

# Market Outlook

*June 2026*



SEBI Registered Name - Kotak Mahindra Mutual Fund  
SEBI Registered Number - MF/038/98/1

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

# Global Economy

*June 2026*

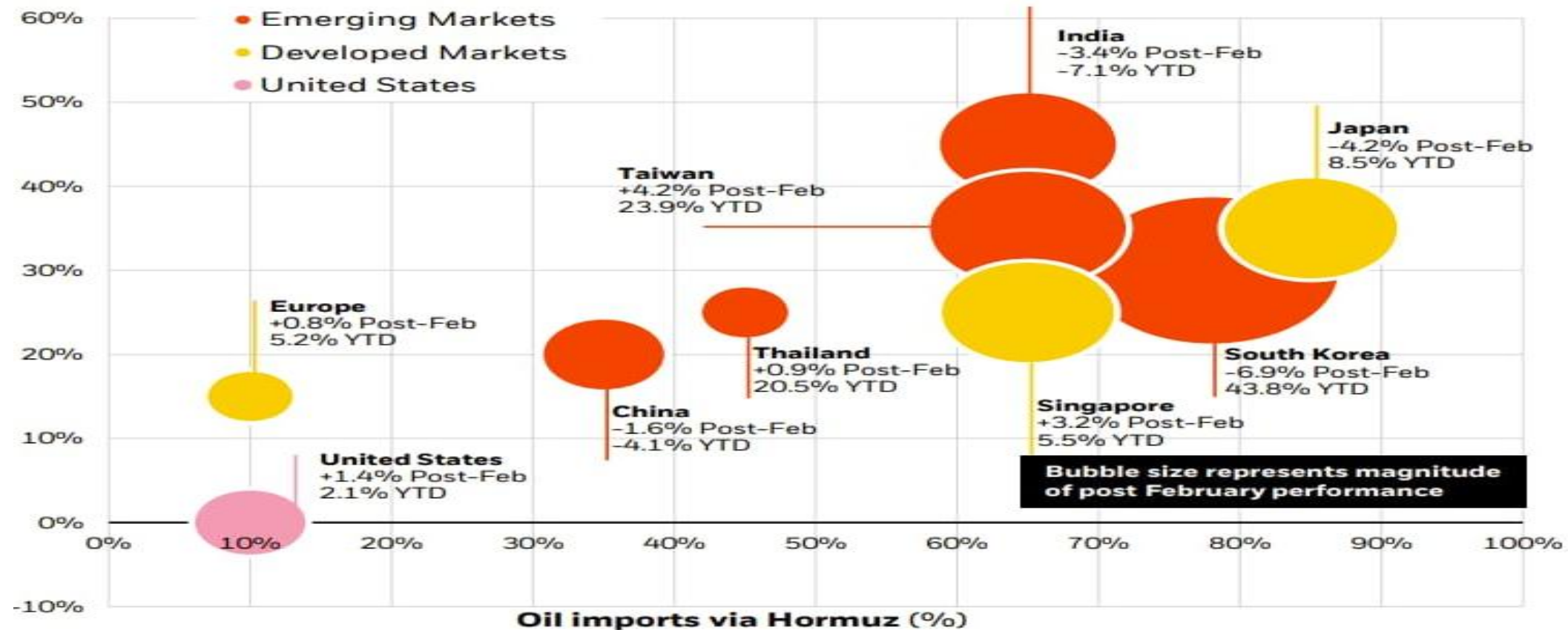


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## Markets With High Hormuz Exposure See Post-Feb Decline

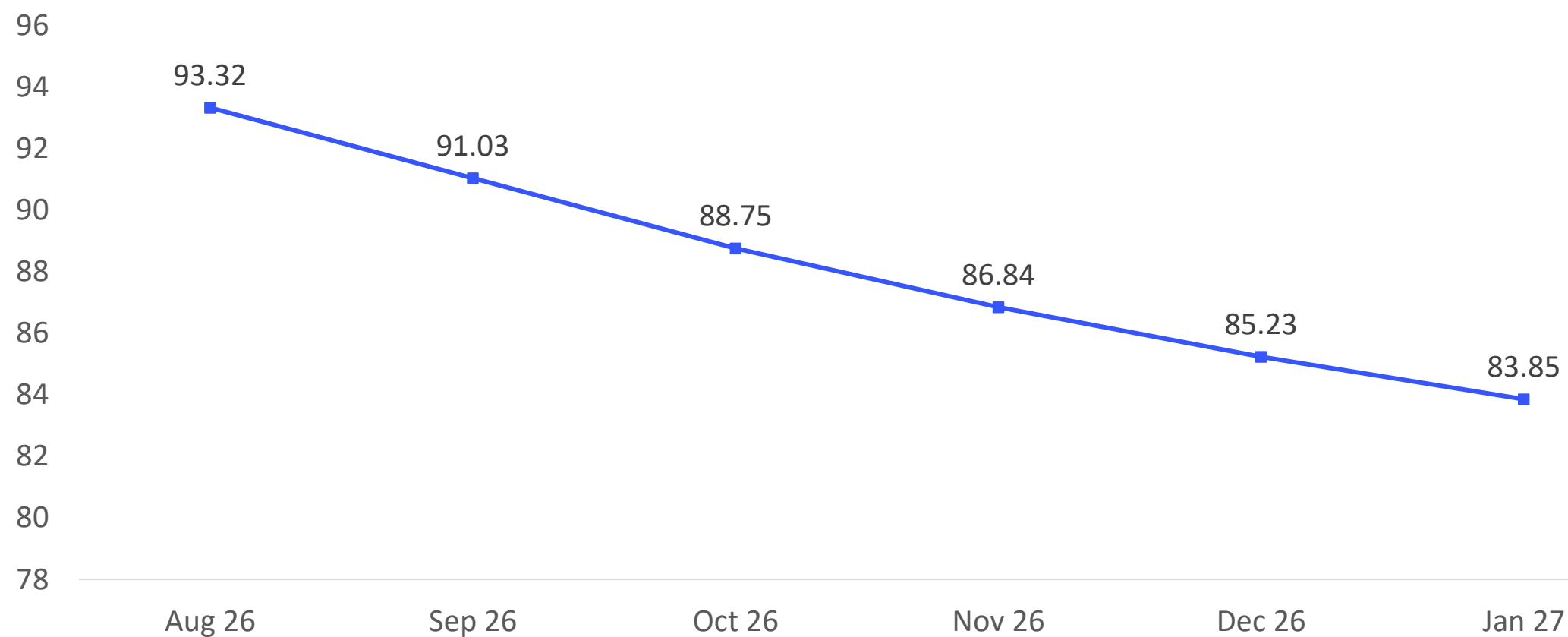
### Strategic Importance Of Hormuz Route



Source: Boring Business X-Handle, on 10th May 2026, Past performance may or may not be sustained in future.

