

Market Overview:

The global outlook remains fragile, driven by geopolitical tensions and energy supply disruptions that have kept oil prices elevated and added pressure on global growth. Supply-side shocks are feeding into higher costs across industries, while weakening demand indicators point to a moderation in economic activity. At the same time, elevated global debt and persistent inflation are limiting central banks' ability to ease, resulting in tighter financial conditions and increasing stress in bond and credit markets. A stronger US dollar is further tightening liquidity, particularly for emerging markets.

RBI has been actively managing liquidity. Supply dynamics for G-Sec are supportive, with gross borrowing revised down to ~₹16 lakh crore and reduced long-duration issuance in H1FY27 calendar, aiding the long end of the curve. While global index inclusion is distant, favourable real rates and a potentially undervalued rupee could drive incremental foreign inflows in debt. Policy outlook is uncertain due to elevated oil prices/ geopolitical uncertainties. However, markets have largely priced in risks, limiting further yield upside unless a more hawkish stance emerges. With stable growth (6.9%) and controlled inflation (~4.5%) as per RBI's latest policy document, steep yield curve offers a favorable risk-reward for fixed income, despite global uncertainties.

Markets corrected sharply amid global headwinds and rising oil prices, which pose risks to inflation, fiscal balance, and corporate margins. FII outflows intensified, while DII inflows provided some cushion, and the INR weakened alongside higher crude prices. Macroeconomic indicators remain relatively stable, but external pressures and supply disruptions may weigh on near-term growth and earnings visibility. Valuations for large caps have become more reasonable, while mid and small caps remain sensitive to earnings delivery.

Key Macro Indicators

Industrial/Manufacturing

Industrial/Manufacturing (% YoY)	Jan-Mar'25	Apr-Jun'25	Jul'25	Aug'25	Sept'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26
PMI Manufacturing (abs)	57.4	58.1	59.1	59.8	57.7	59.2	56.6	55.0	55.4	56.9
Diesel Consumption	1.3	2.6	2.4	1.2	6.6	-0.3	4.8	5.2	3.3	4.3
IIP Manufacturing	4.2	3.3	6.0	3.8	5.6	2.0	8.5	8.4	5.3	6.0
Steel Production	7.9	8.2	13.7	12.9	14.5	7.6	11.2	10.2	11.9	10.2
Eight Core Industry	4.3	1.5	3.7	6.5	3.3	-0.1	2.1	4.7	4.7	2.3
Wholesale Price Index (WPI)	2.4	0.3	-0.6	0.5	0.2	-1.0	-0.1	1.0	1.8	2.1

Our Observations:

- Manufacturing activity is firmly in expansion, supported by robust steel output and improving IIP, though momentum moderates after mid-2025. The upcoming prints could reflect some moderation in momentum amid heightened uncertainty from ongoing geopolitical developments.
- Despite strong manufacturing pockets, core sector inconsistency indicates uneven demand transmission across sectors. With WPI inflation remaining benign, the environment supports stable margins and selective sectoral strength even as growth transitions from acceleration to consolidation.

Source: Bloomberg, KIE Research, KMAMC Internal Data as on 31st March 2026, Details as per latest data available publicly.

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PMI Manufacturing is a survey-based indicator of business sentiment/future activity, IIP manufacturing measures actual volume-based production output.

Services

Services (% YoY)	Jan-Mar'25	Apr-Jun'25	Jul'25	Aug'25	Sept'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26
PMI Services (abs)	58.0	59.3	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.1
Credit Growth (services)	13.4	10.1	12.7	12.7	12.1	13.6	12.2	15.7	15.8	16.4
Airport Passenger Traffic	10.8	4.4	-2.9	-1.4	-2.9	2.7	6.9	-4.2	3.7	
FASTag (toll collection, Rs Bn)	66.7	68.9	66.7	66.7	64.2	66.9	70.5	73.9	72.3	69.2
GST Collection (Rs. Trillion)	1.92	2.07	1.96	1.86	1.89	1.96	1.70	1.75	1.93	1.83

Our Observations:

- Services credit growth stays healthy, supporting ongoing momentum across contact-intensive sectors.
- FASTag collections show steady growth, reflecting robust road mobility and trade activity, while airport passenger traffic remains volatile.

