InCred Wealth

# Market Outlook

November 2026

## India Gains Ground On Back Of Strong Growth & Resolving Energy Crises



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# Outlook Summary

# Equity View

## Large Cap

### Large Caps Rebound on Attractive Valuations and Improving Global Cues

- Large caps rebounded in October: Nifty 50 gained 1.9% MoM, snapping a two-month losing streak, though it remains down 11.8% CY26 YTD and continues to underperform the MSCI EM index (+11.6% YTD). The momentum further picked up in the first fortnight of November.
- Resilient domestic liquidity cushioned October's FII selling ($3.6bn), with sentiment turning constructive since Oct 30 (~$2.3bn in secondary FPI inflows) alongside improving global political and crude oil cues. FPIs added another ~$6.5bn in the first fortnight of November.
- Valuations have reset meaningfully from the Sep'24 peak, leaving large caps relatively attractive and trading at a considerably lower premium to emerging markets than in recent years.

| Asset Class | Sub-category | Index | Closing Level | Dec-26 Nifty Target | InCred Outlook |
|---|---|---|---|---|---|
| Indian Equities | Large Cap | Nifty 50 | 23,053 | 26,030 | Positive |

**Quick Overview**

- Improving global cues, cooling crude price expectations, and early FPI inflows into large caps combined with supportive Nov–Dec seasonality bode well for a near-term recovery.
- Large caps, which have lagged over the past two years, offer superior risk-reward on better relative valuations vs. mid/small-caps as the earnings growth gap narrows through FY27–28.
- At ~17x forward earnings, valuations sit below their long-term average, equities should be approached with an 18–24 month horizon, using 2–5% corrections as opportunities to buy or add further.

*Source: Prices as of 30th Oct 2026; Bloomberg*

# Equity View

## Mid & Small Cap

### Broader Markets Lag Large Caps in October; Selectivity Remains Key

- Broader markets remained under pressure in Oct, underperforming large caps: Nifty Midcap 100 fell 3.4% MoM (-5.3% CY26 YTD) and Nifty Smallcap 250 declined 5.8% MoM (+0.5% CY26 YTD), even as the Nifty 50 rebounded 1.9%.
- While recent pullbacks have trimmed some excesses, select pockets of the mid- and small-cap universe still trade at elevated multiples, making bottom-up stock selection critical.
- We retain our neutral stance 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 | 57,301 | Neutral |

**Quick Overview**

- The Midcaps have witnessed the steepest valuation correction from Sept-24 peaks (40%) while Smallcaps have corrected 22%. Midcaps now trade 13% below the long term average while small-caps remain 5% above. However, strong expected earnings growth over the next 12m-18m justifies selective allocation.
- Consider phased investments over next 3 months period, limiting allocation to 25% for mid and 15% for small caps.

*Source: Prices as of 30th Oct 2026; Bloomberg*

# Fixed Income View

## CPI print of over 6% signals more RBI rate hikes

- The MPC unanimously voted to increase the policy repo rate by 25 bps to 5.50% to curb re-accelerating inflation pressures. The stance was changed from Neutral to Calibrated Tightening, explicitly signaling that rate cuts are off the table in the near term and policy actions ahead will strictly be hikes or pauses. Oct CPI print of over 6% and expectations for further increase in CPI indicates a more aggressive RBI.
- With FY27 CPI inflation projected higher at 5.2% (vs. 5.0%) and GDP growth at 7.1%, domestic 10-year G-Sec yields are expected to remain range-bound with an upward bias toward 7.40% – 7.50%.

| Asset Class | Sub-category | Index | Closing Level | InCred Outlook |
|---|---|---|---|---|
| Fixed Income | G-Sec | 10-year G-Sec | 7.24% | Positive on 2y-5y maturity funds and high yield strategies |
| | AAA Corporate | 3y AAA | 8.42% | |
| | AA Corporate | 3y AA | 9.18% | |
| | A Corporate | 3y A | 11.04% | |

**Quick Overview**

- **~60% in 2yr – 5yr AAA/AA accrual strategies and ~40% in high-yield assets (A rated and below).**
- **With current real rates spread remaining thin against the 5.2% inflation target, we expect the RBI to deliver 3 to 4 additional repo rate hikes over the next 6–9 months to achieve a comfortable real rate buffer of 50–75 bps, taking the terminal repo rate to 6.25%–6.50%.**

*Source: Prices as of 30th Oct 2026; Bloomberg*

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## Global Equities View

| Asset Class | Sub-category | Index | Closing Level | InCred Outlook |
|---|---|---|---|---|
| Global Equities | US | S&P 500 | 7,580 | Neutral |
| | Europe | MSCI Europe | 2,752 | Negative |
| | China | Shanghai Composite | 3,599 | Negative |

### 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

- Underweight China given the high valuations despite the sell off in the last 6 months.

## Commodities View

### Precious Metal

- Gold and silver extended their pullback in Oct and early Nov, pressured by a firmer US dollar, elevated bond yields, and expectations of further Fed tightening amid sticky inflation. Silver underperformed sharply, breaking below $50/oz as high-beta industrial and speculative selling outweighed steady ETF inflows.
- Near-term performance will hinge on crude oil prices, US inflation data, and the Fed's rate trajectory. While a strong dollar and higher-for-longer rates pose downside risks, central bank reserve buying and seasonal demand offer a cushion.
- Despite near-term volatility, precious metals retain their role as portfolio diversifiers and hedges against geopolitical and macroeconomic uncertainty. An allocation of up to 10% remains appropriate within a diversified portfolio.

| Asset Class | Sub-category | Index | Closing Level | InCred Outlook |
|---|---|---|---|---|
| Precious Metal | Gold | XAU Curncy | 3,874.6 | Neutral |
| | Silver | XAU Curncy | 49.1 | Neutral |

*Source: Prices as of 30th Oct 2026; Bloomberg*

## Commodities View

### Crude

- Brent averaged ~$124/bbl in Oct (up $10/bbl from Sept), before retreating below $100/bbl in early Nov as traders pared back geopolitical risk premiums and weaker demand weighed on prices.
- In its November Short-Term Energy Outlook, the EIA raised its forecasts, expecting Brent to average ~$109/bbl in Q4CY26 and ~$97/bbl for CY26 amid constrained Middle East flows and depleted global inventories.
- Prices are expected to moderate gradually through 2027 as regional production and export routes recover, with Brent projected to average ~$86/bbl in CY27 and ease to ~$77/bbl by Q4CY27 as global inventories rebuild.

| Asset Class | Sub-category | Index | Closing Level | InCred Outlook |
|---|---|---|---|---|
| **Commodities** | Crude | Brent Crude (US$/bbl) | 117.6 | Neutral |



*Source: Prices as of 30th Oct 2026; Bloomberg*

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# Nifty and Broad US Equities Rebound in Oct While Emerging Markets and Tech Slide

## Elevated Crude and a Firmer USD Weighed Heavily on EMs, Nasdaq and Bullion while domestic large-caps and broad US stocks showed resilience.