## Crude Seen Above \$80 by Year-End

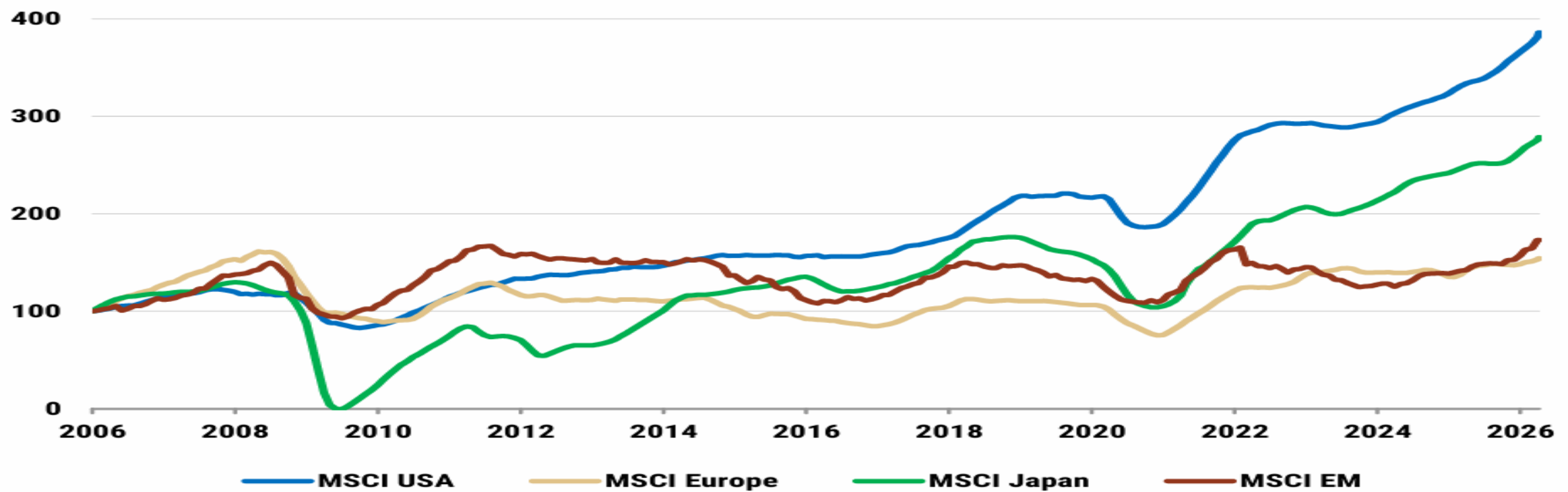
### European Crude Brent Futures (USD/Barrel)



Source: Bloomberg, As of 2nd June 2026

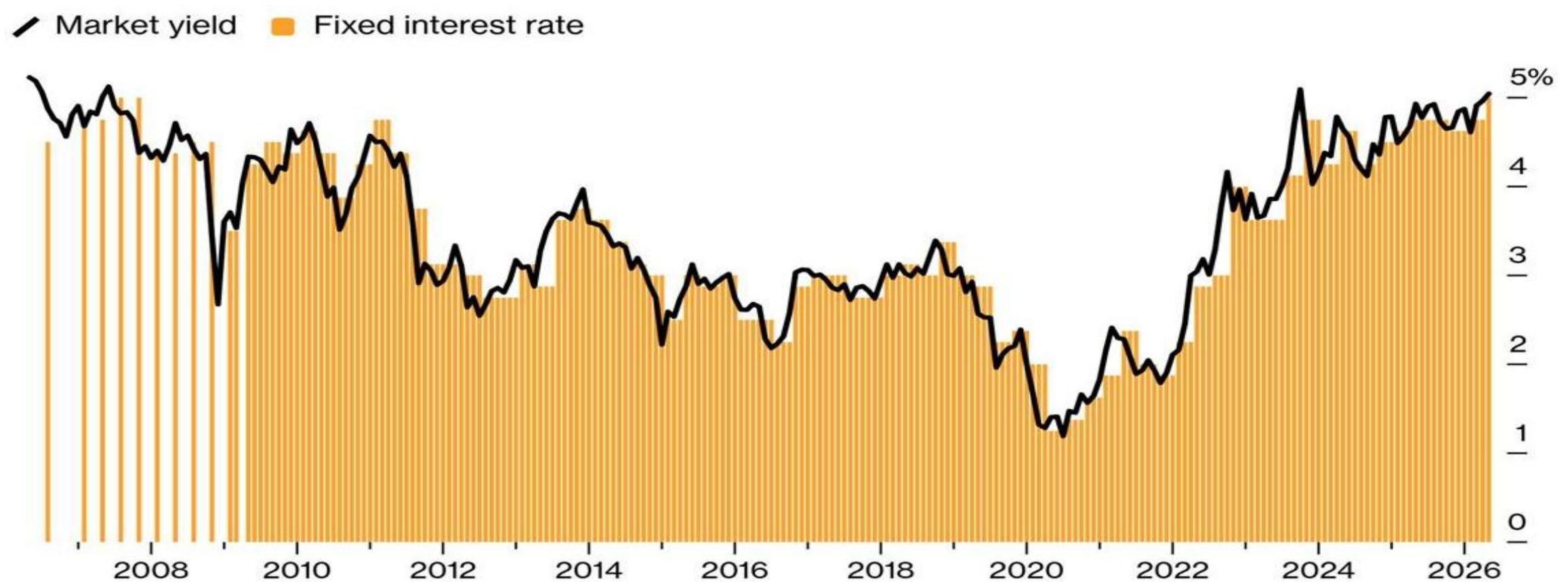
## US Continues To Lead EPS Growth Globally

Relative EPS Performance Shows How EM Has Alleged DM, Particularly US & Japan



Source: Morgan Stanley report dated May 2026, as per latest data available. MSCI EM = MSCI Emerging Market | Past Performance may or may not sustain in future | The Index names mentioned do not constitute any kind of recommendation and are for information purpose only.

