



CIO Connect: Impact of War & Market Insights

April 2026



**Impact of Middle
East Conflict**

Domestic Macros

**Robust Domestic
Flows**

**Attractive
Valuations**

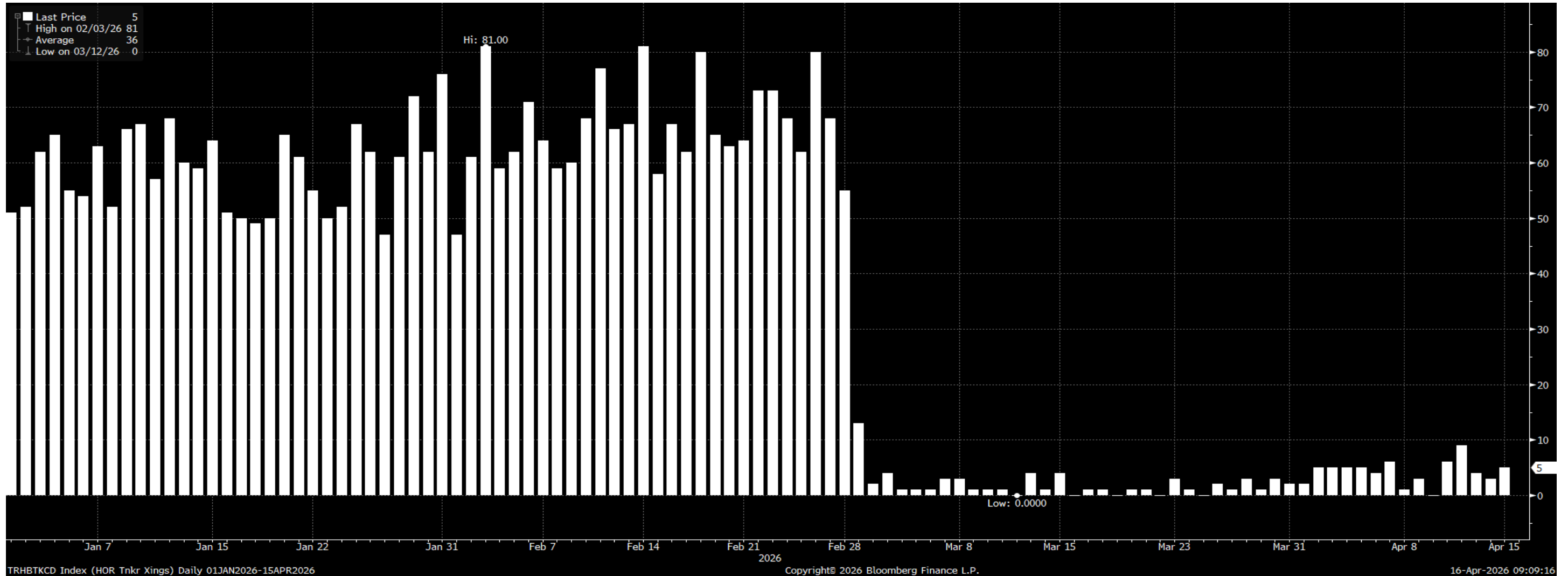
**Moderately Positive
Market Outlook**

**Proven Track
Record; ULIPs in
Focus**

Impact of War

- Macro shock via commodities (especially crude) is the primary transmission channel
 - **\$20/bbl higher oil price translates into a ~INR 3.6 lac crores of economic burden**
- Higher oil prices would translate into higher inflation
 - **CPI inflation to be 100-150bps higher at 5.2-5.5% if crude oil average \$100/bbl**
- Elevated inflation may result in interest rate hikes by the RBI
 - **Potentially two rate hikes during the rest of 2026** if crude oil sustain above \$100/bbl
- Continued depreciation of the INR due to weakening macros
- Growth may moderate while margins come under pressure across sectors
 - **50bps risk to GDP growth estimate in the base case** going up to 150bps in the severely adverse scenario resulting
- **Risk to corporate earnings = ~8%** in the current scenario.

Movement across the Strait of Hormuz is severely curtailed..



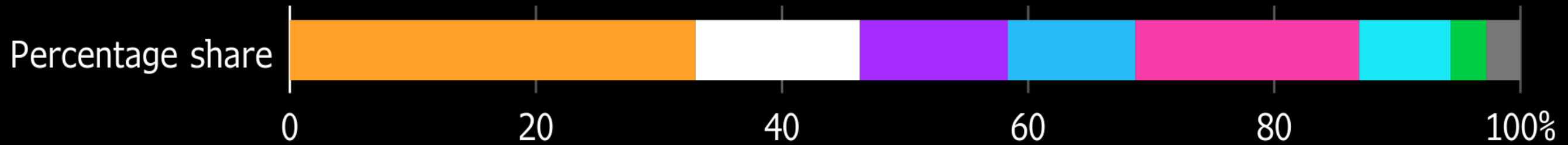
Source: Bloomberg

- Since the start of the US war with Iran on Feb. 28, the Strait of Hormuz has been virtually closed due to the threat of attacks from Iran.
- Incrementally, now the US has started blocking Iranian ports in the region.

Asia Receives Most of the Oil Shipped Via the Strait of Hormuz

Breakdown of crude oil and condensate transported through the waterway in 2025, by destination

- China
- India
- Japan
- South Korea
- Other Asia
- Europe
- US
- Rest of the world

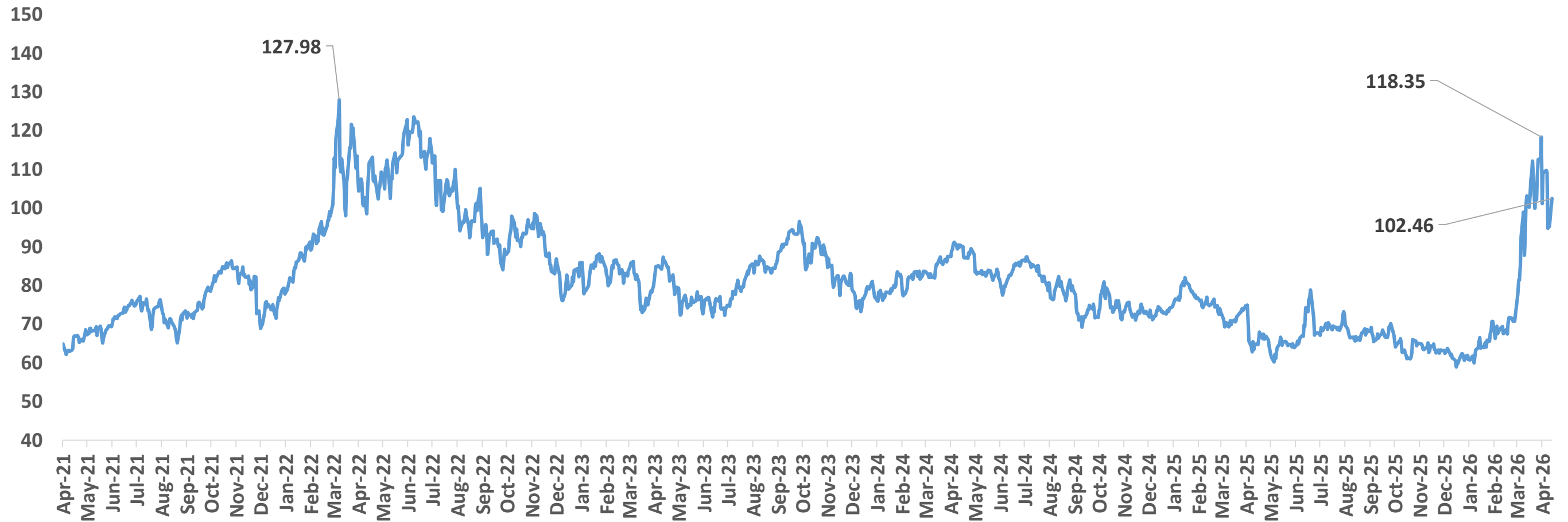


Source: Vessel tracking data compiled by Bloomberg

Bloomberg

Crude Oil Surges Amid Renewed Geopolitical Tensions

Brent Crude Price (\$/bbl)

