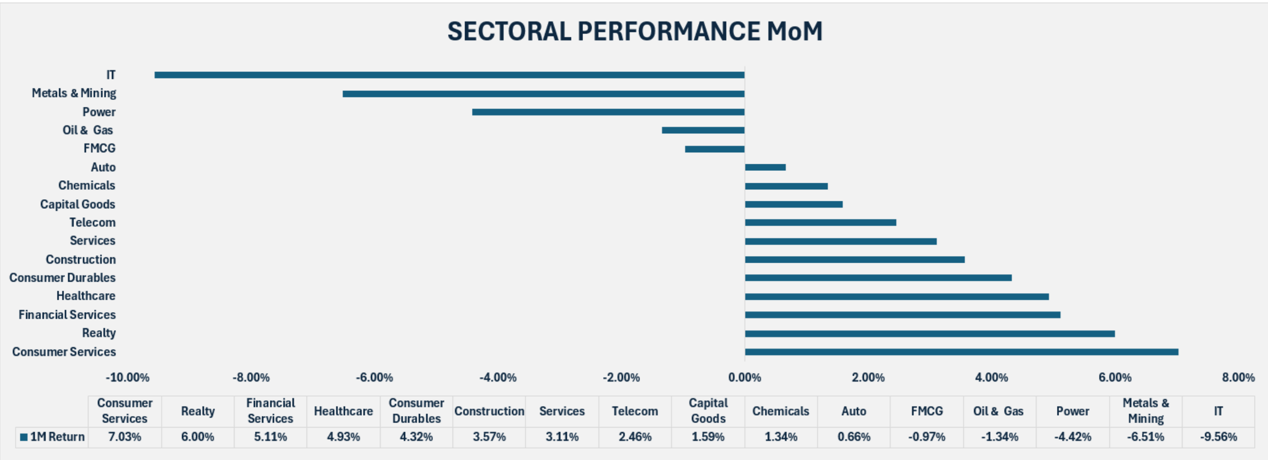
3rd JULY 2026

June marked a shift from geopolitical uncertainty towards improving macroeconomic fundamentals. As tensions in the Middle East eased, the sharp correction in crude oil prices reduced inflation concerns and improved the outlook for major oil-importing economies, including India. Investor attention gradually returned to corporate earnings, monetary policy and structural growth themes, particularly artificial intelligence and digital infrastructure, which continued to shape global equity markets. While geopolitical and fiscal risks remain, resilient economic activity, supportive domestic liquidity and healthy corporate earnings reinforced confidence in risk assets. The month highlighted that despite periodic volatility, long-term market performance continues to be driven by fundamentals rather than short-term headlines.

EQUITIES:

INDIA: Nifty 50 gained 1.4% in June despite a volatile trading environment and continued FII equity outflows. Nifty Midcap 150 and Nifty Smallcap 250 extended their gains, advancing 0.9% and 4.3%, respectively. Quarterly free-float rebalancing across major NSE equity indices took effect on June 29, driving passive fund flows towards cyclical and commodity-linked sectors. Power generation, metals & mining, capital goods and pharmaceuticals witnessed the largest inflows, while telecom, automobiles and consumer durables experienced the largest outflows.



Source: NSE.com

Foreign investors turned broadly cautious in June, with inflows limited to Telecommunication (₹373 crore), Services (₹302 crore), while selling pressure dominated across most other sectors. Outflows were steepest in Financial Services (-₹11,263 crore), Oil, Gas & Consumable Fuels (-₹10,488 crore) and Automobile and Auto Components (-₹9,044 crore), followed by IT (-₹6,733 crore) and FMCG (-₹5,063 crore). Notably, Financial Services has now witnessed cumulative FPI outflows of over ₹1.26 lakh crore YTD, highlighting sustained foreign investor caution towards a sector that remains the largest constituent of the Indian equity market.