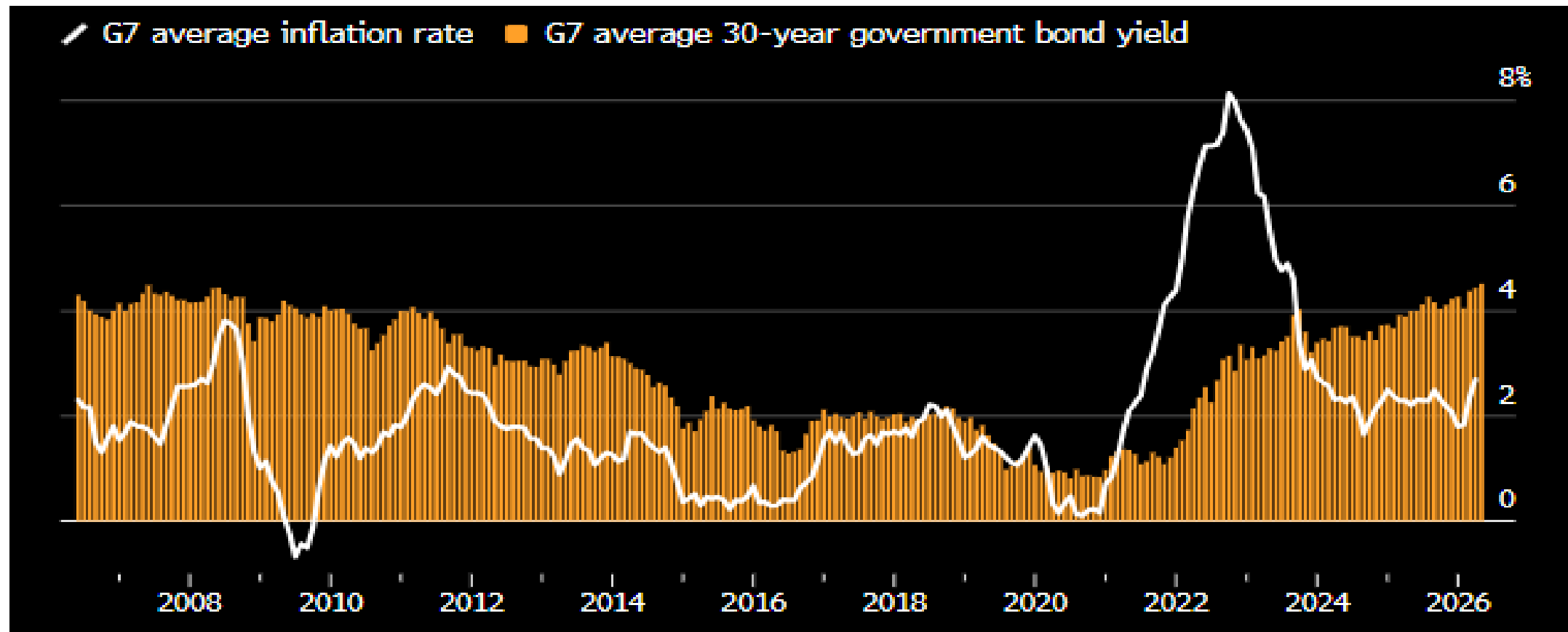
## US 30 -Year Bond To Pay 5% For The 1st Time Since 2007



Source: Bloomberg, globalinvestormarket.com on 14th May 2026 | Past Performance may or may not sustain in future.

## Long-Term Borrowing Costs Climb Above Post – Covid Peak

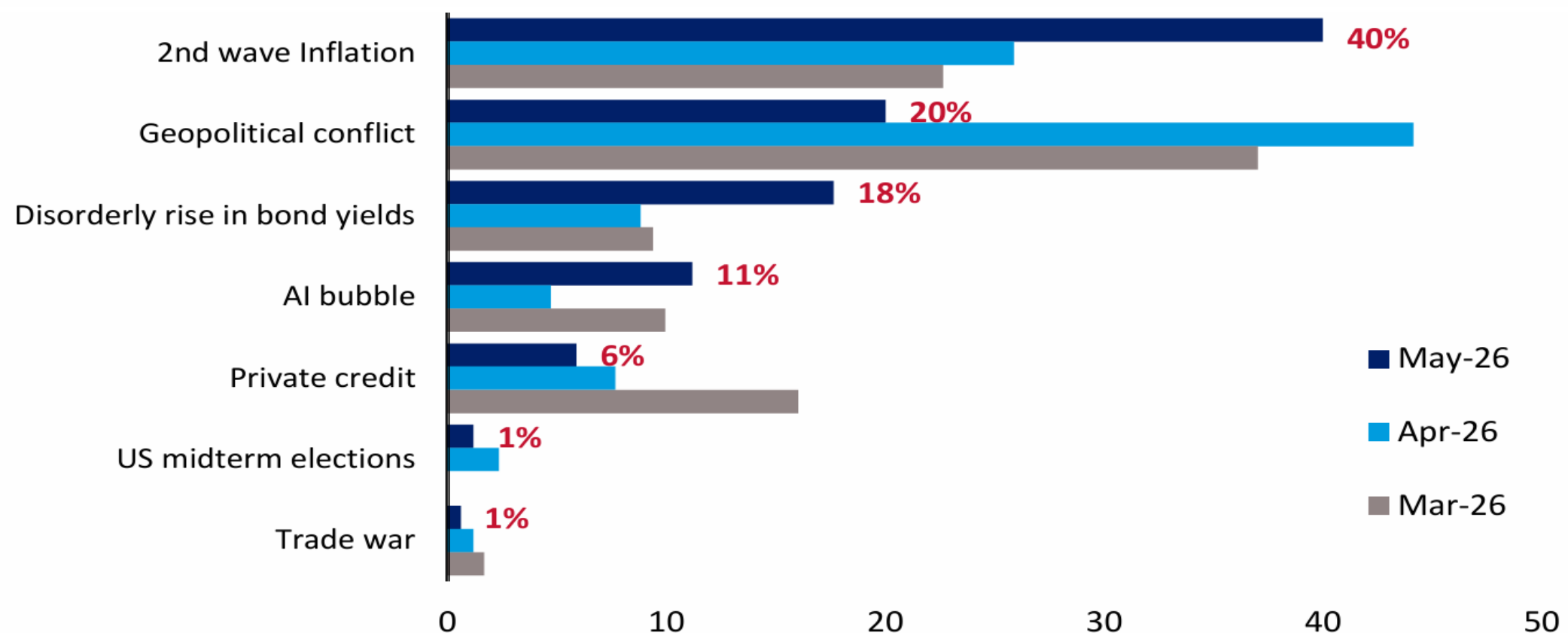
Yields Hit High Never Reached Even In Worst Phase Of Pandemic Inflation



Source: Government Statistics agencies, Bloomberg, as on May 2026 | Past performance may or may not be sustained in future.

