4th JUNE 2026

May 2026 highlighted how increasingly interconnected the global landscape has become. Developments across geopolitics, trade and energy markets continued to shape investor sentiment, reinforcing the idea that market outcomes are being influenced by a broader set of forces than traditional economic indicators alone. Events unfolding across multiple regions served as a reminder that policy decisions, geopolitical developments and strategic priorities can have far reaching implications for economies, businesses and financial markets alike. The month also underscored the growing importance of technological leadership and economic resilience. Governments and corporations around the world continued to invest in securing supply chains, strengthening critical infrastructure and positioning themselves for long term competitiveness in an increasingly complex global environment. While these developments have contributed to periods of uncertainty, they also reflect a world undergoing significant structural change. For investors, the challenge is no longer simply interpreting economic data or corporate earnings. Understanding the broader forces reshaping trade, capital flows, technology and geopolitics is becoming equally important. As May ended, these themes remained at the forefront of discussions around economic growth, corporate performance and the long-term investment landscape.

EQUITIES:

INDIA: Nifty 50 declined **1.9%** in May 2026, reflecting a period of consolidation following the sharp gains recorded in the previous month. Investor sentiment remained influenced by global developments, while sector rotation and profit booking contributed to the moderation in market performance. Sector performance in May reflected a more selective market environment compared to the broad-based rally witnessed in April. Metals (4.8%) and Pharma (4.7%) emerged as the top performers, followed by Chemicals (2.7%) and Auto (1.8%). IT (-0.6%), Banking (-1.0%) and Financial Services (-1.0%) remained relatively resilient with only modest declines, while the Services Sector (-1.7%) moderately underperformed. Among the weaker segments, FMCG (-3.2%) and Oil & Gas (-4.2%) lagged the broader market, with Consumer Durables (-6.2%) emerging as the worst performing sector during the month.

Foreign investors remained highly selective in May 2026, directing flows towards Services (₹7,019 crore), Capital Goods (₹2,645 crore) and Metals & Mining (₹1,698 crore). Selling pressure, however, persisted in Financial Services (-₹17,960 crore) and Oil & Gas (-₹6,885 crore). Notably, Financial Services has witnessed cumulative FPI outflows of over **₹1.2 lakh** crore during the past 6 months, highlighting sustained foreign investor caution towards a sector that remains the largest constituent of the Indian equity market.

Q4 FY26 marked a genuine inflection point for India Inc at the aggregate level. The combined net profit of 3,081 listed companies grew **15.1%** YoY to approximately ₹4.74 lakh crore, accelerating sharply from the 9.2% growth recorded in the same period a year earlier, and it was the first quarter in twelve preceding to also deliver double-digit revenue growth. The Nifty 50 Universe posted 9% earnings growth YoY as net profit growth came in at 4% YoY while the earnings recovery was powered by cyclicals, particularly public-sector OMCs (Oil Marketing Companies), metals and mining, non-bank retail lenders and power generation utilities. BFSI delivered growth of 18% YoY, metals surged 50% and OMCs delivering 62% YoY profit growth. It was the third consecutive quarter of double-digit profit growth for India Inc, though consensus cautioned that the performance may be difficult to sustain given rising energy prices, higher wholesale price inflation and elevated bond yields heading into FY27.

Nifty Midcap 150 and Nifty Smallcap 250 extended their gains in May 2026, advancing **2.6%** and **1.6%**, respectively. Foreign investors remained net sellers in May 2026, recording outflows of **₹29,484 crores**. Domestic institutional investors continued to provide strong support, with net inflows of **₹82,669 crores**, helping absorb foreign selling and providing stability to the broader market.

Despite a moderation in the pace of selling, cumulative FPI outflows over the past 3 months at ₹2,26,105 crore remain the largest observed since January 2002. Analysis of 51 months of extreme foreign selling between 2002 and 2026 suggests such periods alone have not historically guaranteed stronger returns, delivering an average 12 month forward return of 17.3% versus 18.9% during normal periods. However, the signal strengthened considerably when heavy selling coincided with below average valuations on forward earnings, with median 12-month returns rising to 28.9% across 17 such observations. While historical outcomes are not guarantees, the current environment continues to exhibit several characteristics associated with past capitulation driven opportunities, including elevated foreign selling, valuations below the historical heavy selling average and robust domestic investor participation.