INDICES	CURRENT	10 YR MEDIAN	AVERAGE (SI)	COMMENT
NIFTY 50 (PE)	20.6	23.4	21.0	FAIRLY VALUED
NIFTY 50 (PB)	3.1	3.6	3.6	UNDERVALUED
NIFTY 50 (DIVIDEND YIELD)	1.2	1.3	1.4	OVERVALUED
NIFTY MIDCAP 150 (PE)	29.2	33.9	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)	32.5	32.1	43.4	UNDERVALUED
SMALLCAP 100 (PB)	3.7	3.4	3.1	OVERVALUED
SMALLCAP 100 (DIVIDEND YIELD)	0.6	0.8	1.1	OVERVALUED

Data as on 30th June 2026

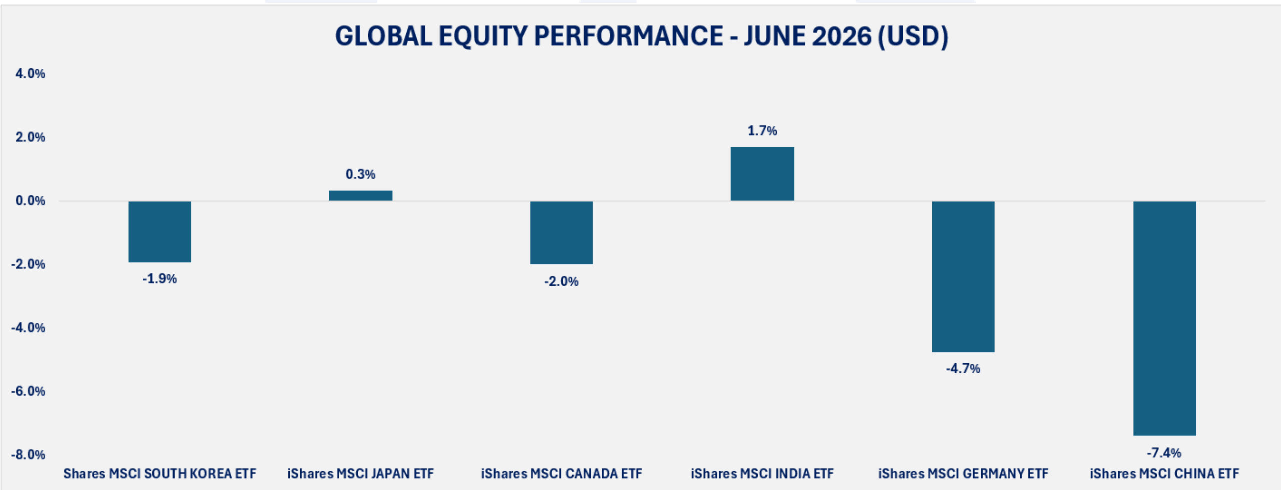
As of 30th June 2026, Nifty 50 traded at a PE ratio of 20.6x, below both its long-term average of 21.0x and its 10-year median of 23.4x. Nifty Midcap 150 traded at 29.2x, remaining below its historical average of 31.1x and its 10-year median of 34.0x. Meanwhile, Nifty Smallcap 100 traded at 32.5x, just above its 10-year median of 32.1x and significantly below its long-term average of 43.5x.

U.S.: S&P 500 and Nasdaq 100 declined 1.1% and 0.2% respectively, in a highly volatile month marked by a sharp semiconductor-led selloff and Middle East tensions early on, followed by a mid-month geopolitical de-escalation and a strong late-month recovery. Since March 31st, S&P500 has risen by 12.7%, outpacing the 10.4% increase in forward 12-month EPS estimates, indicating that multiple expansion, and not just earnings growth, has driven this quarter's gains. Despite stretched valuations, earnings fundamentals remain strong, with market consensus Q2 2026 earnings growth estimated at 23.1%, up sharply from 18.8% at the start of the quarter. At the sector level, Industrials (26.0x) and Consumer Discretionary (24.9x) trade at rich multiples, while Energy (12.6x) and Financials (15.0x) remain the cheapest, with Communication Services, Consumer Discretionary and Information Technology seen offering the most analyst-projected upside.

