



Alpha Strategist – Apr'26

“Not So *Strait* Forward”

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Summary



- The global environment remains uncertain amid ongoing geopolitical tensions and their impact on oil prices. While volatility has moderated from peak levels following the ceasefire announcement, its sustainability remains fragile, given continued military strikes and the Strait of Hormuz largely remaining closed.
- The conflict has led to damage across critical oil and gas infrastructure in the Middle East, with restoration likely to be gradual. This has compelled energy-dependent economies to adopt mitigating measures such as subsidies, fuel price caps, conservation initiatives, and export controls.
- The oil shock has intensified stagflation concerns, with inflation expectations for 2026 trending higher. This constrains central banks' ability to adopt an accommodative stance, thereby posing risks to global growth.
- Elevated inflation concerns have driven an increase in long-term bond yields, which could have second-order effects including widening fiscal deficits, and moderation in capex, housing, and consumption.
- Since CY2025, the INR has depreciated against major currencies, potentially adding to near-term pressures, especially if energy imports are settled in non-USD currencies. However, on a REER basis, the INR is ~9% below its 5-year average and near 10-year lows, indicating undervaluation and a higher likelihood of stabilization or mean reversion going forward
- While the long-term implications of the conflict and its impact on earnings remain uncertain, historical precedents in similar macro environments particularly the extent and duration of corrections indicate that such phases of risk repricing, have typically created selective investment opportunities, supporting a more constructive stance on equities at current levels.
- **"Not So Strait Forward"** aptly reflects our view that the market recovery will not be linear. Instead, it is likely to play out in phases of correction and rebound, driven by global developments, policy cues, and flow dynamics.
- In such an environment, a disciplined and balanced approach is preferable over either an overly aggressive or overly conservative stance.
- **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.
- Elevated yield volatility driven by geopolitical risks, rising crude-led inflation pressures, and persistent INR weakness—constraining monetary easing and keeping long-end yields biased upward—supports a preference for accrual-oriented fixed income strategies across the credit spectrum.
- We maintain neutral view on Gold from asset allocation perspective.



Highlights

Major Events – US-Israel-Iran Conflict

OPENING STRIKE	ESCALATION & WIDER WAR	ECONOMIC WAR & DIPLOMACY	CEASEFIRE
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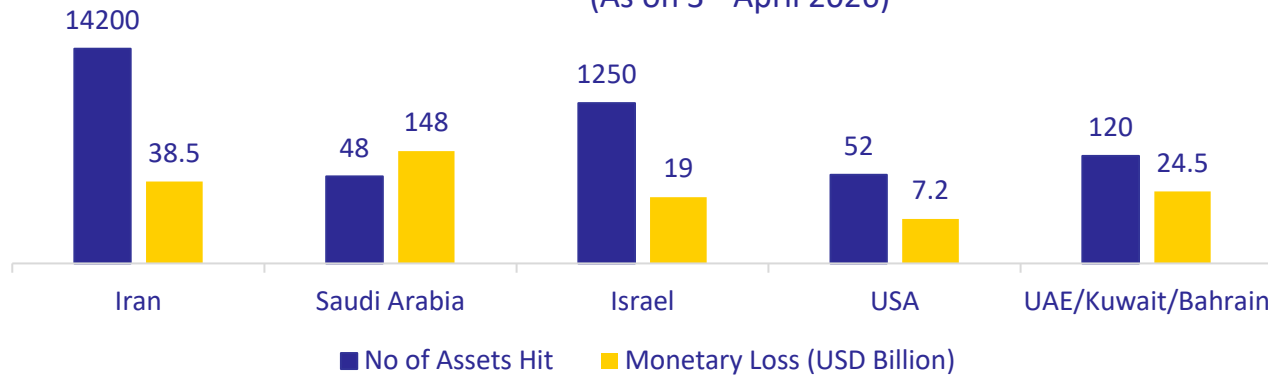
										
28 Feb	28 Feb	1 Mar	3 Mar	Early Mar	5 Mar	11 Mar	17 Mar	25 Mar	7 Apr	8 Apr
Khamenei Killed. War Begins.	Iran Fires Back. Hormuz Blocked.	Lebanon Front Opens.	Iranian Warship Sunk.	New Supreme Leader Named.	THAAD Radar Destroyed.	UN Acts. IEA Releases Oil.	Larijani Assassinated.	Peace Proposal Rejected.	"Civilization Will Die Tonight."	Ceasefire. Hormuz Reopens.
~900 US-Israel strikes in 12 hrs. Supreme Leader & 7 officials assassinated.	125+ missiles at Israel & Gulf. Strait partially closed. Oil prices surge.	Israel invades Lebanon. Hezbollah joins war. Iranian missile kills 9 in Israel.	US sub sinks IRIS Dena — first sub combat kill since the Falklands War.	Mojtaba Khamenei appointed. Iraq militias & Houthis join the war.	Iran destroys US missile defence radar in Jordan. Bahrain water plant struck.	UNSC resolution passed. IEA releases 400M barrels. Asia fuel rationing begins.	Iran's de facto leader killed by Israel. Biggest blow to command since Day 1.	Pakistan delivers US 15-point plan. Iran rejects it, counters with own terms.	Trump midnight deadline. Kharg Island struck. Oil hits all-time record.	Pakistan + China broker 2-week truce. Islamabad talks set for Apr 10.

DURATION	HUMAN COST	ECONOMIC IMPACT	STATUS — 9 APR	UNRESOLVED
40 Days of Active War	2,000+ Iran · 1,497+ Lebanon · 13 US · 19 Israeli	Largest oil shock since 1970s · Record prices · Asia fuel rationing	2-week ceasefire · Islamabad talks Apr 10 · Lebanon excluded	Nuclear enrichment · Sanctions · Hezbollah · Reparations

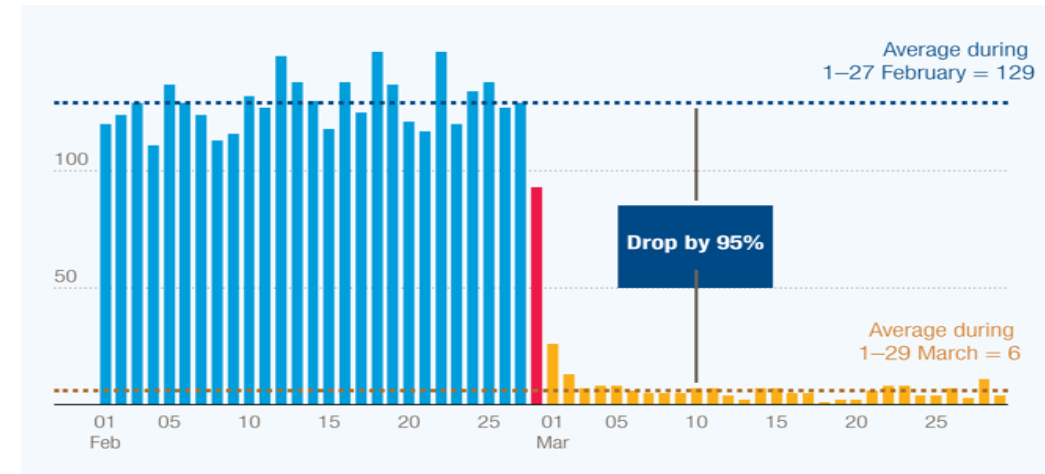
Extent of Destruction & Impact

Extent of Destruction : Military - Civilian Infrastructure - Industrial Hubs

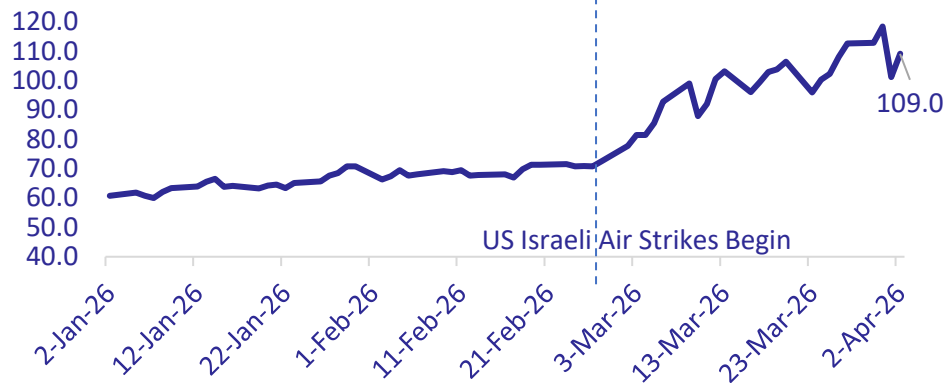
Infrastructure Attrition : No of Assets Vs Monetary Loss
(As on 3rd April 2026)



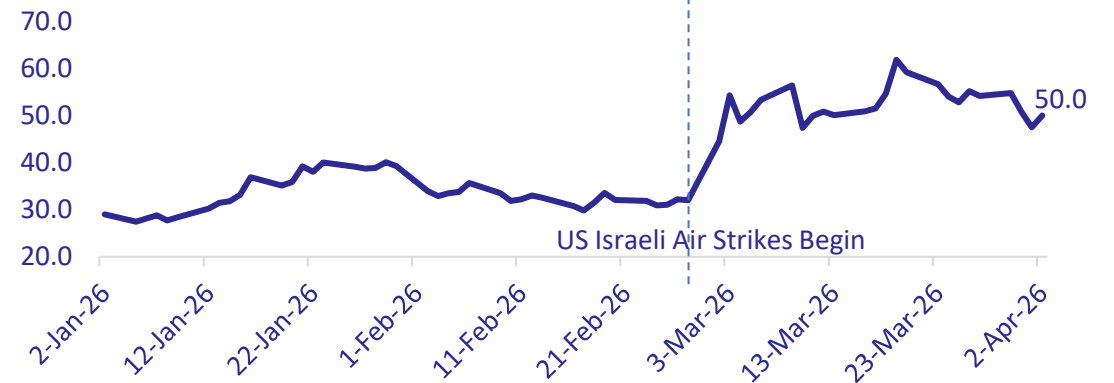
Strait of Hormuz Transit at Halt




Brent Oil Futures (USD Per Barrel)



Dutch TTF Natural Gas Futures (EUR Per MWh)



Criticality of the Oil & Gas Infra Destruction

Multi-Country Energy Infrastructure Impact	Country	Key Infrastructure hit	Impact	
 <p>Middle Eastern Energy Assets</p>	Iran	<ul style="list-style-type: none"> • South Paras Gas field • Kharg Island 	<ul style="list-style-type: none"> • ~20–25% of Iran gas output • 1.5–2.0 mbpd oil (~90% exports) 	<ul style="list-style-type: none"> • Partial recovery is expected to take ~1–2 months
	Qatar	<ul style="list-style-type: none"> • Ras Lafan LNG 		<ul style="list-style-type: none"> • 17% global LNG capacity
	Kuwait	<ul style="list-style-type: none"> • Mina Al- Ahmedi Refinery 	<ul style="list-style-type: none"> • ~0.73 mbpd refined product 	<ul style="list-style-type: none"> • The Strait Of Hormuz (20% global oil flow) is partially disrupted
	Saudi Arabia	<ul style="list-style-type: none"> • Ras Tanura Terminal • SAMREF refinery 	<ul style="list-style-type: none"> • ~2–3 mbpd at risk • ~0.6 mbpd disruption 	<ul style="list-style-type: none"> • The disruption is expected to have a structural and lasting impact on global energy markets.
	UAE	<ul style="list-style-type: none"> • Fujairah bypass route • Shah Gas Field 	<ul style="list-style-type: none"> • ~1.8 mbpd oil export • ~10–15% UAE gas output 	
	Bahrain	<ul style="list-style-type: none"> • Sitra Refinery 	<ul style="list-style-type: none"> • ~0.5 mbpd oil 	
	Israel	<ul style="list-style-type: none"> • Refinery and energy Infra 	<ul style="list-style-type: none"> • ~0.3 mbpd oil 	

















Fuel Crisis Response : From Subsidies to Rationing

	Emergency subsidies & direct support	Fuel price caps & controls	Demand-reduction & conservation measures*	Export limits/rationing & prioritization**
Philippines	✓	✓	✓	✗
Thailand	✓	✓	✓	✗
Bangladesh	✓	✗	✗	✓
India	✓	✗	✗	✓
South Korea	✗	✓	✓	✗
Egypt	✓	✗	✗	✗
Malaysia	✓	✗	✗	✗
Pakistan	✗	✗	✓	✗
Slovenia	✗	✓	✗	✗

✓ Yes ✗ No

* Pakistan/Philippines: four-day workweek for government workers.
 Thailand: public appeals to limit travel. South Korea: driving restrictions on civil servants
 ** India: export duties reimposed and refiners ordered to prioritize domestic LPG supply.
 Bangladesh: fuel allocations prioritized to key sectors (e.g. agriculture)

Possible Scenarios: Impact of Gulf Conflict Escalation

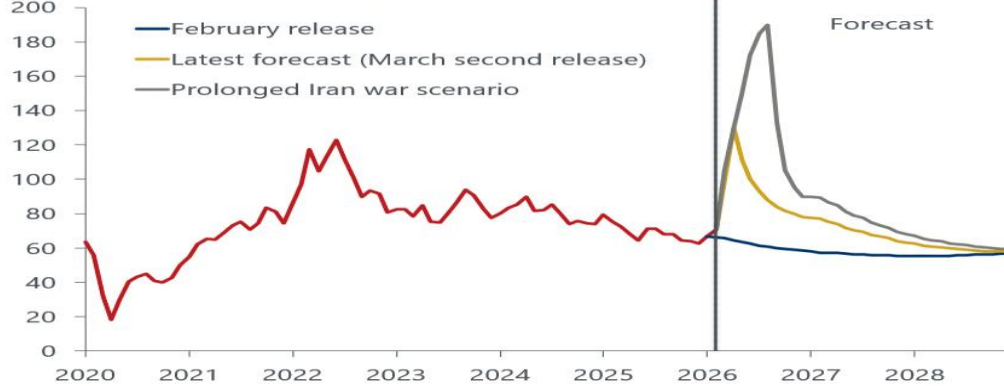
FAST DE-ESCALATION (Current Scenario)	PROLONGED STANDOFF Scenario)	SEVERE ESCALATION / WORST CASE
<ul style="list-style-type: none"> ● Ceasefire / cooling within weeks ● Hormuz partially reopens ● No fresh major infra damage 	<ul style="list-style-type: none"> ● Conflict extends 1-3 months ● Hormuz partially disrupted ● Intermittent infra/tanker disruptions 	<ul style="list-style-type: none"> ● Conflict extends beyond a quarter ● Hormuz severely restricted / near shutdown ● Major Gulf export infra (oil/LNG) hit
<p>MARKET IMPLICATIONS</p>  <p>Oil corrects to \$85-95/bbl Risk assets stabilise </p>	<p>MARKET IMPLICATIONS</p>  <p>Oil sustains at -\$100-130/bbl Persistent volatility; equity risk premium rises </p>	<p>MARKET IMPLICATIONS</p>  <p>Oil spikes to \$150-200/bbl Global equities correct sharply </p>
<p>MARKET IMPLICATIONS</p> <ul style="list-style-type: none">  Temporary inflation pike  Growth impact limited, recovery resumes  No major central bank actions  India: Manageable CAD, INR stabilisation, RBI stays 	<p>MARKET IMPLICATIONS</p> <ul style="list-style-type: none">  Stagflationary trend (↑ inflation, ↓ growth)   Earnings downgrades Global rate cuts delayed   India: CAD widens, INR weakens, yields rise 	<p>REPERCUSSIONS</p> <ul style="list-style-type: none"> ● High stagflation risk ● Global recession risk ● India: INR stress, CAD spike, higher yields, policy tightening risk 

