

MONTHLY MARKET OUTLOOK:

» India's Economic Snapshot:

Strong Domestic Fundamentals Support Economic Momentum:

India maintained its position as the world's fastest-growing major economy in FY26, with real GDP expanding by **7.7%**, supported by robust domestic demand, government-led infrastructure spending, and a revival in private sector investments. Growth accelerated to **7.8%** in Q4FY26, underscoring the economy's resilience despite heightened geopolitical uncertainty and volatile commodity prices. A key driver of this momentum has been the revival in the investment cycle, with private sector capital expenditure surging **67%** year-on-year to **₹7.7 trillion** in September 2025. Manufacturing accounted for **₹3.8 trillion** of announced investments, while the services sector contributed ₹3.1 trillion, reflecting growing confidence among corporates and strengthening medium-term growth prospects.

India's external sector, however, has come under pressure from elevated crude oil prices amid the West Asia conflict. The merchandise trade deficit widened sharply to **\$28.4 billion** in April 2026 from \$20.7 billion in March, as imports rose to **\$64.9 billion** while exports stood at **\$36.5 billion**. Sustained high energy prices could further strain the current account balance, given India's dependence on imported crude. Nevertheless, strong services exports and healthy remittance inflows continue to provide a buffer against external shocks.

Inflationary pressures have remained relatively contained despite the rise in wholesale prices. Consumer price inflation eased to **3.9%** in May 2026 from **4.8%** a year earlier and remained below the Reserve Bank of India's medium-term target of **4%**, supported by moderating food prices. Meanwhile, wholesale inflation surged to an **8.3%** 42-month high in April, driven by a **24.7%** jump in fuel and power prices. Overall, resilient growth, a strengthening capex cycle, and manageable inflation continue to underpin India's medium-term outlook, although elevated commodity prices and external imbalances remain key risks to monitor.

 From Conflict to Confidence:

Geopolitical risks eased materially during June 2026 as the United States and Iran signed an interim peace agreement, bringing an end to months of conflict and paving the way for the reopening of the Strait of Hormuz, a critical artery for global energy trade. The de-escalation triggered a sharp reversal in commodity prices, with Brent crude retreating from a peak of nearly **\$126 per barrel** during the height of the crisis to around **\$73 per barrel** by mid-June, while the Indian rupee strengthened to approximately **₹94.6** per U.S. dollar as concerns over India's oil import bill subsided. The easing in oil prices has significantly improved the outlook for inflation, corporate margins, and current account balances across major economies, particularly energy importers such as India. Global equity markets have responded positively, with investors shifting focus back to economic fundamentals and the prospect of monetary easing later in the year.

History suggests that geopolitical shocks often create short-term volatility but rarely alter long-term wealth creation trends. As uncertainty surrounding energy supplies and trade routes diminishes, the environment for risk assets has become increasingly constructive. Lower crude prices, resilient global growth, and expectations of policy support from major central banks provide a favorable backdrop for equities. While the implementation of the peace agreement and broader regional stability remain key variables to monitor, recent market behavior reinforces the importance of maintaining a long-term perspective, as periods of heightened uncertainty have historically been followed by strong recoveries and attractive investment opportunities.

► Markets Breathe Easier:

FMCG

We are not going to do charity, I am not going to hesitate to take tough calls, where in the states the structural profitability is not there because of regulators. This is a time when the industry is in crisis - **United Breweries Ltd**

TECH

Most of our growth this year has been pricing led because volumes have been softer... AI revenue are coming at a better pricing - **Infosys Ltd**

AUTO

India can't directly leapfrog from ICE to EVs because we can't replace the import of oil with dependency on imported raw materials for batteries...we believe hybrids have to be accelerated in India - **Amara Raja Energy and Mobility Ltd**

DEFENCE

Our revenue from exports will increase starting this year as most countries are increasing their spend on defence given the present geopolitical situation...actively engaging with customers in Europe & other international markets - **Data Patterns (India) Ltd**

► Wholesale Inflation Signals Emerging Cost Pressures Across the Economy:

In India's wholesale inflation accelerated sharply in April 2026, with the Wholesale Price Index (WPI) rising to a 42-month high of **8.3%** year-on-year, compared with **3.9%** in March. The surge was primarily driven by a steep increase in fuel and power prices, which jumped **24.7%** amid escalating geopolitical tensions in West Asia that disrupted global energy markets and pushed crude oil prices higher. Rising costs of mineral oils, natural gas, basic metals, and other manufactured products also contributed to the inflationary pressures. While consumer inflation has remained relatively contained so far, sustained increases in wholesale prices could eventually feed through to retail prices, posing risks to household purchasing power and corporate profit margins. The sharp rise in WPI highlights India's vulnerability to external energy shocks and underscores the importance of monitoring commodity price movements and geopolitical developments in the months ahead.