## Market Sees Inflation As The Biggest Risk

What Do You Consider The Biggest 'Tail Risk'?



Source: BofA Global Fund Manager Survey 19th May 2026

# Key Take Away

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- Hormuz traffic has nearly collapsed, with the Strait's closure severely impacting oil-import-dependent economies.
- Brent crude futures indicate easing toward ~\$83–84/bbl by Jan 2027, but refining disruptions are keeping product prices elevated.
- Global growth projections are weakening, while global debt has surged to ~\$348 trillion
- Commodity prices are trending upward, signalling rising inflation; global bond yields are above post-COVID peak.
- US GDP grew ~1.6% in Q1 2026, reflecting moderate but resilient growth
- The US continues to lead global EPS growth, supported by strong earnings momentum.
- AI capex is driving a significant share of US growth, accounting for a majority of incremental GDP expansion.
- Global macros are increasingly shaped by a geopolitics-led energy shock, driving a mix of slowing growth, elevated inflation, and tighter financial conditions, with resilience largely concentrated in the US and supported by AI-led capex.

# Indian Economy

*June 2026*



## India Macro Is At A Risk

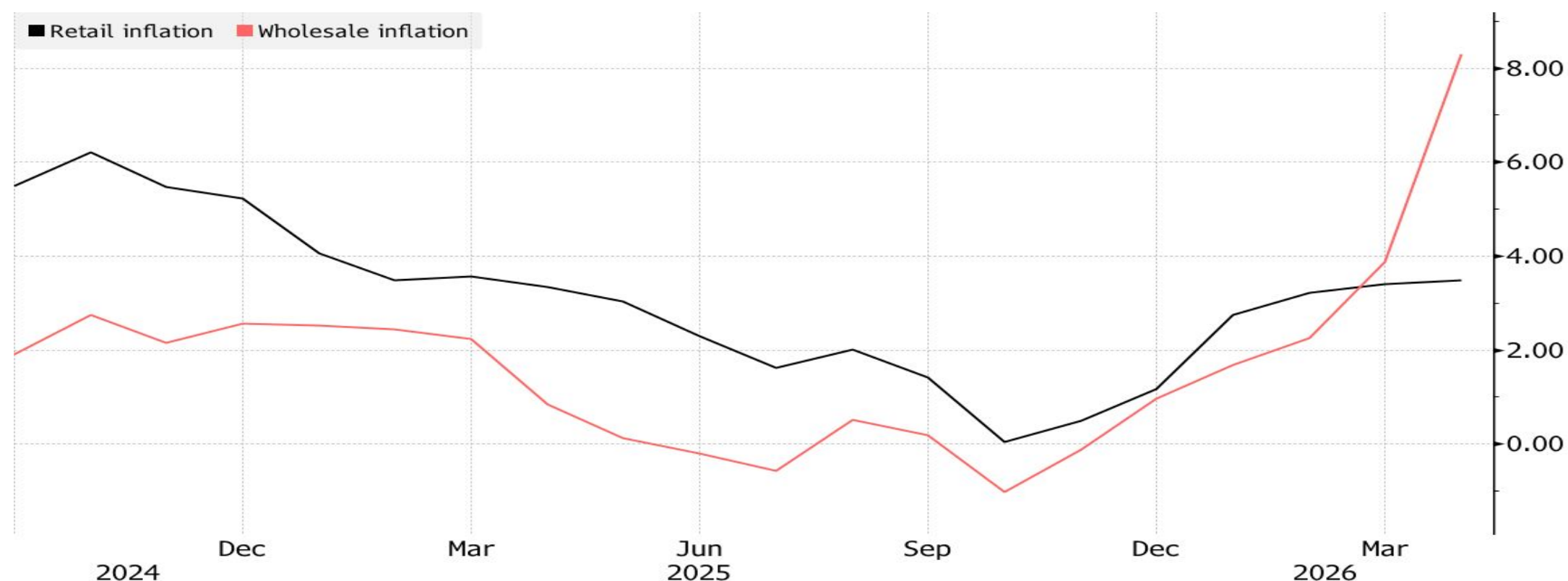
India's Dependency On GCC Could Create Material Headwinds In Case Of Prolonged Disruption

Parameter	Pre-War Scenario	Base Scenario (end-May 2026)	Adverse Scenario (Post-May 2026)
Average Crude Oil (US\$/bbl)	US\$ 65	US\$ 95	US\$ 105
CAD/GDP (%)	1.0%	2.5%	3.0%
BOP Balance (US\$ bn)	+ US\$ 7 bn	- US\$ 76 bn	- US\$ 95 bn
USD-INR Range	₹91.0	₹93 - 97	₹94 - 99
Real GDP Growth (%)	7.0%	6.0 - 6.25%	5.5 - 6.0%
CPI Inflation — avg (%)	4.1%	5.0 - 5.3%	5.5 - 6.0%
Center's GFD/GDP (%)	4.3%	4.5%	4.6 - 4.8%
Repo Rate (end-FY27)	Status quo	Possible shallow hike	50-100 bps hike from Oct

Source: Kotak Institutional Equities India Strategy, May 2026. All scenarios as of publication date.

