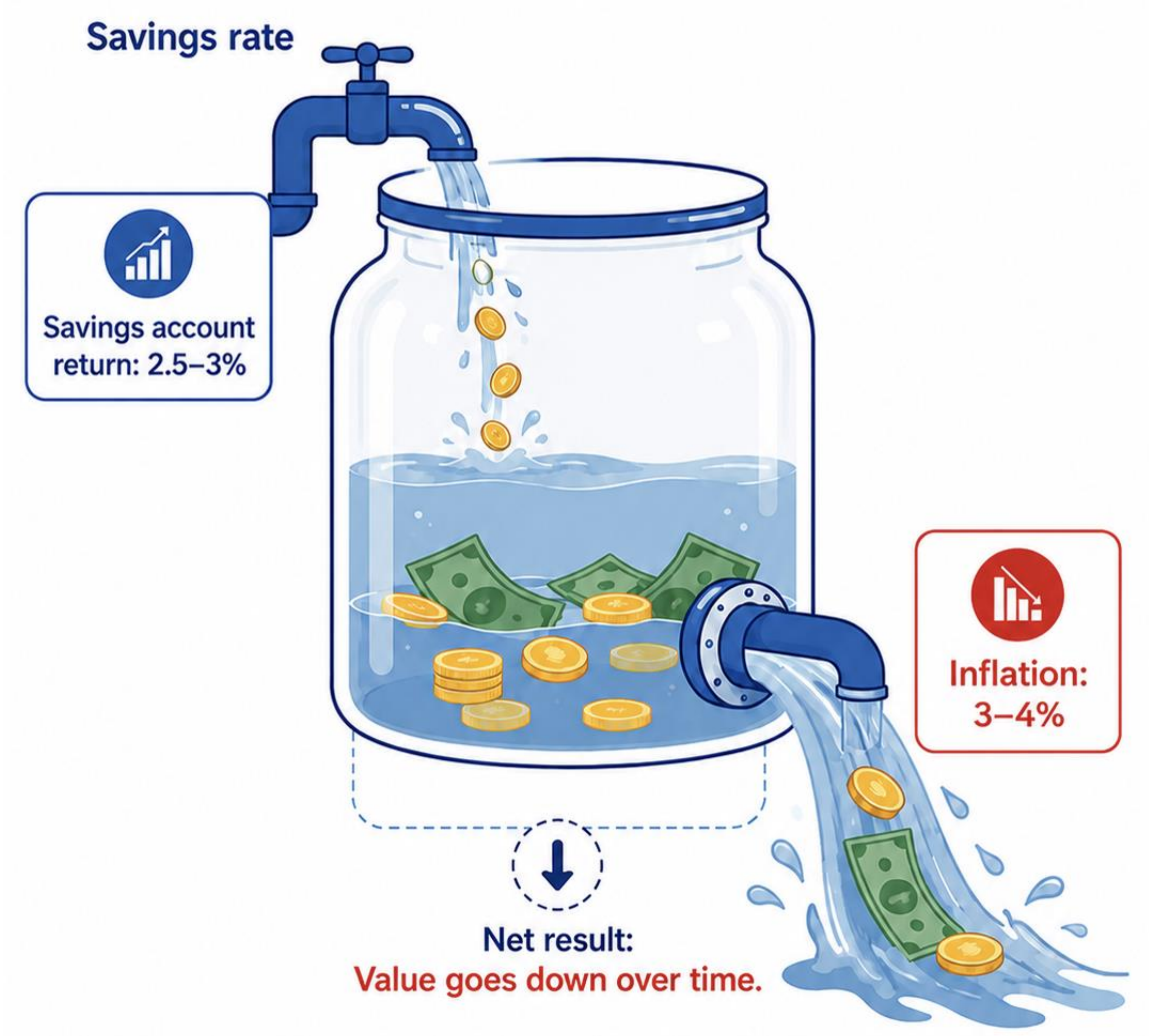
Your savings account earns less than inflation!



At 2.5-3% savings rate versus 3-4% inflation, your cash is **quietly losing value every month**. Read more about net returns across instruments on **slide 6** of our May’26 Monthly Market Review.

MONTHLY MARKET REVIEW

May 2026

"Buy at the point of maximum pessimism; sell at the point of maximum optimism."