Stagflation Building up

Trend in Brent Crude Oil Price

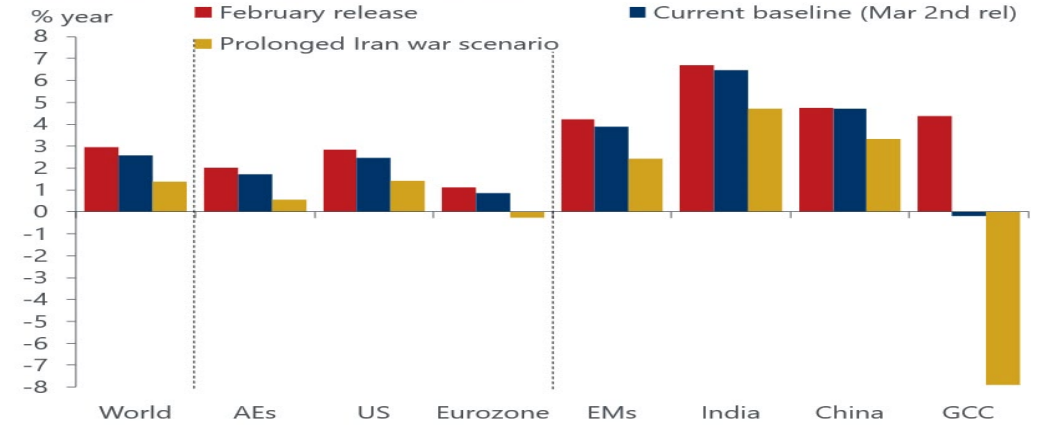
World: Brent oil price

\$ per barrel - monthly average price



Trend in GDP of Different Economies

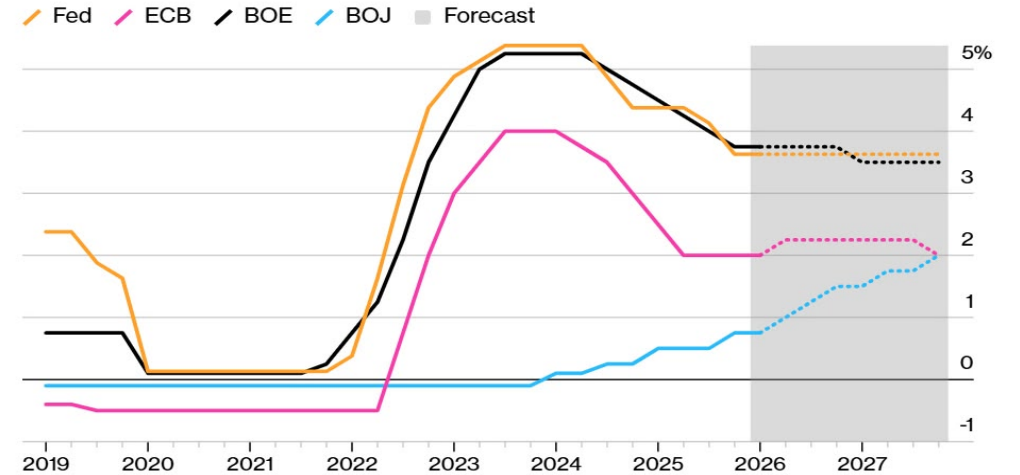
World: GDP forecasts for 2026



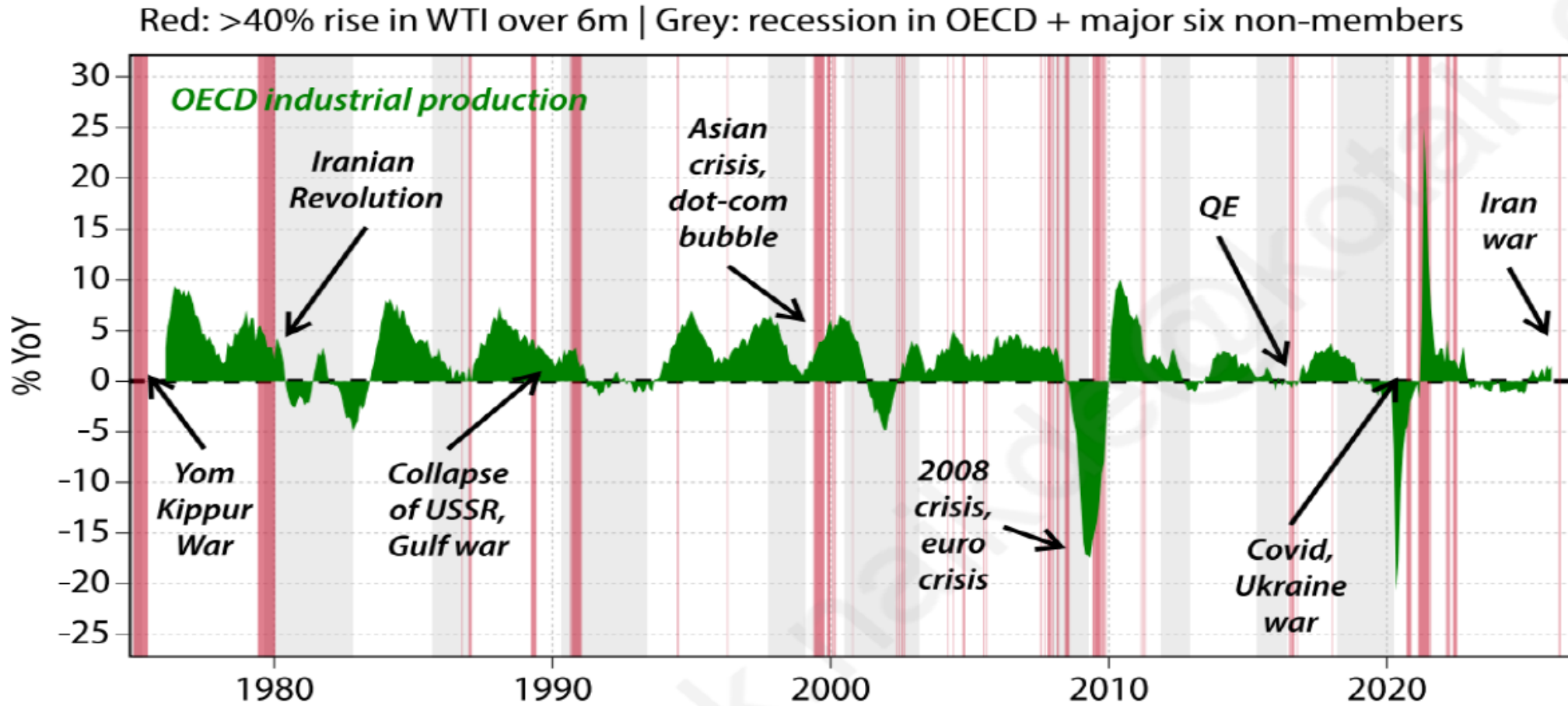
Inflation Forecast for 2026/27

	Forecast for 2026 inflation	Change vs prior	Forecast for 2027 inflation	Change vs prior
G-20	4%	1.2 PP	2.7%	0.2PP
US	4.2%	1.2 PP	1.6%	-0.7PP
Euro area	2.6%	0.7 PP	2.1%	0.1PP
Germany	2.9%	0.8 PP	2.6%	0.2PP
France	1.8%	0.5 PP	1.5%	-0.1PP
Italy	2.4%	0.7 PP	1.8%	0PP
UK	4%	1.5 PP	2.6%	0.5PP
Japan	2.4%	0.2 PP	1.9%	-0.2PP
China	1.3%	1 PP	1.1%	0.3PP
India	5.1%	1.7 PP	4.1%	0.1PP
Brazil	4.1%	-0.1 PP	3.8%	0PP

Central Bank's Expected Stance



Persistent High Oil prices have led to recession in the past



Source: Macrobond / Gavekal Research report as of 31st Mar 2026

Rising Yields - Rising Risks

Bond Market - Why it matters?

- Global bond market ~\$150T vs equities ~\$100T
- Sets the cost of money across the economy (governments, corporates, mortgages)

What's happening - War impact

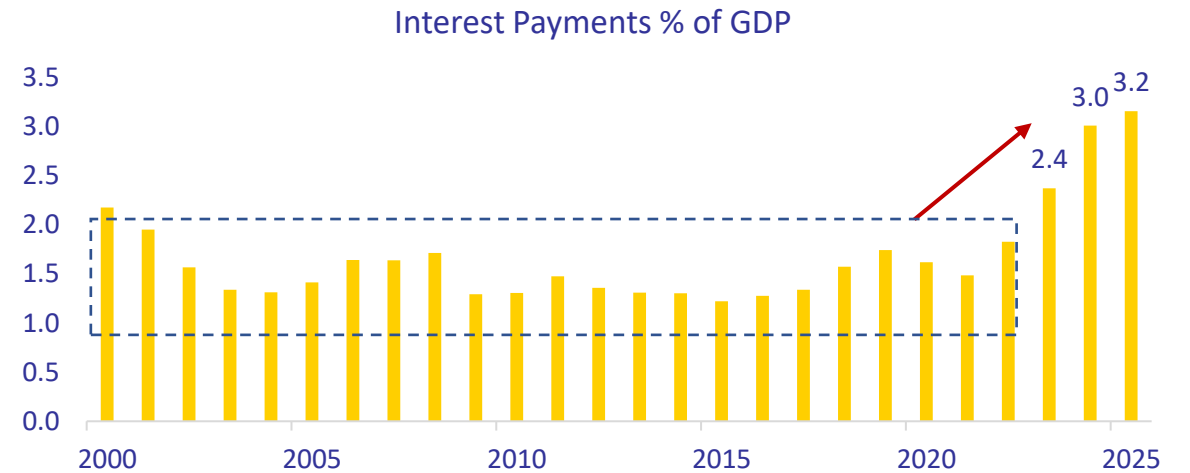
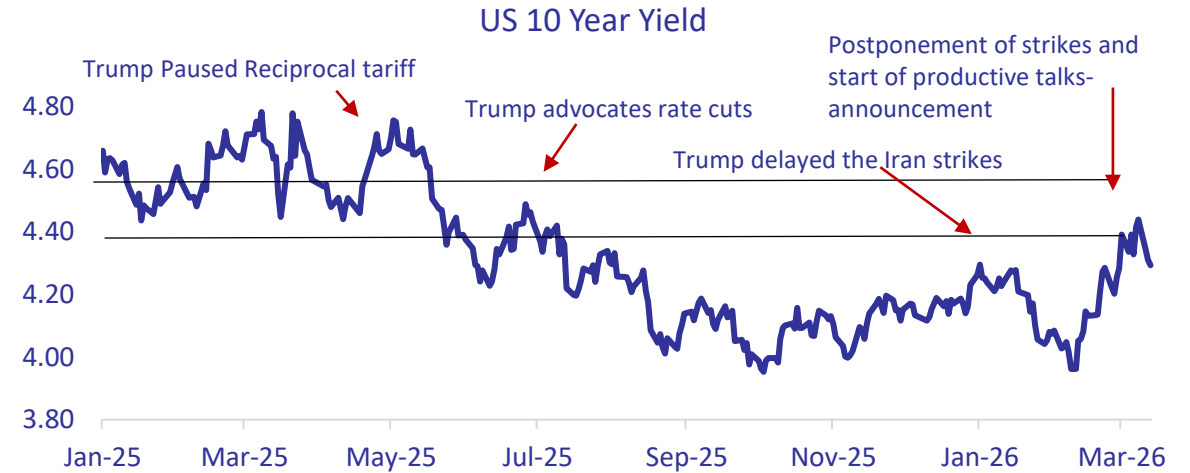
- War → oil & energy prices ↑ → inflation fears ↑
- Bond yields rising sharply → bond prices falling, liquidity tightening

If this persists - Ripple effects

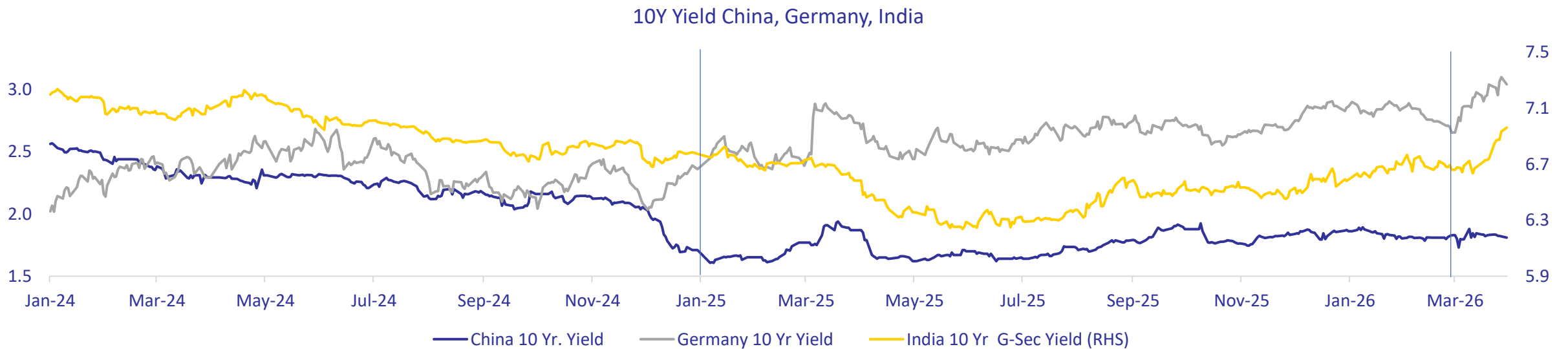
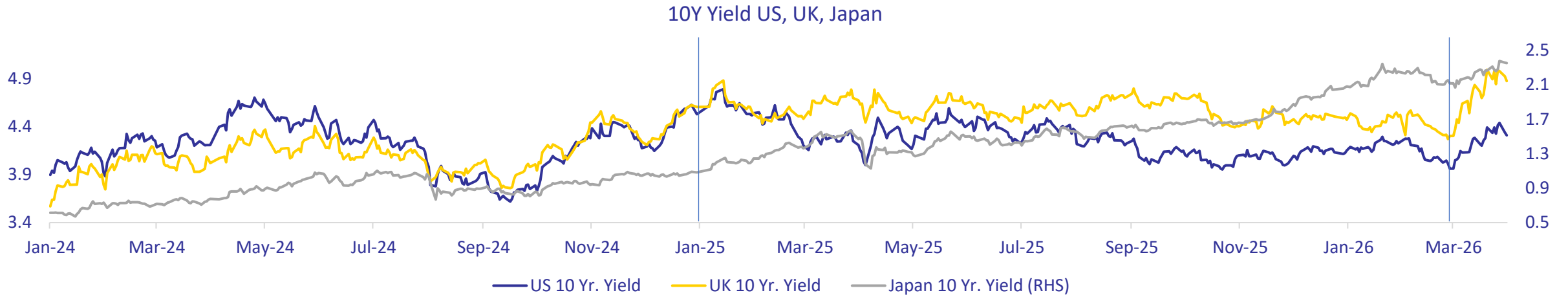
- Higher interest burden → widening deficits
- Borrowing costs ↑ → capex, housing, consumption slows
- Equity valuations compress + capital flows shift to safer assets

US Debt and Volcker Effect

- US Debt is ~\$39T (122% of GDP); annual interest costs >\$1T
- In the Volcker era, low debt (~26% of GDP) allowed rates to rise to ~20% to crush inflation
- Today, high debt significantly limits that option