► IMD Cuts Monsoon Forecast Amid Rising El Niño Concerns:

The India Meteorological Department (IMD) has revised its 2026 southwest monsoon forecast downward to **90%** of the Long Period Average (LPA) from an earlier estimate of **96%**, citing emerging **El Niño** risks in the Pacific Ocean. The updated projection places rainfall at the lower end of the 'below normal' category and raises concerns about agricultural production, rural incomes, and food price stability. A weaker monsoon could adversely affect the sowing and yields of key kharif crops such as rice, pulses, and oilseeds, potentially leading to higher food inflation in the coming months. Given that nearly half of India's farmland remains rain-fed, below-normal rainfall may also weigh on rural consumption and economic activity. While improved irrigation infrastructure and government support measures may help mitigate some impacts, the evolving El Niño conditions remain a significant downside risk to India's FY27 growth and inflation outlook.

» Robust Private Investment Boosts Medium-Term Growth Prospects:

India's private sector capital expenditure (capex) surged **67%** year-on-year to **₹7.7 trillion** in September 2025, signaling a broad-based revival in corporate investment activity and strengthening confidence in the country's growth prospects. The manufacturing sector emerged as the largest contributor, accounting for **₹3.8 trillion** of announced investments, supported by capacity expansion plans, government incentives under Production-Linked Incentive (PLI) schemes, and robust domestic demand. The services sector followed closely with investments worth **₹3.1 trillion**, driven by projects in telecommunications, logistics, data centers, financial services, and other infrastructure-linked segments. The sharp rise in private capex reflects improving balance sheets, healthy corporate profitability, and growing optimism regarding future demand conditions. Combined with sustained public infrastructure spending, the increase in private investment is expected to boost productive capacity, enhance competitiveness, generate employment opportunities, and provide a strong foundation for medium-term economic growth.

» GST Collections Remain Resilient Despite High Base Effect:

India's GST collections continued to demonstrate resilience in May 2026, with net GST revenue increasing **3.3%** year-on-year to **₹1.7 trillion**. However, the headline growth rate was impacted by a high base effect arising from a one-time payment of approximately ₹100 billion related to spectrum allocation received in the corresponding period last year. Excluding this exceptional item, the underlying performance was considerably stronger, with normalized gross GST collections growing 9.0% year-on-year and normalized net collections rising **10.1%**. The robust adjusted growth reflects sustained momentum in domestic economic activity, healthy consumption demand, and continued improvements in tax compliance and formalization. Strong GST collections also indicate the effectiveness of ongoing digitalization and enforcement measures within the indirect tax system. From a fiscal perspective, buoyant tax revenues provide the government with greater room to support capital expenditure and infrastructure development while remaining committed to fiscal consolidation objectives. The steady growth in GST receipts reinforces confidence in the durability of India's domestic demand-led growth trajectory.

► RBI's Record Forward Book Signals Active Currency Management:

India's renewable energy transition gained significant momentum in the first quarter of CY2026, with the country adding a record **15.3 GW** of solar power capacity, representing a remarkable **143%** year-on-year increase. Solar energy accounted for **77%** of the total **19.9 GW** of power generation capacity added during the quarter, underscoring its growing dominance in India's energy mix. The strong expansion was driven by accelerated project commissioning, supportive government policies, declining technology costs, and rising demand for clean energy from both utilities and commercial consumers. The record capacity addition highlights India's progress toward its renewable energy targets and its commitment to reducing dependence on fossil fuels. Increased solar deployment is expected to enhance energy security, lower carbon emissions, and attract further investments into the renewable energy sector. The continued scaling up of solar infrastructure also strengthens India's position as one of the world's fastest-growing renewable energy markets and supports the country's long-term sustainability and energy transition objectives.

