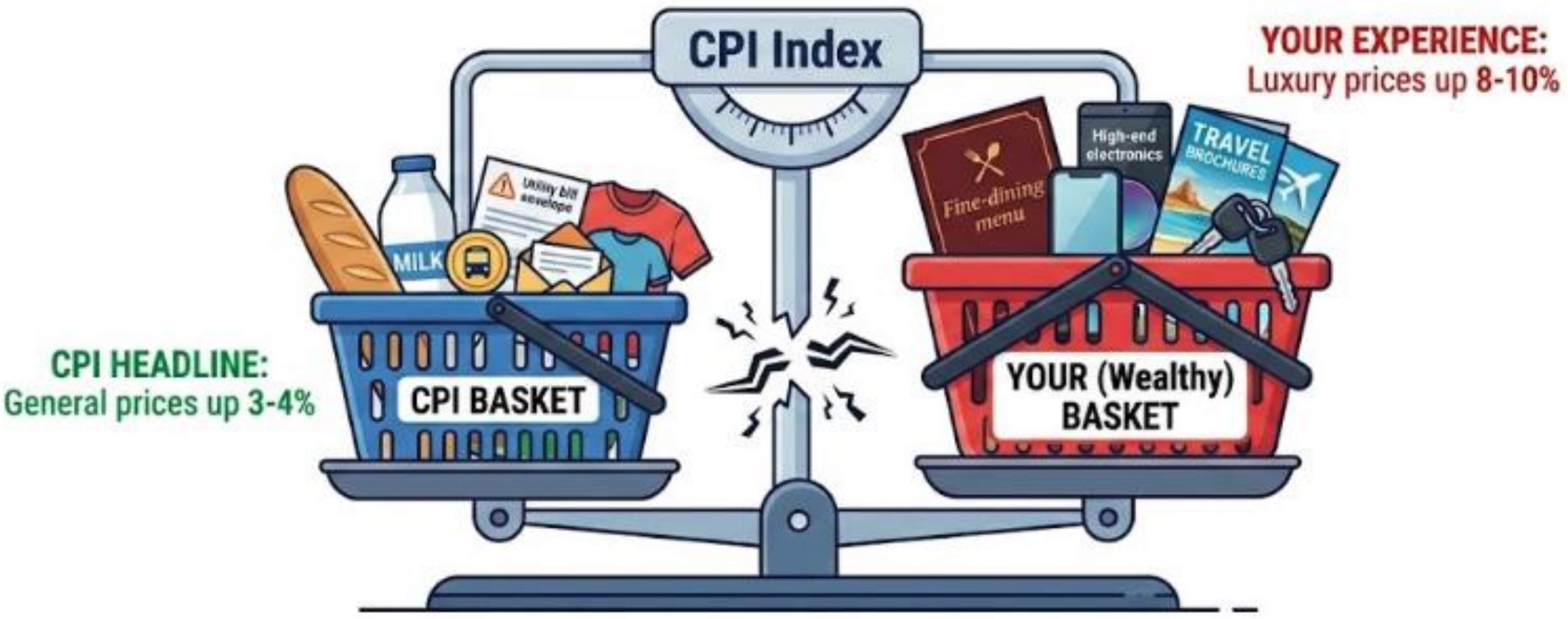
Your inflation probably isn't CPI?



The inflation you experience depends on what you actually buy. For many wealthy households, that basket looks very different from CPI. Read more on **slide 6** of our July'26 Monthly Market Review.

MONTHLY MARKET REVIEW

July 2026

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

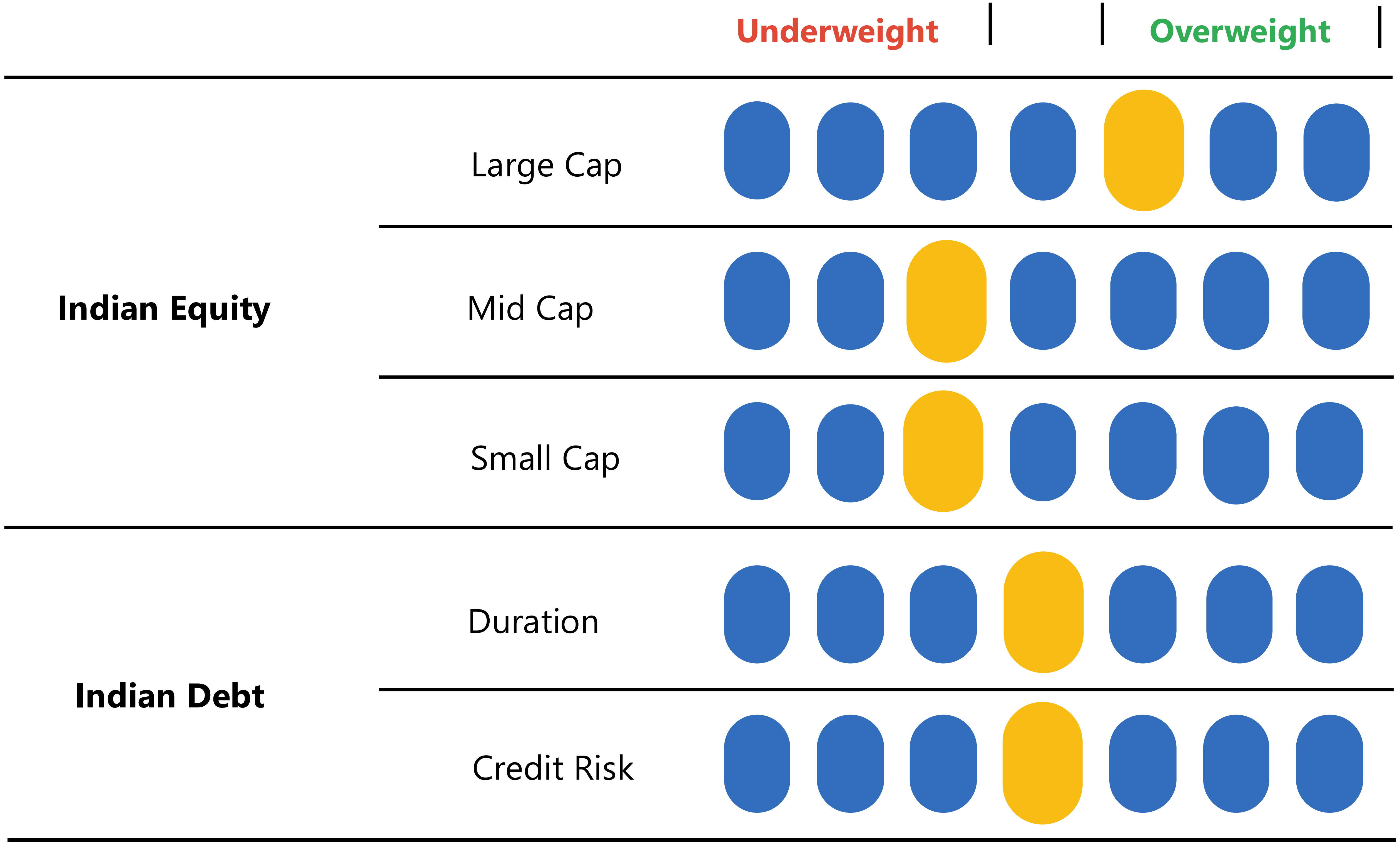
– Sir John Templeton

INDEX

Snapshot

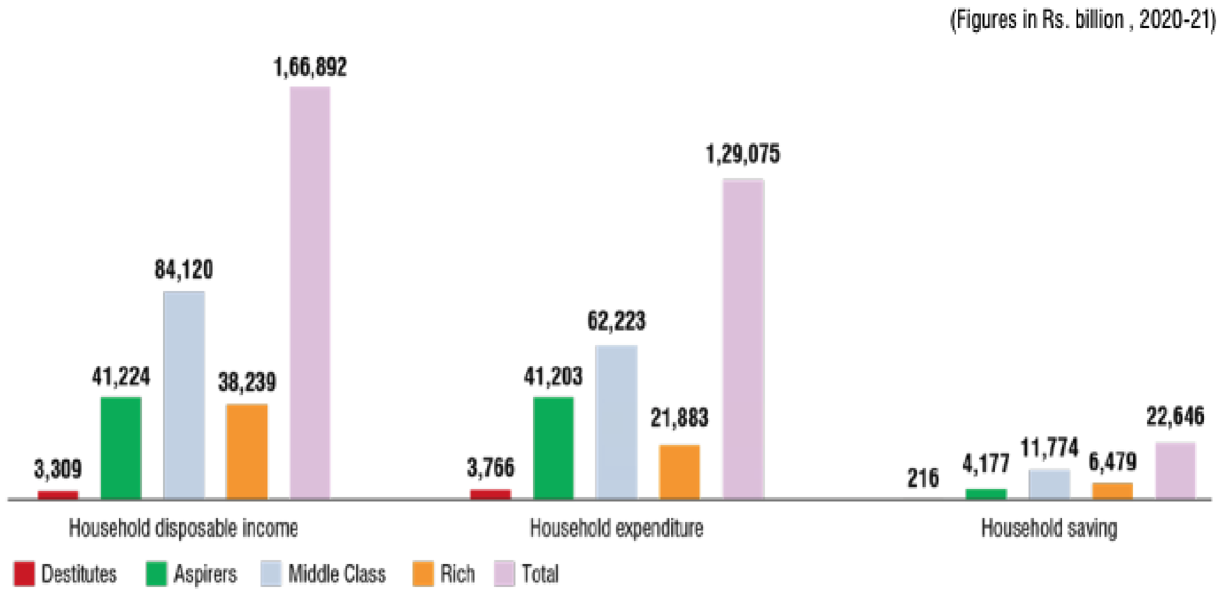
- **Snapshot** – A risk-off-then-relief month: the Iran-war commodity premium unwound, bonds rallied, and leadership rotated sharply.
- **Asset Class Views** – Selective positioning: reasonably-valued large caps preferred, with a constructive stance on debt duration as yields fall.
- **Wealthy-household inflation basket differs from headline inflation** – Affluent households' services- and lifestyle-heavy basket runs hotter than CPI, so benign headline prints understate their true inflation.
- **India – Equity Market** – Micro and small caps led a modest bounce, but negative one-year returns mark 2026 as a year of consolidation.
- **India – Equity Market (Sectoral Returns)** – Financials and Realty led while Metals and IT fell — a rotation out of the commodity trade into rate-sensitives.
- **India – Equity Market (Valuation)** – Large caps sit below five-year averages while small and micro caps look stretched — quality is where the value is.
- **India – Debt Markets** – The 10-year G-sec fell 26 bps to 6.75% as cooling crude and ample liquidity rewarded duration.
- **India – Macroeconomic Data** – Benign 3.9% inflation and 7.8% growth, offset by a record-weak rupee (~94.6) and a K-shaped consumption recovery.
- **US – Equity Market** – Powerful AI-led one- and three-year gains, but tech pulled back this month as the Fed turned hawkish.
- **US – Key Macroeconomic Updates** – Solid-but-slowing 2.1% Q1 growth with sticky 4.2% inflation — a "stagflation-lite" mix that keeps the Fed on hold.
- **US – Debt Market & Global Commodities** – A steep Treasury curve alongside a broad commodity slump as the Iran-war risk premium deflated.
- **Global Equity Markets** – Japan leads globally while India, the multi-year outperformer, becomes 2026's notable laggard.
- **Asset Class Returns Summary** – Leadership keeps rotating across assets year to year — a reminder that diversification, not chasing winners, compounds.

