HSBC Mutual Fund

Some recovery but pressure points remain

April, 2026

- Indian equity indices started 1QFY27 on a positive note after a sharp correction in broader markets in March 2026 due to West Asia conflict. Mid and small cap index recovered all the losses of March 2026.
- BSE Sensex and NSE Nifty were up 6.9%/7.5%, respectively. Broader markets were stronger with NSE Midcap index up 13.2% and BSE Smallcap index up 19.6% for the month.
- Power, Realty and Capital Goods bounced back sharply and were the best performing sectors in April. Metals, FMCG, Banks, Autos and Oil & Gas also outperformed the Nifty. Healthcare slightly underperformed the Nifty. IT was the worst performing sector but still ended slightly positive.

Domestic Indices	Last Close	1 Month (Change)	CYTD 26 (Change)
BSE Sensex TR	120821	6.9%	-9.7%
Nifty 50 TR	36175	7.5%	-8.0%
BSE 200 TR	14381	9.4%	-5.8%
BSE 500 TR	45806	10.4%	-5.0%
NSE Midcap TR	28030	13.2%	-1.1%
BSE Smallcap TR	64452	19.6%	0.4%
NSE Large & Midcap 250 TR	21033	11.1%	-3.8%
BSE India Infrastructure Index TR	904	15.6%	7.2%
MSCI India USD	941	9.1%	-10.8%
MSCI India INR	2896	9.2%	-5.8%
INR - USD	94.9	0.1%	5.6%
Crude Oil	114	-3.7%	87.4%

Global Market Update

Global markets also recovered despite crude oil continuing to stay above $100/bbl. MSCI World Index jumped 9.4% in April with the US (S&P 500) up 10.4%. MSCI Europe rose 6.5% and MSCI Japan up 9.1%. MSCI EM had one of the best months in a decade with 14.5% returns, led by MSCI Korea (USD) with 37.4% and MSCI Taiwan (USD) with 26.6%.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 26 (Change)
MSCI World	4,661	9.4%	5.2%
Dow Jones	49,652	7.1%	3.3%
S&P 500	7,209	10.4%	5.3%
MSCI EM	1,600	14.5%	13.9%
MSCI Europe	2,721	6.5%	2.9%
MSCI UK	1,681	4.9%	5.9%
MSCI Japan	5,269	9.1%	9.8%
MSCI China	78	3.5%	-5.8%
MSCI Brazil	2,026	3.7%	23.1%

- FIIs sold a further $5.2bn in April after an unprecedented US$14.2 bn of selling in Indian equities in March. This however continues to offset by DIIs. Domestic MFs invested US$2.8 bn while Insurance invested US$2.7 bn in April.
- India CPI (consumer price index) in March rose modestly to 3.4% from 3.2% (YoY) in February. Core-Core inflation (i.e. inflation ex petrol and diesel ex precious metals) was unchanged at 2.1% (YoY) in March.
- Industrial production growth (IIP) softened to 4.1% in March from 5.2% (YoY) in February.
- Gross GST revenue collection was Rs 2.43 tn in Apr'26, up 8.3% (YoY). Growth has also been impacted by the rationalization of GST rates from 22nd Sep 2025.
- Other key events – IMD has forecasted a below normal monsoon for India in 2026 at 92% of long period average.

Valuations

Nifty consensus EPS estimate for CY26/27 were downgraded by 4% and 1% in April 2026 as per Bloomberg. Accordingly, Nifty now trades at 18.6x 1-year forward PE. This is now at a 5% discount to its 5-year average and a 2% premium to its 10-year average.

Macro View

The Middle East conflict is starting to exert macro-economic pressure on India. Sharp increase in crude price and weaker rupee will be headwinds for FY27 growth if things are not resolved quickly. While government is absorbing part of the impact, this will impinge on government's ability in the near term to boost infra spending. However, we still see India's growth remaining robust despite these challenges. We believe interest rate cuts by the RBI, the GST rate cut, and income tax rate cut announced by the Union government should support consumption and private sector capex. We believe consumers will be able to absorb a sharp increase in pump prices as prices have remained unchanged for the last 4 years. However, risk of a below normal monsoon with negative consequences for food production and leading to higher food inflation is also another stress in the near term.

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Outlook

We believe India's growth remains quite resilient despite the global macro-economic challenges. We expect India's investment cycle to be on a medium-term uptrend supported by government investment in infrastructure, support to manufacturing and pickup in private investments. Announcements of potential trade deals with EU and US should help support private capex driven by improved medium term tariff certainty and export competitiveness. Nifty valuations are trading at 10-year average. We remain constructive on Indian equities on a longer-term basis however near-term outlook remains more uncertain due to geo-political conflicts.

Key Drivers For Future

On the headwinds, we have

Global commodity prices: Benign global prices of crude oil and fertilizers have been a positive for India from inflation, fiscal deficit and corporate margins perspective in 2025. However, a sustained sharp increase in these commodities would be a headwind for India.

Weak global growth is likely to remain a headwind on demand going forward. This is driven by risk of tariffs, general policy uncertainty, mercantilist policies of certain countries and geo-political conflicts.

Below normal monsoon: Leading to higher food inflation and negative impact on consumption and govt. budget.

Other factors / risks: Sharp slowdown in government capex.

We see the following positives for the Indian market:

Recovery in private capex: Industry capacity utilization based on RBI survey data is at a reasonably high level and indicates potential for increase in private capex going forward. Also, continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors. We also expect higher private capex in renewable energy.

Trade deals: Potential trade deals with EU and US would be a tailwind for Indian manufacturing over the medium term and should encourage private sector investments.

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Note: Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD returns for global indices. Views provided above are based on information in public domain and subject to change. Investors are requested to consult their financial advisor for any investment decisions.

Source: Bloomberg, MOSL & HSBC MF estimates as on April 30, 2026 end or as latest available.

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