► Energy Price Shock Fuels Wholesale Inflation:

India's wholesale inflation accelerated sharply to **8.3%** year-on-year in April 2026, marking its highest level in 42 months and up from **3.9%** in March. The surge was primarily driven by a steep increase in fuel and power prices, which jumped **24.7%** amid escalating geopolitical tensions in West Asia that disrupted global energy markets and pushed crude oil prices higher. Rising costs of mineral oils, natural gas, basic metals, and manufactured products also contributed to broader price pressures. The sharp increase in wholesale prices highlights India's vulnerability to external commodity shocks, given its dependence on imported energy. While retail inflation has remained relatively contained, persistent input cost pressures could gradually feed into consumer prices and squeeze corporate margins. Going forward, the trajectory of crude oil prices and developments in West Asia will be key factors shaping India's inflation outlook and monetary policy trajectory.

► Trade Deficit Widens Amid Rising Import Costs:

India's merchandise trade deficit widened sharply to **\$28.4 billion** in April 2026, compared with **\$20.7 billion** in March, reflecting the impact of rising global crude oil and commodity prices on the country's import bill. Imports increased to **\$64.9 billion**, driven by higher purchases of petroleum, electronics, and precious metals, while exports grew at a slower pace to **\$36.5 billion**, resulting in the widest monthly trade gap in five months. The deterioration in the trade balance underscores India's vulnerability to external price shocks, particularly given its dependence on imported energy. A sustained rise in crude oil prices could further widen the current account deficit and exert pressure on the rupee. Going forward, the trajectory of global energy prices and external demand conditions will remain key determinants of India's external sector outlook and macroeconomic stability.

► Higher Ethanol Blends Mark the Next Phase of Energy Independence:

India's biofuel transition gathered further momentum in June 2026 with the commercial rollout of **E85** fuel and the government's push to incorporate E85 and E100 blends into the regulatory framework, marking the next phase beyond the nationwide adoption of **E20** petrol. Having achieved its target of **20%** ethanol blending in 2025—up from just **1.5%** in 2014—India has emerged as one of the world's fastest-growing biofuel markets. The ethanol blending programme has already saved an estimated ₹1.84 lakh crore in foreign exchange, substituted over 302 lakh metric tonnes of crude oil, reduced CO₂ emissions by 909 lakh metric tonnes, and generated additional farm income of **₹1.58 lakh crore**. To accelerate adoption, E85 fuel has been introduced at a ₹20 per litre discount to conventional petrol, while ethanol production capacity has expanded to over 1,700 crore litres annually. The transition towards higher ethanol blends is expected to strengthen India's energy security, reduce dependence on imported crude, and create long-term opportunities across agriculture, biofuels, and the automotive sector.

CAPEX UPDATE

► Public Spending Surge: Centre's Aggressive Capex Fuels Economic Growth:

- Plan to invest **\$20bn** in offshore data acquisition to boost domestic O&G production.
- Approved **₹234 bn**, 3 rail multi-tracking rail projects across 6 states.
- Govt approves **₹56.6 bn** 5 yr scheme for improving India's cotton productivity.
- Cabinet approves **₹129.8 bn** maritime insurance pool to cut reliance on global insurers.
- Odisha Mining Corporation to invest ₹8 bn to set up a 1.5 mtpa pellet plant focusing utilization of low grade iron ore.
- Cabinet approves **₹10 per** quintal sugarcane price hike for 2026-27 season.

► Private Capex in Focus: A Tale of Caution and Strategic Investment:

- L&T to invest **₹450 bn** in green hydrogen, data centres & semiconductors over next 5 years.
- JK Tyre to invest **₹49.8 bn** to expand tyre capacity by 24% to ~26 mn p.a. by FY30.
- Eicher Motors to invest **₹22 bn** in a greenfield AP plant, expanding capacity by 0.9 mn units to 2.9 mn.
- SRF to invest **₹23 bn** for a 20k MTPA HFO & 30k MTPA AHF manufacturing facility in Odisha
- Coal India to invest **₹1 tn** through FY31 across mining infrastructure, evacuation systems, coal gasification, thermal power & clean energy projects.