Structural forces continue to shape the broader macro backdrop heading into the second half of the year. US corporate investment-grade debt issuance is projected to surge 25% YoY in 2026 to a record $2.25 trillion, with AI-related borrowing alone estimated at over $400 billion, highlighting the scale of capital being deployed into the AI infrastructure buildout. This comes alongside a sharp acceleration in US money supply, with M2 surging $247.8 billion in May, to a record total $23.1 trillion, its largest monthly increase since May 2021, providing a supportive liquidity backdrop for risk assets. Within this environment, retail investor positioning has shifted meaningfully, with retail trading volume in Magnificent 7 stocks falling to just 6% of total volume, the lowest in 4 years, as interest rotates toward semiconductor stocks tied more directly to the AI infrastructure theme.

US ETF inflows remained robust in June, with total net flows of $210 billion for the month, running above the six-month weekly average despite a volatile finish. A standout $118.58 billion inflow in the week of June 15 was partly offset by a $41.84 billion outflow in the final week of the month. This continues the broader trend seen through 2026, with YTD net flows of $1.1 trillion already reaching 78% of CY 2025's record total of $1.4 trillion, keeping the flows on an upward trajectory to cross $2 trillion by year-end.

GLOBAL: Global equity markets reflected varying performances with regional economic and earnings expectations. India outperformed major global peers, gaining 1.7%, while Japan posted moderate gains of 0.3%. In contrast, South Korea and Canada declined 1.9% and 2.0%, respectively, as technology and commodity-linked sectors faced pressure. Germany and China were the weakest performers, falling 4.7% and 7.4%, highlighting continued weakness in European growth expectations and persistent investor caution towards Chinese equities.



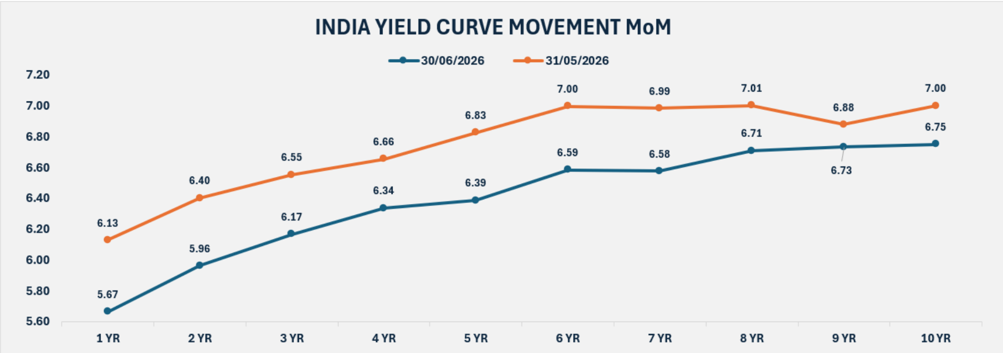
Source: Investing.com

US technology leaders, led by the Magnificent 7, continue to demonstrate greater resilience. Except for Nvidia, most of these companies are yet to see meaningful direct revenue attributable to AI value chain, but they retain strong, diversified earnings from advertising, devices, and cloud infrastructure. In comparison, several East Asian technology markets remain far more concentrated and dependent on the AI cycle. This difference suggests that any normalisation in valuations could weigh more heavily on the latter.

UCITS	VFEA	CSPX	EQAC	EXUS	NIFTY 50
1M RET USD	2.9%	-1.3%	1.6%	2.4%	1.7%
1M RET INR	2.5%	-1.7%	1.2%	2.0%	1.4%

Privus' Global Wrap, our model portfolio for overseas investing, ended the month in a net positive territory. Unusually, INR returns ran slightly slightly below USD returns this month, as the RBI's recent measures drove a 0.36% appreciation in the rupee in June. We view this as a temporary effect as over longer horizons, the rupee's structural depreciation against the dollar has historically added a currency tailwind to INR returns from global assets, and that strategic case remains intact.

