flows are becoming increasingly concentrated in a handful of technology leaders, raising concentration risks even as the AI theme continues to drive global market performance.

India Macro Update

India Macro Outlook

GST collection eases in May; Credit growth strong while Auto sales remains healthy



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

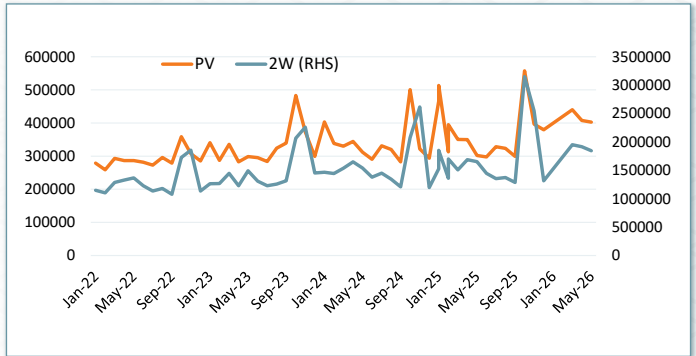


Figure 7. - PV & Two-Wheeler

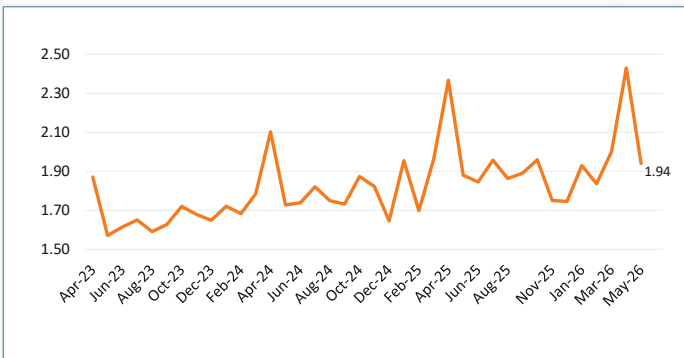


Figure 6. - GST Collection (₹Trn)



Figure 8. - Export & Import of Goods

FY26 GDP came at 7.7%, surpassing expectations

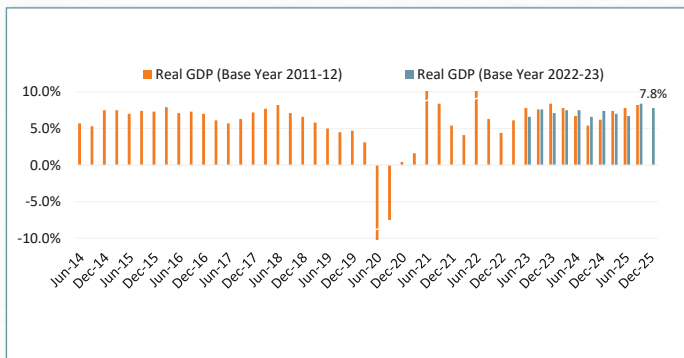


Figure 9. - GDP Trend (q-o-q)

