Alpha Strategist – Mar’26

“The Tempest”

Summary

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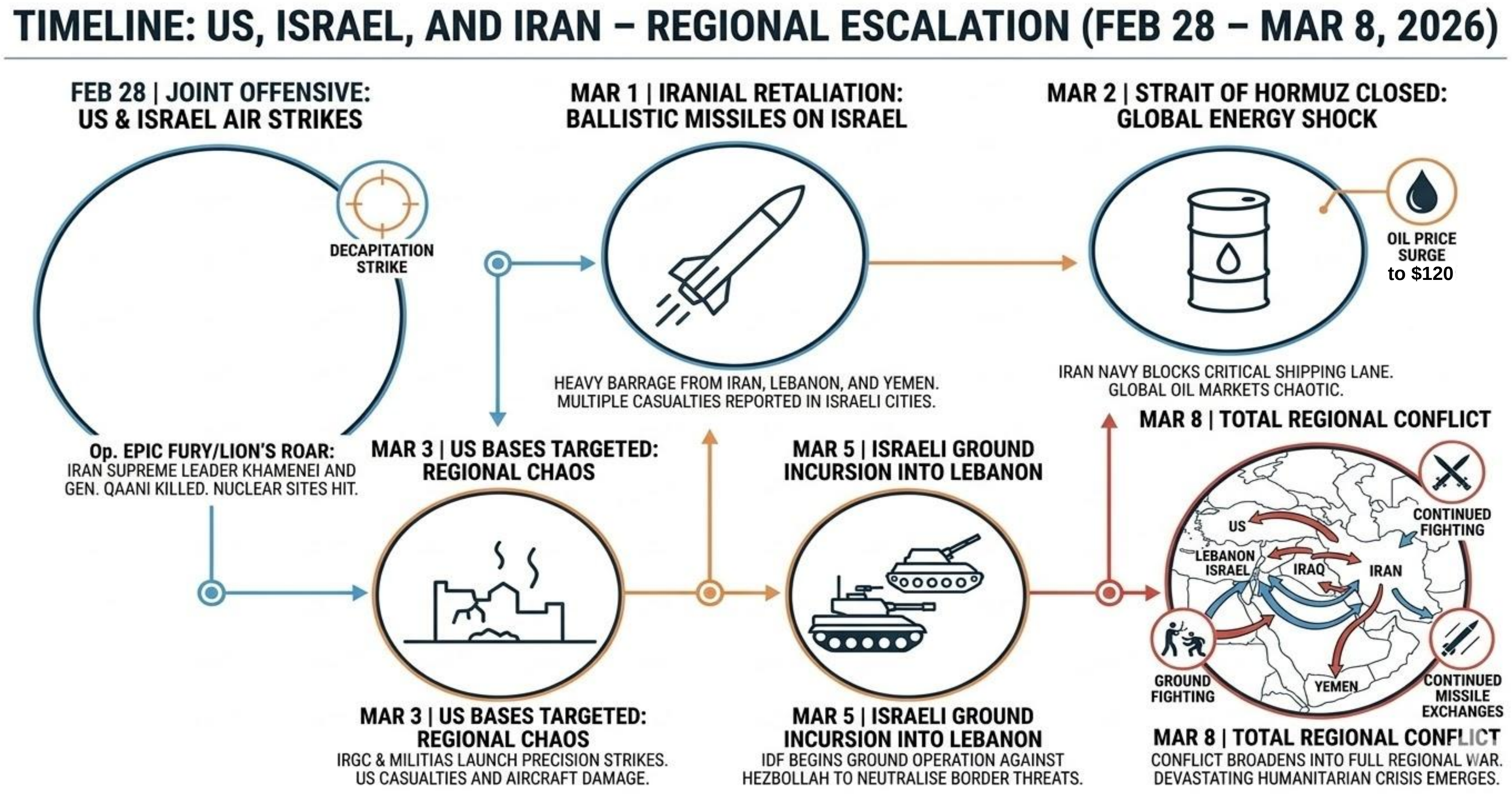
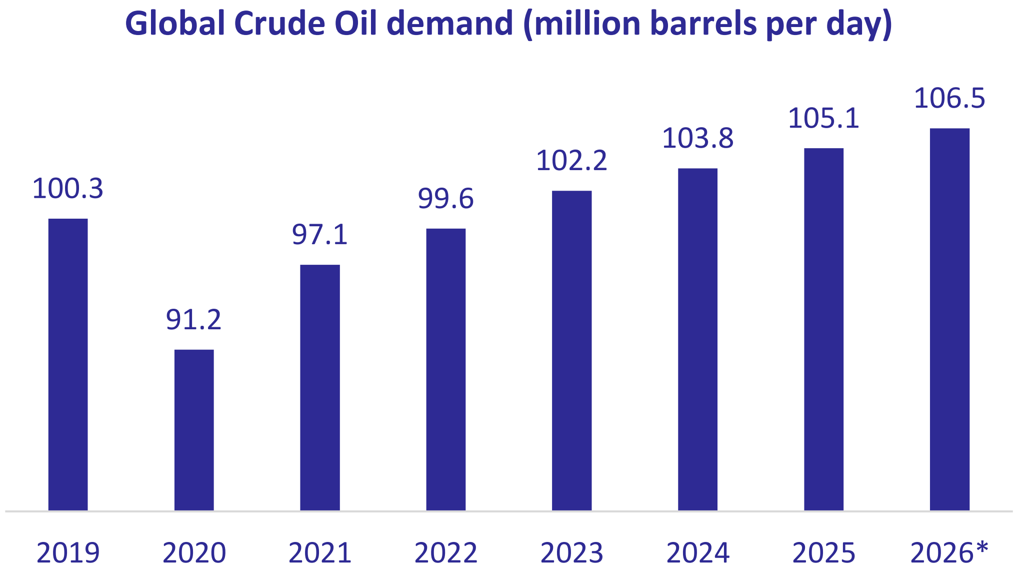
- Military escalation involving the US, Israel, and Iran has heightened risks around the Strait of Hormuz, a critical energy chokepoint. Brent crude has surged from ~$70–75 to above $100/bbl, briefly touching ~$115, while LNG prices spiked due to supply disruptions.
- Higher energy prices are inflationary globally, raising transportation, manufacturing, and utility costs. This could push bond yields higher, limit central banks' policy flexibility, and slow global growth; particularly in energy-importing economies.
- For India, sustained high crude prices could widen the current account deficit, increase inflation, and pressure the rupee. Persistent currency weakness could amplify imported inflation and keep long-term bond yields biased upward. That said, India enters this episode with lower oil dependency and stronger macro buffers than in prior crises.
- The Israel–Iran escalation has triggered risk-off sentiment and a broad equity correction. Stock-level declines have significantly exceeded index-level falls, broadly mirroring the Mar'25 correction that preceded a healthy rebound.
- Markets have undergone both time and price correction, bringing valuations closer to historical averages. However, corporate earnings are improving, with Nifty 500 reporting the strongest PAT growth in eight quarters and ~50% of companies delivering over 15% profit growth. Structural drivers like GST reforms, tax cuts, and trade deals may further support earnings.
- A **"Tempest"** symbolizes a phase of intense turbulence and volatility that, while unsettling in the moment, is typically temporary. The current market can be considered to be going through such a volatile storm.
- Drawing on historical precedents from comparable conflicts, alongside improving earnings, reasonable valuations, and the extent of correction across segments, this is a time not to retreat but to navigate with discipline and patience. We see this as an opportunity to add exposure, while remaining mindful of risks through staggered deployment.
- **Equity view – Neutral ; Portfolio Allocation: 50% allocation to Hybrid/Large caps, 10% to Global and 40% allocation to Mid and Small Caps**
- Investment Strategy: Lump-sum investments in Hybrid funds at current levels; For Pure equity-oriented strategies, a staggered SIP/STP approach over the next 2-3 months is prudent given the uncertainty. Any sharp correction should be used for aggressive deployment.
- In Fixed Income, continue to prefer accrual strategies across the credit spectrum – both direct & managed and income generating assets
- We maintain neutral view on Gold from asset allocation perspective.

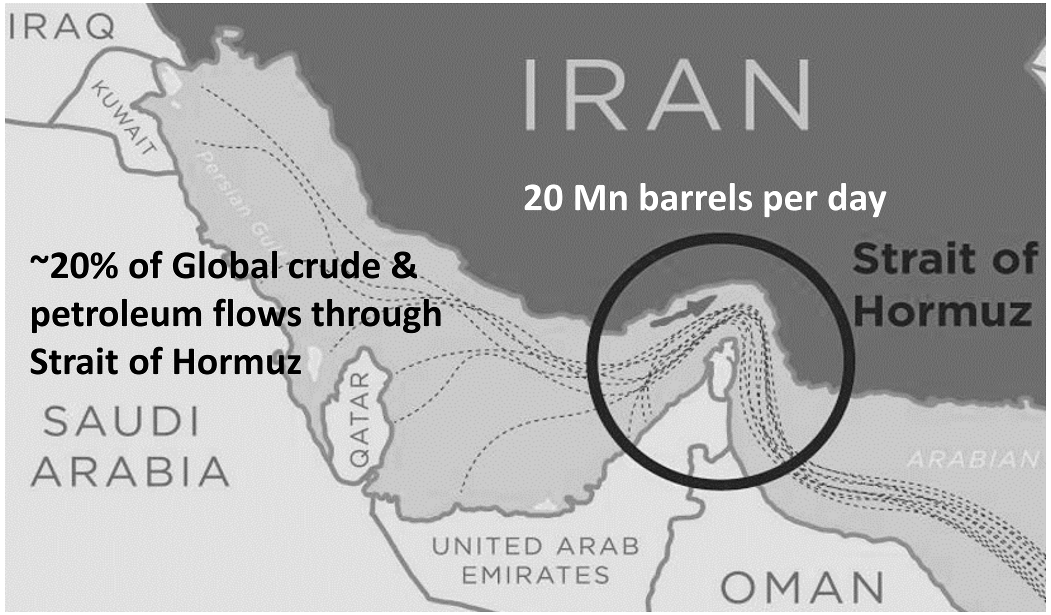
Highlights

US-Israel and Iran Conflict



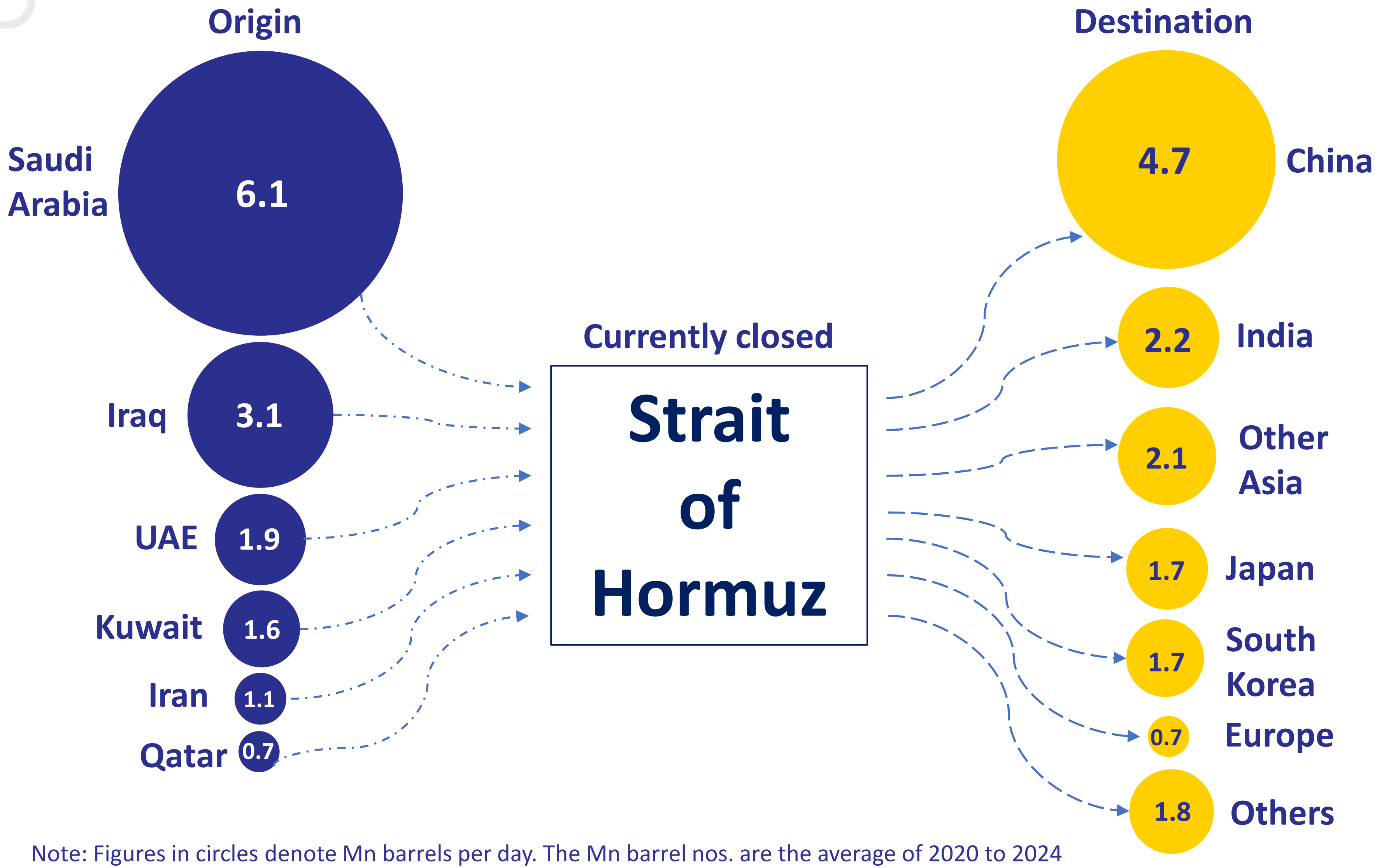
Crudonomics – The big picture





- In 2025, the global demand for crude oil **reached to 105 mn barrels per day** and is expected to reach ~107 mn barrels per day in 2026
- According to the U.S. Energy Information Administration, an **average of 20 mn barrels of oil a day** flow through the Strait of Hormuz
- The recent US & Israel versus Iran conflict has throttled global oil and gas supplies, with cargo vessels avoiding the vital Strait of Hormuz after the Iranian Revolutionary Guard Corps (IRGC) announced its closure.