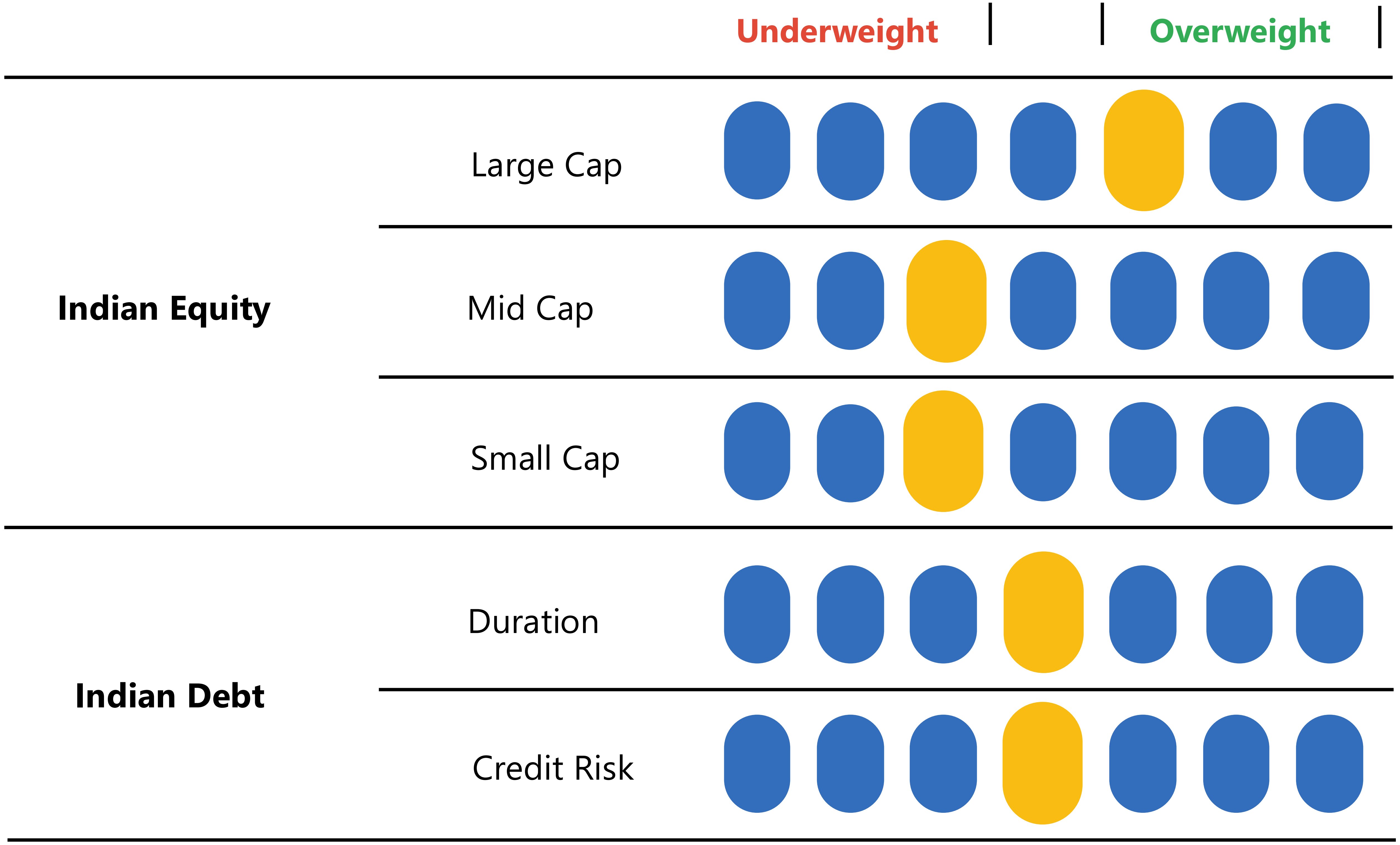
– Sir John Templeton

INDEX

Snapshot

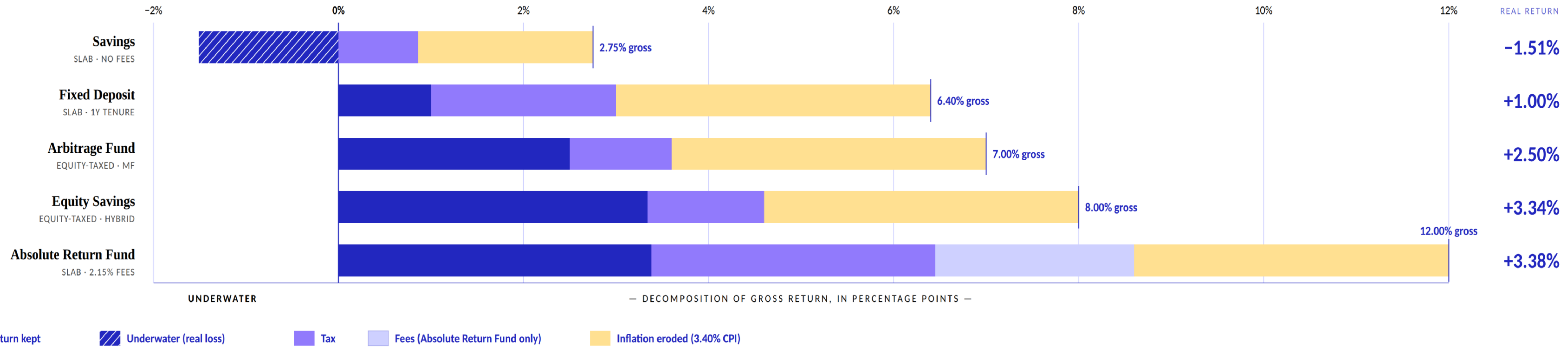
- **Snapshot** – A quick read of key market moves and what drove risk sentiment through the month.
- **Asset Class Views** – Stay overweight India large-caps on better valuation comfort; be selective in mid/small caps; avoid extending duration as the easing cycle matures.
- **Instrument Net Returns** – Savings accounts and FDs often underperform alternatives after tax and inflation erode real returns despite stable headline yields.
- **India – Equity Market** – Sharp risk-on rebound led by micro/small-caps (+21.6% / +17.1%); 1Y returns remain modest (Nifty TRI -0.3%), April recouped prior weakness rather than creating fresh wealth.
- **India – Equity Market (Sectoral)** – Striking sectoral dispersion, Realty, Energy and Metals led (+15-22%) while IT (+1.0%) and Pharma (+4.7%) lagged sharply; rotation rather than uniform recovery.
- **India – Equity Market (Valuation)** – Large-caps now in valuation comfort (Nifty 50 PE 20.9x vs 21.9x avg); mid/small remain rich; Defense and Capital Markets show clear excess; Banks and IT look attractive relative to historical levels.
- **India – Debt Markets** – Call rate surged 178 bps in a month (5.12% to 6.90%) and 10Y G-Sec rose 51 bps over 6 months, system liquidity has tightened and the easing cycle's continuation is questioned.
- **India – Macroeconomic Data** – CPI rebounded from 0.04% (Oct-25) to 3.4%; consumption strong (PV +15.8%, 2W +19.3%); 7.80% GDP growth and 58.3 PMI keep India among the fastest-growing major economies.
- **US – Equity Market** – Exceptional April rebound (S&P +13.6%, Nasdaq +19.7%); strong 1Y/3Y returns continue, but elevated bond yields partly reflect lowered analyst expectations, multiple expansion remains a key driver.
- **US – Key Macroeconomic Updates** – Q1 GDP +2.0% with an import-driven drag; sticky inflation (Headline 3.3%, Core 3.4%) and rising unemployment (4.3%) constrain the Fed's easing path, a late-cycle setup.
- **US – Debt Market & Global Commodities** – Gold at unprecedented $4,709/oz (+5.3%); industrial metals up 10%+ on tariff-related disruption; US 30Y at 5.10% reflects a higher-for-longer regime.
- **Global Equity Markets** – Synchronised April rally; Japan led 1Y at ~65% on BoJ policy normalisation; US continues 3Y leadership; China remains a structural laggard; India sits middle-of-pack.
- **Asset Class Returns Summary** – Heatmap reinforces the value of multi-asset diversification, leadership rotates each year with no single asset class winning consistently, underscoring the case for balanced allocation.

Asset Class Views



Your savings account earns less than inflation!

Anatomy of Returns - by instrument:

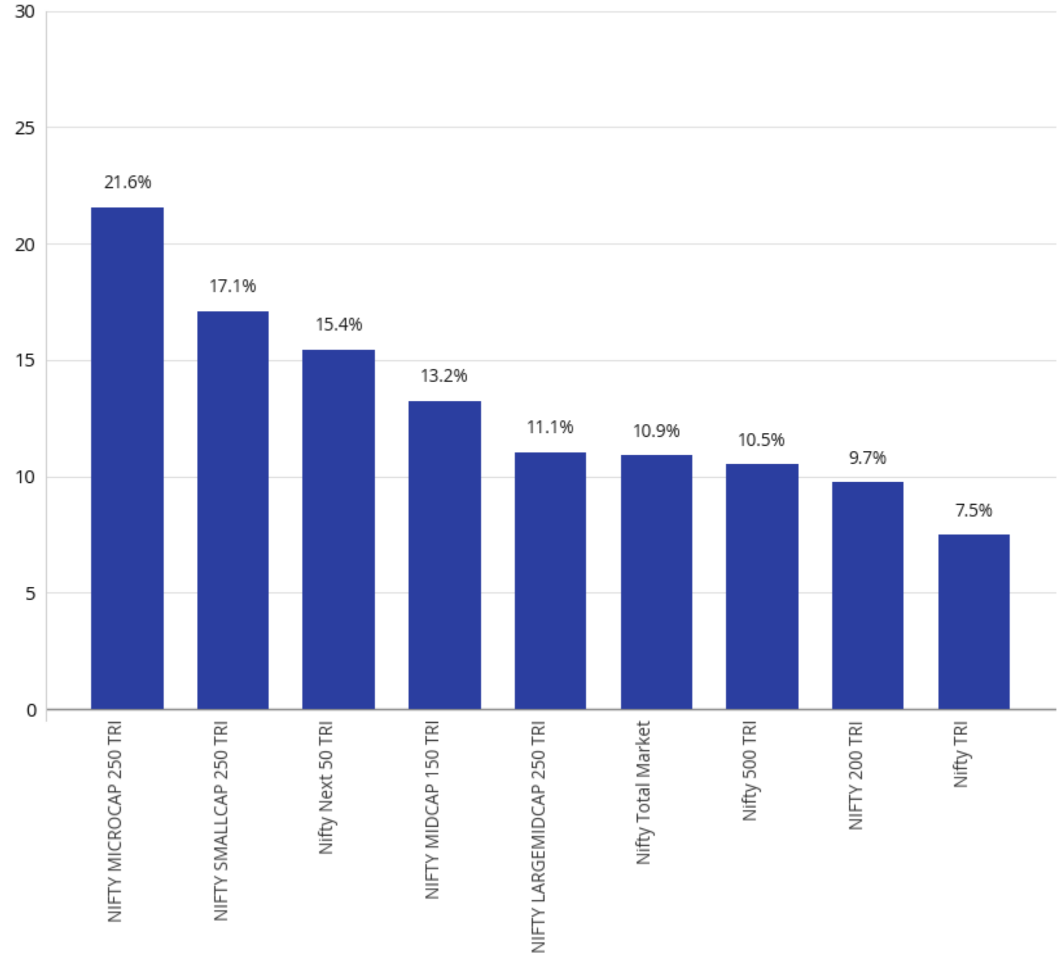


Method. Returns are post-fee, post-tax, post-inflation on a one-year forward basis. Slab tax 31.2%; equity blended tax 15.7% (35/65 holding mix). MF returns are NAV-based and net of embedded expense ratios (~0.40–0.65%). LTCG ₹1.25L exemption not applied (conservative). PMS taxation assumed at slab rate. Source CPI: MoSPI, March 2026.

- Savings accounts at 2.75% gross deliver **-1.51% real for slab-rate investors after 31.2% tax and 3.40% CPI**, idle balances erode purchasing power deterministically under these assumptions, compounding to roughly -14% over a decade if today's parameters persist.
- The tax wrapper, not gross yield, drives the ranking, the Arbitrage Fund's 7.00% gross exceeds the FD's 6.40% by only 60 bps, yet real return is 150 bps higher (2.50% vs 1.00%) because equity-blended taxation at 15.7% replaces the 31.2% slab applied to interest income.
- Headline numbers can mislead, the Absolute Return Fund's 12.00% gross is 50% larger than Equity Savings' 8.00%, yet real returns sit within 4 bps (3.38% vs 3.34%), 2.15% fees plus slab-rate PMS taxation absorb nearly the entire incremental alpha.
- Inflation is the single largest deduction in four of five instruments, every wrapper surrenders 3.40 percentage points to CPI regardless of structure, headline CPI has rebounded from 0.0% (Oct-25) to 3.4%, the wedge is widening again rather than compressing.
- Among taxed instruments, Arbitrage Funds occupy a distinctive structural position, near-cash market exposure but equity-taxation treatment generates a 150 bps real-return pickup over FDs at a comparable risk profile, a function of standing tax law rather than market behavior.
- Net of all assumptions, the chart frames asset placement as much as allocation, **identical rupees produce materially different post-tax, post-inflation outcomes purely on wrapper choice**, figures assume static tax law, no LTCG exemption use, and constant 3.40% CPI, sensitivity to those inputs is high.