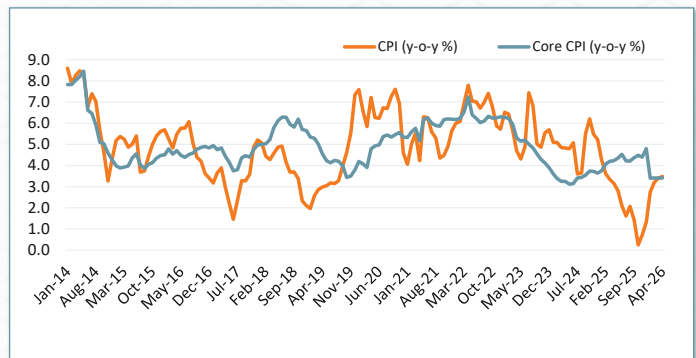


Figure 11. - CPI & Core CPI – sharp rise in headline while core is stable

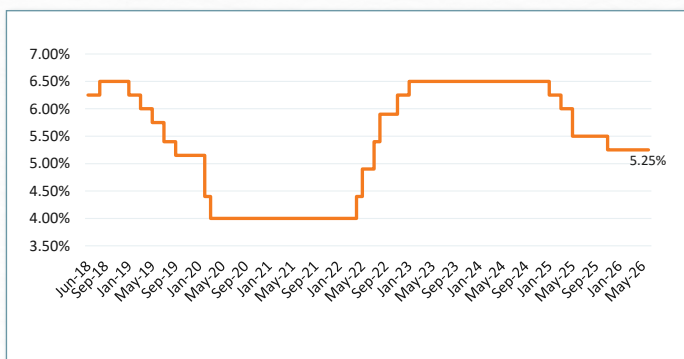


Figure 10. - Policy Rate – line graph

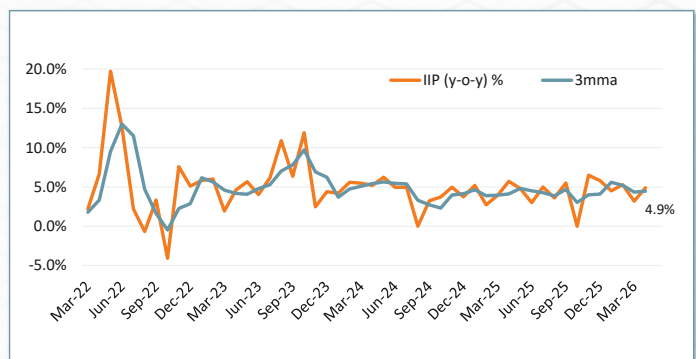


Figure 12. - IIP

India Macro Outlook

INR has been worst performing currency YTD' 26, RBI & GoI swung into action

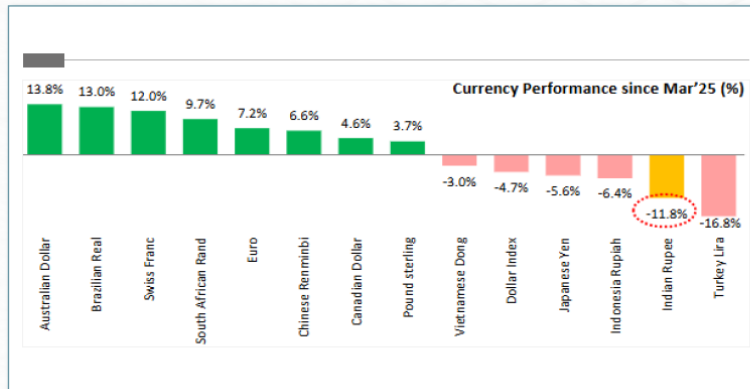


Figure 13. - INR has depreciated ~12% since Mar'25

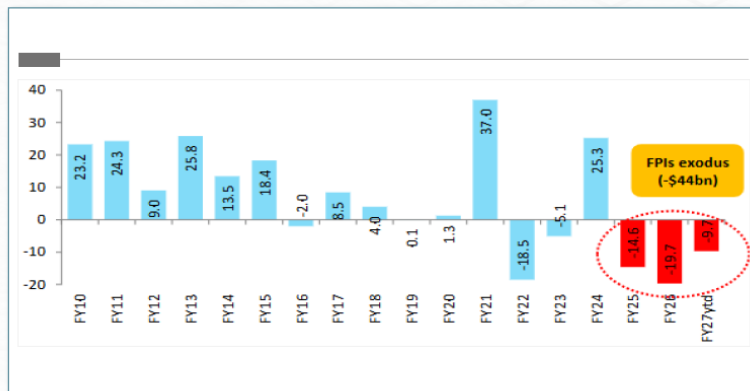


Figure 14. - Historic FII exodus from India equities - \$44bn sold since Apr'24

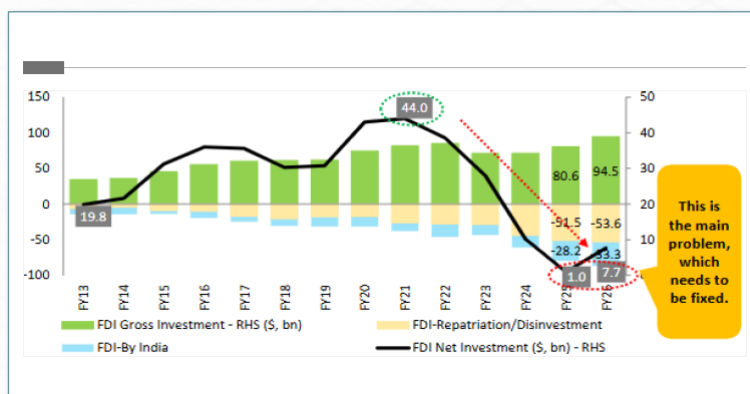


Figure 15. - Net FDI flows have collapsed from \$44bn in FY21 to \$8.7bn

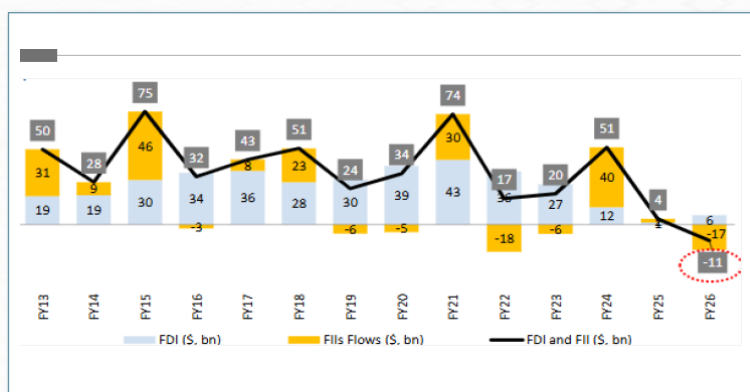


Figure 16. - INR weakness has been driven more by shrinking FDI & FII flows

An aerial photograph of a desert canyon. In the center, a person is standing on a sandy path next to a large, irregularly shaped pool of bright blue water. The canyon walls are layered with various shades of brown, orange, and red, showing signs of erosion. The lighting is dramatic, with strong shadows and highlights. A semi-transparent dark grey banner is overlaid at the bottom of the image, containing the text 'Flow, Valuations, Earnings' in white. A small orange vertical bar is on the left edge of the banner.

Flow, Valuations, Earnings

Flows, Valuations, Earnings

Domestic Flows Stay Resilient Amid War-Led Uncertainties

- ▶ FII continue to be net equity sellers for the third month in a row at \$3.5bn while turning negative on debt as well in May-26.
- ▶ DIIs & MFs continued to support the equity markets adding \$8.7bn and \$6.5bn respectively.
- ▶ MFs turn negative on debt at \$8.1bn, after buying in the last month.
- ▶ SIP inflows came in at ₹311bn in April-26.

