



Nippon **india** Mutual Fund

Wealth sets you free

EQUITY

Market Outlook

July 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 June 2026 in green (1.35%). Among major global indices, the Japanese NIKKEI (+5.6%), Morgan Stanley Capital International (MSCI) World (-0.8%), the Euro 50 (+4.60%) and the S&P 500 (-1.1%) ended the month of June 2026 with mixed returns. Performance fell among Emerging Market (EM) indices in June 2026, with the MSCI EM, Hang Seng, BOVESPA Brazil recording sequential returns of (-1.7%), (-9.1%), and (-1.0%) respectively.

The London Metals Exchange (LME) Metals Index fell (-6.0%) in June 2026. West Texas Intermediate (WTI) in red MoM, by (-20.4%) and Brent Crude fell MoM, by (-20.8%), respectively, as markets remained cautious given geopolitical uncertainty.

The Dollar Index rose by (+0.9%), through June 2026, with the US Dollar (USD) appreciating vis-à-vis Emerging Market (EM) currencies (-2.3%) and depreciating marginally against the Indian Rupee (INR) on the spot market (-0.4%). Bond yields moved unevenly, with India's 10Y G-Sec yields fell by 25.40 bps, while US 10Y G-Sec yields climbing 2.97 bps, and the German Bund yield fell by -7.80 bps, with rates settling at 6.75%, 4.46% and 2.86%, respectively.

Domestic Macro & Markets

The BSE SENSEX climbed (+2.30%) in June 2026, in line with the NSE NIFTY Index. The BSE Mid-cap index & the BSE Small-Cap index, rising by (+1.1%) & (+5.3%), over the month of June 2026, respectively. Sector-wise, Banks, Realty and Healthcare were the top outperformers over the month of June 2026, clocking (+6.0%), (+6.0%) and (+5.0%) respectively. BSE Sensex's 13 major sectoral indices posted mixed performance in June 2026.

Net Foreign Institutional Investors (FII) flows into equities were negative for June 2026 at (-\$3.2 Bn), following (-\$3.45 Bn) in May 2026. Domestic Institutional Investors (DIIs) remained net buyers of Indian equities for the 34th consecutive month with flows of (+\$8.3) Bn in June 2026 compared to (+8.67 Bn) in June 2026.



India's high frequency data update:

Manufacturing Purchasing Managers Index (PMI) strengthened, GST collections remained robust on import revenue, core sector and industrial output rebounded, credit growth stayed elevated despite a slight moderation, while inflation edged higher and the trade deficit widened.

Purchasing Managers' Index Manufacturing PMI:

India's Manufacturing PMI for June 2026 eased to 54.2, down from 55.0 in May, marking the second-weakest expansion in four years. While the sector remained firmly in growth territory, softer demand - especially weaker export orders to Europe- dragged on output, new orders, and employment.

Goods and Services Tax (GST) Collection:

Gross collections of INR 1.94 Tn (+13.9% YoY) in June 2026 the Gross Domestic Revenue stood at Rs 1.35 lakh crore, rose +6.5%, while Gross Import Revenue stood at Rs 0.60 lakh crore, marking a sharp rise of 34.6% during the month.

Core Sector Production:

The index of eight core sector industries grew moderately (+0.5% YoY) in May 2026, against a (+1.7% YoY) growth in April 2026. The production of Electricity, Cement and Steel recorded growth in May 2026. The production of Electricity, Cement and Steel recorded growth in May 2026 by (+8.7% YoY), (+8.4% YoY) and (+5.0% YoY) respectively.

Industrial Production:

Factory output growth as measured by the Index of Industrial Production (IIP) grew YoY by (+5.1%) in May 2026, vs a growth of (+4.9%) YoY in April 2026. The growth rates of the Four sectors, Mining & Quarrying, Manufacturing, Electricity & Gas Supply and Water Supply, Sewerage & Waste Management for the month of May 2026 are (-1.6%), (+5.5%), (+9.9%) and (+5.5%) respectively.

Credit growth:

Scheduled Commercial Bank Credit growth in June 2026 increased marginally to (+17.7 %) YoY vs (+16.2%) YoY in May 2026. Agriculture and allied activities credit in May 2026 grew by (+14.9%) YoY, while industrial sector credit grew by (+17.5%) YoY, the services sector credit grew by (+20.4%) YoY.

Inflation:

For May 2026, the Consumer Price Index (CPI) inflation rate rose YoY to (+3.93%), up from (+3.48%) in April 2026. Food inflation accelerated further to (+4.78%) YoY, compared to (+4.20%) in April. The Wholesale Price Index (WPI) inflation remained elevated at around (+9.7%) YoY compared to (+8.3%) YoY in April 2026. The positive rate of inflation in May 2026 was primarily due to increases in prices of mineral oils, crude petroleum & natural gas, basic metals, jewellery, vegetables, and housing costs, while deflationary trends were observed in items like potatoes, peas, and motor vehicles.