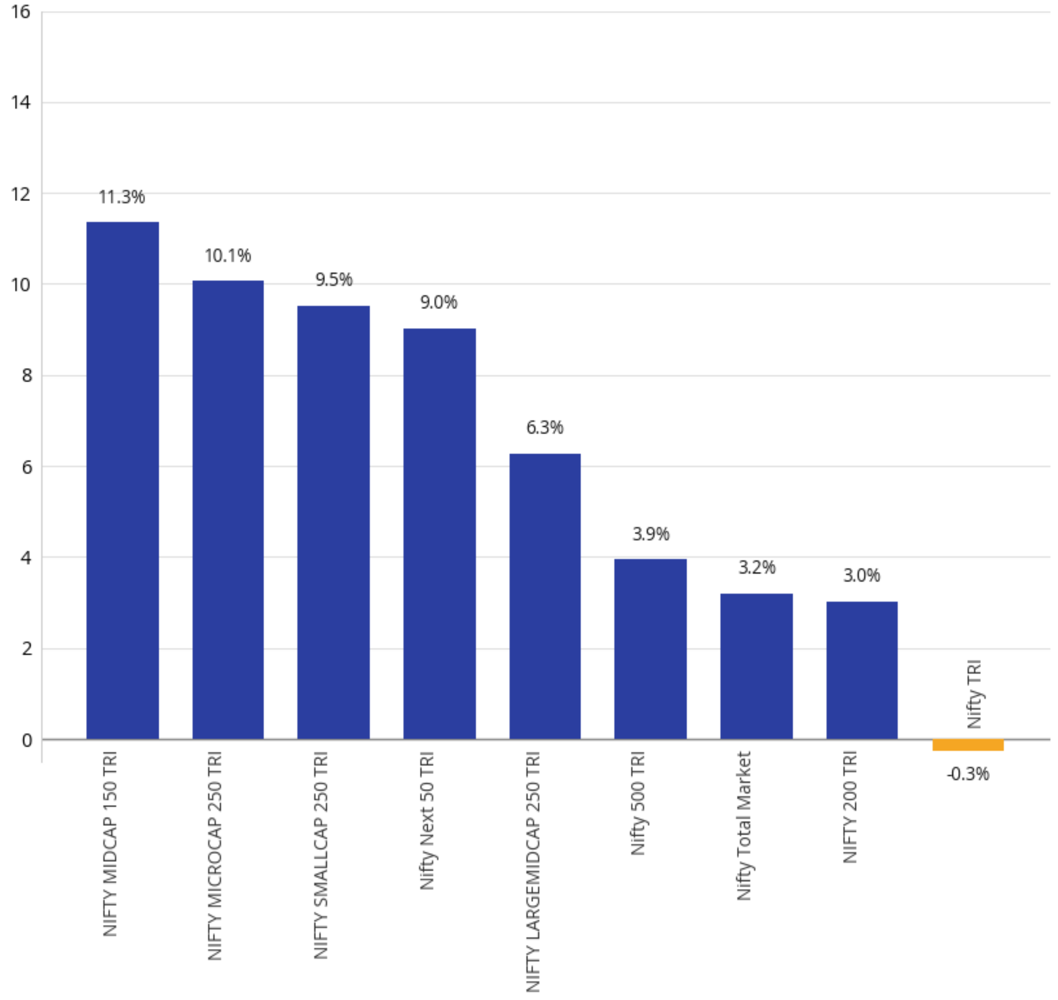
Indian - Equity Market

1 Month Returns



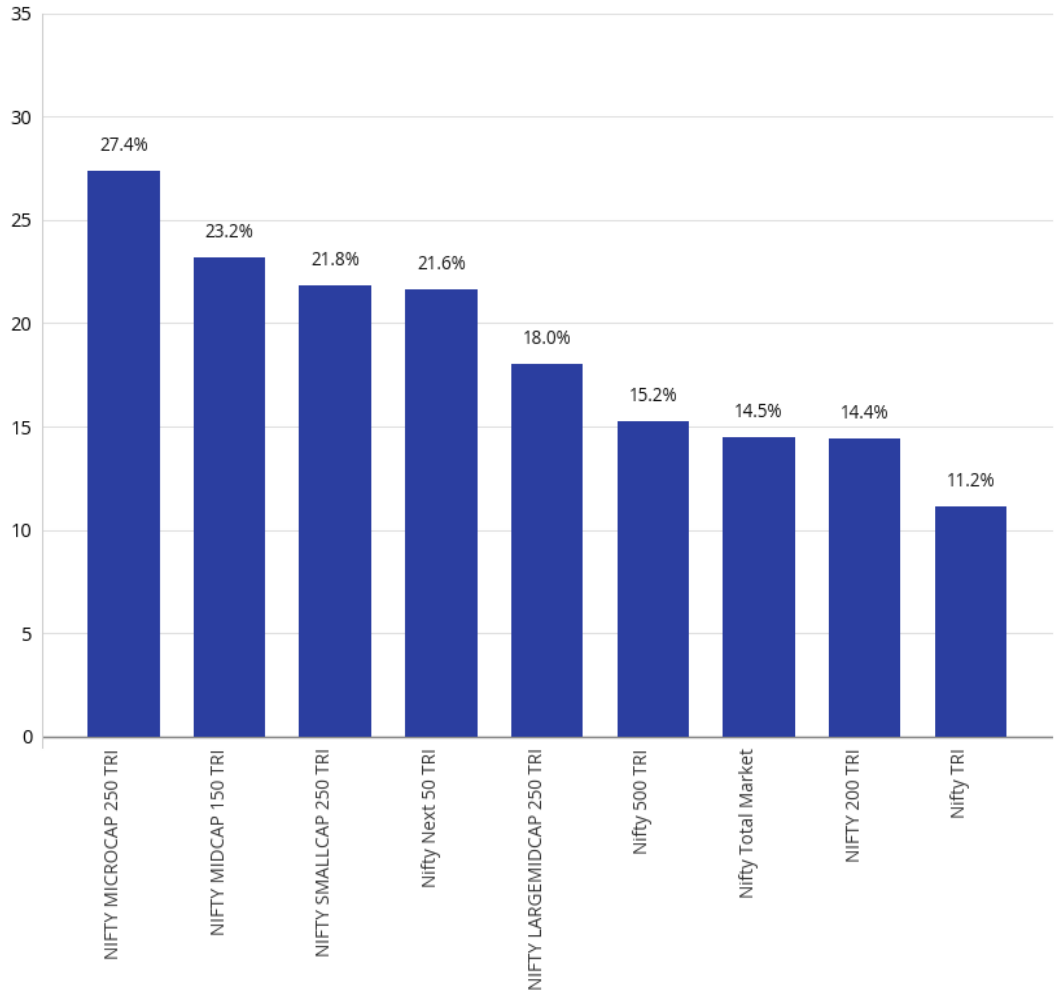
1-Month returns are absolute returns for the period 31-Mar-2026 to 30-Apr-2026.
Source: NGEN