Asset Class Views



Wealthy-household inflation basket differs from headline inflation.

Estimates of household cashflows:



Source: ICE 360° Survey (2021), PRICE

EXHIBIT: Old CPI weights (Base year: 2012)

	Groups	Weights
1	**Food and beverages**	45.86
2	**Pan, tobacco and intoxicants**	2.38
3	**Clothing and footwear**	6.53
4	**Housing**	10.07
5	**Fuel and light**	6.84
6	**Miscellaneous goods**	28.32
6.1	Household goods and services	3.80
6.2	Health	5.89
6.3	Transport and communication	8.59
6.4	Recreation and amusement	1.68
6.5	Education	4.46
6.6	Personal care and effects	3.89
	Total-CPI (1 to 6)	**100.00**

Source: NSO; CEIC; ICRA Research

EXHIBIT: New CPI weights (Base year: 2024)

	Divisions	Weights
1	Food and beverages	36.75
2	Pan, tobacco and intoxicants	2.99
3	Clothing & footwear	6.38
4	Housing, water, electricity, gas and other fuels	17.66
5	Furnishings, household equipment and routine household maintenance	4.47
6	Health	6.10
7	Transport	8.80
8	Information and communication	3.61
9	Recreation, sport and culture	1.52
10	Education services	3.33
11	Restaurants and accommodation services	3 35
12	Personal care, social protection & miscellaneous goods & services	5.04
	Total-CPI (1 to 12)	**100.00**

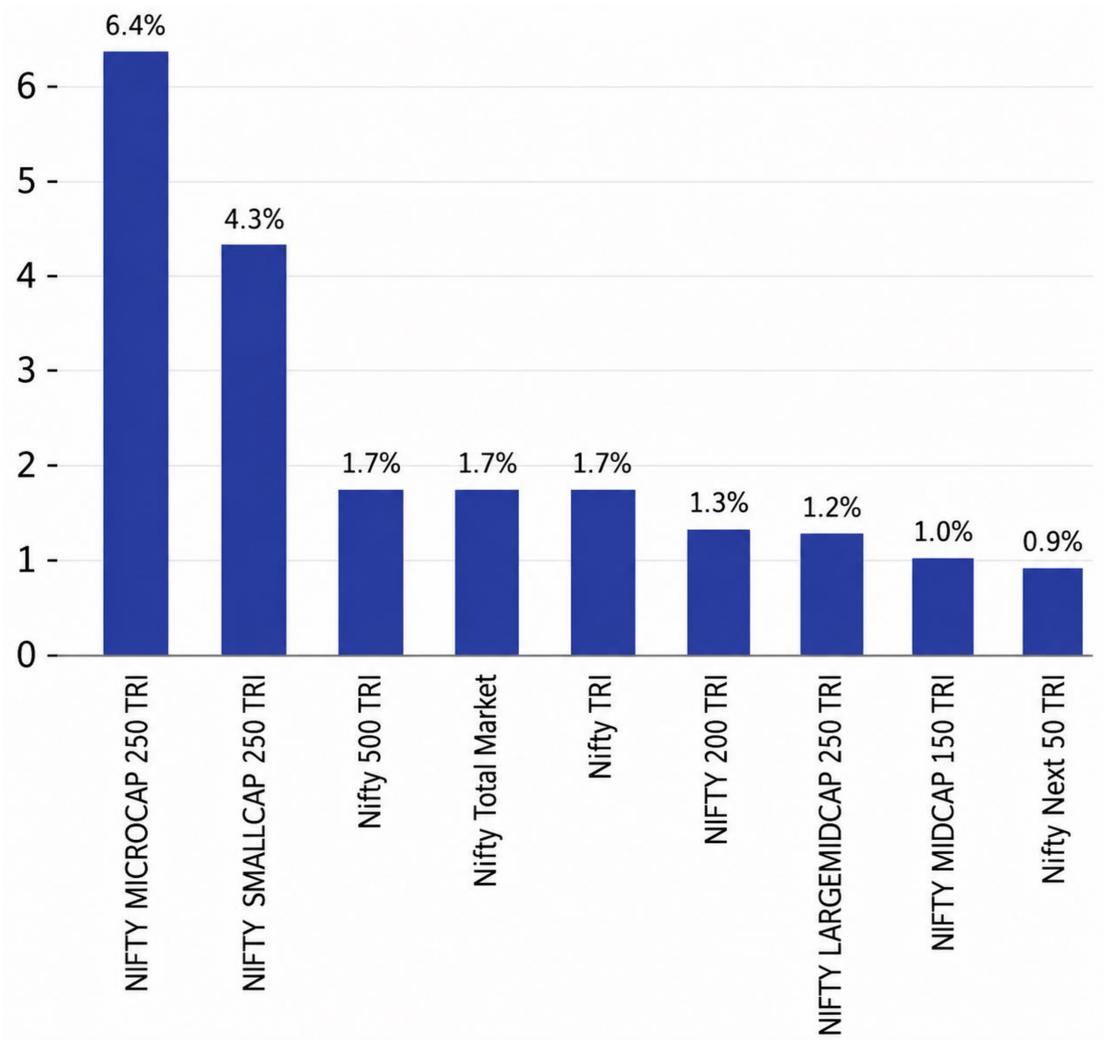
Expert Group Report on Comprehensive Updation of Consumer Price Index; Source: ICRA Research

- CPI measures the average Indian basket — not the spending pattern of a wealthy household.
- Even for urban India, the basket is already only ~40% food and ~60% non-food; large spends sit in conveyance, rent, durables and entertainment.
- As households move up the income ladder, food's share falls sharply: from 67% for Destitute households to 44% for Rich households, while non-food rises from 33% to 56%.
- For richer households, **bigger spending buckets shift toward education, healthcare & fitness, travel, housing-related utilities and household services** — categories that matter far more to their lived inflation.
- So when food inflation is soft, headline CPI can look benign even as the inflation actually felt by affluent households **remains higher because their basket is more services- and lifestyle-heavy**.

(Sources: National Metadata Structure (NMDS) for Consumer Price Index (CPI) Household Consumption Expenditure Survey: 2023–24 , Headlines The Rise of India's Middle Class: Results from the PRICE's ICE 360° Surveys , Executive Summary Consumer Price Index — February 2026)