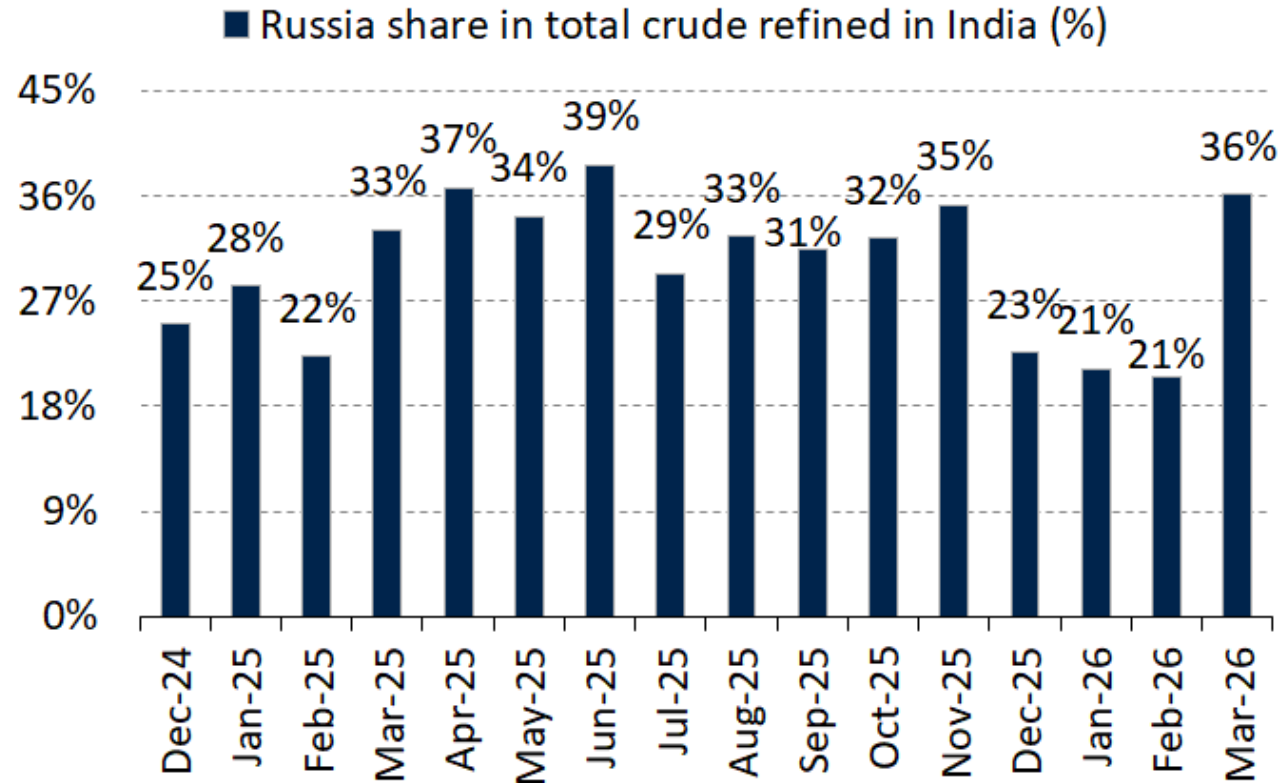


Source: Bloomberg | As on 13 Apr 2026

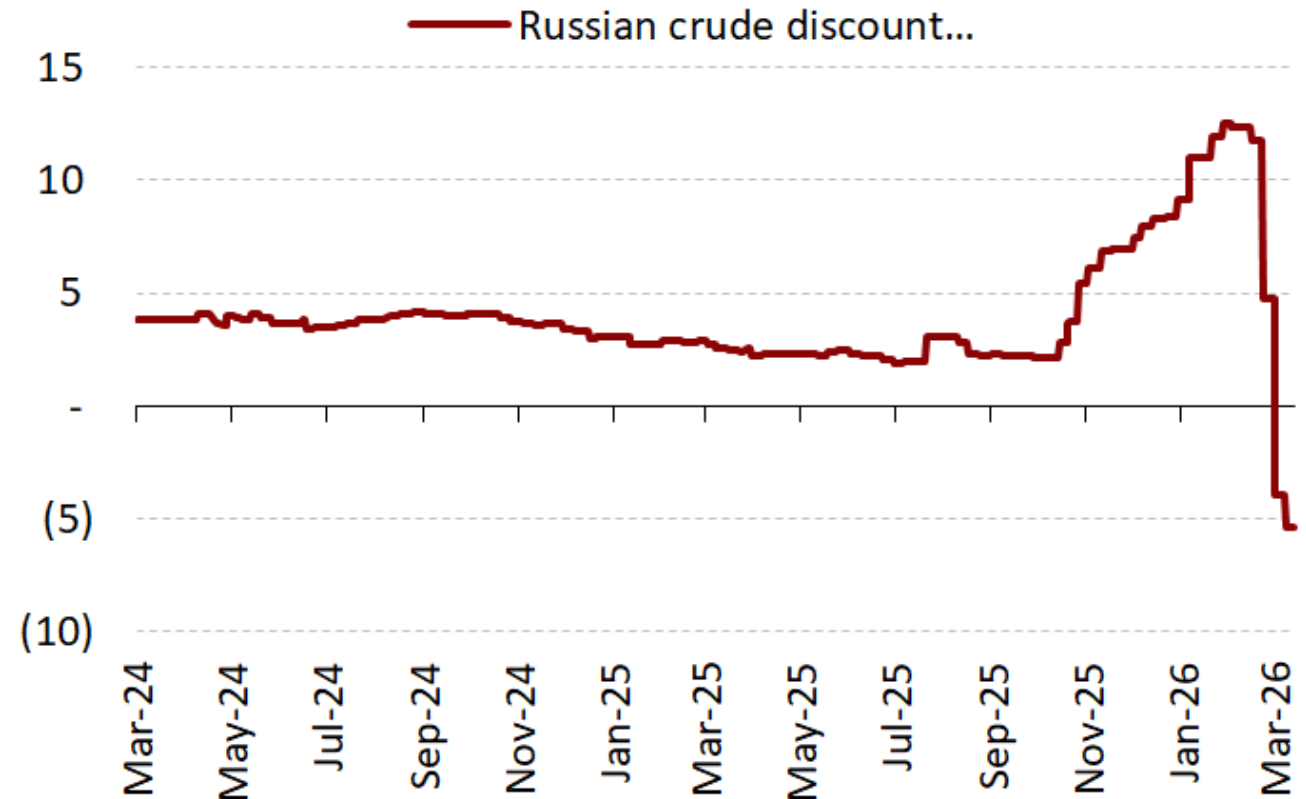
- Crude has sharply rebounded above \$100/bbl, driven by escalating geopolitical tensions and supply concerns, reintroducing upside risks to global inflation and macro stability.

Russian crude discount has vanished

India reverted to importing Russian crude in March



However, it is no longer getting it at discounted prices

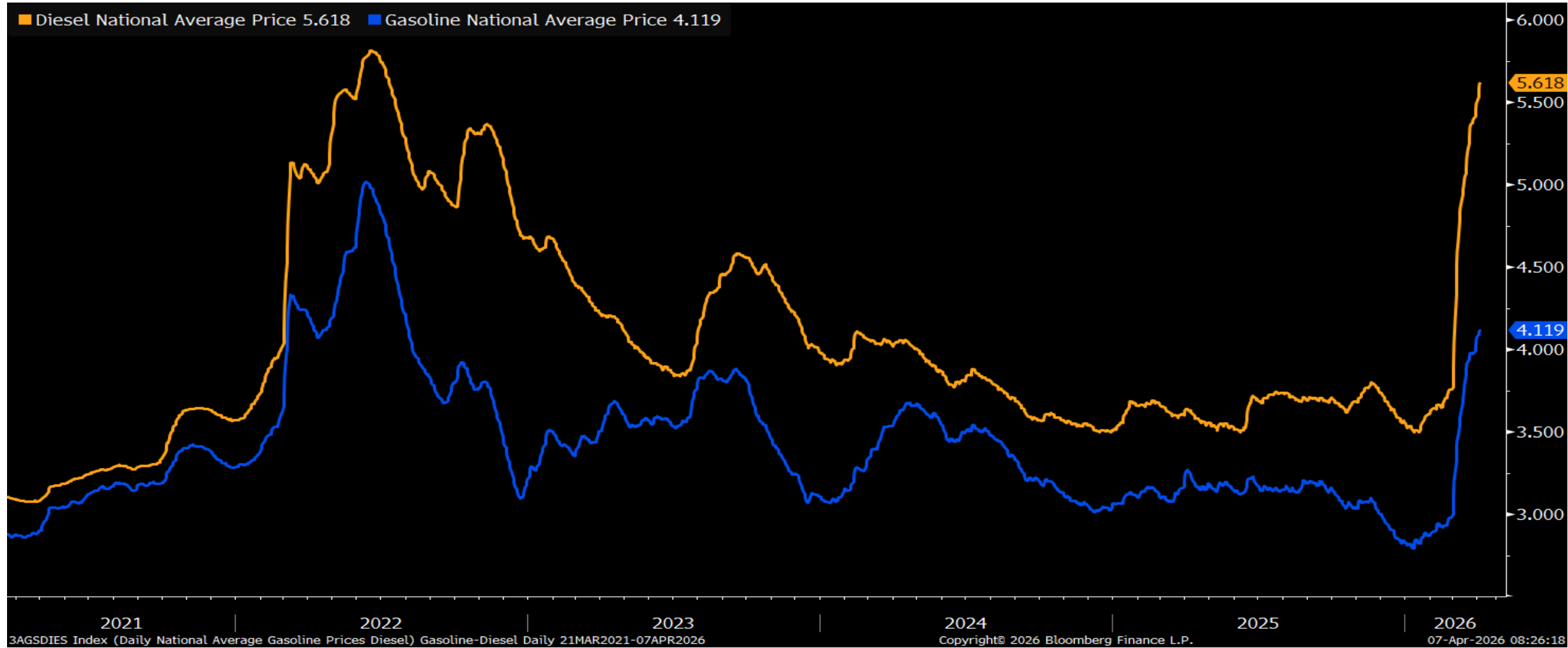


Source: Axis Capital

- India's import of Russian crude surged in March after the US provided a temporary reprieve.
- However, unlike earlier, there is no discount on Russian crude now.

Fuel prices are up sharply in the US already

Retail fuel prices in United States – Petrol & Diesel

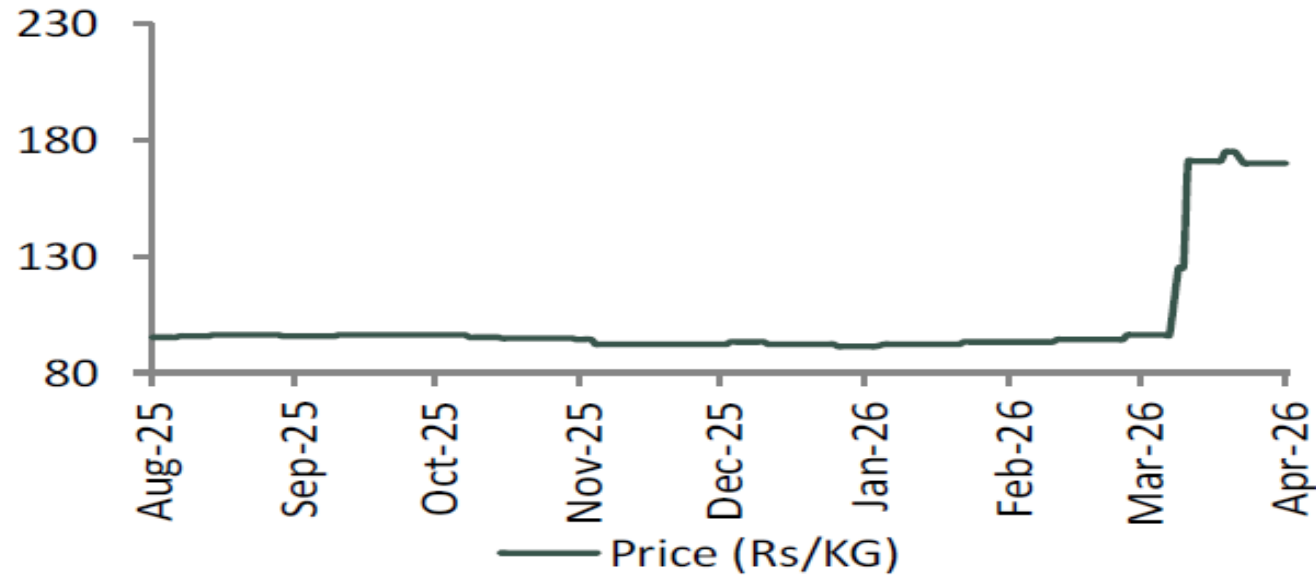


Source: Bloomberg

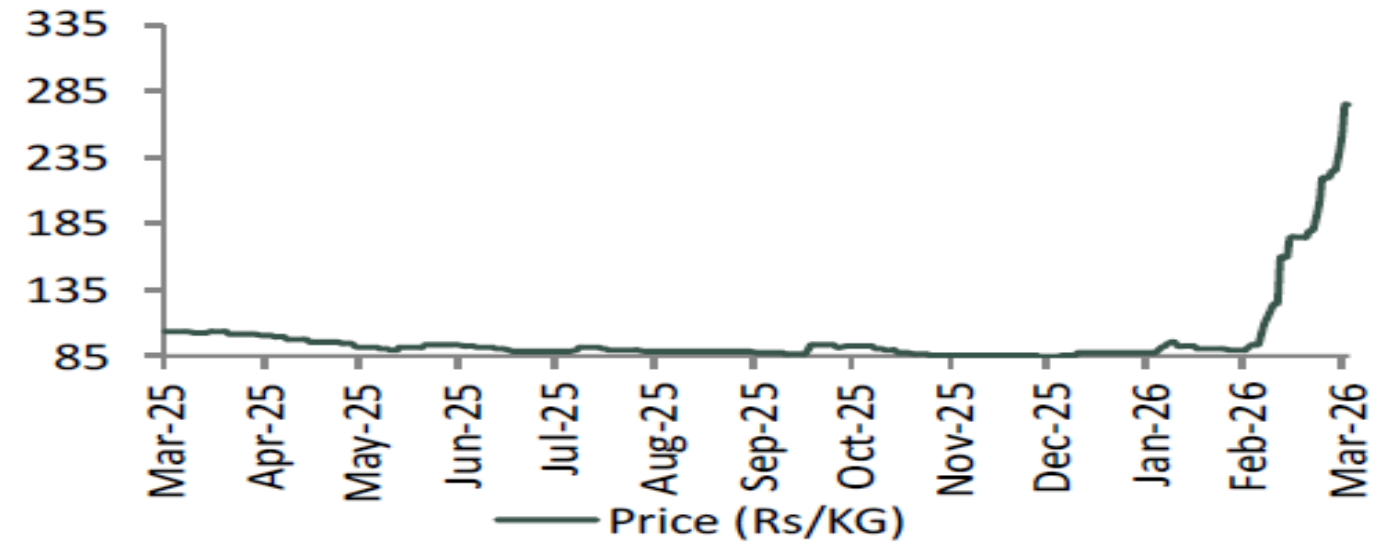
- In the US, prices of petrol and diesel have risen by ~60% since February.
- Petrol and Diesel prices in India would most likely be hiked once the state elections are over.

