

MONTHLY MARKET OUTLOOK · INDIA & GLOBAL

Navigating Volatility — India's Resilient Growth Story Intact

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Indian markets suffered their fourth consecutive monthly decline in March 2026, dragged by the US-Iran war shock, crude above \$100/bbl, and sustained FII outflows. Yet structural fundamentals remain intact and valuations have reset to genuinely compelling territory — Nifty now trades at a 13% discount to its 5-year average P/E.

<p>NIFTY 50</p> <p>24,176</p> <p>▼ 6.90% YTD · MTD +1.37%</p>	<p>BSE SENSEX</p> <p>77,324</p> <p>▼ 8.66% YTD · MTD +1.21%</p>	<p>INDIA GDP Q3 FY26</p> <p>7.8%</p> <p>IMF FY26 Proj: 6.4% · Top EM</p>	<p>RBI REPO RATE</p> <p>5.25%</p> <p>Neutral stance · MPC on hold</p>	<p>CRUDE (NYMEX MAR-END)</p> <p>\$95.63</p> <p>YTD +65.12% · VIX 17.13</p>	<p>INDIA CPI (FEB)</p> <p>3.21%</p> <p>Within RBI 2-6% target band</p>
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▲ KEY MARKET DRIVER: US-IRAN WAR & MIDDLE EAST CONFLICT

Crude oil (NYMEX) at **\$95.63/bbl** — YTD +65.12%, with India VIX elevated at 17.13 reflecting continued uncertainty. The US-Iran conflict disrupted Gulf of Hormuz shipping earlier in 2026, driving crude higher. The Indian Rupee trades at **₹94.50/USD** (YTD +5.03%). Gold at ₹4,709 (+8.48% YTD), Silver at ₹79.99 (+9.99% YTD). FIIs sold a record **US\$14.2bn** in Indian equities in March — almost fully offset by DII purchases of **US\$15.4bn**.

INDIA ECONOMY

India remains the fastest-growing major economy. Nifty 50 at 24,176 (−6.90% YTD) and Sensex at 77,324 (−8.66% YTD) — Nifty Midcap 100 outperforming at +2.51% YTD and Smallcap 100 at +5.54% YTD. GST collections hit ₹2 lakh crore in March (+8.8% YoY).

EQUITY MARKETS

Nifty now at 17x 1-year forward PE — 13% below its 5-year average and 6% below its 10-year average. Nifty P/B at 3.0x has fallen below its long-period average of 3.2x. MktCap/GDP at 115% (vs peak 129% in FY24), declining toward long-term average of 87%.

DEBT & CURRENCY

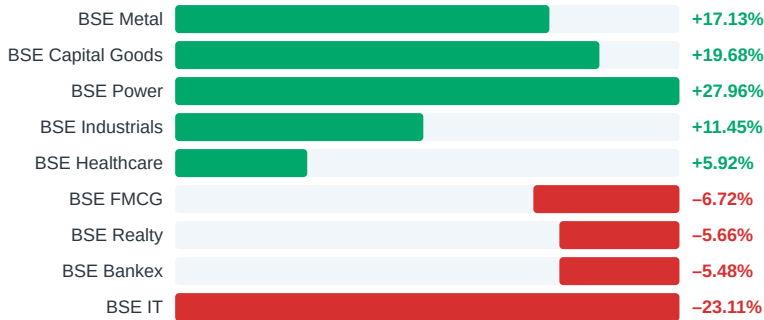
INR at ₹94.50/USD (YTD +5.03%). India VIX at 17.13 — elevated but off recent highs (YTD +75.32%). Crude Oil at \$95.63 (+65.12% YTD). Gold at ₹4,709 (+8.48% YTD), Silver at ₹79.99 (+9.99% YTD). Natural Gas at ₹2.78 (−24.88% YTD).

INDIAN EQUITY — MARCH 2026 REVIEW

Indian benchmark indices have rebounded from the March lows, with Nifty 50 now at **24,176** (–6.90% YTD) and BSE Sensex at **77,324** (–8.66% YTD) as of May 8, 2026. Nifty Midcap 100 at 61,817 (+2.51% YTD) and Nifty Smallcap 100 at 18,755 (+5.54% YTD) have outperformed large caps. The recovery has been driven by DII buying, easing crude from \$101 to \$95/bbl, and stabilisation of the rupee at ₹94.50/USD.