INDICES	CURRENT	10 YR MEDIAN	AVERAGE (SI)	COMMENT
NIFTY 50 (PE)	20.3	23.4	21.0	FAIRLY VALUED
NIFTY 50 (PB)	3.2	3.6	3.6	UNDERVALUED
NIFTY 50 (DIVIDEND YIELD)	1.4	1.3	1.4	OVERVALUED
NIFTY MIDCAP 150 (PE)	28.9	34.0	31.1	FAIRLY VALUED
MIDCAP 150 (PB)	4.8	3.4	3.1	OVERVALUED
MIDCAP 150 (DIVIDEND YIELD)	0.7	0.9	1.2	OVERVALUED
SMALLCAP 100 (PE)	30.5	32.1	43.5	UNDERVALUED
SMALLCAP 100 (PB)	3.5	3.4	3.1	OVERVALUED
SMALLCAP 100 (DIVIDEND YIELD)	0.7	0.8	1.1	OVERVALUED
S&P 500 (PE)	32.8	18.0	20.3	OVERVALUED

Data as on 31st May 2026

As of 31st May 2026, the Nifty 50 traded at a PE ratio of 20.3x, below both its long-term average of 21.0x and its 10-year median of 23.4x. The Nifty Midcap 150 traded at 28.9x, remaining below its historical average of 31.1x and its 10-year median of 34.0x. Meanwhile, the Nifty Smallcap 100 traded at 30.5x, below its 10-year median of 32.1x and significantly below its long-term average of 43.5x.

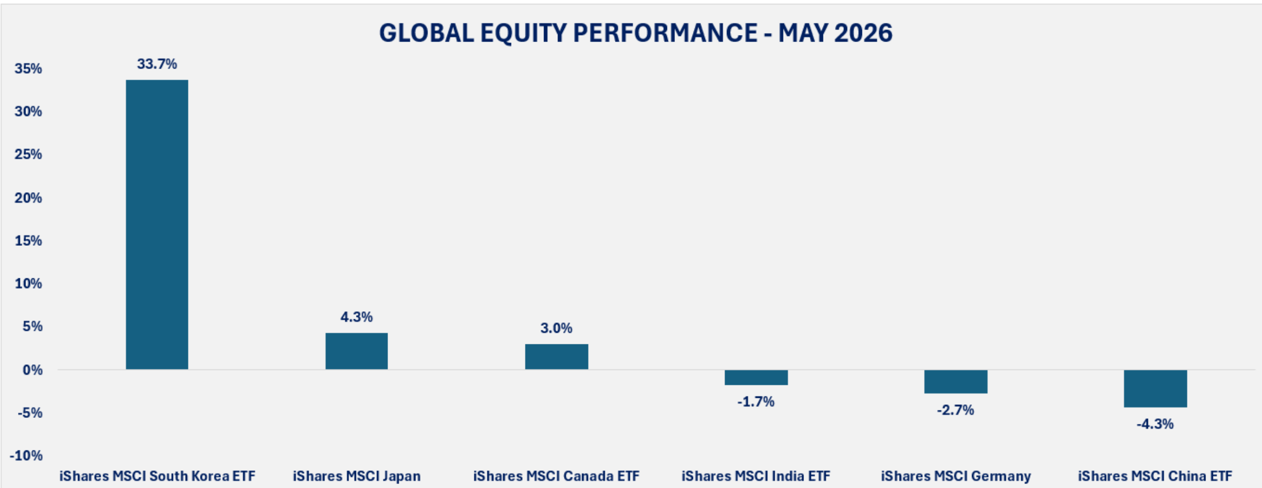
U.S.: The Q1 2026 earnings season has delivered an exceptionally strong performance for the S&P 500. With 97% of companies having reported, 85% beat EPS estimates and 81% beat revenue estimates, both the highest rates since Q2 2021 and well above their respective 5 and 10-year averages. Blended earnings growth came in at **28.6%** YoY, the highest since Q4 2021, marking the sixth consecutive quarter of double-digit earnings growth, while revenue growth stood at **11.8%**, the strongest since Q2 2022. The standout sectors were Information Technology at 54.3% earnings growth, Communication Services at 48.9%, and Materials at 42.5%, driven by outsized beats from mega caps like NVIDIA, Alphabet, Meta Platforms, and Amazon. Net profit margins soared 14.8% and analysts forecast full year 2026 earnings growth of 22.6%, with the forward P/E ratio currently sitting at 21.2x, above both the 5-year average of 19.9x and the 10-year average of 18.9x.