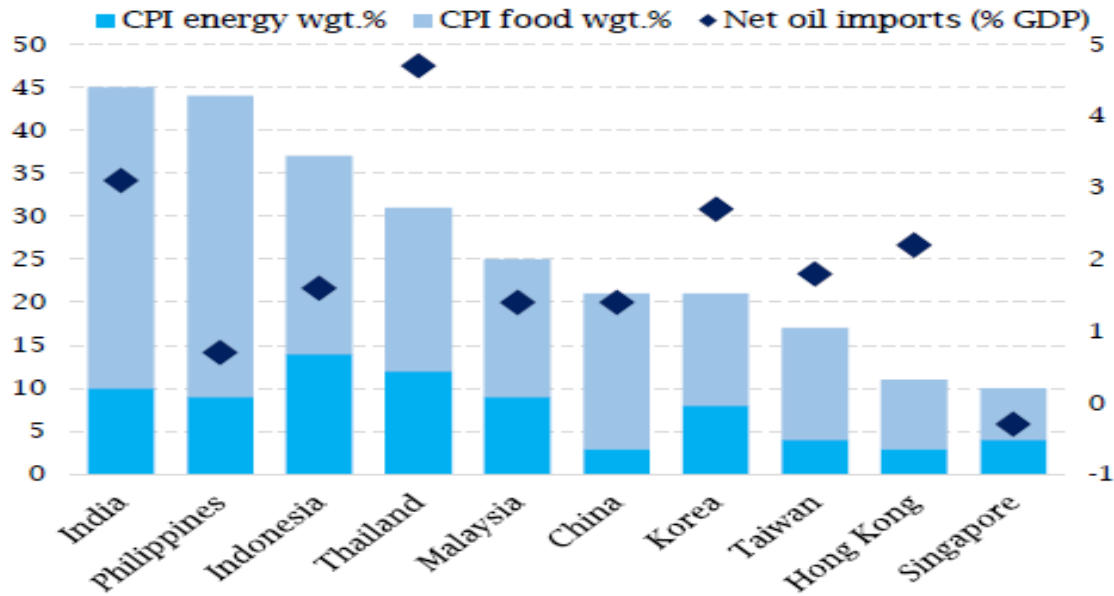


Global Yields Movement

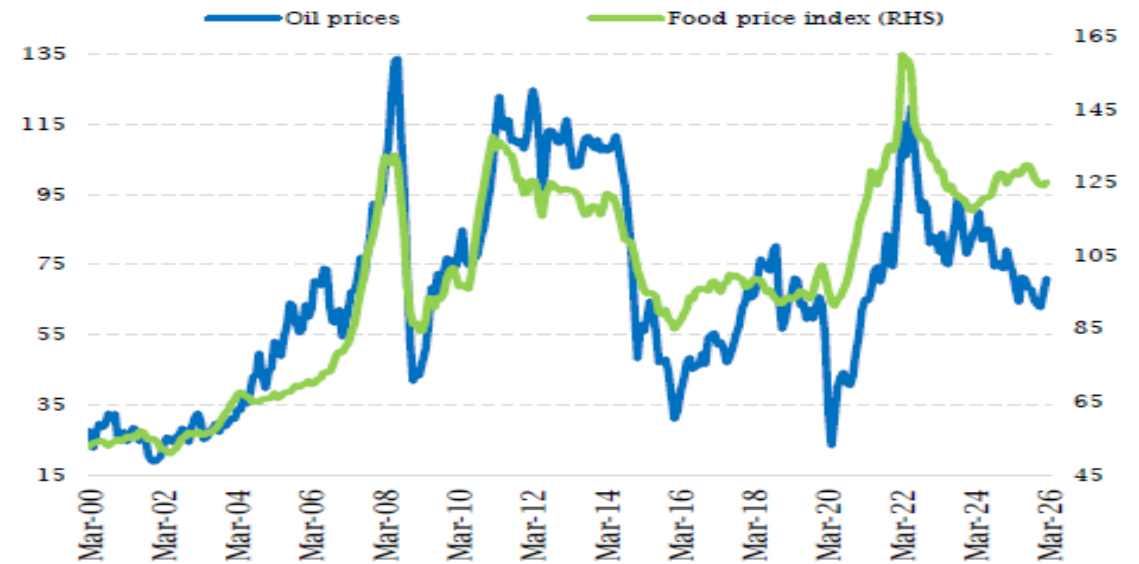


Energy Price shocks and Inflation Dynamics

Weightage of energy and food in inflation of key countries

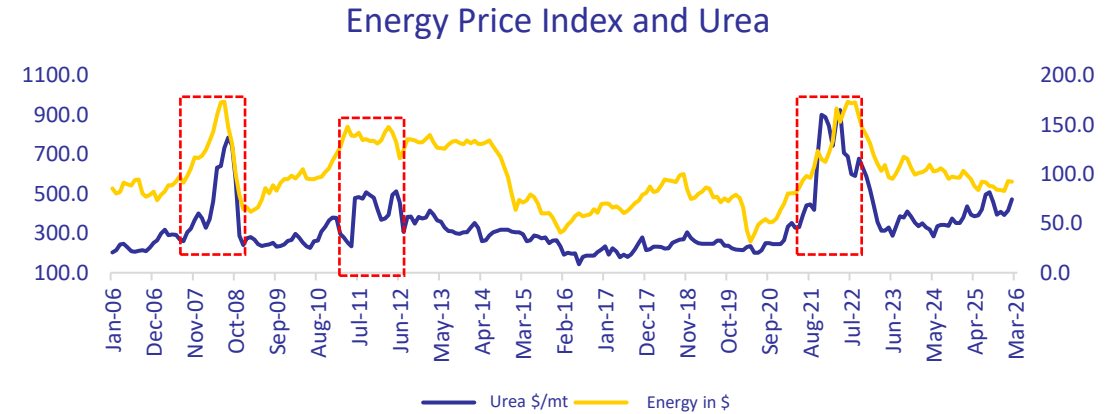
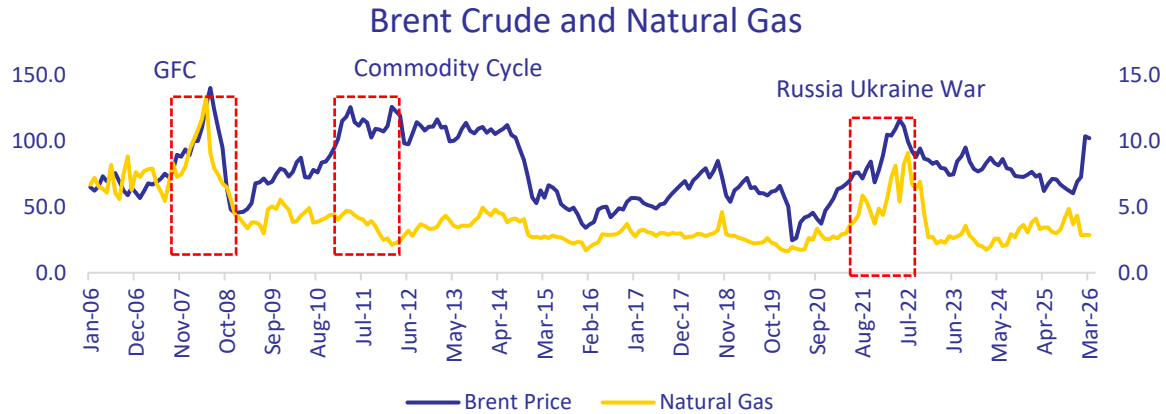


Global food price movement seen closely linked to Crude

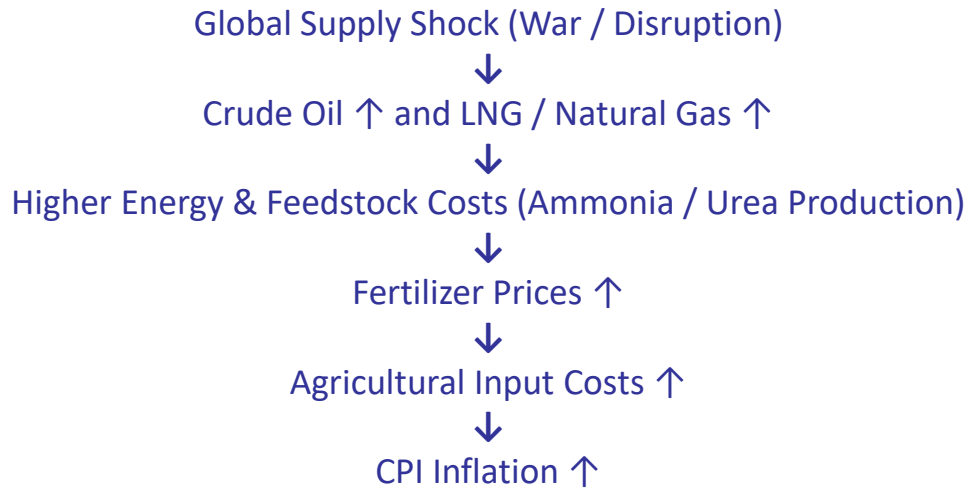


- Asia EMs (esp. India) are most exposed to Hormuz-driven inflation; India has high inflation sensitivity due to energy + food weight
- A \$10-20/bbl rise in crude prices pushes up WPI by around 25-50bps and CPI by 20-40bps.
- Gas-linked fertilizers (70–80% cost from gas) → higher Agri costs → food inflation risk
- Even if supply normalizes, prices may stay elevated due to geopolitical risk, shipping constraints, and delayed restarts

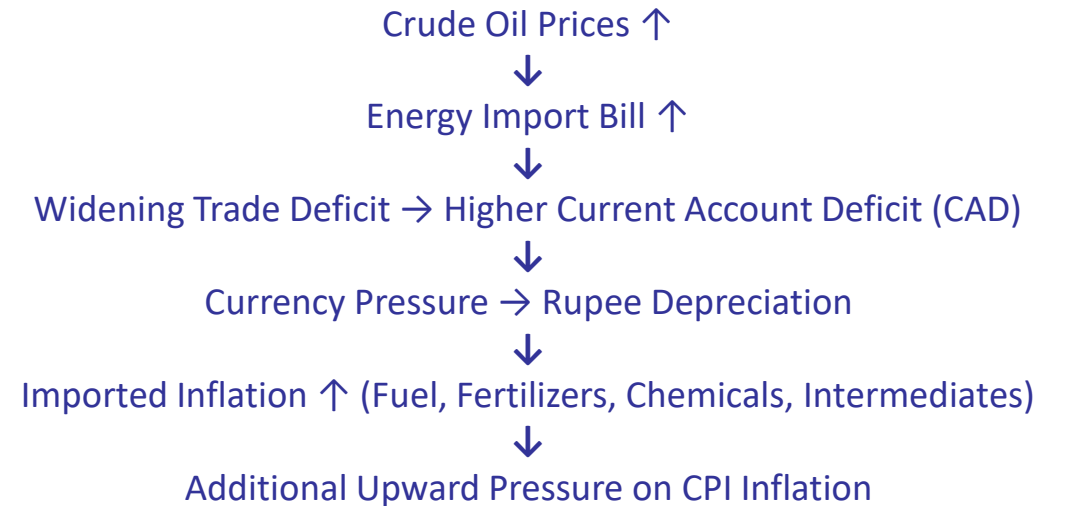
Energy Price Shocks and Inflation Dynamics



Primary Transmission (Cost-Push / Food Inflation Channel)

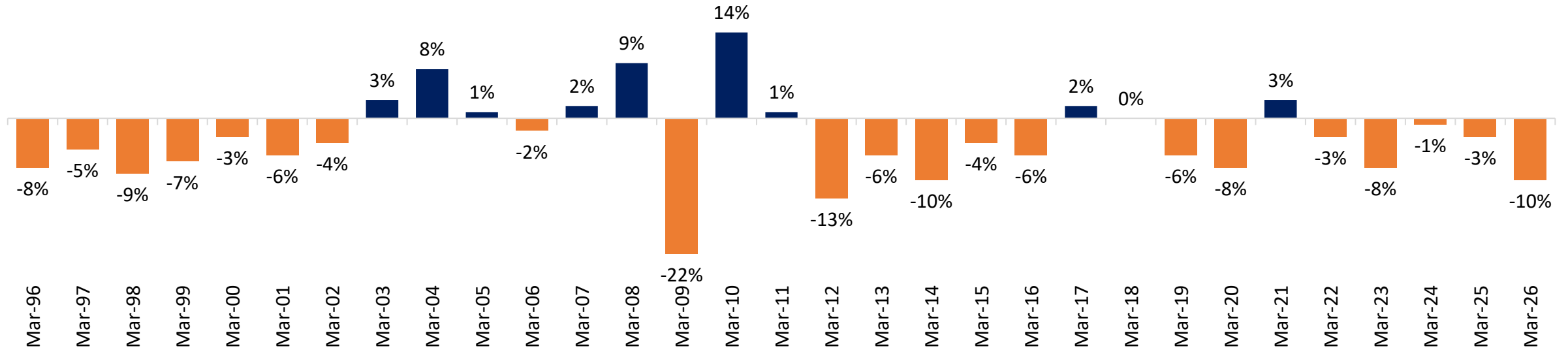


Secondary Transmission (Currency Channel)



INR Depreciation Trend

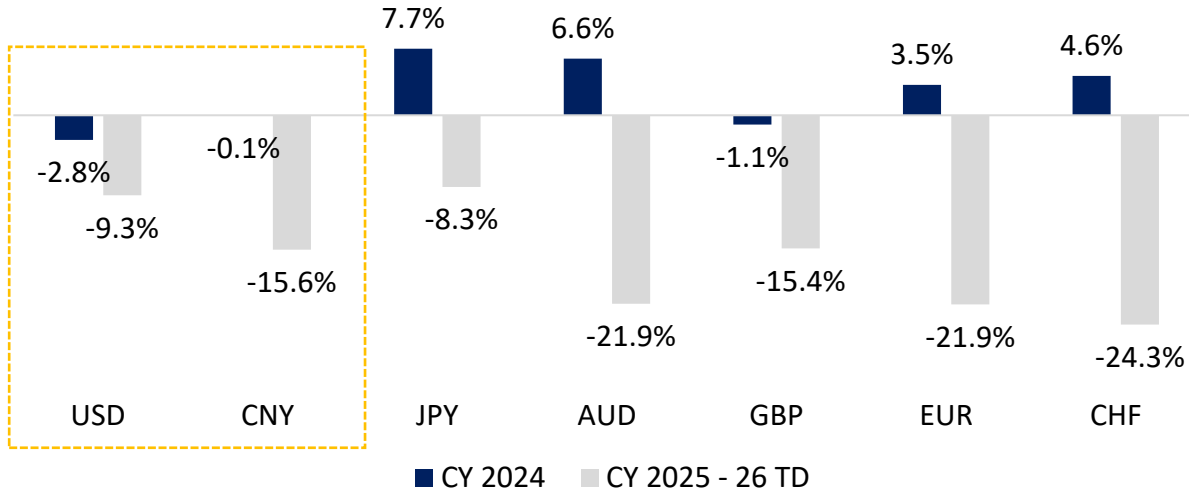
INR YoY Depreciation Trend (%)



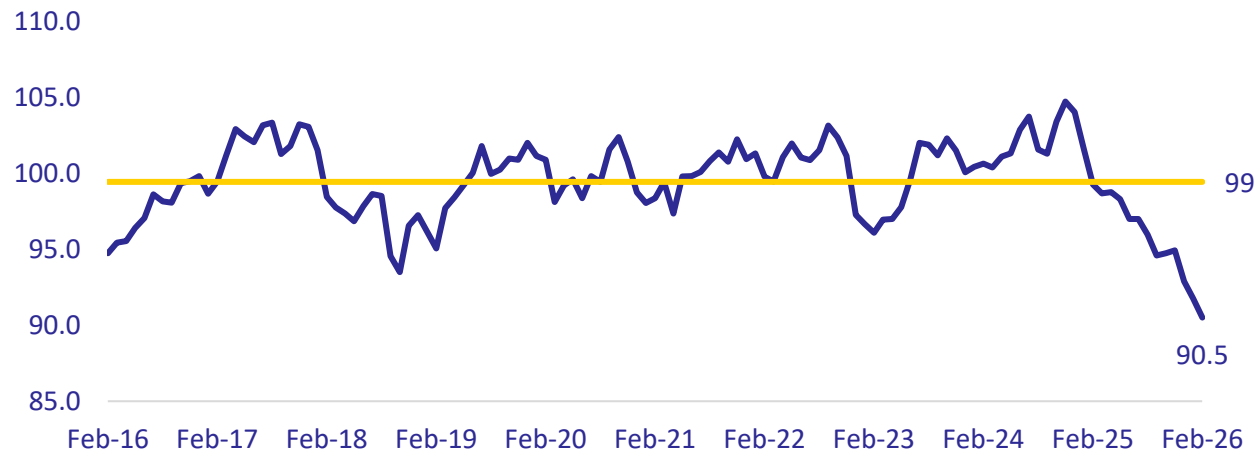
- Persistent FII outflows, coupled with geopolitical tensions and a strong USD, exerted sustained pressure on the INR through FY26.
- Elevated crude oil prices led to a widening of the current account deficit, further weakening the currency.
- Despite active Reserve Bank of India interventions, INR depreciation persisted, making FY26 the weakest year for the currency since FY13.

