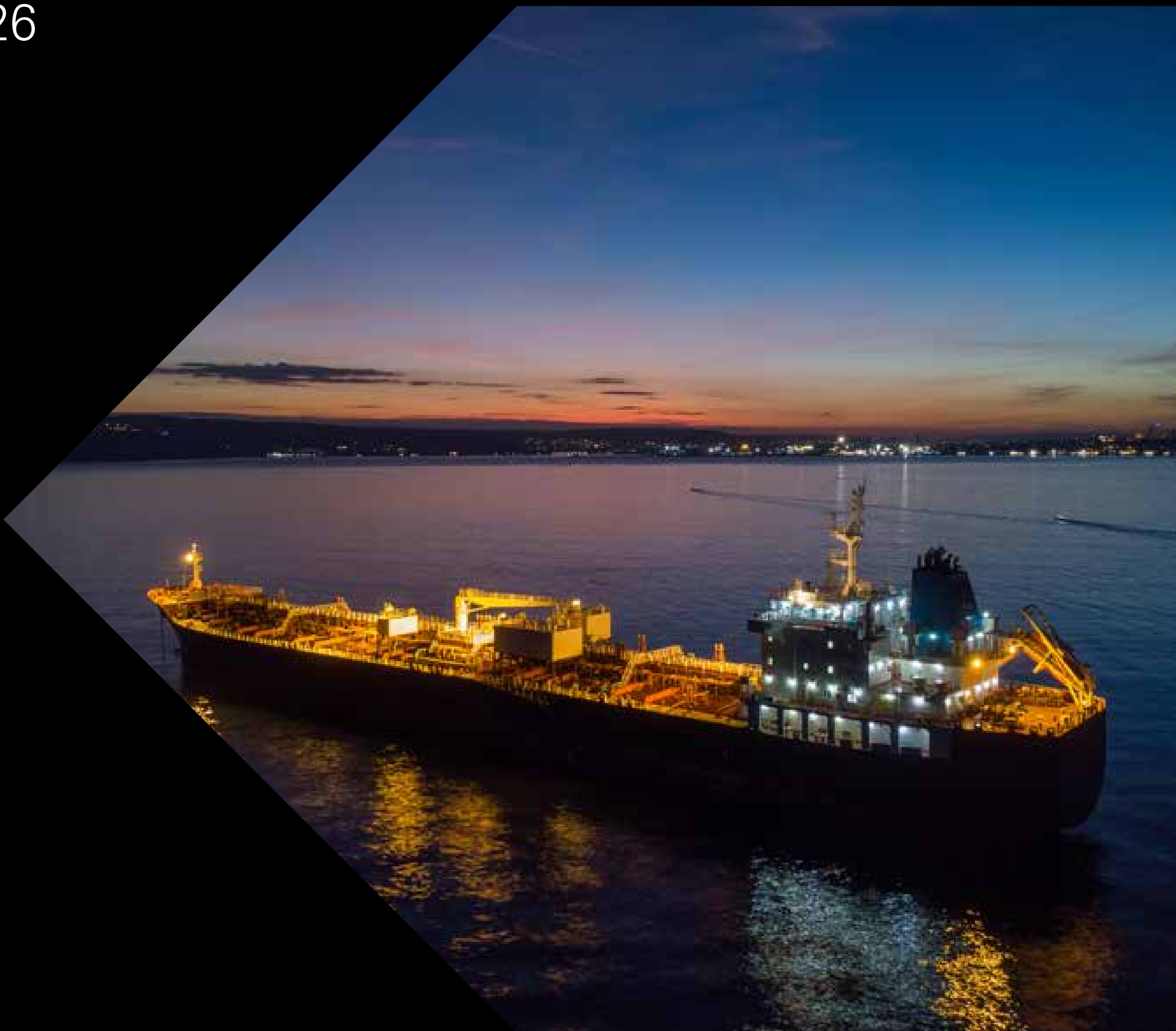
Relief rally as oil price cools

June, 2026



SEBI Registered Name/Number-HSBC Mutual Fund & MF/046/02/5

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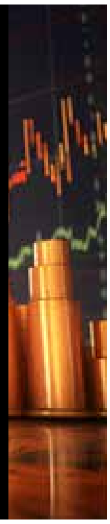
- June 2026 was a positive month for Indian equity markets as oil price corrected sharply with a ceasefire agreement being reached in the ongoing middle east conflict and strait of Hormuz opening again.
- While major indices BSE Sensex and NSE Nifty were up 2.6%/1.7%, respectively, broader market was also strong with NSE Midcap index up 1% and BSE Smallcap index up 5.4% for the month.
- Banks were the best performing sectors in June, followed by Realty and Healthcare. Autos and Capital Goods also delivered positive returns but underperformed the Nifty while FMCG, Oil & Gas and Power delivered negative returns. IT and Metals were the worst performing sectors.