Domestic institutional investors (DIIs) absorbed the March FII selling entirely — purchasing \$15.4bn against FII outflows of \$14.2bn. As markets have recovered, sentiment has stabilised with India VIX at 17.13. Nifty Midcap and Smallcap are now positive YTD, demonstrating the growing depth and maturity of India's domestic capital markets.

1-YEAR SECTOR RETURNS (YTD CY26)



Source: BSE, Screener.in. Data as of 8 May 2026. 12M YTD returns.

"Nifty's forward price-to-book has slipped below its long-period average. When markets move below such averages, the signal is not to predict the bottom — it is to increase equity allocation within guardrails. Corporate India's balance sheets are at their leanest — median debt-to-assets at 16%."

— DSP Netra, May 2026

MARKET SNAPSHOT

SENSEX MAR-END

77,324

–8.66% YTD
MTD +1.21%

NIFTY 50 MAR-END

24,176

–6.90% YTD
MTD +1.37%

FII OUTFLOWS (MAR)

\$14.2bn

DII bought \$15.4bn
Fully offset

GST COLLECTIONS

₹2L Cr

March 2026
+8.8% YoY growth

KEY ECONOMIC INDICATORS

Indicator	Mar-26	Feb-26
Repo Rate	5.25%	5.25%
10-Yr G-Sec	7.02%	6.66%
CPI Inflation	NA	3.21%
Manufacturing PMI	53.9	56.9
Services PMI	57.5	58.1
Forex Reserves (\$bn)	703	724
Credit Growth YoY	13.8%	15.5%
SIP Monthly Flow	₹29,845 Cr	Feb-26

Source: RBI, MOSPI, AMFI. Data as of 8 May 2026.

💡 SIP INSIGHT: INDIA LEADS GLOBALLY

India's 30-year SIP return of **12%** is the highest among all major markets globally — compared to USA 9%, Taiwan 8%, UK 4%. The 5-year SIP has delivered >8% returns **74% of the time** in India. Disciplined, systematic investing remains the single most powerful wealth-building tool for long-term Indian investors.

Equity Outlook: Constructive on India long-term, cautious near-term. Valuations at 13% discount to 5-yr avg PE create an accumulation opportunity for patient investors. EU & US trade deal progress could be a positive catalyst for private capex and export growth.

MARKET VALUATIONS — ATTRACTIVE LEVELS

The sharp correction has brought Indian equity valuations to genuinely attractive levels relative to history. Nifty P/B has fallen below its long-period average — a balance-sheet-anchored signal that is more reliable than P/E when earnings are volatile.

NIFTY P/E (1-YR FWD)
17x

13% below 5-yr avg · 6% below 10-yr avg

NIFTY P/B (TRAILING)
3.0x

Below long-period avg of 3.2x

MKTCAP/GDP (FY26E)
115%

Down from peak 129% in FY24 · LT avg 87%

NIFTY EPS FY26E
1,060

FY25–27E CAGR: 10.8%

NIFTY 50 EPS TRAJECTORY

Period	Nifty EPS	CAGR Reference
FY10–25	—	9.9% CAGR (15 years)
FY24	1,000	—
FY25	1,014	—
FY26E	1,060	Estimates
FY27E	1,246	FY25–27E: 10.8% CAGR

Source: MOSL, Bloomberg. Data as of 8 May 2026. E = Estimates.

LARGECAP VS SMID VALUATIONS (APR 2026)

Metric	Largecap	SMID	LT Avg (SMID)
Trailing P/B	3.4x	4.0x	2.8x
1Y Fwd PE	19x	24x	18x
vs India LCaps PE	—	+27%	+5%
MktCap/GDP	71%	37%	22%
5Y Trailing CAGR	11%	17%	13%

Source: Nuvama, DSP. Data as of 8 May 2026. SMID = Small & Midcap.

Takeaway: SMID valuations remain elevated vs history across all measures. Large caps — especially at current discounts to US peers — offer a better risk-reward entry point. Pocket selectivity within large caps is advised.