INR has depreciated against all major currencies

Depreciation of INR against major currencies



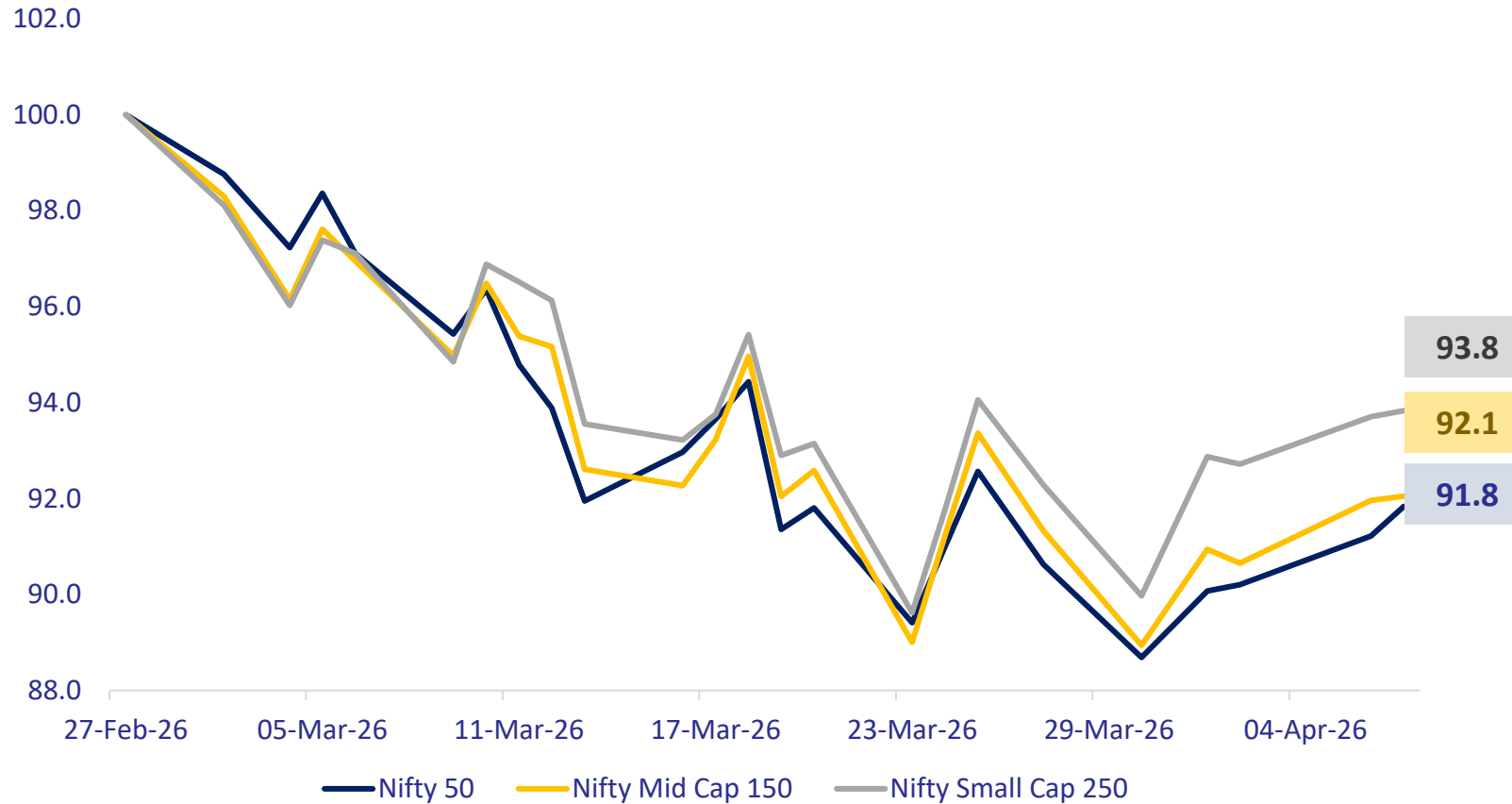
India REER



- Oil trade diversification away from the US dollar is being led primarily by **sanctioned economies such as Russia, Iran, and Venezuela**, alongside **China’s push for yuan-based settlement**.
- Other countries, including **India and the UAE**, are participating opportunistically, while major producers like **Saudi Arabia** remain in early stages of exploring alternative currency mechanisms.
- However, even if India shifts oil trade away from the US dollar toward currencies like the Yuan, the rupee has **depreciated more sharply against these currencies**, potentially worsening the overall currency impact.
- That said, on a **REER basis**, the INR is ~9% below its 5-year average and at **10-year lows**, pointing to undervaluation and increasing the probability of **stabilization or mean reversion** from here.

Indian Equity Markets Performance

Broad Market Indices - Performance



Sectoral Indices	Returns since the start of war
Nifty IT	2.6%
Nifty Metal	-3.9%
Nifty Energy	-4.0%
Nifty Pharma	-4.7%
Nifty Healthcare	-5.9%
Nifty Media	-7.4%
Nifty FMCG	-8.1%
Nifty Realty	-10.5%
Nifty Financial Services	-11.4%
Nifty Oil & Gas	-12.4%
Nifty Bank	-12.9%
Nifty Auto	-13.4%

Returns are from 27th Feb 2026 to 7th April 2026

Bond Yield – Earnings Yield: Nifty 50 - 1 & 3-Year Forward Return

Bond Yield - Earnings Yield				1Y Forward Return (Absolute %)							3Y Forward Return (CAGR %)						
Spread Bands		Count	% Times	Min	Max	Avg	% times				Min	Max	Avg	% times			
							<0%	0% - 6%	6% - 12%	>12%				<0%	0% - 6%	6% - 12%	>12%
	0%	0	0%	--	--	--	--	--	--	--	--	--	--	--	--	--	--
0%	1%	7	0%	73%	97%	83%	0%	0%	0%	100%	28%	32%	30%	0%	0%	0%	100%
1%	2%	345	9%	-2%	80%	34%	3%	4%	8%	85%	9%	29%	19%	0%	0%	8%	92%
2%	3%	2099	52%	-7%	67%	16%	4%	17%	24%	55%	-4%	25%	14%	1%	7%	20%	71%
3%	4%	1441	36%	-30%	58%	7%	32%	15%	16%	37%	-1%	24%	12%	0%	14%	40%	46%
4%	5%	139	3%	-27%	15%	-1%	54%	10%	26%	10%	0%	22%	12%	2%	21%	0%	77%
5%		0	0%	--	--	--	--	--	--	--	--	--	--	--	--	--	--
		4031															

Data Period – 1st Jan 2010 to 1st April 2026. Traded days considered.

Current band has been highlighted in grey.

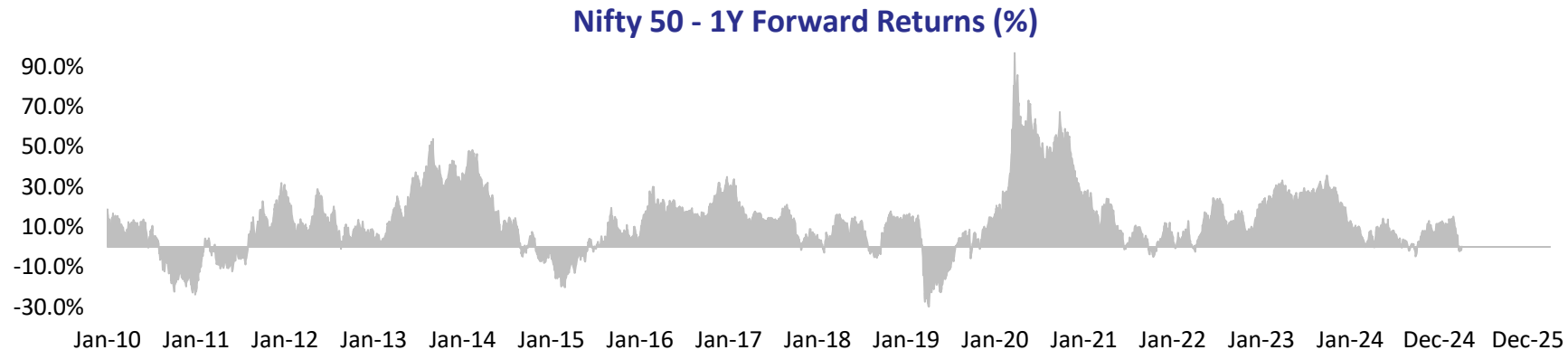
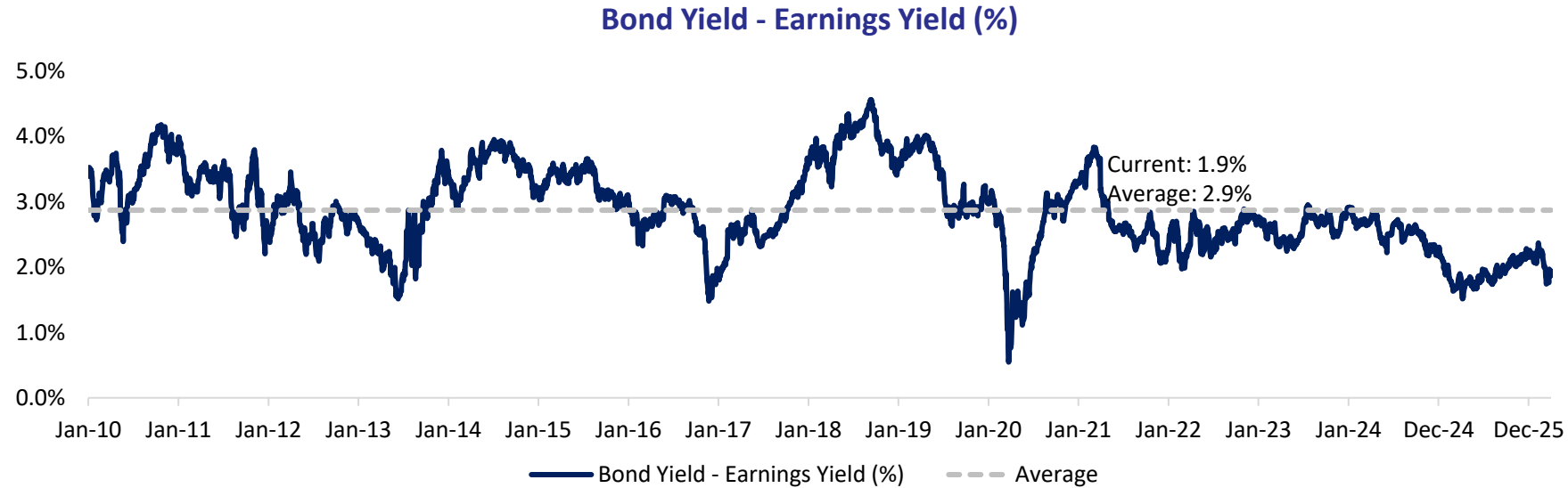
Current Value (As on 1st April): 1.9%

As the Bond Yield – Earnings Yield decreases, returns become attractive for equities.

As per the current band, one can expect 34% average returns for the next year, with 85% probability of the returns being > 12%.

On a 3Y basis, 19% CAGR can be expected with a 92% probability of returns being > 12%.

Bond Yield – Earnings Yield: Nifty 50 1-Year Forward Return



Data Period – 1st Jan 2010 to 1st April 2026. Traded days considered.

To support the band-specific data tables, charts have been populated. The chart shows how the spread is significantly below average currently. The lower it is, the better for equities as per the bands.

Ratio: Nifty 50 vs Brent Crude Futures

Nifty 50: 1 & 3-Year Forward Return



Nifty 50 vs Brent Crude				1Y Forward Return (Absolute %)							3Y Forward Return (CAGR %)						
Ratio Bands		Count	% Times	Min	Max	Avg	% times				Min	Max	Avg	% times			
							<0%	0% - 6%	6% - 12%	>12%				<0%	0% - 6%	6% - 12%	>12%
	50	382	9%	-12%	54%	10%	26%	9%	25%	40%	5%	23%	16%	0%	3%	16%	81%
50	100	823	20%	-24%	48%	12%	20%	13%	23%	44%	-1%	20%	9%	1%	27%	42%	30%
100	150	320	8%	-20%	35%	6%	37%	11%	17%	35%	6%	24%	13%	0%	0%	42%	58%
150	200	1076	27%	-30%	34%	8%	17%	20%	15%	48%	-4%	21%	12%	2%	8%	29%	61%
200	250	649	16%	-5%	86%	18%	5%	13%	17%	65%	2%	31%	14%	0%	6%	9%	85%
250	300	365	9%	0%	97%	27%	1%	12%	27%	61%	15%	32%	20%	0%	0%	0%	100%
300	350	184	5%	-2%	82%	13%	11%	28%	38%	22%	18%	30%	25%	0%	0%	0%	100%
350	400	169	4%	-5%	81%	17%	43%	29%	0%	29%	24%	29%	26%	0%	0%	0%	100%
400		63	2%	56%	61%	59%	0%	0%	0%	100%	25%	27%	26%	0%	0%	0%	100%
		4031															

Data Period – 1st Jan 2010 to 1st April 2026. Traded days considered.

Current band has been highlighted in grey.

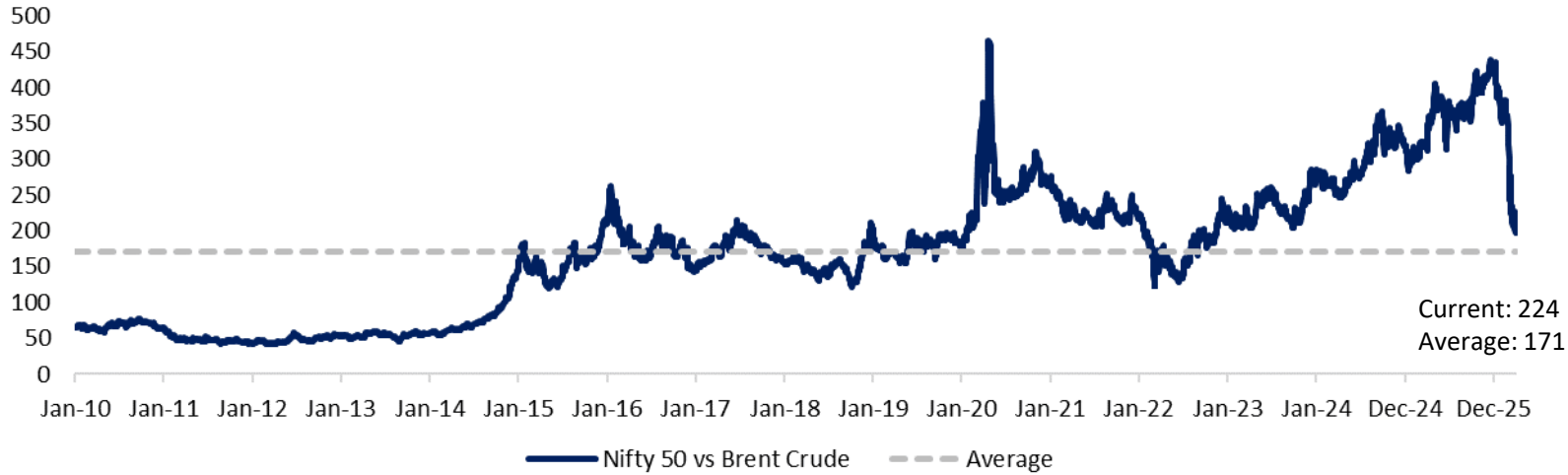
Current Ratio (As on 1st April): 224

As per the current band, one can expect 18% average returns for the next year, with 65% probability of the returns being > 12%.

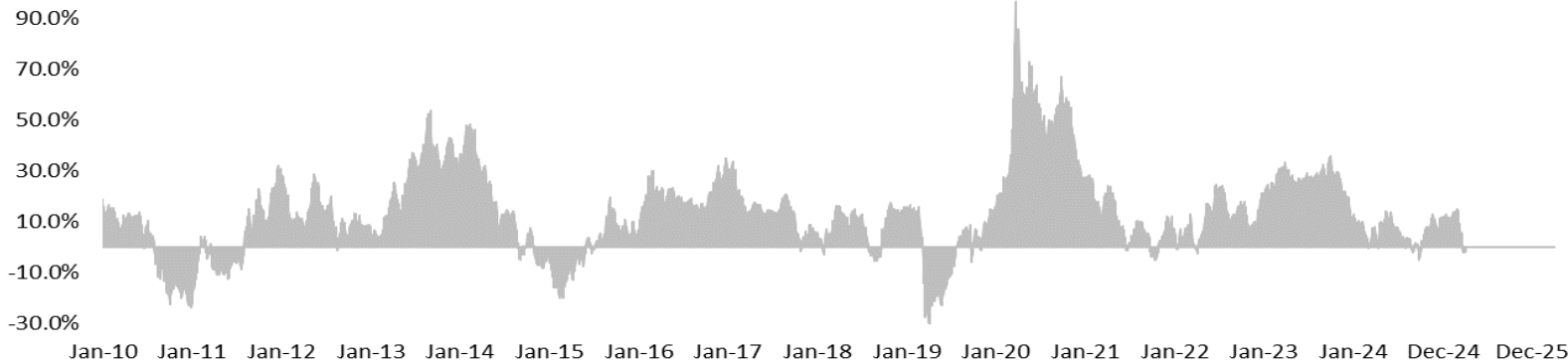
On a 3Y basis, 14% CAGR can be expected with an 85% probability of returns being > 12%.