Crudonomics – Supply disrupted



- The crude oil passing through the strait originates from Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and the UAE.
- Assuming Saudi and UAE utilize the alternative routes to divert ~3 mn barrels roughly 2/3rd of current Gulf crude exports remain physically dependent on the Hormuz
- Majority of crude that moves through Hormuz goes to Asian markets with China and India being top consumers.
- Prolonged closure of Strait of Hormuz can create significant supply side risk

Note: Figures in circles denote Mn barrels per day. The Mn barrel nos. are the average of 2020 to 2024 and Q125 as per EIA

The Domino Effect – Strait of Hormuz

Major Trade Items flowing through Strait of Hormuz

OIL
20 mn barrels pd (20% of daily consumption)

→ Sulphur gets produced as a by-product through refining of Oil & Gas
→ Used to produce Sulfuric acid → used in extracting copper / cobalt

GAS
20% of global LNG
33% of global LPG

→ 30% of Taiwan's LNG → used in generating power
→ TSMC, producer of 90% of world's advanced chips consumes ~9% of Taiwan's electricity

FERTILIZER
33% of global Nitrogen Fertilizer

→ Synthetic nitrogen fertilizers support agriculture activity
→ Half of world's population depend on food made possible by Synthetic nitrogen

Industry Impact

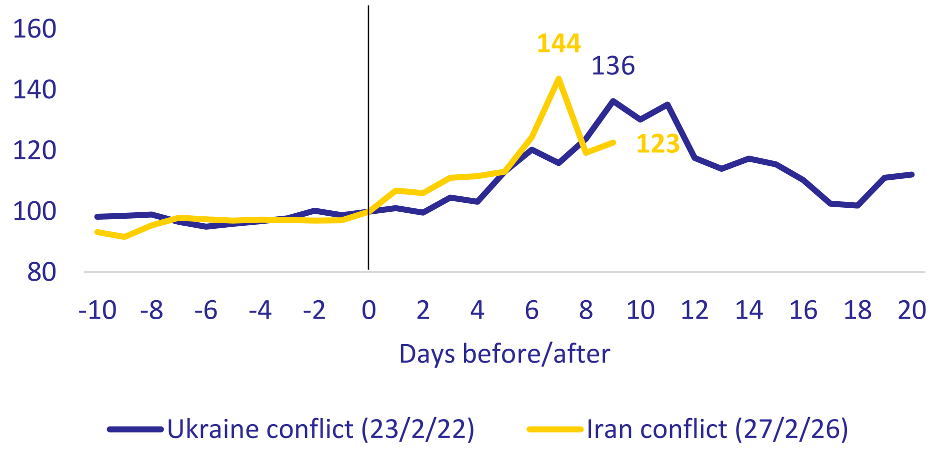
1. Transformers
2. EV Batteries
3. Electronic Substrates (Data Centres)

Chip Manufacturing

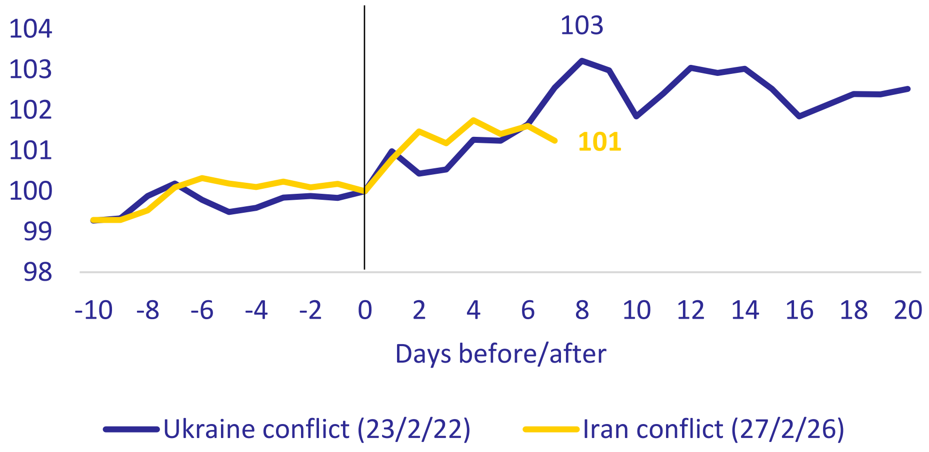
Food Crises

War Impact – Crude, DXY, World & EM equity

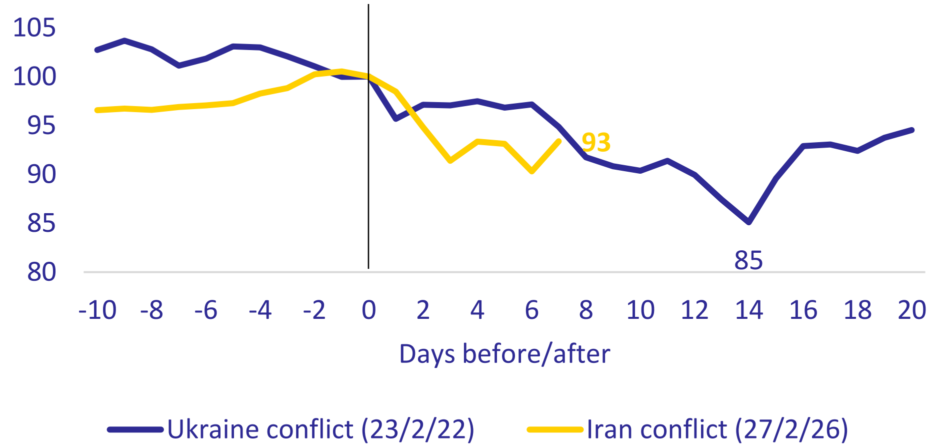
Brent Oil versus 2022 (rebased to 100)



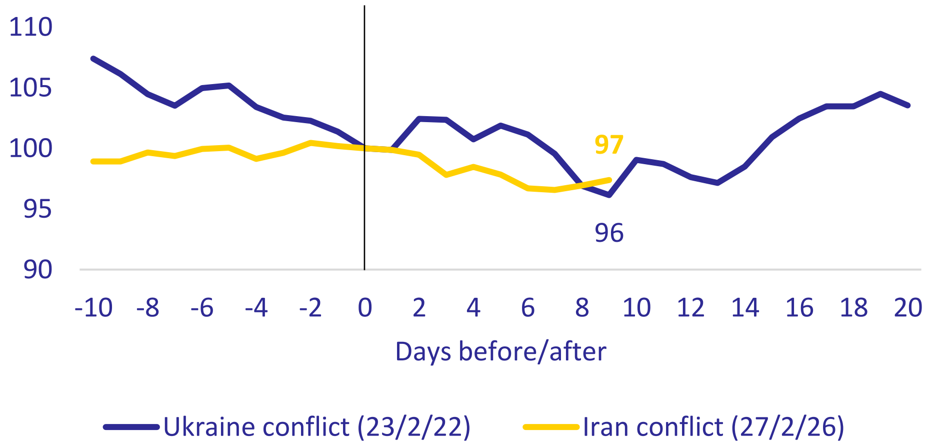
DXY versus 2022 (rebased to 100)



MSCI EM versus 2022 (rebased to 100)

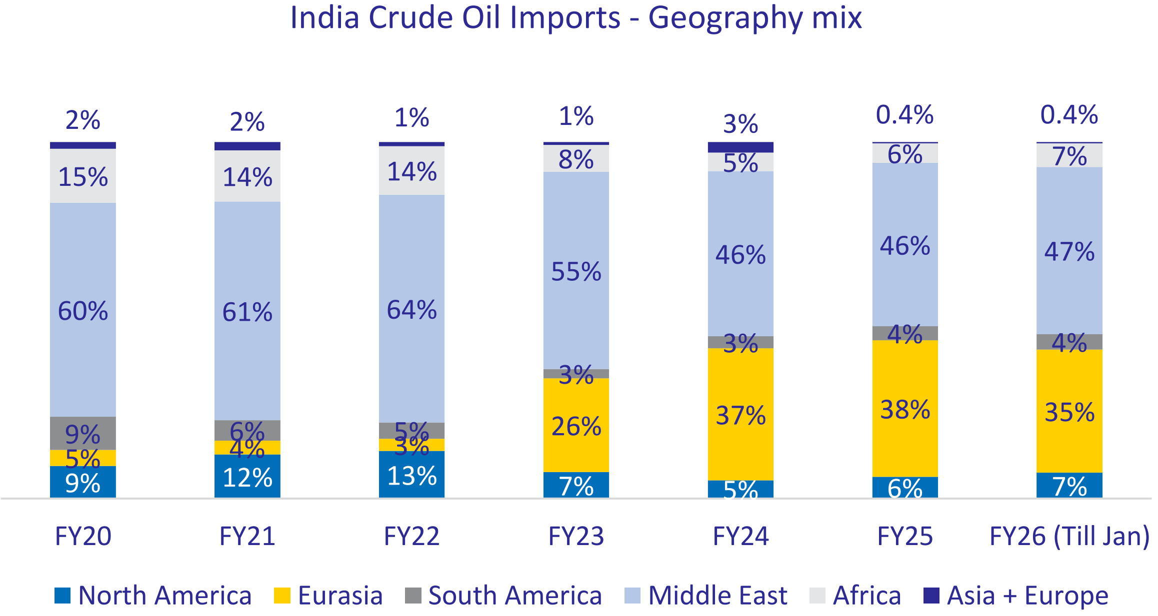


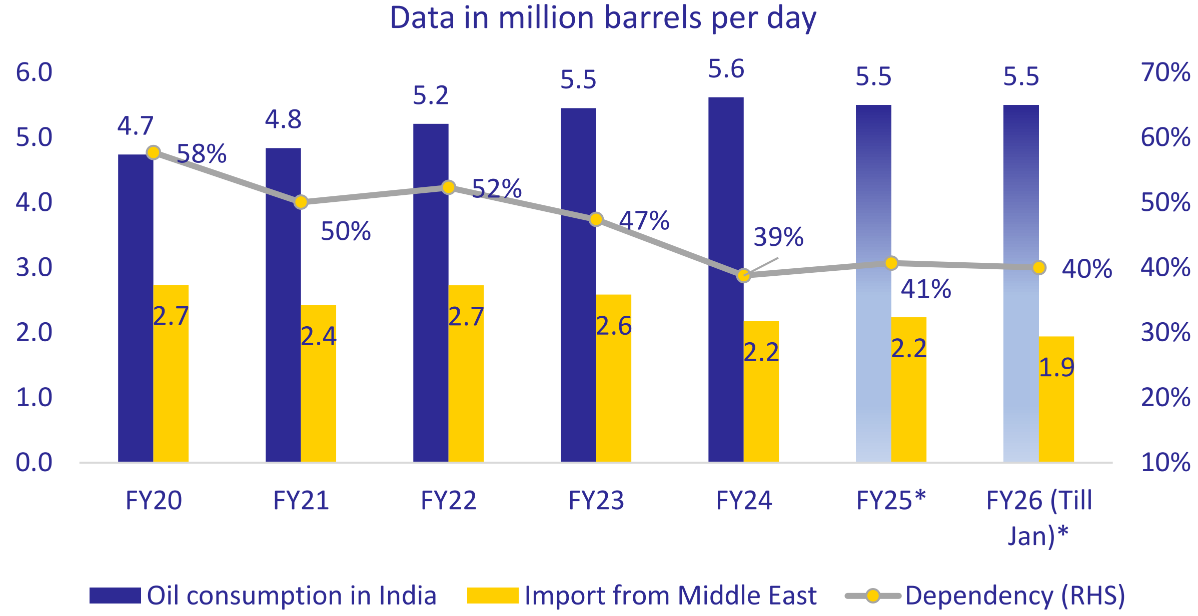
MSCI World versus 2022 (rebased to 100)



Source: Investing.com, Internal Research
Disclaimer: The above data is for informational purposes. The analysis may or may not be sustained in future.

Crudonomics – India Impact





*Oil consumption is assumed to be constant for FY25 and FY26

- India currently holds about 100 mn barrels of crude across commercial storage, strategic reserves, and cargo in transit, which could meet roughly 40–45 days of demand if supplies through the Strait of Hormuz are disrupted.
- India imports ~88% of crude oil needs, of which more than 50% is supplied by Middle eastern countries through Strait of Hormuz. ~80% of LNG imports come from the Middle East.
- If Hormuz closes, India faces an immediate price shock (Brent trading in the range of $85-$90, ~25% up since the Iran crisis), leading to source oil through alternative channels

Source: PPAC, Kpler, Internal Research

Impact of Oil price increase on Indian Economy

Brent Price	Δ Brent	Barrels Imported (bn)	Import Bill Impact ($)	CAD ($ bn)	CAD (% GDP)	CPI Impact	GDP Growth Impact	INR Impact
$70	-$10	1.72	-$17B	$6B	0.15%	-0.30%	0.15%	0.50%
$80 (Baseline)	—	1.72	—	**$23B**	**0.60%**	—	—	—
$90	+$10	1.72	+$17B	$40B	1.0%	0.30%	-0.15%	-0.50%
$100	+$20	1.72	+$34B	$57B	1.45%	0.60%	-0.30%	-1.00%
$120	+$40	1.72	+$68B	$91B	2.3%	1.20%	-0.60%	-2.00%

**All impacts are shown on annual basis*

Impact of $10 increase in Brent crude:

Variable	Impact
Import Bill	+$17B
CAD as a % GDP	+0.3–0.4%
Inflation (CPI)	+0.2% to +0.3%
GDP Growth	−0.2% to -0.3%
Fiscal Deficit	+0.1–0.2% GDP
₹ INR	Depreciation pressure

Source: DSP Netra, RBI Report

Disclaimer: The above data is for informational purposes. The analysis may or may not be sustained in future.

India’s Oil Imports as a % of GDP: A Declining Trend

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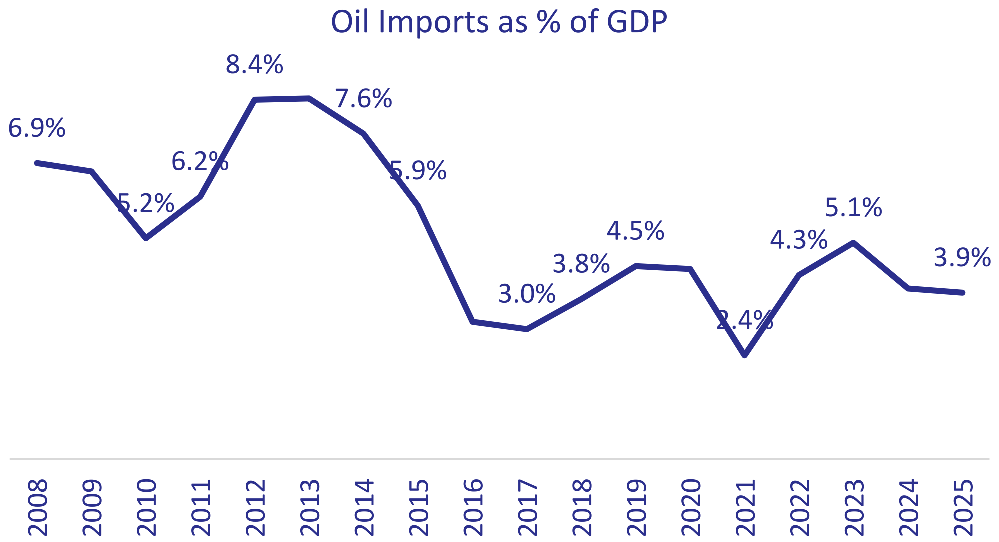
Oil imports as a percentage of GDP has been declining



GDP growth at 3x vs 2x growth in oil imports

Year	Oil Imports Bill ($Bn)	GDP ($ Bn)
2009	90	1342
2025	161	4125
Growth	**1.8x**	**3.1x**

- Oil imports accounted for a much larger share of GDP between 2009-14
- Energy efficiency improvements, substitution toward gas and renewables, and better fuel standards have moderated oil intensity.
- Share of investments in renewables increasing from ~23% in 2013-14 to over 40% in 2024-25.
- Indian GDP has grown faster than increase in oil consumption
- Forex reserves currently are at ~USD 730 bn versus ~USD 255 bn in 2009

Source: HDFC MF, Petroleum Planning and Analysis Cell, IMF

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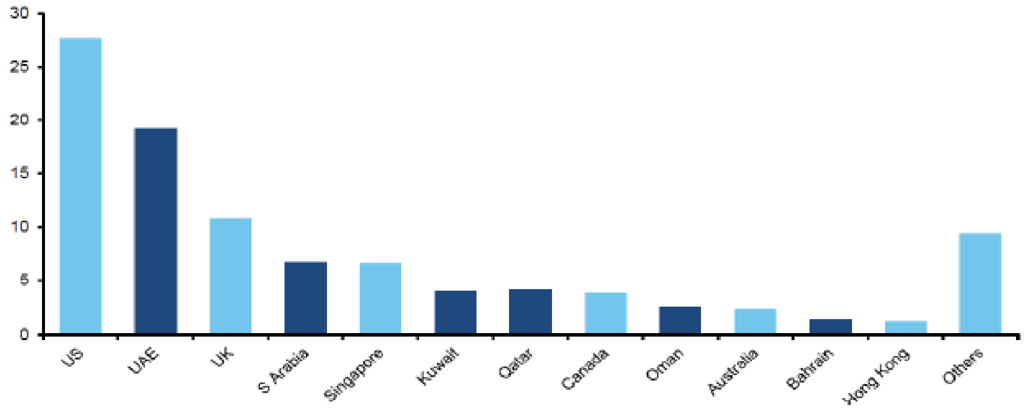
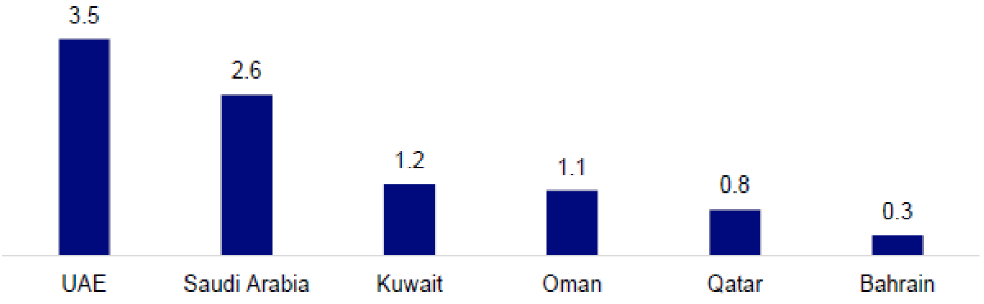
Secondary Risks : Trade & Remittance