| As of 30th Oct 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 | -0.9 | 1.2 | 5.1 | 10.8 | 10.7 | 16.4 | 23.3 | 24.2 | -19.4 | 26.9 | 16.3 |
| S&P 500 Equal-Weight | 8,842 | 4.9 | 1.6 | 7.4 | 16.1 | 13.9 | 9.3 | 10.9 | 11.6 | -13.1 | 27.5 | 10.5 |
| Nasdaq | 25,437 | -5.3 | 0.2 | 2.2 | 7.2 | 9.4 | 20.4 | 28.6 | 43.4 | -33.1 | 21.4 | 43.6 |
| Russell 2000 | 2,812 | 0.5 | -4.1 | 0.4 | 13.4 | 13.3 | 11.3 | 10.0 | 15.1 | -21.6 | 13.7 | 18.4 |
| MSCI Emerging Markets | 1,567 | -8.1 | -6.0 | -2.1 | 11.8 | 11.6 | 30.6 | 5.1 | 7.0 | -22.4 | -4.6 | 15.8 |
| Shanghai Composite | 3,599 | -6.3 | -6.1 | -12.5 | -9.0 | -9.3 | 18.4 | 12.7 | -3.7 | -15.1 | 4.8 | 13.9 |
| ***Indian Indices*** | | | | | | | | | | | | |
| Nifty 50 | 23,053 | 1.9 | -5.5 | -3.9 | -10.4 | -11.8 | 10.5 | 8.8 | 20.0 | 4.3 | 24.1 | 14.9 |
| Nifty 500 | 21,896 | -0.8 | -6.7 | -3.5 | -7.7 | -8.3 | 6.7 | 15.2 | 25.8 | 3.0 | 30.2 | 16.7 |
| Nifty MidCap 100 | 57,301 | -3.4 | -8.9 | -4.2 | -4.2 | -5.3 | 5.7 | 23.9 | 46.6 | 3.5 | 46.1 | 21.9 |
| Nifty SmallCap 250 | 16,765 | -5.8 | -6.4 | 0.2 | -3.2 | 0.5 | -6.0 | 26.4 | 48.1 | -3.6 | 61.9 | 25.1 |
| ***Other Assets (levels)*** | | | | | | | | | | | | |
| Brent Crude | 117.6 | 104 | 90 | 114 | 65 | 61 | 75 | 77 | 86 | 78 | 52 | 66 |
| Gold | 3,874.6 | 4,157 | 4,046 | 4,618 | 4,003 | 4,319 | 2,625 | 2,063 | 1,824 | 1,829 | 1,898 | 1,517 |
| Silver | 49.1 | 60 | 58 | 74 | 49 | 72 | 29 | 24 | 24 | 23 | 26 | 18 |
| Dollar index | 102 | 101 | 100 | 98 | 100 | 98 | 108 | 101 | 104 | 96 | 90 | 96 |
| USD/INR | 95 | 96 | 95 | 95 | 89 | 90 | 86 | 83 | 83 | 74 | 73 | 71 |
| ***Credit/ Yields (%)*** | | | | | | | | | | | | |
| India 10 year G-sec | 7.4 | 7.2 | 6.8 | 7.0 | 6.5 | 6.6 | 6.8 | 7.2 | 7.3 | 6.5 | 5.9 | 6.6 |
| US 10 year G-sec | 4.9 | 5.3 | 4.7 | 4.4 | 4.1 | 4.2 | 4.6 | 3.9 | 3.9 | 1.5 | 0.9 | 1.9 |

*Source: Bloomberg*

## Broad-Based Market Sell-Off Across All Sectors

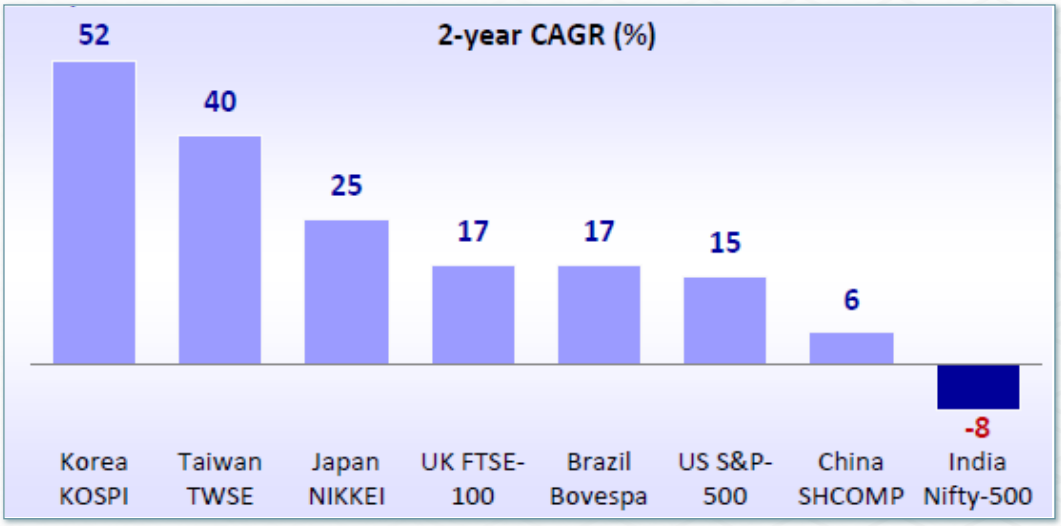



Figure 1. - India remains the weakest performer among key global peers over the last two years

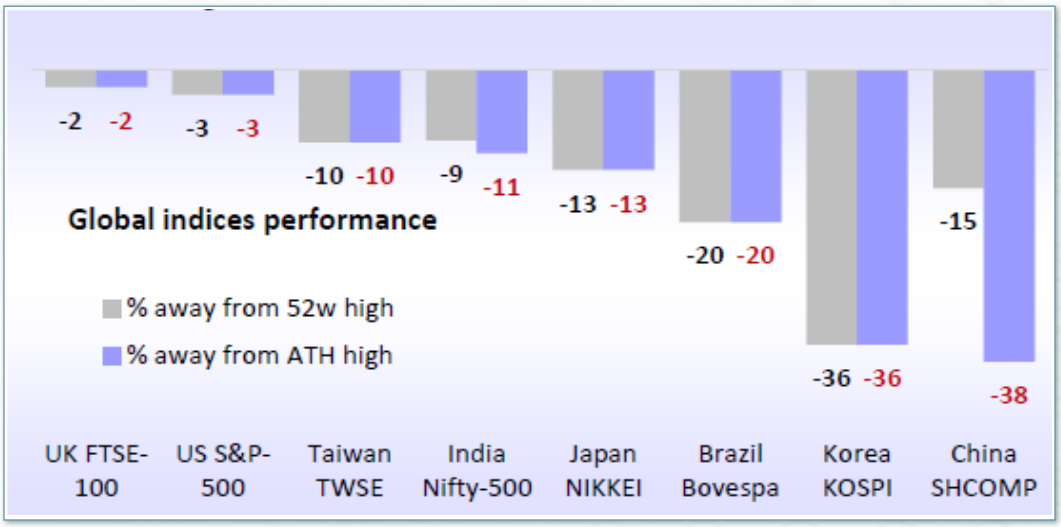



Figure 2. - Global indices show varying degrees of correction from their respective 52-week & all-time highs

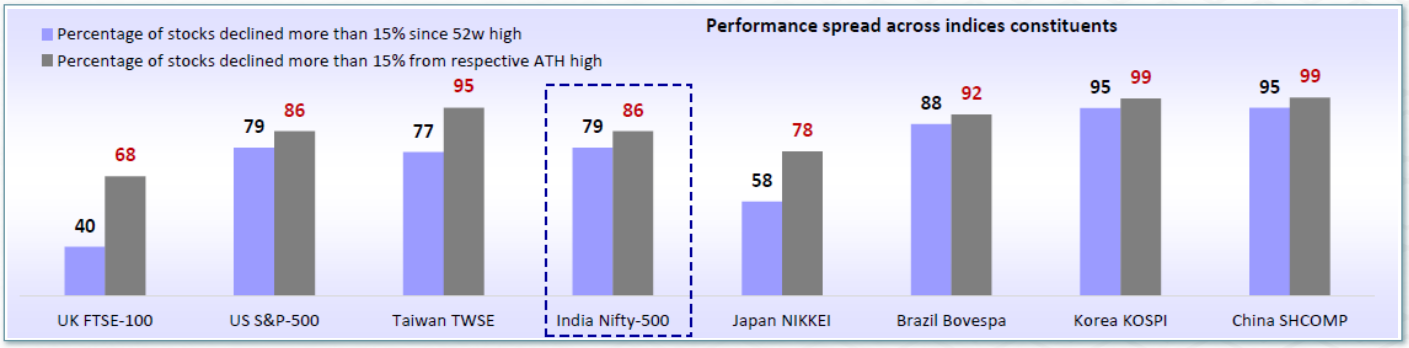



Figure 3. - Weakness remains widespread across key global markets, with index leadership concentrated in a handful of stocks

Source: MOSL

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# Large-Caps Rebound Led by IT Rally; Mid and Small-Caps Stay Under Pressure

**An IT-led surge (+17.7%) lifted the Nifty 50 (+1.9%) in October, masking continued weakness across mid/small-caps and domestic cyclicals.**