FIXED INCOME:



Source: Investing.com

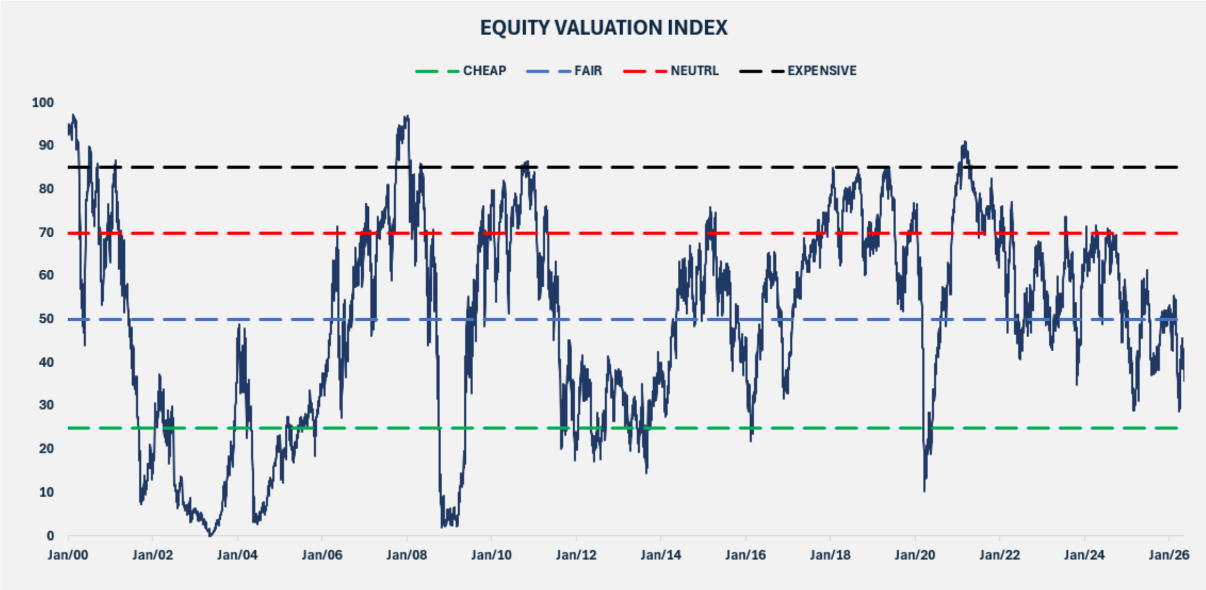
Government bond yields declined across the curve during June, with the short end outperforming the long end. The rally was supported by the RBI's commitment to maintaining an accommodative liquidity environment, alongside measures aimed at attracting foreign capital and strengthening the external sector. These included the government's exemption of long-term capital gains tax and withholding tax on interest income for eligible Foreign Portfolio Investors (FPIs) investing in government securities, as well as the RBI's expansion of the Fully Accessible Route (FAR) to include additional long-dated government securities and Sovereign Green Bonds. This strengthened FPI participation significantly, with FPI debt inflows for June rising to ₹55,518 crore, the highest monthly inflow of CY2026 and equivalent to 95.1% of the total net debt inflows recorded during CY2025.

COMMODITIES: Brent crude oil prices extended their decline during June, falling a further 20.8% from $92.05 per barrel to $72.92 per barrel. The sharp correction reflected easing geopolitical tensions in the Middle East, the resumption of tanker movement through the Strait of Hormuz and the unwinding of the risk premium that had pushed oil prices sharply higher in previous months. Precious metals also witnessed broad-based profit booking during the month. Gold INR declined 9.6% from ₹15704/g to ₹14204/g, while Silver INR corrected 16.1% from ₹280/g to ₹235/g, as easing geopolitical risks, a stronger US dollar and rising global bond yields reduced demand for safe-haven assets.