QUARTER	EARNINGS GROWTH	REVENUE GROWTH
Q1 2026 (ACTUAL)	28.60%	11.80%
Q2 2026	21.60%	12.00%
Q3 2026	24.80%	10.60%
Q4 2026	22.30%	10.10%
CY 2026	**22.60%**	**10.70%**

Source: FactSet Insights

Investors poured almost $200 billion into US-listed ETFs in May 2026, keeping up the torrid pace they've set all year. **Year-to-date inflows now stand at nearly $836 billion**. At this rate the figure could top $1 trillion by the end of June and $2 trillion by year-end. About half of May's haul, roughly $100 billion, went into US equity ETFs. The rest was split mostly between US fixed income ETFs, which took in $47 billion, and international equity ETFs, which pulled in $32 billion. Currency ETFs shed $2.3 billion and leveraged ETFs lost the same amount. Vanguard S&P 500 ETF (VOO) topped the list of individual flows with $18.7 billion while iShares Core S&P 500 ETF (IVV) pulled in $15.3 billion and the SPDR S&P 500 ETF Trust (SPY) took in $9.9 billion. The standout was the Roundhill Memory ETF (DRAM), which pulled in almost $8 billion and now sits at $13.4 billion in assets. Stocks of memory companies have gone vertical on the back of their centrality to the AI boom. DRAM rose more than 60% during the month. On the fixed income side, the iShares 0-3 Month Treasury Bond ETF (SGOV) led with $6.7 billion of inflows. No international ETF cracked the top 10. Meanwhile, on the outflows side, the iShares MSCI USA Quality Factor ETF (QUAL) saw the most redemptions at $5 billion. The Direxion Daily Semiconductor Bull 3x Shares (SOXL) followed with $3.9 billion as traders took profits after the fund's massive spike.

GLOBAL: Global equity markets delivered a mixed performance in May 2026, with sharp divergence across regions. South Korea was the standout performer, with the iShares MSCI South Korea ETF surging **33.7%**, driven by strong momentum in its semiconductor and technology heavyweights amid continued global AI spending. Japan and Canada followed with modest gains of **4.3%** and **3.0%** respectively, reflecting steady but unspectacular economic conditions in both markets. On the other hand, India slipped **1.7%** in USD terms, as domestic fundamentals remain intact but valuation, continuous foreign selling, global uncertainty and currency pressures weighed on returns. Germany declined **2.7%**, consistent with the broader challenges facing the Eurozone economy including sluggish industrial output and weak consumer demand. China was the worst performer of the group, falling **4.3%**, as investor confidence remained fragile despite ongoing stimulus efforts from Beijing.



Source: Investing.com (Data as on 31st May 2026)

For investors looking beyond domestic markets, **Privus' Global Wrap**, covering an estimated **85 to 90%** of the global investable universe constructed using UCITS, continued to demonstrate the case for international diversification in May 2026. While the Nifty 50 delivered a negative **1.8%** in USD terms for the month, the global wrap constituents outperformed. EQAC led with **11.8%** for the month, followed by CSPX at **4.7%**, EXUS at **3.2%**, and VFEA at **2.3%**. On a 1-year basis, the divergence becomes even more stark, with the Nifty 50 deep in negative territory at negative 14.1% in USD terms and negative 4.9% in INR terms, while EQAC delivered 38.6% in USD and 54.0% in INR, CSPX returned 30.1% in USD and 44.5% in INR, VFEA returned 30.6% in USD and 45.1% in INR, and EXUS returned 20.4% in USD and 33.8% in INR over the same period, with the INR figures reflecting the additional tailwind from rupee depreciation against the dollar.

RETURNS IN USD	VFEA	CSPX	EXUS	EQAC	NIFTY 50
1M RETURN	2.3%	4.7%	3.2%	11.8%	-1.8%
1Y RETURN	30.6%	30.1%	20.4%	38.6%	-14.1%

RETURNS IN INR	VFEA	CSPX	EXUS	EQAC	NIFTY 50
1M RETURN	2.4%	4.8%	3.3%	11.9%	-1.9%
1Y RETURN	45.1%	44.5%	33.8%	54.0%	-4.9%

Source: Investing.com

India's weight in the MSCI Emerging Markets Index has shrunk by more than a third from **18.41%** in January 2025 to **11.94%** as of May 2026, triggering a sharp selloff on 29th May in domestic equities as passive funds globally tracking the index were forced to mechanically reduce their India holdings. The primary driver of this shift has been the remarkable rise of North Asian semiconductor stocks, with Taiwan and South Korea's combined weight surging from **29.5%** to **43.5%** over the same period, fuelled by extraordinary demand for chips and semiconductor technology underpinning the global AI buildout.