DEBT MARKET REVIEW & RBI POLICY

India's bond market faced severe stress in March 2026. The Middle East conflict pushed crude above \$100/bbl, triggering concerns about ballooning import costs, domestic inflation, and currency devaluation — all bearish for bonds. India's 10-yr G-Sec yield surged to 7.02% — a 16-month high — before softening post ceasefire announcements.

RBI POLICY — NEUTRAL STANCE

The RBI MPC voted unanimously to keep the repo rate at 5.25%. Governor Sanjay Malhotra stated India is exhibiting resilience characterised by robust growth and low inflation. RBI projects FY26 GDP at 7.4%. Rate hike risks build if oil/energy shock persists beyond Q1. Repo expected to stay at 5.25% through CY26. IGB levels softened to 6.90%–6.95% band after temporary ceasefire announcements.

DEBT MARKET INDICATORS

Indicator	30-Mar-26	27-Feb-26
Call Rate	7.00%	5.12%
3-Mth CP Rate	7.75%	7.50%
5-Yr Corp Bond	7.67%	7.24%
10-Yr Gilt (G-Sec)	7.02%	6.66%
Repo Rate	5.25%	5.25%
1-Month CD Rate	7.49%	6.85%
3-Month CD Rate	7.35%	7.00%

Source: Crisil Fixed Income database. Data as of 8 May 2026.

INDIA VS GLOBAL BOND YIELDS (31-MAR-26)

Country	10-Yr Yield	Inflation	Real Yield
India 🇮🇳	7.02%	3.21%	3.81%
USA 🇺🇸	4.30%	2.40%	1.90%
UK 🇬🇧	4.88%	3.00%	1.88%
Germany 🇩🇪	3.01%	2.70%	0.31%
Japan 🇯🇵	2.35%	1.30%	1.05%

Source: HSBC MF, Crisil. Data as of 8 May 2026. Real Yield = Yield minus Inflation.

India's real yield of 3.81% is the **highest among all major economies globally** — offering genuine fixed income value at current levels for disciplined debt investors.

— Zambala Research, May 2026

Debt Outlook: RBI likely to maintain a long pause on policy rates. IGB levels may remain range-bound around 6.90%–7.05%. Short-to-medium duration funds remain preferred in the current environment. Risk of rate hikes builds if oil/energy shock persists.

GLOBAL MARKETS OVERVIEW — MAY 2026

Global markets faced significant headwinds in Q1 2026, with the US-Iran conflict disrupting energy supply chains and driving inflation expectations higher worldwide. Developed market indices declined sharply in YTD CY26 — yet India's 10-year CAGR of 12.53% for Nifty 50 TRI remains the strongest among all major benchmarks globally.

GLOBAL ECONOMIC SNAPSHOT (31 MAR 2026)

Country	GDP Latest	Inflation	IMF 2026	CB Rate
India 🇮🇳	7.8% Q3FY26	3.2%	6.4%	5.25%
China 🇨🇳	4.5% Q4'25	1.3%	4.5%	—
USA 🇺🇸	0.7% Q4'25	2.4%	2.4%	3.75%
Eurozone 🇪🇺	1.2% Q4'25	1.9%	1.3%	2.15%
UK 🇬🇧	1.0% Q4'25	3.0%	1.3%	3.75%
Japan 🇯🇵	1.3% Q4'25	1.3%	0.7%	0.75%

Source: Crisil, Bloomberg, Respective Central Banks, IMF. Data as of 8 May 2026.

GLOBAL INDEX RETURNS (YTD TO 8 MAY 2026)

Index	CY26 YTD	CY25	10-Yr CAGR
DJIA	+3.19%	12.97%	8.90%
S&P 500	+7.18%	20.36%	14.90%
Nasdaq	+11.03%	20.36%	14.90%
FTSE 100 (UK)	+3.48%	21.51%	3.60%
Nikkei 🇯🇵	+23.86%	26.18%	10.33%
Hang Seng 🇭🇰	+3.88%	27.77%	1.20%
DAX (Germany)	+0.71%	23.01%	7.04%
Nifty 50 🇮🇳	-6.90%	11.88%	12.53%
BSE Sensex	-8.66%	10.38%	12.34%

Source: HSBC MF Global Navigator, April 2026. *CY26 YTD till 31 March 2026. Red = negative period.