Figure 17. - SIP inflows drop in the Apr-26 but still up 17%yoy

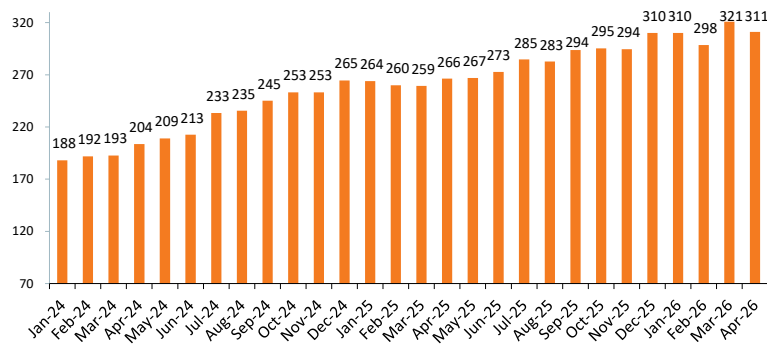


Figure 18 - Record selling by FIIs in 2026, DIIs and MFs continue to be net buyers

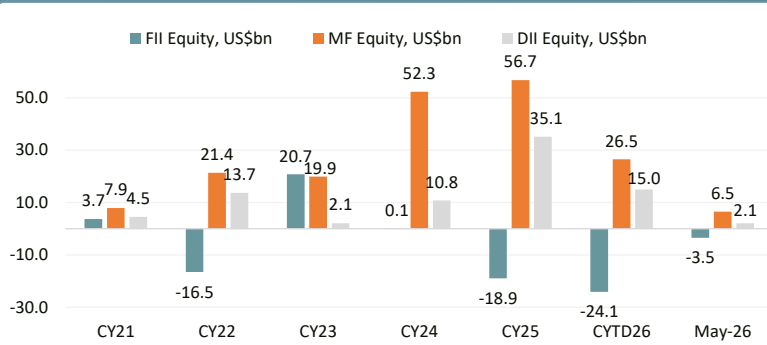
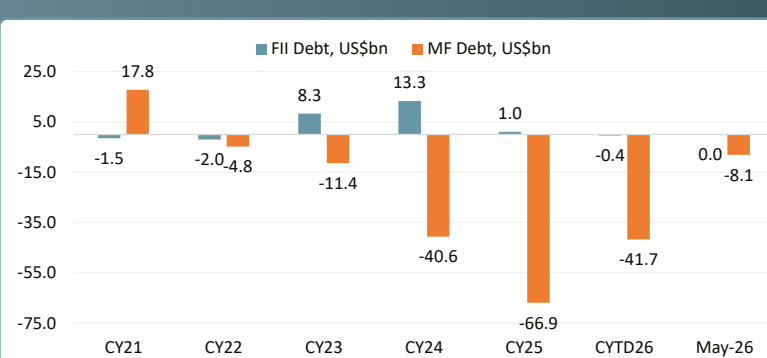


Figure 19. - FIIs and MFs continue to be sellers



Flows, Valuations, Earnings

FPI underweight on India at all time highs

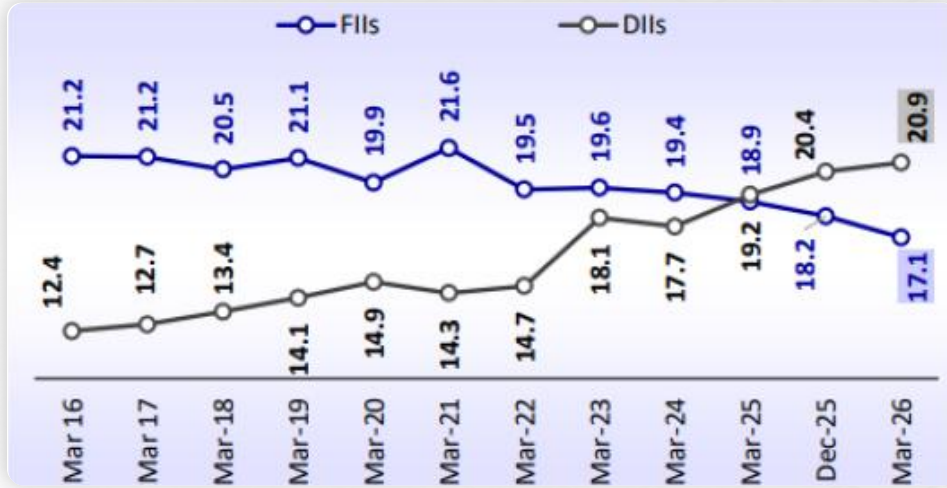


Figure 20. Trends in FII/DII holdings for Nifty-500 (%)