Ratio: Nifty 50 vs Brent Crude Futures

Nifty 50 vs Brent Crude Futures



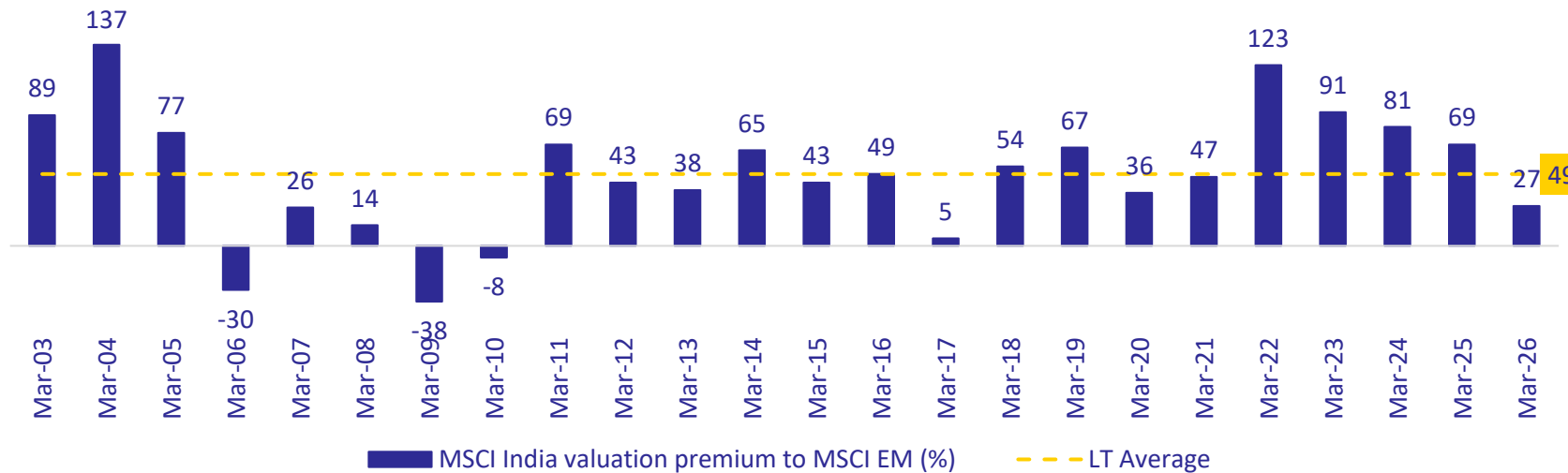
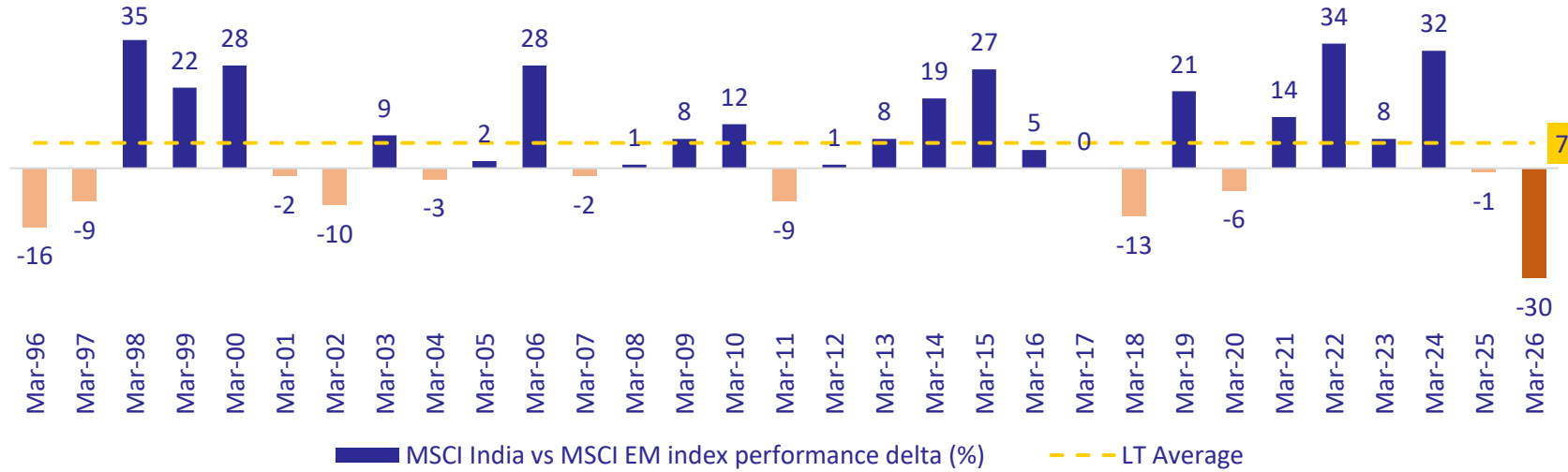
Nifty 50 - 1Y Forward Returns (%)



To support the band-specific data tables, charts have been populated. The chart shows how the spread is significantly below average currently. The lower it is, the better for equities as per the bands.

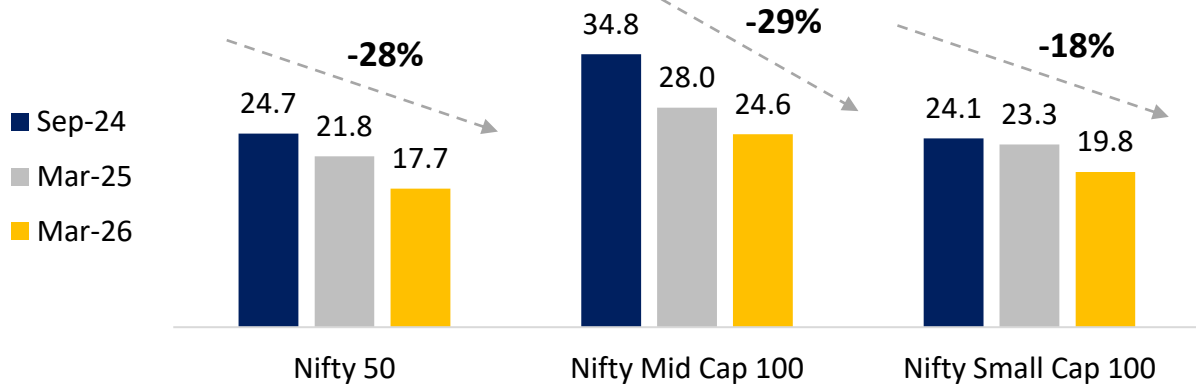
Data Period – 1st Jan 2010 to 1st April 2026. Traded days considered.

MSCI India, at historic lows vs. MSCI EM

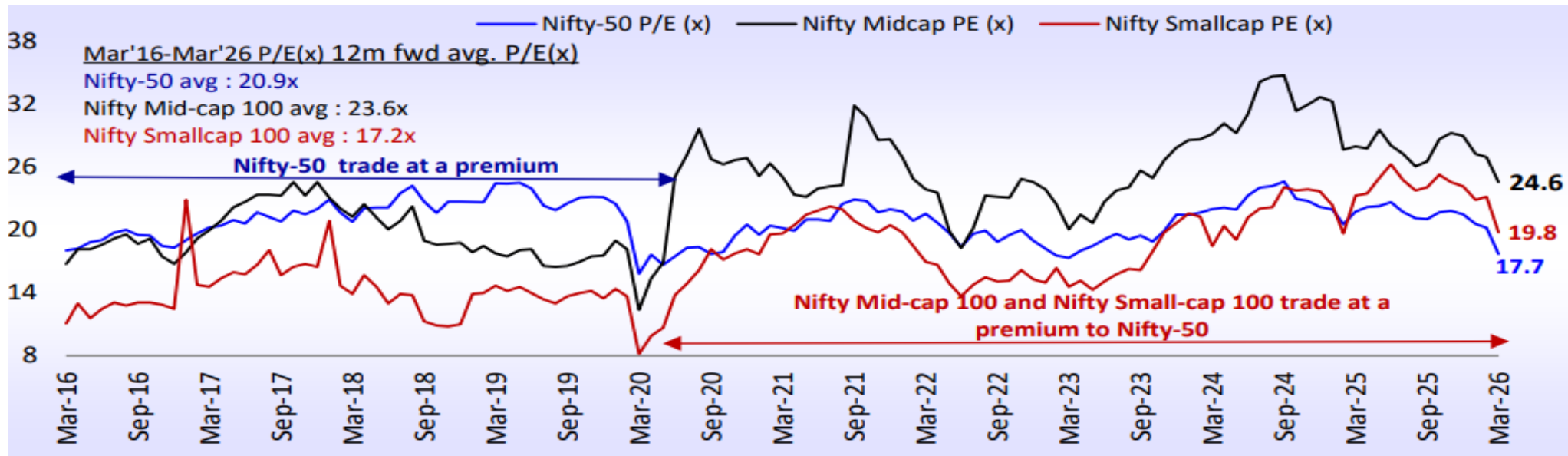


Market Indices Valuations – Comparison with Sep-24 Highs

12M Forward P/E (x)



- Valuations of key benchmark indices corrected significantly from their Sep'24 highs
- Nifty 50 now trades below the 10-year average, while Nifty Mid-Cap 100 is close to the average, and Nifty Small-Cap 100 is still above the average



Nifty – Consecutive negative monthly returns

End of Streak	Negative Returns Streak length (months)	4M Decline	Full Decline	3M Forward	6M Forward	12M Forward
31-01-1991	4	-28.5%	-28.5%	23.7%	58.6%	117.9%
30-04-1995	8	-20.3%	-31.4%	5.6%	4.9%	18.3%
30-11-1996	5	-20.4%	-26.0%	20.3%	26.6%	23.3%
31-08-1998	4	-26.4%	-26.4%	-4.1%	15.1%	65.6%
30-09-2001	4	-21.8%	-21.8%	15.9%	23.6%	5.4%
28-02-2025	5	-8.6%	-14.3%	11.9%	10.4%	13.8%
31-03-2026	4	-14.8%	-14.8%	??	??	??

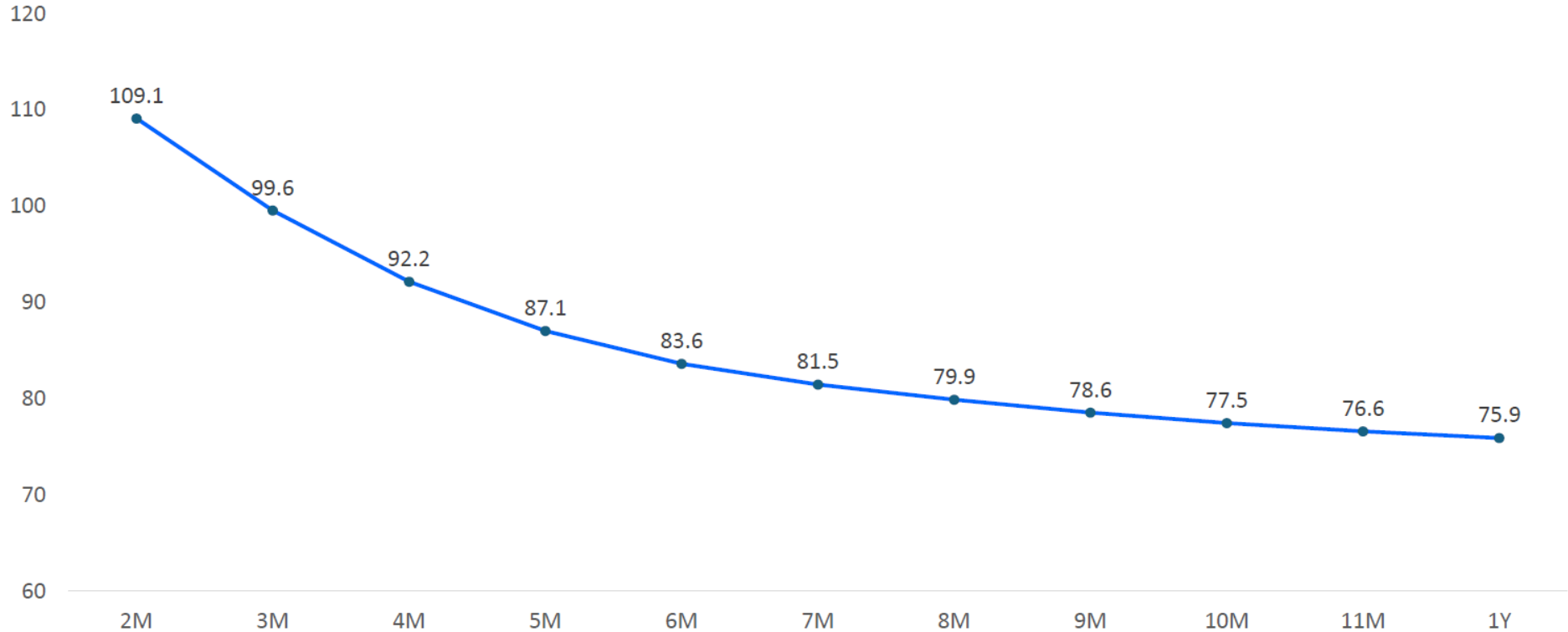
- Since its inception, only 7 times, Nifty 50 Index has delivered 4 or more consecutive months of negative returns.
- Of the 7 times, the longest streak of negative monthly returns lasted for 8 months (from Sep'94 to Apr'95)
- The below table suggests that longer the streak of negative returns, the better are the forward 12M returns

Negative Streak length (Months)	Episodes	Share of all streaks	Avg full decline	Avg 3M Fwd Return	Avg 6M Fwd Return	Avg 12M Fwd Return
1	56	53.8%	-4.2%	10.3%	12.6%	21.5%
2	27	26.0%	-10.3%	9.4%	9.2%	18.6%
3	14	13.5%	-13.7%	4.4%	12.4%	26.4%
4+	7	6.7%	-23.3%	12.2%	23.2%	40.7%
Total	104					

% Share of streaks is represented by no of observations of respective months divided by the total episodes

Brent Crude Futures are in backwardation

European Crude Brent Futures (USD/Barrel)



Data as on 2nd April 2026



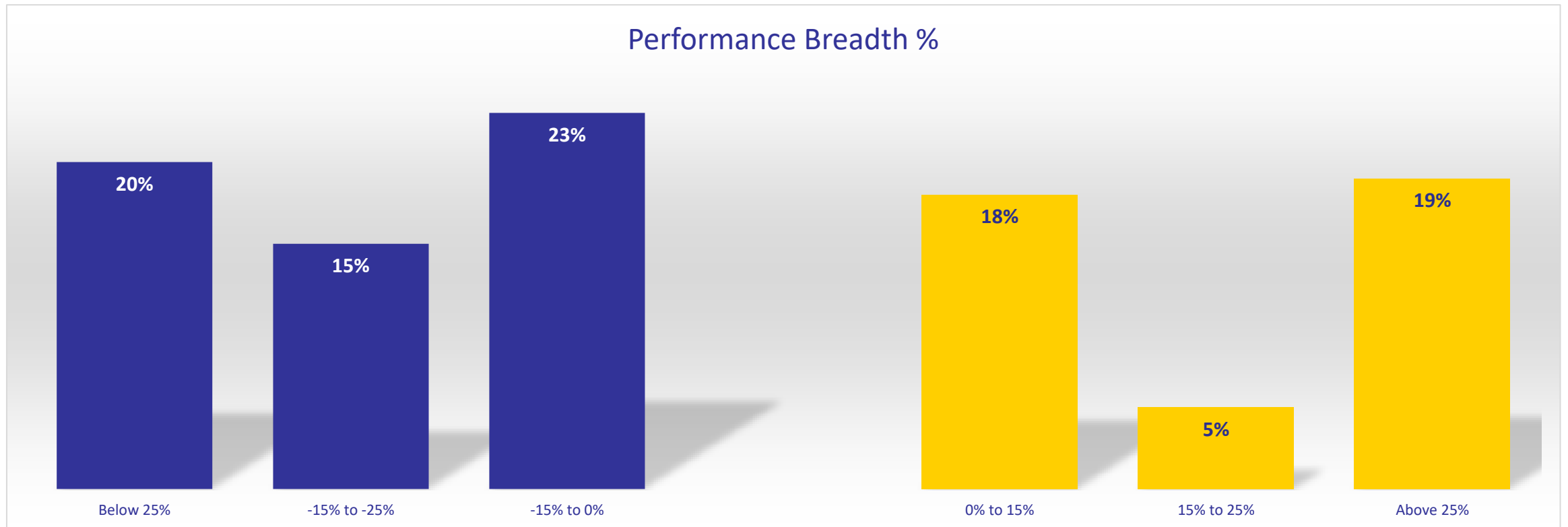
Equity



Performance Breadth of Nifty 500 Stocks –FY26

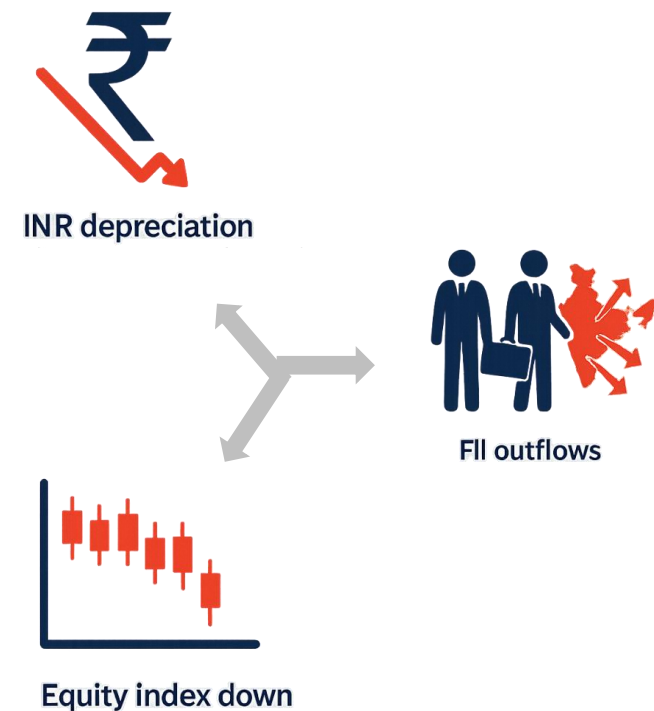


Market performance remains narrowly concentrated, with a majority of Nifty 500 stocks underperforming. 58% of stocks delivering negative YoY returns and only ~18% generating modest returns of up to 15% in FY26.