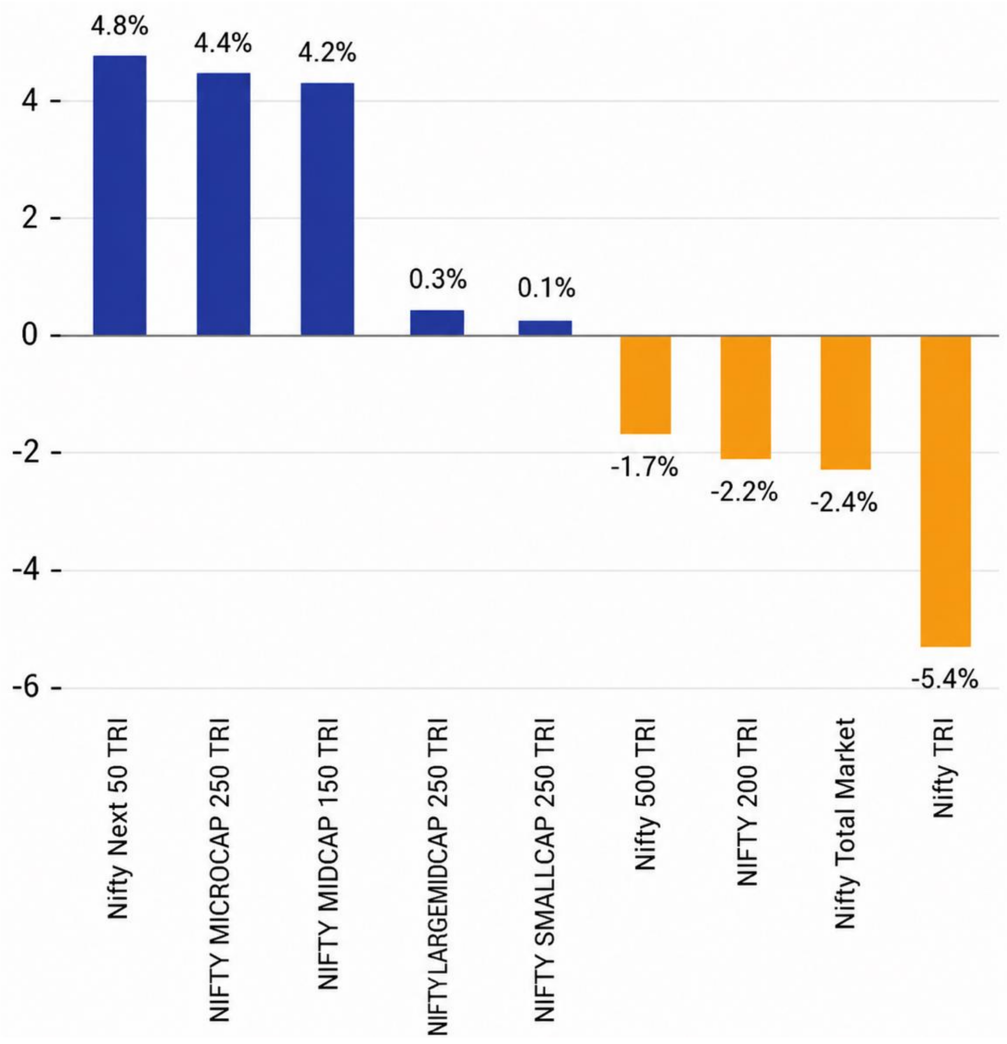
Indian - Equity Market

1 Month Returns



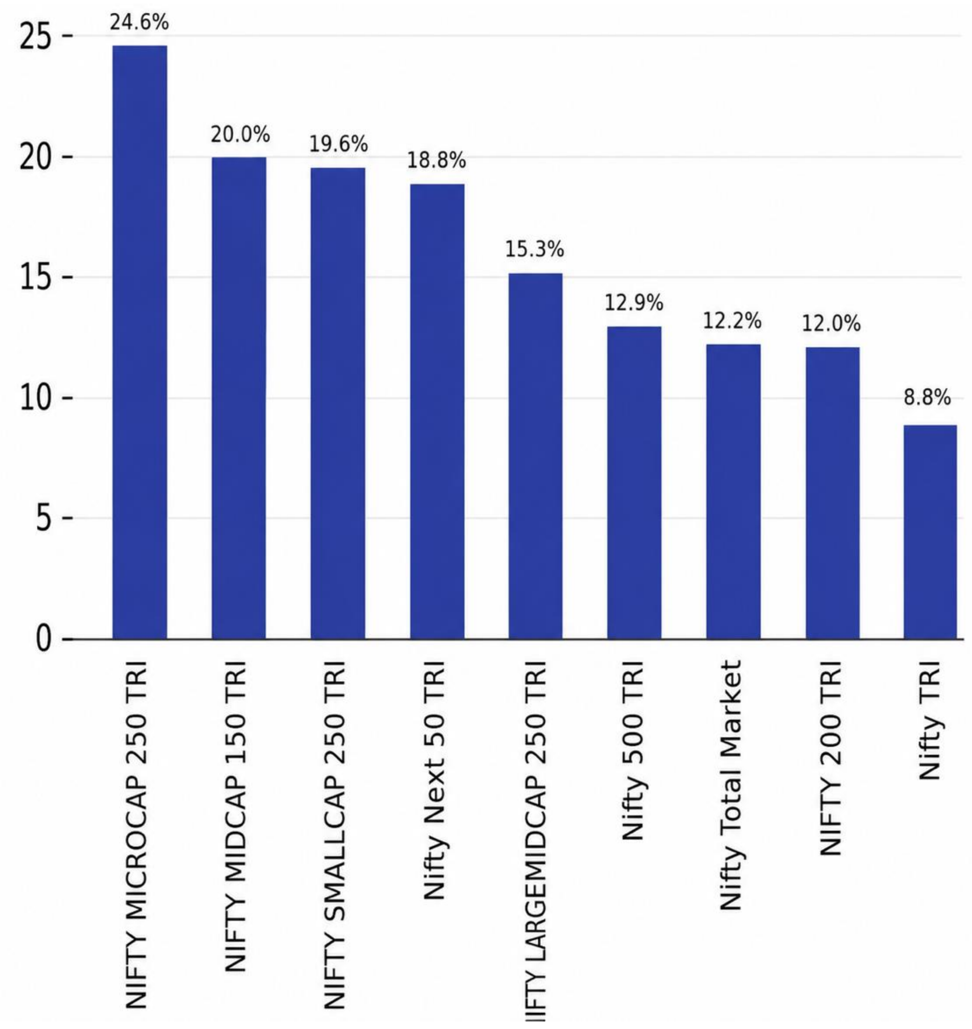
(Source : NGEN as on 30th June)

1 Year Returns



(Source : NGEN as on 30th June)

3 Year Returns

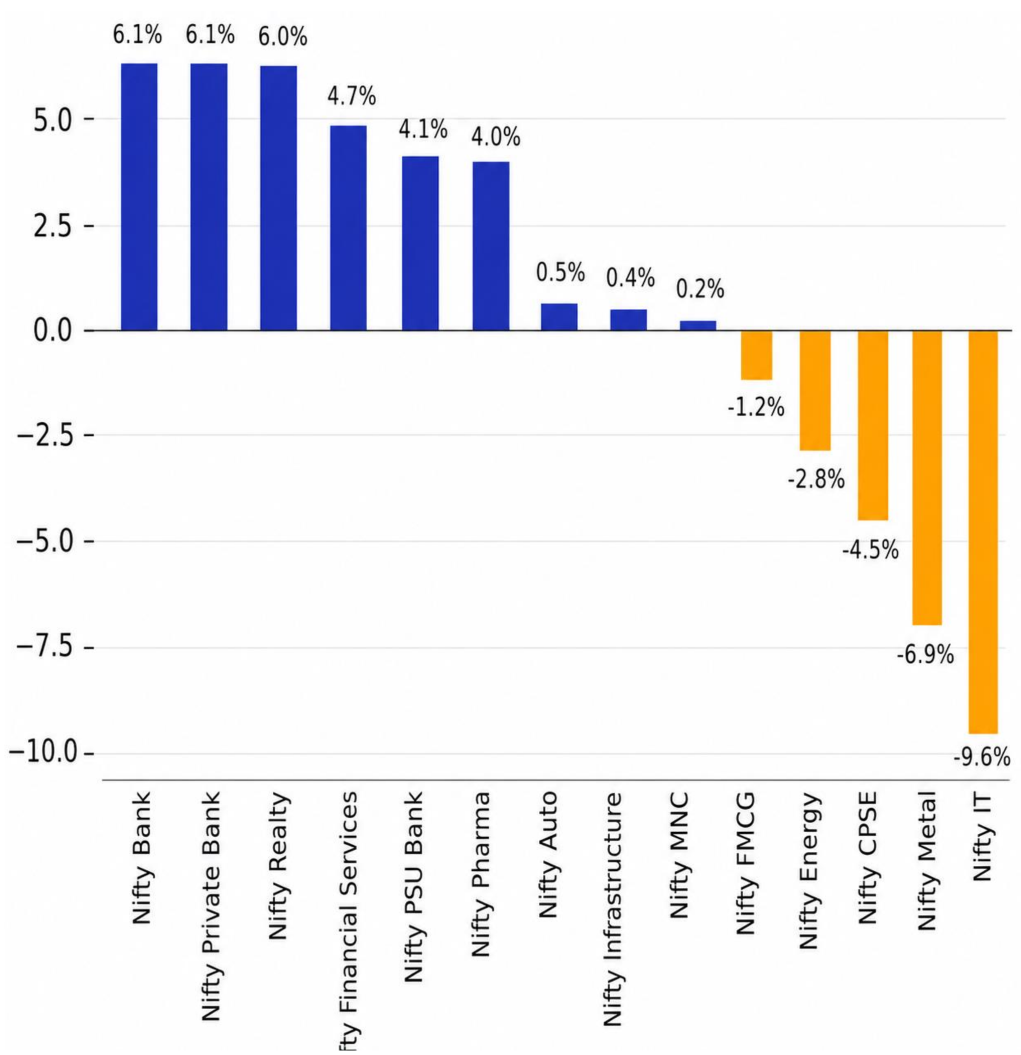


(Source : NGEN as on 30th June)

- One-year returns are muted-to-negative across the board (Nifty 50 -5.4%, Nifty 500 -1.7%), even as micro-caps (+6.4%) and small-caps (+4.3%) led the latest one-month move.
- Three-year CAGRs stay strong (Micro-cap +24.6%, Mid-cap +20.0%, Nifty 50 +8.8%), framing 2026 as a digestion phase after a powerful multi-year run rather than a structural break.
- Domestic SIP flows keep favouring the higher-beta smaller-cap segment even as large caps see foreign selling; historically, such narrow leadership late in a drawdown warrants caution on breadth.
- The Nifty 50's weak trailing year reflects its heavier foreign ownership and heavyweight drag; on valuation grounds it now offers the more favourable risk-reward within the complex.
- A durable re-rating likely needs earnings upgrades and a steadier rupee; until then, returns should stay range-bound with leadership rotating rather than trending.