## Energy Costs Drive Inflation Higher

India's Producer Inflation Surges On Higher Energy Costs



Source: India's Ministry of Commerce & Industry, Bloomberg.com on 14th May 2026

## RBI Support For Rupee Tends To Lifts Bond Yields

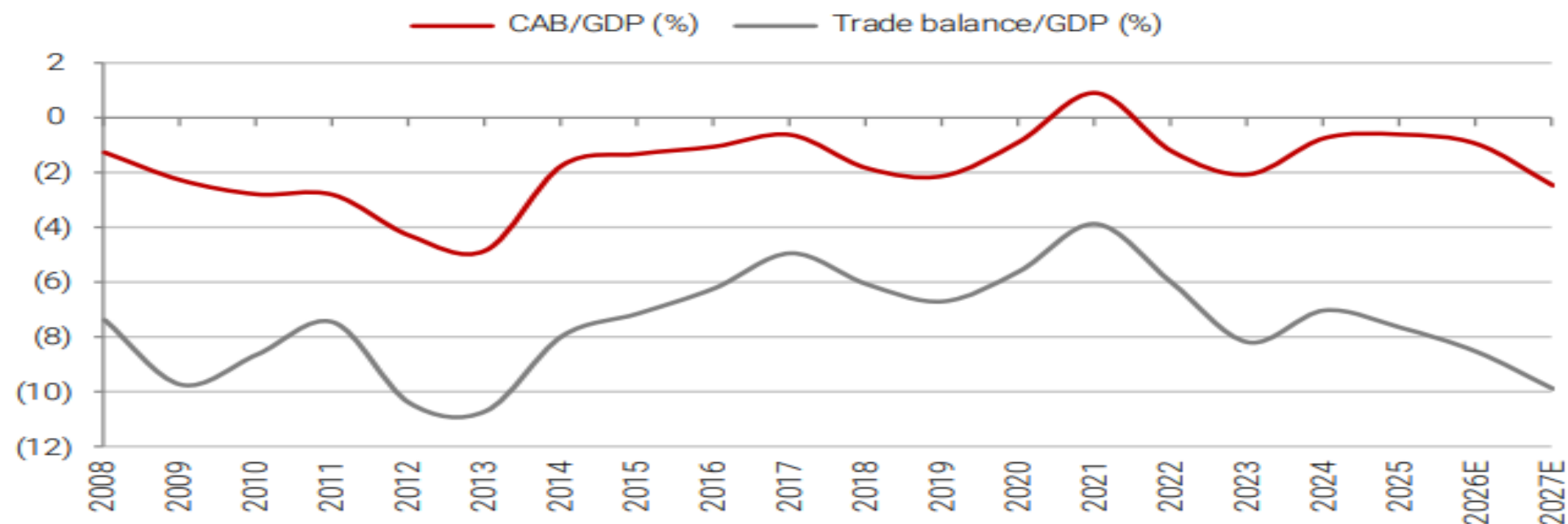
Measure	1965 Food & Economic Crisis	1991 BoP Crisis	1998 Asian Financial Crisis	2013 Taper Tantrum	2022 Russia Ukraine War	2026 West Asia Crisis
Pledging national gold reserves	✗	✓	✗	✗	✗	
Currency Devaluation**	✓	✓	⊙	⊙	⊙	⊙
Restrictions on Private Gold & Silver	✓	✗	✗	✓	✓	✓
Duty hikes on other discretionary	✗	✗	✗	✓	✓	
Dollar Bonds*	✗	✓	✓	✗	✗	
Monetary Measures^	✓	✓	✓	✓	✓	
Capital Account Tightening	✓	✓	✗	✓	✗	✓
Fuel Duty/Subsidy Tweaks	✗	✓	✗	✓	✓	✓
Export Bans	✗	✗	✗	✗	✓	✓

- \*India development bonds in 1991, Resurgent India bonds in 1998, India Millennium Deposits in 2000
- ^In 1998 they were via raising bank rates and increasing CRR; in 2013 they were via FCNR swaps and repo rate hikes
- \*\* RBI orderly depreciation/managed float not counted as an intentional currency devaluation, hence the columns

Source: Bernstein Analysis, May 2026

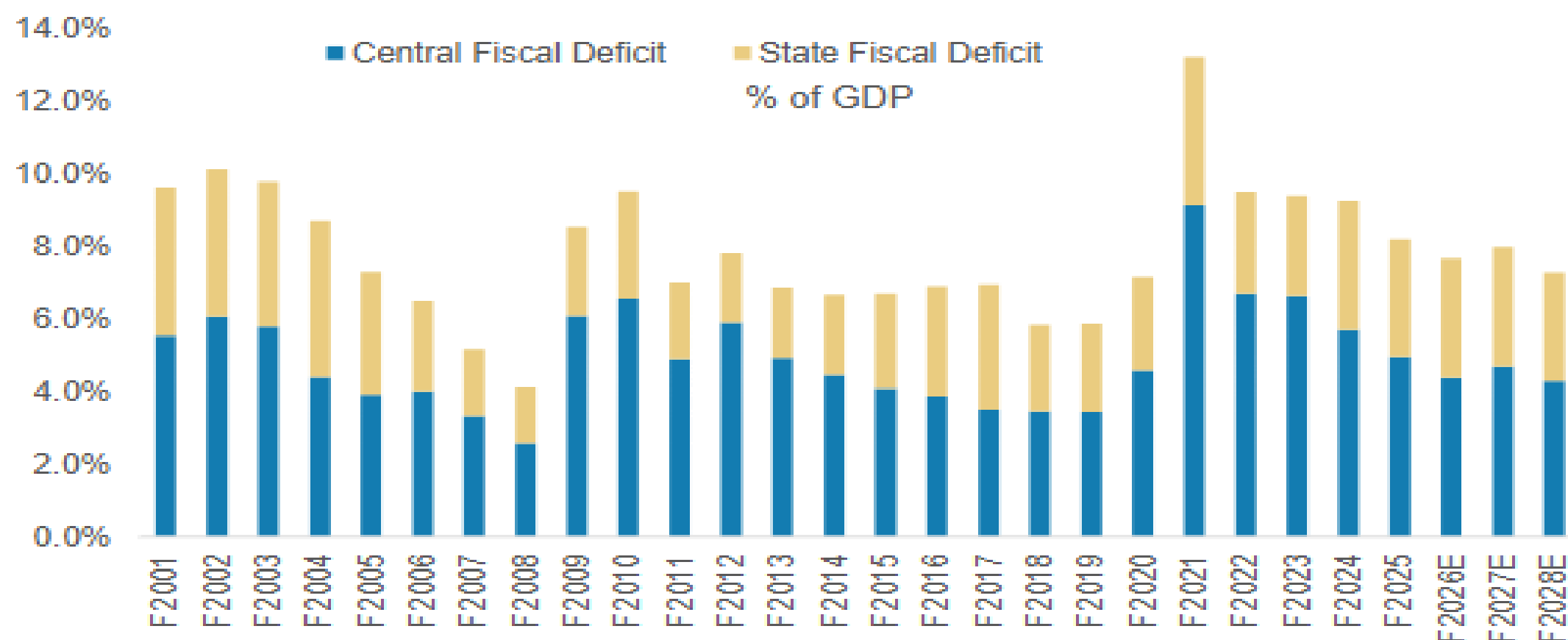
## India's Structural Trade Deficit Increases Current Account Risk In Crises