1 Year Returns



1-Year (30-Apr-2025 to 30-Apr-2026) CAGR
Source: NGEN

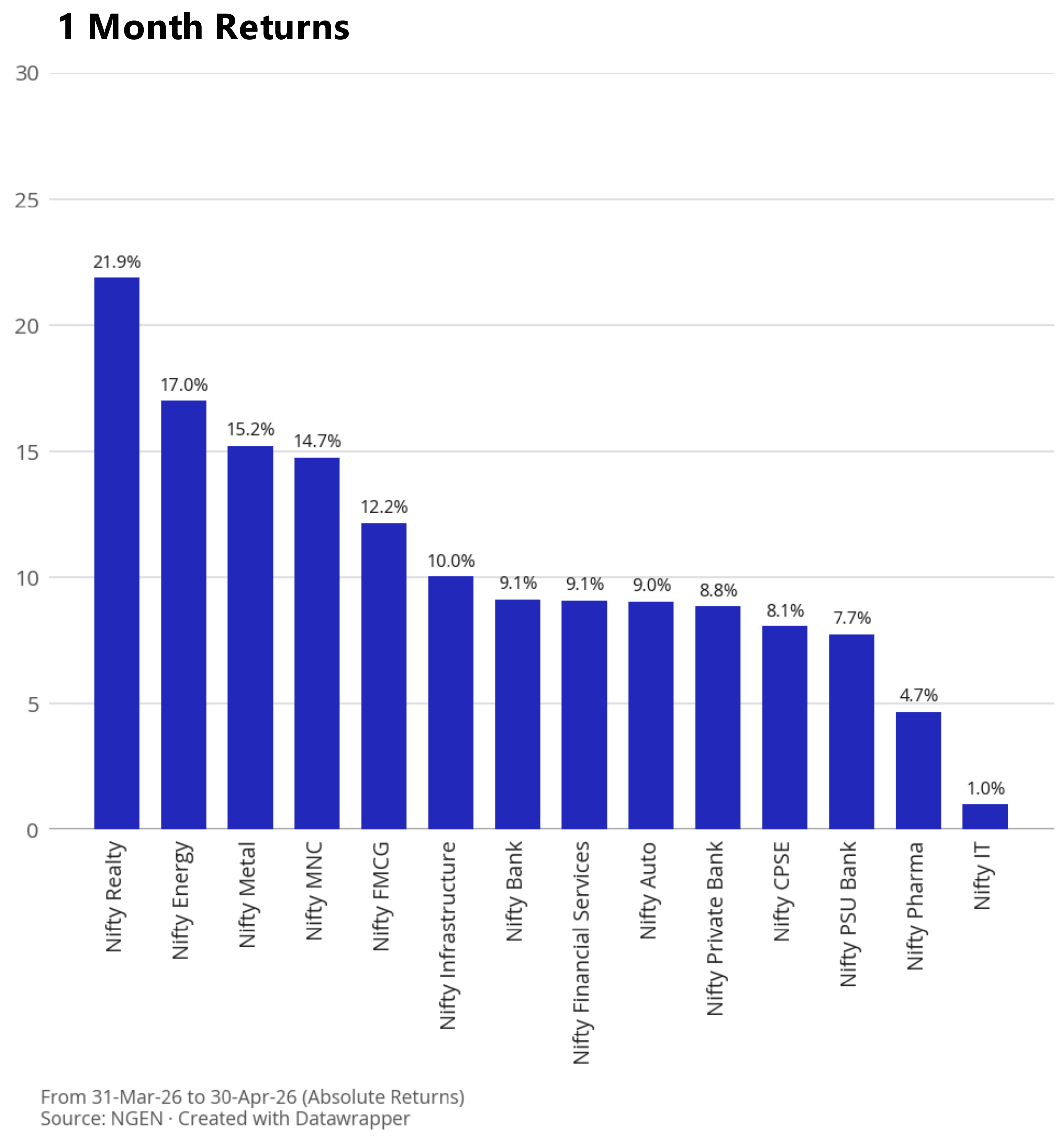
3 Year Returns

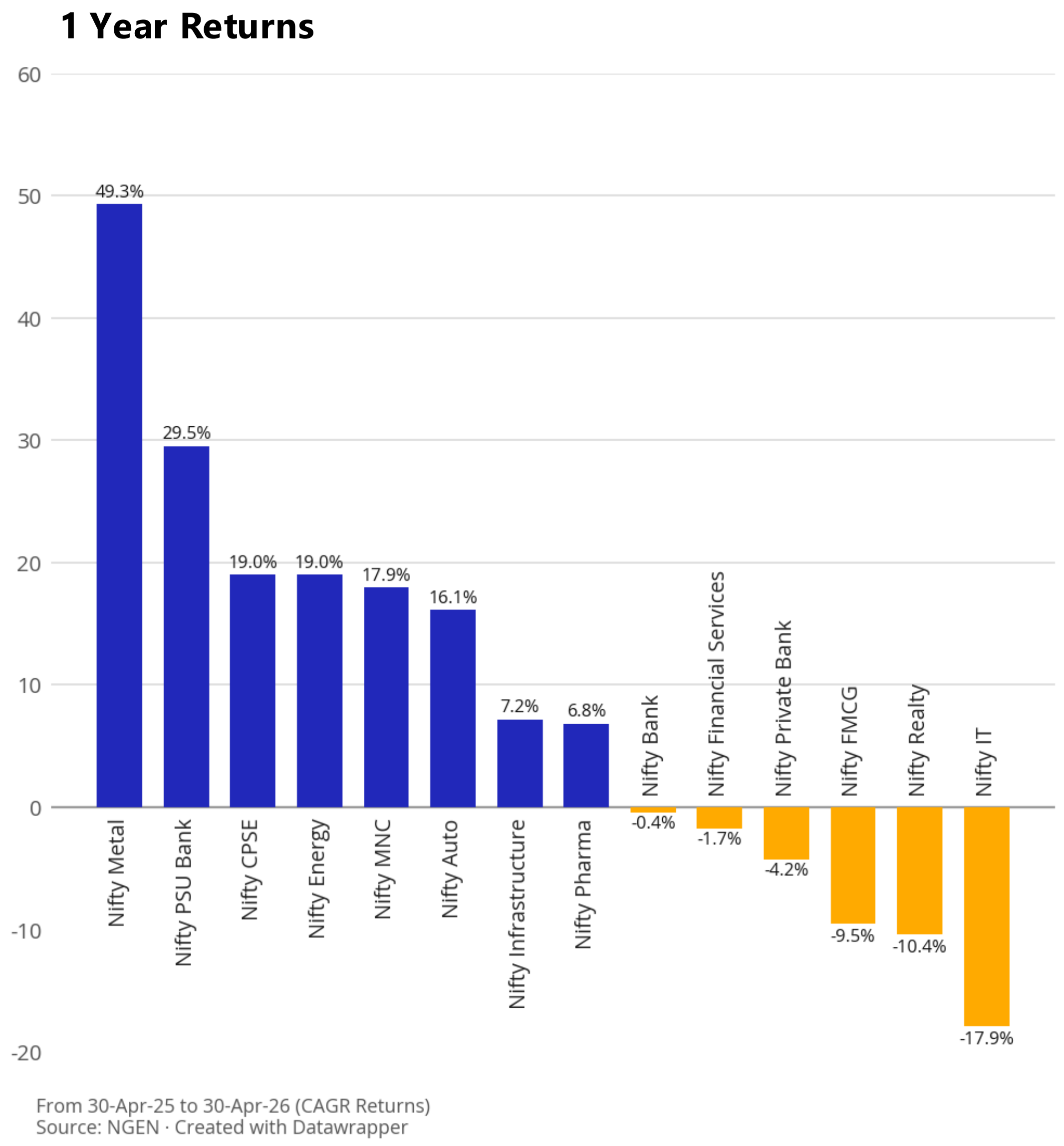


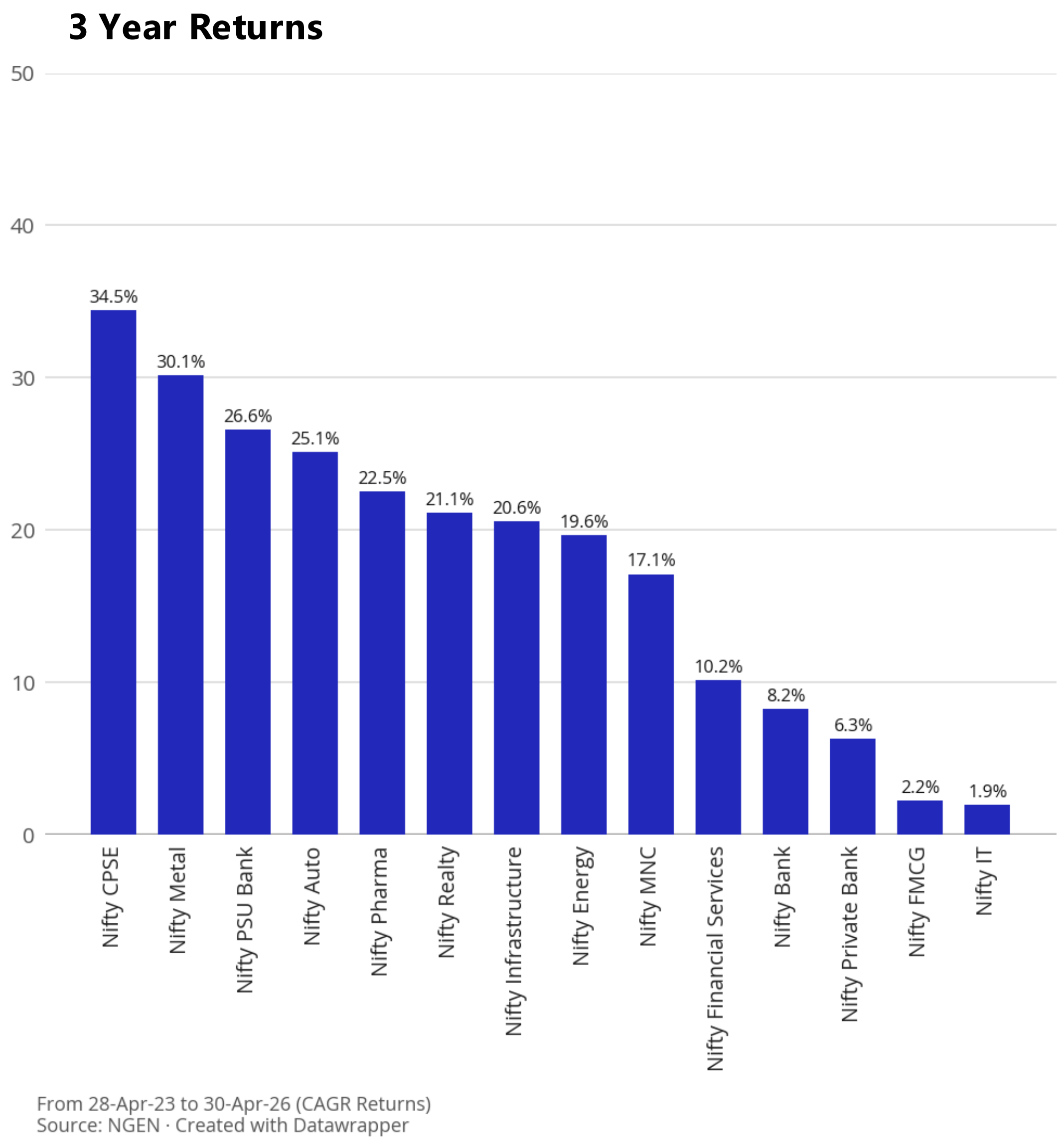
3 Years (28-Apr-2023 to 30-Apr-2026) CAGR
Source: NGEN

- April delivered a sharp risk-on rebound led by the bottom of the cap curve, Microcap 250 (+21.6%) and Smallcap 250 (+17.1%) sharply outpaced Nifty (+7.5%), a classic high-beta relief-rally signature.
- The 1-year picture remains modest: Nifty TRI is essentially flat (-0.3%) and the broader Total Market is up just 3.2%, indicating April recouped much of the prior 11 months' weakness rather than creating fresh wealth.
- 3-year CAGR dispersion stays wide (Microcap 27.4% vs Nifty 11.2%), additionally the divergence between strong 1M and weak 1Y prints suggests recent leadership is sentiment-driven rather than earnings-led.
- Inflows chasing 1M returns into micro/small caps could amplify volatility, relief rallies in deep-cyclical pockets are routinely retraced unless accompanied by visible earnings momentum.
- Valuation comfort visible in large-caps (covered on the next slide) is consistent with the overweight large-cap, selective in mid/small stance carried in our Asset Class Views.

Indian - Equity Market (Sectoral)







- Sectoral dispersion was striking, Realty (+21.9%), Energy (+17.0%) and Metal (+15.2%) led April while IT (+1.0%) and Pharma (+4.7%) lagged sharply; the 21pp gap reflects rotation, not a uniform recovery.
- Nifty IT remains a structural drag (-17.9% 1Y, just +1.9% 3Y CAGR), US enterprise-spend caution, AI-driven services pricing pressure, and tariff overhangs continue to weigh on the segment.
- Metals (+49.3% 1Y, +30.1% 3Y CAGR) track the global commodity surge, Aluminum, Copper and Zinc all up 10%+ this month, signalling tariff-related supply disruption and reflationary undertones.
- Realty's bounce despite a -10.4% trailing year, paired with FMCG (-9.5% 1Y), points to underlying consumption stress; April's rotation into beaten-down names is sentiment-led and warrants confirmation by earnings.
- Banks underperformed the headline rally (Bank +9.1%, PSU Bank +7.7%), consistent with NIM-compression worries as the call rate spiked, plus a rotation out of recent cyclical winners into laggards.