Besides crude, chemical prices have also shot up

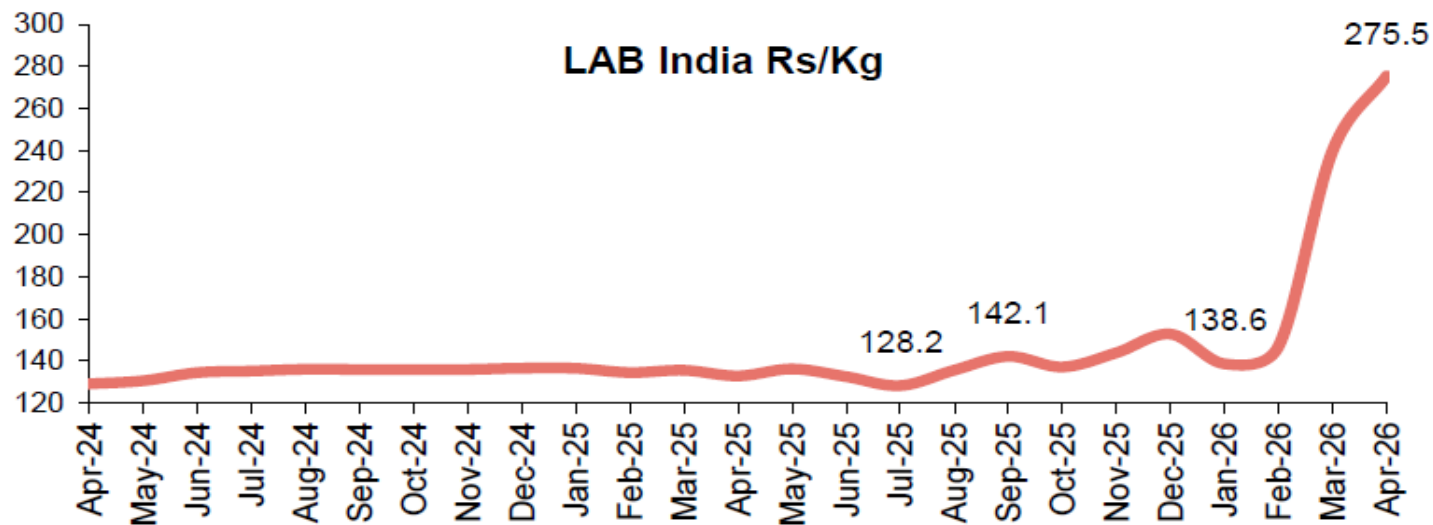
HDPE (used in packaging) prices up 77% MoM



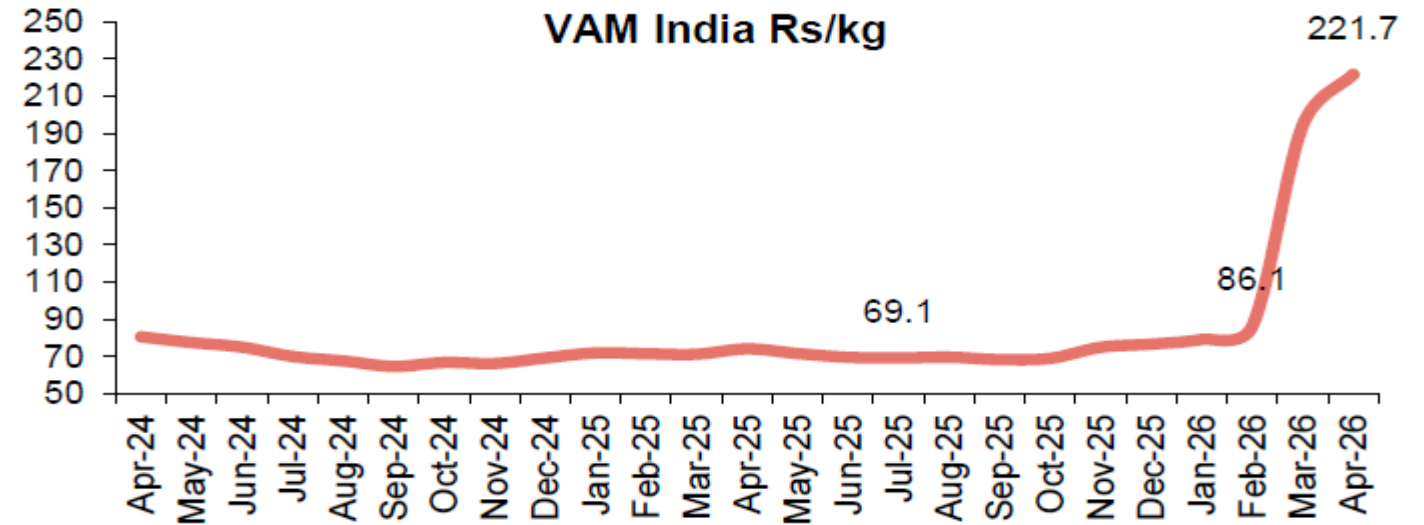
Isopropyl Alcohol (IPA, disinfectant) prices up 193% MoM



Linear alkyl benzene (used in detergents) prices have almost doubled



VAM (used in adhesives, paints) prices have more than doubled



Source: Bloomberg, Indianpetrochem

Companies have started taking price hikes

- Airlines imposed a fuel surcharge in March and have further increased it sharply starting April. (INR 275-950 on domestic and INR 900 -10,000 on international routes)
- Paint companies have announced price hikes of 6-8% starting April
- PVC prices have been increased by INR 47.5/ kg (~68% increase) through March.
- Food delivery platforms like Swiggy and Zomato have hiked platform fee by ~17% in March.

Automobiles

- **Tata Motors:** Increased prices of its internal combustion engine (ICE) passenger vehicles by a weighted average of 0.5%.
- **Nissan & Renault:** Implemented hikes of up to 3% and 2% respectively.
- **Mercedes-Benz, BMW, and Audi:** All three major luxury OEMs announced a 2% price increase effective April 1.
- **Ather Energy:** Increased electric scooter prices by up to ₹3,000
- **Royal Enfield:** Raised the price of the Continental GT 650 by up to ₹3,781.

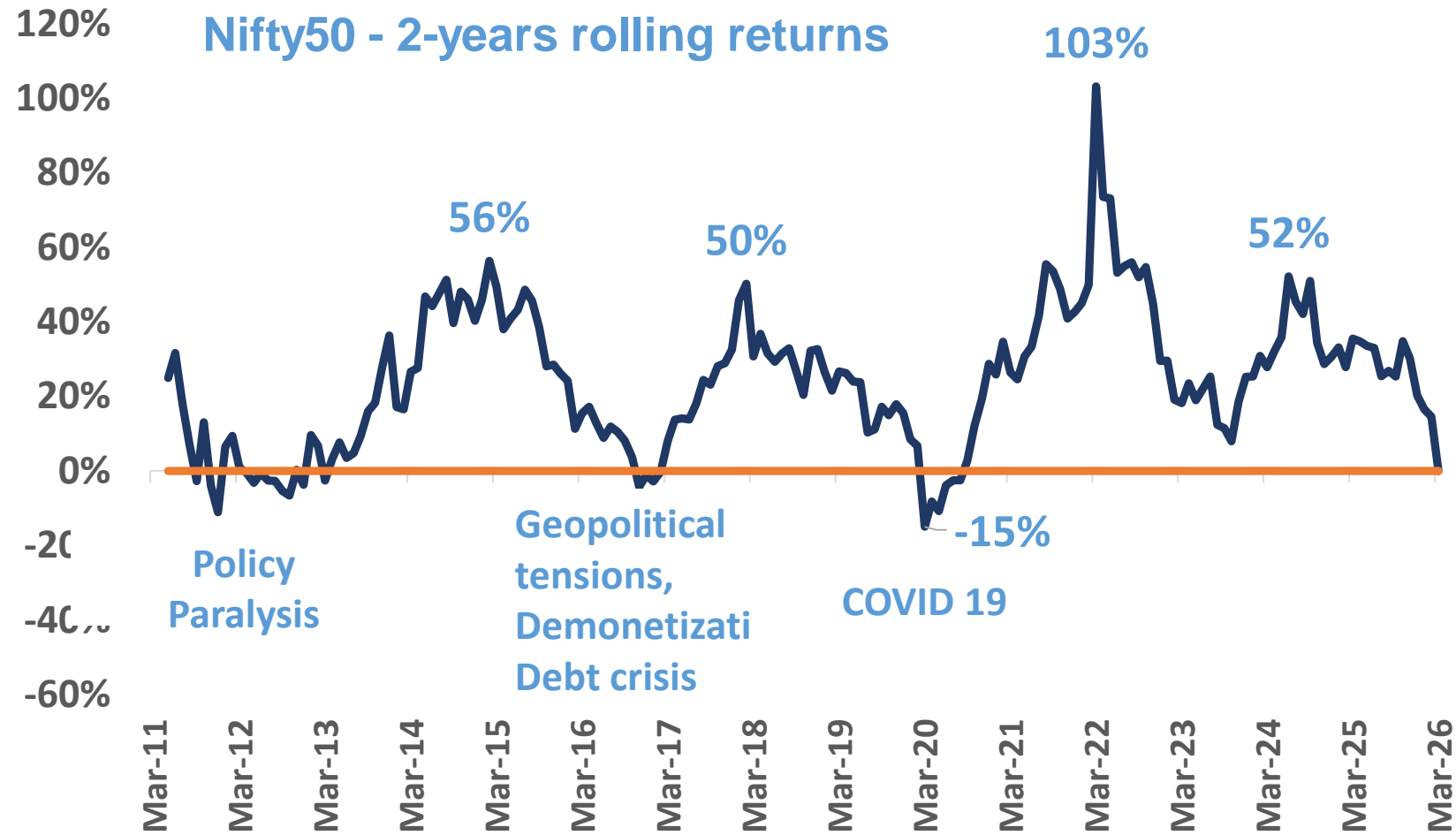
Consumer durables

- **Daikin India:** Has announced a price increase of 7% to 12% across its entire product lineup.
- **Voltas:** significant 7.5% to 12% increase specifically kicked in on April 1.
- **LG:** Prices for 3-star models have risen by approximately 7%, while 5-star models have seen hikes of 9% to 10% in Jan-26 and another price increase of 8-10% from April onwards
- **Refrigerators:** Most manufacturers, including Godrej Appliances, are raising prices by 5-7%
- **Smartphones:** Entry-level 5G smartphone prices have climbed from under ₹10,000 to approximately ₹13,000-₹14,000 over the last few months.

War scenarios

	Pre war assumptions	Base scenario (end-April)	Adverse scenario (beyond April)	Severely adverse scenario (beyond May-June)
Average crude oil price (US\$/bbl)	70	85	100	120
CAD/GDP (%)	1.2	2.2	2.5	3.4
		Assuming lower exports and non-oil imports, lower remittances	Assuming lower exports and non-oil imports, lower remittances	Assuming sharper export curbs, lower non-oil imports and lower remittances
BOP (US\$ bn)	(11)	(70)	(82)	(119)
		Assuming FPI outflows	Assuming FPI outflows	Assuming FPI outflows
USD-INR (Range, #)	92-94	92 - 96	92 - 98	93-100
		Widening goods trade deficit and FPI outflows	Widening goods trade deficit and FPI outflows	Widening goods trade deficit and FPI outflows
Center's Fiscal deficit (%)	4.3	4.4	4.5 - 4.6	4.6 - 4.7
		Higher subsidies/lower excise duties	Higher subsidies/lower excise duties/lower tax collections	Higher subsidies/lower excise duties/lower tax collections
CPI inflation (average, %)	4.1	4.7	5.2 - 5.5	5.5 - 6.0
	Minimal change in retail fuel prices	Spillovers across domestic production and services; imported inflation	Spillovers across domestic production and services; imported inflation	Spillovers across domestic production and services; imported inflation
Real GDP growth (%)	7.0	6.5	6.0	5.5
	Steady growth	Input price pressures, investment uncertainty	Global growth slowdown, input price pressures, investment uncertainty	Global growth slowdown, input price pressures, investment uncertainty
Liquidity	Comfortably surplus	Likely tightening in 2HFY27	Likely tightening from 2QFY27	Likely tightening from 2QFY27
Repo rate	Status quo	Status quo	Early rate hikes (2HFY27)	Early rate hikes (2HFY27)