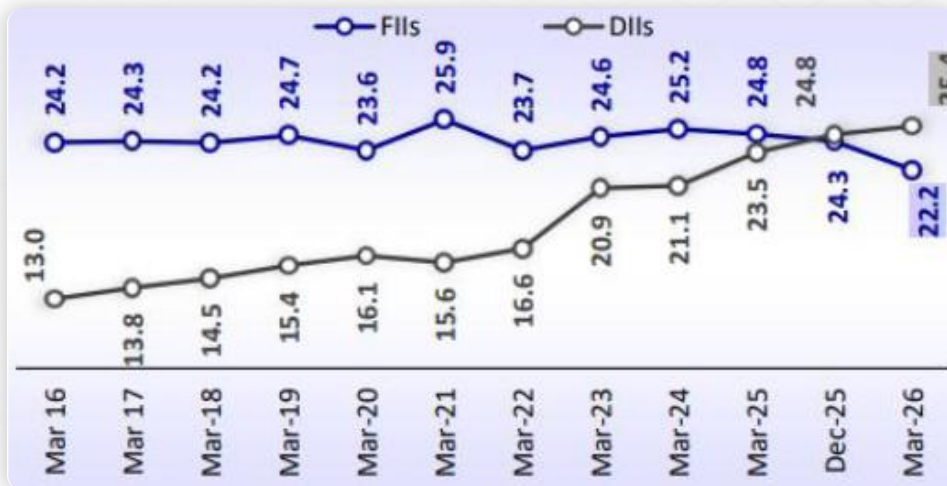


Figure 21. Trend in FII/DII holdings for Nifty-50 (%)

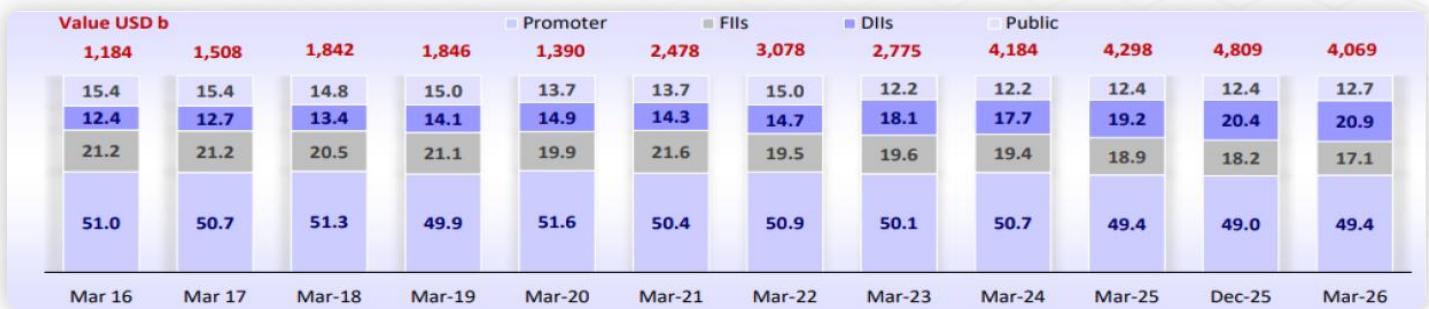


Figure 22. Nifty-500 holding pattern (%) - DIIs continue to raise their stakes to an all-time high, while FIIs reduce to an all-time low