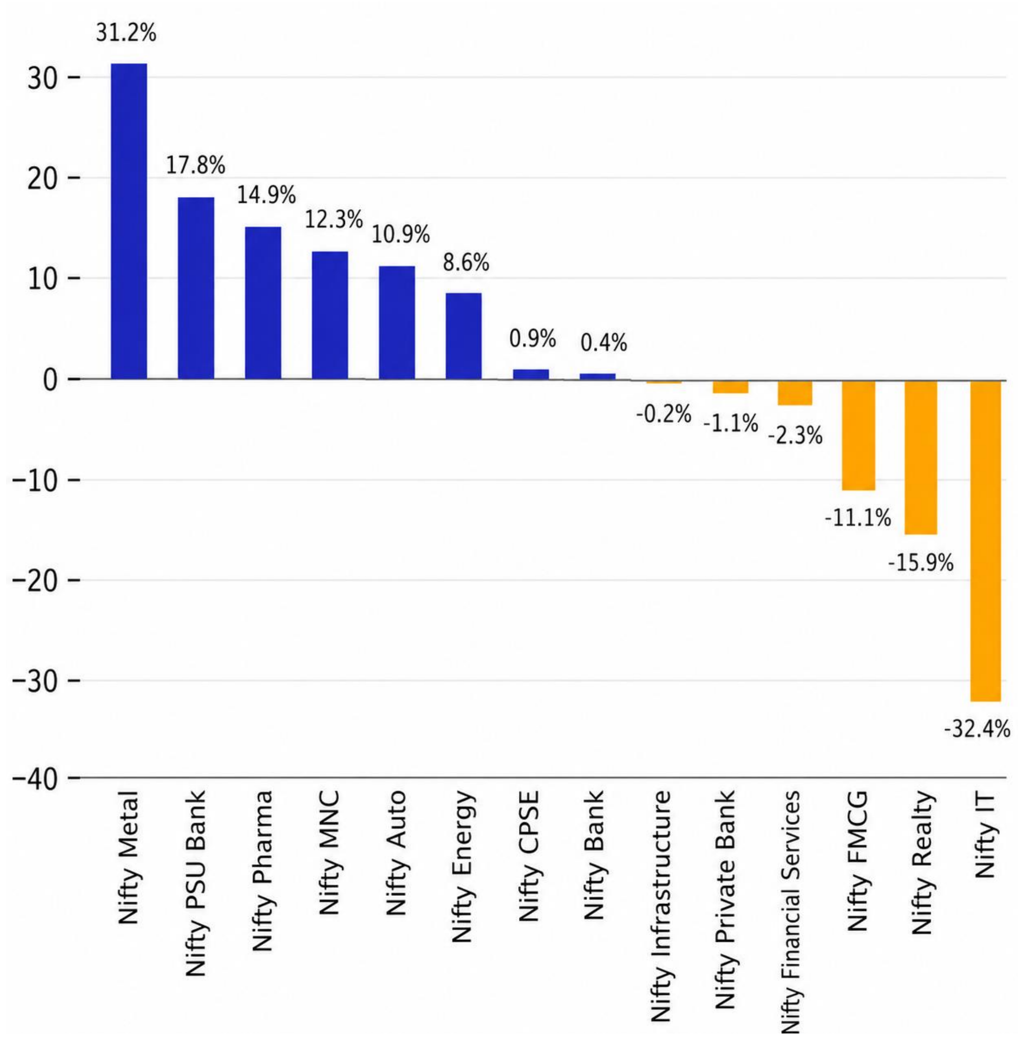
India - Equity Market (Sectoral Returns)

1 Month Returns



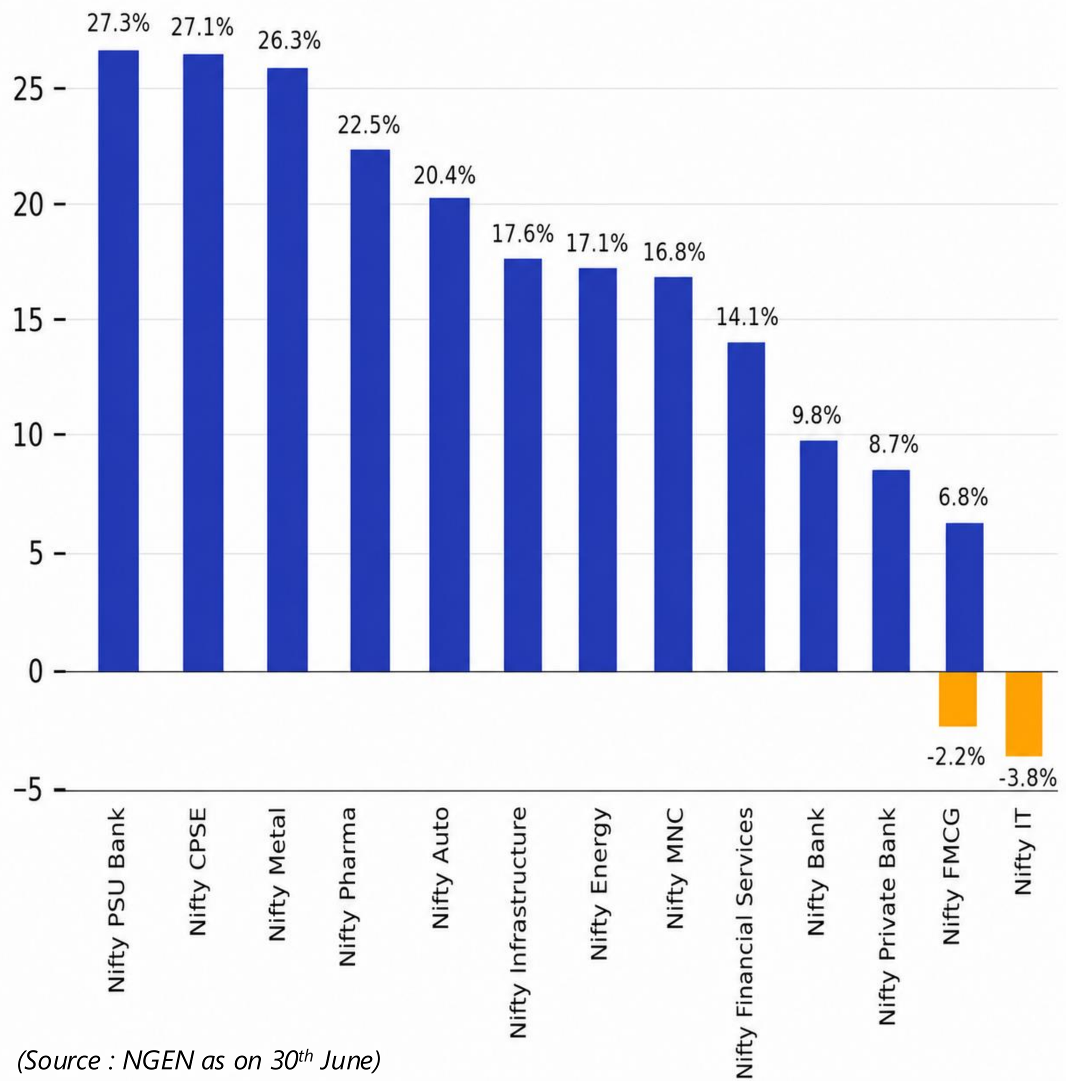
(Source : NGEN as on 30th June)

1 Year Returns



(Source : NGEN as on 30th June)

3 Year Returns



(Source : NGEN as on 30th June)

- Financials and Realty led (Bank / Private Bank +6.1%, Realty (+6.0%)), Financial Services (+4.7%), while IT (-9.6%) and Metals (-6.9%) fell the hardest.
- Last year's winner Metal (+31.2% 1Y) was this month's laggard, while beaten-down Realty (-15.9% 1Y) rebounded — a classic turn as the commodity cycle cools and rate-sensitives lead.
- Nifty IT is the standout underperformer (-9.6% 1M, -32.4% 1Y, -3.8% 3Y), pressured by weak US discretionary tech spend and AI-driven disruption fears.
- Over three years PSU Banks (+27.3%), CPSE (+27.1%), Metals, Pharma and Auto dominate — the government-capex and manufacturing story remains the market's structural spine.
- FMCG's negative three-year return mirrors the K-shaped demand seen in the macro data, while falling yields underpin the fresh bid into Banks, Financials and Realty.

India - Equity Market (Valuations)

Valuation: Broader Market Indices

Valuation: Sectoral Indices

- Nifty 50 trades at 20.6x P/E versus its 22.3x five-year average (P/B 3.1x vs 3.9x); Nifty 100 and Next 50 are similarly below-average, i.e. reasonably valued.
- Small-cap P/E of 35.5x sits well above its 27.0x average and Micro-cap P/B (3.6x vs 2.7x) is stretched — the recent lower-cap rally has pushed these further from historical norms.
- The valuation map argues for an up-in-quality tilt: large caps offer valuation comfort, while the higher-beta tail carries the greater de-rating risk if flows reverse.
- Defence (57.7x) and Capital Markets (47.7x) trade at rich premiums to history on the capex and market-structure theme; Healthcare and Pharma also sit above average after attracting defensive flows.
- Financials (Bank 14.5x, PSU Bank 8.1x) and Metals (16.7x) screen cheap versus history — precisely where the month's rotation flowed.
- Dispersion this wide rewards selection over index exposure; multiple expansion looks limited from here, placing the onus on earnings delivery.