Investing post a period of correction can be rewarding



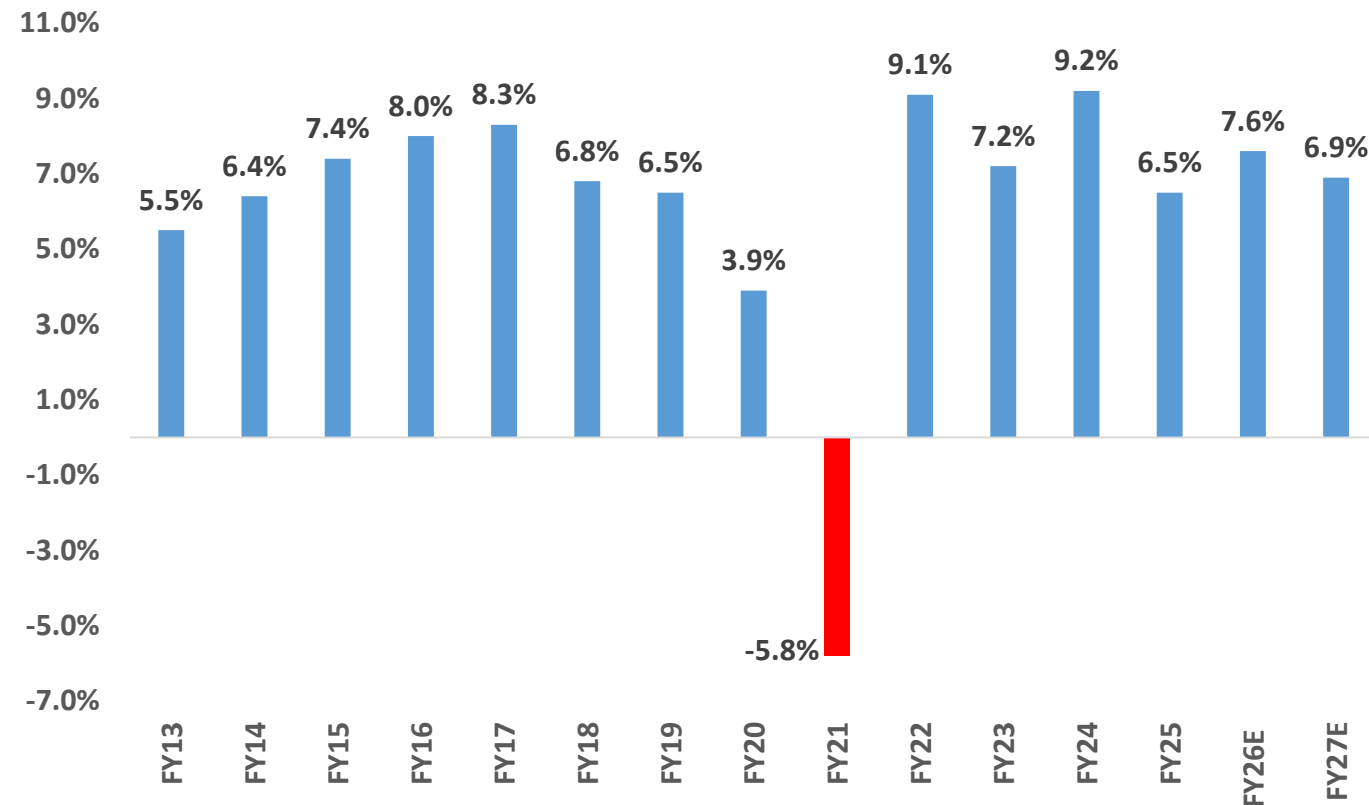
Returns experience of investing after a prolonged period of correction	
Total number of months	120
# months with negative Nifty50 returns on 2-year basis	22
Average absolute returns in the next 5 years	102%
Lowest absolute returns in the next 5 years	70%
Maximum absolute returns in the next 5 years	174%

- Nifty50 is currently flat on a 2- Years basis.
- This is a relatively infrequent occurrence and has happened a few times in the past 15-years due to specific reasons (COVID19, demonetization, policy paralysis etc.)
- Interestingly, the experience of investing after such periods of correction has been fairly rewarding.
- The average absolute returns over the next 5-years has been 102% with the lowest return being 70%.

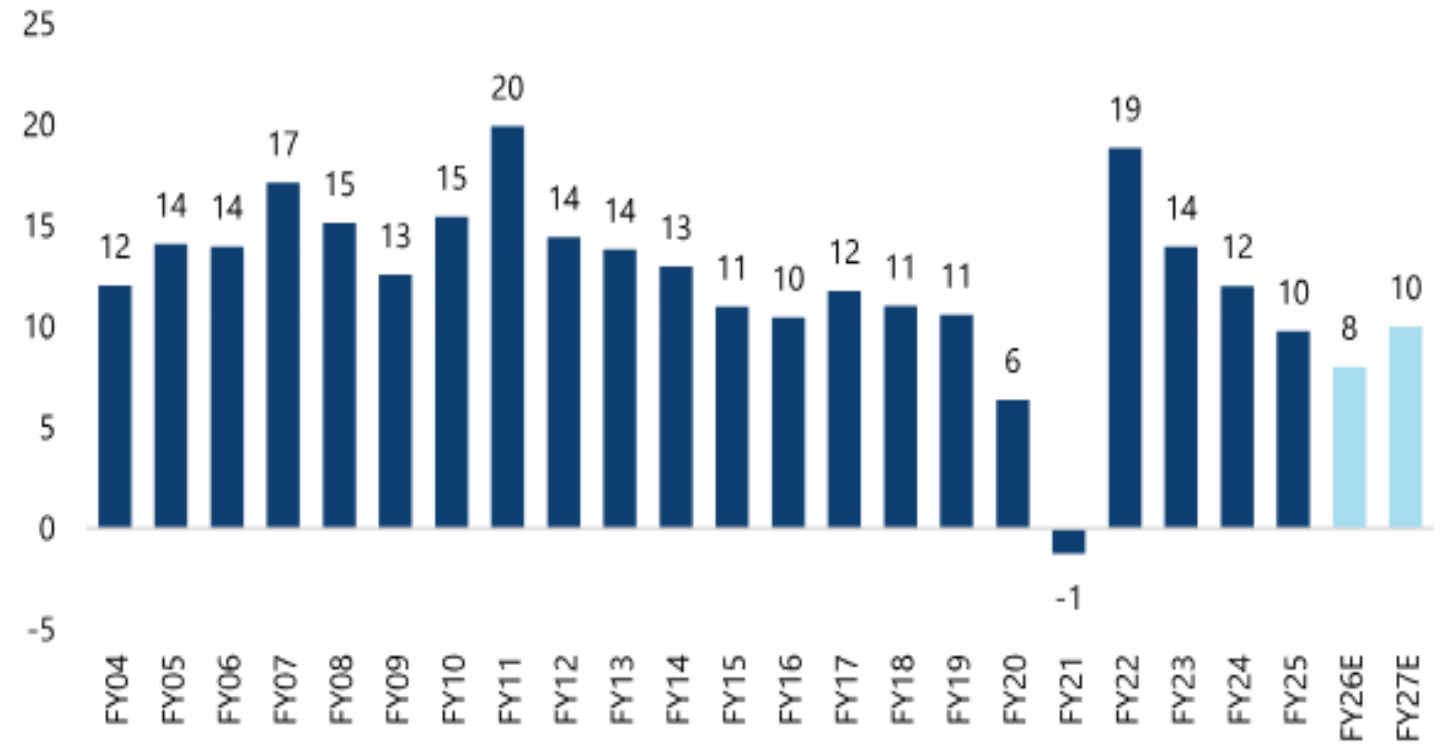
Domestic Macro Update

RBI revises downwards India's FY27 Growth Forecast to 6.9% vs 7.6% For FY26

India Fiscal Year-Wise Real GDP Growth (% YoY)



India Nominal GDP growth (% YoY)