Consumption

Consumption/ Demand (% YoY)	Jan-Mar'25	Apr-Jun'25	Jul'25	Aug'25	Sept'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26
Fuel Consumption (retail)	2.6	4.9	4.0	3.4	7.0	2.8	4.6	6.8	4.7	5.9
Passenger vehicle sales	2.4	-1.4	-0.2	-8.8	4.4	17.2	18.7	26.8	12.6	10.6
Two wheeler sales	1.5	-6.0	8.7	7.1	6.7	2.1	21.2	39.4	26.2	35.2
Non-oil imports	7.3	8.9	9.6	-13.6	25.7	32.8	1.2	9.5	25.7	28.7
Consumer Price Inflation (CPI)*	3.7	2.7	1.6	2.1	1.4	0.3	0.7	1.3	2.8	3.2
Core CPI (ex food and fuel)*	3.9	4.3	4.1	4.1	4.3	4.4	4.3	4.6	3.4	3.4

*Data sorted for inflation numbers are from high to low, with high being risk to the economy

Our Observations:

- Consumption shows a clear improvement into late-2025 and early-2026, led by a sharp revival in two-wheeler sales and steady recovery in passenger vehicle sales, signalling improving rural and mass-market demand.
- Fuel consumption and non-oil imports trend higher, indicating strengthening economic activity, albeit with intermittent volatility.

External

External/Others	Apr'25	May'25	Jun'25	Jul'25	Aug'25	Sept'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26
FX Reserves (USD Bn)	688.1	691.5	702.8	698.2	694.2	700.2	689.7	686.2	696.6	723.8	728.5	698.3
Brent Oil (\$/per barrel)	63.1	63.9	67.6	72.5	68.1	67.0	65.1	63.2	60.9	70.7	72.5	118.4
REER 40 Currency	101.6	101.0	99.9	100.1	98.7	97.3	97.1	97.3	95.2	94.8	94.1	
Merchandise Trade Balance (USD Bn)	-26.4	-21.9	-18.8	-27.4	-26.5	-32.2	-41.7	-24.5	-25.0	-34.7	-27.1	

Our Observations:

- Comfortable and rising FX reserves continue to provide a strong external buffer, supporting currency stability and resilience to external shocks.
- Crude prices continue to remain elevated, posing inflation risks and weighing on the growth outlook.

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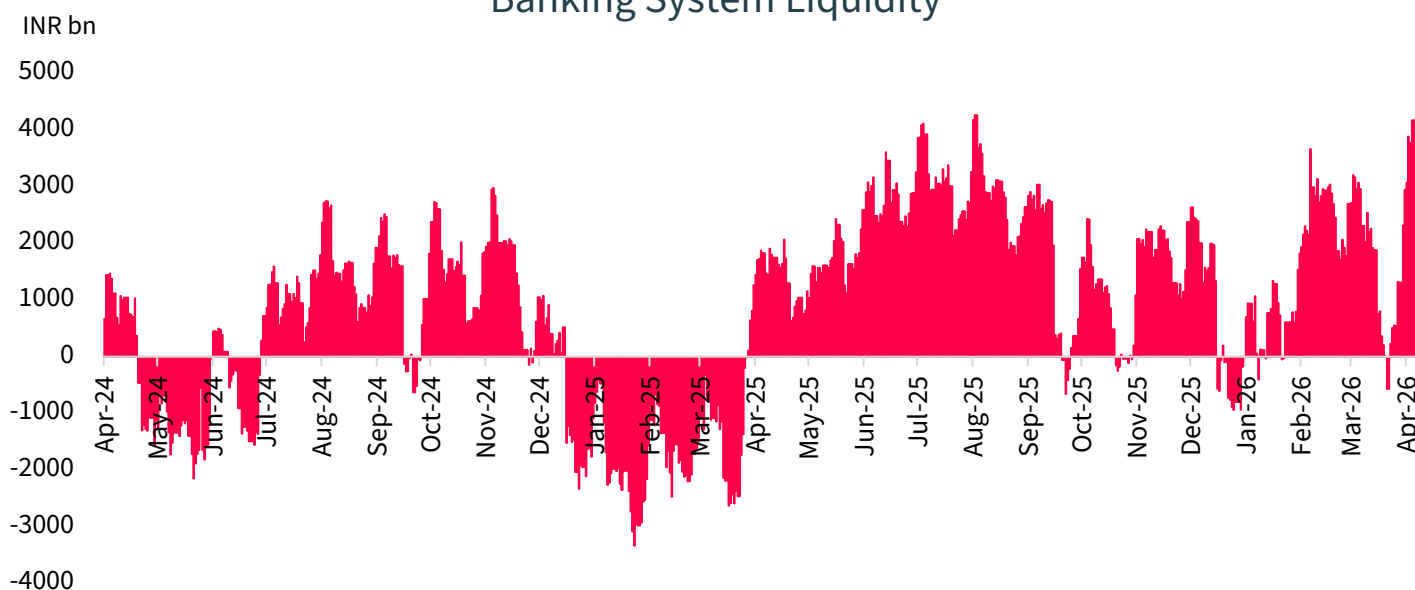
Money Supply