GLOBAL MARKET OUTLOOK:

» U.S. Economy Moves Toward Soft Landing Amid Sticky Inflation:

The U.S. economy remained resilient through June 2026, supported by healthy consumer spending, a robust labor market, and improving manufacturing activity, although higher energy prices and persistent inflation have complicated the macroeconomic outlook. Manufacturing activity continued to expand, with the ISM Manufacturing PMI rising to **54.0** in May from **52.7** in April, its highest reading in four years. Labor market conditions remained stable, with nonfarm payrolls increasing by 172,000 in May and the unemployment rate holding steady at **4.3%**, while wage growth continued to support household consumption. However, inflationary pressures re-emerged, with headline CPI inflation accelerating to **4.2%** year-on-year in May from **3.8%** in April, primarily driven by higher gasoline and energy prices, while core inflation remained relatively contained at **2.9%**.

Economic growth has moderated, with real GDP expanding at an annualized pace of **1.0%** in the first quarter of 2026, compared with **2.4%** growth recorded in the previous quarter, reflecting the impact of elevated input costs, trade disruptions, and softer business investment. Against this backdrop, the Federal Reserve has maintained interest rates unchanged and reiterated a cautious, data-dependent approach. While policymakers still expect easing later in the year, markets have pushed back rate-cut expectations as inflation remains above target. Overall, the U.S. economy continues to move toward a soft-landing scenario, but sticky inflation, elevated energy prices, and rising concerns surrounding leverage in private credit markets remain key risks to monitor.

► Eurozone Faces Growth Slowdown Amid Renewed Price Pressures:

The Eurozone economy faced renewed inflationary pressures in May 2026, with headline inflation accelerating to **3.2%** year-on-year, its highest level in more than two years, driven largely by a **10.9%** rise in energy prices amid escalating geopolitical tensions and higher crude oil costs. The resurgence in inflation has complicated the European Central Bank's policy outlook, potentially delaying the pace of monetary easing. At the same time, the European Union unveiled its ambitious Tech Sovereignty Package, aimed at strengthening the bloc's digital independence by prioritizing European software, cloud infrastructure, and artificial intelligence solutions in public procurement. On the trade front, the EU reached a compromise with the United States to avert steeper tariffs on automobile exports, agreeing to accept a **15%** U.S. tariff on most exports while eliminating tariffs on a range of American industrial goods. The agreement is expected to preserve transatlantic trade flows and reduce uncertainty for European manufacturers. Despite persistent weakness in industrial activity and subdued domestic demand, these policy initiatives are aimed at enhancing competitiveness, supporting strategic industries, and strengthening the region's long-term economic resilience.

► China's Industrial Output Remains Resilient Amid Uneven Recovery:

China's external sector remained resilient in May 2026, with exports surging 19.4% year-on-year, supported by strong shipments of electronics, machinery, and electric vehicles, as well as front-loading of orders amid continuing global trade uncertainties. The sharp increase in exports helped lift the country's trade surplus to **\$105.4 billion**, up from **\$84.8 billion** in April, underscoring the strength of China's manufacturing base despite a challenging external environment. Import growth remained relatively subdued, reflecting weak domestic demand and ongoing stress in the property sector. Meanwhile, policymakers have continued to roll out targeted stimulus measures to support consumption, infrastructure investment, and the housing market. The strong trade performance provides a cushion to the broader economy, which continues to grapple with deflationary pressures and sluggish private sector confidence. Going forward, the sustainability of export growth and the effectiveness of policy support measures will be key determinants of China's economic outlook.

INDIA ECONOMIC DATA

Economic Indicator	Apr'26	Mar'26	Apr'25
WPI inflation (in%)	3.9	2.1	2.3
CPI inflation (in%)	3.4	3.2	3.3
Trade Deficit (in bn\$)	20.7	27.1	21.7



India's WPI rose to a 42 month high of 8.3% in April primarily led by higher fuel & power prices (+24.7% in April vs 1.1% in March) due to the West Asia crisis

Economic Indicator	May'26	Apr'26	May'25	MoM	YoY
GST Collection (in ₹tn)	1.9	2.4	1.9	-20.00%	3.20%
AVG USD INR	95.4	93.4	85.2	2.20%	12.00%
Forex Reserves (\$ bn)	682.3	690.7	691.5	-1.21%	-1.30%