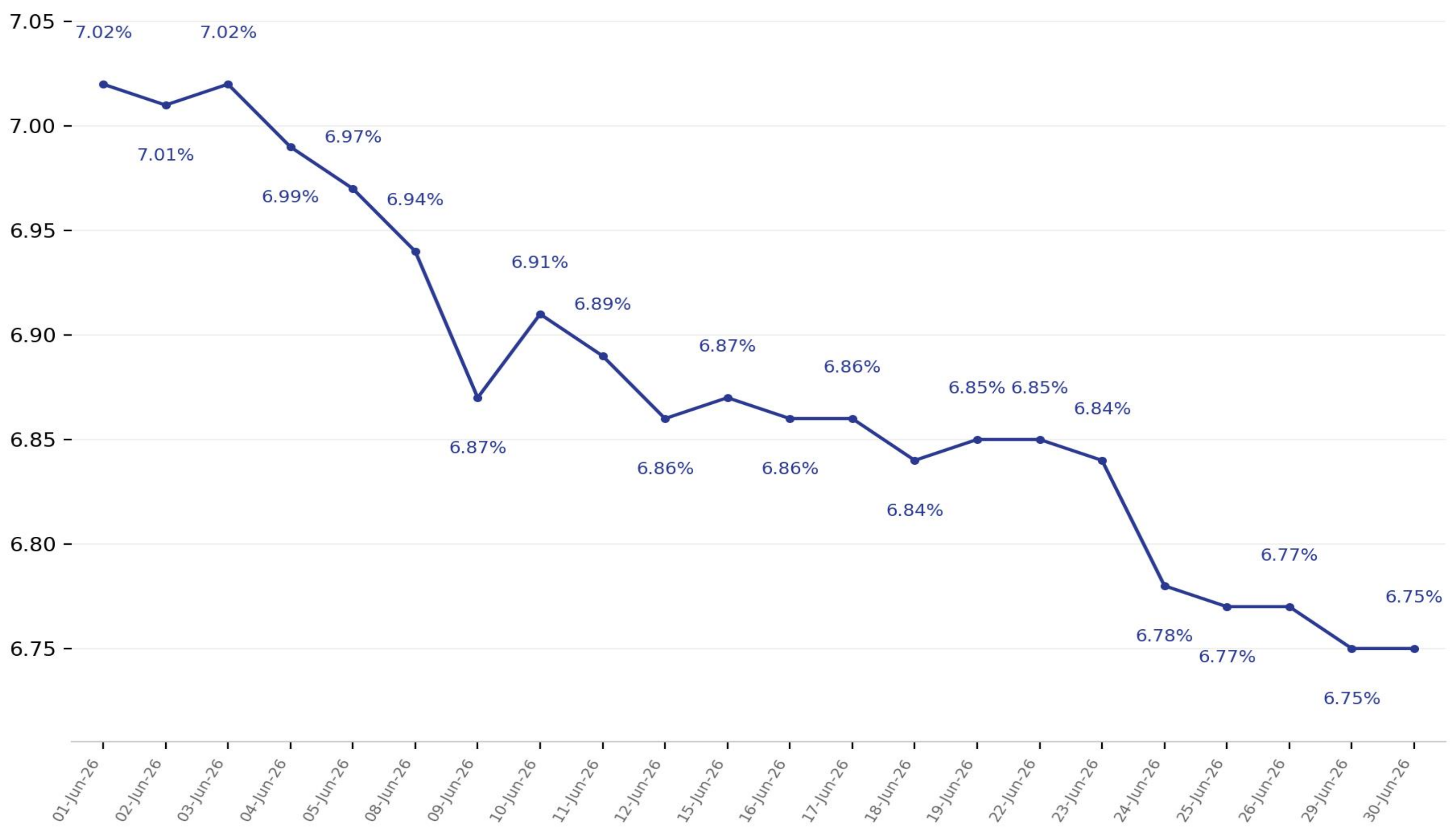
India - Debt Markets

Debt Market Indicators

Instrument	30-Jun-26	Week Ago	Month Ago	6 Months Ago
Call Rate	5.43%	5.38%	5.47%	5.48%
5 Year G-Sec	6.44%	6.49%	6.83%	6.32%
10 Year G-Sec	6.75%	6.84%	7.01%	6.58%
1 Year AAA Corporate Bond	7.34%	7.44%	7.80%	7.02%
3 Year AAA Corporate Bond	7.36%	7.31%	7.67%	7.09%
5 Year AAA Corporate Bond	7.27%	7.31%	7.56%	7.14%

(Source : NGEN as on 30th June)

10 Year G-Sec Movement



- The 10-year G-sec fell 26 bps over the month to 6.75% (from 7.01%) and the 5-year dropped 39 bps to 6.44%, a decisive move as inflation fears eased.
- Versus six months ago the 10-year is higher (6.58% then), showing H1 saw a war / oil-driven yield spike that June has only partly retraced.
- AAA corporate yields fell most (1-year AAA -46 bps to 7.34%), signalling improved liquidity and risk appetite, aided by RBI measures to draw foreign capital into debt.
- Call 5.43% < 5-year 6.44% < 10-year 6.75%, a normalised curve consistent with the RBI on hold after 125 bps of cumulative cuts.
- The bond rally mirrors the commodity slump; as the Iran-war oil premium unwound, the inflation impulse faded and duration was rewarded.
- With the RBI neutral and its inflation forecast raised to 5.1%, the easy war-premium leg of the rally may be largely done; further duration gains look more measured.
- The 5-year AAA corporate at 7.27% sits ~83 bps over the 6.44% 5-year G-sec — high-grade credit offers a clear carry pickup over sovereigns without stepping down in quality, and that spread has room to compress as system liquidity improves.

India - Macroeconomic Data

Data Snapshot

Description	Data (unit)
Inflation Rate (%)	3.93
Indian Rupee	₹94.59
Interest Rate - Policy Rate (%)	5.25
Unemployment Rate (%)	5.50
GDP annual Growth Rate (%)	7.80
Government Debt to GDP (% of GDP)	81.92
Current Account to GDP (% of GDP)	-0.60
Current Account (USD Million)	7081.00
Gold Reserves (tonnes)	880.52
Manufacturing PMI (points)	54.20

(Source : NGEN as on 30th June)