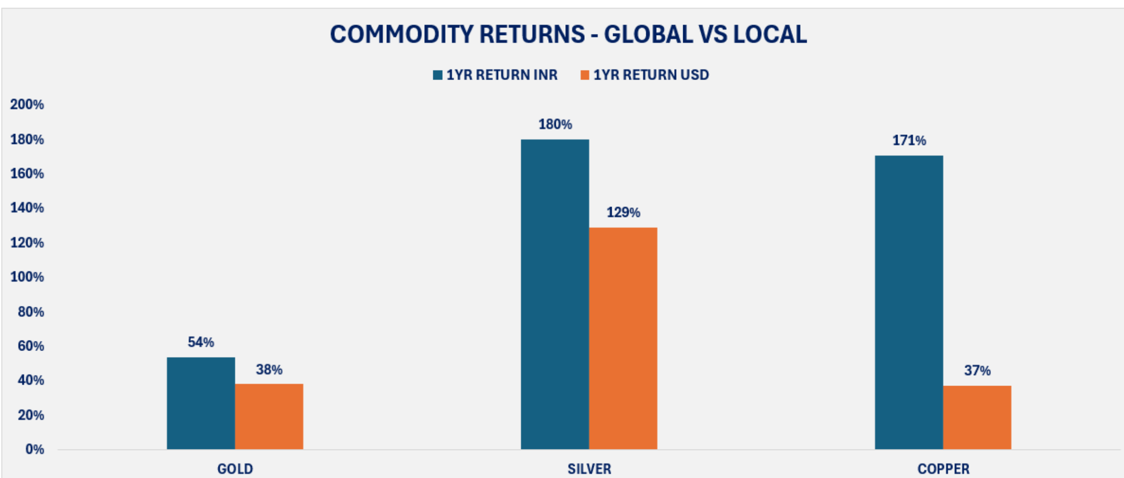
FIXED INCOME:

BOND YIELD	CURRENT	10 YR AVERAGE	AVERAGE (SI)	COMMENT
1 YEAR	6.13%	5.98%	6.60%	OVERVALUED
2 YEAR	6.40%	6.20%	6.80%	OVERVALUED
3 YEAR	6.55%	6.40%	7.00%	OVERVALUED
4 YEAR	6.66%	6.58%	7.10%	OVERVALUED
5 YEAR	6.83%	6.66%	7.20%	OVERVALUED
6 YEAR	7.00%	6.82%	7.30%	OVERVALUED
7 YEAR	6.99%	6.90%	7.40%	OVERVALUED
8 YEAR	7.01%	6.97%	7.50%	OVERVALUED
9 YEAR	6.88%	6.95%	7.50%	OVERVALUED
10 YEAR	7.00%	6.87%	7.30%	OVERVALUED

Data as on 31st May 2026

INDIA: India's yield curve flattened in May 2026, with the short end rising sharply while long end yields remained broadly stable. The 1-year yield rose by approximately 50bps from 5.63% to 6.13%, driven by tightening near-term liquidity conditions, while the 10-year yield was nearly unchanged, easing marginally from 7.02% to 7.00%, compressing the 1s10s spread.

COMMODITIES: Brent crude oil prices declined sharply by **18.5%** in May 2026, falling from $114.01 per barrel to $92.92 per barrel. The decline reflected easing supply concerns and a partial unwinding of the geopolitical risk premium that had driven prices sharply higher in previous months. Despite the correction, oil prices remain elevated relative to levels prevailing before the recent Middle East tensions, highlighting the market's continued sensitivity to potential supply disruptions. Gold prices in India rose **2.8%** from ₹15,273/10gms to ₹15,704/10gms, while silver surged **12.0**% from ₹2,50,000/ kg to ₹2,80,000/kg. Industrial metals also participated in the rally, with copper prices rising **9.8%** from ₹2,39,833/kg to ₹2,63,371/kg. Despite softening prices, metals continued to act as a flight to safety amid geopolitical uncertainty.