Remittance to India from different source regions (FY24)



Indians living in GCC (mn)



Remittance Exposure

- **9mn** — Indians live in the Gulf region
- **~40%** — Indian remittance flows from GCC
- **~$47bn** — Remittance ~1.2% of GDP worth from GCC

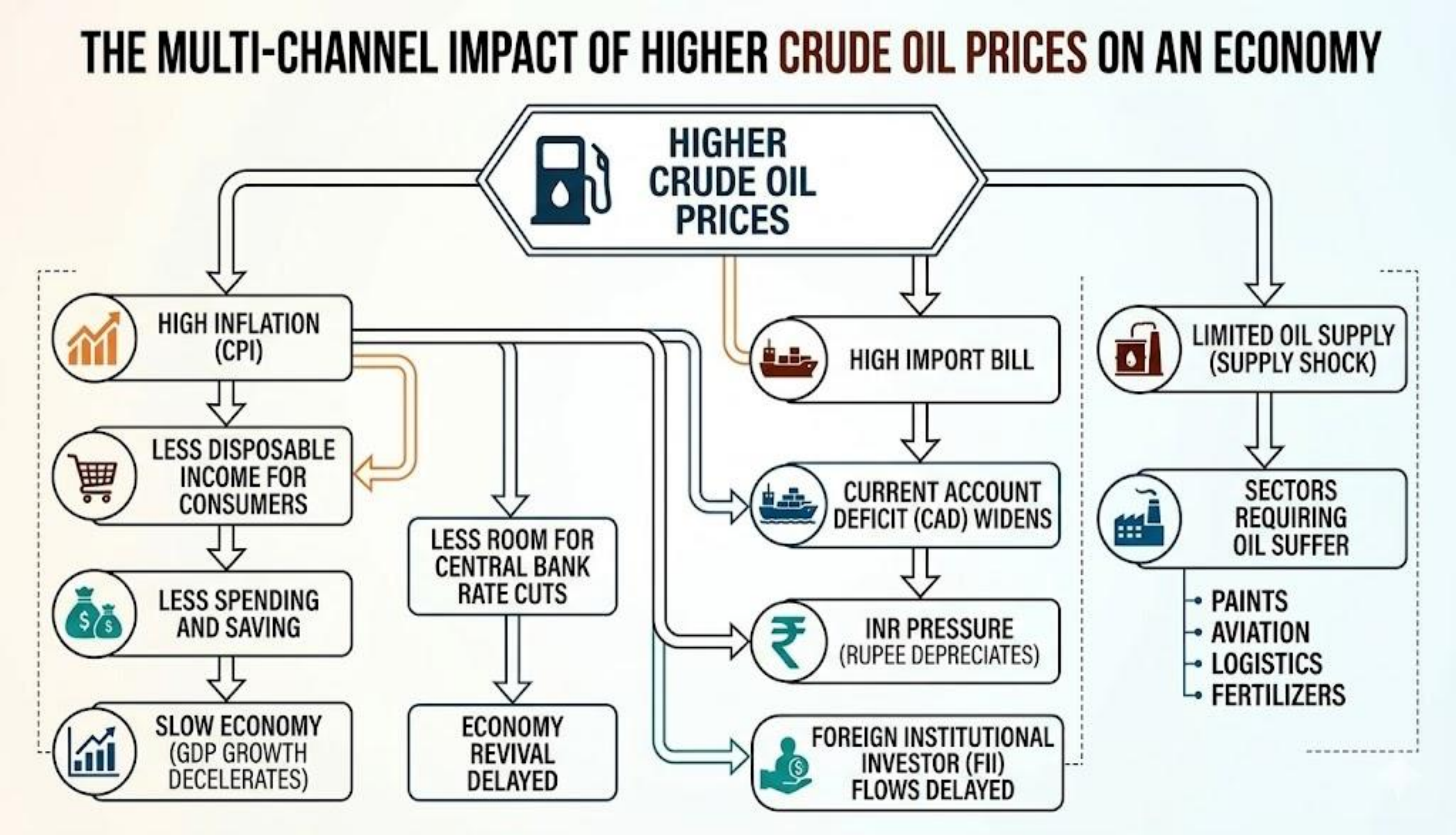
Trade Exposure

- **$40-50bn** — worth of exports are routed through the Hormuz corridor
- **Flow delays** — Shipping disruptions may delay trade flows

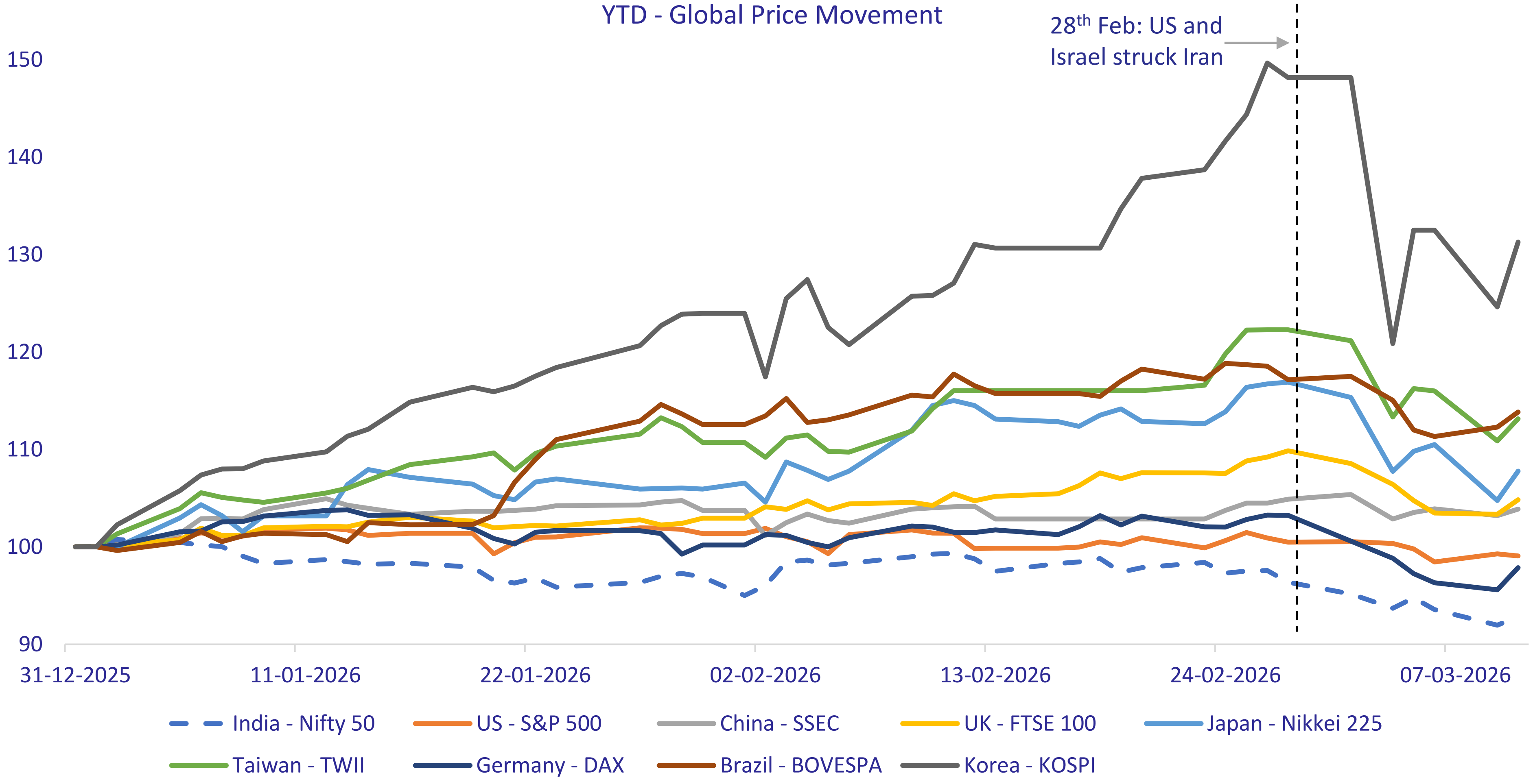
Currency Risk

Oil shock + CAD pressure = Potential INR depreciation

Impact of Higher Crude Oil prices



Global Equities – Varied drawdown post Conflict



Index	CYTD Return %	Max Drawdown %
Korea - KOSPI	31.3%	-19.2%
Brazil - BOVESPA	13.9%	-6.3%
Taiwan - TWII	13.1%	-9.3%
Japan - Nikkei 225	7.8%	-10.4%
UK - FTSE 100	4.8%	-5.9%
China - SSEC	3.9%	-3.6%
US - S&P 500	-0.9%	-3.4%
Germany - DAX	-2.1%	-7.9%
India - Nifty 50	-7.1%	-8.7%

Source: Internal Research, Investing.com; Data as on 10th Mar'26
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Global Yields - hardened to reflect inflationary pressure

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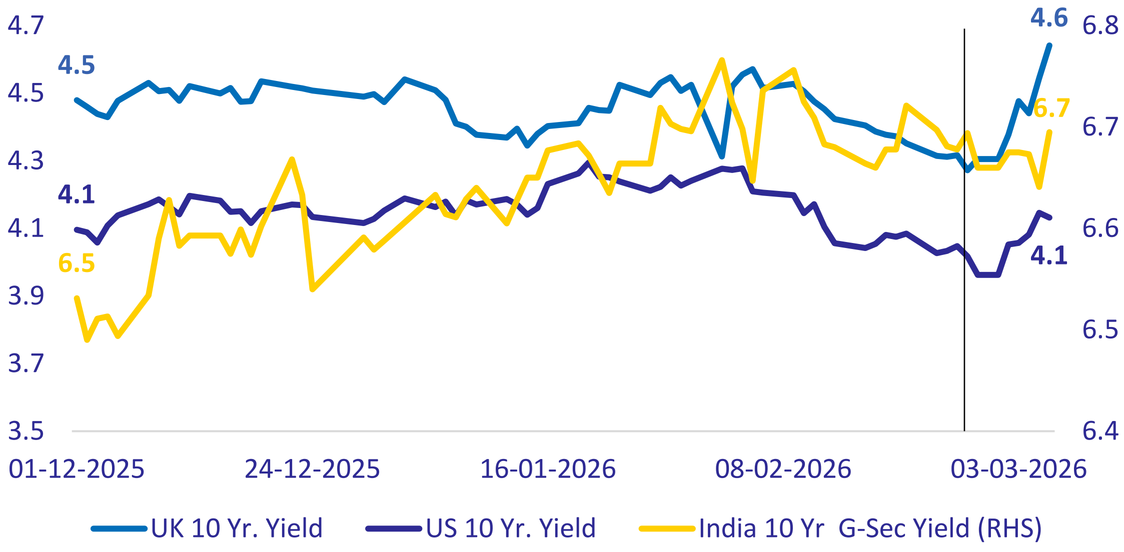
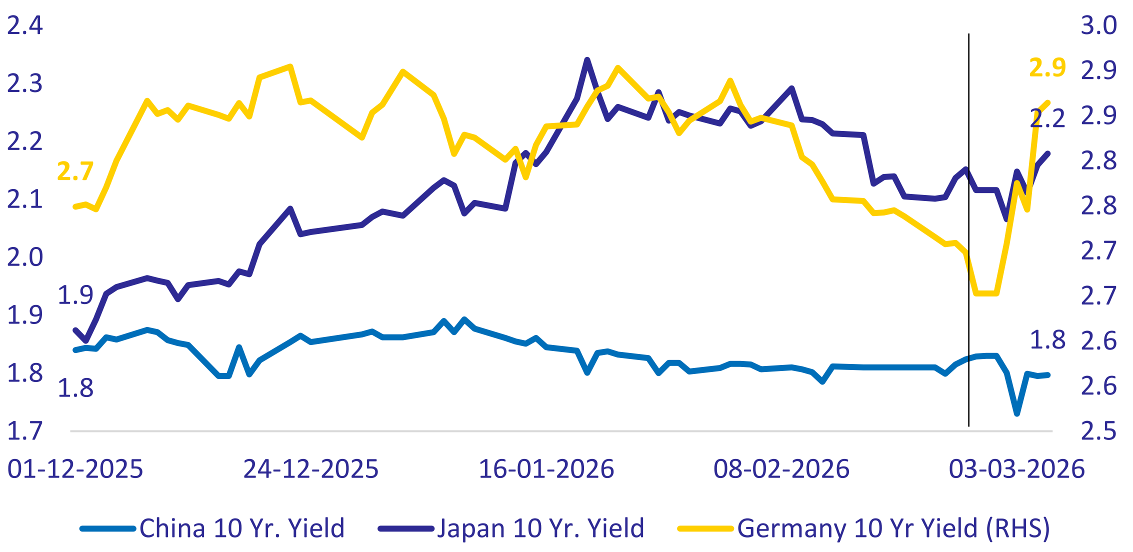




- In addition to current geo political uncertainty, global yields are expected to remain elevated on back of reflationary fiscal policies, despite high debt loads.

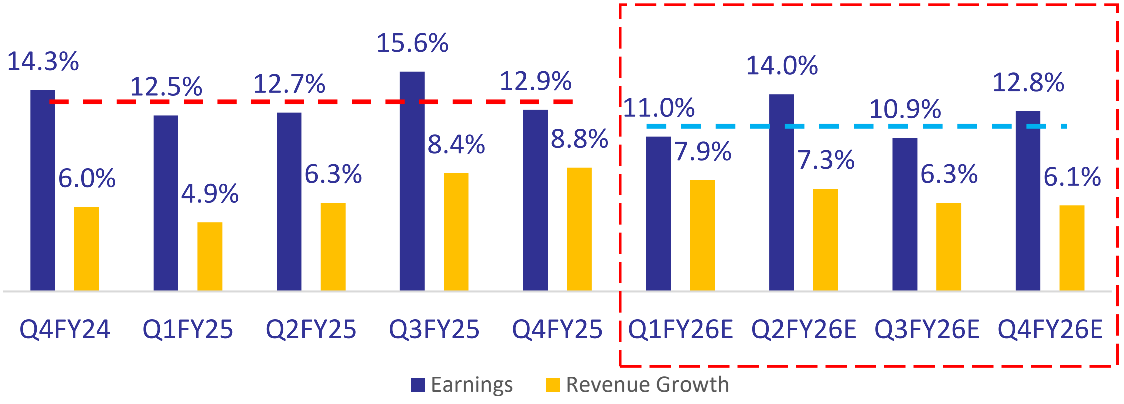
- Higher global yields may remain longer.

Source: Bloomberg, Internal Research, data till 6th March 2026

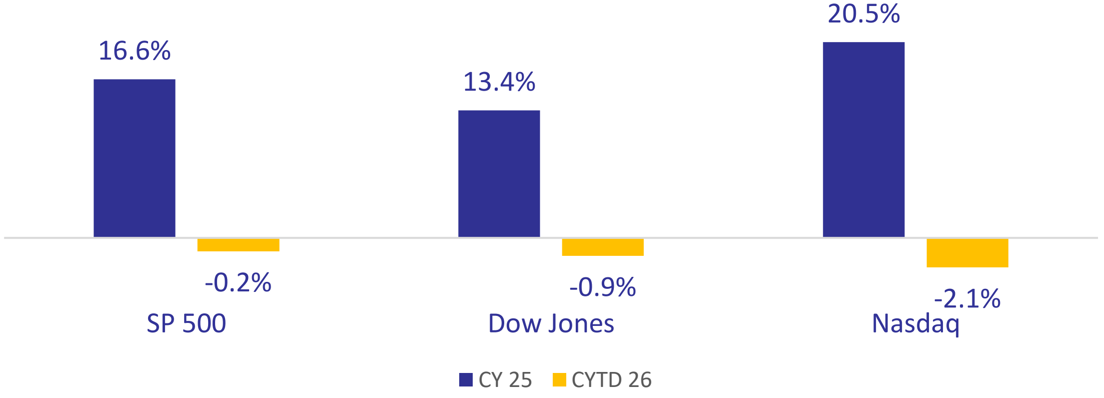
Mag 7 Earnings, Market returns

Mag 7 Estimates v/s Actuals								
	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Apple	Beat	Beat	Beat	Beat	In Line	Beat	Beat	Beat
Amazon	Beat	Beat	Beat	Beat	Beat	Beat	Beat	Miss
Google	Beat	Beat	Beat	Beat	Beat	Beat	Beat	Beat
Meta	Beat	Beat	Beat	Beat	Beat	Beat	Miss	Beat
Microsoft	Beat	Beat	Beat	Beat	Beat	Beat	Beat	Beat
Nvidia	Beat	Beat	Beat	Beat	Miss	Beat	Beat	Beat
Tesla	Miss	Miss	Miss	Miss	Miss	In Line	Miss	Beat

Mag 7 Quarterly Earnings and Revenue Growth (YoY)



CY returns of S&P 500, Dow Jones and Nasdaq



- Mag-7 companies continue to exhibit strong fundamentals, reinforcing the strength of their underlying business models.
- However, forward earnings growth expectations are beginning to moderate as the sharp AI-driven growth seen earlier starts to normalize.
- Equity markets tend to price future earnings rather than current results, and therefore this moderation in forward expectations has started to reflect in recent index performance.
- The impact is more pronounced in the Nasdaq as the index has a significantly higher weight of the Mag 7 compared to the S&P 500 and the Dow Jones.