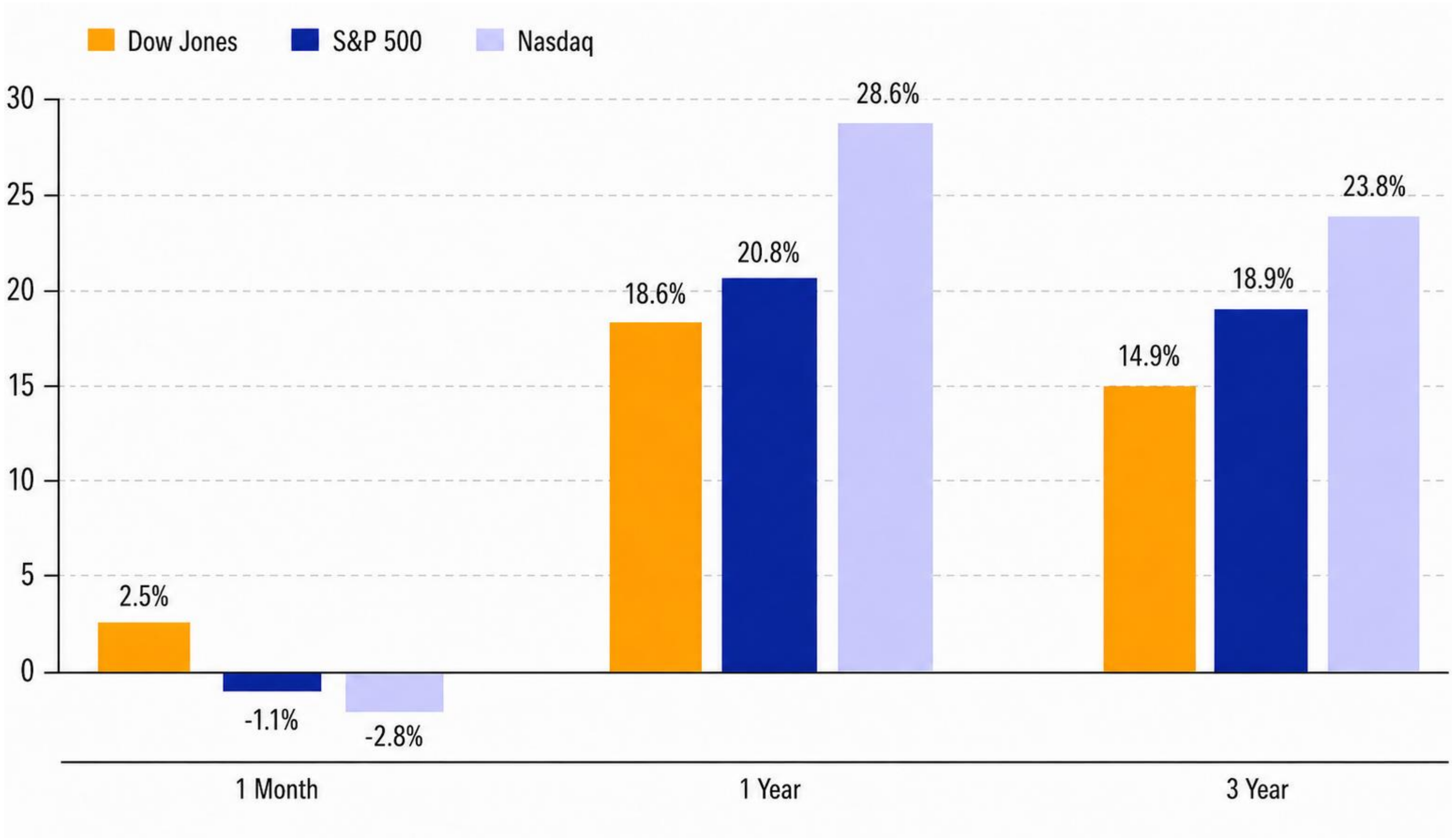
Consumption Indicators

		Change								12 Month Avg		12 Month Avg		Absolute							
Consumption/Demand (%, YoY*)	Units	May'25/ Apr'25	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	as of May'26	as of May'25	as of May'26	as of May'25	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Units
Personal Loans	% chg, YoY	11.9		16.0	16.2	15.2	14.9	14.4	12.8	13.7	13.6	65.3	57.6		69.6	69.4	68.0	67.2	66.5	64.9	INR Tr
Retail Payments	% chg, YoY	17.5		14.9	15.8	18.7	14.1	15.7	15.7	13.9	15.7	89.0	78.5		94.4	108.6	88.5	91.9	92.2	83.6	INR Tr
Non-Oil Imports	% chg, YoY	10.6	10.0	19.3	6.5	29.9	25.7	11.6	1.8	13.3	9.0	51	45	50.7	53.3	47.4	50.7	57.8	50.1	48.9	USD Bn
Passenger cars sales (ex UVs)	% chg, YoY	-13.3	23.3	26.7	5.0	-2.9	-2.4	35.4	16.0	8.3	-10.6	120	112	129	131	124	118	134	130	123	000 no's
Passenger cars sales (incl UVs)	% chg, YoY	-0.1	26.5	25.3	16.6	11.2	13.9	28.8	19.7	12.8	2.3	394	349	428	429	438	411	443	393	405	000 no's
POL Consumption	% chg, YoY	1.1	-6.5	-3.8	3.2	4.5	0.3	4.5	0.6	0.8	1.5	20.1	20.0	19.9	19.5	21.4	20.2	20.6	21.6	20.8	Mn Tonnes
Two wheelers	% chg, YoY	2.3	14.8	28.4	19.3	35.2	26.2	39.4	21.2	17.1	4.4	1843	1613	1902	1873	1976	1871	1926	1541	1944	000' no's
Consumer Price Inflation*	% chg, YoY	3.0	3.9	3.5	3.4	3.2	2.7	1.2	0.5	2.2	4.4	2.2	4.4	3.6	3.4	3.1	2.4	1.5	0.6	0.6	3MMA
Core CPI (ex food and fuel)*	% chg, YoY	4.3	3.55	3.18	3.23	3.14	3.09	4.5	4.2	3.8	3.7	4.2	3.7	3.1	3.1	3.1	3.6	3.9	4.3	4.3	3MMA

- CPI at 3.93% sits below the 4% midpoint, but core inflation near 4.3% shows the disinflation is largely food / fuel-led and reversible if oil re-spikes.
- GDP growth of 7.8% and a Manufacturing PMI of 54.2 (expansion) point to resilient activity despite the global shock.
- At ~94.6 per dollar, near record lows, the currency is the channel through which the oil shock reaches India via a wider import bill and current-account strain.
- This is why the RBI raised its inflation forecast to 5.1%, held rates at 5.25%, and rolled out measures to attract dollar inflows and steady the rupee.
- Digital payments (+17.5%) and personal loans stay firm, but entry-level car sales (-13.3%), two-wheelers (+2.3%) and fuel demand (+1.1%) reveal soft mass-market demand.
- The premium-versus-mass split explains FMCG's de-rating and the capex-led growth model; a stable rupee and softer crude are the keys to reviving broad consumption.

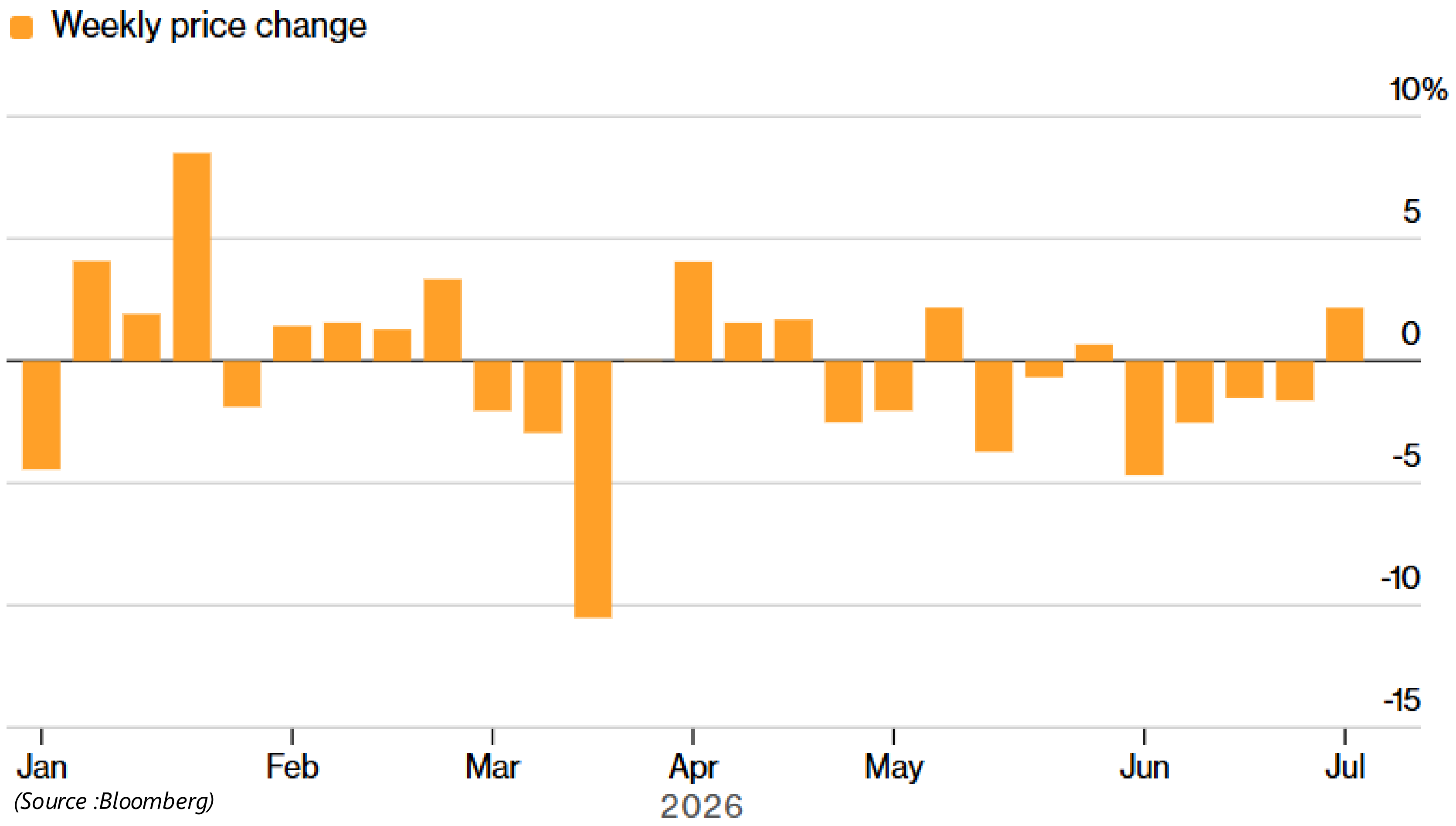
US - Equity Market

Trailing Returns



(Source : NGEN as on 30th June)

Gold Climbs as Rate-hike Bets Fade



(Source :Bloomberg)

- One and three-year returns are strong and tech-led (Nasdaq +28.6% 1Y, +23.8% 3Y annualised; S&P 500 +20.8% / +18.9%).
- Over the last month the Nasdaq (-2.8%) and S&P 500 (-1.1%) fell while the Dow rose (+2.5%) — a rotation out of long-duration tech into value.
- With the Iran<>US ceasefire agreement Gold saw some recovery as yields saw downward pressure reflected by relatively lower long term inflation expectations.
- June's dot-plot flipped toward a possible hike with 17 of 18 officials seeing upside inflation risk, repricing higher-for-longer and compressing tech multiples.
- With a higher discount rate the driver shifts from multiple expansion to earnings delivery — consistent with strong earnings having to offset higher borrowing costs.
- Leadership remains narrow and AI-centric; a steeper curve and firmer value factors could broaden participation but also raise the stakes on any earnings disappointment.

