DSP
ASSET MANAGERS

MONTHLY INVESTMENT UPDATE

India Rewind

July 2026

MSCI INDIA (JUN)	MSCI EM (JUN)	BRENT (JUN END)	FPI DEBT (JUN)	INR / USD
+1.3% approx.	-2.6% approx.	~$73/bbl	+$5bn approx.	~94–95
USD terms	AI stock selloff	vs ~$104 in May	Decade-high inflow	From low of 96.96

CRUDE - THE KEY CHANGE

India outperformed in June: **MSCI India +1.3%** (approx.) versus **MSCI EM –2.6%** (approx.) and **MSCI World –1.7%** (approx.), as global AI-stock selling weighed on EM peers. The single most important shift was crude — Brent fell from a May average of **~USD 104/bbl** to **~USD 73/bbl** by June end. This directly relieves pressure on the current account, inflation expectations, and the rupee risk premium. **After two months where oil dominated the India allocation debate, lower crude is the strongest signal the worst of the external shock may be behind us.**

INFLATION & GROWTH

May CPI was contained at **3.9%** — just below RBI's 4% target — but WPI rose sharply to **9.7%**, with fuel inflation at **30.3%**. Crude's correction improves the signal, but earnings risk remains: cost pass-through via freight, logistics and manufactured inputs can lag. H1FY27 margins may still absorb the earlier oil shock as companies restock at higher landed costs. On the positive side, IIP hit a five-month high of **5.1%** in May, confirming underlying demand remains firm.

RUPEE & CAPITAL FLOWS

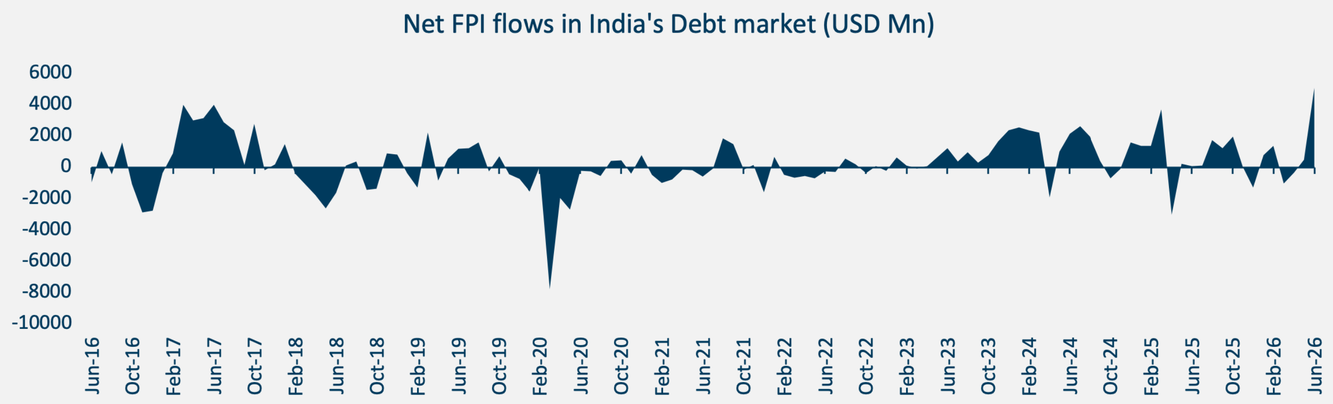
Earlier fears of USDINR hitting ~100 now look overdone — the rupee has recovered from **96.96** to **~94–95**, supported by RBI intervention, lower crude, and policy steps. The government's G-Sec tax exemption (FPI interest income and capital gains, effective 1 April 2026) is improving post-tax returns and driving durable debt inflows.

FPI DEBT (JUNE)	FPI EQUITY (JUNE)	POST-MID JUNE EQUITY
+$5bn approx.	–$3bn approx.	+$1.3bn approx.
Strongest monthly debt inflow in a decade	Slowest selling pace in four months	FPIs turned buyers after 15 June

VALUATION & OUTLOOK

MSCI India trades at **~20x** 12-month forward P/E — near its long-term average and **~20% below its peak multiple**. Bloomberg estimates imply USD EPS growth of **~7%** in FY27 and ~13% in FY28. If earnings downgrades remain contained through H1FY27, the market may already be pricing in the cycle's worst. India still trades at a premium to EM peers, but that premium remains justified — diversified domestic-demand earnings, stable RoEs, and a cleaner growth profile. **Both the macro and earnings backdrop are turning more constructive.**

Chart of the Month: FPI Debt Inflows Surge to a Decade High in June



Info Sources: Elara Capital, Nuvama, Morgan Stanley Research, MOFSL, Avendus Spark Research, UBS, Kotak Securities. Data as of June 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

We hope you found this note interesting. Feedback welcome at InvestmentStrategists@dspim.com

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INDIA AT A GLANCE

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Economic Activity and Employment								
GDP, USD bn	2,871	2,668	3,176	3,390	3,568	3,910	3,920	4,059
GDP per capita, USD	2,141	1,969	2,321	2,451	2,554	2,771	2,760	2,834
Real GDP growth, %	4	-6.6	8.7	7.2	8.2	6.5	7.7	6.2
Prices, Interest Rates & Money								
CPI inflation, % y/y (avg)	4.8	6.2	5.5	6.7	5.4	4.6	2.1	5.2
Repo rate, % (year-end)	4.4	4	4	6.5	6.5	6.25	5.25	5.75
10-year bond yield, % (yr-end)	6.1	6.2	6.8	7.3	7.1	6.5	7	7.3
USD/INR (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	-7.7
Balance of Payments								
Trade balance, USD bn	-158	-102	-189	-266	-243.2	-287.2	-337.3	-399.5
Exports, USD bn	320	296	429	456	440.2	441.8	446.1	466.5
Imports, USD bn	478	398	619	720	683	729	783	866
Current account balance, USD bn	-25	24	-39	-67	-25	-23	-25	-76
FDI (net), USD bn	43	44	38.6	35	18	1	7	15
Total FX reserves, USD bn	478	577	607	578	646	668	691	710
Total external debt, % GDP	19.5	21.4	19.1	18	18.1	17.1	19.8	20.0
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 June 2026