Indian Equity Market (Valuation)

Valuation: Broader Market Indices

	Current PE (30th Apr)	5Y Avg PE	Current PB (30th Apr)	5Y Avg PB
Nifty 50	20.9	21.9	3.3	5.1
Nifty Next 50	19.7	23.2	3.7	4.9
Nifty 100	20.7	22.3	3.4	4.8
Nifty 200	22.5	23.1	3.6	4.2
Nifty 500	23.2	23.6	3.6	4.8
Nifty Total Market 750	23.4	23.4	3.6	6.8
Nifty LargeMidcap 250	25.7	25.5	3.9	4.8
Nifty Midcap 150	33.5	30.4	4.7	5.2
Nifty Smallcap 250	30.0	26.3	3.5	4.8
Nifty Microcap 250	27.4	30.4	3.3	4.2

(Source: Trendlyne on 1st and 4th May)

Valuation: Sectoral Indices

	Current PE (30th Apr)	5Y Avg PE	Current PB (30th Apr)	5Y Avg PB
Nifty Bank	13.9	15.3	1.9	2.5
Nifty Pvt. Bank	17.4	16.9	2.1	2.5
Nifty PSU Bank	8.3	7.9	1.4	1.2
Nifty Financial Services	16.7	16.9	2.8	3.3
Nifty Capital Markets	46.8	35.8	13.4	12.6
Nifty Energy	16.8	12.6	2.6	2.3
Nifty Metal	21.8	16.8	3.4	2.4
Nifty Infra	21.7	19.1	3.1	3.0
Nifty Auto	30.7	32.8	4.4	5.0
Nifty Manufacturing	28.4	23.6	4.5	4.3
Nifty Defense	56.7	37.8	11.9	9.6
Nifty FMCG	36.3	39.3	9.0	10.7
Nifty Consumption	38.0	39.8	7.7	8.4
Nifty IT	20.1	26.8	5.4	8.1
Nifty Pharma	34.8	31.0	5.1	4.9
Nifty Healthcare	37.9	34.4	5.6	5.4

(Source: Trendlyne on 1st and 4th May)

- Large-caps are now in a valuation comfort zone: Nifty 50 PE at 20.9x sits below the 5-year average of 21.9x, and Nifty 100 at 20.7x is well below 22.3x, reinforcing the overweight large-cap stance.
- Mid and small caps remain rich, Midcap 150 PE at 33.5x vs 30.4x 5Y average, Smallcap 250 at 30.0x vs 26.3x, meaning April's bounce has reloaded valuation risk in already-premium segments.
- Pockets of clear excess persist: Nifty Defense PE 56.7x (vs 37.8x), Capital Markets 46.8x (vs 35.8x), and Metal 21.8x (vs 16.8x) reflect thematic exuberance rather than earnings fundamentals.
- Banks screen attractively (Nifty Bank PE 13.9x vs 15.3x; PB 1.9x vs 2.5x), a potential setup for re-rating if NIM pressure abates and credit quality holds through the cycle.
- Nifty IT at 20.1x vs 26.8x 5Y average is the sharpest discount on the board, a possible entry point if global tech demand stabilises, but a value trap if structural concerns deepen.

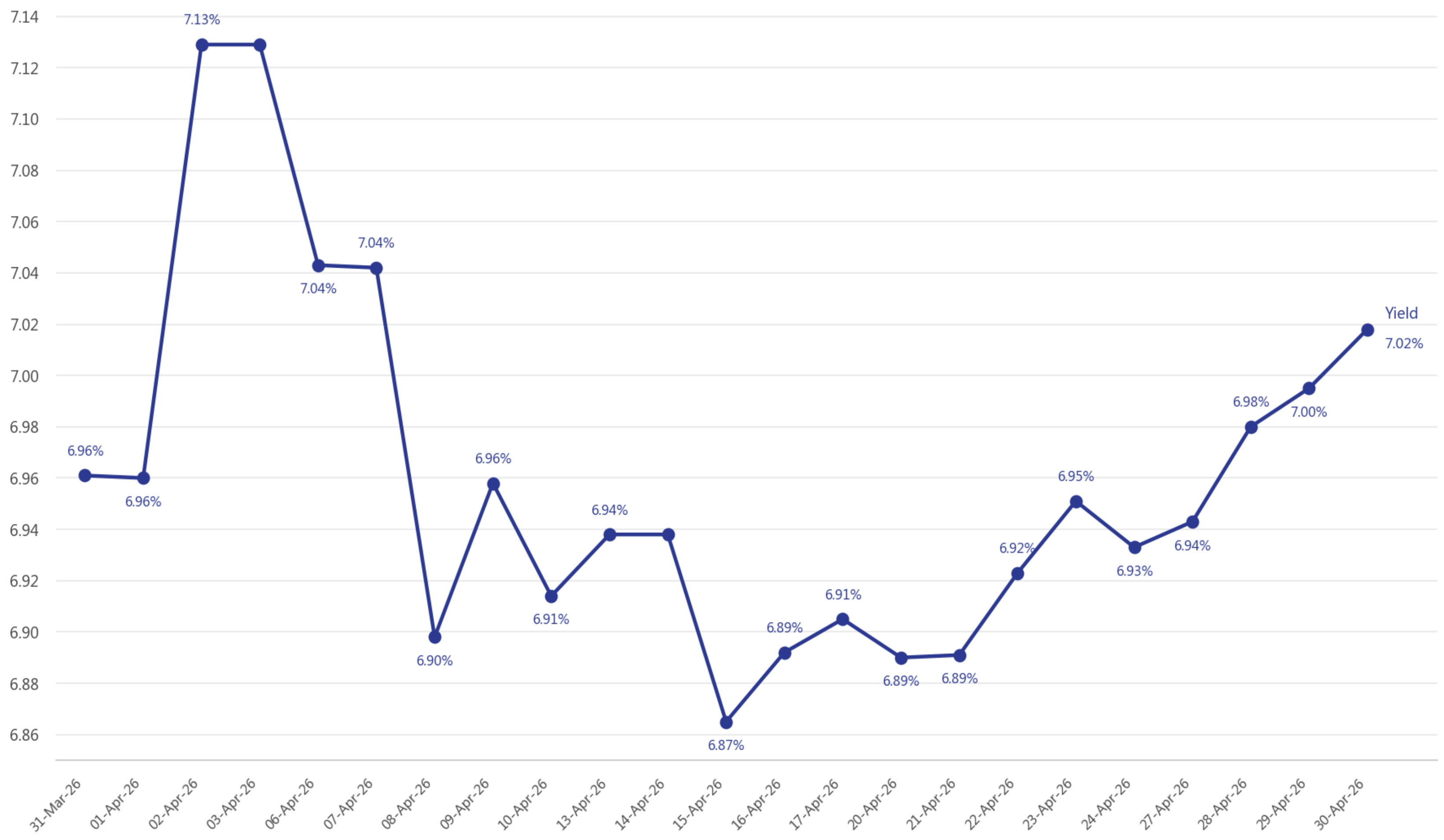
India - Debt Markets

Debt Market Indicators

Instrument	1-Apr-26	1 Week Ago	1 Month Ago	6 Months Ago
Call Rate	6.90%	5.30%	5.12%	5.37%
5 Year G-Sec	6.77%	6.61%	6.40%	6.13%
10 Year G-Sec	7.04%	6.88%	6.67%	6.53%
1 Year AAA Corporate Bond	7.44%	7.28%	7.08%	6.94%
3 Year AAA Corporate Bond	7.57%	7.43%	7.02%	6.72%
5 Year AAA Corporate Bond	7.56%	7.46%	7.11%	6.92%

Source: https://www.kotakmf.com/daily_newsletter • Created with Datawrapper

10 Year G-Sec Movement



Source: Ngen • Created with Datawrapper

- The 178 bps call-rate surge (5.12% to 6.90% in one month) is the most striking move, system liquidity has flipped from comfortable surplus into outright tightness, putting the easing cycle's continuation in question.
- 10-year G-Sec yields rose 51 bps over 6 months (6.53% to 7.04%), with intra-month volatility from 6.87% to 7.13%, bond markets are pricing a less-dovish RBI as inflation has stopped decelerating.
- Corporate yields have moved in lockstep (5Y AAA 7.56% vs 6.92% six months ago), but credit spreads over G-Sec stayed near 50 bps, suggesting credit conditions remain orderly even as base rates rise.
- Rising yields contributed to bank underperformance in April (Nifty Bank +9.1% vs Nifty +7.5%) and align with the cautious avoid-extending-duration stance carried in our snapshot.
- Long-duration debt and gilt allocations face mark-to-market headwinds at this juncture; short-duration and accrual products screen better risk-adjusted at this stage of the cycle.

India - Macroeconomic Data

Data Snapshot

Decription	Data (Unit)
Inflation rate (%)	3.4
Interest rate – policy rate (%)	5.25
Unemployment rate (%)	5.1
GDP annual growth rate (%)	7.80%
Government debt to GDP (% of GDP)	81.92
Current account to GDP (% of GDP)	-0.6
Current account (USD million)	-13172
Gold reserves (tonnes)	880.5
Manufacturing PMI (points)	58.3