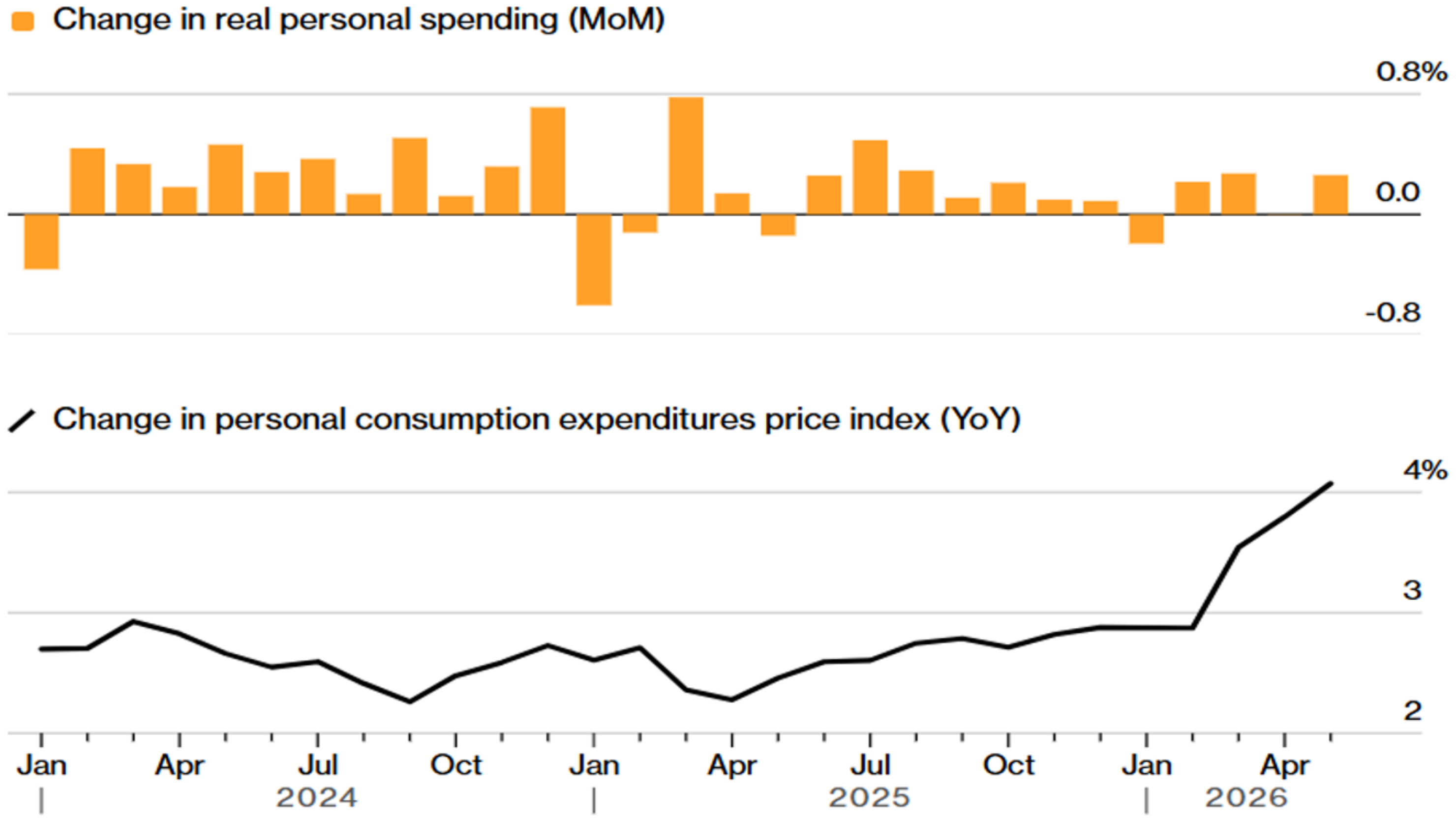
US - Key Macroeconomic Updates

Data Snapshot

Indicator	Value
Inflation rate (CPI) (%)	4.20
Dollar (DXY)	$101.24
Interest Rate (%)	3.75
Unemployment Rate (%)	4.30
Consumer Price Index (CPI) (Points)	335.12
Imports (USD Billion)	383.00
Exports (USD Billion)	327.10
Core Consumer Prices (Points)	336.12
Producer Prices (Points)	157.60

(Source : NGEN as on 30th June)

US Consumer Spending



Source: Bureau of Economic Analysis

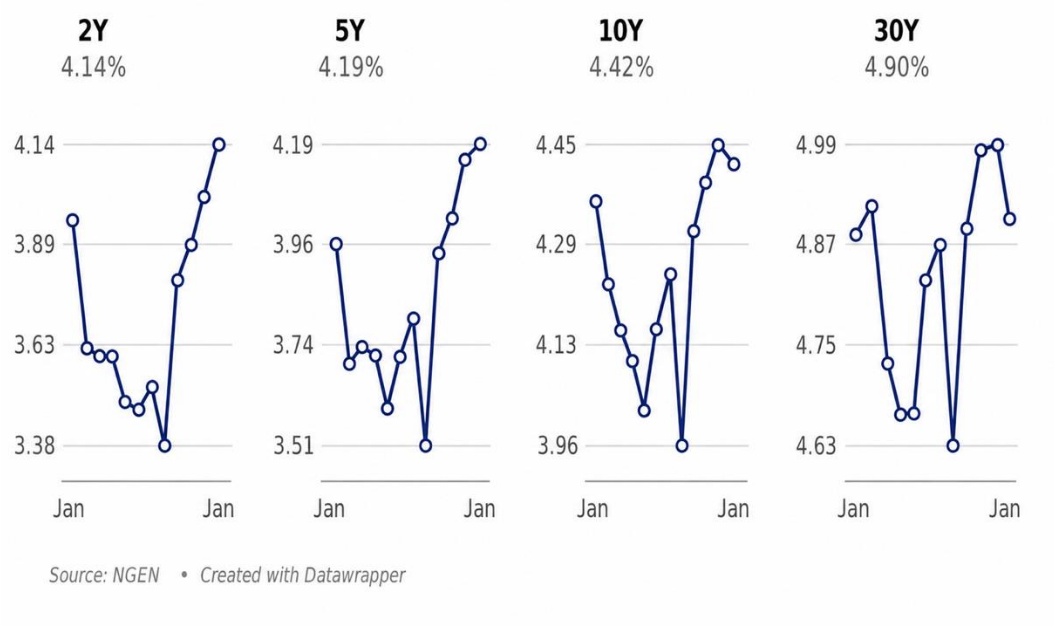
- Real GDP rose 2.1% annualised in Q1 2026 (from 0.5% in Q4 2025), led by investment, exports and government spending.
- The investment surge reflects the AI and data-centre buildout; the narrow, capex-concentrated expansion mirrors the market's narrow, tech-led leadership.
- Consumer spending decelerated as elevated prices erode purchasing power — a caution flag beneath the headline growth number.
- Headline inflation at 4.2% (core PCE ~4.4%) remains well above target, partly an energy supply-shock from the Iran war.
- With rates at 3.50-3.75% and unemployment steady at 4.3%, the Fed is prioritising inflation — a mild stagflation-lite balance of solid-but-slowing growth and sticky prices.
- If June's crude collapse persists, the inflation impulse eases and the 2027 cuts the Fed pushed out could return to view.
- With the policy rate at 3.75% against 4.2% CPI (core PCE ~4.4%), the real fed funds rate is still slightly negative — policy is not genuinely restrictive in inflation-adjusted terms, which reinforces why the Fed has leaned toward holding, even hiking, rather than cutting. Goods trade stays in deficit — $383bn of imports against $327bn of exports, a ~$56bn gap — so it is improving net trade at the margin, not its level, that lifted Q1 GDP; a firm dollar (DXY ~101) would widen that shortfall again.

US - Debt Market & Global Commodities

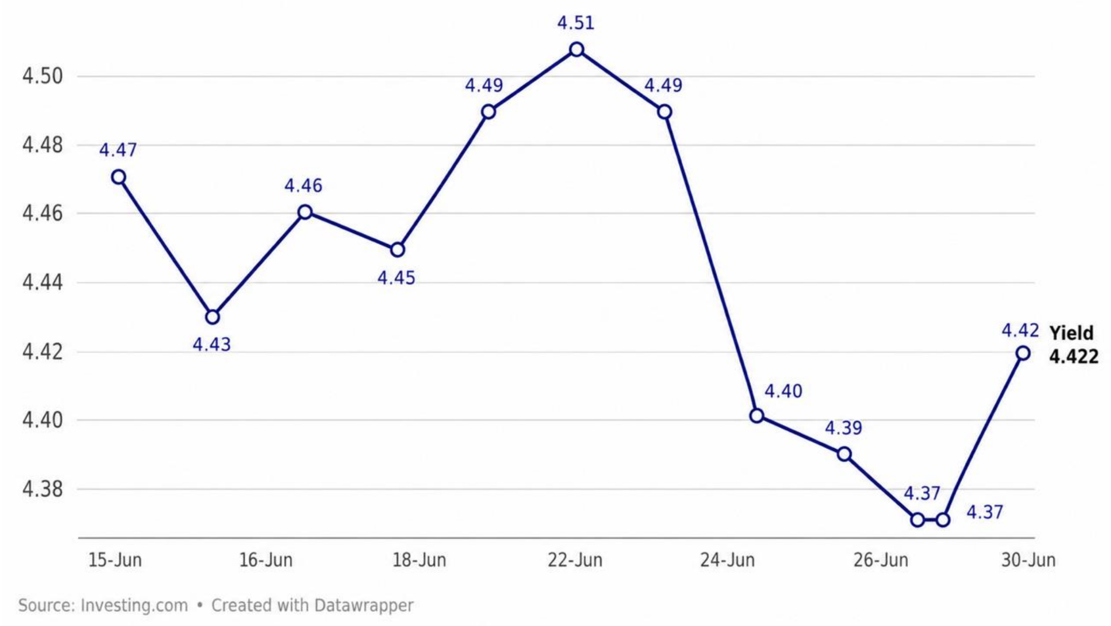
Global Commodities

Commodity	22-Jun-26	1 Month Ago	% Chg (1M)
Gold (INR/10 gm)	146,740	157,548	-6.9%
Gold ($/oz)	4,190	4,509	-7.1%
Silver (INR/1 kg)	237,793	266,286	-10.7%
Silver ($/oz)	65	75	-13.7%
Brent Crude($/bbl)	78	111	-29.4%
Crude Oil (INR/1 bbl)	7,222	9,280	-22.2%
NYMEX Crude($/bbl)	79	100	-21.4%
Natural Gas (INR/1 mmbtu)	305	291	+4.9%
Aluminium (INR/1 kg)	361	389	-7.2%
Copper (INR/1 kg)	1,336	1,369	-2.4%
Nickel (INR/1 kg)	1,715	1,811	-5.3%
Lead (INR/1 kg)	207	214	-3.3%
Zinc (INR/1 kg)	373	374	-0.4%
Mentha Oil (INR/1 kg)	1,116	1,085	+2.9%
Baltic Dry Index	2,684	2,991	-10.3%