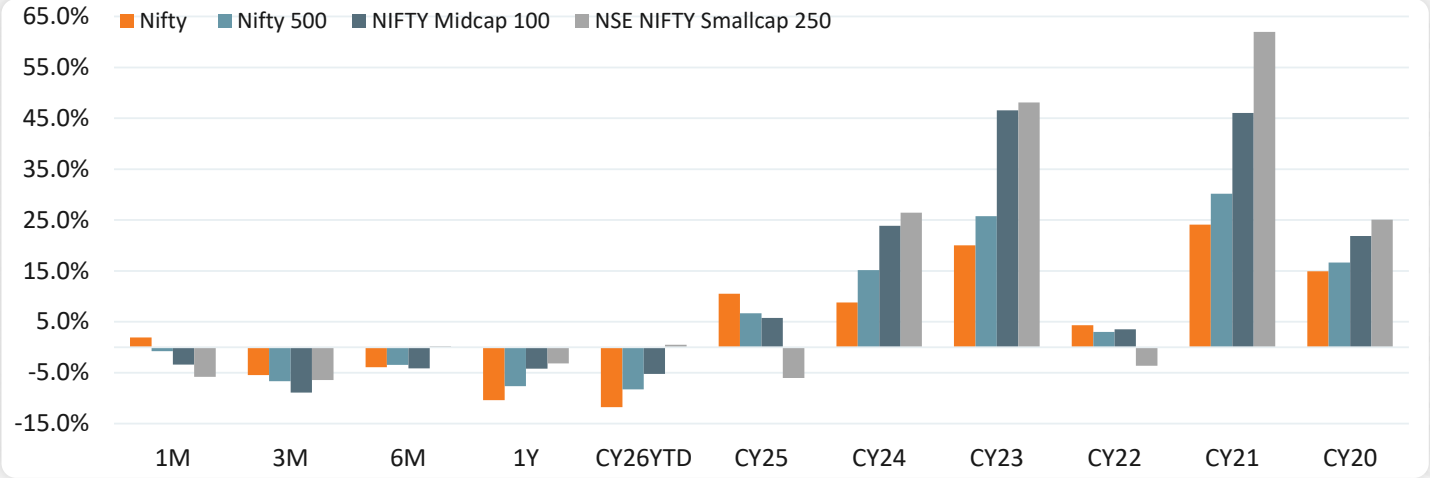



Figure 4.

| 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 | 0.3 | -7.1 | -3.7 | -8.9 | -10.5 | 17.4 | 9.4 | 13.2 | 9.5 | 14.0 | 4.5 |
| Nifty Bank | 0.1 | -4.5 | -0.3 | -5.3 | -8.2 | 17.1 | 5.3 | 12.3 | 21.2 | 13.5 | -2.8 |
| BSE Capital Goods | -7.2 | -10.7 | -10.9 | -2.3 | 2.5 | -1.0 | 21.8 | 66.9 | 16.0 | 53.4 | 10.6 |
| NSE Infrastructure | 0.7 | -6.5 | -6.6 | -8.0 | -8.5 | 13.6 | 15.9 | 39.1 | 6.1 | 35.6 | 12.2 |
| NSE IT | 17.7 | 6.2 | 11.1 | -8.7 | -13.9 | -12.6 | 22.0 | 24.1 | -26.0 | 59.6 | 54.9 |
| Nifty India Defence PR | -6.2 | -6.7 | -3.0 | 7.0 | 12.4 | 19.3 | 55.5 | 89.2 | - | - | - |
| NSE Auto | -3.3 | -11.6 | -1.9 | -5.2 | -9.8 | 23.5 | 22.6 | 47.6 | 15.3 | 19.0 | 11.5 |
| NSE FMCG | -2.0 | -11.2 | -14.6 | -22.4 | -21.4 | -2.3 | -0.3 | 29.0 | 17.5 | 10.0 | 13.5 |
| Nifty Healthcare PR | 1.9 | -1.8 | 10.3 | 12.0 | 12.4 | -2.1 | 40.6 | 32.9 | -10.8 | 18.3 | - |

Figure 5.

- Indian equities saw a sharp divergence in October: Nifty 50 rose 1.9%, while Mid Caps and Small Caps declined by 3.4% and 5.8%, respectively. On a YTD basis, Nifty 50 and Mid Caps remain down 11.8% and 5.3%, while Small Caps hold onto marginal gains of 0.5%.
- Sectoral performance was led by a strong surge in IT (+17.7%) alongside modest gains in Healthcare (+1.9%) and Infrastructure (+0.7%). Conversely, Capital Goods (-7.2%), Defence (-6.2%), and Auto (-3.3%) saw the steepest corrections.

*Source: Prices as of 30th Oct 2026; Bloomberg*

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# Global Macro & Markets

# Monetary Policy Shifts to Data-Dependent Pause Following September Hikes

## Renewed Inflation Risks Signal a Shift Towards Tightening

| | Quarterly GDP Sep-26 SA qoq (%) | Inflation Sept-26 yoy (%) | Current Policy Rate Sept-26 | 10Y bond yield 13-Nov-26 |
|---|---|---|---|---|
| US | 3.4% | 3.7% | 3.75% - 4.00% | 5.15% |
| Europe | 0.4% | 4.0% | 2.50% | 3.37% |
| Japan | 0.5% | 2.1% | 1.25% | 2.86% |

### USA

- Fed held rates steady at 3.75%-4.00% in October by a 10-2 vote (two members favoured a 25bp hike), following September's 25bp increase. The pause balances strong domestic growth against persistent inflation.
- Projections point to one more 25bp hike in 2026 before holding rates broadly unchanged through 2027, underscoring that returning inflation to 2% remains the Fed's dominant concern.

### Europe

- ECB left rates unchanged in October, keeping the deposit rate at 2.50% after September's 25bp hike, as rising energy prices pose upside inflation risks and downside growth risks.
- Baseline projections see headline inflation averaging 3.0% in 2026 and 2.5% in 2027, while tighter financing conditions and the prolonged energy shock are expected to weigh on economic growth.
- ECB remains data-dependent and has not pre-committed to a rate path, with future decisions guided by the inflation outlook, underlying price pressures and monetary policy transmission.

### Japan

- BOJ held its policy rate steady at 1.25% in October by an 8–1 vote, pausing after September's 25bp hike as most members favoured assessing the cumulative impact of past tightening.
- The Outlook Report flagged upside risks to inflation projecting core CPI clearly above 2% in FY2026 while highlighting three key risks: the Middle East, AI-driven demand and exchange rates.

## Global Macro & Markets

### Developed market yields ease MoM, while India's yields up to a near 4 yr high

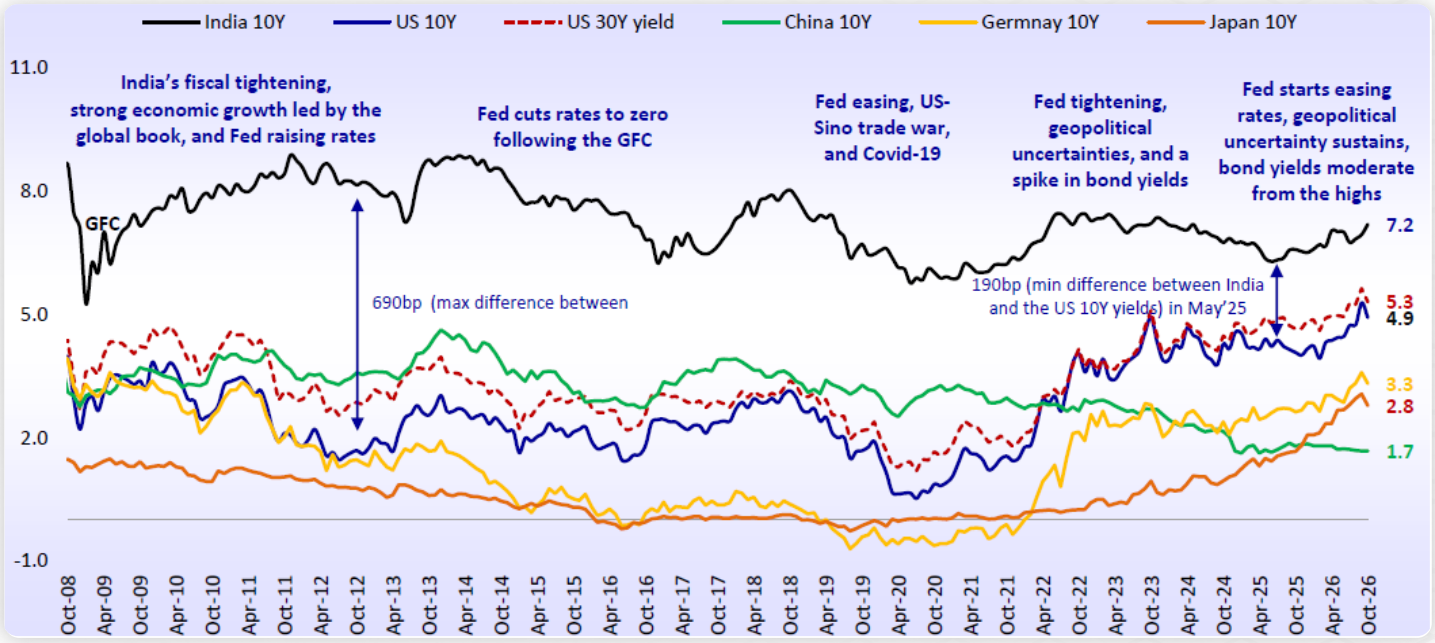



Figure 6. 10Y yields spreads of India, the US, Japan, Germany, China

- India's 10-year G-Sec yield rose 20bp MoM to a near four-year high of 7.4% amid domestic inflation and tighter conditions, diverging from cooling developed-market yields and widening the India–US 10-year spread by 50bp to 2.1%.