Domestic Indices	Last Close	1 Month (Change)	CYTD 26 (Change)
BSE Sensex TR	1,20,727	2.6%	-9.7%
Nifty 50 TR	36,146	1.7%	-8.1%
BSE 200 TR	14,506	1.4%	-5.0%
BSE 500 TR	46,517	1.7%	-3.5%
NSE Midcap TR	29,050	1.0%	2.5%
BSE Smallcap TR	69,616	5.4%	8.5%
NSE Large & Midcap 250 TR	21,471	1.2%	-1.8%
BSE India Infrastructure Index TR	888	0.0%	5.3%
MSCI India USD	946	1.2%	-10.4%
MSCI India INR	2,903	0.8%	-5.6%
INR - USD	94.7	-0.4%	5.3%
Crude Oil	73	-20.8%	19.8%

Global Market Update

Global markets were soft in June despite 21% MoM decline in crude oil price. MSCI World Index declined 0.8% with the US (S&P 500) down 1.1%. MSCI Europe rose 0.8% while MSCI Japan was down 0.4%. MSCI EM was down 1.7%.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 26 (Change)
MSCI World	4,826	-0.8%	8.9%
Dow Jones	52,319	2.5%	8.9%
S&P 500	7,499	-1.1%	9.6%
MSCI EM	1,723	-1.7%	22.7%
MSCI Europe	2,799	0.8%	5.9%
MSCI UK	1,654	-0.9%	4.2%
MSCI Japan	5,506	-0.4%	14.7%
MSCI China	69	-7.6%	-15.9%
MSCI Brazil	1,777	-3.3%	7.9%

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- FIIs sold a further US$3 bn in June taking the total selling to US$27.4 bn in last 4 months. This, however, continues to offset by DIIs. Domestic MFs invested US$5.6 bn while Insurance invested US$3.1 bn in June.
- India CPI (consumer price index) rose to 3.9% (YoY) in May from 3.5% (YoY) in April. Core-Core inflation (i.e. inflation ex petrol and diesel ex precious metals) also rose to 2.3% (YoY) from 2.2% (YoY) in April.
- Industrial production growth (IIP) rose to 5.1% (YoY) in May from 4.9% (YoY) in April.
- Gross GST revenue collection was Rs 1.95 tn in May’26, up 13.9% (YoY). Growth has also been impacted by the rationalization of GST rates from 22nd Sep 2025.
- RBI maintained the Repo Rate at 5.25% (unchanged) in its June policy.
- Other important news – the government announced removal of withholding tax on interest and capital gains tax on FPI’s G-Sec investment to attract long-term foreign capital.

Valuations

Nifty consensus EPS estimate for CY26/27 were largely unchanged in June 2026 as per Bloomberg. Accordingly, Nifty now trades at 18.3x 1-year forward PE. This is now at a 6% discount to its 5-year average and in-line with its 10-year average.

Macro View

The thaw in Middle East conflict is clearly a major macro positive for India. Correction in crude and fertilizer prices back to pre-conflict level is supportive for H2FY27 growth. Government has absorbed most of the impact and shielded the economy. We believe government should be able to boost infra spending in H2FY27 although full year may be flattish given the impact of the conflict on government finances. Therefore, we believe India’s growth should remain robust in FY27, supported by the interest rate cuts by RBI, the GST rate cut, and income tax rate cut announced by the Union government in FY26. These should support consumption and private sector capex. 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.

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 now in-line with 10-year average. We remain constructive on Indian equities on a longer-term basis. Near-term outlook is now also improving assuming no re-escalation of 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 2024 and 2025. However, these trends have now reversed due to geopolitical conflict and will be a headwind for India in 2026.

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.

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 June 30, 2026 end or as latest available.

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