

India Rewind is a monthly update from DSP's Investment Desk.

It separates the alpha from the noise and aims to deliver key insights to readers, packed within a 2-minute reading time.

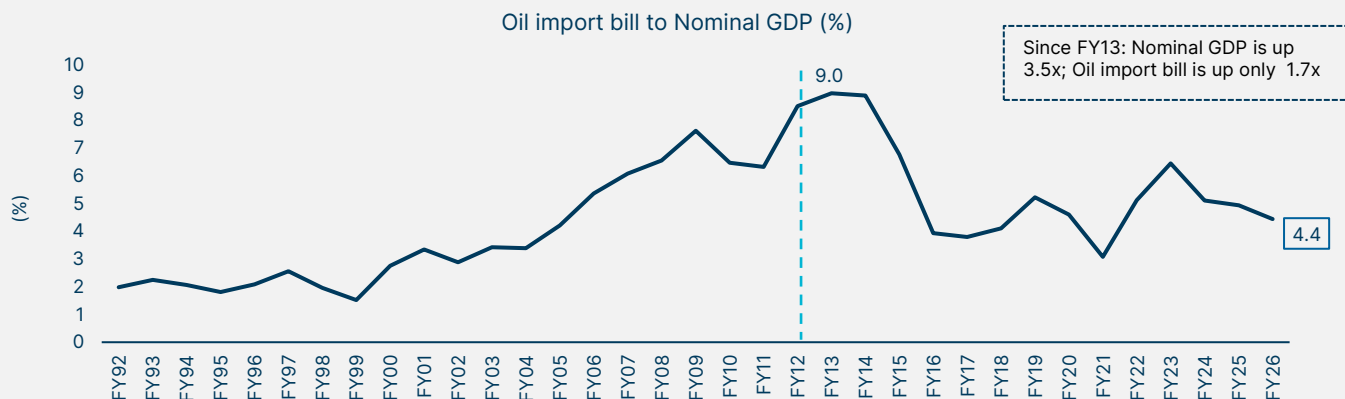
Indian equities remained range bound in May, with MSCI India broadly flat in USD terms versus ~7.8% for MSCI EM and ~4% for MSCI World. Year to date, India continues to trail most major markets, though the underperformance is largely explained by the global AI trade - markets with higher semiconductor and hardware exposure, such as South Korea and Taiwan, have materially outperformed. Adjusting for this, India's ex-IT equity performance is meaningfully narrower, suggesting that broader market resilience remains intact beneath the headline gap. Foreign portfolio outflows have cumulated to ~USD 26 billion in CY26 year-to-date, while domestic institutions have absorbed much of this, with net inflows of ~USD 41 billion - reinforcing the structural shift in market ownership toward local capital.

India's growth backdrop remains robust - 4QFY26 GDP came in at 7.8%, taking full-year FY26 growth to 7.7%. However, the first signs of macro transmission from external stress are now visible. GST collection growth has slowed to low single digits, private capex eased to ~5% in 2HFY26, and the trade deficit has started to widen. Brent crude averaged ~USD 103/bbl in 1QFY27, sharply higher than the USD 63-78 range across the prior four quarters, and gradual fuel price hikes through May have raised the risk of second-round pass-through into consumer inflation. That said, India's oil vulnerability is structurally lower than in previous high-crude cycles - the oil import bill is now ~4.4% of GDP versus ~9% a decade ago - which helps contextualise the risk as a margin headwind rather than a macro derailment (see chart of the month below).

The RBI unanimously held the repo rate at 5.25% at its June review, while cutting FY27 GDP growth estimate by 30bp to 6.6% and raising CPI inflation by 50bp to 5.1%. Rather than tightening to defend the currency, the central bank has opted to attract capital inflows - expanding the Fully Accessible Route to include 15-, 30- and 40-year G-Secs, removing FPI limits on short-term investments under the General Route, and offering to bear full hedging costs on fresh FCNR(B) deposits and PSU ECBs through September 2026. The government complemented this with an ordinance removing withholding and capital gains taxes on foreign sovereign bond holdings - a move that could also pave the way for India's inclusion in the Bloomberg Bond Index. Taken together, these measures could channel an estimated USD 75-100 billion in incremental capital flows and shift India's FY27 balance of payments outlook from a projected deficit of USD 75 billion to near-neutral. The rupee, which touched a record low near 96.96/USD, has since stabilised ~95/USD - a development worth watching, as currency stability directly improves India's dollarized return profile for international allocators.

At ~19.4x one-year forward earnings, the MSCI India trades below its 10-year average - a zone that has historically preceded favourable 12-month outcomes. RBI has played its part, now the near-term direction will be driven by the durability of these measures, and whether earnings can absorb the evolving cost environment. Macro landscape has intensified and policy responses have been proactive. Having said that, India's structural offset - domestic demand resilience, a long infrastructure runway and growing self-sufficiency in capital markets - continues to provide balance.