### Inflation is sticky and above central bank target in select key economies

#### Recent prints in developed markets and select emerging markets are running above their average in the past decade

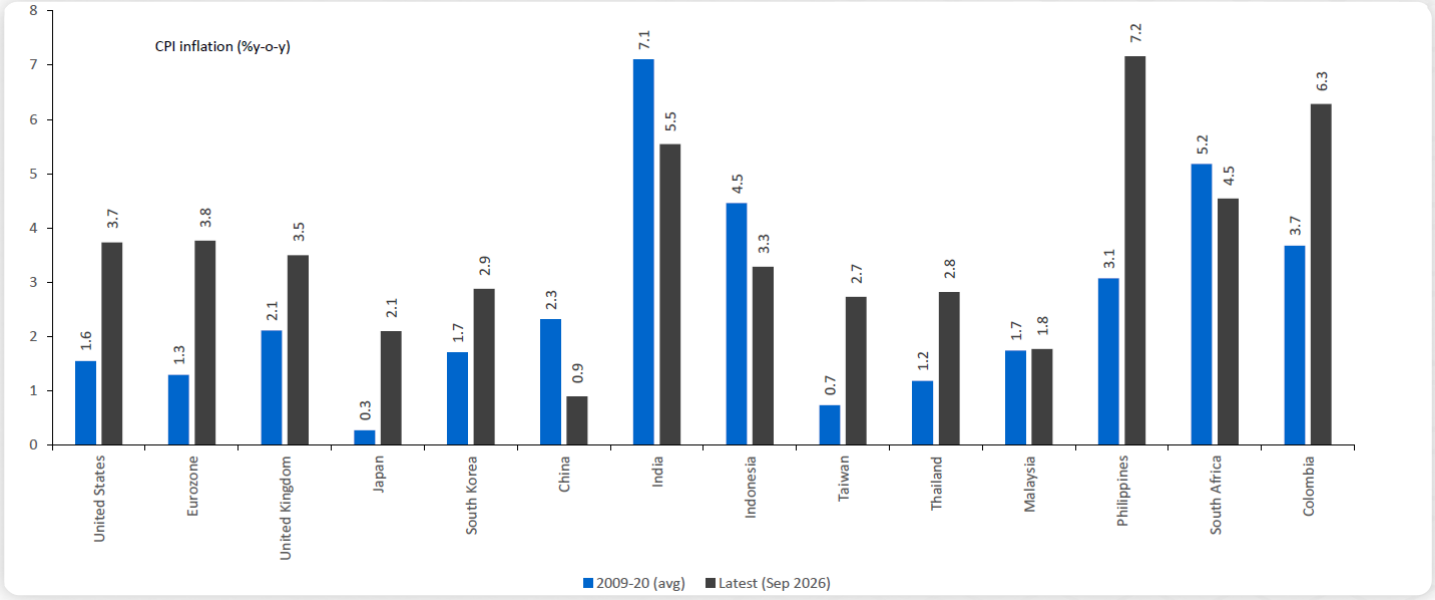



Figure 7.

Source: CEIC Economic Outlook, SBIFM Research

## Energy shock forces markets to reprice interest rates trajectory from cuts to hikes

| Central bank policy rate (period end %) | 2025 | Oct'26 | Market interest policy rate expectation (%) | |
|---|---|---|---|---|
| | | | 6 months ahead | 12 months ahead |
| US | 3.75 | 4.00 | 4.30 | 4.50 |
| Eurozone | 2.15 | 2.65 | 2.96 | 3.19 |
| UK | 3.75 | 3.75 | 4.55 | 4.86 |
| Japan | 0.75 | 1.25 | 1.71 | 2.02 |
| Canada | 2.25 | 2.25 | 3.21 | 3.60 |
| India | 5.25 | 5.50 | 6.50 | 6.61 |
| Australia | 3.60 | 4.60 | 4.94 | 4.83 |
| South Korea | 2.50 | 3.00 | 3.33 | 3.49 |
| Taiwan | 2.00 | 2.00 | 2.15 | 2.38 |
| Thailand | 1.25 | 1.00 | 1.07 | 1.25 |
| Malaysia | 2.75 | 2.75 | 2.86 | 2.85 |
| Philippines | 4.50 | 5.50 | 6.23 | 6.15 |
| New Zealand | 2.25 | 2.75 | 3.36 | 3.83 |
| Brazil | 15.00 | 13.75 | 14.51 | 14.95 |
| Mexico | 7.00 | 6.50 | 6.56 | 7.26 |
| Chile | 4.50 | 4.50 | 4.84 | 5.14 |

Figure 8.

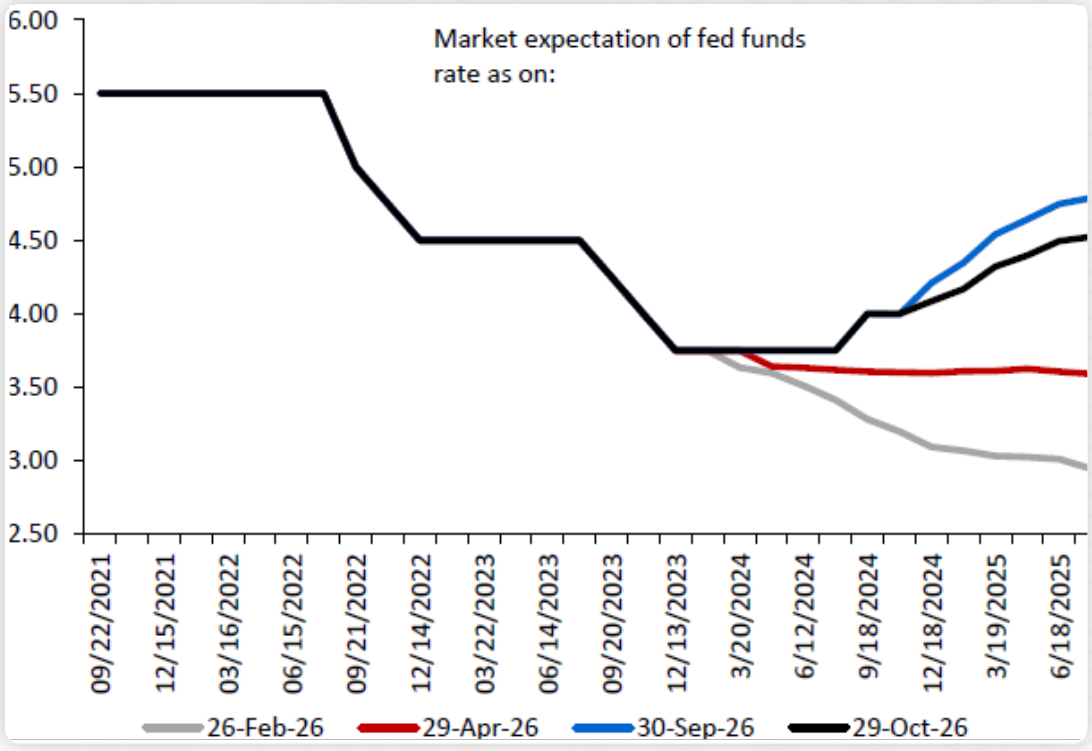



Figure 9.

- Structural fiscal and investment pressures alongside resilient growth are shifting global central banks toward rate hikes and a higher-for-longer interest rate regime.