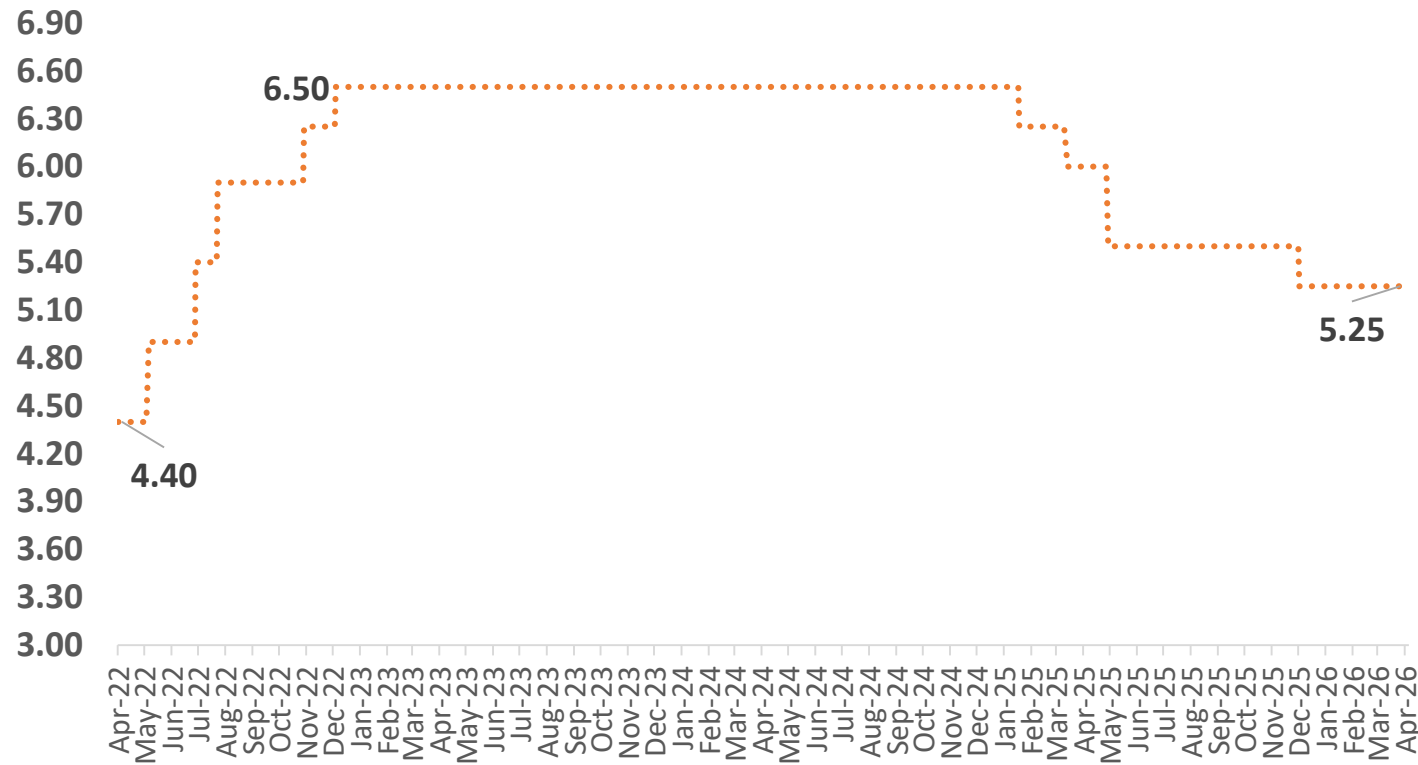


Source: RBI, MoSPI, Jefferies

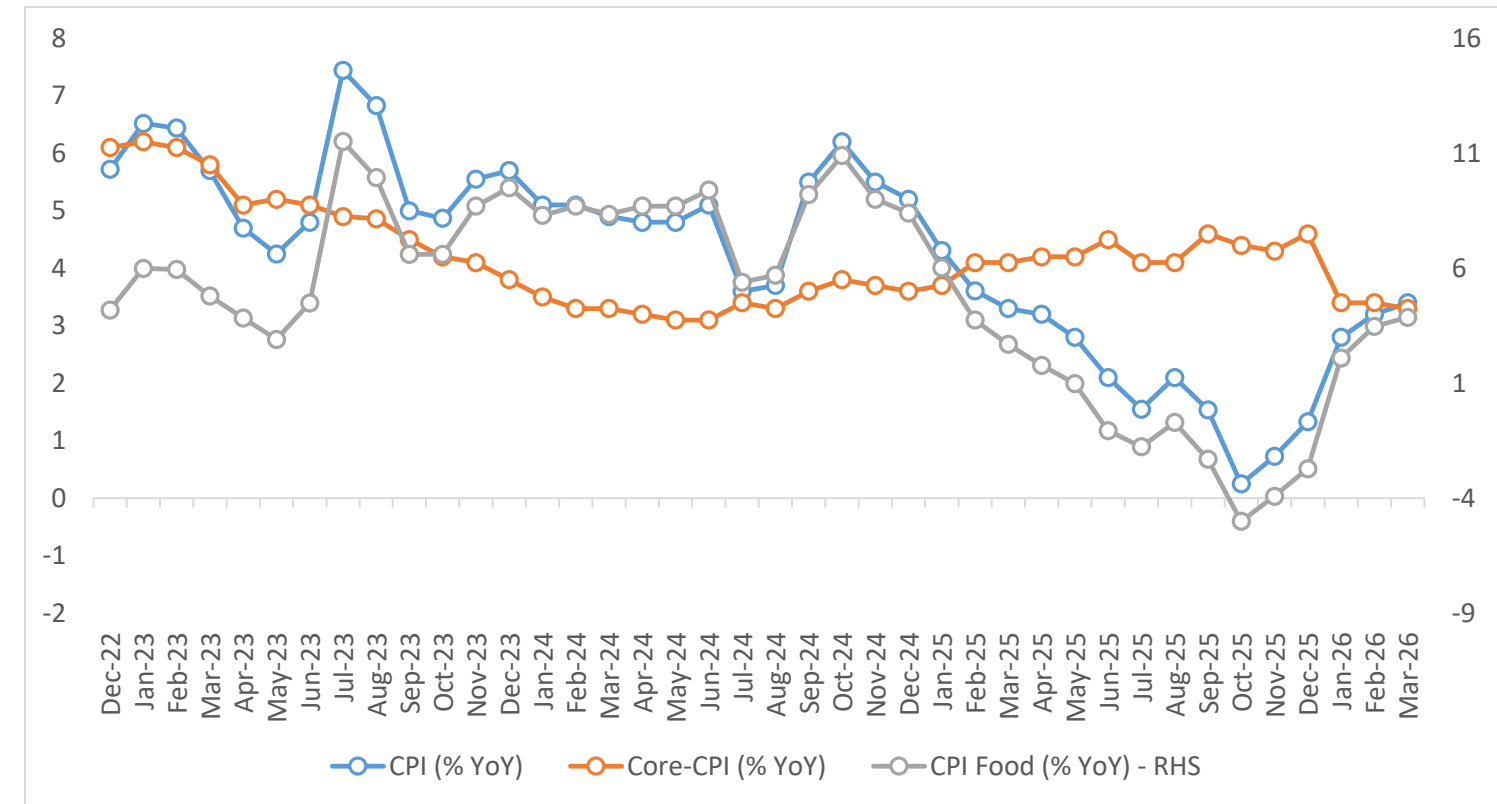
- The outlook for FY2026–27 has been slightly moderated, with GDP growth projected at 6.8% in Q1 (vs 6.9% earlier), 6.7% in Q2 (vs 7.0%), 7.0% in Q3, and 7.2% in Q4, resulting in a full-year growth estimate of **6.9%**.
- India's Nominal GDP is estimated to grow by 10% despite impact on real GDP on inflation inching up higher

CPI continued to be below the lower band of RBI's target,

Repo Rate Trend (in %)



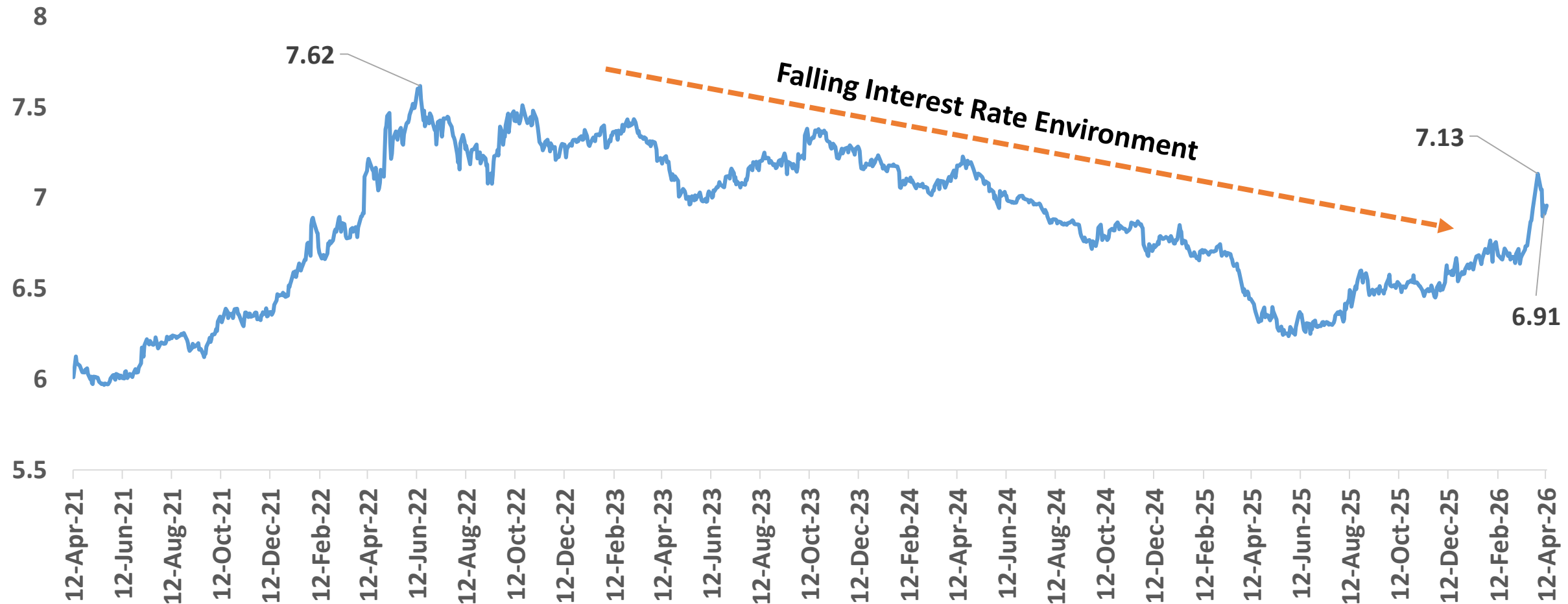
Inflation Trend YoY (in %)



Source: Bloomberg, MOSPI, RBI

- Repo rate unchanged at 5.25%. All members unanimously voted to keep the policy repo rate unchanged and stance was maintained at “neutral”.
- The RBI’s policy reflects a balanced and cautious stance. While domestic economic fundamentals remain strong, rising geopolitical tensions and global uncertainties have increased risks to both growth and inflation.
- CPI inflation reading came in at 3.4% in Mar’26 compared to 3.2% in Feb’26, on YoY basis. The Core CPI stood at 3.3% vs 3.4% in Feb’24, Food CPI came in at 3.8%

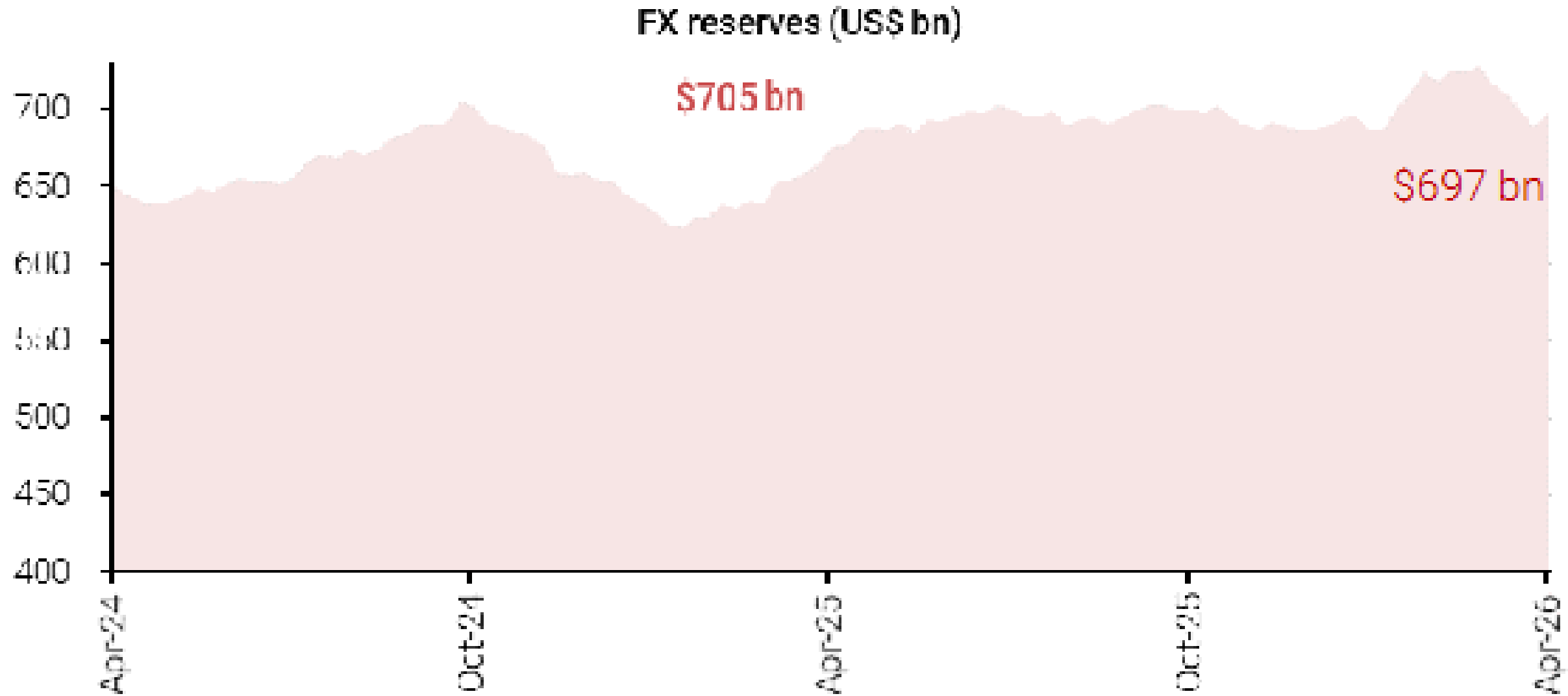
10 Year G-Sec Reversed Recent Gains



Source: Bloomberg | As on 13 Apr 2026

- India's 10-year G-sec exhibited notable volatility during FY26. The yield reached a low of 6.24% on 28-May-2025 and closed the financial year at 7.03%, reflecting a movement of nearly 80 bps.
- Over FY26, the 10-year G-sec yield increased by 38 bps, closing at 6.96% compared to 6.58% in FY25.
- The volatility was mainly on account of geo-political situation & rise in global yield.