Current Account Balance And Trade Balance As A Proportion Of GDP, March Fiscal Year-ends, 2008-27e (%)



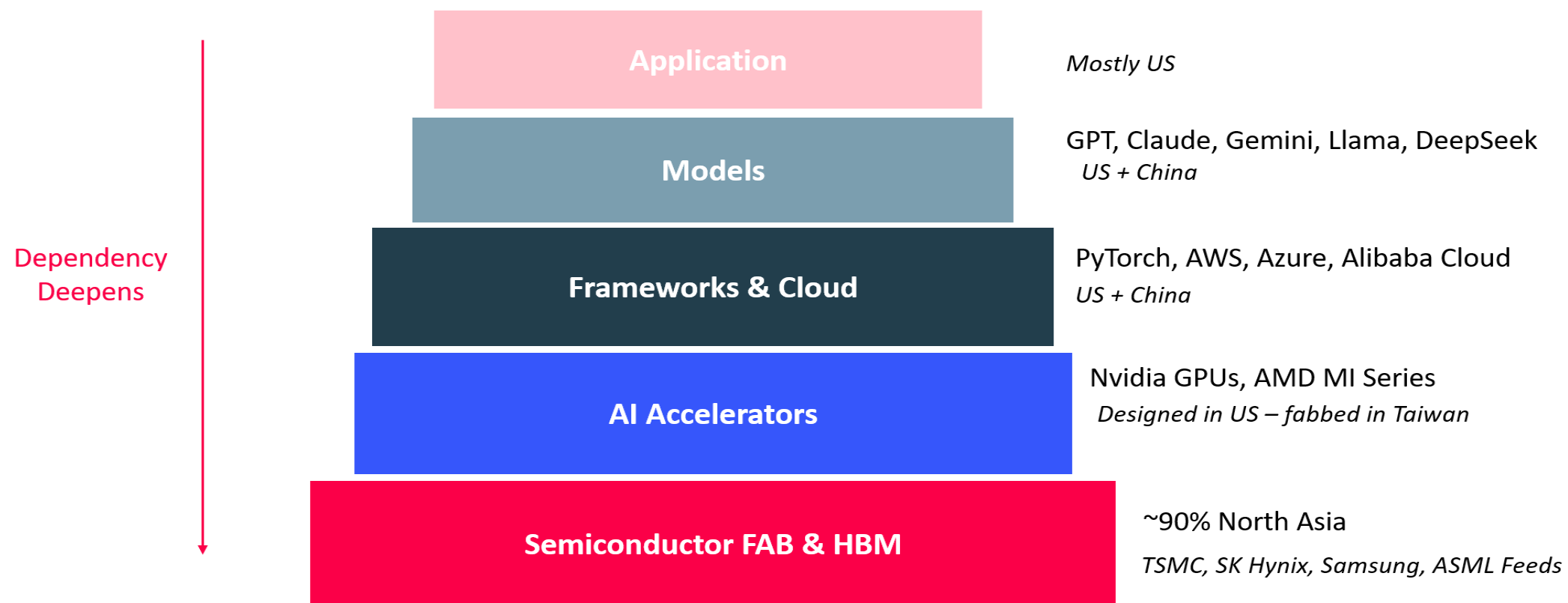
Source: RBI , Kotak Institutional Equities Estimates- 17 May 2026

## Fiscal Deficit Numbers For FY27 Will Expand



Source: PPAC, CIEC, Morgan Stanley Research Estimated

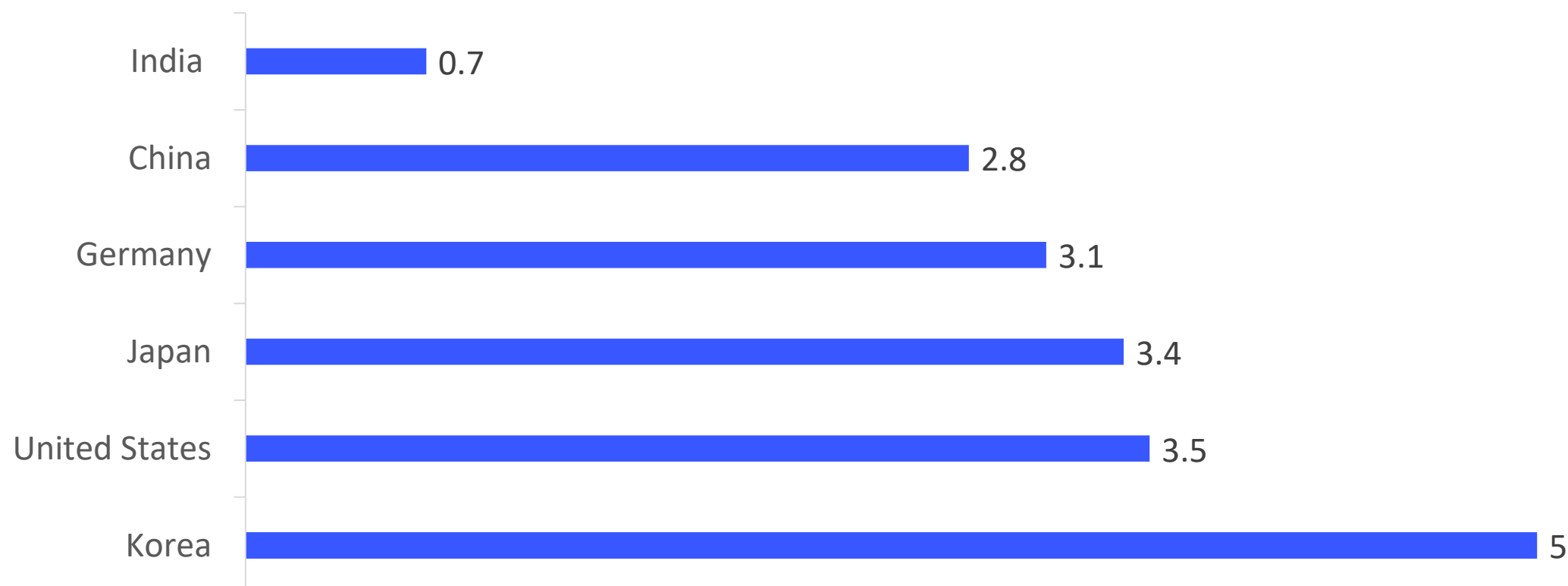
## AI Ecosystem: India Is Far Behind The Leaders



Source: TSMC, SK Hynix, Samsung, ASML feeds , as per latest data available | The stocks/sectors mentioned do not constitute any kind of recommendation and are for information purpose only. Kotak Mahindra Mutual Fund may or may not hold position in the mentioned stock(s)/sector(s).

