Monthly Market Outlook

June 2026
Equity & Debt Insights

Equity Market Outlook

Look back at the month (May 2026)

- Indian equities witnessed a phase of consolidation in May 2026, with the Nifty 50 index declining by 1.87%, while the Nifty Midcap 150 index gained 2.60% and the Nifty Smallcap 250 index rose by 1.56%. The month was characterised by elevated volatility, as persistent global uncertainties.
- Global factors remained the key driver of sentiment, with escalating West Asia tensions, particularly the US–Iran conflict pushed Brent crude above $100/barrel, thereby heightening concerns around inflation and India's external balances.
- Foreign institutional investors remained net sellers during the month, with net outflows of ₹32,963 crore (approximately USD 3.45 billion).

June 2026 Outlook

- The West Asia conflict continued to weigh on global markets, disrupting commodity prices, trade flows, and supply chains, and keeping financial market volatility elevated, even as India remained supported by strong domestic demand.
- Global central banks, including the US, UK, Euro area and Japan, maintained a status quo on policy rates amid geopolitical uncertainty, while the RBI also held the repo rate at 5.25% in the June MPC, adopting a cautious stance by revising inflation upward to 5.1% and GDP growth downward to 6.6%, citing risks from the West Asia conflict and potential monsoon disruptions.
- Sharp rise in oil and gas prices, driven by the conflict, kept Indian crude elevated, forcing OMCs (Oil Marketing Companies) to implement two rounds of retail fuel price hikes during May.
- The central bank announced multiple measures to boost foreign capital inflows and liquidity, while in the domestic economy, strong kharif sowing progress supported by favourable monsoons provided comfort, though weather-related risks to rabi output and rural demand remain a key watchpoint.

Economic Market Outlook

Look back at the month (May 2026)

- CPI inflation edged up to 3.48% YoY in April 2026, driven by food prices, but remained below expectations as energy price pass-through to consumers stayed contained, with core inflation stable, while WPI inflation surged to 8.3% YoY, led by higher energy prices and supply-side disruptions in metals and chemicals, signalling rising input costs and margin pressures for producers.
- The RBI transferred a dividend of ₹2.87 trillion to the government, slightly above budget estimates, with higher provisions reflecting balance sheet expansion, while additional fiscal needs are likely to be met via higher T-bill borrowings.
- System liquidity remained comfortable in early May, with the RBI conducting VRR auctions to manage post-GST outflows, while durable liquidity moderated to around ₹3 lakh crore due to FX interventions and currency-in-circulation leakage.
- Bond markets remained range-bound, with the 10-year G-sec yield moving between 6.95%–7.10%, while global cues stayed mixed, US yields softened, crude prices saw sharp and the rupee remained volatile, hitting a record low before recovering towards month-end.

June 2026 Outlook

- Upside risks to inflation remain elevated, driven by a weaker rupee, high energy prices, and potential El Niño-led monsoon disruptions, which could impact food prices.
- The RBI is expected to remain on pause in the near term, with policy decisions staying data-dependent amid evolving inflation and growth dynamics.
- System liquidity is expected to remain in surplus, near the RBI's target of ~1% of NDTL, supporting orderly market conditions.
- Globally, central banks are likely to stay cautious, as geopolitical tensions in West Asia continue to reignite inflationary pressures.

Source: Bloomberg, Ministry of Statistics and Programme Implementation (MOSPI), Reserve Bank of India (RBI), LIC MF Internal Research

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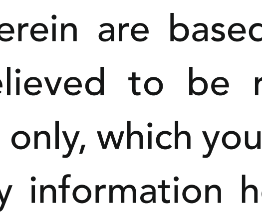

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