REGIONAL MARKET NARRATIVES

USA — RECOVERY UNDERWAY

US markets have staged a strong YTD recovery in 2026. Dow Jones at **49,596** (+3.19% YTD), S&P 500 at **7,337** (+7.18% YTD), and Nasdaq at **25,806** (+11.03% YTD). CBOE VIX at 17.40 (+14.25% YTD) remains somewhat elevated. The Fed maintained rates at 3.5–3.75% with only one cut anticipated in 2026. US 10-yr yield at 4.30%.

EUROPE — MODEST RECOVERY

Eurozone grew **1.2%** YoY in Q4 2025, up from 1.4% in Q3. ECB kept rates unchanged at 2.15% (main refinancing), citing West Asia conflict-driven commodity price spikes. UK grew 1.0% in Q4; BoE unanimously held rates at 3.75%. UK GDP was 0.8% in Jan'26. FTSE bucked the global trend with a modest +2.47% YTD gain, benefitting from its commodity-heavy index composition.

ASIA — JAPAN LEADS GLOBAL RALLY

Japan's Nikkei at **62,713** surges **+23.86% YTD** — the strongest performer globally. Hang Seng at 26,392 (+3.88% YTD). China industrial output strong at 6.3%. BoJ held at 0.75%. Europe: FTSE 100 at 10,186 (+3.48% YTD); CAC 40 at 8,130 (+0.65% YTD); DAX at 24,454 (+0.71% YTD). India (–6.90% YTD) trails but mid/small caps have recovered to positive territory.

COMMODITIES (8 MAY 2026)

Crude Oil at **\$95.63/bbl** (YTD +65.12%), down from March highs of ~\$101. Gold at ₹4,709 (+8.48% YTD), Silver at ₹79.99 (+9.99% YTD). Natural Gas at ₹2.78 (–24.88% YTD). USD/INR at ₹94.50 (YTD +5.03%). India VIX at 17.13 (YTD +75.32%). Nifty Smallcap 100 YTD +5.54%, Midcap 100 +2.51% — both outperforming large caps.

INDIA INDICES (8 MAY 2026)

Nifty 50: **24,176** (–6.90% YTD, MTD +1.37%). Sensex: **77,324** (–8.66% YTD, MTD +1.21%). Nifty 100: 25,167 (–5.13% YTD). Nifty Midcap 100: **61,817** (+2.51% YTD). Nifty Smallcap 100: **18,755** (+5.54% YTD). BSE 500: 36,177 (–2.96% YTD). USD/INR: ₹94.50 (YTD +5.03%).

MUTUAL FUND FLOWS (MAR 2026)

Category	Net Flow
MF Net Equity Buying	+₹99,000 Cr
MF Net Debt Selling	-₹1,30,000 Cr
SIP Flows (Feb-26)	₹29,845 Cr
SIP Accounts (Feb-26)	9.44 Cr

Source: Crisil, AMFI. Data as of 8 May 2026.

INDIA MARKET CAP CATEGORY — 10-YEAR PERFORMANCE (MAR 2016 TO MAR 2026)

Index	10-Yr CAGR	CY26 YTD	CY25	CY24	CY23	CY22
Nifty 50 TRI	12.53%	-6.90%	11.88%	10.09%	21.30%	5.69%
Nifty Midcap 150 TRI	17.50%	—	—	—	47%	4%
Nifty Smallcap 250 TRI	14.49%	—	—	—	48%	4%

Source: Crisil, NSE, Screener.in. CY26 YTD as of 8 May 2026. 10-yr CAGR rebased from May 2016.

CORPORATE INDIA — CYCLE READINESS

Corporate India enters this volatility cycle in an unusually strong position. Median debt-to-assets for BSE Allcap (ex-financials) has fallen to a **historic low of 16%** in FY25. Banks are healthy, NPAs are benign, and credit growth is running at 13.8% YoY. The constraint to the next ROE upcycle is not balance sheet capacity — it is demand visibility.