Consumption Indicators

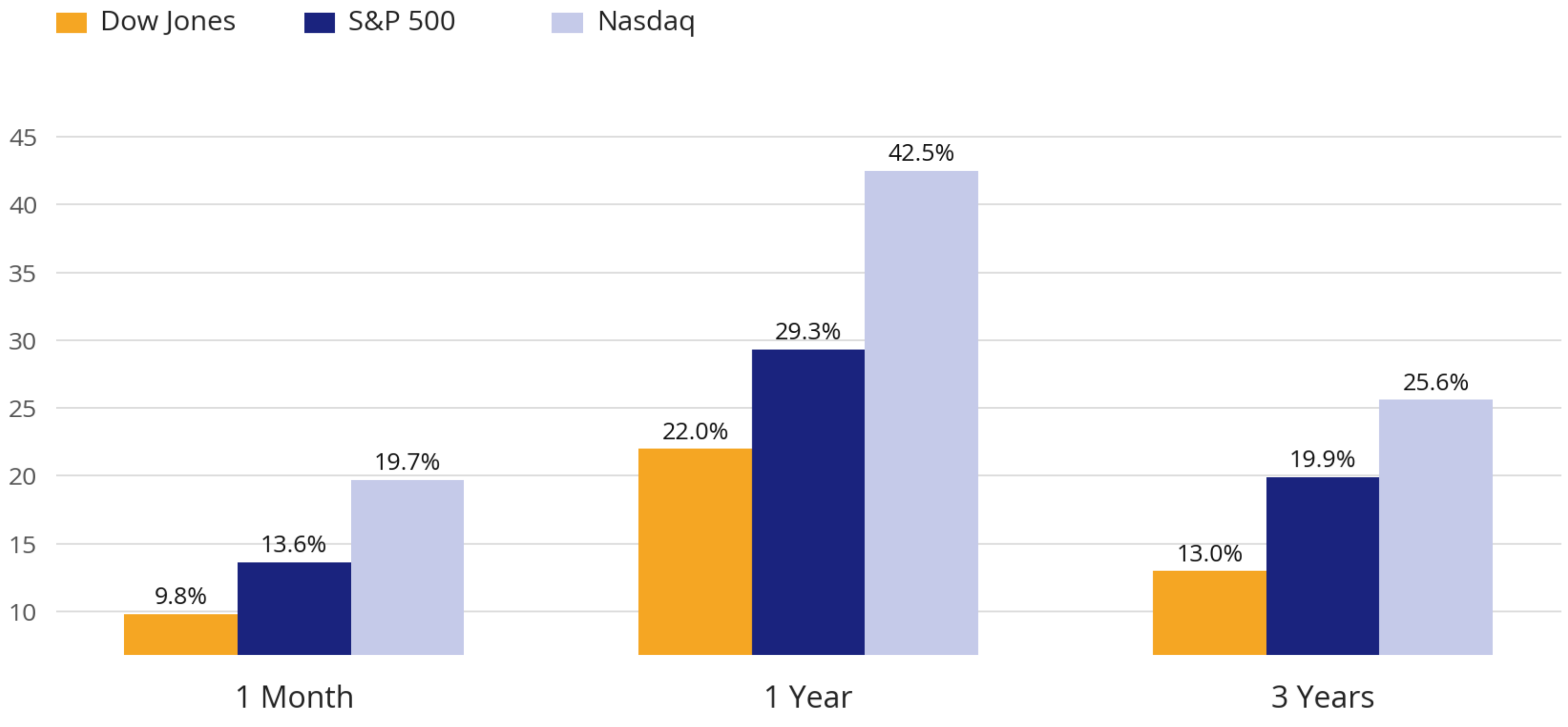
		Change								12 Month Avg		12 Month Avg		Absolute							
Consumption/Demand (%, YoY*)	Units	Mar'25/ Feb'25	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	as of Mar'26	as of Mar'25	as of Mar'26	as of Mar'25	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	Units
Personal Loans	% chg, YoY	11.7		15.2	14.9	14.4	12.8	14	11.7	12.9	16.3	63.6	56.6		68	67.2	66.5	64.9	64.6	62.5	INR Tr
Retail Payments	% chg, YoY	6.3		18.7	14.1	15.7	15.7	5.8	17.3	13.9	16.4	85.5	76.7		88.5	91.9	92.2	83.6	89.3	86.1	INR Tr
Non-Oil Imports	% chg, YoY	9.9	6	29.9	25.7	11.6	1.8	34.1	25.7	13.1	7.3	50	45	47.4	50.7	57.8	50.1	48.9	61.9	55.1	USD Bn
Passenger cars sales (ex UVs)	% chg, YoY	-3.7	5	-2.8	-2.9	33.9	16.3	12.6	10.4	4.1	-10.2	119	115	128	121	137	133	127	136	118	000 no's
Passenger cars sales (incl UVs)	% chg, YoY	5.1	15.8	10.9	12.8	27.2	18.6	17.1	6.2	8.4	2.8	379	349	435	410	442	393	405	453	369	000 no's
POL Consumption	% chg, YoY	-4	3.2	4.5	0.3	4.5	0.6	-1.5	7	1.8	2.2	20.3	19.9	21.4	20.2	20.6	21.6	20.8	20	18.6	Mn Tonnes
Two wheelers	% chg, YoY	11.4	19.3	35.2	26.2	39.4	21.2	2.1	6.7	12.3	9	1782	1634	1976	1871	1926	1541	1944	2211	2161	000' no's
Consumer Price Inflation*	% chg, YoY	3.6	3.4	3.2	2.7	1.2	0.5	0	1.4	2.1	4.6	2.1	4.6	3.1	2.4	1.5	0.6	0.6	1.2	1.7	3MMA
Core CPI (ex food and fuel)*	% chg, YoY	4.1	3.2	3.1	3.1	4.5	4.2	4.3	4.3	4	3.5	4.2	3.5	3.1	3.6	3.9	4.3	4.3	4.2	4.2	3MMA

Source: NGEN, News Sources

- Headline CPI at 3.4% remains within RBI's tolerance, but trajectory matters, inflation has rebounded sharply from the 0.0% October-2025 trough through 2.7% in January to 3.4% now.
- Core CPI at 3.2% is benign, suggesting the uptick is partly food-led, but RBI's room for further cuts is narrowing, validating our easing-cycle-maturing view.
- Consumption indicators are uniformly strong: Personal Loans +15.2% YoY, Retail Payments +18.7%, Two-wheelers +19.3%, Passenger Cars +15.8%, broad-based domestic demand resilience.
- Manufacturing PMI at 58.3 confirms strong goods-economy momentum, and 7.80% GDP growth places India among the world's fastest-growing major economies.
- External buffers are intact, current-account deficit modest at 0.6% of GDP, gold reserves steady at 880.5 tonnes, providing a cushion against US tariff and global risk-off shocks.

US - Equity Market

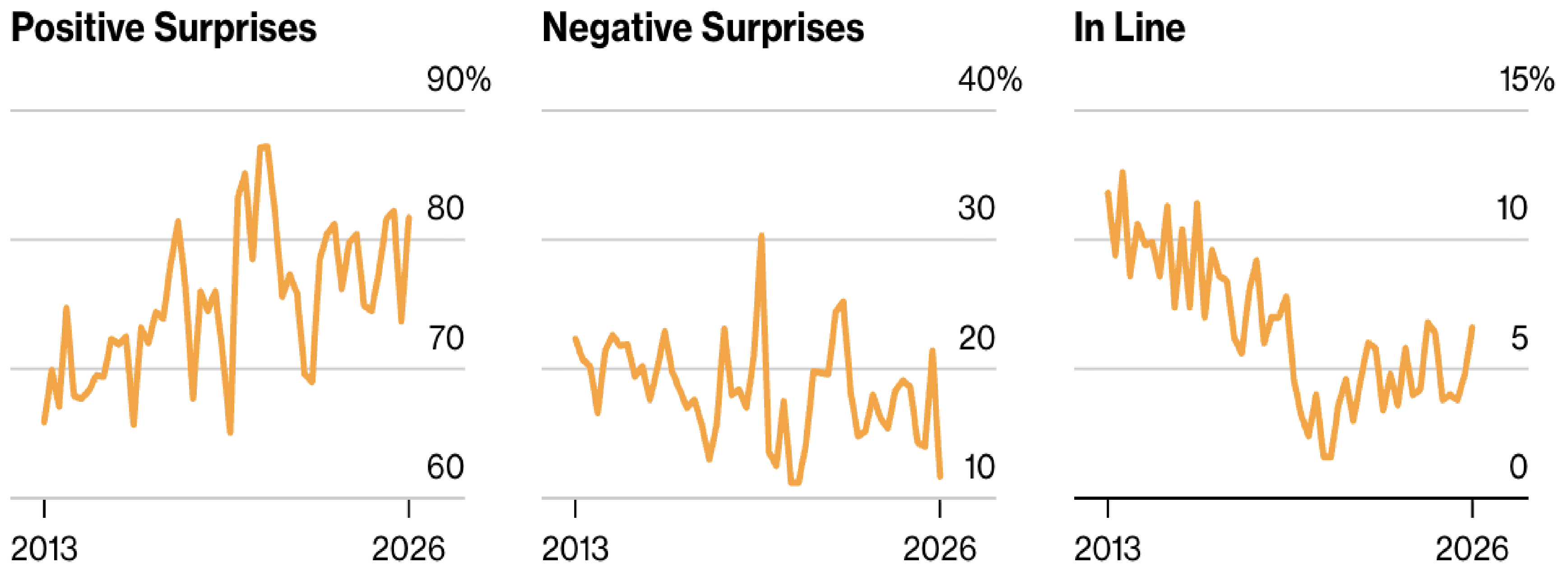
Trailing Returns



Source: NGEN, 1 Month (31-Mar-26 to 30-Apr-26), Absolute Return for 1 Month; CAGR for 1 Year and 3 Year
Created with Datawrapper

(Source: Ngen. 1 Month returns are absolute; 1 Year and 3 Year returns are CAGR.)

Percentage of S&P500 members beating or missing Wall Street estimates



Source: Bloomberg

- April delivered an exceptional bounce, S&P 500 +13.6% and Nasdaq +19.7% in a single month, unusually large absolute moves that typically follow a period of capitulation or a major narrative shift.
- Tech leadership remains intact across timeframes (Nasdaq +42.5% 1Y, +25.6% 3Y CAGR), in stark contrast to Indian IT (-17.9% 1Y), the divergence reflects US tech's AI monetisation versus Indian services' demand exposure.
- Wall Street miss rates have continued to decline while positive surprise rates remain elevated near 75-80%, encouraging at face value, but partly reflects analysts trimming estimates ahead of prints, lowering the bar.
- Strong returns paired with moderating earnings growth implies the rally is being driven more by multiple expansion than fundamentals, keeping a close eye on forward guidance is more important than headline beats.
- For Indian investors, US equity exposure has been a meaningful diversifier in INR terms; with the dollar's path tied to tariff and Fed-rate.