Sensitivity of FII Flows and Markets to INR/USD

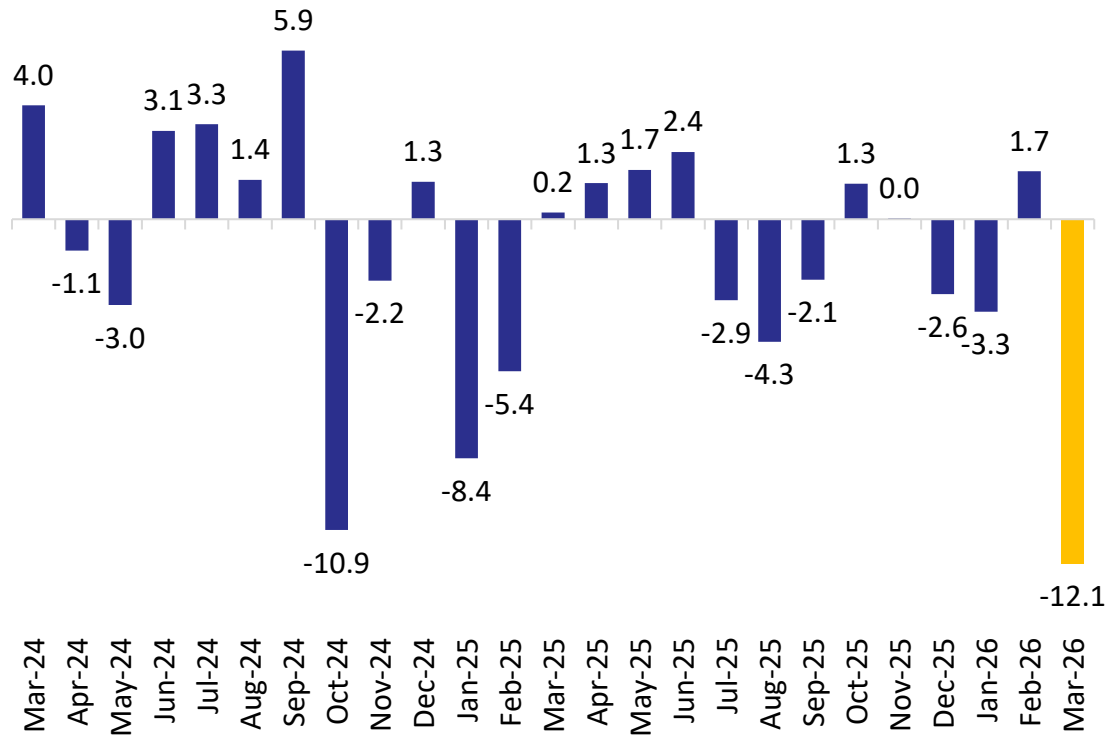
Time Period	Depreciation	Net Equity Flows (In \$Bn)	Nifty 50 Movement
May'08 – Feb'09	20.7%	-10.8	-46.2%
May'10	4.5%	-2.0	-3.6%
Aug'11 – May'12	21.1%	5.8	-10.2%
May'13 – Aug'13	18.3%	0.1	-7.7%
Aug'15 – Feb'16	6.2%	-6.7	-18.1%
Aug'18 – Oct'18	7.4%	-5.3	-8.5%
Jul'19 – Aug'19	3.5%	-4.1	-6.5%
Mar'20	3.7%	-8.4	-23.2%
Oct'21 – Jun'22	6.1%	-33.3	-10.7%
Oct'24 – Sep'25	5.7%	-29.2	-4.6%
Dec'25 – Mar'26	4.3%	-16.3	-14.7%



FII vs DII Flows

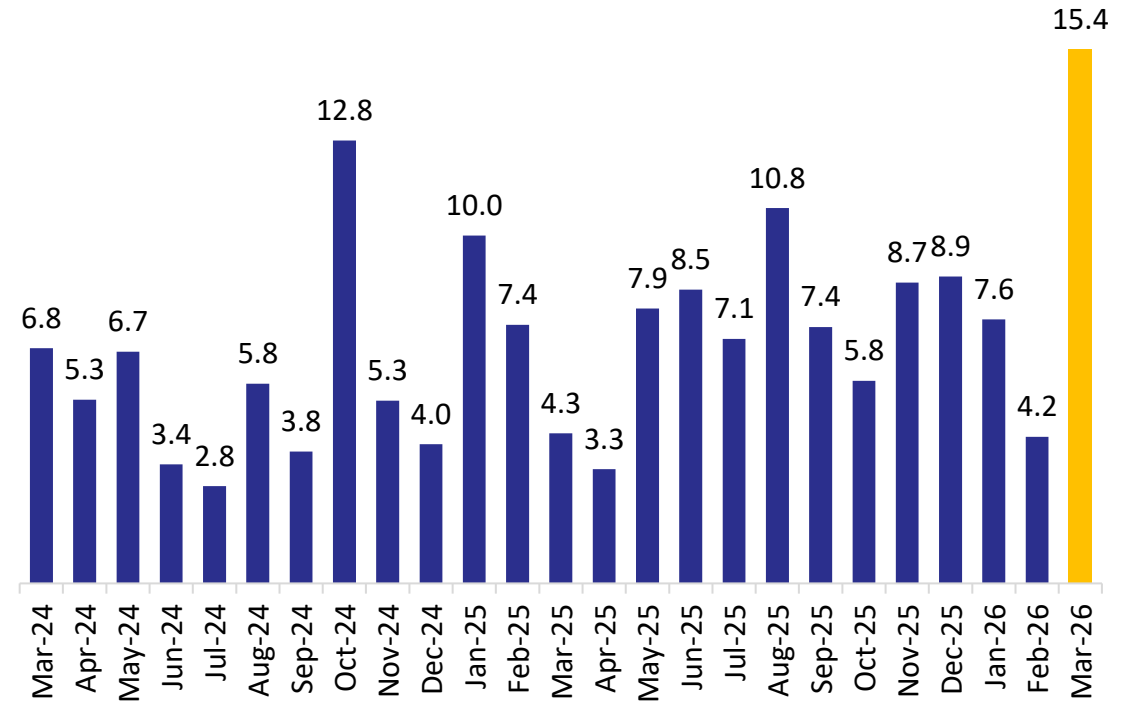
FII record the highest negative flows

FII Equity Flows (US\$ Bn)

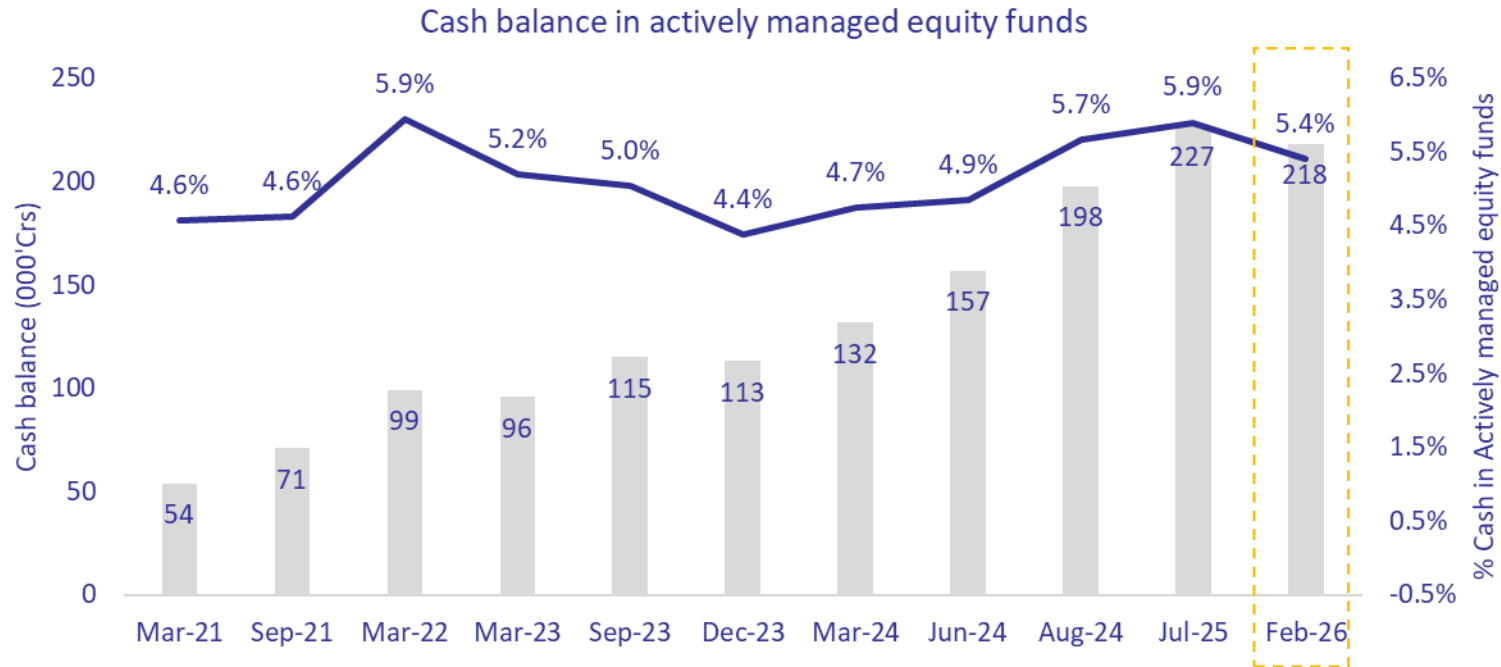


Similarly, DIIs are recording the highest positive flows

DII Equity Flows (US\$ Bn)



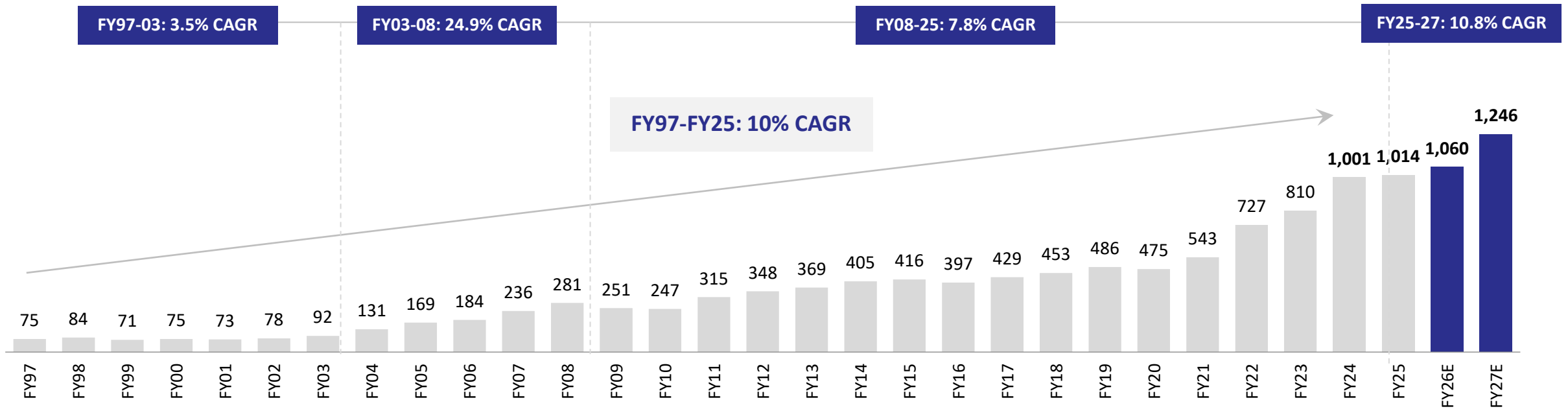
Dry Powder available with MFs



Note: The cash balance includes all actively Equity MFs, including aggressive hybrid and balanced advantage funds.

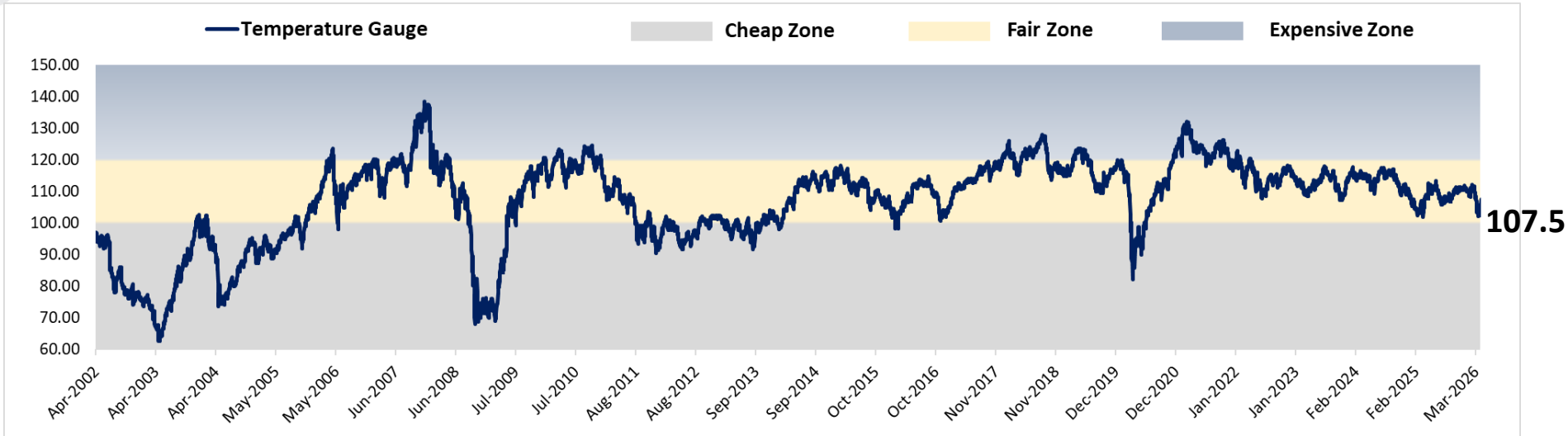
- Cash balances in actively managed equity funds were elevated in Feb'26 at Rs. 2.18 lakh Crs (5.4% of AUM).

Nifty 50 – Earnings Growth Outlook

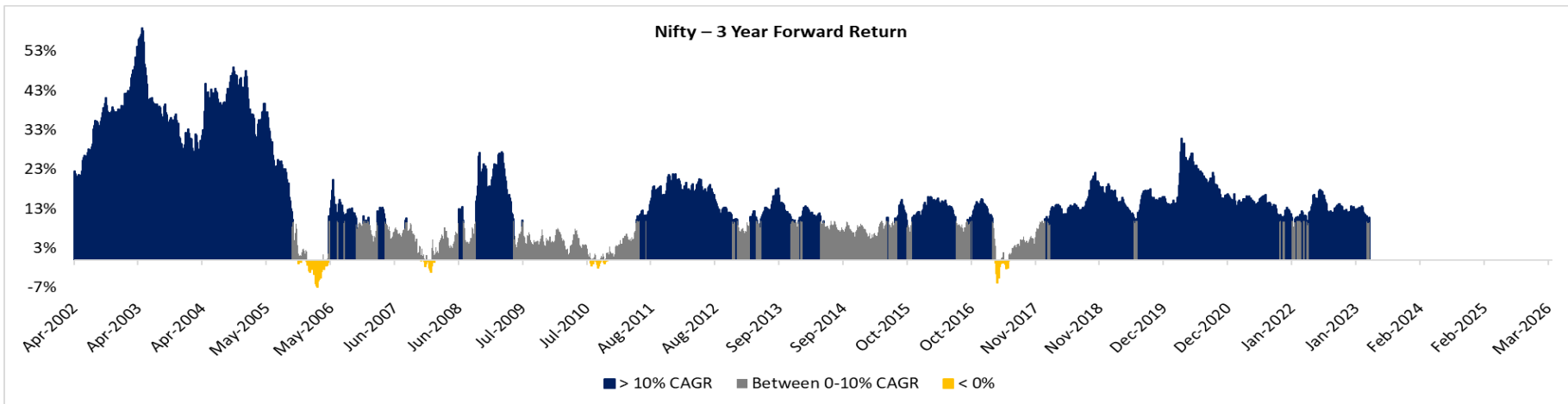


Nifty EPS expectations: FY26 - to grow by 4.6% to 1060 and FY27 – to grow by 17.5% to 1246.