Monetary	Jan-Mar'25	Apr-Jun'25	Jul'25	Aug'25	Sept'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26
M3 (% , yoy)	9.6	9.6	10.0	10.1	9.6	10.6	10.2	12.4	12.3	12.8	10.9
M3/M0 (% , yoy)	5.7	5.7	5.8	5.7	5.8	6.0	6.1	6.2	6.1	6.1	6.0
Credit to Deposit Ratio (%)	80.8	79.1	79.2	79.3	80.3	80.2	80.5	81.8	82.3	82.4	83.0

Our Observations:

- Liquidity conditions remain supportive, with M3 growth trending higher into early-2026, indicating comfortable liquidity condition.
- Credit intensity is rising, with the Credit-Deposit ratio climbing above 82%, signalling strong credit demand and active balance-sheet deployment by banks.

Banking System Liquidity



RBI has been actively managing liquidity to keep the overnight rate close to the repo rate.

Fiscal

Fiscal (Rs. Trillion)	FY2026BE	FY2026RE	FYTD Feb'26	FYTD Feb'26 as % of Budget (RE)	FY2027BE
Total Receipts	35.0	34.1	27.9	82.0%	36.5
Revenue Expenditure	39.4	38.7	31.2	80.5%	41.3
Capital Expenditure	11.2	11.0	9.3	84.8%	12.2
Total Expenditure	50.7	49.6	40.4	81.5%	53.5
Fiscal Deficit	15.7	15.6	12.5	80.4%	17.0

Our Observations:

- Fiscal deficit at 80.4% of target (vs 85.8% last year) indicates improved fiscal discipline and lower slippage risk. Strong non-tax revenue (RBI transfers) and stable tax collections are helping contain the deficit.
- High capital expenditure (~85% of target) shows continued focus on infrastructure without compromising consolidation.

Source: Bloomberg, RBI Website, KIE Research, KMAMC Internal | Data as on 31st March 2026, Details as per latest data available publicly.

Budget data as per latest document available of 1st February 2026

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Indian Debt Market Indicators

Broad Indices	15-Apr-26	31-Mar-26	Month Ago	3 Month Ago	6 Months Ago	Year Ago
T-Repo	4.78%	6.16%	4.93%	5.33%	5.47%	6.69%
3 Month CP	6.18%	7.40%	7.07%	6.00%	5.83%	7.35%
1 Year CP	7.05%	7.15%	6.88%	6.65%	6.40%	7.22%
3 Month CD	6.13%	7.30%	7.03%	5.96%	5.87%	7.31%
1 Year CD	6.93%	7.19%	6.91%	6.61%	6.35%	7.25%
3 Year AAA Corporate Bond	7.24%	7.57%	7.02%	7.08%	6.77%	7.45%
5 Year AAA Corporate Bond	7.37%	7.56%	7.10%	7.15%	7.00%	7.37%
India 10 Year G-Sec	6.87%	7.04%	6.66%	6.59%	6.57%	6.58%
10 Year SDL	7.55%	7.65%	7.40%	7.30%	7.10%	7.10%
U.S. 10 Year Treasury	4.28%	4.32%	3.94%	4.17%	4.15%	4.21%
Japan 10 Year Treasury	2.41%	2.35%	2.12%	2.07%	1.65%	1.49%
Indian Rupee (USD/INR)	93.4	94.4	91.1	89.9	88.8	85.5
Dollar Index	98.1	100.0	97.6	98.3	97.8	104.2

Green indicates eased, Red indicates hardened, Black indicates Unchanged compared to the March 2026 closing levels.

FPI Flows (Debt)	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	*Apr-26
FPI Flows Net Debt (INR cr)	-24,383	12,155	-22,527	11,812	12,662	12,253	18,224	4,674	-15,399	6,013	18,791	-8,469	-15,580

Indian Equity Market Indicators

Broader Markets	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	*Apr-26
Nifty 50 Index (month end)	24,334	24,751	25,517	24,768	24,427	24,611	25,722	26,203	26,130	25,321	25,179	22,331	24,231
BSE Sensex (month end)	80,242	81,451	83,606	81,186	79,810	80,268	83,939	85,707	85,221	82,270	81,287	71,948	78,111
FPI Flows Net Equity (INR cr)	4,223	19,860	14,590	-17,741	-34,993	-23,885	14,610	-3,765	-22,611	-35,962	22,615	-117,775	-48,139

With the heightened geopolitical risk, depreciation of rupee has led to further increase in FII outflow in equity segment.

Source: Bloomberg, RBI Website, KIE Research, KAMAMC Internal, CDSL, Refinitiv | *Data as on 15th April 2026, Details as per latest data available publicly.

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