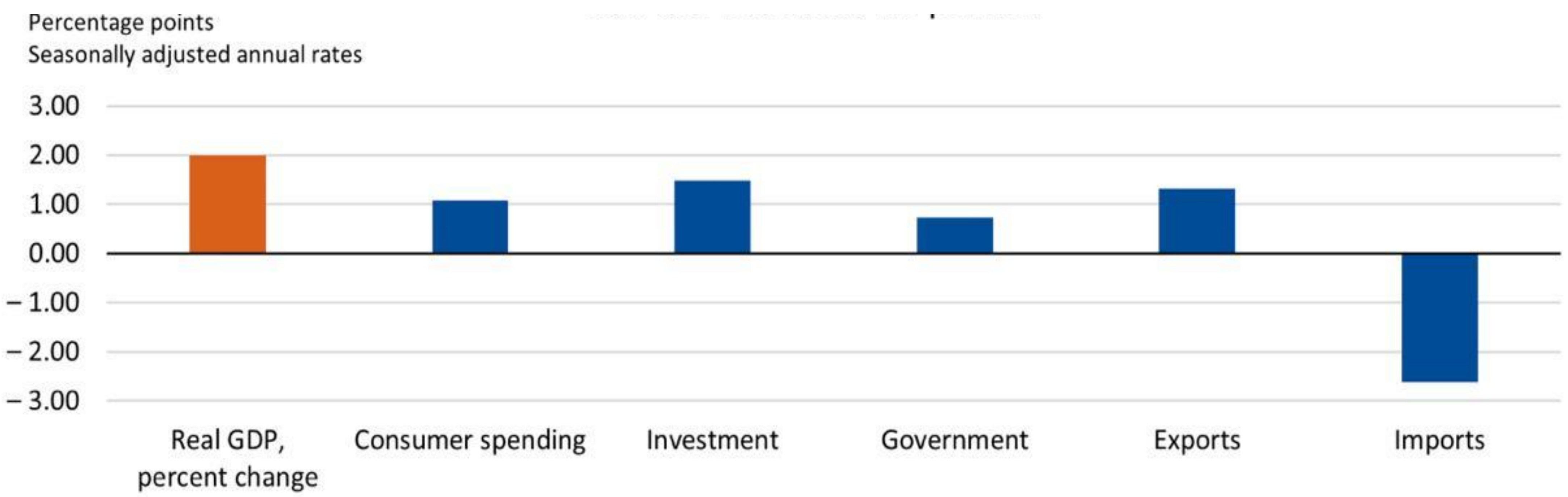
US - Key Macroeconomic Updates

Data Snapshot

Indicator	Value
Inflation rate (%)	3.3
Interest Rate (%)	3.75
Unemployment Rate (%)	4.3
Consumer Price Index (CPI) (Points)	330.2
Imports (USD Billion)	372.1
Exports (USD Billion)	314.8
Core Consumer Price Index (CCPI) (%)	3.4
Producer Prices (Points)	154

(Source: NGEN)

Contributions to the Percent Change in Real GDP; 2026:Q1



GDP Gross domestic product
Note. Imports are a subtraction in the calculation of GDP. An increase in imports results in a negative contribution, and a decrease in imports results in a positive contribution to GDP.
U.S. Bureau of Economic Analysis

- US Q1 2026 GDP grew 2.0% annualized, solid but moderating; the headline understates underlying momentum because surging imports (-2.5% drag) pulled down the print.
- The unusual import surge looks tariff-driven, companies front-loading inventory ahead of evolving tariff schedules, and widens the trade deficit ($372B imports vs $315B exports).
- Inflation remains sticky above the target (Headline 3.3%, Core 3.4%), limiting the Fed's ability to cut despite a softening labour market (unemployment 4.3%, up from cyclical lows).
- At 3.75%, the policy rate sits ~40 bps above core CPI, a positive but modest real rate, consistent with the Fed pausing rather than easing aggressively in the near term.
- Decent growth + sticky core inflation + rising unemployment is a textbook late-cycle setup. This favors short-duration credit, quality equities. and limited duration instruments following the dollar curve.
- A reversing import drag could flatter Q2 GDP optically just as inflation may reaccelerate from a base-effect low, keeping markets data-sensitive on every print.

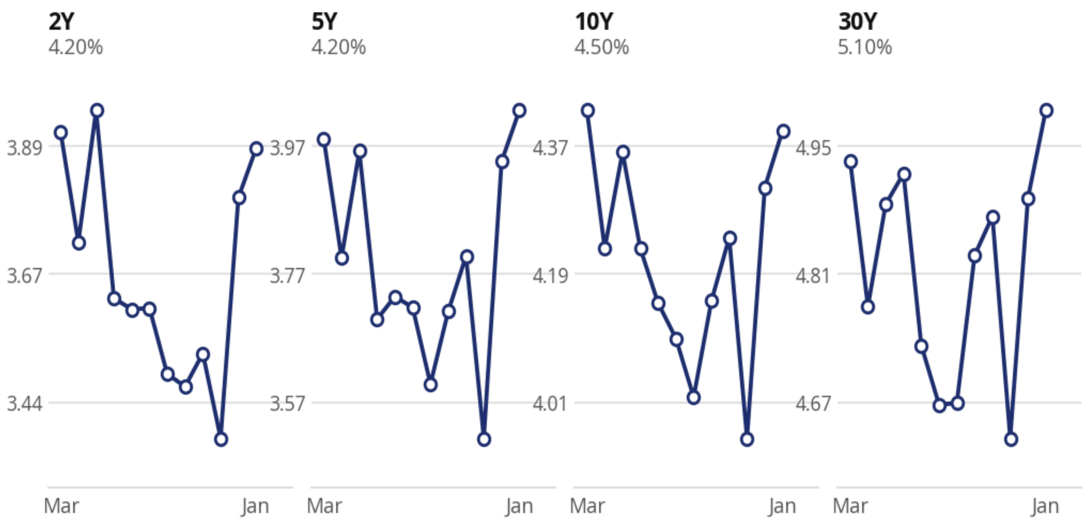
US - Debt Market & Global Commodities

Global Commodities

Commodity	Price (24-Apr-26)	Price (31-Mar-26)	1 Month Difference
Gold ($/oz)	4,709	4,473	5.3%
Silver (INR/1 kg)	240,989	224,447	7.4%
Silver ($/oz)	76	71	6.2%
Crude Oil (INR/1 bbl)	9,018	8,275	9.0%
Natural Gas (INR/1 mmbtu)	246	272	-9.4%
Aluminium (INR/1 kg)	375	331	13.2%
Copper (INR/1 kg)	1,261	1,147	10.0%
Nickel (INR/1 kg)	1,776	1,600	11.0%
Lead (INR/1 kg)	202	197	2.5%
Zinc (INR/1 kg)	356	312	13.9%
Mentha Oil (INR/1 kg)	1,134	1,092	3.8%

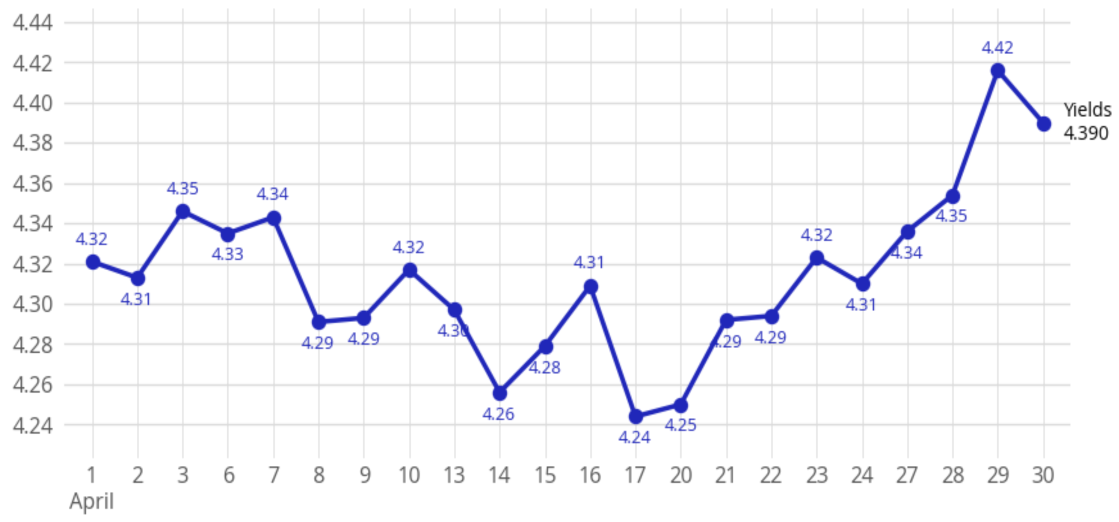
Source: Aditya Birla Mutual Fund Daily Update • Created with Datawrapper