ECONOMIC INDICATORS: Domestic macroeconomic indicators remained broadly supportive during the month. CPI inflation edged higher to 3.93% in May from 3.48% in April, primarily due to food and fuel prices, but remained below the RBI's medium-term target of 4%. Meanwhile, economic activity remained resilient, with industrial production strengthening to 5.1% YoY and manufacturing PMI at 54.5, indicating continued expansion in factory activity. Gross GST collections rose 13.9% YoY to ₹1.95 lakh crore, highlighting sustained momentum in domestic economic activity.

In the US, inflationary pressures remained elevated, with headline PCE (Personal Consumption Expenditure) inflation rising to 4.1% and core PCE increasing to 3.4%, both well above the Federal Reserve's 2% target. The final estimate of Q1 GDP growth was revised higher to 2.1% (annualised), while the US labour market softened in June, with nonfarm payrolls rising by just 57,000, well below expectations of 110,000. Job gains for April and May were revised lower by a combined 74,000, while the unemployment rate edged down to 4.2% as labour force participation declined to 61.5%, its lowest level since March 2021. Markets expect that the Federal Reserve will remain cautious as it balances persistent inflationary pressures against signs of a gradually cooling labour market.

OUTLOOK & STRATEGY:



Data as on 30th June 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

Nifty 50 Equity Valuation Index (EVI) stands at 39.5, placing the market in the Fair zone. At a PE of 20.6x, marginally below its 25-year average of 21.0x, valuations remain supportive. Based on consensus FY27 earnings growth expectations of 13%, Nifty 50 is currently trading at a forward P/E of 18.2x. A re-rating to its long-term average valuation implies a fair value of approximately 27,550, representing an upside potential of around 15% from current levels. We continue to recommend adding to equities, with a slight overweight towards large cap and midcap segments as supported by favourable valuations and healthy earnings growth. Following a 125-bps rate cut in 2025, we remain at the lower end of the rate cycle and prefer shorter-duration fixed income with maturities of 1 to 2 years.

Analyst estimates project a 21.2% upside for the S&P 500 over the next 12 months, with a target price of 8,918, reflecting company-specific optimism embedded in individual analyst models and a buy-rating skew of nearly 60% across the index. Assuming consensus earnings growth of 16.8% for FY27 and a normalisation in the trailing P/E from its current 33.1x towards the 25-year historical median of 30.8x, the implied upside moderates to approximately 8.7%, with a target level of around 8,150. Conversely, should the S&P 500 sustain its current valuation multiple it would imply an upside potential of 16.8%, with the index reaching around 8,760. The gap between the two estimates reflects that much of the Street's optimism rests on the market sustaining its current premium valuation, and any disappointment on the growth or multiple fronts could see returns converge toward the more measured end of this range. We recommend dollar cost averaging instead of lump sum investment while maintaining a cautious stance. Despite elevated fiscal deficits, persistent Treasury issuance is likely to keep long-term bond yields structurally elevated. We therefore continue to prefer intermediate-duration Treasuries and TIPS (Treasury Inflation-Protected Securities) for inflation protection while avoiding long-duration bonds.

Nifty 50/Gold ratio remains at a 26-year low, currently sitting in the bottom 6% of its historical range. This means that one unit of gold currently buys significantly more of Nifty 50 than it has for most of the past 26 years, highlighting gold's rich valuation relative to Indian equities. This persistent trend is reinforced by structural demand from central banks, with a record 90% citing gold's performance during times of crisis as a key reason for holding it, a trend most pronounced among emerging market central banks (92%) versus advanced economies (81%). While gold may still hold value as a long-term store of value and portfolio diversifier, 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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