US Rates



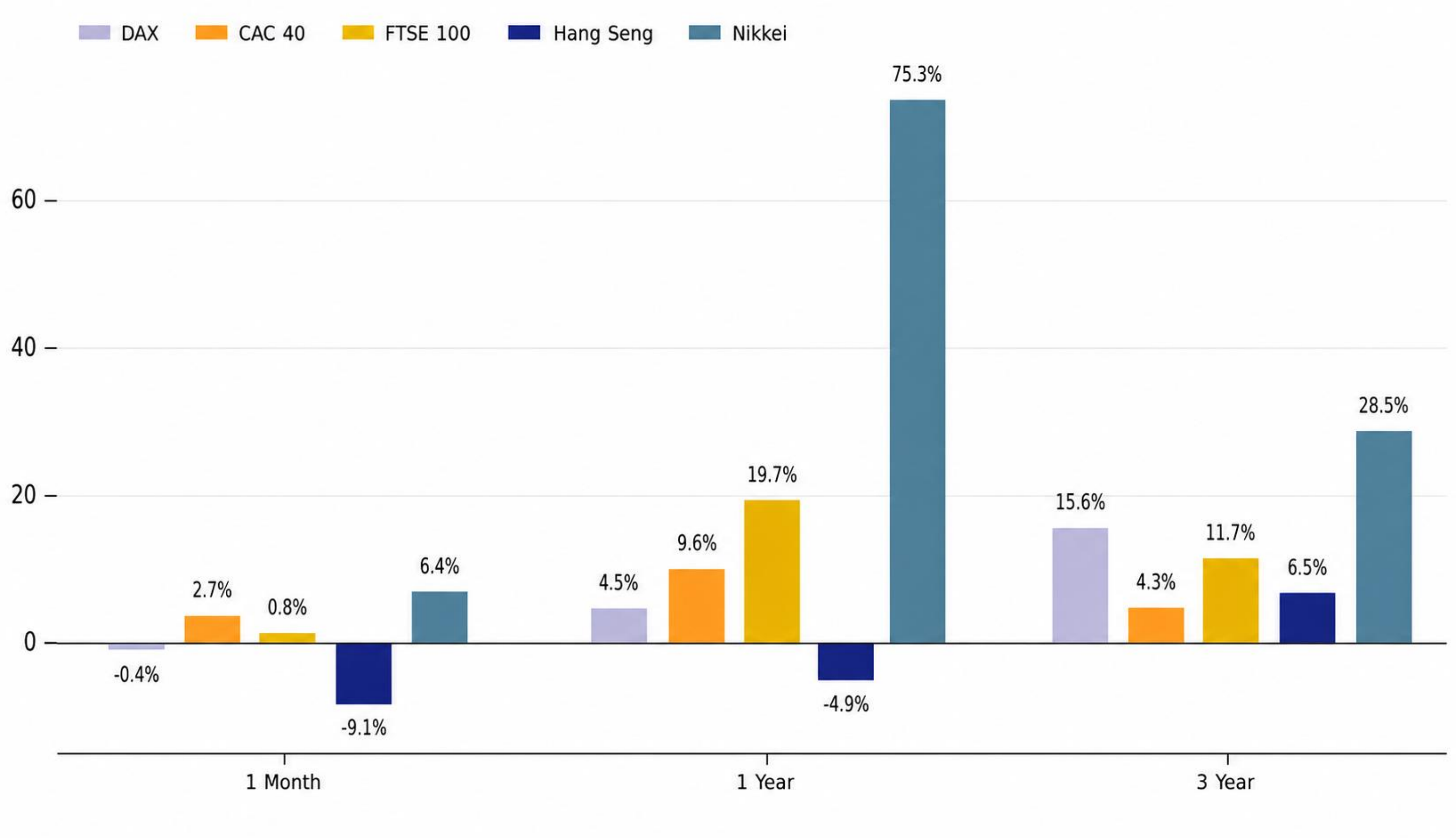
US 10 Year Bond Yield

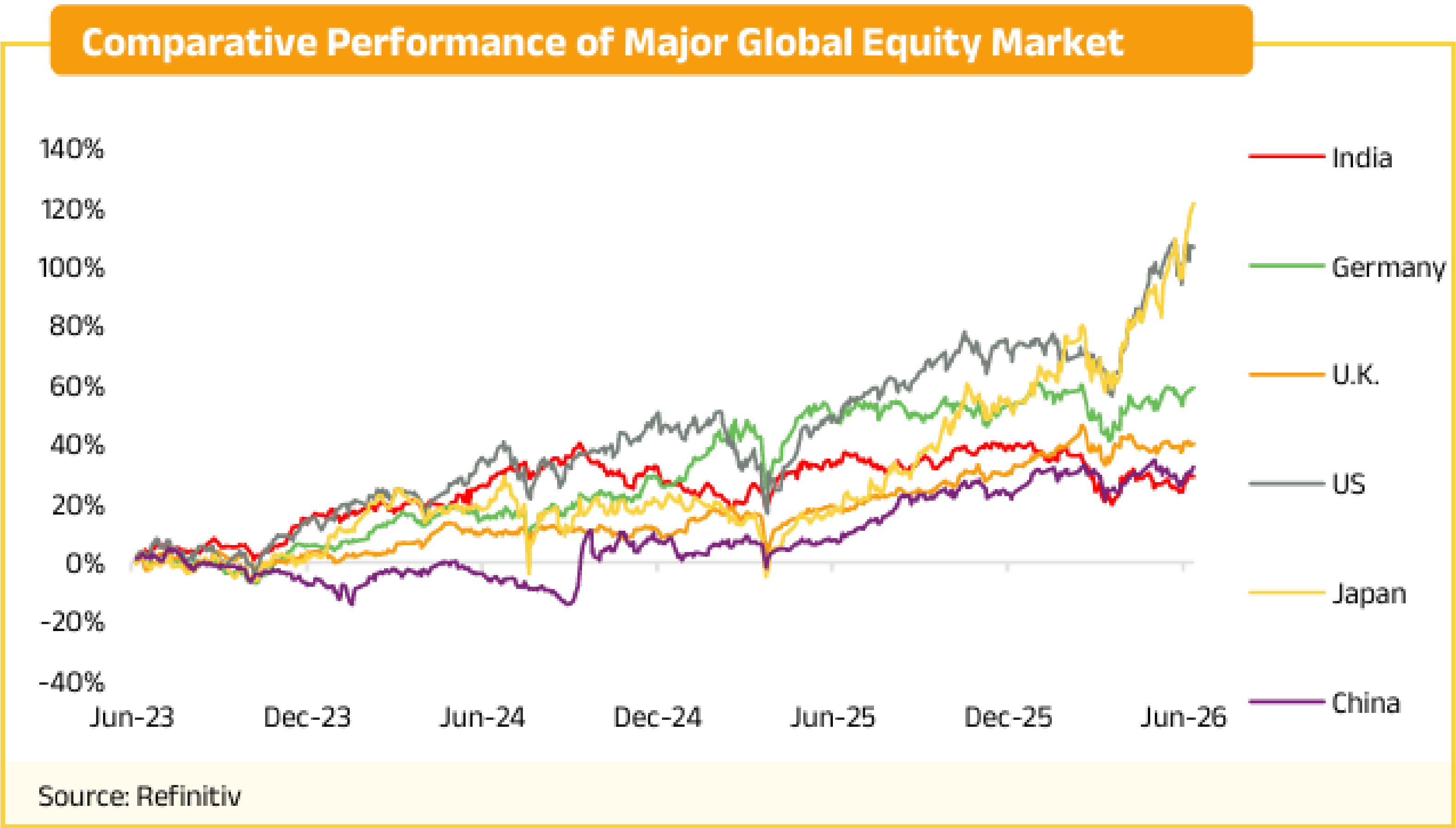


- The Iran-war risk premium unwound hard: Brent -29.4% (to ~$78), NYMEX -21.4%, silver -13.7%, gold -7.1% (to ~$4,190/oz) and the Baltic Dry -10.3%.
- Even after a 7% pullback, gold above $4,000/oz signals persistent structural demand — central-bank buying and dollar-debasement / fiscal hedging that risk-on has only partly unwound.
- Treasuries slope upward and steepen: 2-year 4.14%, 10-year 4.42%, 30-year 4.90%, with the 10-year holding a ~4.4% range through the month.
- The front end is anchored by a Fed on hold, while the elevated long end (30-year ~4.9%) prices a higher term premium for fiscal and supply risk.
- Falling energy and metals ease global inflation and are the single biggest relief for Indian bonds and the rupee — but they pressure energy and metal equities.
- The move hinges on a fragile Iran ceasefire; late-June strikes show the premium could snap back, so the commodity relief is not yet secure.

Global Equity Markets

Global Indices





- The Nikkei is the standout on both one- and three-year horizons, powered by corporate-governance reform, reflation and a weak yen.
- The FTSE 100 is resilient (+19.7% 1Y) while the DAX and CAC deliver more modest gains; Hong Kong's Hang Seng has faded (-9.1% 1M, -4.9% 1Y) after its 2024-25 rally.
- Capital has rotated from the multi-year Indian winner toward Japan and the US reminder that leadership is cyclical and mean-reverting.
- For a rupee investor, India's relative weakness sits against still-superior three-year returns pause, not a reversal, of the structural story.
- A fragile risk backdrop (Iran ceasefire, hawkish Fed) argues for global balance rather than chasing the one-year winners.
- Country dispersion is extreme — one-year returns span the Nikkei's +75.3% to the Hang Seng's −4.9%, a spread near 80 points — a reminder that country selection, not broad global beta, drove this year's outcomes.
- The Hang Seng's drop looks like recent give-back rather than a structural break — it still holds a positive three-year return (+6.5%) — yet on the Refinitiv cumulative view China remains the clear multi-year laggard, the mirror image of Japan's and the US's leadership.

Asset Class Returns Snapshot

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026*
0.22	19.57	41.29	7.91	31.49	44.4	31.6	13.9	26.91	25.02	167.27	17.58
7.39	14.97	37.65	6.03	23.79	27.97	28.71	9.74	26.29	22.93	74.73	14.78
1.38	11.96	21.83	-0.21	21.75	9.26	1.53	0.46	15.37	20.61	6.37	11.27
-3.92	11.35	5.11	-2.14	13.04	18.4	-4.21	4.25	7.82	17.57	17.88	-0.26
-6.65	5.12	-0.05	-4.38	10.46	17.89	-8.2	-12.55	7.26	9.57	7.76	-0.81
-9.68	4.3	-2.76	-10.54	8.97	-0.29	-11.83	-18.11	-10.46	16.24	32.51	-4.83

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 June 2026

Thank You!