



Nippon **india** Mutual Fund

Wealth sets you free

EQUITY

Market Outlook

May 2026



Nippon India Mutual Fund, MF/022/95/1

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Macro and Equity Market Outlook

GLOBAL MACRO & MARKETS

India's NSE NIFTY 50 index ended the month of April 2026 in green (+7.5%). Among major global indices, the Japanese NIKKEI (+16.1%), Morgan Stanley Capital International (MSCI) World (+9.4%), the Euro 50 (+5.6%) and the S&P 500 (+10.4%) ended the month of April 2026 with positive returns. Performance was positive among Emerging Market (EM) indices as well, with the MSCI EM, Hang Seng, BOVESPA Brazil recording sequential returns of (+14.5%), (+4.0%), and (-0.1%) respectively.

The London Metals Exchange (LME) Metals Index rose (+4.5%) in April 2026. West Texas Intermediate (WTI) rose MoM, by (3.6%) and Brent Crude fell MoM, by (-3.7%), respectively, as markets remained cautious given geopolitical uncertainty.

The Dollar Index fell (-1.9%), through April 2026, with the US Dollar (USD) appreciating vis-à-vis Emerging Market (EM) currencies (2.4%) and appreciating against the Indian Rupee (INR) on the spot market (+0.1%). India 10Y G-Sec yields fell by 2.00 bps, while US 10Y G-Sec yields rose by 5.40 bps, and the German Bund yield rose by 3.30 bps, with rates settling at 7.02%, 4.37% and 3.04%, respectively.

Domestic Macro & Markets

The BSE SENSEX rose (+6.9%) in April 2026, in line with the NSE NIFTY Index. The BSE Mid-cap index & the BSE Small-Cap index outperformed the BSE SENSEX, rising by (12.7%) & (19.6%), over the month of April 2026, respectively. Sector-wise, Power, Realty and Capital goods were the top outperformers over the month of April 2026, clocking (+22.2%), (+21.4%) and (20.2%) respectively. All of BSE Sensex's 13 major sectoral indices ended the month of April 2026 in green.

Net Foreign Institutional Investors (FII) flows into equities were Negative for April 2026 at (-\$6.47 Bn), following (-12.72 Bn) in March 2026. Domestic Institutional Investors (DIIs) remained net buyers of Indian equities for the 32nd consecutive month with flows of +\$5.09 Bn in April 2026 compared to (+15.41 Bn) In March 2026.



India's high frequency data update:

Record levels of Goods and Services (GST) collections, stable retail inflation, deflated input inflation, rising core sector outputs, and elevated credit growth augurs well for the Indian economy.

Purchasing Managers' Index Manufacturing PMI:

India's Purchasing Managers' Index Manufacturing (PMI) in April 2026 rebounded to 54.7 from 53.9 in March 2026, showing a clear improvement in operating conditions after hitting a four year low the previous month. The recovery was driven by stronger demand, faster output growth, and rising export orders, though cost pressure remained elevated.

Goods and Services Tax (GST) Collection:

Gross collections of INR 2.42 Tn (+8.7% YoY) in April 2026 concluded the forty-eight consecutive months of collections over the INR 1.4 Tn mark. The Gross Domestic Revenue stood at Rs 1.85 lakh crore, up 4.3%, while Gross Import Revenue stood at Rs 0.57 lakh crore, marking a sharp rise of 25.8% during the month.

Core Sector Production:

The index of eight core sector industries de-grew (-0.4% YoY) in March 2026, against a (+2.3% YoY) growth in February 2026. Four out of eight constituent segments grew YoY, driven by Natural Gas (+6.4% YoY), Petroleum Refinery Products (+0.1% YoY), Steel (+2.2% YoY), & Cement (+4.0% YoY).

Industrial Production:

Factory output growth as measured by the Index of Industrial Production (IIP) grew YoY by (+4.1%) in March 2026, vs a growth of (+5.2%) YoY in February 2026. Driven by positive growths in all the 3 major sectors- Mining (+5.5% YoY), Manufacturing (+4.3% YoY) and Electricity (0.8% YoY).

Credit growth:

Scheduled Commercial Bank Credit growth in April 2026 rose to (+15.9%) YoY vs (+14.6%) YoY in March 2026. Agriculture and allied activities credit in April 2026 grew by (+16%) YoY, while industrial sector credit grew by (+15%) YoY, the services sector credit grew by (+19%) YoY.

Inflation:

Mar'26 Consumer Price Index (CPI) inflation rate accelerated YoY to 3.40%, up from 3.21% in Feb'26. Food inflation accelerated YoY to 3.87%, up from (+3.47%) in the previous month of Feb'26. The Wholesale Price Index (WPI) inflation rose sequentially in Mar'26, with the print at (+3.88%) YoY, primarily due to increase in prices of crude petroleum & natural gas, other manufacturing, non-food articles, manufacture of basic metals and food articles etc.

Trade Deficit:

Indian Merchandise Exports rose by (+6.3%) YoY to \$38.92 Bn in March 2026. Imports fell by (-6.46%) YoY to \$59.59 Bn. Merchandise trade deficit fell to (-\$20.67) Bn, down from (-\$27.1) Bn in February 2026 and (-\$21.69) Bn a year earlier.