*Source: Bloomberg, SBIFM Research; NB: In the table red denotes a rate hike and green denotes a rate cut*

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# India Macro Update

# India Macro Outlook

## GST collection up 18% y-o-y, Auto sales pick up amidst festive season while Credit growth

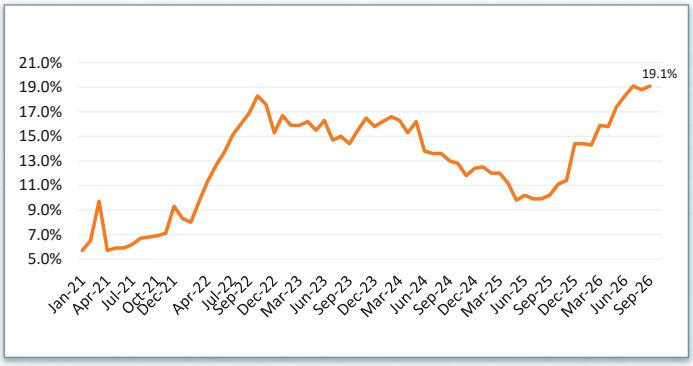



Figure 10. - Non-Bank Food Credit Growth (y-o-y)

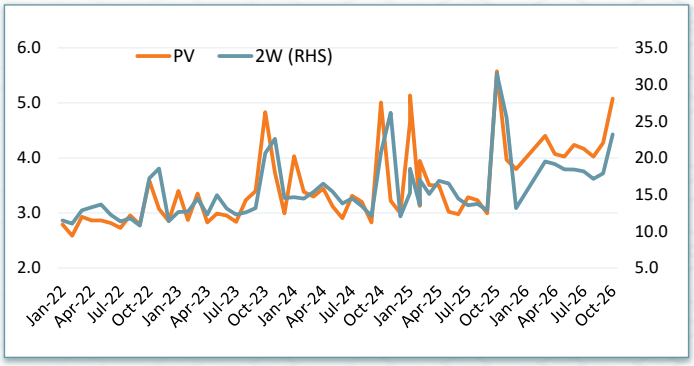



Figure 12. - PV & Two-Wheeler

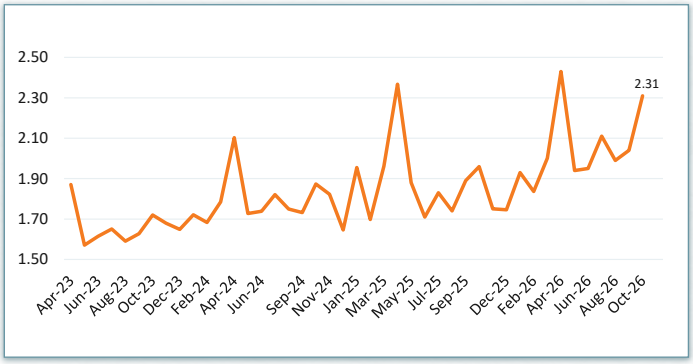



Figure 11. - GST Collection (₹Trn)

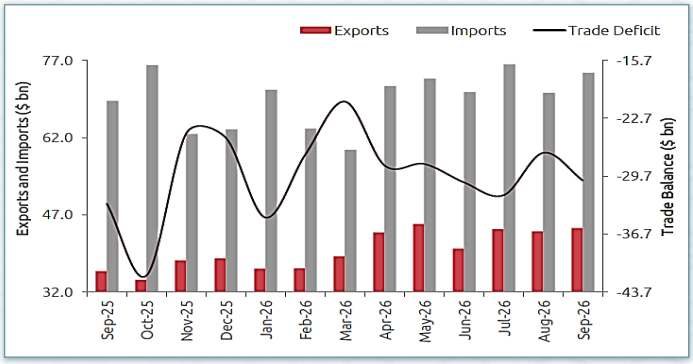



Figure 13. - Export & Import of Goods

## Strong GDP growth amidst volatile external scenario

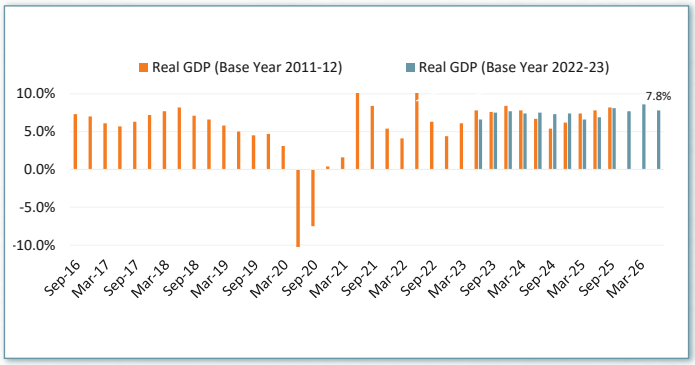



Figure 14. - GDP Trend (q-o-q)

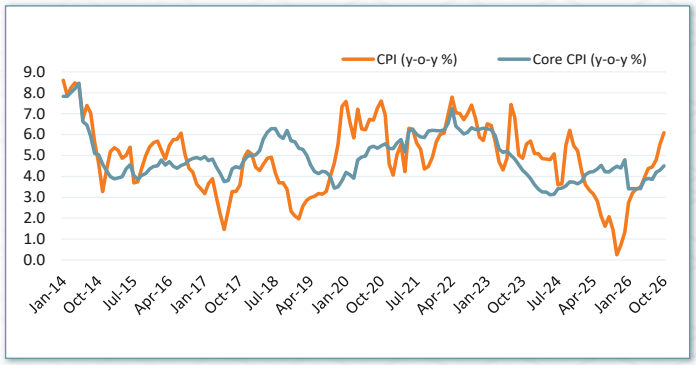



Figure 16. - CPI & Core CPI – sharp rise in headline while core is stable

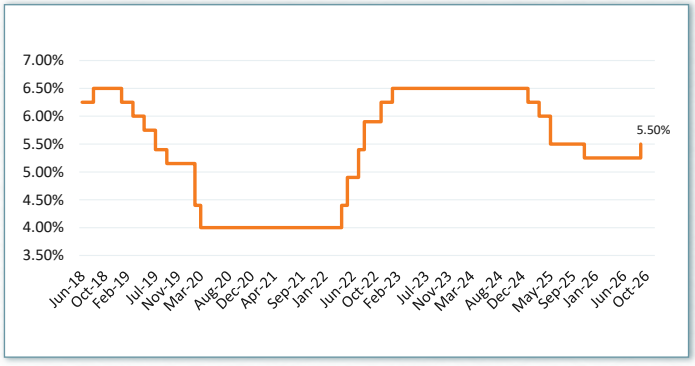



Figure 15. - Policy Rate – line graph

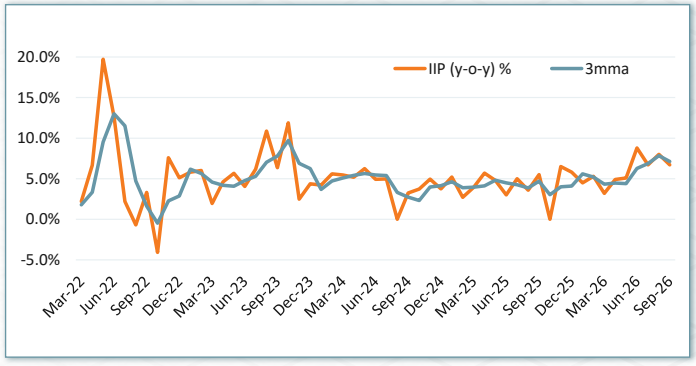



Figure 17. - IIP

*Source: Bloomberg, FADA, Nippon AMC, Company Data*

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# Flow, Valuations, Earnings

## Flows, Valuations, Earnings

### DIIs and steady SIPs continue to cushion the market against persistent FII equity selling

- FIIs remained net sellers in Oct-26, pulling out $3.6bn from equities (extending record CTYD26 outflows to $31.4bn), while turning net buyers in debt with $0.8bn of inflows.
- MFs and DIIs continued to anchor the equity market, adding $4.5bn and $2.1bn respectively in Oct-26, more than offsetting foreign outflows.
- MFs intensified debt selling in Oct-26, recording net outflows of $7.3bn (bringing CTYD26 debt outflows to $72.5bn).
- SIP inflows came in at ₹322bn in Oct-26.