Flows, Valuations, Earnings

Valuation metrics have cooled from their Sep-24 peaks

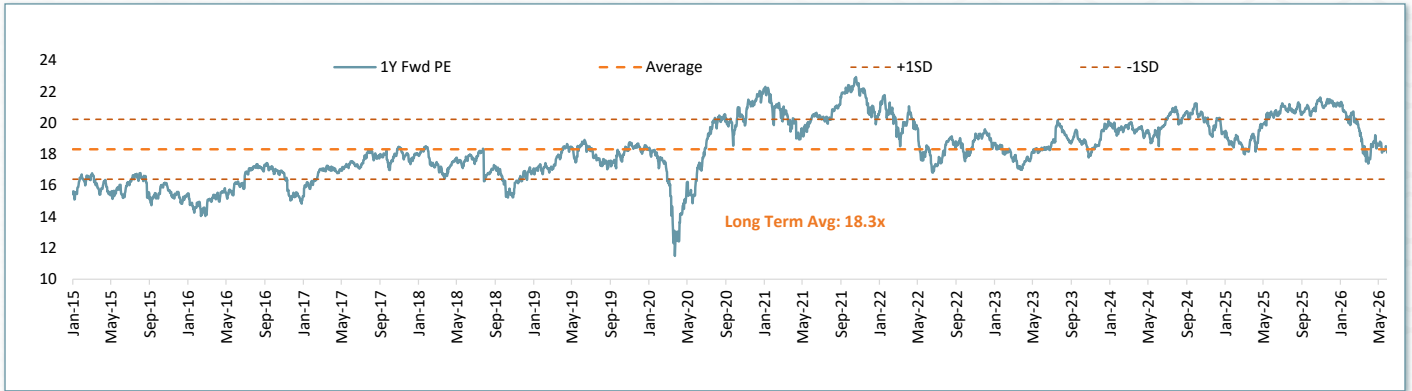


Figure 23. - Nifty valuation close to long-term average

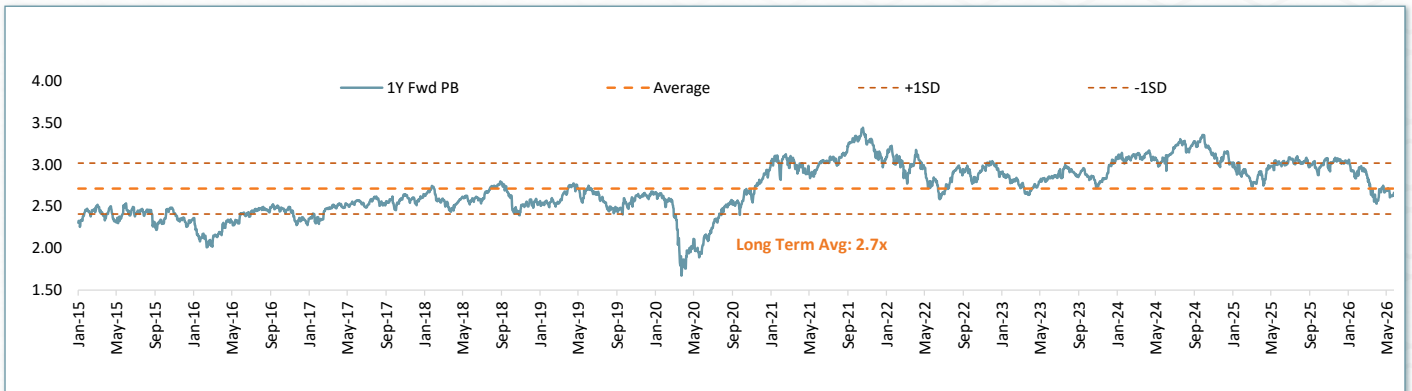


Figure 24. - On P/B basis, Nifty trades at a marginal discount

India's valuation premium moderates, while earnings stay in double digits



Figure 25. - 12-month forward P/E of global indices

YoY earnings growth (%)	Brazil	Korea	Indonesia	MSCI EM	UK	China	Taiwan	Japan	India	S&P-500	Nasdaq
FY27/CY26 YoY change (%)	36.8	230.7	50.5	56.9	28.9	38.0	57.2	11.7	16.0	31.5	50.1
FY28/CY27 YoY change (%)	7.7	28.8	14.5	20.2	6.6	11.5	23.6	1.9	16.0	15.3	22.7
FY26-28E: 2 year CAGR (%)	21.4	106.4	31.3	37.3	17.2	24.0	39.4	6.6	13.8	23.1	35.7

Figure 26. - EPS growth of indices

Flows, Valuations, Earnings

MSCI India underperforms MSCI EM over the last 12 months

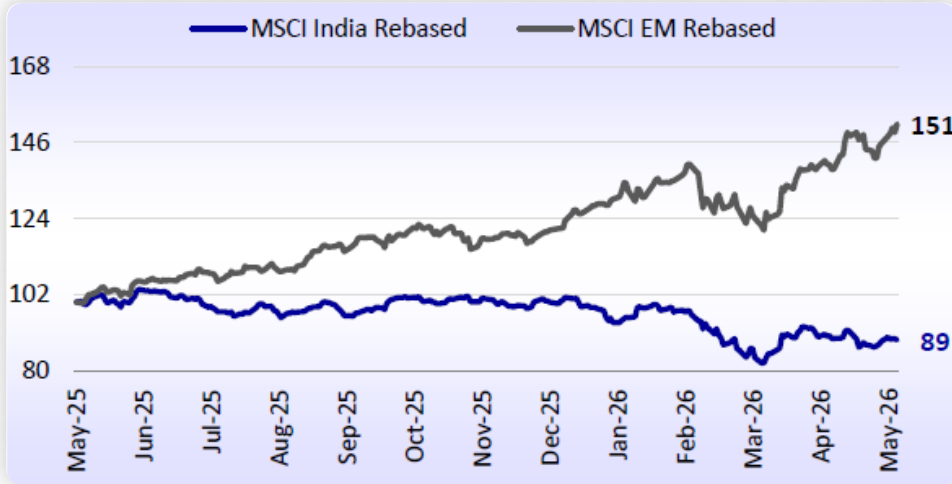


Figure 27. Performance of MSCI EM vs. MSCI India over the last 12 months in USD

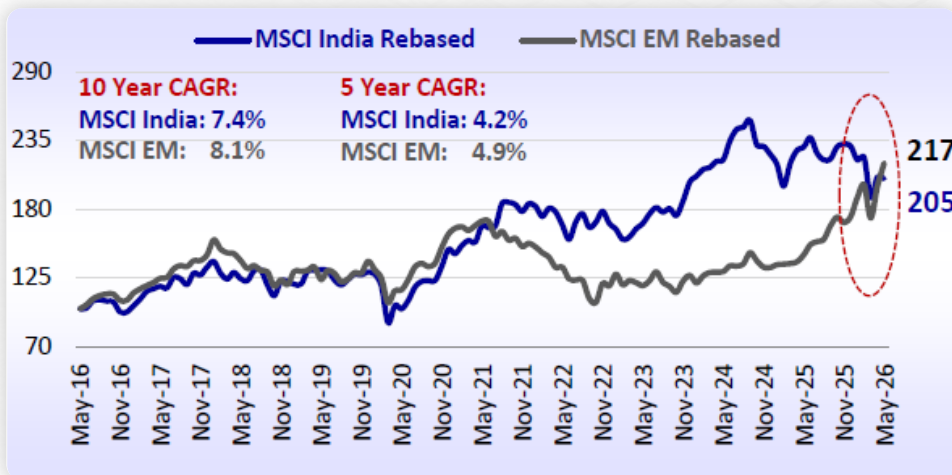


Figure 28. MSCI EM now outperforms MSCI India by 12% in the last 10 years

- During the last 12 months, the MSCI India Index (-11%) has underperformed the MSCI EM Index (+51%) in USD terms. Over the last 10 years, the MSCI EM Index has now outperformed the MSCI India Index by 12%
- In P/E terms, the MSCI India Index is trading at a 17% premium to the MSCI EM Index, below its historical average premium of 73%.