## R&D Intensity Driving Innovation

### R&D Purchases - % of GDP



Source: OCED MSTI – UNESCO- WIPO Statistics 2025, As per latest data available | The stocks/sectors mentioned do not constitute any kind of recommendation and are for information purpose only. Kotak Mahindra Mutual Fund may or may not hold position in the mentioned stock(s)/sector(s).

# Key Take Away

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- Oil prices remain elevated despite easing outlook, keeping India's import bill and external balances under pressure.
- Higher energy costs are feeding into inflation, with risks of spillover into core and fiscal deficits.
- India remains among the most vulnerable Asian economies to oil shocks given its import dependence.
- Growth remains supported by strong domestic demand indicators, steady credit expansion and improving non-agri employment trends.
- However, headwinds from global slowdown, currency pressure and tightening financial conditions persist.
- Monsoon uncertainty adds an additional risk to food inflation and rural demand outlook.
- The Indian economy remains fundamentally resilient but is increasingly exposed to external shocks, with high oil prices, inflation risks and global volatility posing near-term challenges to growth and macro stability.

# Equity Markets

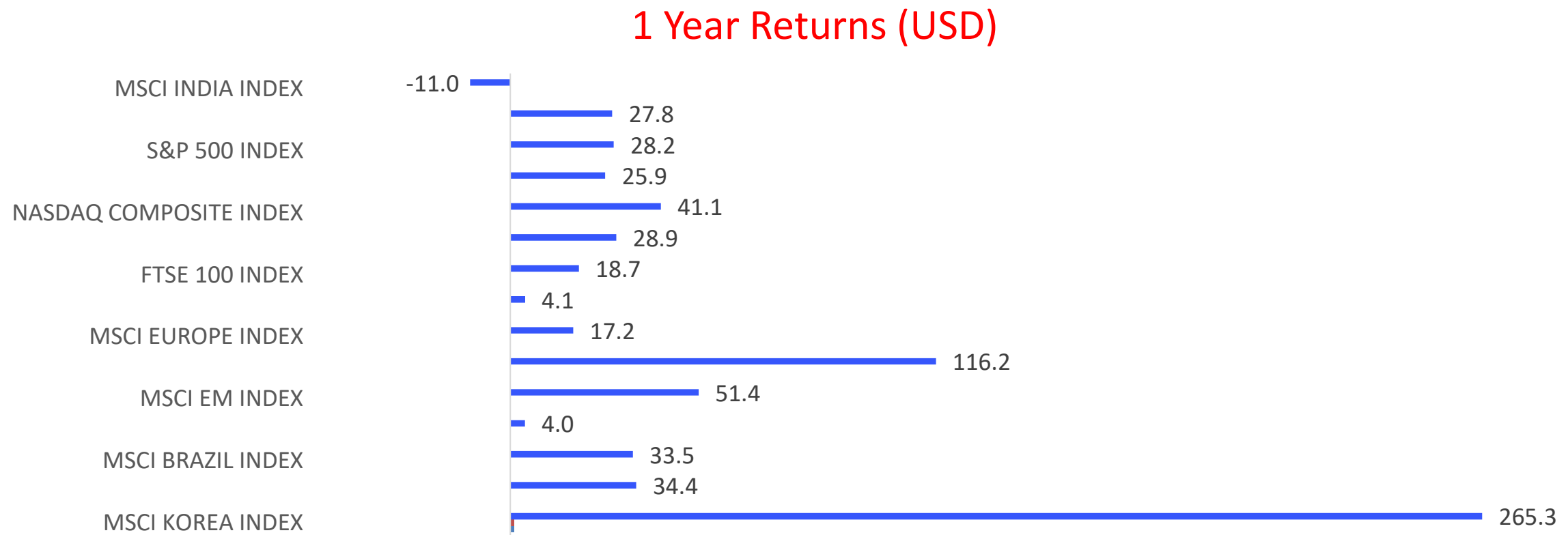
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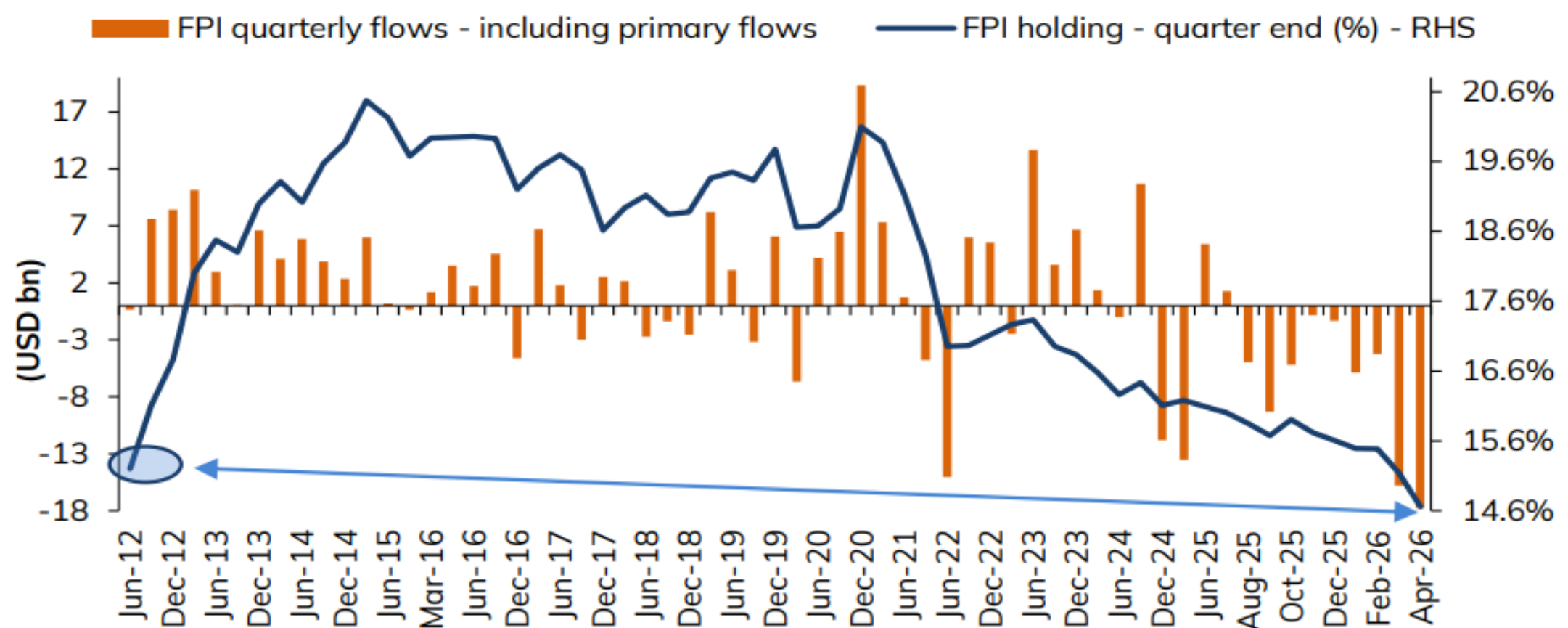
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## MSCI India Index Has Underperformed