Figure 18. - SIP inflows slow in Oct-26, however up 9% yoy (in ₹bn)

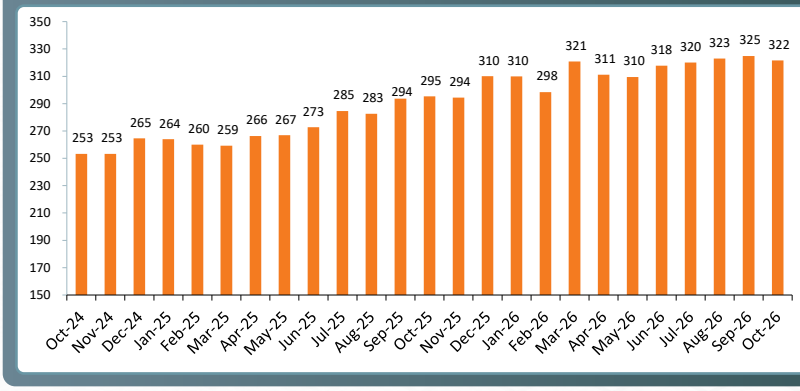



Figure 19. - Record selling by FIIs in 2026, DIIs and MFs continue to be net buyers

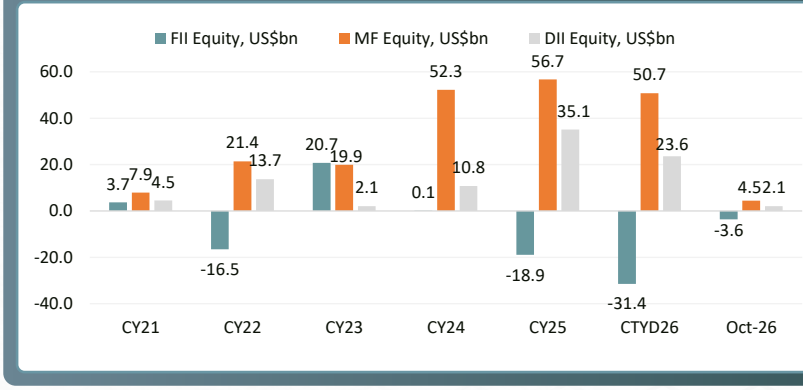
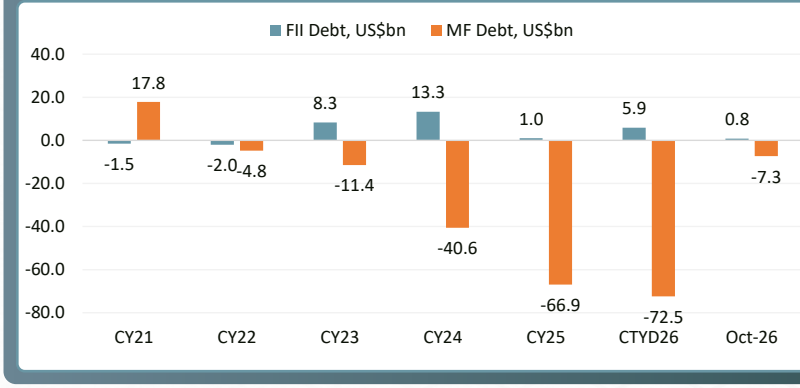



Figure 20. - FII turn net buyers while MFs continue to be sellers



# Flows, Valuations, Earnings

## Mid & Small Cap

### Sharp and broad-based corrections drive valuations to multi year lows

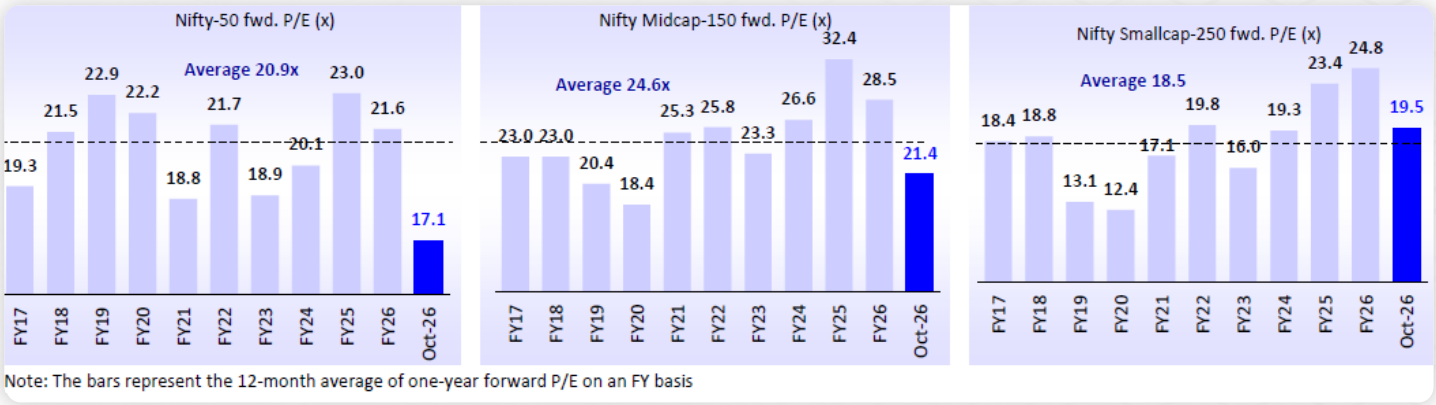



Figure 21. The 12-month forward P/E trends across the Nifty-50, Nifty Midcap-150, and Nifty Smallcap-250 indices (x)

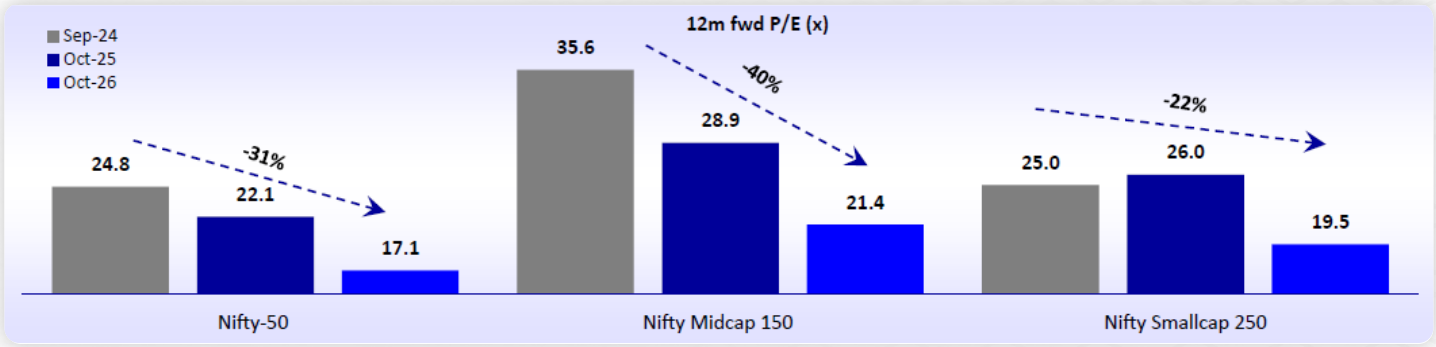



Figure 22. Valuations of key benchmark indices corrected significantly from their Sep'24 highs

Source: MOSL

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# Flows, Valuations, Earnings

## Q2FY27 has been better than expected

| *Rs in Trillion* | No of Cos | Q2FY27 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Revenue | YoY | Reported PAT (Parent's Share) | YoY | Adj PAT (Parent's Share) | YoY |
| NIFTY500 | 370 | 36.96 | 23.4% | 4.33 | 29.0% | 4.29 | 28.4% |
| BFSI | 91 | 10.08 | 13.6% | 1.83 | 21.1% | 1.77 | 19.2% |
| Non-BFSI | 279 | 26.88 | 27.5% | 2.50 | 35.4% | 2.52 | 35.7% |
| Non-BFSI Exc Cement, O/G, Metal/Mining | 238 | 13.55 | 22.3% | 1.46 | 23.2% | 1.46 | 19.6% |
| Commodities: Cement, O/G, Metal/Mining | 41 | 13.33 | 33.3% | 1.05 | 57.1% | 1.77 | 19.2% |
| Nifty 500 Excl Commodities | 329 | 23.63 | 18.5% | 3.28 | 22.0% | 2.52 | 35.7% |

| Nifty 500 Earnings | No of Cos | 202412 | 202503 | 202506 | 202509 | 202512 | 202603 | 202606 | 202609 |
|---|---|---|---|---|---|---|---|---|---|
| | | Last 8 Quarters Adjusted PAT Growth % YoY | | | | | | | |
| Large Caps | 80 | 6.5% | 8.1% | 8.7% | 10.0% | 13.3% | 13.6% | 16.2% | 28.7% |
| Mid Caps | 115 | 18.5% | 19.8% | 17.7% | 28.4% | 18.5% | 25.9% | -1.5% | 24.3% |
| Small Caps | 275 | 5.7% | 6.1% | 10.4% | 37.3% | 25.7% | 20.6% | 31.2% | 35.0% |
| ***Total*** | ***303*** | ***8.4%*** | ***9.7%*** | ***10.4%*** | ***15.5%*** | ***15.3%*** | ***16.3%*** | ***14.2%*** | ***28.4%*** |

Figure 27.