Temperature Gauge Index



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.

Data as on 8th April'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.

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Temperature Gauge Index – Sensitivity Analysis

Temperature Gauge Index - Sensitivity Analysis					
Nifty50/10 Yr Gsec	6.51%	6.71%	6.91%	7.11%	7.31%
22740	104	105	106	107	108
22990	104	105	106	107	108
23240	105	106	106	107	108
23490	105	106	107	108	109
23740	105	106	107	108	109
23990	106	107	108	108	109
24240	106	107	108	109	110
24490	106	107	108	109	110
24740	107	108	109	110	111
24990	107	108	109	110	111
25240	107	108	109	110	111
25490	108	109	110	111	112
25740	108	109	110	111	112

Pink cell Indicates Current Level of Nifty 50 and 10 yr G-sec levels. Data as on 8th April'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	786	9%	-2%	30%	13%	89.7%	18%	64%
105	110	1061	12%	-4%	22%	10%	68.0%	12%	46%
110	115	2018	23%	-7%	22%	9%	69.1%	26%	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%

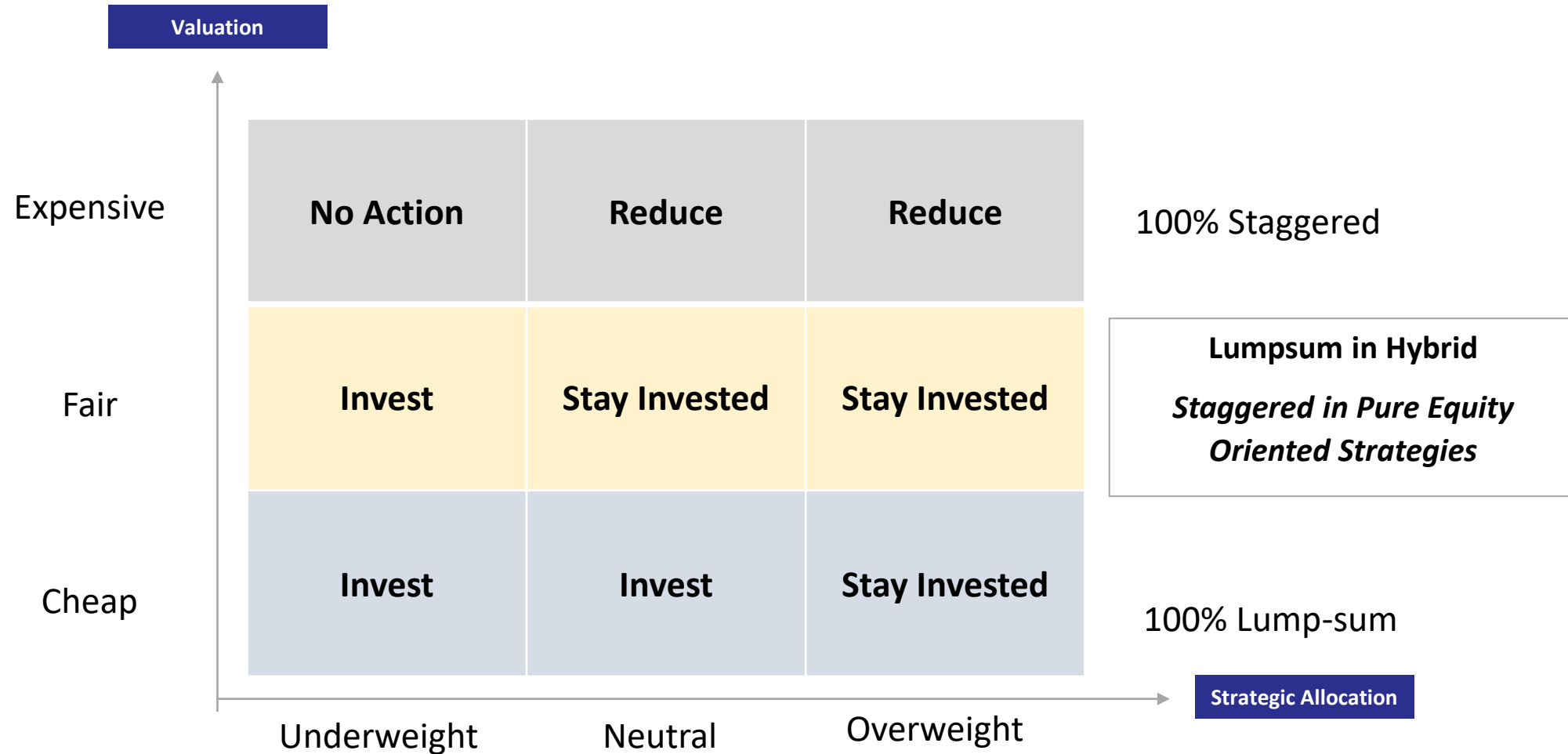
Data as on 8th April'26

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

Below grid is based on Temperature Gauge Index



Data as on 8th April'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



- The global environment continues to remain uncertain, with ongoing geopolitical tensions and its impact on oil prices. With the ceasefire announcement, volatility has subsided in the last 3-4 days, but the sustenance of this ceasefire is extremely fragile with fresh military strikes and Strait of Hormuz remaining largely closed.
- In India, the overall economy remains strong, supported by healthy corporate balance sheets and steady demand. However, in the near term, factors like high oil prices, INR depreciation, and volatile global investment flows may impact capex and consumption activity adversely.
- Investment flows into equity remain divergent. Foreign investor (FII) outflows were the highest (~\$12.1 bn in Mar'26) offset by strong domestic institutional (DII) inflows (~\$15.4 bn). FII outflows along with consistent fresh domestic supply may limit the upside in the market.
- Equity markets have seen a meaningful correction, bringing valuations to the favourable level. Nifty 50 is trading at ~5-6% lower vs its 10-year average offering relative comfort in Large caps, the valuation premium of Midcaps and Smallcaps have come down substantially however, they are still trading slightly above their long-term average. In this correction, Midcaps and Small Caps have surprisingly shown relatively lower weakness compared to Large Caps, reinforcing our overweight stance in this segment.
- While the long-term implications of the conflict and its impact on earnings remain uncertain, historical precedents in similar macro environments particularly the extent and duration of corrections suggest a more constructive stance on equities at current levels.
- Overall, the market recovery is unlikely to be linear. Instead, we expect it to unfold in phases of correction and rebound, influenced by global developments, policy cues, and flow dynamics. In such an environment, a disciplined and structured approach is more appropriate than adopting an overly aggressive or overly conservative stance.
- **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.

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Fixed Income

Impact of Excise Duty cut on Fiscal Deficit

Capex Pruning
 There also remains a possibility where capex may be pruned by ~INR 1tn (from INR 12.2tn to INR 11.2tn), implying modest 2% growth over FY26RE, possibly from the roads and railways budget

RBI Dividend
 Possibility of high than budgeted RBI dividend of additional INR 0.5tn over FY27BE of INR 3.2 tn

Higher Nominal GDP
 Inflation, driven by elevated commodity prices (oil, gas, and fertilizers), is expected to push nominal GDP growth to 11–11.5% (vs. 10% budgeted)

Fiscal Deficit as % of GDP

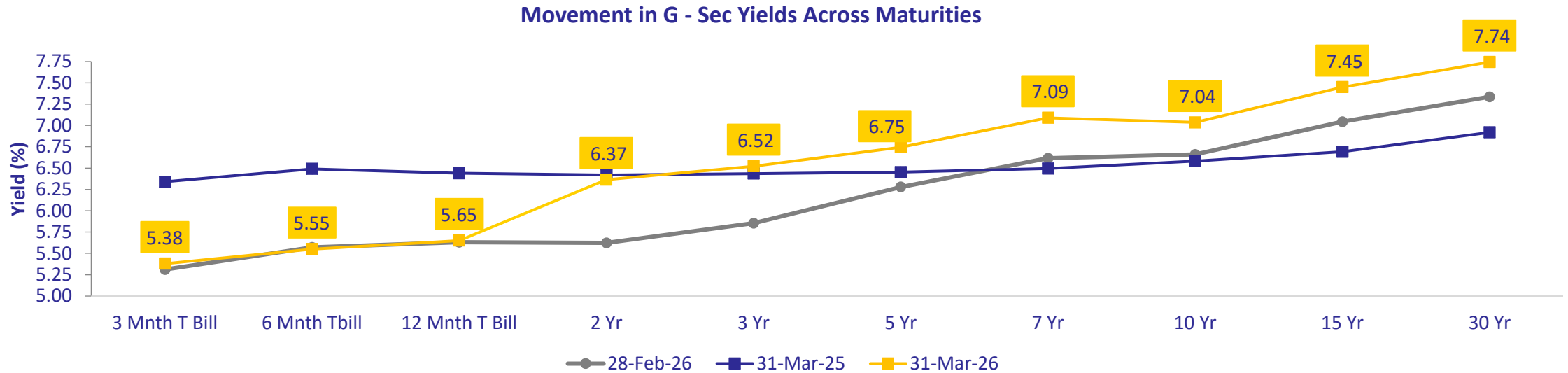
Fiscal Deficit as % of GDP



Excise Duty Cuts
 Center's reduction of excise duty on petrol and diesel by INR 10/liter each is estimated to result in a revenue loss of INR 1.65 tn (~0.4% of GDP)

Fertiliser Subsidies
 Elevated global prices are projected to increase fertilizer subsidies by INR 1.5 tn (0.3% of GDP)

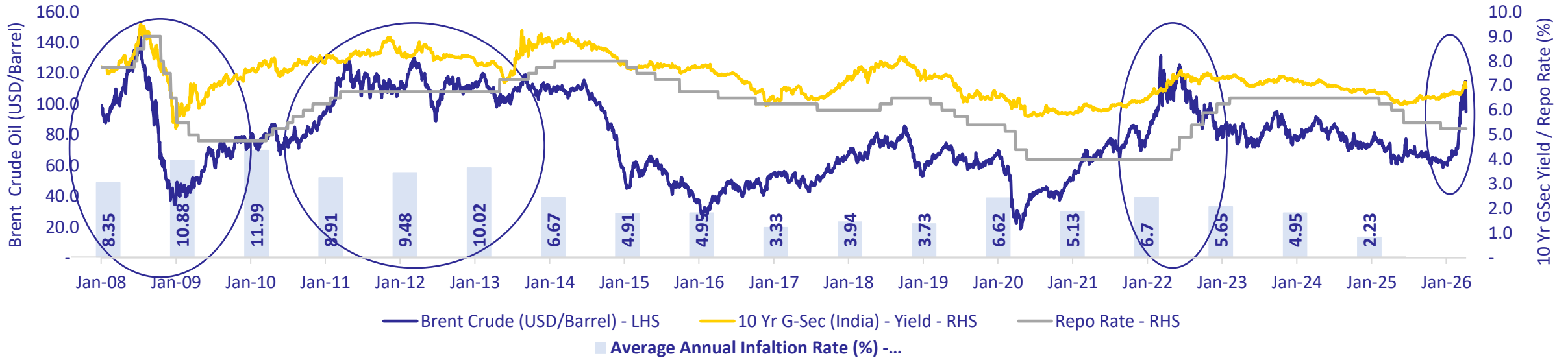
Effect of Geo – Economics on Indian Sovereign Bonds



- Sustained rise in crude oil prices raises risks for the following factors, hence impacting the bond yields negatively :
 - Inflationary Pressure
 - Wider Current Account Deficit (CAD) - Increased import bills -> Currency Depreciation
 - Possibility of Fiscal Deviation – higher subsidy bill
 - RBI’s future stance on Monetary Policy

Oil Shocks – Transmission to Inflation, Policy & Yield

Oil Shocks - Impact on Policy & Yield

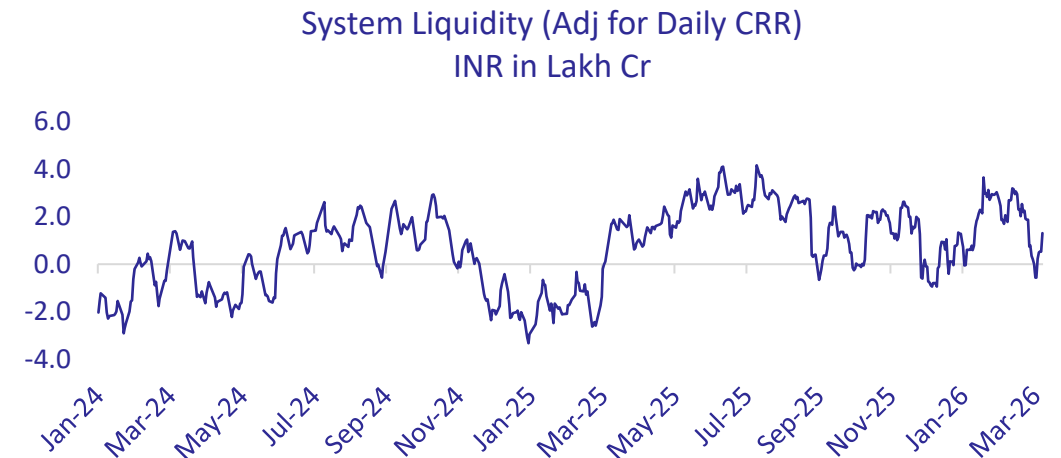
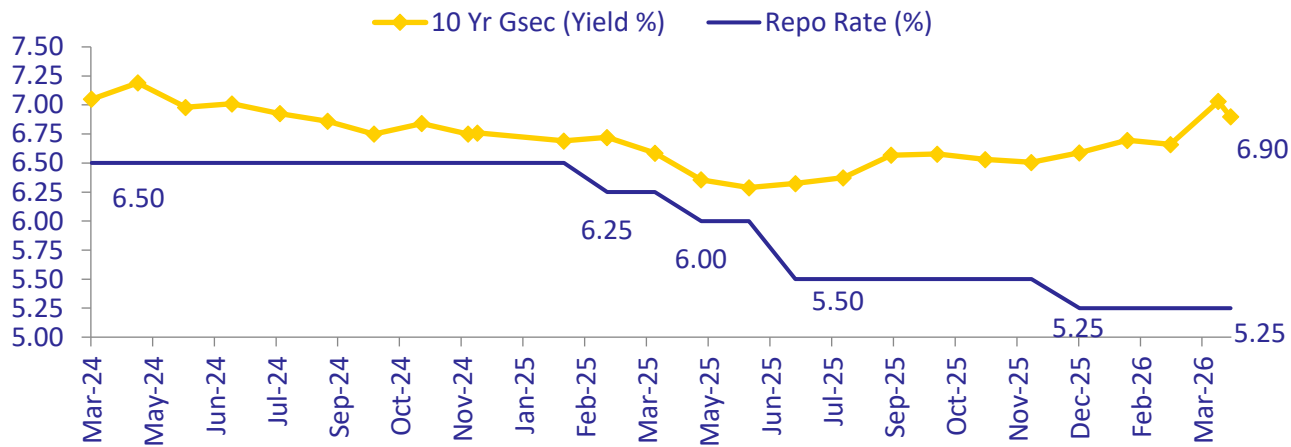


Historical Oil Price Shocks	Event In a Nutshell	Brent Crude Price Movement (\$/bbl)	Inflation Impact	Policy Response
2008 – 09	Oil Price Surge To Global Financial Crisis	97 to 143 to 37 to 80	Above 10%	Inc Repo Rate from 7.75% to 9% Reduced to 4.75%, CRR Reduction, Liquidity Injection
2011 – 13	Oil Spike + Twin Deficit Crisis/Currency Dep	Sustained 100 to 120	8% - 10%	Inc Repo Rate from 4.75% to 6.75%, Liquidity Tightening, Currency Stabilization
2022	Oil Shock – Russia Ukraine War	Increased from 75 to 137	~6.5 - 7%	Inc Repo Rate from 4% to 6.5% Liquidity normalization, Fx Intervention
2026 Onward	Current Cycle (US Iran War)	Increased from 60 to 115	Expected in rage of 4% - 5%	FX Intervention, Liquidity Injection, Current RBI Policy may remain restrictive