Source: Zach investment Inc, Internal Research

Change in IT sector revenue landscape

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Deal wins by major IT firms

	Revenue USD (Mn)	YoY Growth	Order Book / Deal TCV	YoY Growth
Infosys	4,800	92%	14,300	6%
TCS	9,300	-9%	40,900	1%
HCLTech	3,006	43%	10,373	21%
Wipro	3,335	-5%	16,949	21%
Tech Mahindra	1,096	47%	3,519	48%
LTIMindtree	1,690	1%	6,510	13%
LTTS	180	-10%	890	53%
Mphasis	428	22%	2,106	100%
Persistent	675	14%	2,322	14%
Total			**97,869**	

- Management across major IT services firms views AI as a growth opportunity rather than a threat, with AI becoming central to enterprise transformation initiatives.
- If AI were significantly disrupting the IT services model, one would expect deal momentum to weaken. Current deal trends suggest the opposite - AI can act as a demand catalyst for the sector.

AI in the Indian IT sector is evolving from early experimentation to a key driver of digital transformation engagements.

Earlier Phase	AI Adoption Phase
AI in ideation stage.	AI in deployment stage.
Focused on application development, maintenance.	AI-led engineering, automation and integration.
Technology spending was around cloud migration	AI-automation & data platform transformation initiatives.
Service delivery was largely human-effort driven.	AI-assisted development.
Traditional IT outsourcing deals.	Deals include AI-enabled automation, and AI-driven productivity

Source: Company specific investors con call transcripts, Internal Research, Renaissance investments.
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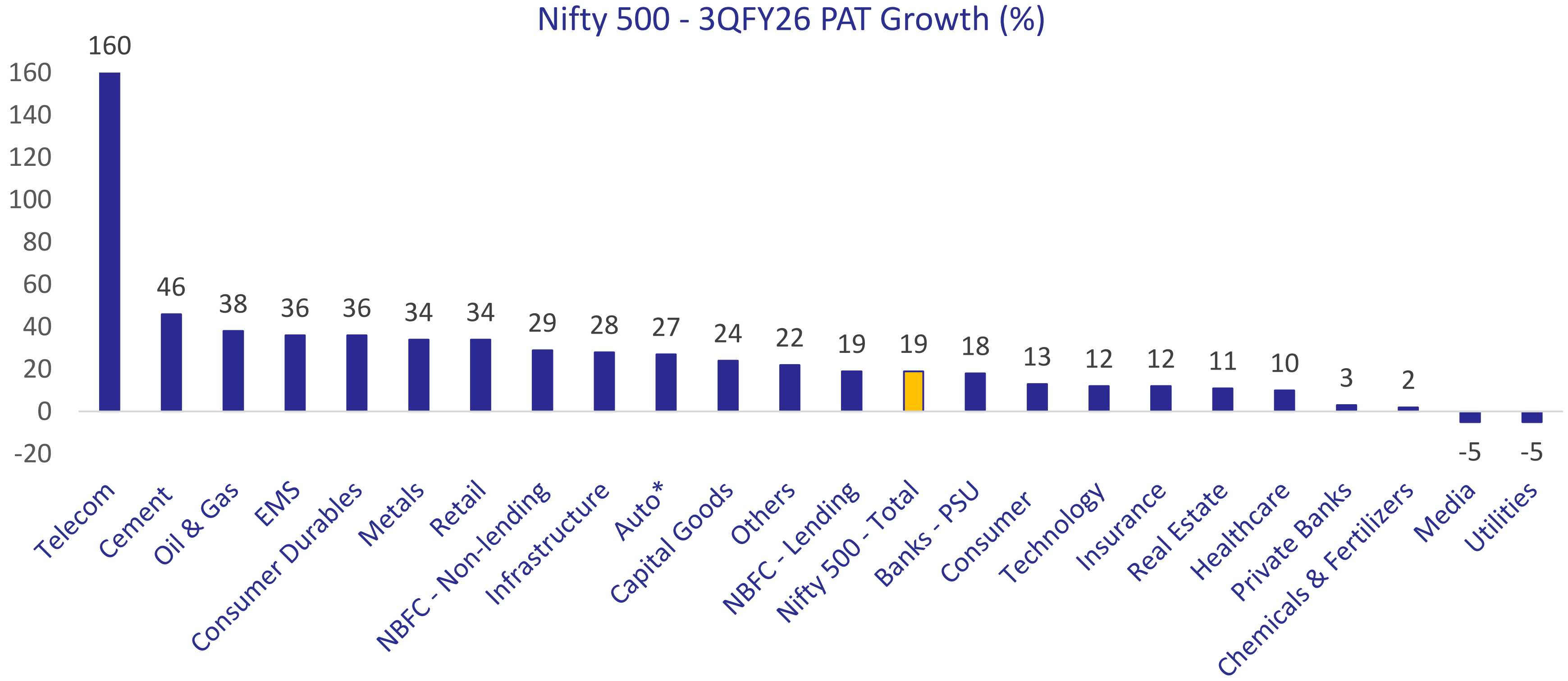
Q3FY26 Earnings Review – Nifty 500

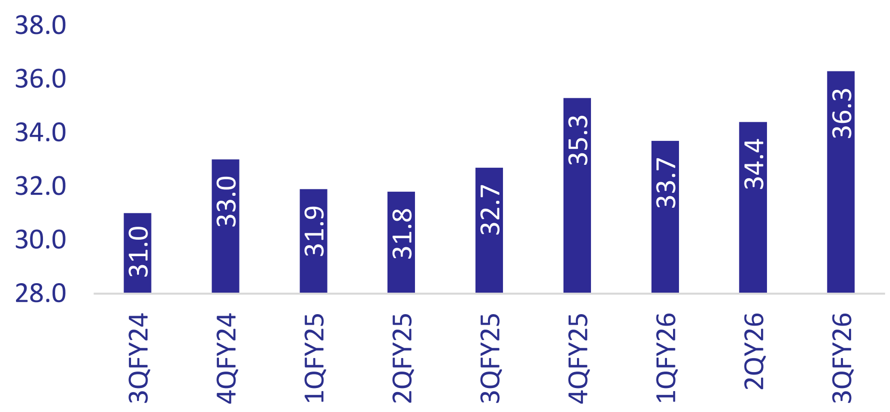


- **Nifty-500 universe delivered strong double-digit earnings growth in 3QFY26 - the highest in eight quarters** - supported by improved sectoral breadth and benefits of GST 2.0 flowing through select sectors despite continued geopolitical headwinds
- The broad-based Nifty 500 earnings growth was fuelled by mid (+20%) and small-cap (+29%) companies, followed by large cap (+18%); **of the 22 key sectors, 18 reported double-digit profit growth**

Source: MO India Strategy Report, *Auto excludes Tata Motors PV

Q3FY26 Earnings Review – Quarterly Trend

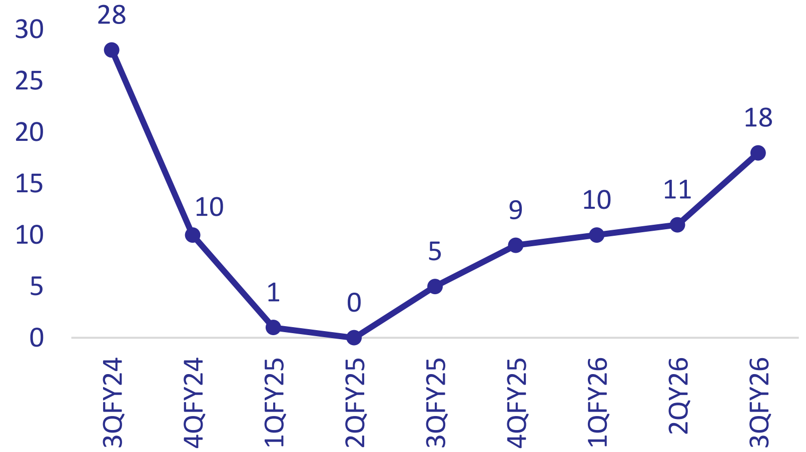
Sales - Nifty 500 (INR trn)



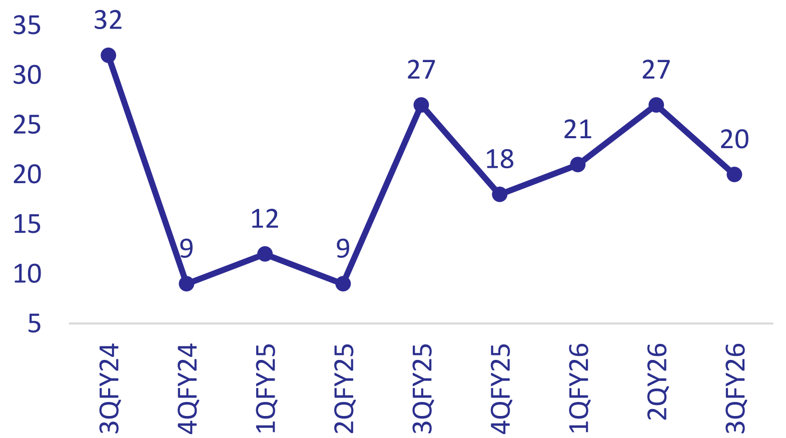
- Sales growth remained steady over the period, but meaningfully grew (+11%) in 3QFY26 – highest in 11 quarters
- **Improved operating leverage, favorable macros, and GST cuts-led tailwinds have flowed to the profit margins significantly**
- 3QFY26 marks the quarter where the earnings cycle visibly turned – volume recovered, but profitability recovered faster. The bottom-up story has broadened, with stronger momentum in earnings going lower in the market cap ladder.

PAT Growth Trend (%) – By Index

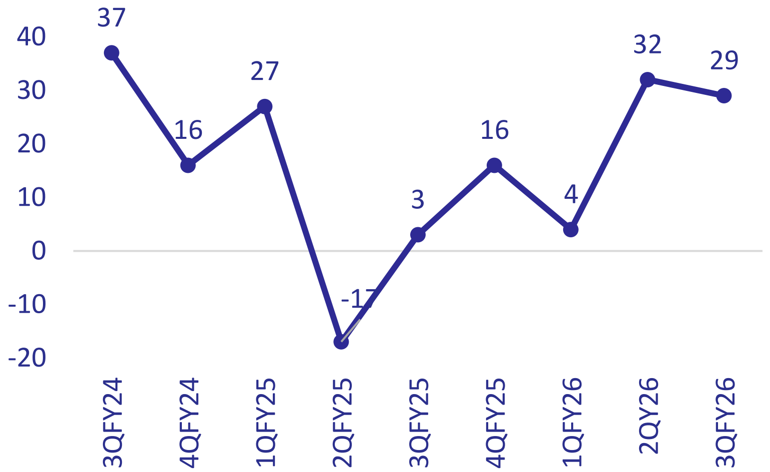
Nifty 100 (YoY %)



Nifty Midcap 150 (YoY %)



Nifty Smallcap 250 (YoY %)



Source: MO India Strategy Report

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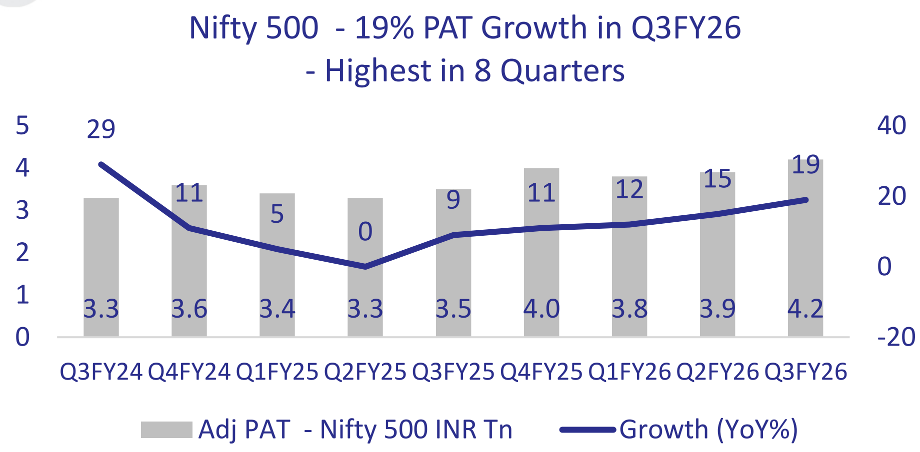
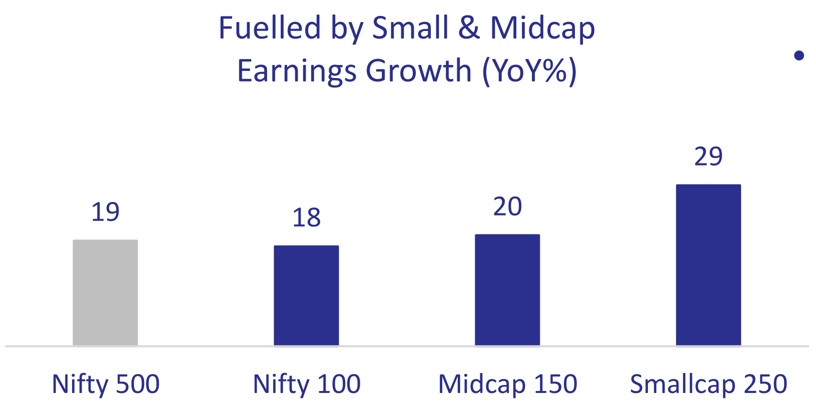
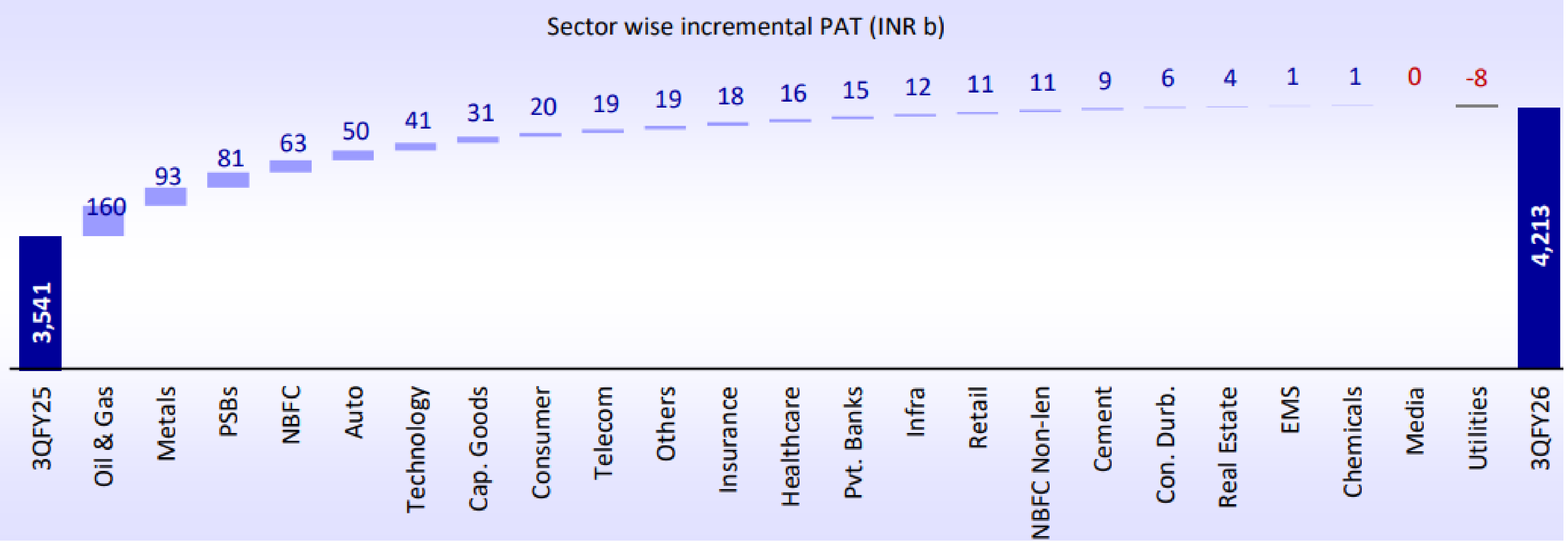
Q3FY26 Earnings Review – Nifty 500