Flows, Valuations, Earnings

Nifty has lost ~1/4th of its value in dollar terms since Sept-24

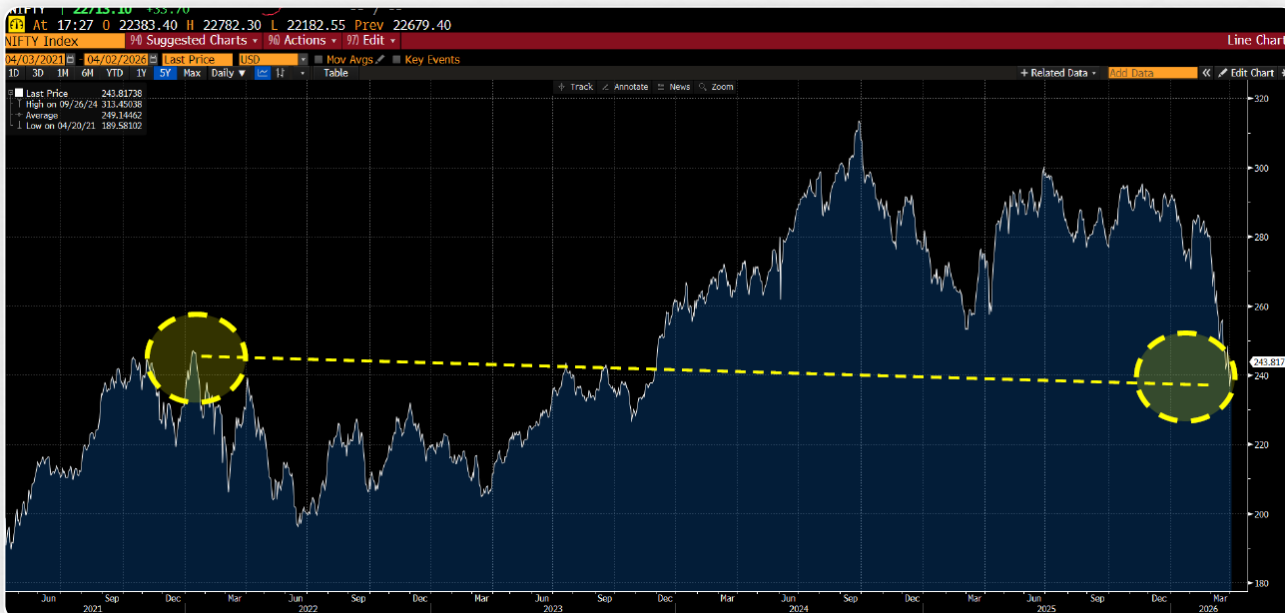


Figure 29.

➤ Nifty in Dollar terms is back to 2021 levels

Q4FY26 - India Inc has kept an upbeat guidance with manageable headwinds

Rs in Trillion	No of Cos	Q4FY26					
		Revenue	YoY	Reported PAT (Parent's Share)	YoY	Adj PAT (Parent's Share)	YoY
NIFTY500	500	45.9	10.3%	5.6	24.7%	4.9	14.9%
BFSI	96	11.8	4.0%	1.8	10.1%	1.9	13.1%
Non-BFSI	404	34.1	12.7%	3.7	33.3%	3.0	16.1%
Non-BFSI Exc Cement, O/G, Metal/Mining	359	22.4	14.5%	2.7	24.6%	2.1	9.0%
Commodities: Cement, O/G, Metal/Mining	45	11.7	9.5%	1.1	61.4%	0.9	37.8%
Nifty 500 Excl Commodities	455	34.3	10.6%	4.5	18.3%	4.0	10.9%

Nifty 500 Earnings	No of Cos	202406	202409	202412	202503	202506	202509	202512	202603
		Last 8 Quarters Adjusted PAT Growth % YoY							
Large Caps	100	3.8%	3.1%	5.4%	6.8%	9.4%	8.0%	12.0%	9.5%
Mid Caps	150	9.3%	2.9%	39.4%	15.9%	20.7%	28.1%	17.6%	35.9%
Small Caps	250	22.1%	-1.2%	-1.4%	4.4%	3.4%	24.9%	29.5%	14.4%
Total	500	6.0%	2.7%	8.9%	7.8%	10.5%	12.3%	14.3%	14.9%

Figure 30.