Market View

- Domestic equity markets have remained volatile amid persistent geopolitical uncertainties and evolving global macro dynamics. While earlier concerns around US–Iran tensions and crude oil spikes have somewhat eased, risks to energy prices still linger given the fragile situation in the Middle East. Crude oil prices have moderated from recent highs but remain sensitive to any escalation keeping investor sentiment cautious.
- The Indian Rupee has shown phases of volatility against the U.S. Dollar, influenced by global capital flows and dollar strength, but has remained relatively range-bound compared to earlier sharp depreciation pressures.
- Markets continue to trade below Sep 2024 highs and valuations appear reasonable post the sell off across many sectors.
- The duration of the current crisis is important determinant of how the market behaves. The current elevated energy costs are critical for both domestic and global growth and longer the crises continue, corporate earnings may witness a sharp impact
- Given geopolitical challenges and its implications, long term investments may be invested systematically using the current corrective phase of the market. Lack of visibility on impact of earnings due to crude oil, supply chain challenges, currency depreciation are near term factors which may delay recovery. Hence a systematic approach to adding allocations might help in potentially lowering the anticipated volatility. The impact of war is visible on select segments; delayed resolution could lead to downgrade in earnings.
- Asset allocation in line with the risk appetite of the investor is an important tool to navigate any unanticipated volatility. Accordingly Large Cap & Large Cap oriented diversified strategies along with hybrid funds might appear to be better placed on risk-reward basis, while Mid/Small cap allocation may be considered in a staggered manner through systematic investment with a long-term view.

Events to watch out for in May 2026

Trade Related News flow: India finalized a landmark Free Trade Agreement (FTA) with New Zealand on April 27, 2026, granting duty free access for Indian exports and reducing tariffs on 95% of imports from New Zealand, while excluding sensitive items such as dairy, sugar, gems, jewellery, and metals. The deal also includes a \$20 Bn investment commitment over 15 years and provisions for student mobility and post study work visas. In parallel, negotiations with South Korea began in April to upgrade the existing economic partnership pact, while bilateral agreements with Canada and the Gulf Cooperation Council (GCC) remain under close watch.

Federal Open Market Committee (FOMC Meet): The FOMC meeting held on April 28-29, 2026, resulted in the Federal Reserve keeping interest rates unchanged at 3.5% to 3.75%. Inflation remains elevated, while job gains continue to be weak. The Fed reiterated its commitment to maintaining liquidity through Treasury purchases, while signalling that rate cuts could be considered later in 2026 depending on inflation trends. The next FOMC meeting is scheduled to be held on June 16-17, 2026.

The Reserve Bank of India Monetary Policy Committee (RBI MPC Meet): The RBI's MPC convened from April 6-8, 2026, and unanimously voted to keep the policy repo rate unchanged at 5.25%. The decision was guided by rising inflation risks from elevated crude oil prices, rupee depreciation, and supply chain disruptions linked to the Middle East conflict. The RBI revised FY27 GDP growth to 6.9% and inflation to 4.6%, highlighting concerns around global volatility and domestic cost pressures. The next MPC meeting is scheduled for June 3-5, 2026.

Other things to watch out for: UAE's abrupt exit from the Organization of the Petroleum Exporting Countries (OPEC) is adding to the already volatile Oil market since the West-Asia conflict began in Mar'26. OPEC+ also announced an increase in oil production by 206,000 barrels per day starting April, aimed at stabilizing markets after disruptions in the Strait of Hormuz. Geopolitical tensions remain elevated, with the US-Israel-Iran conflict continuing to disrupt Gulf shipping, alongside persistent uncertainties in Gaza and the ongoing Russia-Ukraine war. These developments may expect to weigh on global trade flows and commodity markets through the quarter.

Monthly Performance for Key Indices:

INDEX	2023	2024	2025	Jan-26	Feb-26	Mar-26	Apr-26
MSCI WORLD	21.8%	17.0%	19.5%	2.2%	0.6%	-6.6%	9.4%
S&P 500 (US Markets)	24.2%	23.3%	16.4%	1.4%	-0.9%	-5.1%	10.4%
EURO 50	19.2%	8.3%	18.3%	2.7%	3.2%	-9.3%	5.6%
MSCI EM	7.0%	5.1%	30.5%	8.8%	5.4%	-13.3%	14.5%
HANG SENG	-13.8%	17.7%	27.8%	6.9%	-2.8%	-6.9%	4.0%
NIFTY 50 INDIA	20.0%	8.8%	10.1%	-3.1%	-0.6%	-11.3%	7.5%
LMEX LONDON METALS INDEX	-5.6%	3.8%	30.5%	7.0%	1.5%	-4.3%	4.5%
BRENT	-10.3%	-3.1%	-18.5%	16.2%	2.5%	63.3%	-3.7%
DOLLAR INDEX SPOT	-2.1%	7.1%	-9.4%	-1.4%	0.6%	2.4%	-1.9%
BSE SENSEX	18.7%	8.2%	8.6%	-3.5%	-1.2%	-11.5%	6.9%
BSE MIDCAP	40.8%	25.8%	2.4%	-3.9%	1.4%	-10.8%	12.7%
BSE SMALLCAP	47.5%	29.3%	-7.6%	-6.3%	0.5%	-10.9%	19.6%
USDINR	0.6%	2.9%	4.9%	2.4%	-1.1%	4.2%	0.1%

Source: NIMF Research, Bloomberg, RBI

Note: Market scenarios are not reliable indicators for current or future performance. The same should not be construed as investment advice or as any research report/research recommendation.

Past performance may or may not be sustained in future.

Source: NIMF Research, Bloomberg

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