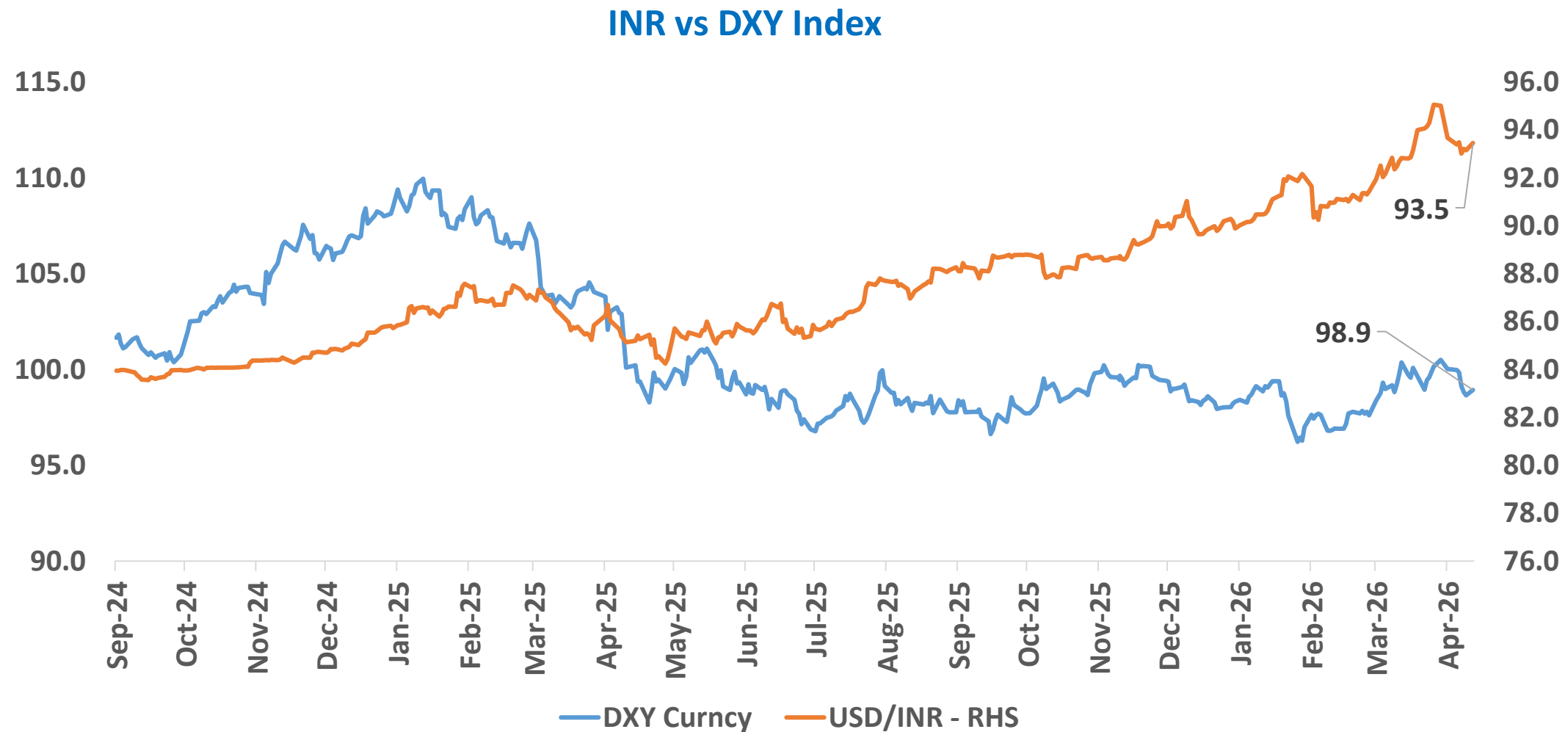
Forex Reserves – Comfortable for now



Source RBI, CEIC, Kotak Economics Research

- Forex reserves have remained robust despite significant currency depreciation and capital outflows. RBI forex reserves are at US\$697bn (11-mth import cover)

INR Significantly depreciated against the weak US dollar



Source: Bloomberg I As on 13 Apr 2026

- The INR has depreciated against the USD by 10% in last 12 months, in the backdrop of an already weak USD (DXY below 100).

Dollar Index (DXY) is a weighted measure of the U.S. dollar's value relative to a basket of major foreign currencies, reflecting its overall strength or weakness.









Flows

Flows – FPI selling continues

← FII/DII Activity

Daywise **CM Provisional** CM SEBI FPI Sectoral Activity Derivatives Futures OI Options OI









FII DII Daily Monthly Yearly

Year	Amount (Rs. Cr.)	Net Buy/(Sell)*	Nifty Closing	Chg %
2026	-1,70,616.41		22,331.40	▼14.5%
2025	-3,06,419.09		26,129.60	▲10.5%
2024	-3,02,434.91		23,644.80	▲8.8%
2023	-16,510.59		21,731.40	▲20.0%
2022	-2,78,429.52		18,105.30	▲4.3%
2021	-92,729.52		17,354.05	▲24.1%
2020	+64,379.00		13,981.75	▲14.9%
2019	+39,880.21		12,168.45	▲12.0%

← FII/DII Activity

Daywise **CM Provisional** CM SEBI FPI Sectoral Activity Derivatives Futures OI Options OI

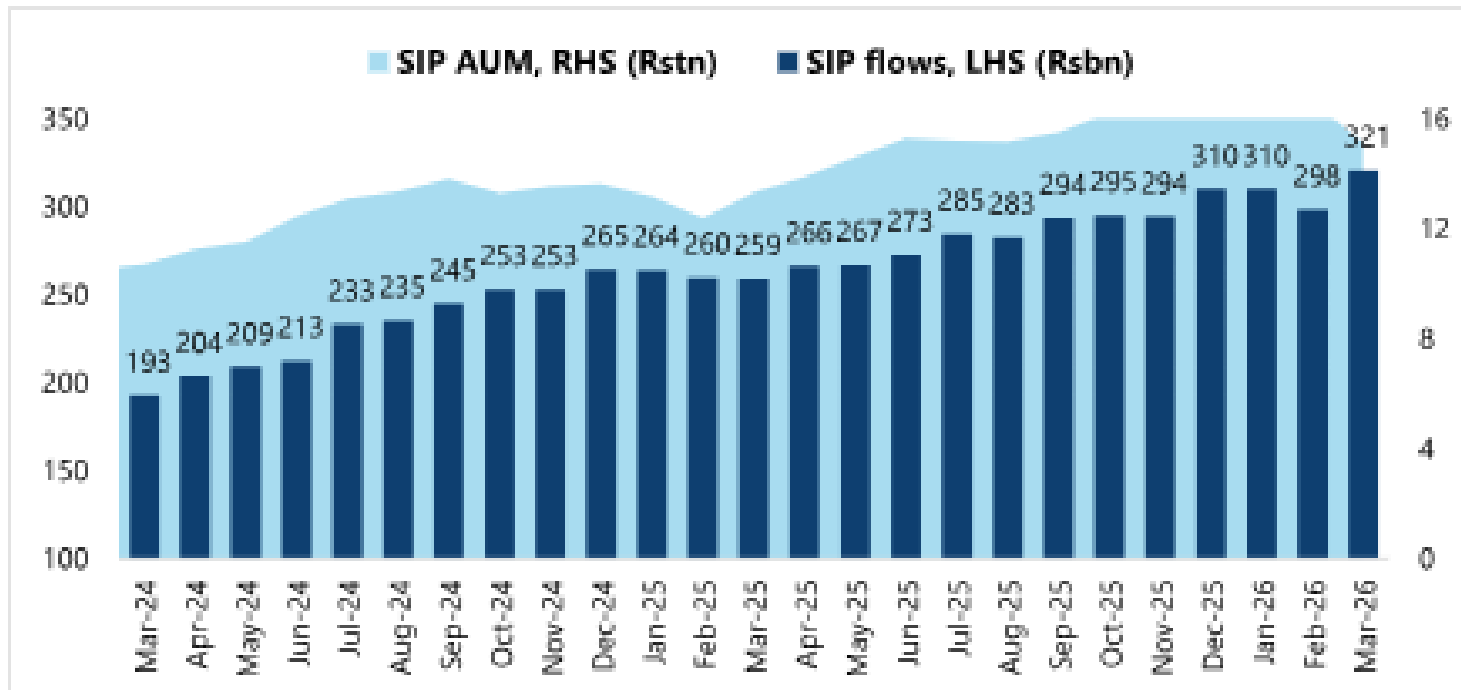
FII DII Daily Monthly Yearly

Year	Amount (Rs. Cr.)	Net Buy/(Sell)*	Nifty Closing	Chg %
2026	+2,50,604.22		22,331.40	▼14.5%
2025	+7,88,184.38		26,129.60	▲10.5%
2024	+5,26,545.13		23,644.80	▲8.8%
2023	+1,84,650.24		21,731.40	▲20.0%
2022	+2,76,698.72		18,105.30	▲4.3%
2021	+94,574.91		17,354.05	▲24.1%
2020	-36,152.24		13,981.75	▲14.9%
2019	+42,228.55		12,168.45	▲12.0%

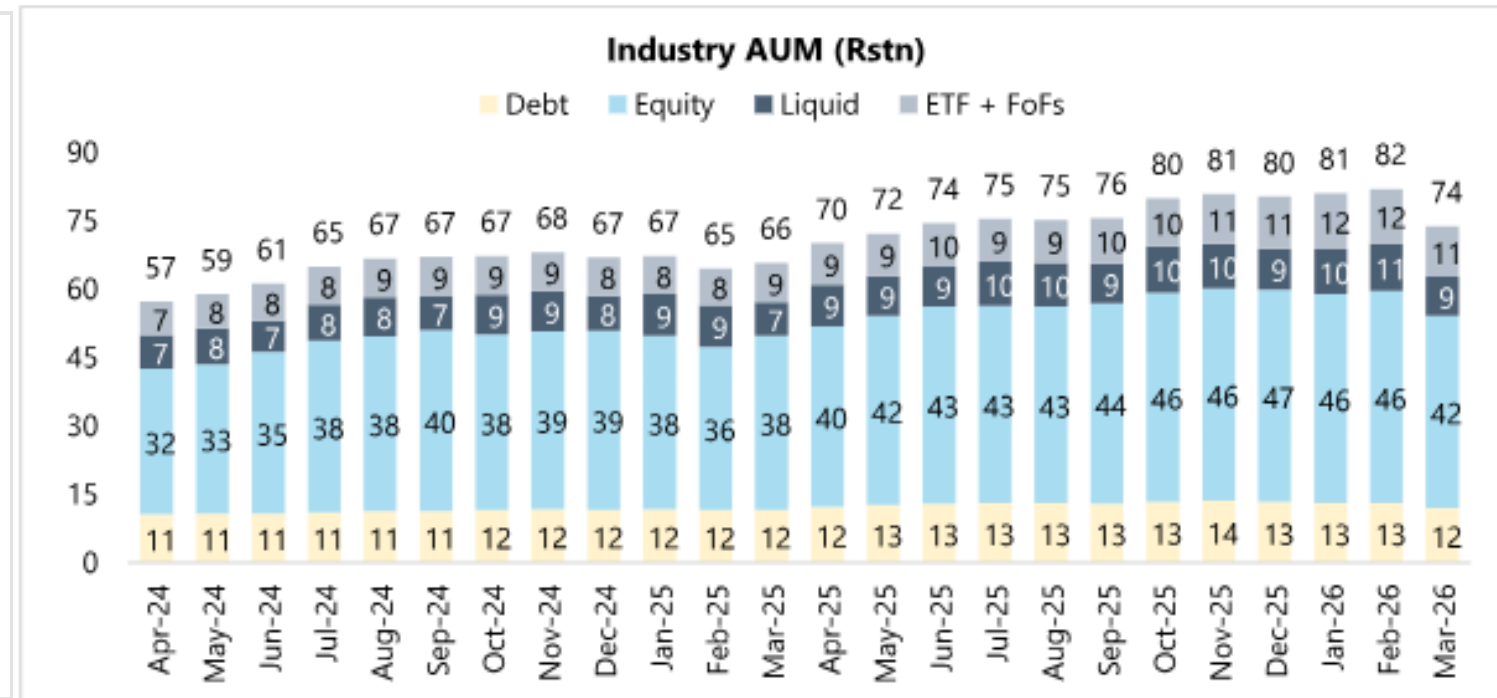
Source: SEBI, NSDL

- FPIs have sold INR 1.7 lac crores of Indian equities during the first three months of 2026 (of this INR 1.2 lac crores was in Mar)
- DIIs continue to absorb the FPI selling, however MF cash levels are now depleting.