*Source: Ikigai, Amsec Note: Data as of 3 Nov 2026*

# Flows, Valuations, Earnings

## Sharp market corrections on a rolling basis sets the stage for mean reversion

Figure 23. - Indices' 5-year CAGRs significantly below their 5Y averages

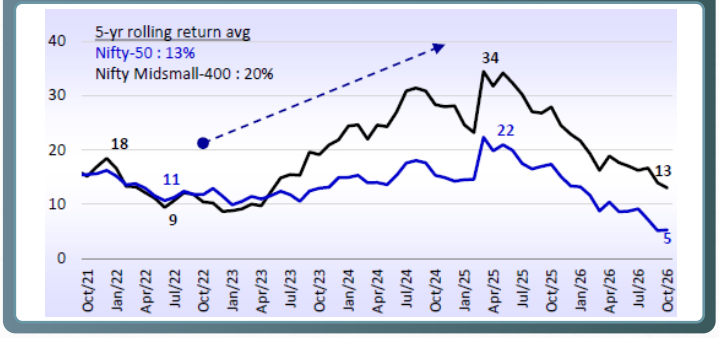



Figure 24. - CY26YTD returns remain significantly below their long-term CAGR

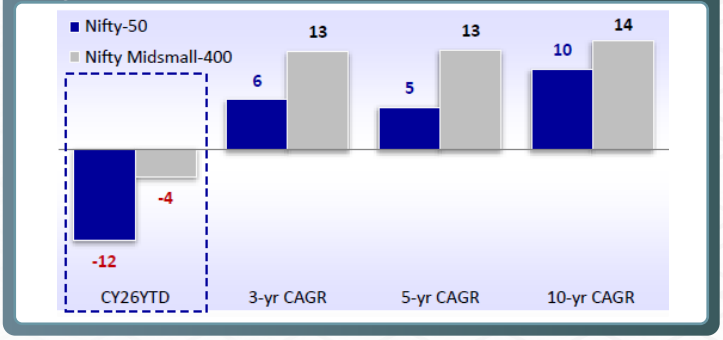



Figure 25. - Valuations down significantly from their highs and now trading below their averages

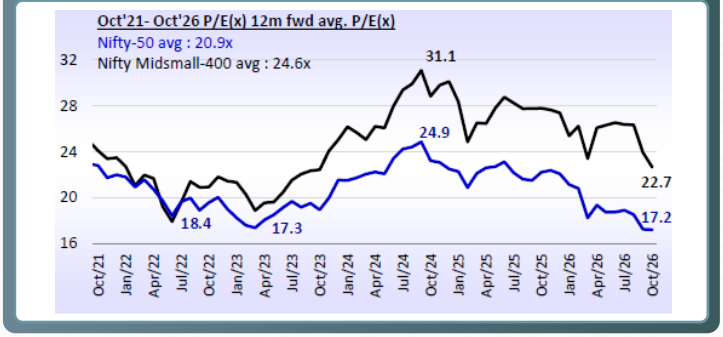
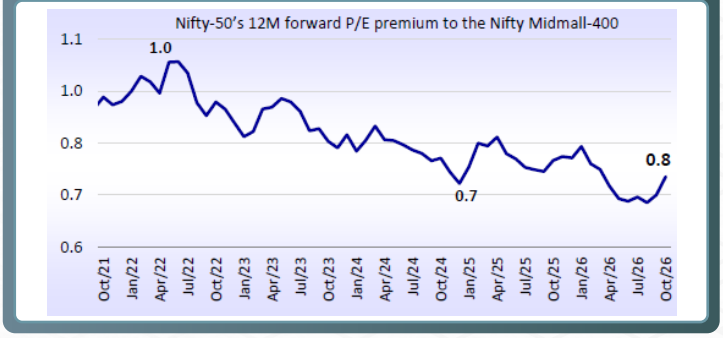



Figure 26. - Valuation premium of Nifty-50 to SMIDs at a multi year low




- For the Nifty 50 to deliver 3yr avg returns of 6%, it has to **average next 2yr @15% CAGR**.
- Similarly, for Nifty Mid Small 400 to deliver 3yr avg returns of 13%, it has to **average next 2yr @22% CAGR**.
- **Nifty 50 fwd P/E is at ~20% discount** to its average long term P/E.
- Similarly, **Nifty Mid Small 400 fwd P/E is at ~8% discount** to its average long term P/E.

Nifty 50 remains relatively attractive vs broader market.

Source: MOSL


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Equity Market Outlook

# Equity Market Outlook

## Improving Global Cues and Domestic Liquidity Anchor a Near-Term Market Floor

- Nifty 50 rebounded 1.9% in Oct-26, snapping a two-month losing streak, even as broader markets lagged with Midcaps and Smallcaps declining 3.4% and 5.8%, respectively.
- Recent corrections have reset valuations unevenly, making large-caps relatively attractive while select pockets of the broader market remain expensive.
- FIIs were net equity sellers of $3.6bn in Oct-26, though sentiment has turned constructive since Oct 30 with ~$2.3bn of secondary market inflows as global macro cues improve. DIIs and MFs continue to anchor domestic liquidity alongside steady SIP inflows helping cushion the market against foreign selling.
- India's macro backdrop remains resilient, supported by strong GST collections, festive auto demand, accelerating credit growth, and an expected corporate earnings recovery through H2FY27–FY28.
- Improving global developments including potential US political shifts, a graded de-escalation in West Asia, and gradually cooling crude prices alongside supportive Nov–Dec seasonality bode well for near-term equities.

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

| | 1yr Forward PE | CY27 EPS | Nifty Level |
|---|---|---|---|
| **Nifty** | 19.0 | 1370 | 26,030 |

**Key Takeways**

- **Improving global cues, cooling crude expectations, and strong domestic institutional liquidity provide a near-term market floor, with early signs of FPIs returning to Indian large-caps.**
- **With corporate earnings recovery concentrated in select pockets through H2FY27–FY28, we remain stock- and manager-specific**

## 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 remain constructive on this segment.
2) We hold our 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) Take an 18–24 month view on equities and buy/add on 2–5% corrections, staggered over 2–3 months for Large Cap strategies and over 3 months for mid and small cap allocations.
4) Alternative investment solutions such as MLD ideas can be actively considered offering principal protection and accelerated participation.

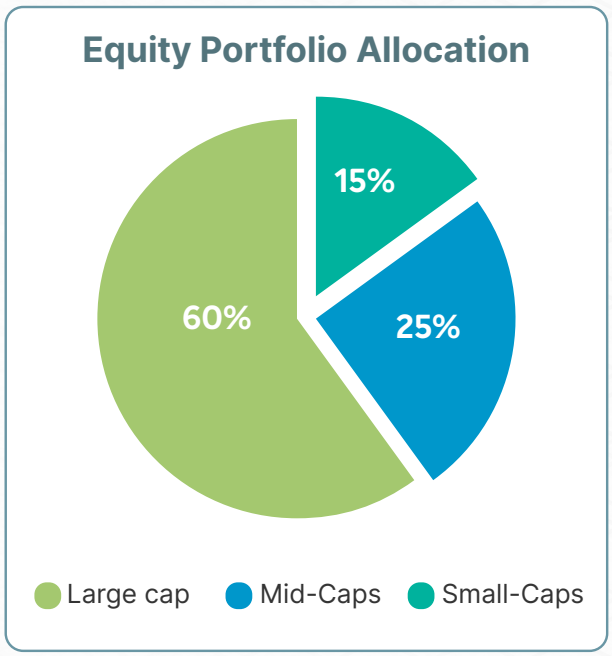
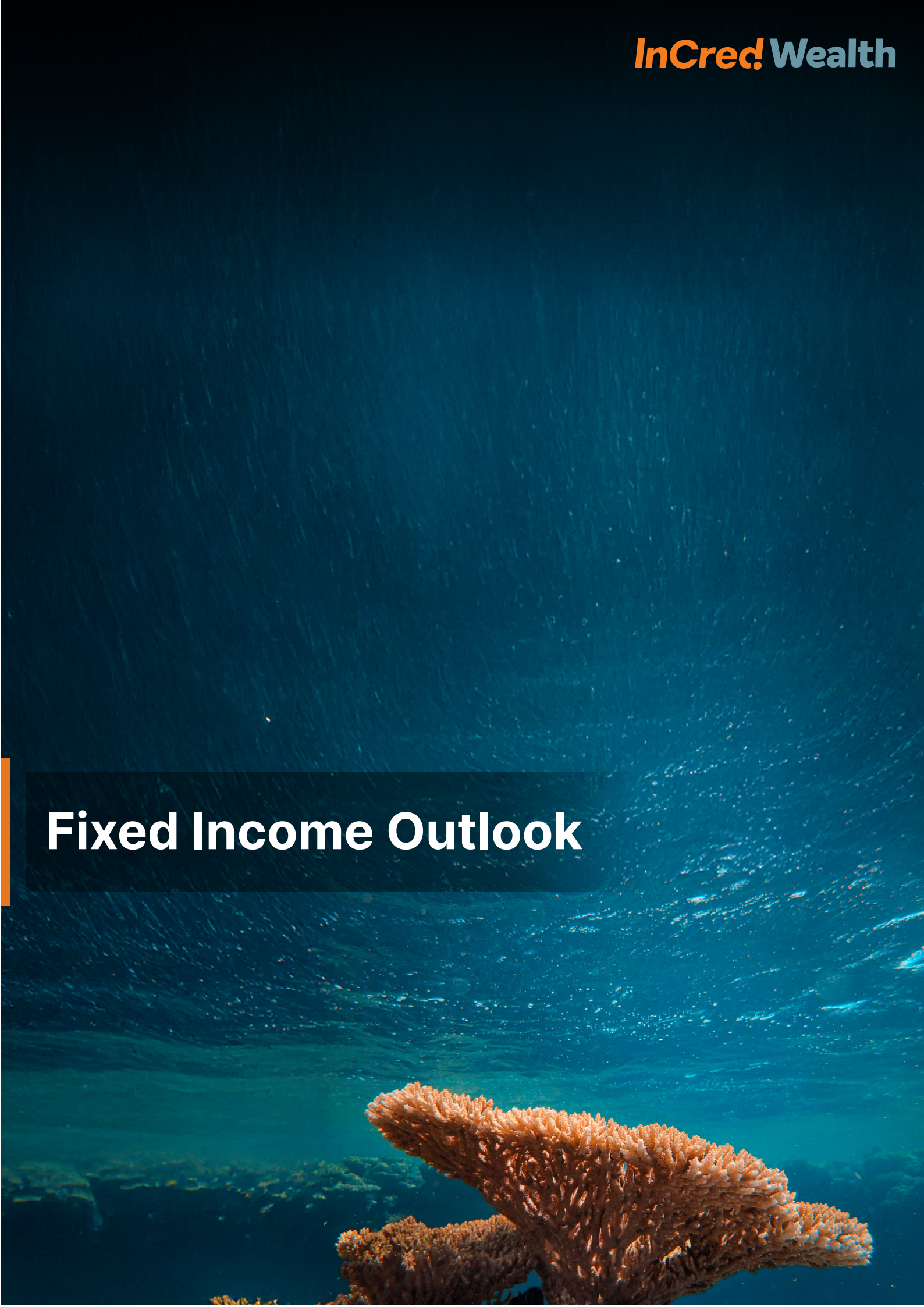