US Rates - across durations



Source: Investing.com • Created with Datawrapper

US 10 Year Bond Yield - April

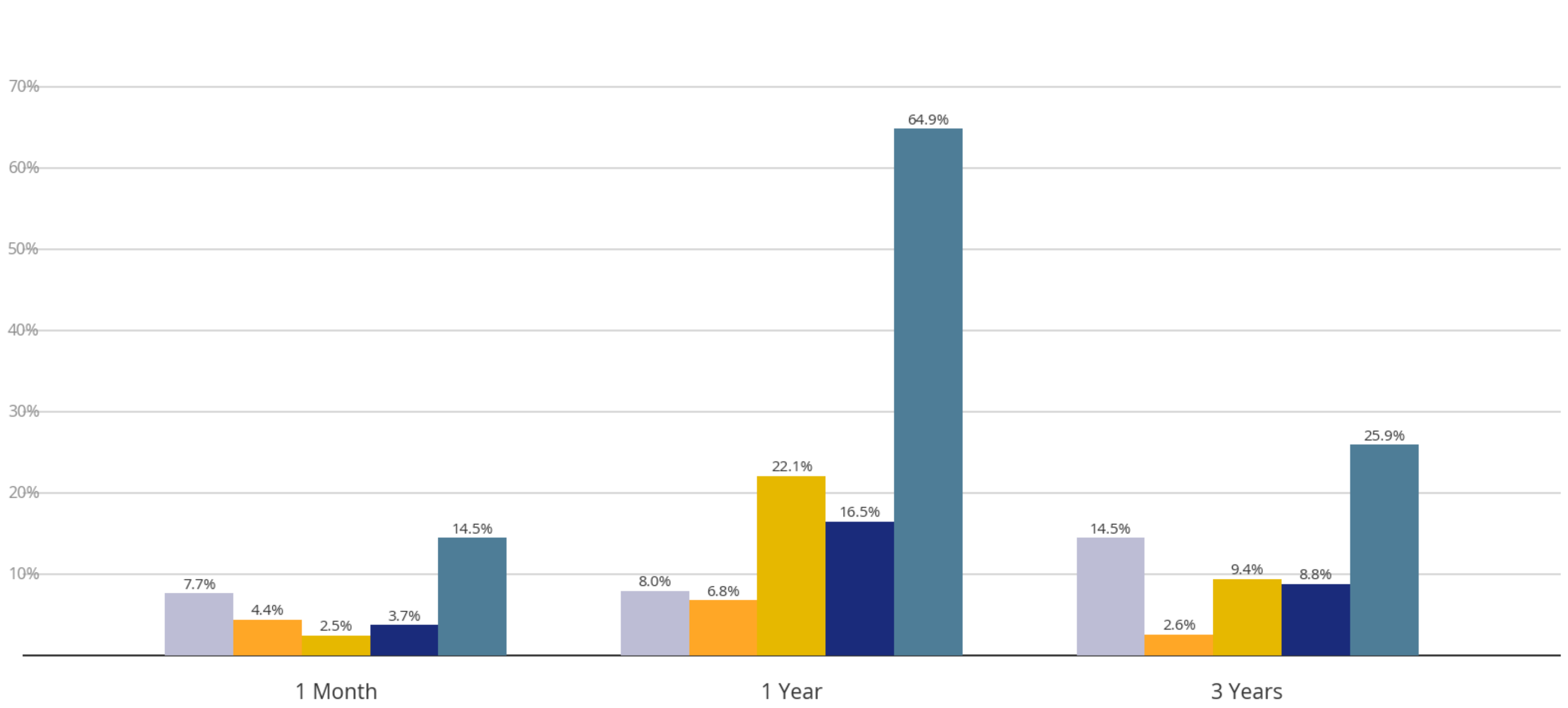


Source: Investing.com • Created with Datawrapper

- Gold at $4,709/oz (+5.3% in April) sits at unprecedented levels, driven by central-bank accumulation, geopolitical risk premia, and dollar-debasement concerns linked to the US fiscal trajectory.
- Industrial metals all rallied 10%+ in INR terms; Aluminum +13.2%, Zinc +13.9%, Copper +10.0%, Nickel +11.0%, reflecting tariff-related supply disruptions and partial resilience in global growth.
- Crude up 9.0% (INR) signals a reflationary impulse, but Natural Gas -9.4% shows the energy complex is not uniform, the divergence is consistent with regional demand and inventory dynamics.
- The metals strength directly explains Nifty Metal's stellar runs (+15.2% in April, +49.3% over 1 year), a clear case where understanding global commodity flows informs Indian sector positioning.
- US Treasury yields are elevated across the curve (2Y 4.20%, 10Y 4.50%, 30Y 5.10%) with the 10Y volatile in a 4.24%-4.42% intraday range during April, pricing a higher-for-longer Fed.
- 30Y at 5.10% is a key headwind for long-duration assets globally and contributes to the rising yield environment in Indian G-Secs covered earlier.
- For Indian investors, gold and select industrial-metals exposure have provided meaningful portfolio insurance against rising rates and currency risk, though entry now requires acceptance of historically rich price levels.

Global Equity Markets

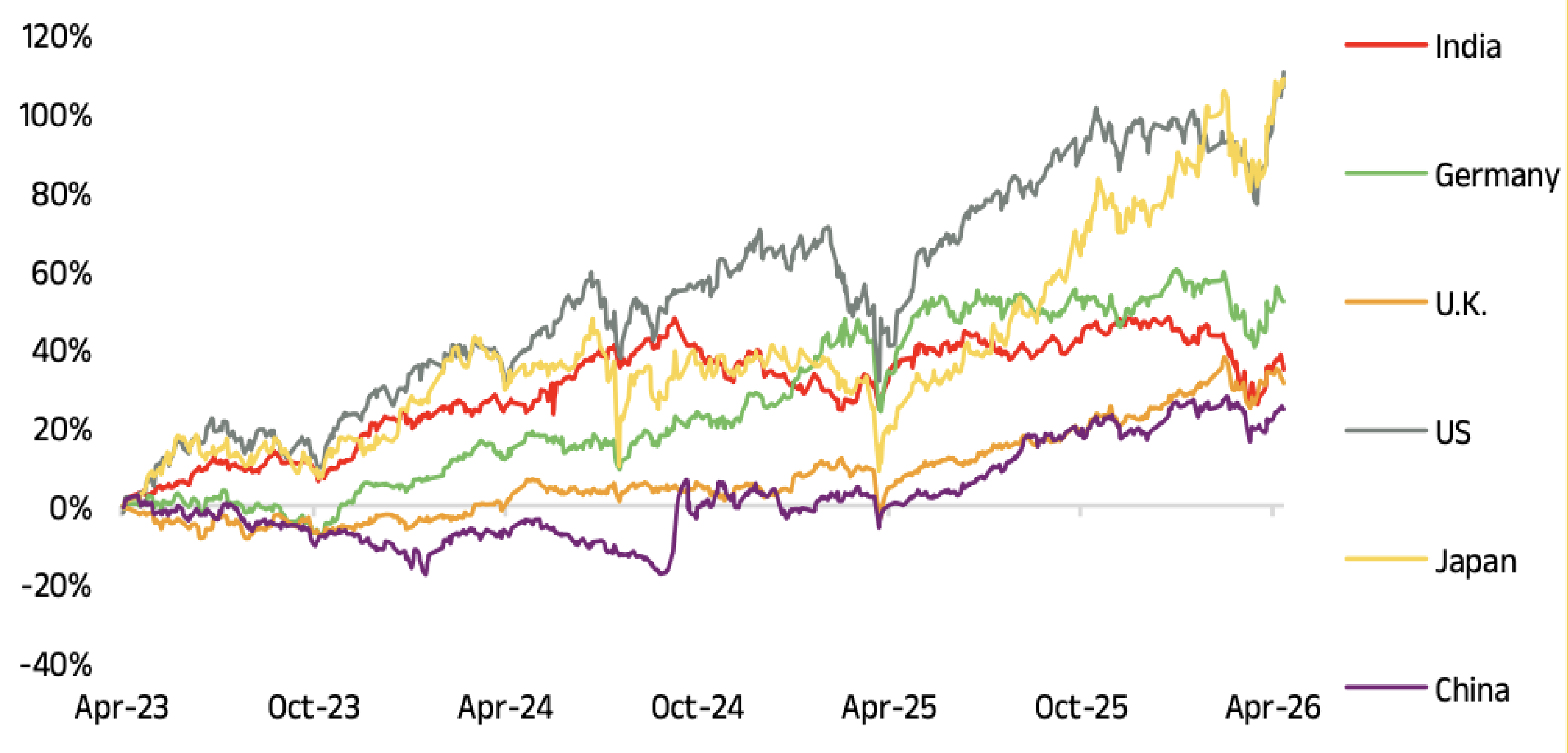
Global Indices



1 Month Return(31 Mar 2026 – 30 Apr 2026), 1 Year Return(30 Apr 2025 – 30 Apr 2026), 3 Year Return(28 Apr 2023 – 30 Apr 2026)

Source: NGEN · Created with Datawrapper

Comparative Performance of Major Global Equity Market



Source: Refinitiv

- April was a broad global risk-on month, every major market posted gains, with Nikkei +14.5% leading and even laggard markets posting 2.5%+; signaling synchronized relief.
- Japan stands out at roughly +65% over the trailing year, reflecting BoJ policy normalisation, yen-led reflation tailwinds, and corporate governance reforms accelerating capital-return programmes.
- The US continues to dominate 3-year returns (S&P 500 +19.9% CAGR per the prior slide) while Japan has caught up dramatically in the past 6-12 months, diversification across these two has been the winning combination.
- China remains the major laggard despite intermittent rallies, structural headwinds (property stress, deflation, demographics) and geopolitical friction continue to suppress sustained re-rating.
- India's relative position is middle-of-pack on 1Y (Nifty 500 +3.9%) and has materially trailed both US and Japan over 3 years, a reminder that diversifying into developed markets has been additive in INR terms.
- Wide cross-country dispersion (-40% to +110% over 3 years on the comparative chart) argues for active global allocation rather than passive single-country bets, country selection is a major performance lever.

Asset Class Returns Snapshot

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026*
8.66	19.57	41.29	7.91	31.49	44.4	31.6	13.9	26.91	25.02	167.27	7.02
7.39	14.97	37.65	6.03	23.79	27.97	28.71	9.74	26.29	22.93	74.73	5.31
0.22	12.94	21.83	-0.21	21.75	18.4	1.35	2.51	15.37	20.61	32.51	3.31
-3.92	11.35	5.11	-2.14	13.04	17.89	-4.21	0.46	7.29	9.57	7.76	0.57
-6.65	5.12	-0.05	-4.38	10.72	12.29	-8.2	-12.55	7.26	8.95	6.82	-0.84
-9.68	4.3	-2.76	-10.54	9.53	-0.29	-11.83	-18.11	-10.46	7.96	6.37	-4.97

Gold (Domestic Prices)	Silver (Domestic Prices)	G-Sec (ABSL CRISIL 10Y GILT ETF)	China Equity (Hang Seng)	US Equity (S&P 500)	Indian Equity (Nifty 500 TRI)

Sources: NGEN, data as of 30th April 2026

AMFI Registered Mutual Fund Distributor

ARN No. 258099

Type of Registration- Non-Individual

Thank You!