- **Earnings growth was broad-based**
  - Large Cap Momentum picks up
  - Small Cap outperform
  - Sectoral Breadth
  - Operating leverage/favourable macros & GST cuts-led tailwinds
- Aggregate **Sales Growth of 11%** YoY – Highest in 11 Quarters
- **Significant Contributors include**
  - Oil & Gas – 38% YoY
  - Metals - 34% YoY
- **~50% of Nifty 500 companies reported >15% YoY Growth**
- ~25% of Nifty 500 companies reported <15% YoY Growth

Source: MO India Strategy Report, *Auto excludes Tata Motors PV

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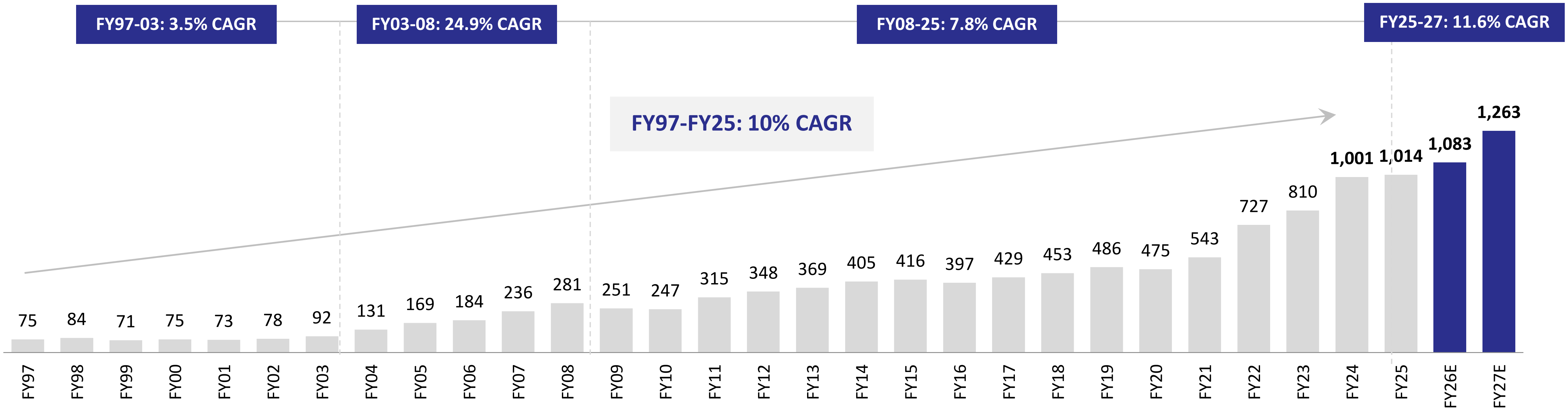
Nifty 50 – Earnings Growth Outlook



Nifty EPS expectations: FY26 - to grow by 6.8% to 1083 and FY27 – to grow by 16.7% to 1263.

Source: MOFSL, Internal Research

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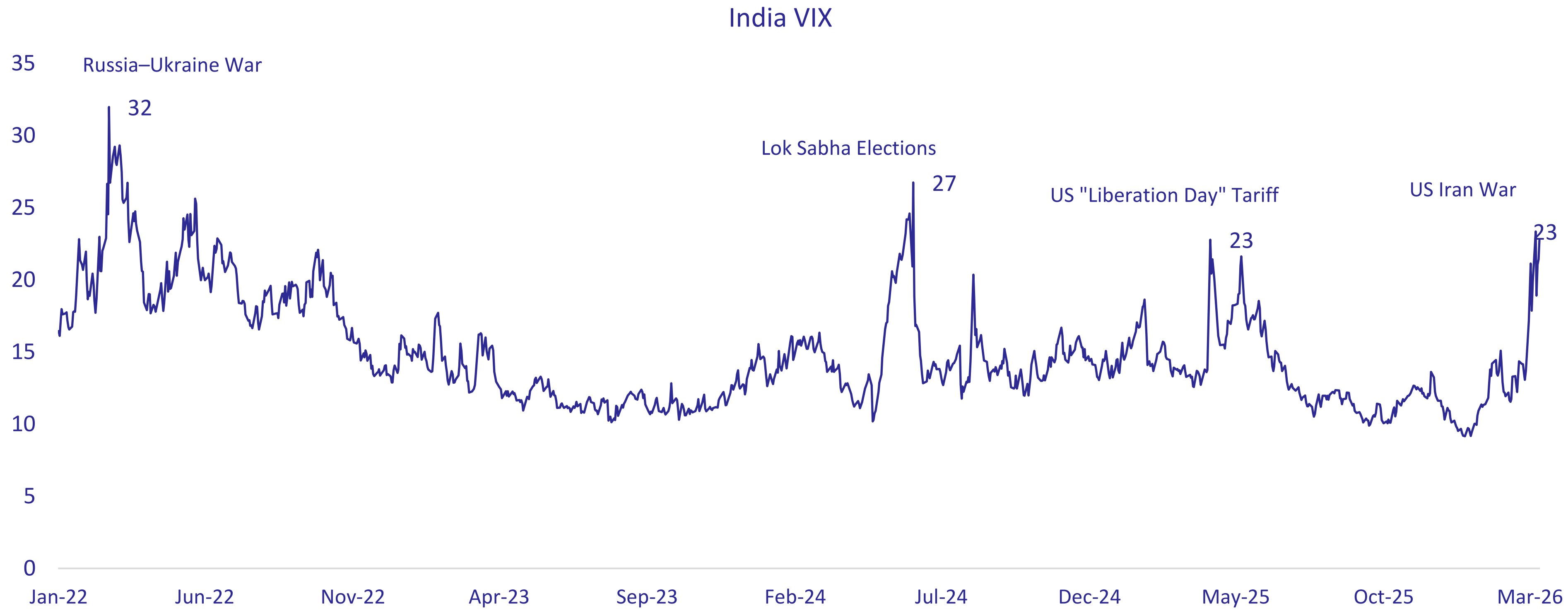
India VIX



- The “Fear gauge” Index, **VIX has risen sharply to ~24 levels from ~10** levels a month back.
- Current reading is broadly inline with the levels last witnessed during the Russia Ukraine (VIX rose to ~32 level), Union Election 2024 and Tariff Tantrum in Apr’25; which indicates the **risks getting priced in to a larger extent and limited room for further downside.**

Source: Investing.com, Internal Research

Valuation Correction Across Market Cap

Date	Index Price	P/E	EPS Change
Nifty 50			
Sep-24	26178	24.4	1073
Mar-26	24028	21.02	1143
Change %	**-8.21%**	**-13.85%**	**6.30%**
Nifty Midcap 150			
Sep-24	22360	45.8	488
Mar-26	20749	30.9	671
Change %	**-7.20%**	**-30.10%**	**37.50%**
Nifty Small Cap 250			
Sep-24	18399	33.5	549
Mar-26	15064	24.78	608
Change %	**-18.13%**	**-26.03%**	**10.90%**

- The September 2024 peak was a valuation story, not an earnings story — and the correction has played out almost entirely through P/E compression rather than fundamental deterioration. With EPS continuing to grow across all three segments, **the market is structurally healthier today than the index levels suggest.**

Source: Internal Research, NSE; Data as on 2nd Mar'26
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Extent of Correction across Indices – 9th March 2026

Indices	Index fall From 52w High		Avg % Fall in stock		Number of Stocks with extent of fall from 52W High				
	Mar’26	Feb’25	Mar’26	Feb’25	<10%	>10% and <20%	>20% and <30%	>30% and <40%	>40%
Nifty 100	-8.7%	-11.7%	-19.3%	-22.3%	19	39	24	14	4
Nifty Mid Cap	-8.9%	-12.0%	-23.9%	-26.3%	21	39	48	29	13
Nifty Small Cap	-16.9%	-14.2%	-31.1%	-29.8%	16	41	59	75	59

Data as on 9th Mar 2026

Individual stock correction is more severe than what the index suggests.

01

Large Cap:

42%

of the stocks have corrected more than 20% from 52W High

02

Mid Cap:

60%

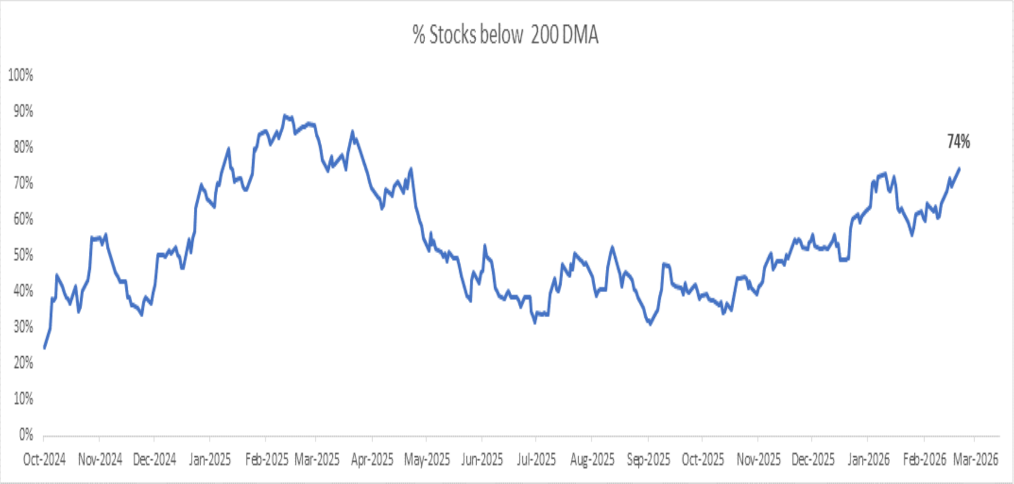
of the stocks have corrected more than 20% from 52W High

03

Small Cap:

77%

of the stocks have corrected more than 20% from 52W High



Source: ACE Equity, Internal Research

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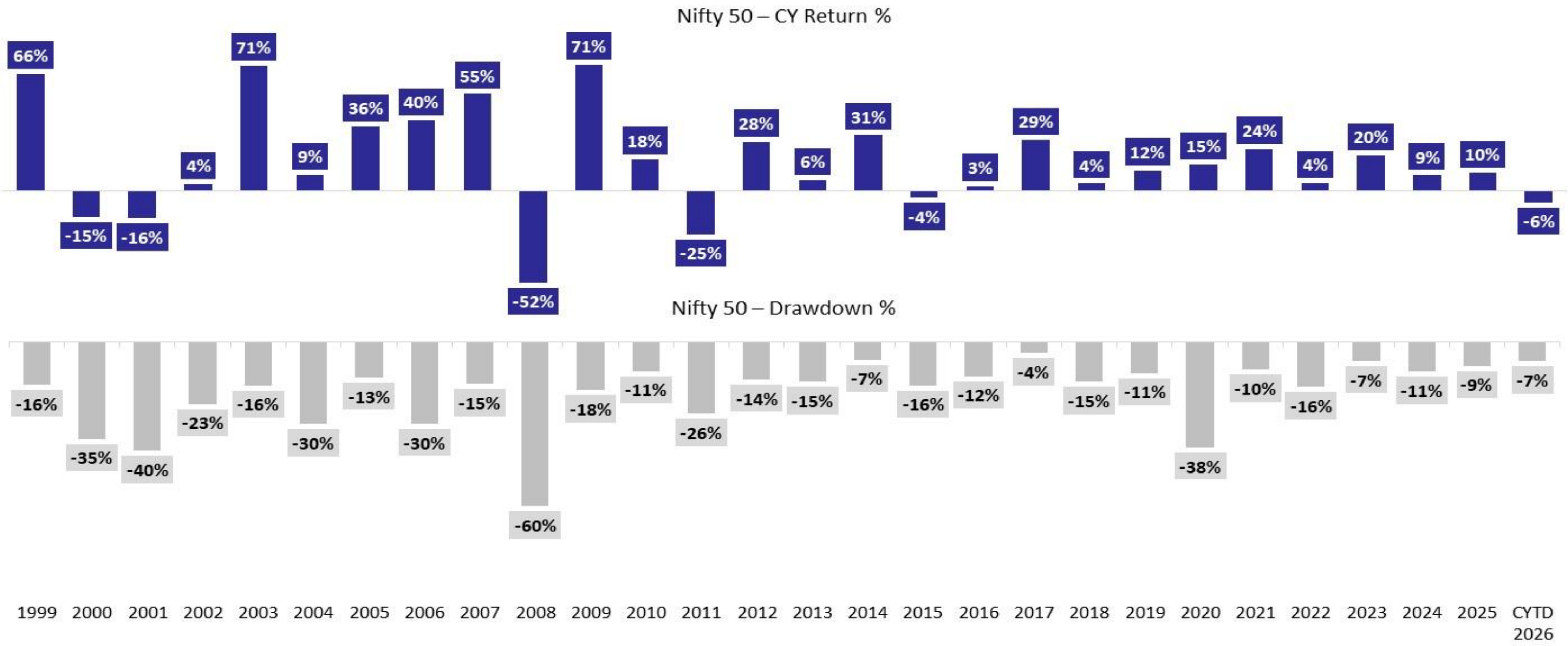
Index Movement During Geopolitical Events

Biggest Drawdown Around the Event				Nifty 50 TRI Returns Before & After The Event			
Past Geopolitical Event	**Key date**	**Duration in Days**	**Nifty 50 TRI Drawdowns**	**1 Months Before**	**1 Months After**	**12 Months After**	**24 Months After**
Sept 11 Attacks	11-Sep-01	22	-12.1%	-4.5%	-6.2%	-2.4%	37.1%
Armed conflict in Iraq	20-Mar-03	21	-7.2%	-3.2%	-8.2%	68.3%	105.7%
Arab Spring in Egypt	25-Jan-11	27	-7.6%	-5.4%	-6.7%	-9.3%	5.8%
Intervention in Libya	19-Mar-11	13	-1.7%	-2.0%	6.8%	-1.0%	8.6%
Crimea conflict	14-Mar-14	8	1.6%	7.3%	4.2%	33.0%	15.5%
Airstrike on Syria	07-Apr-17	20	0.7%	2.8%	1.3%	12.3%	26.8%
Russia - Ukraine Crisis	24-Feb-22	593	-14.5%	-5.1%	6.0%	8.8%	39.9%
Israel-Palestine war	07-Oct-23	Ongoing	--	-1.6%	-0.4%	29.6%	32.2%
India - Pakistan (Op Sindoor)	07-May-25	4	-1.8%	10.2%	2.7%	--	--
Israel - Iran conflict	28-Feb-26	Ongoing	--	-1.8%	??	??	??

- Across major geopolitical events, Nifty 50 has consistently rewarded patient investors with double-digit returns over the following 12–24 months.
- The current conflict-driven volatility is less a warning sign and more an opportunity that has historically marked the beginning of meaningful recoveries.