Figure 28.

| Category | InCred Outlook |
|---|---|
| Large Cap | Positive |
| Mid and Small Cap | Neutral |

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# Fixed Income Outlook



# Fixed Income Outlook

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

- Repo rate hike has driven the yields higher across the curve, with shorter end rising sharply and corporate spreads widening too.
- The G-Sec curve remain upward sloping while the corporate curve has bear flattened.
- As the banking system liquidity moved to almost Rs. 11 lakh crore, RBI announced OMO sales to drain excess liquidity.
- Durable liquidity falls by ~Rs. 6 lakh cr, driven mainly by FX intervention; expected to fall to ~Rs. 3–4 lakh cr by quarter-end.
- Spreads in the A rated segment still offer risk adjusted value.

Figure 29. - Issuers with credit rating "A" offers higher credit spreads

| 3-year tenor | 31-Oct-26 | Dec-25 | Dec-24 | Dec-23 | Dec-22 |
|---|---|---|---|---|---|
| G sec | 7.24 | 5.92 | 6.72 | 7.09 | 7.04 |
| **Credit Spreads (bp)** | | | | | |
| AAA over G sec | 118 | 75 | 81 | 56 | 71 |
| AA over AAA | 76 | 94 | 76 | 67 | 57 |
| A over AA | 186 | 125 | 184 | 134 | 191 |

Figure 30. - G-Sec curve shifts upward, led by the short end

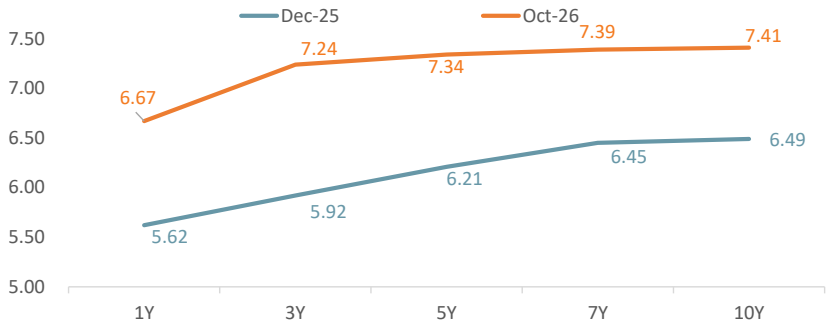
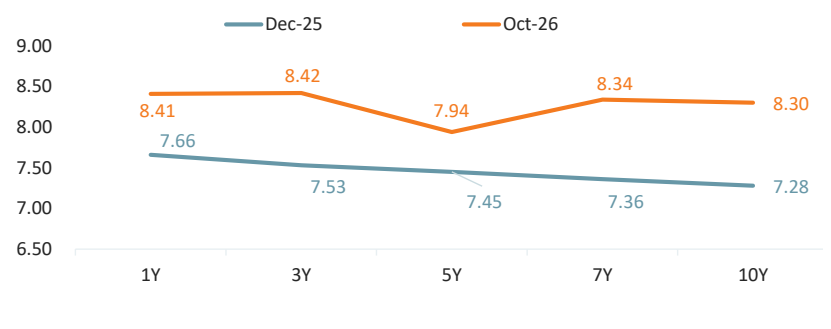



Figure 31. - AAAA curve has shifted ~80bps in 1yr-3yr segment; by ~85bps in long duration




Source: Bloomberg

# Fixed Income Outlook and Allocation Strategy

## Outlook

- With inflation pressures remaining elevated, RBI initiated a hiking cycle with a 25 bps repo rate hike to 5.50% and shifted its stance to "Calibrated Tightening" in the Oct MPC meet.
- Higher crude prices and a weaker INR continue to amplify inflation risks, strengthening the case for a tighter RBI policy path. Narrowing UST-India 10Y spreads could keep rates higher for longer, with 3–4 additional repo hikes expected over the next 6–9 months taking the terminal repo rate to 6.25%–6.50%.
- RBI's forex measures and capital inflow initiatives remain supportive, with foreign G-Sec participation and FCNR(B) inflows aiding INR stability.
- Global central-bank actions (such as continued US Fed and BoJ rate hikes) remain a crucial swing factor for RBI policy, foreign portfolio debt flows, and domestic yields.
- We expect yields to remain range-bound with an upward bias (10Y G-Sec inching towards 7.40%–7.50%), with the arrival of a rate-hiking cycle making short-duration accrual strategies (up to 3-year maturities) strongly preferable to duration exposure. Selective high-yield credit opportunities (allocating up to 40% via structured credit / sub-A- NCDs) remain attractive where spreads adequately compensate for risk.

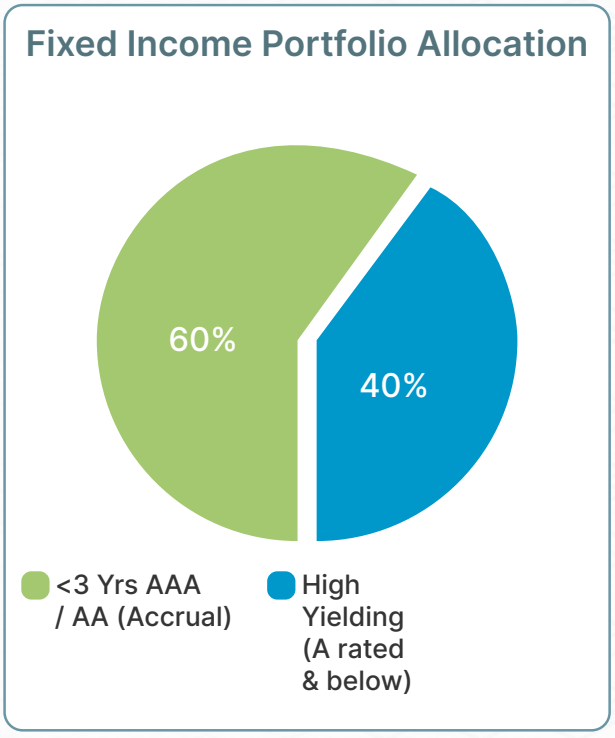



Figure 32.

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

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