Trade Deficit:

Indian Merchandise Exports rose by (+18.0%) YoY to \$45.20 Bn in May 2026. Imports rose by (+20.0%) YoY to \$73.41 Bn. Merchandise+ services trade deficit fell to (-\$10.51) Bn, up from (-\$28.38) Bn in April 2026 and (-\$6.79) Bn a year earlier.

Market View

- Domestic equity markets have remained range-bound with intermittent bouts of volatility. Sentiment improved as tensions between the U.S. and Iran eased, which led to softer energy prices and improving global risk sentiment.
- Lower crude oil prices, relatively stable rupee, healthy corporate balance sheets and expectations of supportive monetary policies have provided support to markets. However, any escalations in geopolitical events could keep the markets volatile.
- The Indian Rupee has remained relatively stable against the U.S. Dollar despite occasional fluctuations caused by global investment flows, while inflation has continued to ease, providing comfort to policymakers.
- While these factors may contribute to near-term market fluctuations, improving domestic demand, ongoing government capital expenditure and easing financial conditions may be expected to support India's medium-term growth outlook.
- Following the market correction over the past several months valuations have become more reasonable particularly within the large-cap segment. While near-term earnings may face pressure from elevated input costs, currency weakness and softer global demand the medium- to long-term structural growth drivers for India remain intact.
- Given geopolitical challenges and its implications, long term investments may be invested systematically using the current corrective phase of the market. Fluctuations in commodity prices, supply chain disruptions, currency movements and global growth concerns 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 July 2026

RBI MPC Meeting: The Reserve Bank of India's policy review will be closely watched as CPI inflation remains near 4%^ and food prices show stickiness due to monsoon variability. With repo rates steady at 5.25%\$, the committee's commentary on liquidity and growth may influence bond yields, banking stocks, and credit markets. The next MPC meet is expected to be held from 3-5 August, 2026.

Corporate Earnings Season (mid-July onwards): Q1 FY27 results begin with IT majors, followed by banks and industrials. Earnings will provide clarity on margins, credit growth, and global demand trends. Investor sentiment may hinge on management commentary around rural demand, monsoon-linked consumption, and export outlook.

Inflation & IIP Data (mid-July): June CPI and IIP releases will be critical for gauging domestic momentum. CPI trends may shape RBI's stance on rate cuts, while IIP will highlight industrial output strength or weakness. WPI data will also be tracked, especially for fuel and metals.

ITR Filing Deadline (July 31): The last date for filing income tax returns for FY 2025–26. Liquidity flows may be influenced by advance tax payments and filing activity, with penalties for late submission adding pressure.

Global Cues: US Fed commentary on inflation and interest rates may potentially drive capital flows into emerging markets. Crude oil prices remain a key risk for India's import bill, while geopolitical tensions in the Middle East and Europe: particularly the US-Israel-Iran conflict and the Russia-Ukraine war-continue to disrupt global trade flows and commodity markets. These developments may be expected to weigh on investor sentiment and India's external balances through the quarter.

^As on 31st May 2026

\$ As on 30th June 2026

Monthly Performance for Key Indices:

INDEX	2023	2024	2025	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
MSCI WORLD	21.8%	17.0%	19.5%	2.2%	0.6%	-6.6%	9.4%	4.4%	-0.8%
S&P 500 (US Markets)	24.2%	23.3%	16.4%	1.4%	-0.9%	-5.1%	10.4%	5.1%	-1.1%
EURO 50	19.2%	8.3%	18.3%	2.7%	3.2%	-9.3%	5.6%	2.9%	4.6%
MSCI EM	7.0%	5.1%	30.5%	8.8%	5.4%	-13.3%	14.5%	9.5%	-1.7%
HANG SENG	-13.8%	17.7%	27.8%	6.9%	-2.8%	-6.9%	4.0%	-2.3%	-9.1%
NIFTY 50 INDIA	20.0%	8.8%	10.1%	-3.1%	-0.6%	-11.3%	7.5%	-1.9%	1.4%
LMEX LONDON METALS INDEX	-5.6%	3.8%	30.5%	7.0%	1.5%	-4.3%	4.5%	5.3%	-6.0%
BRENT	-10.3%	-3.1%	-18.5%	16.2%	2.5%	63.3%	-3.7%	-19.3%	-20.8%
DOLLAR INDEX SPOT	-2.1%	7.1%	-9.4%	-1.4%	0.6%	2.4%	-1.9%	0.9%	2.3%
BSE SENSEX	18.7%	8.2%	8.6%	-3.5%	-1.2%	-11.5%	6.9%	-2.8%	2.3%
BSE MIDCAP	40.8%	25.8%	2.4%	-3.9%	1.4%	-10.8%	12.7%	2.5%	1.1%
BSE SMALLCAP	47.5%	29.3%	-7.6%	-6.3%	0.5%	-10.9%	19.6%	2.5%	5.3%
USDINR	0.6%	2.9%	4.9%	2.4%	-1.1%	4.2%	0.1%	0.1%	-0.4%

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.

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