Source: Internal Research, Investing.com

Intra-Year Correction – Nifty 50



- Out of the 22 years, large-caps ended the year positively in 15 years i.e 68% of the times, despite an average drawdown of 26%

Source: Internal Research, Investing.com; Data as on 6th Mar’26
Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

Longer the Time in Markets, Higher the Probability of Greater Returns

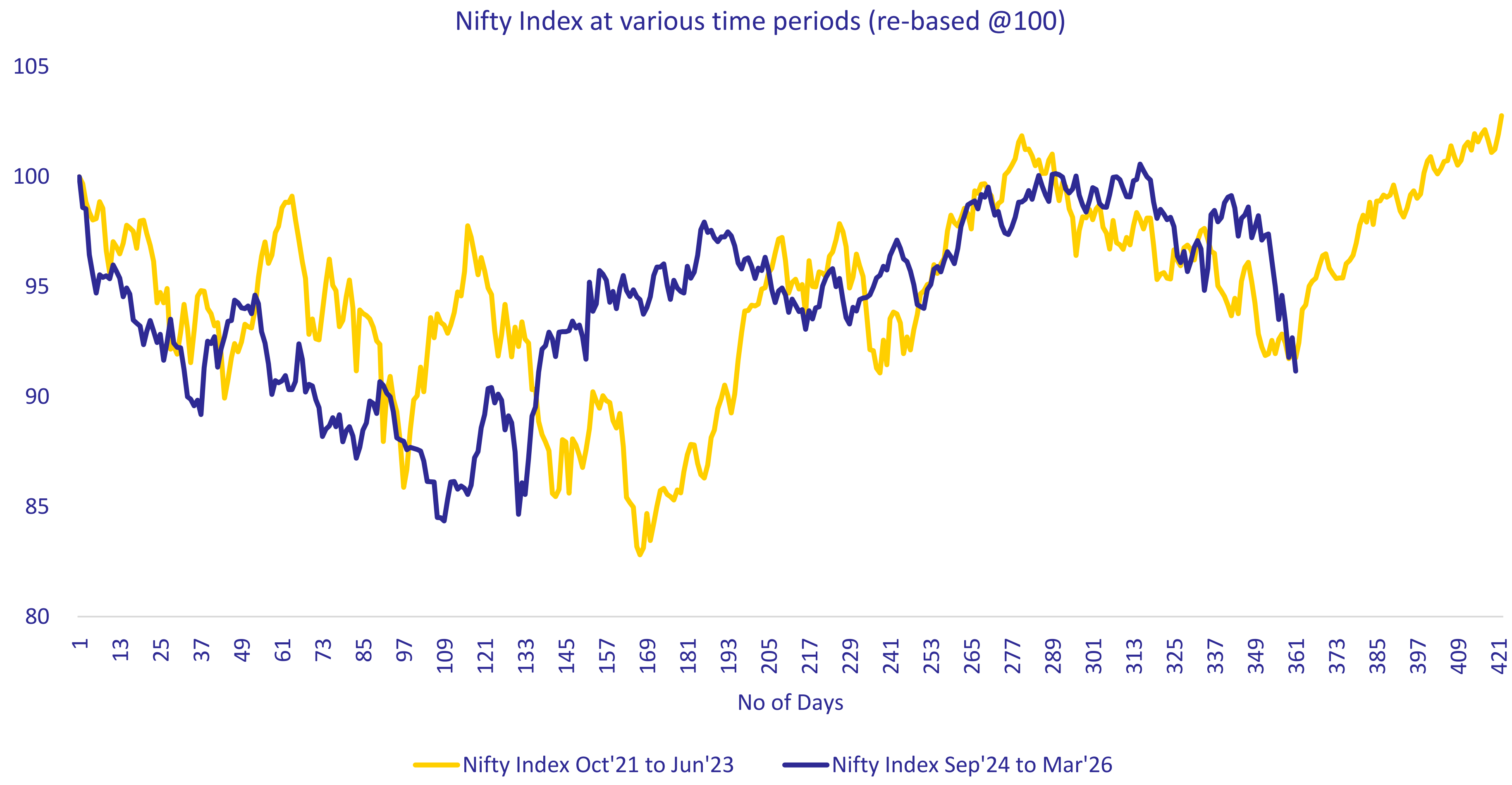
Daily Rolling Returns – Nifty 50	< 0%	> 0%	> 10%	> 12%	> 15%
1Y	28%	72%	53%	49%	43%
3Y	13%	87%	54%	45%	32%
5Y	6%	94%	57%	43%	27%
10Y	0%	100%	67%	52%	22%

Data Period: 3rd Jul'90 – 8th Mar'26

- Longer holding periods reduce downside risk: As time in the market increases, the probability of negative returns declines significantly.
- Probability of stronger returns improves with time: Staying invested longer increases the chances of achieving higher return thresholds.

Source: Internal Research, ACE MF; Data as on 8nd Mar'26
Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

Tale of Two Consolidations



- Nifty 50 index rebased to 100 from all-time highs on Oct 18, 2021 (~18,500 level) and Sep 27, 2024 (26,200 level), highlighting price trajectories over trading days.
- Both periods show similar consolidation patterns (except for some deviation in between), with synchronized declines and recoveries, suggesting repeatable market behavior post-peak.

Equity

Sectoral Impact of Oil price increase

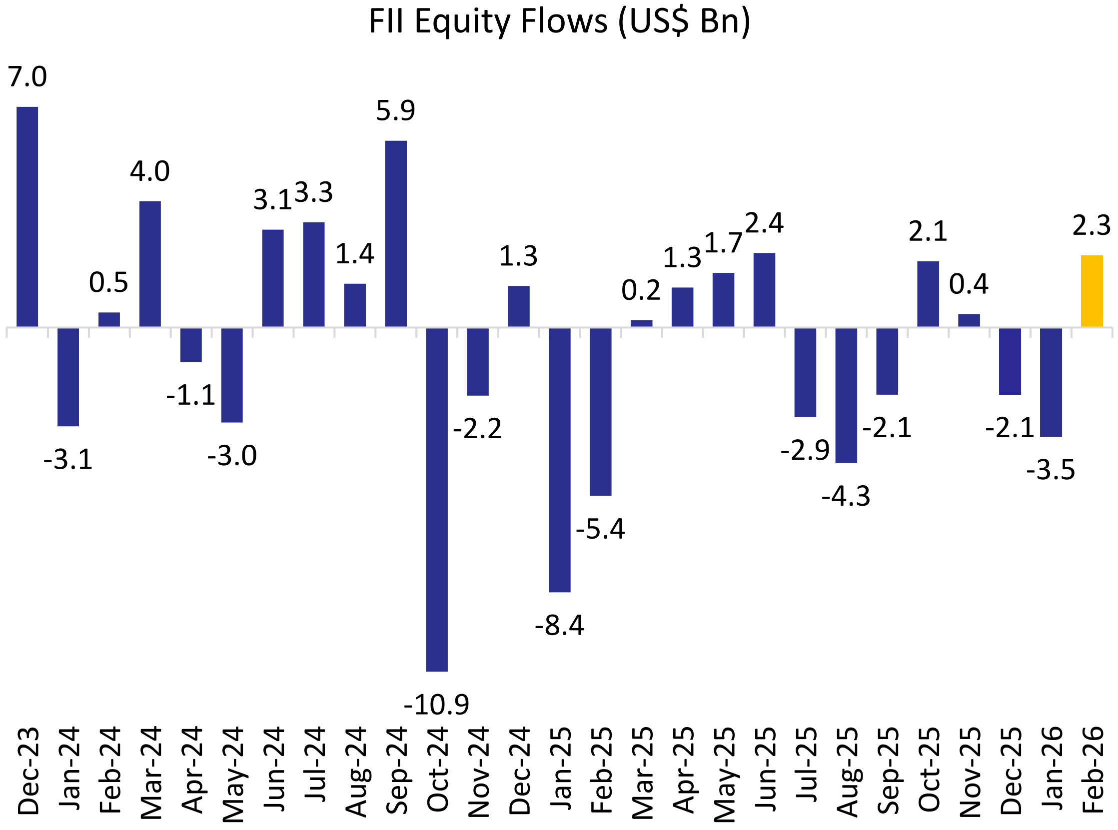
Sector	Sensitivity	Impact Direction	Transmission Mechanism
Oil Marketing Companies	High	Negative	Input cost rise compresses refining margins if price pass-through is limited
Aviation	High	Negative	Fuel accounts for 35-40% of operating cost for airlines
Chemicals / Petrochemicals	High	Negative	Crude derivatives raise costs
Paints	High	Negative	Pressure on profit margin as ~30% of the production cost is linked to crude oil
Tyres	High	Negative	Synthetic rubber and carbon black linked to crude prices, can impact 50% of operating costs
Logistics / Transportation	High	Negative	Diesel price increases freight costs
Fertilizers	High	Negative	Energy-intensive production and subsidy burden
Cement	Medium	Negative	Petcoke fuel cost and logistics inflation
FMCG	Medium	Negative	Packaging materials and distribution costs rise
Consumer Durables	Medium	Negative	Inflation reduces discretionary consumption
Infrastructure / Construction	Medium	Negative	Higher fuel and transport costs increase project expenses
NBFCs	Low	Negative	Higher interest rates increase funding costs
Upstream Oil & Gas (Exploration & Production)	High	Positive	Higher crude prices increase realizations and profitability
Telecom	Low	Neutral	Limited direct crude exposure
Pharmaceuticals	Low	Neutral	Minimal crude-linked input costs
Automobiles	Medium	Mixed	Higher fuel prices impact vehicle demand mix
Banking	Low	Mixed	Inflation and potential rate hikes affect credit demand and asset quality
Information Technology	Low	Mixed	Global growth slowdown impacts IT spending however Rupee depreciation aids revenues

Source: Economic Times, CRISIL

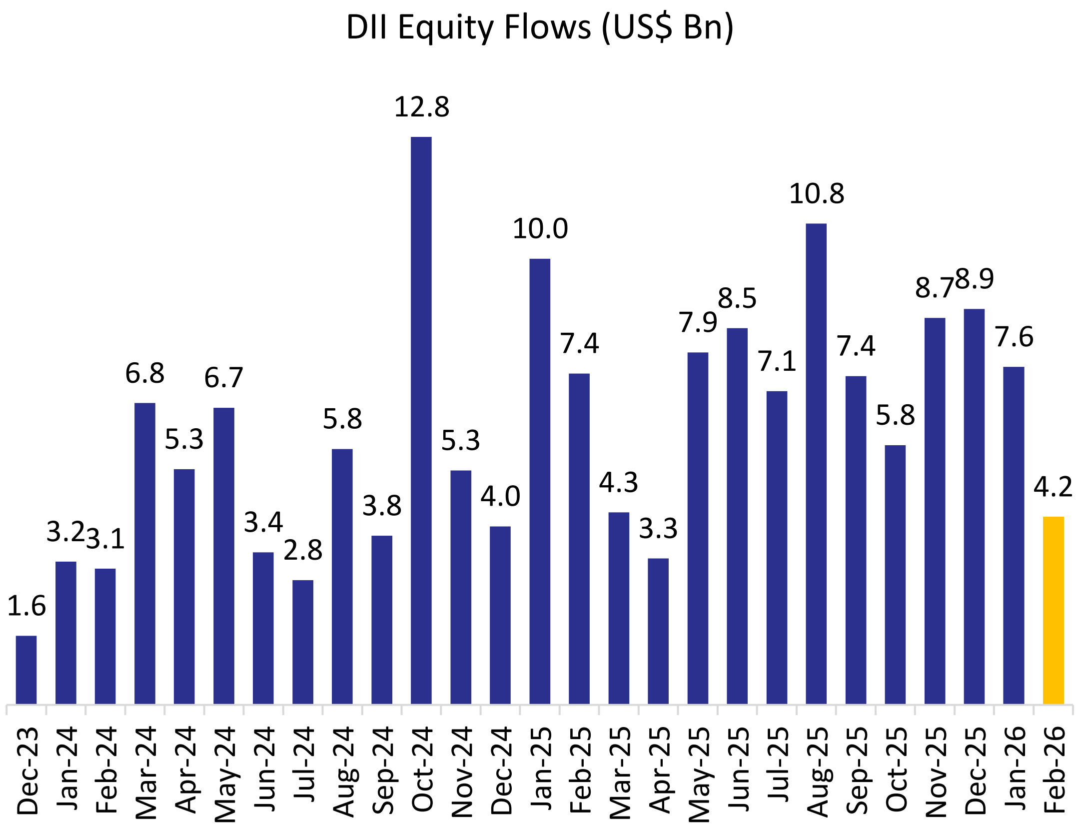
Disclaimer: The above data is for informational purposes. The analysis may or may not be sustained in future.

FII vs DII Flows

FIIs record positive flows after 2 months of negative flows



DIIs' monthly flows into equities continues to remain positive

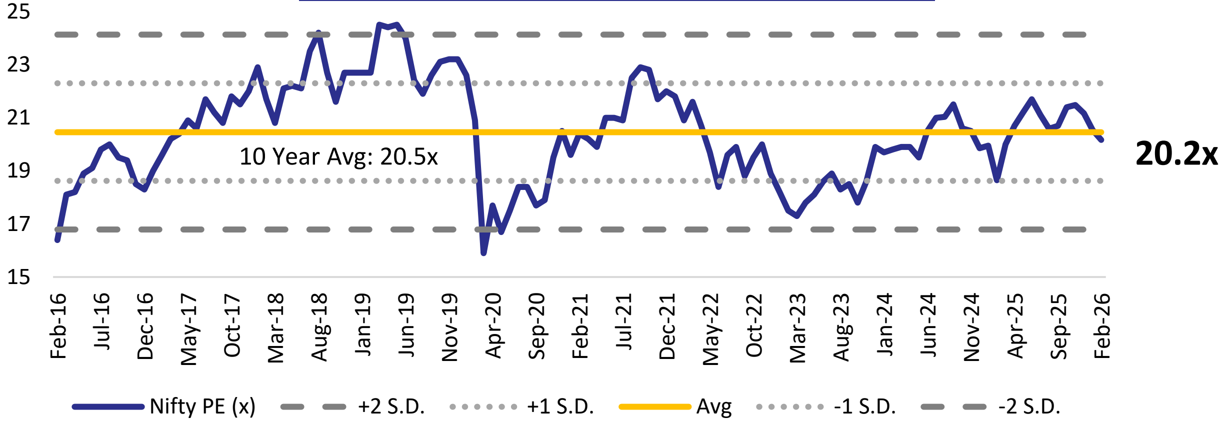


Source: Internal Research, MO Institutional Equities

Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

Market Indices Valuations – Based on Forward Earnings

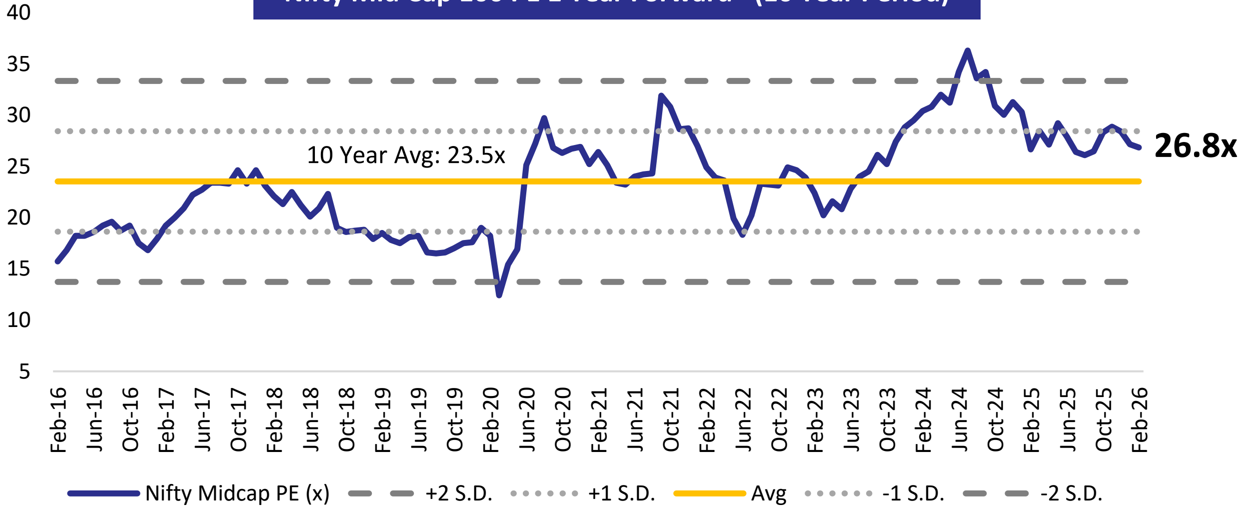
Nifty 50 PE 1 Year Forward - (10 Year Period)



Source: Internal Research, MOFSL

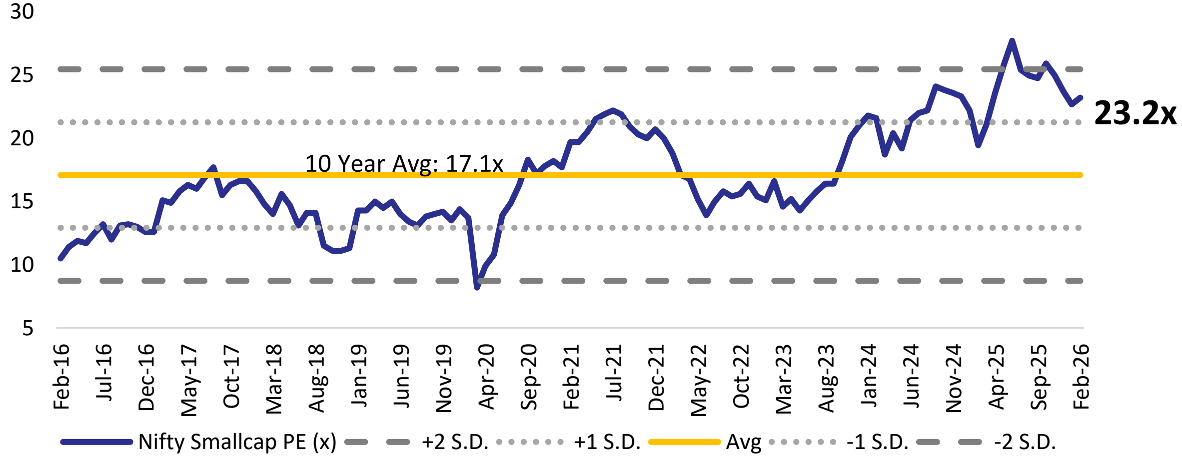
Nifty 50 Forward PE is below at its long-term average, while that of Mid Cap and Small Cap 100 continues to be above its long-term averages.