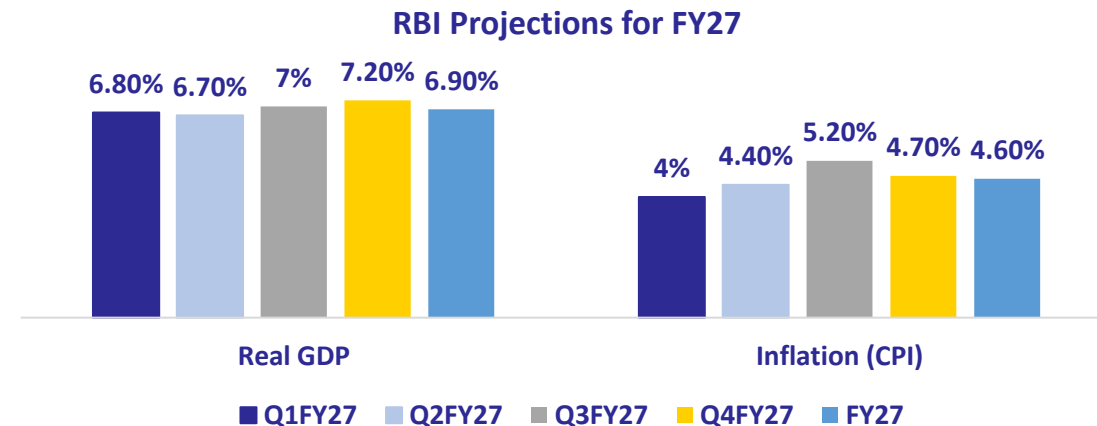
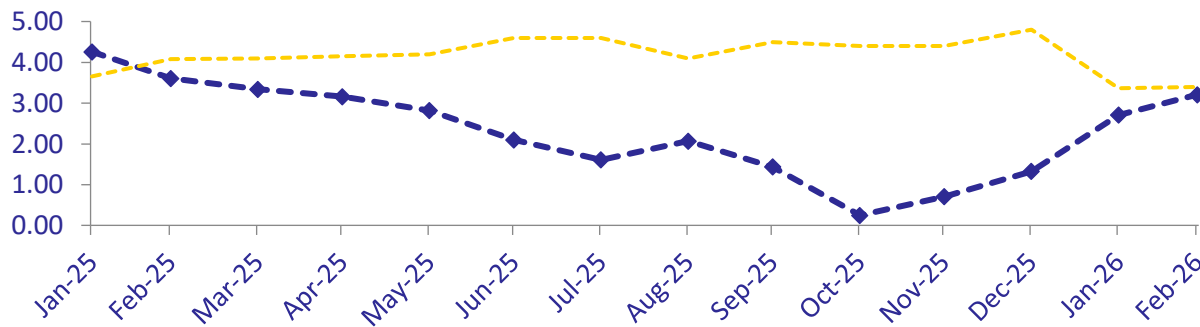
Compared to 2013, India’s structural resilience has improved on back of strong forex reserves, lower oil intensity , formal inflation targeting,

RBI Maintains Policy Rate & Neutral Stance

– Wait & Watch on Evolving Growth Inflation Dynamics



Persistent high energy prices & El Nino conditions pose upside risks to inflation. Core inflation for FY27E @ 4.4%, excluding precious metals



	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	Feb-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	3.21
--- 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	3.37	3.40

Fixed Income View & Portfolio Strategy



- The Indian fixed income landscape is currently contending with elevated volatility and a steepening yield curve. This environment is primarily underpinned by geopolitical instability and the pressure of sovereign supply.
- Sustained appreciation in crude oil prices remains a critical headwind. Beyond the direct inflationary impact, this trend heightens currency depreciation risks and may potentially compromise the government's commitment to fiscal consolidation.
- FY27BE fiscal deficit may increase from 4.3% to 4.7% on back of fertilizer subsidies/excise duties, however contained by expected higher RBI dividend & Nominal GDP growth
- RBI has currently maintained status quo on policy rates and neutral stance. FY27 inflation has been projected higher at 4.6% with real GDP at 6.90%. Any future action by RBI would be data dependent.
- Having said, persistent rupee depreciation may amplify imported inflation, effectively narrowing the RBI's window for accommodative policy shifts. Consequently, we anticipate long-end yields may maintain an upward bias.

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)**

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.

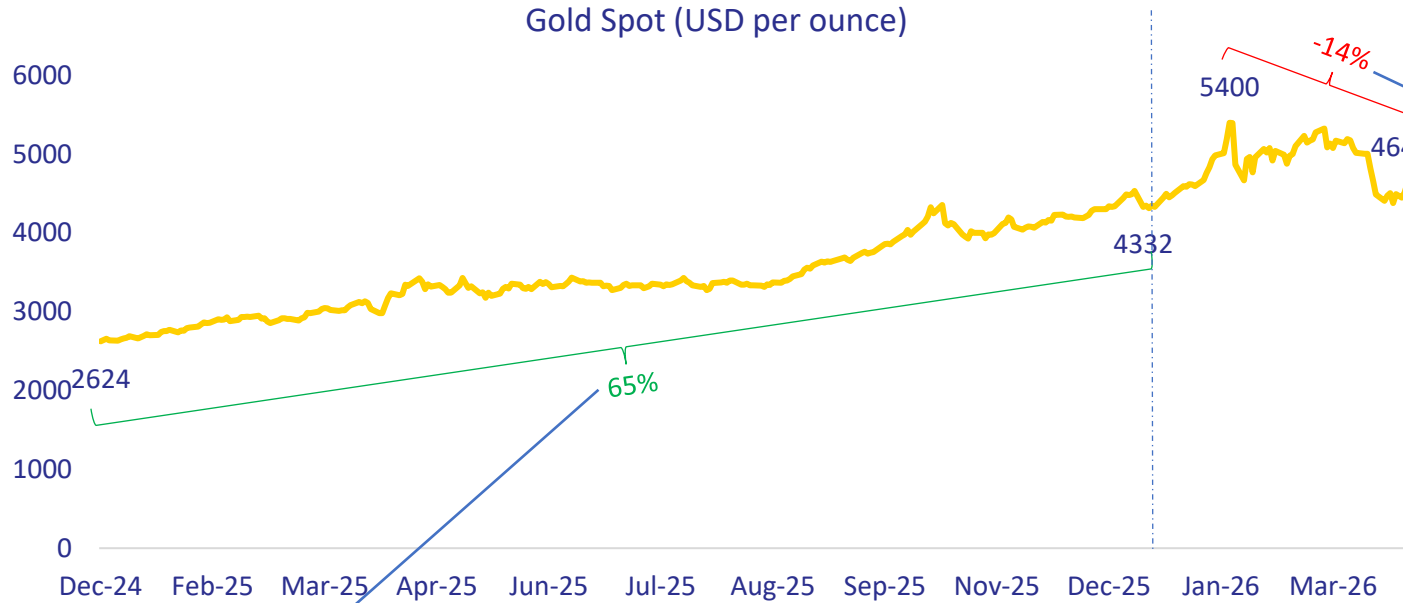


Gold/Silver



Gold – Drivers & Triggers

Gold Spot (USD per ounce)



- Geopolitical Safe Haven
- Monetary Easing - to counter tariff related growth slowdowns
- Falling DXY
- De-dollarisation - Rising U.S. Debt

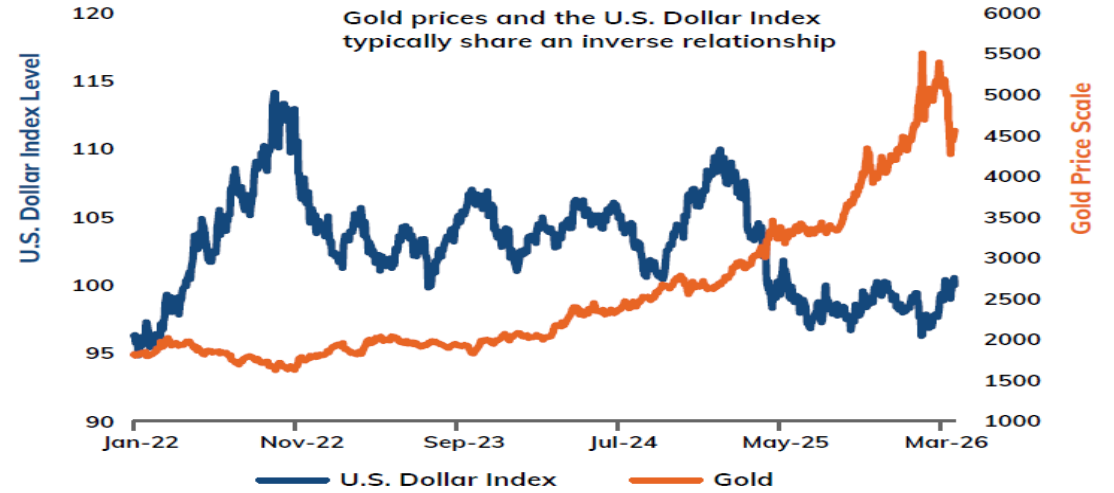
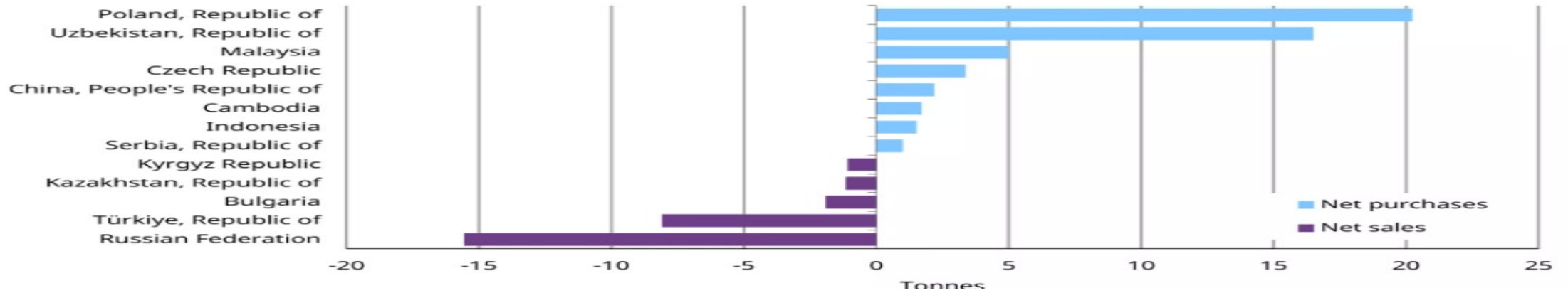
- Technical Unwinding
- Middle Eastern Liquidity Stress
- Hawkish shift in policy
- Central bank demand slow down

Gold – Drivers & Triggers

Gold ETF outflows have continued for 4 weeks in a row



Central bank net gold purchases and sales, tonnes



Source: LBMA: London Bullion Market Association. Reuters. Data as on March 31, 2026. U.S.: United States.

Gold : Sharp corrections were followed by sharp rebounds

In 1973, post OPEC embargo, gold fell 29% to recover 117% in 1-Year



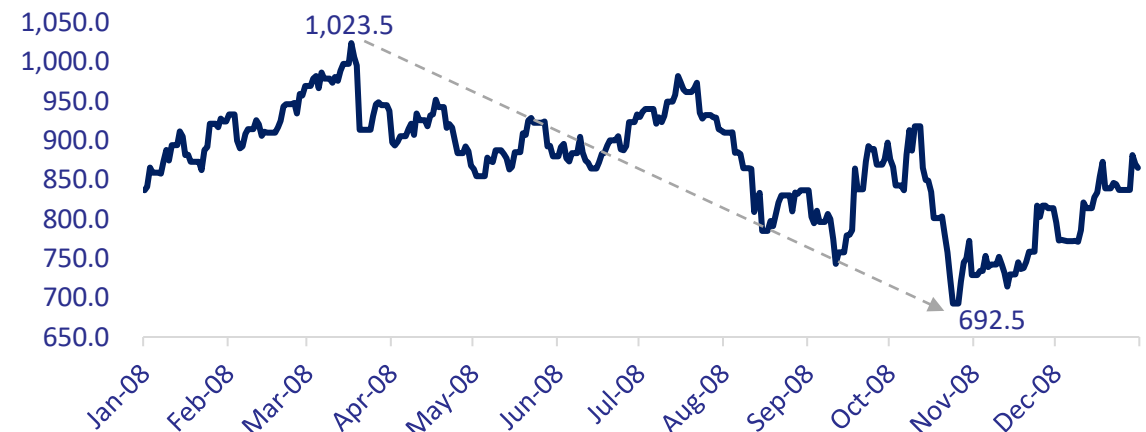
In 1978 Iran revolution, gold fell 21% to recover 300% in 2-years



In 2000 Internet crash, gold fell 17% to recover 35% in 2-years

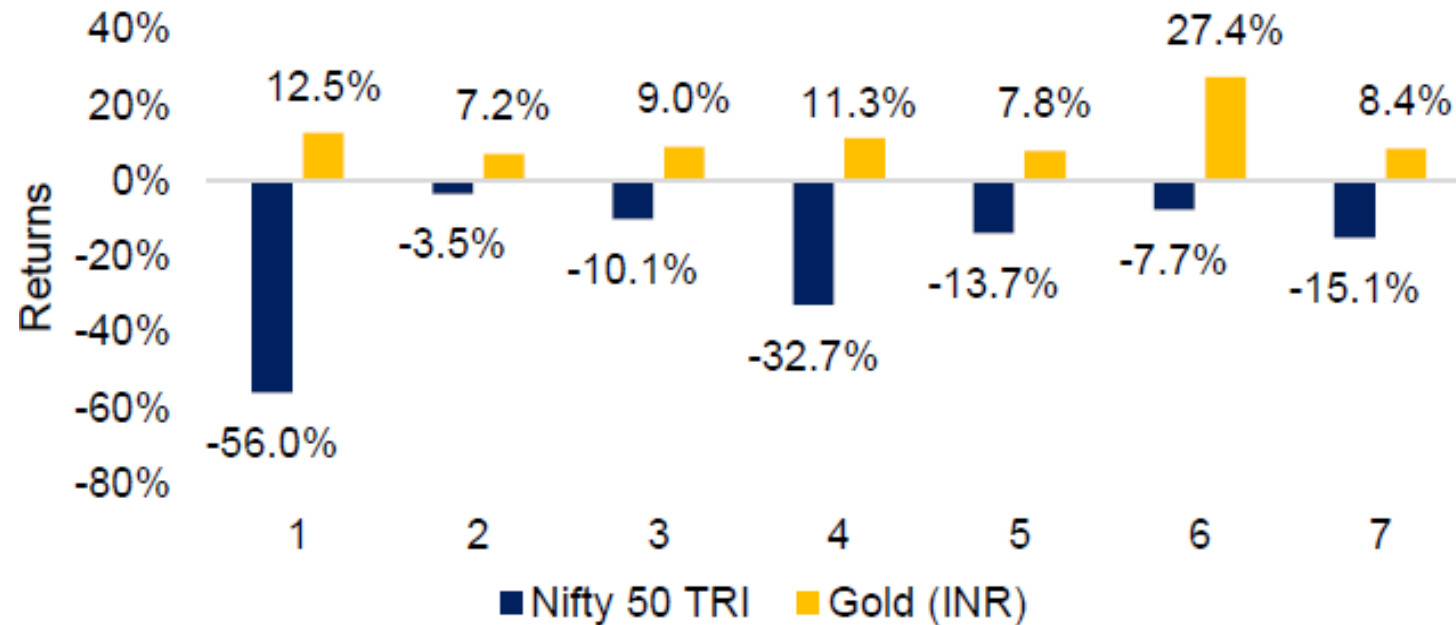


In 2008 GFC, gold fell 33% to recover 180% in 2-years





Gold has historically cushioned Equity market Volatility



Sources: Bloomberg, internal calculations. 1 - Global Financial Crisis (2/1/2008 - 29/10/2008), 2 - Taper tantrum (2/5/2013 – 30/9/2013), 3 - China devaluation (15/6/2015 – 15/2/2016), 4 – Pandemic (15/1/2020 – 30/3/2020), 5 - Russia-Ukraine war (18/10/2021 – 30/6/2022), 6 – Global uncertainties / tariff tantrum (16/9/2024 – 15/4/2025), 7- Geopolitical uncertainties and oil price spike (2/1/2026 – 30/3/2026). Data as of Mar 30, 2026. Note the historical examples above are not exhaustive and are for illustration purposes. **Past performance may or may not be sustained in the future and is not a guarantee of any future returns. HDFC AMC/Mutual Fund is not guaranteeing or promising or forecasting any returns.**



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