Chart of the Month: India's Oil Vulnerability Has Structurally Halved Since FY13



Info Sources: Elara Capital, Nuvama, Morgan Stanley Research, MOFSL, Avendus Spark Research, UBS, Kotak Securities. Data as of May 2026. MXASJ – MSCI Asia Ex-Japan, FPI – Foreign Portfolio Investor, DII – Domestic Institutional Investor, RBI – Reserve Bank of India, FY – Financial Year, CY – Calendar Year; YoY is Year over Year, YTD – Year to date, EM – Emerging Markets, DM – Developed Markets, FTA – Free Trade Agreement. Past performance should not be taken as an indication or guarantee of future performance



Ashish Tekwani
Manager,
Investment Strategist



Jay Kothari
Senior Vice President,
Lead Investment Strategist

Past Issues:

- [India Rewind May 2026](#)
- [India Rewind April 2026](#)

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E
Economic Activity and Employment								
GDP, USD bn	2,871	2,668	3,176	3,390	3,568	3910	3910	3991
GDP per capita, USD	2,141	1,969	2,321	2,451	2,554	2771	2753	2787
Real GDP growth, %	4.0	-6.6	8.7	7.2	8.2	6.5	7.6	6.2
Prices, Interest Rates and Money								
CPI inflation, % y/y (average)	4.8	6.2	5.5	6.7	5.4	4.6	2.1	5.2
Repo rate, % (year-end)	4.4	4.0	4.0	6.50	6.50	6.25	5.25	5.75
10-year bond yield, % (year-end)	6.1	6.2	6.8	7.3	7.1	6.5	7.0	7.3
USDINR (year-end)	75.4	73.5	75.8	82.3	83.0	85.6	94.7	96.0
Fiscal Accounts								
General government budget balance, % GDP	-7.8	-13.9	-9.5	-9.4	-8.5	-8.0	-8.0	-7.5
Balance of Payments								
Trade balance, USD bn	-158	-102	-189	-266	-243.2	-287.2	-339.5	-406.6
Exports, USD bn	320	296	429	456	440.2	441.8	446.9	470.7
Imports, USD bn	478	398	619	720	683	729	786	877
Current account balance, USD bn	-25	24	-39	-67	-25	-23	-41	-100
Foreign direct investment (net), USD bn	43.0	44.0	38.6	35	18	1	10	15
Total FX reserves, USD bn	478	577	607	578	646	668	695	658
Total external debt, % GDP	19.5	21.4	19.1	18	18.1	17.1	19.9	20.3
Credit ratings								
Moody's	Baa2	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3
S&P	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB	BBB
Fitch	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

Source: CEIC, Haver, UBS estimates; Note: Data is for FY ending March; E – Estimates. Data as of May 2026

DISCLAIMER: This communication is issued by DSP Asset Managers Private Limited. In this material DSP Asset Managers Private Limited (the AMC) has used information that is publicly available, including information developed in-house. Information gathered and used in this material is believed to be from reliable sources. The AMC however does not warrant the accuracy, reasonableness and / or completeness of any information. We have included statements / opinions / recommendations in this document, which contain words, or phrases such as “will”, “expect”, “should”, “believe” and similar expressions or variations of such expressions that are “forward looking statements.”

RISKS – Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, which have an impact on our services and / or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices etc. All figures and other data given in this document are dated and the same may or may not be relevant in future and the same should not be considered as solicitation / recommendation / guarantee of future investments by the AMC or its affiliates.

This communication contains information which refers to the past as well as information on future performance. **Neither past performance nor forecasts are a reliable indicator of future performance.**

This information and associated materials have been provided to you at your express request, and for your exclusive use. This information is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be unlawful under the securities laws of such jurisdiction or country. Any distribution, by whatever means, of this information and related material to persons other than those referred to above is strictly prohibited.

Distribution of this communication may be restricted in certain jurisdictions. Any product(s) mentioned within this communication (i) may not be registered for distribution in your jurisdiction, and (ii) may only be available to professional or otherwise qualified investors or entities. The information is for general guidance only, and it is the responsibility of any person or persons in possession of this material to inform themselves of, and to observe any such restrictions, all applicable laws and regulations of any relevant jurisdiction, including of any applicable legal requirements, exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

Past performance may or may not be sustained in the future. There is no assurance of any capital protection / capital guarantee to the investors. The sector(s) / stock(s) / issuer(s) mentioned in this document do not constitute any recommendation of the same. Investors are advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implication or consequence of investing into the investment strategies.