Nifty Mid Cap 100 PE 1 Year Forward - (10 Year Period)



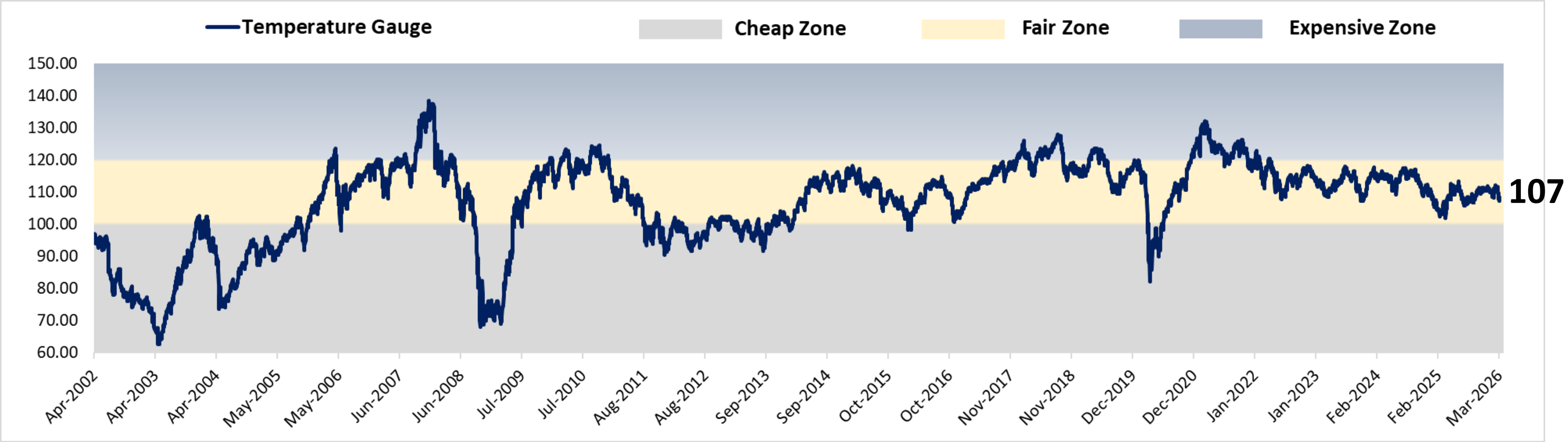
Source: Internal Research, MOFSL, Bloomberg

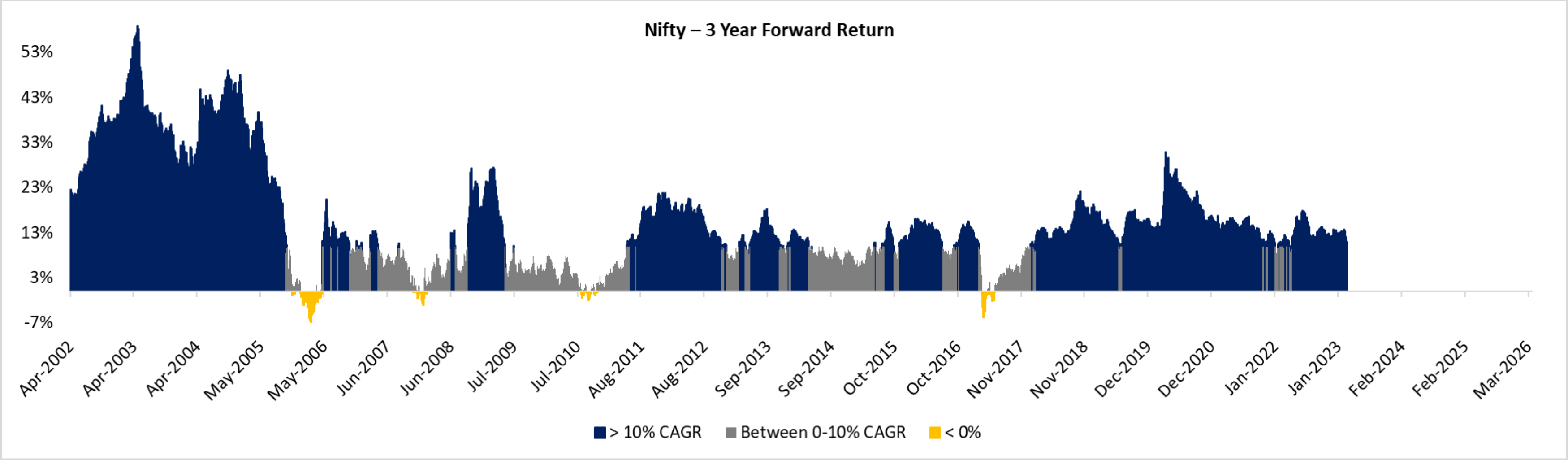
Nifty Small Cap 100 PE 1 Year Forward - (10 Year Period)



Source: Internal Research, MOFSL, Bloomberg

Temperature Gauge Index





Data as on 9th March'26
Source: Capital Line, Bloomberg Internal Research
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Temperature Gauge Index is an equally weighted index of EY-BY and MOVI Index

It incorporates PE Ratio, PB Ratio, Div. Yield and G-sec Yield, and hence is a useful valuation metric.

Temperature Gauge Index – Sensitivity Analysis

Temperature Gauge Index - Sensitivity Analysis					
Nifty50/10 Yr Gsec	6.33%	6.53%	6.73%	6.93%	7.13%
22750	104	105	105	106	107
23000	104	105	106	107	108
23250	104	105	106	107	108
23500	105	105	106	107	108
23750	105	106	107	108	109
24000	105	106	**107**	108	109
24250	106	106	107	108	109
24500	106	107	108	109	110
24750	106	107	108	109	110
25000	106	107	108	109	110
25250	107	108	109	110	111
25500	107	108	109	110	111
25750	107	108	109	111	112

Pink cell Indicates Current Level of Nifty 50 and 10 yr G-sec levels. Data as on 9th March'26

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

3 Yr Forward Returns Of Nifty At Different Levels Of Temperature Gauge Index

Nifty 50				36M Return CAGR			Time Positive	% Times	
Index in Range		Count in Range	% of count	Min	Max	Average	% Times Positive	6% to 10%	>10%
65	70	60	1%	24%	57%	43%	100.0%	0%	100%
70	75	202	2%	15%	51%	32%	100.0%	0%	100%
75	80	285	3%	14%	45%	37%	100.0%	0%	100%
80	85	168	2%	15%	43%	34%	100.0%	0%	100%
85	90	207	2%	12%	49%	33%	100.0%	0%	100%
90	95	539	6%	2%	47%	27%	100.0%	2%	97%
95	100	832	9%	1%	44%	18%	100.0%	8%	91%
100	105	761	9%	-2%	30%	13%	92.6%	19%	66%
105	110	1056	12%	-4%	22%	10%	65.9%	12%	45%
110	115	2018	23%	-7%	22%	9%	68.8%	25%	31%
115	120	1617	18%	-4%	21%	9%	84.8%	23%	33%
120	125	804	9%	-2%	18%	10%	93.5%	10%	61%
125	130	135	2%	0%	16%	12%	99.3%	4%	80%
130	135	84	1%	-2%	15%	6%	91.7%	0%	36%
135	140	28	0%	-3%	0%	-1%	10.7%	0%	0%

Data as on 9th March'26
Source: Capital Line, Bloomberg Internal Research
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Equity Allocation & Deployment Grid

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Below grid is based on Temperature Gauge Index

Valuation ↑ / Strategic Allocation →	Underweight	Neutral	Overweight	
Expensive	**No Action**	**Reduce**	**Reduce**	100% Staggered
Fair	**Invest**	**Stay Invested**	**Stay Invested**	**Lumpsum in Hybrid** ***Staggered in Pure Equity Oriented Strategies***
Cheap	**Invest**	**Invest**	**Stay Invested**	100% Lump-sum

Data as on 9th March'26

Source: Capital Line, Bloomberg Internal Research

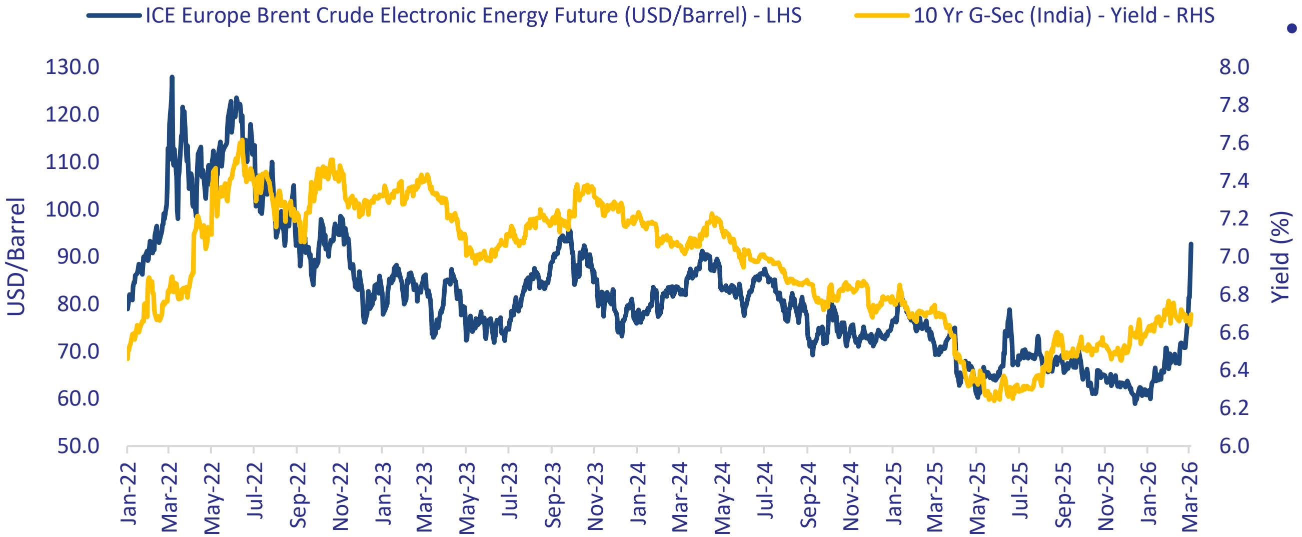
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Equity Portfolio Strategy

- While the ongoing U.S.–Iran conflict has pushed crude prices higher—posing risks to India's inflation, current account, and investor sentiment—India is better positioned than in past oil shocks, with stronger forex reserves, lower oil intensity of GDP, and improved macro stability
- Corporate earnings are showing signs of recovery, with Nifty 500 earnings in 3QFY26 delivering the strongest double-digit growth in the last 8 quarters, and the recovery becoming more broad-based across sectors.
- Earnings should remain supported by GST rationalisation, income tax cuts, monetary easing, and a relaxed regulatory environment
- The market has been undergoing both time and price correction for some time now, which has helped make valuations more reasonable. The Nifty 50 is currently trading below its 10-year average on a 1-year forward P/E basis, while the Midcap index remains slightly above LTA. The valuation premium in the Small Cap segment relative to its historical average has also moderated significantly.
- Although the correction at the index level appears relatively moderate, the decline has been much sharper across several individual stocks, creating opportunities to accumulate quality businesses at more attractive valuations.
- India VIX readings are also broadly in line with levels seen during the Russia–Ukraine conflict, the 2024 Union Elections, and the tariff-driven volatility in Apr’25, indicating that the risk may already be priced in; technically, Nifty 50 RSI has fallen to ~29, entering oversold territory.
- While geopolitical tensions may lead to near-term market volatility, history suggests that such events typically result in temporary disruptions rather than long-term structural changes, often presenting opportunities for disciplined investors.
- **Equity view – Neutral ; Portfolio Allocation: 50% allocation to Hybrid/Large caps, 10% to Global and 40% allocation to Mid & Small Caps**
- Investment Strategy: Lump-sum investments in Hybrid funds at current levels; For Pure equity-oriented strategies, a staggered SIP/STP approach over the next 2-3 months is prudent given the uncertainty. Any sharp correction should be used for aggressive deployment.

Fixed Income

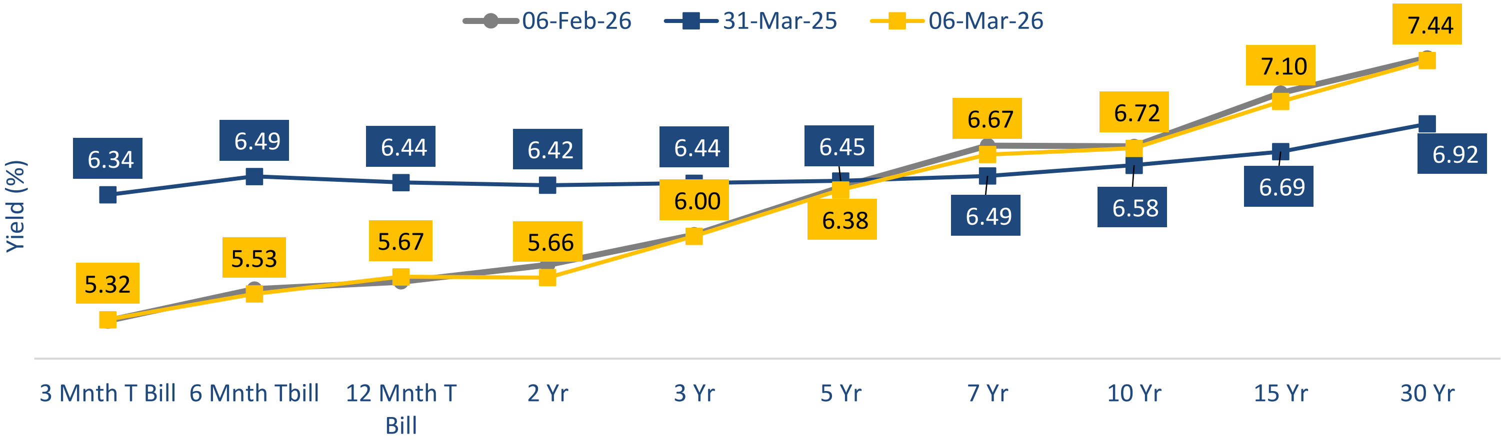
Effect of Geo – Economics on Indian Sovereign Bonds



- Sustained rise in crude oil prices raises risks for the following factors, hence impacting the bond yields negatively :
  - Currency Depreciation
  - Inflationary Pressure (petrol & diesel weightage in new CPI series is 4.8% vs 2.3%)
  - Wider Current Account Deficit (CAD) - Increased import bills
  - Possibility of Fiscal Deviation – higher subsidy bill
  - RBI's future stance on Monetary Policy