WHY ROES REMAIN BELOW THE LAST PEAK

The FY03–08 bull market was a three-engine ROE cycle: margins expanded, assets turned faster, and leverage amplified returns. The current cycle has been a one-and-a-half-engine cycle — margins improved and operating leverage helped, but **asset turns and financial leverage stayed subdued**. Corporate India has chosen discipline over aggression. For ROEs to revisit the last peak, India needs broader demand visibility (especially from private consumption), higher capacity utilisation, and lower cost of capital.

ROE & BALANCE SHEET METRICS (NSE 500, EX-FIN)

Metric	Current (FY25)	Peak (FY07–08)	Signal
ROE (Ex-Financials)	15%	22%	IMPROVING
Net Profit Margin	8–9%	10%	NEAR PEAK
Asset Turnover	0.73x	0.95x	LAGGING
Median Debt/Assets	16%	45%	CYCLE-READY

Source: DSP, Investec Research, Capitaline. Data as of 8 May 2026. NSE 500 ex-Financials.

INDIA PRIVATE CONSUMPTION (PFCE) — SLOW LANE

Since FY18, Private Final Consumption Expenditure (PFCE) has averaged just **10.4% growth** — the slowest on record. Repeated shocks (demonetisation, IL&FS, COVID) have kept consumption in the slow lane. The catalyst for recovery: credit growth improvement ✓, benign NPA cycle ✓, RBI rate cuts ✓, and infrastructure spending sustaining jobs and income growth.

PFCE Growth Era	Avg Growth	Context
FY06–FY14	~15%	Credit boom, capex cycle
FY15–FY17	~12%	Reform-led stabilisation
FY18–FY26	~10.4%	Repeated shocks · Slow lane

Source: CMIE, DSP. Data as of 8 May 2026. PFCE = Private Final Consumption Expenditure (YoY %).

"Like every other aspect of the economy, private consumption is cyclical. Writing it off after a near decade of lull will be the biggest cyclical mistake of our times."

— DSP Netra, May 2026

THE CASE FOR SIP — GLOBAL EVIDENCE

India's 30-year SIP return of **12%** is the highest among all major markets globally. The data below illustrates why SIP is not a marketing tagline — it is a mathematically superior wealth-building tool for investors who can stay disciplined through volatility.

Country	30-Yr SIP	SIP Real	5-Yr SIP >8%	Avg 5Y SIP
India 🇮🇳	12%	5%	74%	13%
USA 🇺🇸	9%	6%	52%	6%
Brazil	11%	4%	51%	11%
Japan	7%	7%	47%	4%
Taiwan	8%	8%	29%	5%
Korea	9%	6%	33%	7%
UK 🇬🇧	4%	1%	12%	2%
Australia	4%	2%	17%	4%

Source: Bloomberg, DSP Asset Managers. Data as of 8 May 2026. Local currency returns over last 30 years. PRI indices used for consistency.

5 LESSONS FROM THE SIP DATA

- SIP is a hedge against behavioural biases — fear, greed, recency bias.
- It's an acceptance of long-term average outcomes — process over prediction.
- It works best when you **remove yourself** and let the structure do its job.
- There is sufficient historical and mathematical evidence to support SIP as a strategy.
- SIP is a process that once started, should continue for **decades — ideally forever**.

INDIA MARKET HISTORY — NIFTY PERFORMANCE THROUGH EVENTS

Period	Nifty 50	Nifty Midcap	Event
2016	3%	7%	Demonetisation
2020	15%	22%	COVID · Vaccine rollout
2021	24%	46%	Recovery · Rate cuts
2023	20%	47%	Easing inflation · GST reforms
CY26 YTD	-15%	-13%	US-Iran war · Crude shock

Source: NSE, Crisil. Data as of 8 May 2026. Past performance is not indicative of future returns.

Key Takeaway: Every major market shock in India's history — demonetisation, COVID, geopolitical crises — has been followed by strong recoveries. Investors who remained invested through the cycle consistently outperformed those who tried to time the market. **This is not the time to pause SIPs — it is the time to let them work.**

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