Source: Investing.com

Beyond its traditional industrial role, copper is emerging as one of the most compelling structural investment opportunities of the decade. Demand is being supercharged by three simultaneous forces, namely AI data centres, electric vehicles and renewable energy infrastructure; a single large AI data centre requires up to 50,000 tonnes of copper. IEA has warned that copper is heading toward a supply deficit that could reach 30% by 2035 and meeting projected demand will require over **$210 billion** in new mining investment, against just **$76 billion** invested over the past 6 years. Consensus sees global consumption surging from **28 million tonnes** in 2025 to over **42 million tonnes** by 2040, a 50% increase, driven by the overlapping forces of electrification, renewable energy expansion and AI driven digital infrastructure.

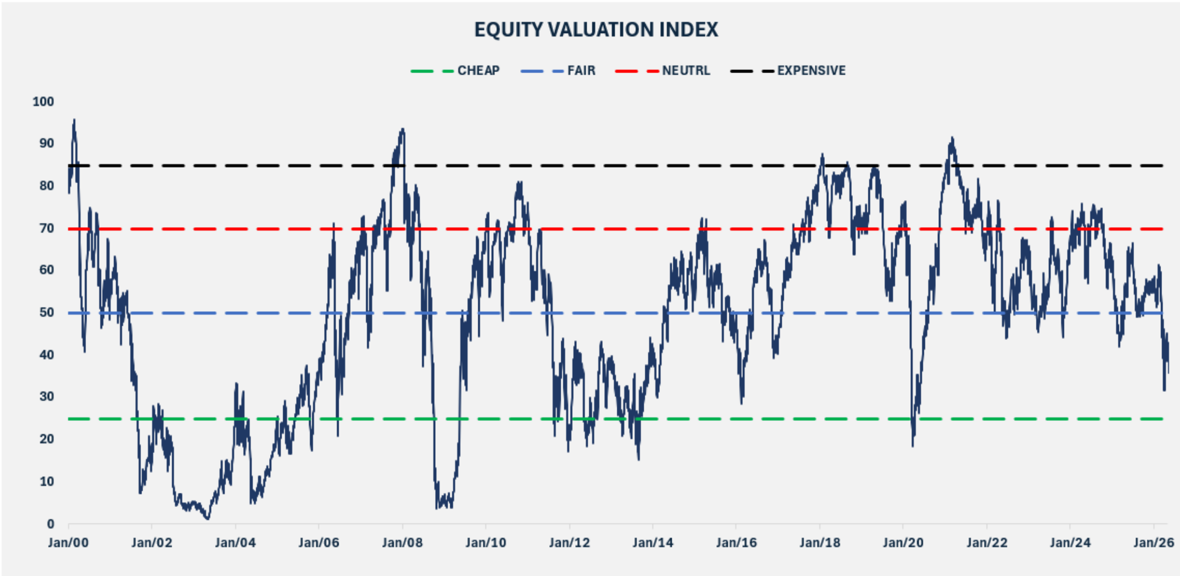
ECONOMIC INDICATORS: CPI inflation edged up to **3.48%** in April 2026 from **3.40%** in March, the fastest reading in 1 year though well below market expectations of **3.8%**, with food inflation rising to **4.20%** from **3.87%**. WPI inflation surged dramatically to **8.3%** in April from **3.88%** in March, its highest in 42 months, driven by fuel and power inflation skyrocketing to **24.71%** from just **1.05%** in March as crude petroleum inflation hit 88.06%. IIP growth moderated to **4.9%** YoY, while capital goods registered an impressive **16.0% YoY** growth signalling healthy investment activity. Manufacturing PMI rose to **55.0** in May from **54.7** in April. Gross GST collections rose **3.2%** year on year to **₹1.94 lakh crore** in May 2026, a sharp slowdown from the record **₹2.42 lakh crore** in April, with domestic revenue declining **2.6%** even as import linked collections surged **19.1%**.

India's fiscal deficit for FY26 came in at **4.4% of GDP**, broadly on target, as stronger non-tax revenues at **101.7%** of revised estimates and non-debt capital receipts at **130.8%** of target offset slightly weaker tax collections at **98.1%**. However, the revenue deficit showed marginal spillage at **101.3%** of target driven by a late surge in fertilizer and LPG subsidies in March. Looking ahead, FY27 presents a considerably more challenging fiscal outlook, with oil prices expected to remain above $85 per barrel sustaining subsidy pressures, large income tax refunds from FY25 yet to be paid out, and the government needing to urgently review both the scale and efficacy of its capital expenditure programme.