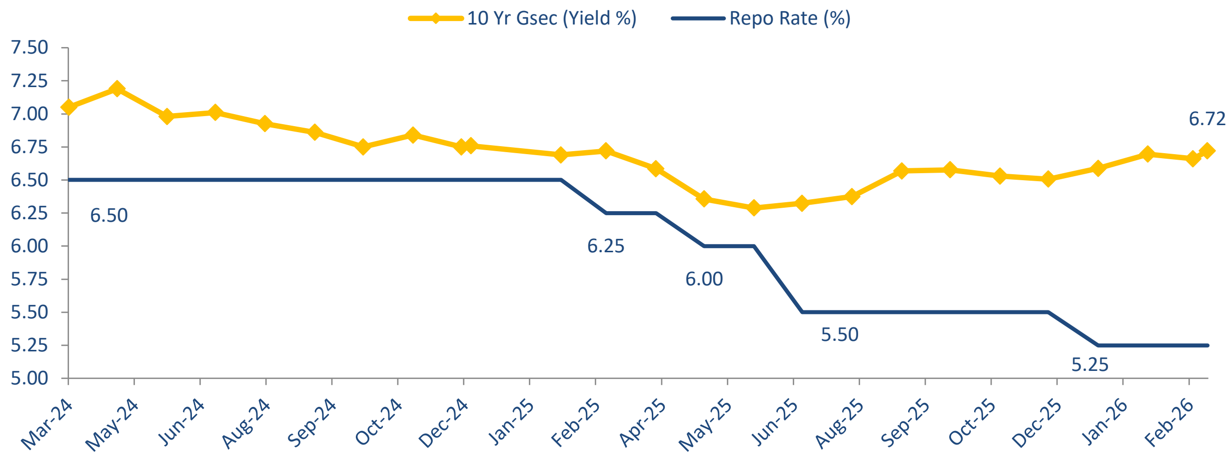
- RBI's intervention in form of 1 Lakh Cr OMO purchases may keep the liquidity conditions comfortable, balance demand supply dynamics and yields may remain anchored as of now
- However, in the current evolving scenario, dominance of global factors, RBI FX Intervention and seasonality factors like advance tax flows may keep the yields volatile and elevated

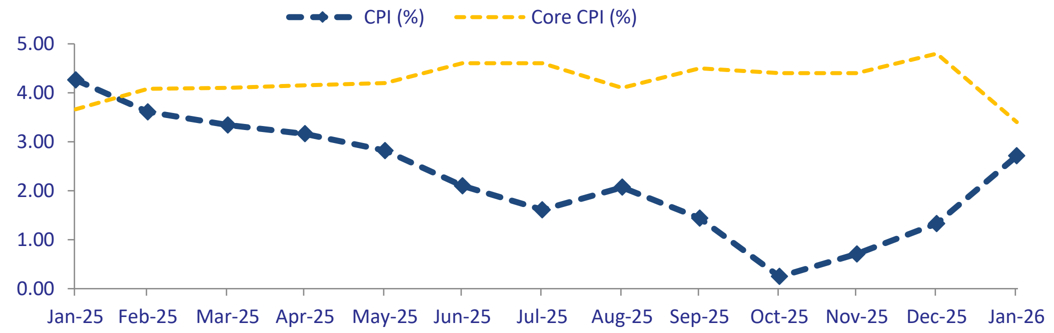
Movement in G - Sec Yields Across Maturities



Source: Bloomberg, Internal Research, data till 6th March 2026

Prolonged Crude Oil Shocks – May Restrict Monetary Policy Easing

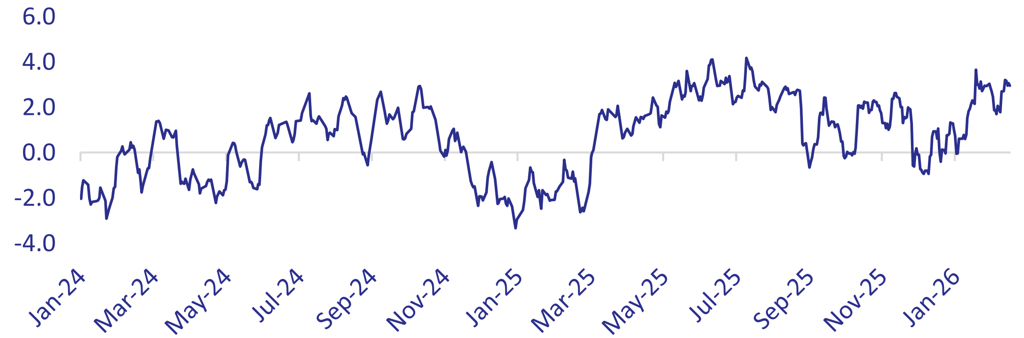




	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
CPI (%)	4.26	3.61	3.34	3.16	2.82	2.10	1.61	2.07	1.44	0.25	0.71	1.33	2.71
Core CPI (%)	3.66	4.08	4.10	4.15	4.20	4.60	4.60	4.10	4.50	4.40	4.40	4.80	3.40

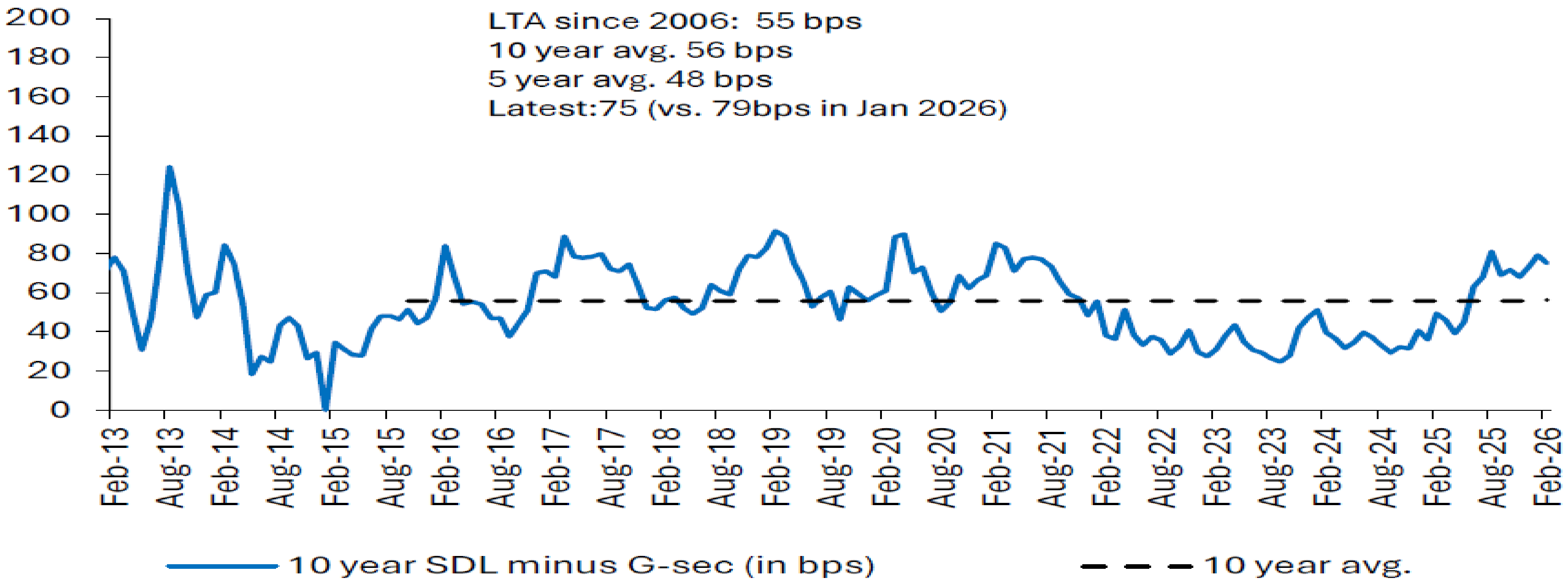
- Impact of prolonged higher crude oil prices, in turn , may lead to softer growth, higher inflation, currency depreciation and wider twin deficits
- Thus leading to restrictive monetary easing and hindrance in effective transmission of rates
- RBI's proactive intervention in liquidity management through OMO's is keeping liquidity in surplus despite seasonal factors and FX intervention

System Liquidity (Adj for Daily CRR)
INR in Lakh Cr



Source: Internal Research, RBI, Bloomberg
Disclaimer: The above data is for informational purposes. The analysis may or may not be sustained in future.

SDL Spreads Remains Anchored
– On back of Renewed Investor Demand

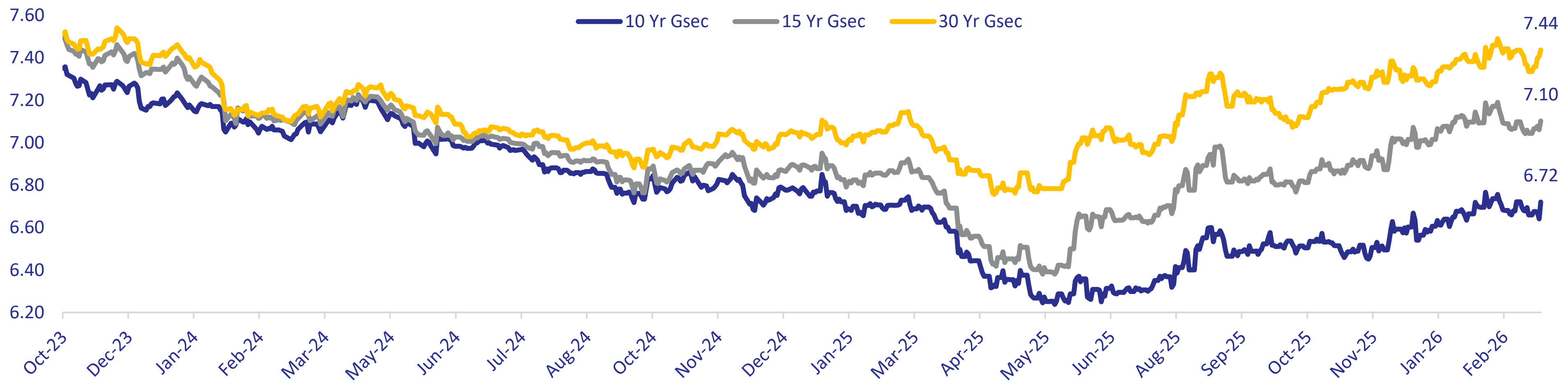


- SDL spreads compressed to ~75 bps driven by strong investor demand in recent auctions and RBI's liquidity injections easing Gsec yields relatively
- Having said, the current phenomenon of narrowing of spreads may be temporary on back of FY27 gross borrowing programme of INR 17.2 Lakh Cr

Source: Internal Research,

Tactical Opportunities in Duration May Arise

Yield Movement (Annualized) in Long Maturity G Secs



- Elevated term premium makes 10–15Y G-Secs tactically attractive at entry levels of ~6.8-6.9%/7.1-7.2% respectively
- Once the downside risk and volatility subsides, there is a scope of softening of long term yields

Source: Bloomberg, Internal Research, data till 7th March 2026

Fixed Income View & Portfolio Strategy

- Sustained rise in crude oil prices may prove to be negative for fixed income market since it would increase risks of currency depreciation, inflationary pressure, and possibility of deviation from fiscal prudence.
- Persistent rupee weakness risks amplifying imported inflation, which would constrain the RBI's room for further rate cuts while keeping long-end yields biased upward.
- That said, an increase in OMO activity as part of liquidity sterilisation should help limit any significant steepening at the longer end of the curve.

Given the macro backdrop, we continue to maintain accrual calls across the credit spectrum as the core strategy.

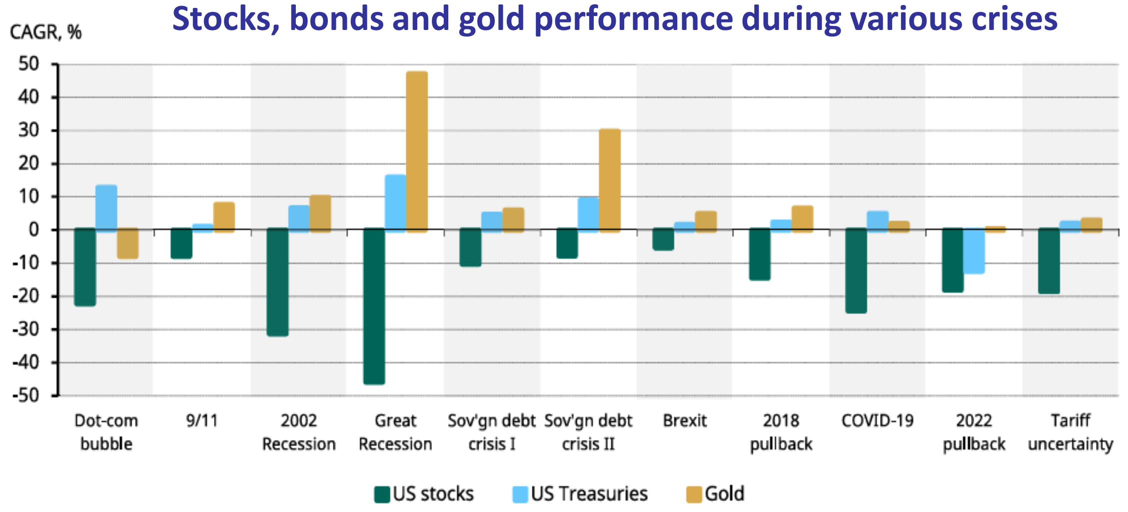
- **Accrual can be played across the credit spectrum by allocating 45% – 55% of the portfolio** to Performing Credit & Private Credit Strategies, Select InvITs/NCDs for a period of minimum 3-5 years
- **For less than 3 years holding period, one may allocate in relatively liquid fixed income alternative solutions like** Arbitrage Funds (min 3 months holding period), Hybrid SIF Funds (min 2 yr holding period), Conservative Equity Savings funds (min 3 years holding period)

Tactical allocation to long-duration (10-year/15 Year) G-Secs can also be considered in the range of ~6.8-6.9%/7.1-7.2%, as that will provide scope for capital appreciation in addition to regular coupon income for investors comfortable with duration risk

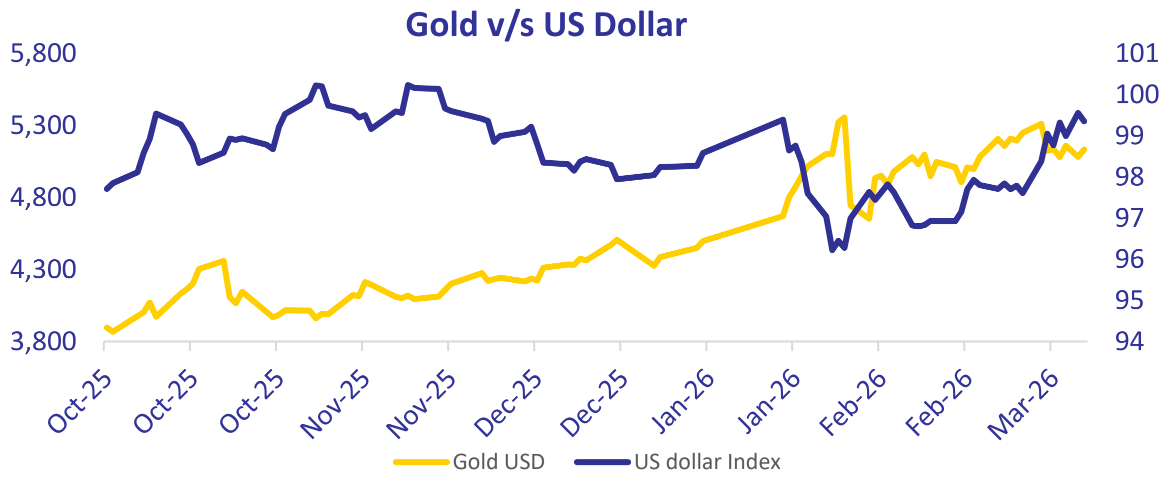
Source: Internal Research. Disclaimer: The Fixed Income View & Portfolio Strategy is based on our views and the above information is for reference purposes only and should not be construed to be investment advice under SEBI (Investment Advisers) Regulations, 2013. This document is not a research report as per the SEBI (Research Analysts) Regulations, 2014.

Gold/Silver

Gold – A safe bet



- **Precious metals remain in a long-term uptrend:** The rise in prices, reflects steady investor interest during a period of global economic uncertainty.
- **Gold continues to serve as a safe haven:** During periods of financial stress or geopolitical instability, gold has historically held up better than other assets.
- The recent pullback in gold prices after the Iran–Israel tensions coincided with a stronger US dollar.



Source: WGC, Internal Research

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