Equity MFs net inflows (ex-arbitrage) (INR bn)



Overall Mutual Fund Aum (INR trn)

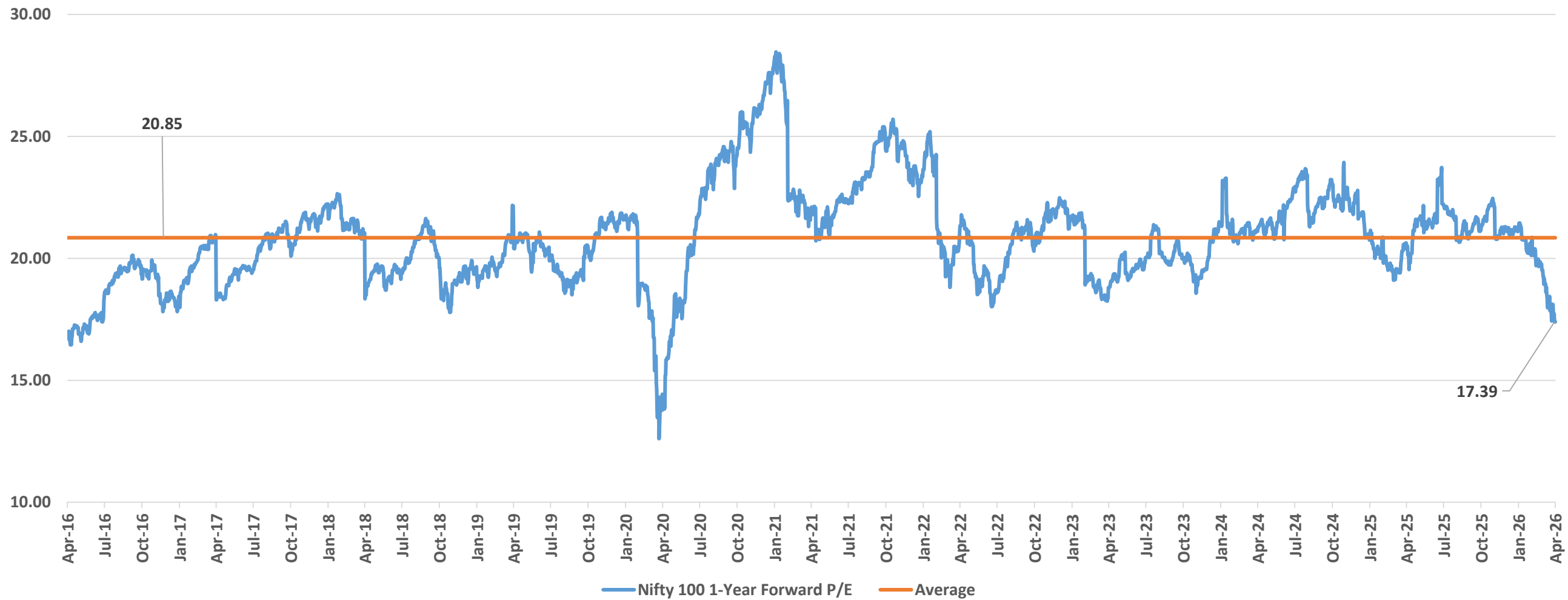


Source: Source: AMFI, Jefferies; Note: Equity includes arbitrage

- In Mar-26, net equity flows (ex. arb & NFOs) rose 46% MoM to Rs480bn (1.1% of op AUM). SIP flows were up 8% MoM to Rs321bn (+24% YoY) on account of higher operating days vs Feb.
- The overall Mutual Fund AUM was up 12% YoY/ down 10% MoM to Rs74tn, with equity AUM up 10% YoY to 57% of total.

Valuations

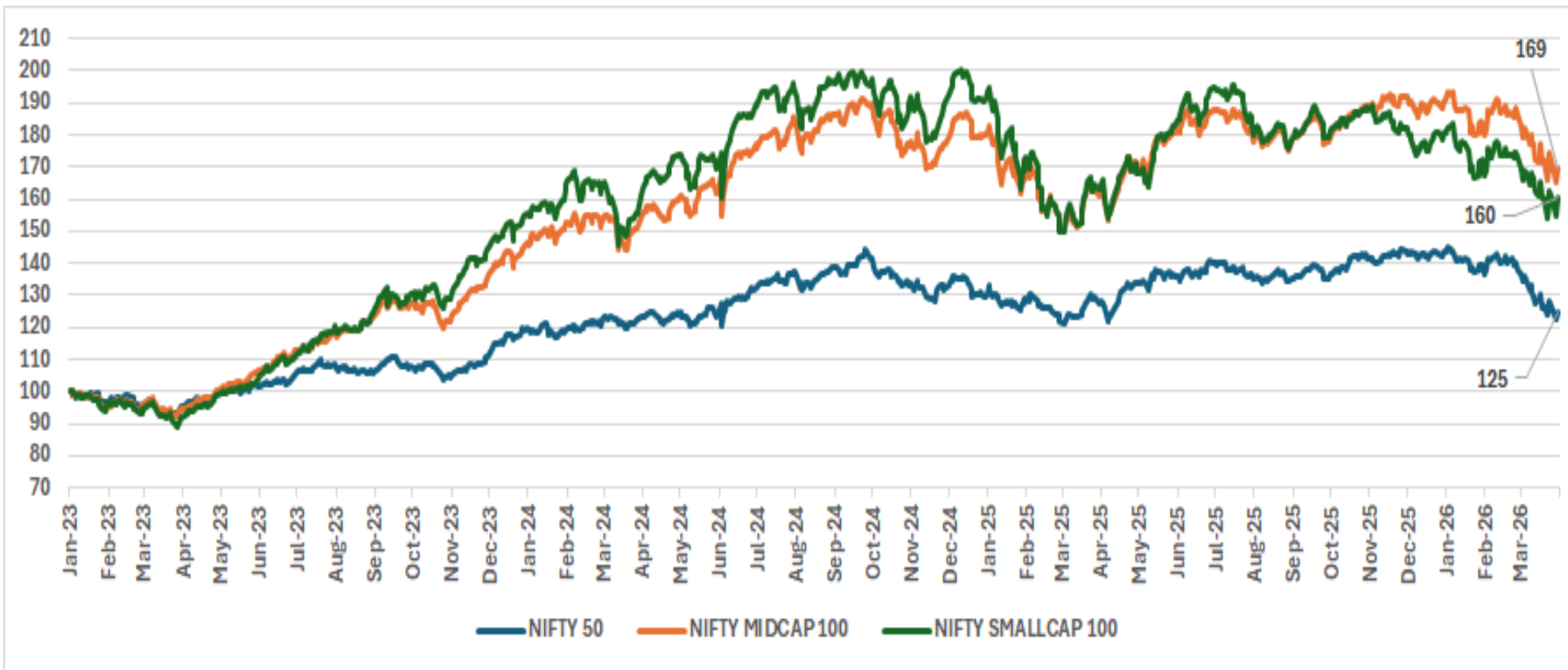
Valuations Are Reasonably Lower



Source: Bloomberg, Bajaj Life Research

- The Nifty is trading at a 12-month forward P/E ratio of 17.39x, the valuations are reasonably lower than its long term average of 20.85 x.

Mid & Small Caps Corrected Lately but Continue to Outperform Large Cap



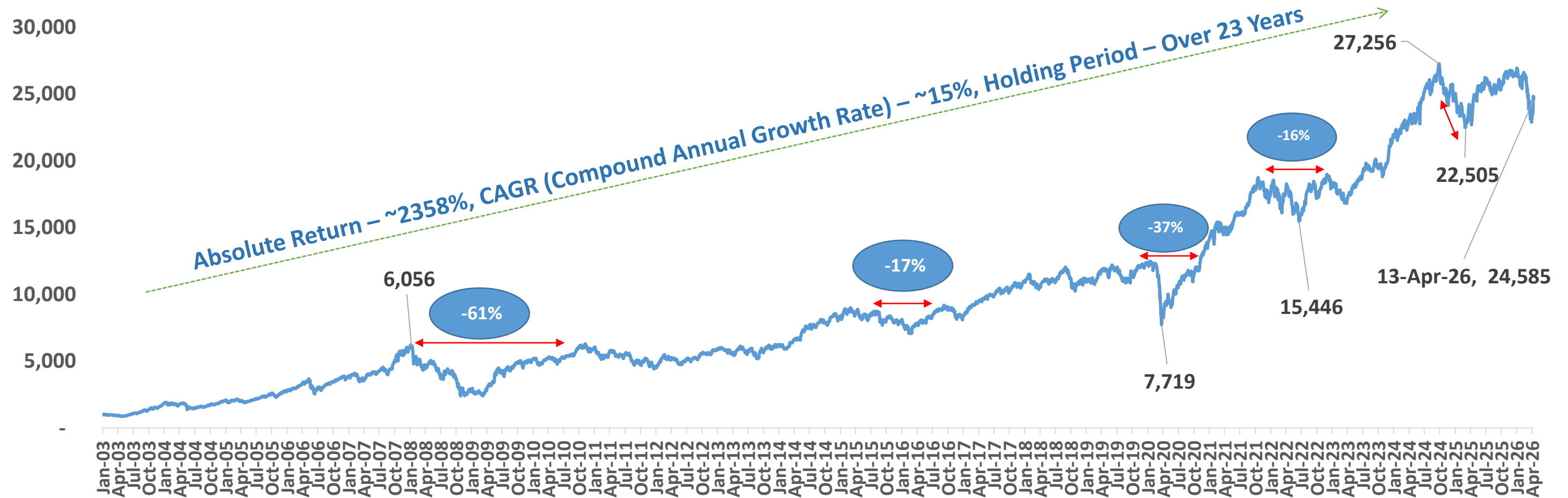
Source: Bloomberg, NSE, Bajaj Life Research, As on 1st April 2026

Index	P/E (Price/Earnings Per Share)
Nifty 50	19.62
Nifty Mid Cap 100	32.55
Nifty Small Cap 100	25.91

Source: NSE Factsheet as on 30-Mar-2026

- **Sustained Mid & Small Cap Outperformance:** Since January 2023 (3 years), Mid and Small Cap indices have significantly outperformed the Nifty 50. Mid Caps are up 69% and Small Caps 60%, compared to a 25% return for the Nifty 50.
- Despite the recent correction, Mid and Small Cap indices continue to trade at historically high Price-to-Earnings (P/E) ratios, suggesting further room for correction.

Equity remains best asset class from a risk, return, liquidity construct

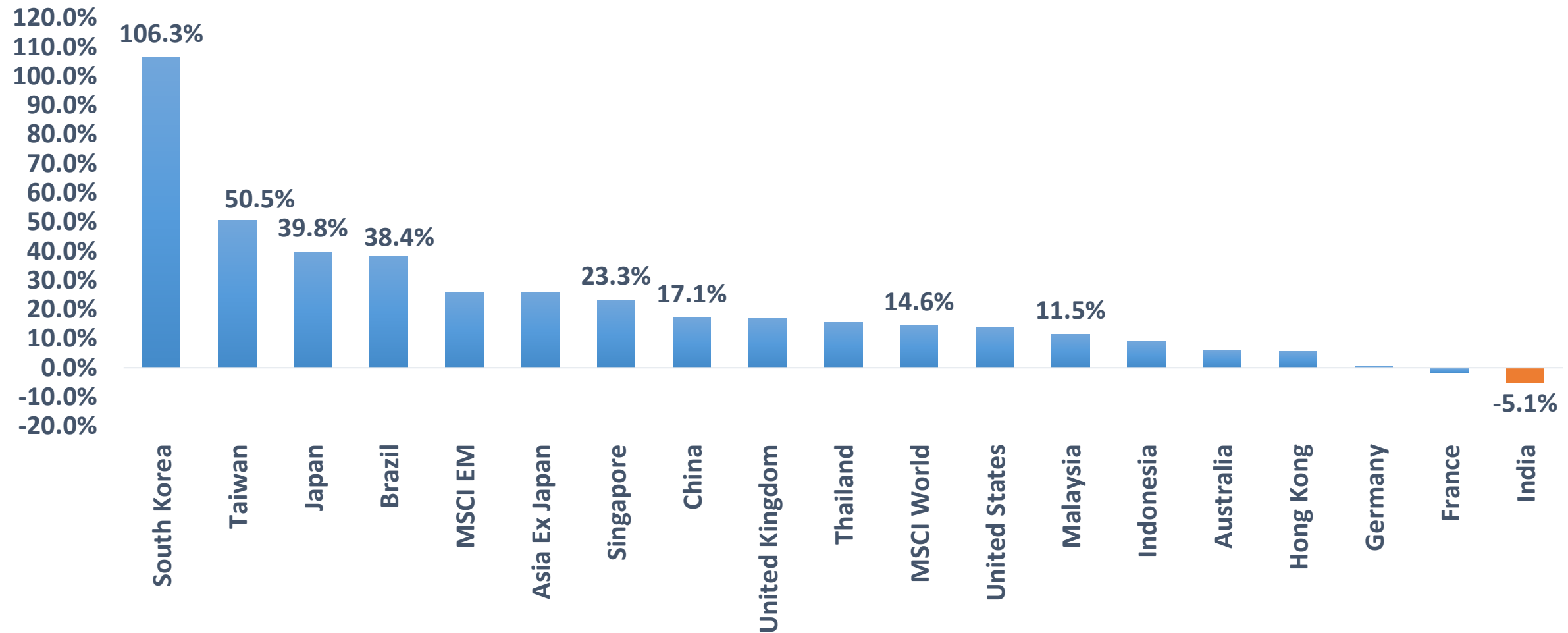


- Equities (Nifty 100 Index) continue to outperform other asset classes (Debt, Hybrid, Real Estate) over the long term.
- Despite short-term volatility, the Nifty 100 Index has consistently recovered from major downturns, highlighting the potential of long term investing.