The rupee came under significant pressure in May 2026, with USD/INR moving from **₹94.91** at the start of the month to a record low of **₹96.96** intra month before recovering to close at **₹95.01** by month end due to RBI intervention. The weakness was driven by the ongoing US Iran war, which sent energy prices surging and triggered capital outflows, clouding India's macroeconomic outlook. The rupee has declined **4.3%** since the conflict began, with FII/FPI outflows and elevated crude oil prices weighing heavily on sentiment. Broad dollar strength, with the DXY gaining **0.9%** over the month, added further pressure. The RBI mounted an active defence of the rupee through sustained dollar sales across multiple trading sessions, with foreign exchange reserves falling to a more than one year low of **$681.4 billion** in the week ended May 22, down from $688.9 billion a week earlier, with foreign currency assets declining by nearly $3 billion to $543 billion over the same period.

On the US side, April added 115,000 nonfarm payrolls, well above the 55,000-consensus forecast, with the unemployment rate unchanged at **4.3%**. April CPI came in at **3.8%** YoY, the highest reading since May 2023, while the Personal Consumption Expenditure (PCE) price index rose **3.8%** year on year accelerating from 3.5% in March and core PCE climbed to **3.3%** from 3.2%, keeping the Fed's preferred gauge well above its 2% target. The Q1 2026 GDP second estimate revised growth down to **1.6%** annualised from the advance estimate of 2.0%, with the PCE price index for the quarter at **4.5%**, reflecting the full weight of the energy shock from the Iran conflict.

OUTLOOK & STRATEGY: Global equities, particularly those at the centre of the AI revolution, namely the US, South Korea, and Taiwan, delivered exceptional performance in May, underpinned by strong corporate earnings and an AI infrastructure buildout that is increasingly being treated as a generational investment theme, with US data centre construction jumping 28% year on year to a record annualised rate of **$50 billion** and now accounting for **2.3%** of all US construction spending. Japan added its own structural dimension, with decades of corporate and banking reform finally delivering inflation for the first time in a generation alongside easing trade relations with China. Yes, valuations are above long-term averages, and we believe they are justified. SpaceX, OpenAI, and Anthropic, carrying a combined implied market capitalisation of approximately **$4.5 trillion**, are preparing to go public while collectively raising north of **$200 billion**, and Berkshire Hathaway's decision to invest an additional **$10 billion** into Alphabet's AI infrastructure expansion as part of its broader $80 billion equity raise is perhaps the clearest signal yet that even the most disciplined capital in the world sees meaningful runway ahead. The theme is deeply interconnected across US hyperscalers, Taiwanese chipmakers, Korean memory manufacturers, and Japanese industrials, and we remain constructive on the space. We recommend a lump sum deployment for investors taking a tactical call and dollar cost averaging for those building a longer-term position, as this is a theme to be played over the next half decade and not just months. Investors should note, however, that concentration risk is real, and portfolios heavily skewed toward a single geography or sector within this theme warrant active monitoring.



Data as on 30th May 2026
The EVI is a proprietary composite index built on four valuation parameters. Price-to-Earnings, Price-to-Book, Dividend Yield and Earnings Yield Spread. Each parameter is percentile-ranked over its full historical dataset dating back to 2000, and the composite score is mapped to 4 valuation zones ranging from Cheap to Extreme

The Nifty 50 Equity Valuation Index (EVI) stands at **35.1**, placing the market in the Fair zone, an improvement from last month's 40.6. At a PE of **20.3x**, marginally below its 25-year mean of 21.0x, valuations offer a slight tailwind. We recommend adding to equities, with a slight overweight towards large cap and large and midcap segments, supported by fair valuations and steady earnings growth. Following 125 bps of RBI rate cuts in 2025, we remain at the lower end of the rate cycle and prefer shorter duration fixed income of 1 to 2 years. Prefer shorter-duration fixed income (1-2 years).

For US Equities, earnings momentum remains strong but valuations above long term averages leave little room for disappointment. We recommend favouring broad based indices over concentrated technology positions and continue dollar cost averaging rather than fresh lump sum deployments at current levels. With headline PCE at 3.8% and the Fed on hold, the long end of the curve offers poor risk-reward. Prefer intermediate Treasuries and TIPS for inflation protection while avoiding long duration.

Nifty/Gold ratio, currently at a 26-year low, suggests the easy, outsized returns in gold are likely behind us. While gold may still hold value, the risk-reward has shifted in favour of equities from current levels. We recommend holding existing positions as a portfolio hedge and waiting for a better entry point before adding fresh exposure.

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