Flows, Valuations, Earnings

Current valuations point to a favorable return outlook

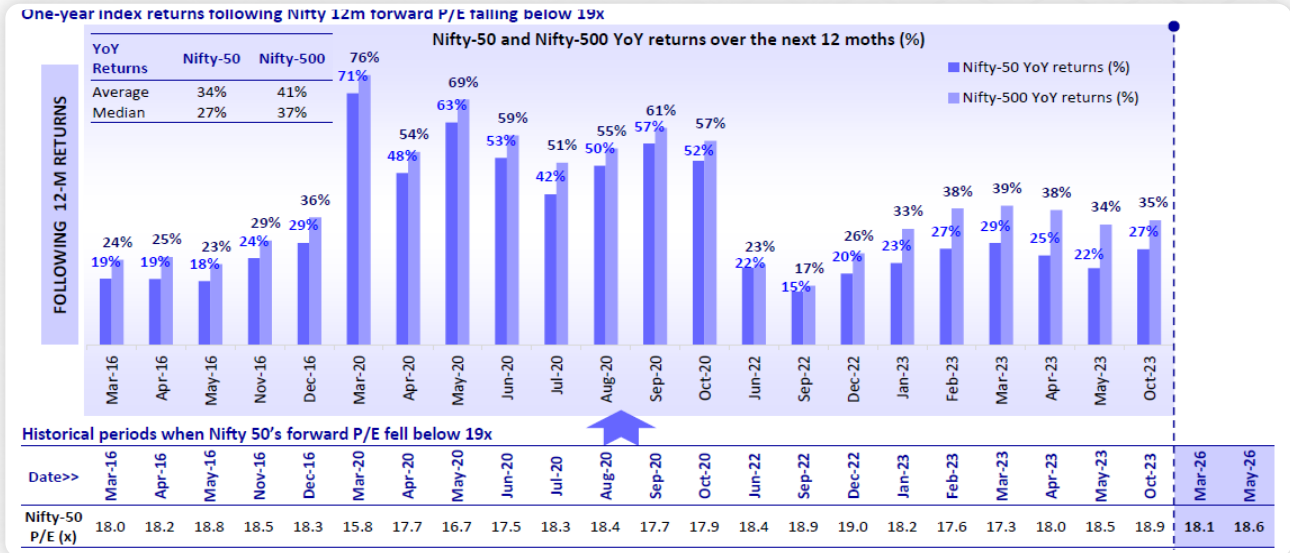


Figure 31.

- Nifty-50 has traded below 19x forward P/E only 24 times in the last decade, a rare valuation level nearly 10% below its 10-year average, typically following periods of weak market performance.
- Historically, these valuation phases have been attractive entry points, with the Nifty-50 and Nifty-500 delivering average 12-month returns of 34% and 41%, respectively, thereafter.
- While near-term recovery may be gradual, history suggests that similar valuation levels have often marked attractive entry points and the start of the next market upcycle.

Equity Market Outlook

Equity Market Outlook

Markets remain driven by geopolitical developments; valuation comfort warrants staggered investing

- The Nifty-50 consolidated in May following April's strong rebound, declining 2% during the month and remaining down 10% on a CYTD basis.
- In contrast, Mid and Small Caps extended their positive momentum, gaining ~3% and ~2% in May, respectively, and are now up ~2% each since the start of CY26.
- Valuations have moderated significantly from their 2024 peaks. While the Nifty now trades below its long-term average valuation, Mid and Small Caps continue to command a premium despite the correction from their Sept-24 highs.
- FPIs remained net sellers for the third consecutive month, though robust domestic inflows continued to provide market support. DII ownership has risen to a record 20.9% (vs. 12.4% a decade ago), while FII ownership has declined to an all-time low of 17.1% (vs. 21.2% in 2016). Measures announced by Govt to facilitate FPI investments should see some positive inflows.
- Markets to remain in a range unless signs of resolution or escalation are seen on the horizon.
- Risks emerge from continued Hormuz disruption, economic and corporate growth moderating and inflationary environment leading to rate hikes globally. This needs to be monitored and could lead to markets testing March lows if these risks play out.
- We believe that greenshoots might emerge in H2CY27 and earnings growth might recover to ~15%. At a 19x forward multiple, this implies a Nifty level of ~26,000, a moderate upside from current levels.
- Thus, buying on market dips / staggering investments over next few months is suggested.

Nifty December 2026 target range based on adjusted EPS expectations

	1yr Forward PE	CY27 EPS	Nifty Level
Nifty	19.0	1,370	26,030



Key Takeways

- Downside risks to be watched for basis the time taken 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.

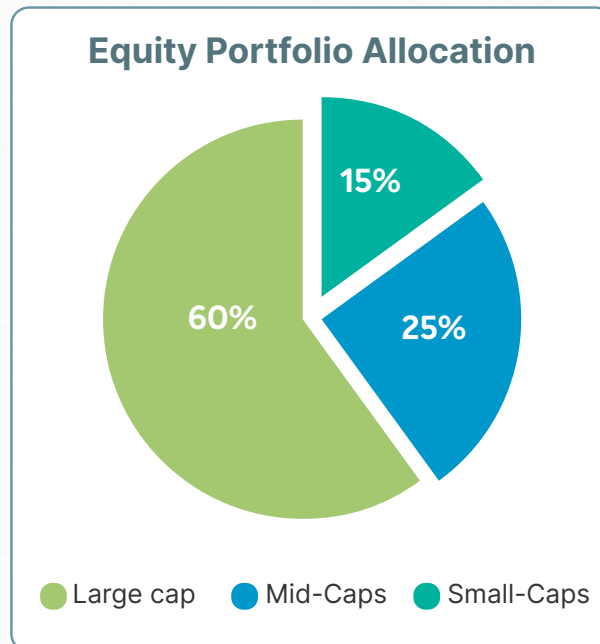


Figure 32.

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

- Rising oil prices stir up inflation fears and pushed yields higher across segments.
- Market yields react to RBI commentary, use of liquidity tools such as OMOs and actions on rates.
- 3yr Spreads in the AA / A rated segment continue to remain attractive.
- System liquidity moderated due to RBI's FX interventions and higher currency leakage, but is expected to improve following the RBI's dividend transfer at the end of May.