Market Outlook & View

Equities Have Done Well Globally in Last 12 Months, India Underperformed

1 Year Performance (Local Currency) of Major Global Equity Markets



Source: Bloomberg, As on 30 Mar 2026

- **Global Equity Outperformance:** Major global equity markets have delivered robust returns over the last 12 months.
- Significant diversion in returns as South Korea delivered over 106% where as India delivered -5.1%.
- In contrast to the global trend, Indian equity markets have significantly underperformed during this same period.

Indian Equity Market Outperforms In the Long-term

Performance as on 30th Mar 2026

Index Name	Country / Region	1 Yr	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	15 Yrs.
TSEC TAIEX	Taiwan	50.5%	27.0%	27.0%	14.6%	17.3%	14.1%	9.2%
Nikkei 225 Average	Japan	39.8%	13.6%	22.8%	12.2%	13.6%	11.7%	11.8%
KOSPI	South Korea	106.3%	38.5%	28.7%	11.5%	13.7%	10.3%	6.3%
S&P 500	United States	13.7%	9.9%	15.6%	9.8%	12.2%	12.0%	11.0%
BOVESPA TR	Brazil	38.4%	19.3%	21.5%	9.4%	9.7%	13.6%	6.7%
FTSE/SGX STI	Singapore	23.3%	23.2%	14.5%	9.1%	6.2%	5.6%	3.1%
Nifty 50	India	-5.1%	0.0%	8.8%	8.7%	9.8%	11.3%	9.4%
FTSE 100	United Kingdom	17.0%	12.8%	9.9%	8.6%	4.8%	5.2%	3.7%
FSE DAX TR	Germany	0.5%	10.4%	13.0%	8.5%	10.1%	8.6%	8.1%
MSCI World	World	14.6%	10.0%	14.3%	8.2%	10.2%	9.8%	7.9%
FTSE SET All Share	Thailand	15.6%	11.5%	9.1%	7.1%	4.5%	4.9%	3.8%
CAC 40	France	-1.8%	-2.7%	2.0%	5.1%	5.5%	6.0%	4.5%
S&P/ASX 200	Australia	6.0%	3.5%	5.6%	4.5%	4.6%	5.2%	3.8%
JSX Composite	Indonesia	8.9%	-1.4%	1.4%	3.4%	1.3%	4.0%	4.5%
Shanghai Composite	China	17.1%	14.1%	6.2%	2.7%	3.5%	2.9%	2.0%
MSCI EM	Em	26.0%	16.5%	12.6%	1.4%	4.2%	5.7%	1.3%
FTSE Bursa Malaysia KLCI	Malaysia	11.5%	5.0%	5.9%	1.4%	0.4%	-0.1%	0.6%
MSCI AC Asia Ex Japan	Asia Ex Japan	25.8%	18.4%	12.4%	1.2%	4.7%	6.3%	3.2%
Hang Seng	Hong Kong	5.7%	22.3%	6.7%	-2.7%	-2.3%	2.0%	0.3%

Source : Bloomberg. Returns are in local currency of index, and returns greater than 1 year are CAGR Date Sorted on the basis of 5 Yrs. return in descending order

- On a 5 Year basis, the sharp correction in Mar'26 led Indian equity markets to close with high single-digit returns, versus moderate double-digit returns prior to the decline.
- However, over the 7-, 10-, and 15-year horizons, Indian equities have delivered performance broadly in line with global peers.

Performance of Major Indian Indices

	Feb-26	Mar-26	Performance (%)				YTD	1Y
			1m	3m	6m			
Major Indian indices								
Sensex	81,287	71,948	(11.5)	(15.6)	(10.4)	(15.6)	(7.1)	
Nifty	25,179	22,331	(11.3)	(14.5)	(9.3)	(14.5)	(5.1)	
BSE-100	26,446	23,406	(11.5)	(14.4)	(9.3)	(14.4)	(4.8)	
CNX-100	25,898	22,876	(11.7)	(14.3)	(9.6)	(14.3)	(4.9)	
BSE-500	36,323	32,182	(11.4)	(14.1)	(9.9)	(14.1)	(4.2)	
CNX-500	23,167	20,528	(11.4)	(14.0)	(9.7)	(14.0)	(3.8)	
Mid-cap. and small-cap. indices								
BSE Mid-cap	45,630	40,537	(11.2)	(13.7)	(9.7)	(13.7)	(2.4)	
BSE Small-cap	48,505	43,218	(10.9)	(16.1)	(17.2)	(16.1)	(7.3)	
NSE Mid-cap 100	59,116	52,650	(10.9)	(13.0)	(6.9)	(13.0)	1.9	
NSE Small-cap 100	16,929	15,204	(10.2)	(14.2)	(13.4)	(14.2)	(5.5)	

Source: Bloomberg | Kotak Institutional Equities | As on 30 Mar 2026

- Indian equity markets in March 2026 were dominated by heightened global uncertainty, sharp swings in crude oil prices, and sustained FPI outflows.
- The escalation of the West Asia conflict pushed Brent crude to US\$125.6/bbl at March-end from US\$70.8/bbl at February-end.
- Benchmark indices witnessed extreme volatility, with the Nifty and Sensex seeing multiple sessions of 1–3% intraday moves. Sensex and Nifty declined 11.5% and 11.3%. Mid-cap and small-cap indices experienced a similar fall and declined 10.9% and 10.2%

- Equity markets corrected significantly during the March quarter with the Nifty50 down 15% while Midcap and Smallcap indices were down 13% and 14%, respectively.
- All sectoral indices were down during the quarter with Metals (-0.3%), Energy (-1%), and Pharma (-2%) being relative outperformers. Key sectoral underperformers were Real Estate (-26%), IT (-23%) and FMCG (-18%).
- Due to the sharp correction in Q4, Nifty50 ended FY26 with a loss of 5% and it is now flat on a 2-year basis.
- For FY26, PSU banks (+26%), Metals (+23%) and Autos (+12%) were the key outperformers while Real Estate (-24%), IT (-21%) and FMCG (-15%) underperformed.

Global macro

- The quarter was marked by heightened geopolitical volatility with the onset of the US/Israel-Iran War on 28th Feb.
- Global equities corrected sharply and bond yields surged due to the fears of deterioration in macroeconomic environment.
- Crude oil prices spiked the most since 2022 due to the supply disruptions caused by the blockade of the 'Strait of Hormuz'.
- Substantially higher crude oil prices have emerged as the key source of concern for countries (such as India) dependent on energy imports.
- While crude oil prices have cooled off to some extent from their recent highs, current levels continue to be significantly higher than pre-war levels.
- A sustained period of higher energy prices is expected to translate into higher inflation in the near term followed by growth concerns in the medium term.
- Renewed concerns of an inflation spike would diminish the likelihood of the US Fed cutting rates (which has been on a pause since Dec 2025)

Domestic macro

- While the current readings of key macroeconomic indicators remain steady (Q3 GDP = 7.8% and Feb'26 CPI inflation = 3.2%), the recent surge in crude oil prices is expected to have a significantly negative impact on Indian macros going ahead.
- With India importing ~5.5mn barrels of crude daily, a **\$20/bbl higher oil price translates into a ~INR 3.6 lac crores of economic burden.**
- A sustained period of higher oil prices (average of \$100/bbl) is likely to result in a 100-150bps spike in CPI inflation and 50-100bps impact on GDP growth. It will also lead to higher Current Account and Fiscal Deficits and create additional pressure on the Currency front.
- Such dire macroeconomic conditions may force the RBI to hike rates.
- Overall, the domestic macro situation has worsened dramatically post the war with the final impact dependent on the length of time for which crude prices remain at elevated levels.

Valuations & View

- Indian equity markets have now been flat for 2-years resulting in a sharp correction in P/E multiples. However, we believe that consensus earnings are yet to fully reflect the impact of war and there can be more downside to current earnings estimate for FY27 and possibly even FY28.
- Higher crude oil prices are likely to impact corporate earnings as well due to the combined impact of higher raw material prices, lower margins and lower growth. Certain estimates suggest that there is an 8-10% risk to corporate earnings in FY27 at current prices of crude oil.
- Flows – FPI selling appeared to be ebbing in Feb, but they accelerated again in March in the aftermath of the war, DII flows remain strong.
- Nifty50 is currently trading at ~18.6x one-year forward earnings which is slightly lower than the historical average.
- We maintain our moderately positive outlook for equities despite the risks associated with a prolonged phase of higher energy prices as valuations have turned attractive in many segments of the market.
- Further worsening of the current geopolitical situation and slowdown in retail flows are the key risks to our moderately positive view on equities.

- We continue to prefer largecaps vs small & midcaps due to better relative valuations of largecaps.
- Despite the correction, small and midcaps are still outperforming largecaps substantially on a 3-year basis.
- Higher valuations of small and midcaps continue to be supported by significantly higher earnings growth expectations from them over the next 12-24months. However, we believe that earnings risk due to the war would be far more severe for companies in the small and midcap space as has been the case in past such episodes.

Sector preferences

- **Banks** – Credit growth has improved; asset quality continues to be benign. Most banks are well capitalized and are trading at attractive valuations.
- **Pharma** – Sector enjoys strong global competitive advantage. Valuations attractive post the recent time correction.
- **Telecom** – Strong operating environment for the incumbents allowing them to take price hikes translating in higher ARPUs.
- **Autos** – Distinct beneficiary of the GST rate cut, robust earnings' visibility over the next 12-18months.
- **Consumer discretionary** – Expect a much better summer season which can act as a catalyst for stock prices which have corrected sharply post the failed summer last year. Valuations are reasonably attractive now.

- **Growth Outlook:** Amidst the global supply shock, India's growth is moderating but resilient on account of domestic fundamentals, FY 2027 GDP is expected to be in the range of 6.7% to 6.90%
- **Inflation Outlook:** With crude at elevated levels India's Inflation is on the upward biases of 4.5% but still within the RBI MPC Inflation band.
- **Banking system Liquidity:** Durable Surplus in the system is to the tune of ~ Rs 4 trn and expected to be in the accommodative zone for FY 27
- **RBI Monetary Policy: Holds Rates Steady Amid Rising Global Uncertainty**
 - RBI MPC held the rate at 5.25% in its first MPC meeting for FY 27
 - GDP growth projected at 6.9%
 - The RBI has projected inflation at 4.6% for FY2026–27
- **Demand Supply :** With higher supply from State and Center, demand from Banks/pensions and insurance is critical
- **Rates outlook :** We expect 10-year G-Sec in the range of 6.80% to 7.20%.
- **Positions:** Based on the above outlook, we continue to prefer 3/5 Year corporate & 30-50 Year G-Sec bonds, given attractive yield.
- **Key risks :** Higher inflation, global geopolitical uncertainties and fiscal policies by state government and upcoming monsoon.

- We currently have a moderately positive outlook on equities.
- In the long run, equities have delivered superior returns compared to other asset classes thereby resulting in substantial wealth creation.
- We expect this trend to persist even going ahead. However, we also acknowledge that ‘equities’ are an asset class with reasonably high risks which can result in intermittent periods of subpar returns.
- The Nifty 50 has delivered positive returns for 10 consecutive years through 2025—an outcome that is atypical for inherently volatile equity markets.
- While our current equity outlook remains moderately positive, such an extended period of uninterrupted gains increases the likelihood of a drawdown in the near term.

Some of the key risks to our current equity outlook

- **Worsening of Geopolitical conditions** – The spike in crude oil prices post the onset of the US/Israel-Iran war has already resulted in sharp deterioration in Indian macros. Further worsening of geopolitical conditions resulting in a prolonged period of higher oil prices would be detrimental for the Indian economy and result in further weakness in Indian equities.
- **Global correction** – Though Indian markets did not participate meaningfully in the recent AI-driven global rally, a deeper global correction triggered by the unwinding of the AI-trade might negatively impact Indian markets as well.
- **Slowdown in retail flows** – Domestic flows into equity markets have been robust in the last 2-3 years however, with the market being flat for ~2years now, patience of retail investors is getting tested. In the backdrop of continued foreign selling, any slowdown in retail flows would create demand-supply imbalance and can adversely impact equity performance.

Thank you