Figure 33. - Issuers with credit rating "A" offers higher credit spreads

3-year tenor	8-Jun-26	Dec-25	Dec-24	Dec-23	Dec-22
G sec	6.31	5.92	6.72	7.09	7.04
Credit Spreads (bp)					
AAA over G sec	101	75	81	56	71
AA over AAA	88	94	76	67	57
A over AA	113	125	184	134	191

Figure 34. - 10yr G-Sec yields back to pre-rate cut level; Short term remains anchored

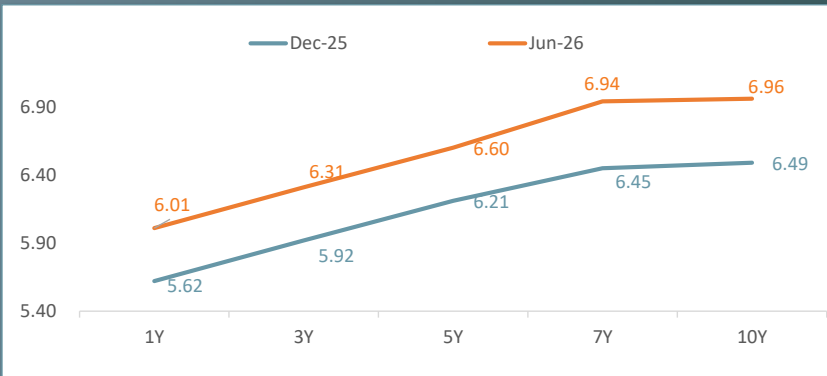
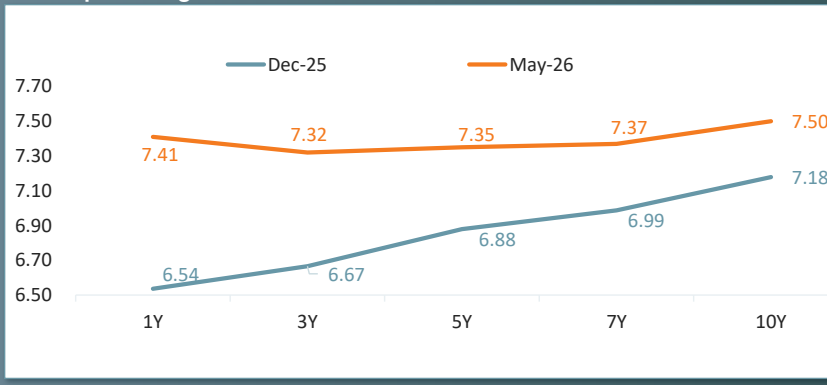


Figure 35. - AAA curve has shifted ~75bps in 1yr-3yr segment; by ~35bps in long duration in 4m



Fixed Income Outlook and Allocation Strategy

🔦 Outlook

- RBI kept rates unchanged retaining “neutral” stance, preserving flexibility amid evolving geopolitical conditions. However, the policy carried a hawkish undertone, reflected in lower growth projections and higher inflation forecasts relative to the previous review.
- GoI & the RBI announced key measures to deepen the G-sec market and attract foreign capital. While the precise impact is difficult to estimate, these initiatives could potentially support inflows of \$75–80bn (Index flows, ECB borrowing, FCNR(B) deposits).
- With inflation expectations at 5.1%, real rates have compressed to just 15 bps. To restore a more sustainable real interest rate of ~125 bps, we expect the RBI to raise rates by 75–100 bps over the course of FY27, as the RBI gets further clarity on the progress of monsoons, GDP and CPI data prints, impact of the measures for INR stability and the extent of normalization on the geopolitical front.
- With yields likely to remain in a tight range amid opposing policy forces, we continue to prefer shorter-duration debt opportunities.

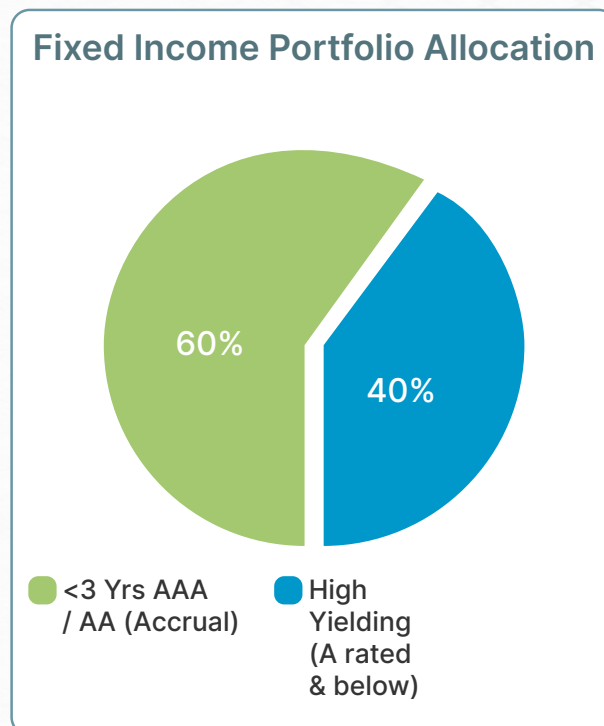


Figure 36.

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

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