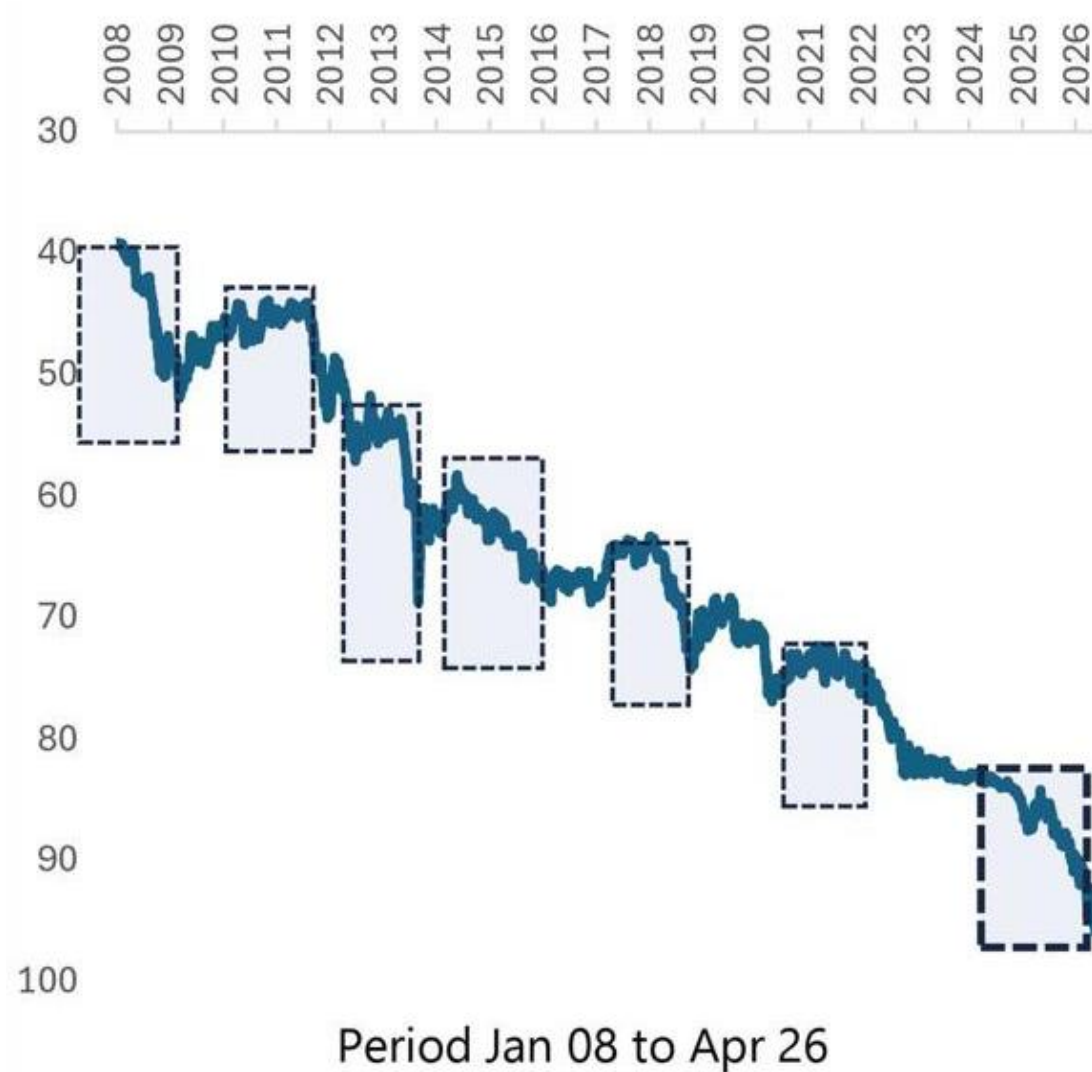
Source: Bloomberg, Data as on 29th May 2026 | The performance of the index shown does not in any manner indicate the performance of the Scheme. The Index names mentioned do not constitute any kind of recommendation and are for information purpose only | FTSE = Financial Times Stock Exchange, EM = Emerging Markets | Past performance may or may not be sustained in future.

## FPI Holding At Two Decade Low



Source: NSDL, BSE website, I-Sec research, 15 May 2026

## Rupee Weakness Often Followed by Equity Upside



Rupee Depreciation Period			Subsequent Nifty 500 TRI Return		
Start Date	End Date	Rupee Depreciation	1 year (%)	3 year CAGR (%)	5 year CAGR (%)
Jan-08	Mar-09	<b>31.5</b>	118.5	<b>30.5</b>	22
Aug-11	Dec-11	<b>20.3</b>	33.5	<b>24.9</b>	15.5
Feb-12	Jun-12	<b>16.5</b>	10	<b>20.6</b>	17
Oct-12	Aug-13	<b>15.6</b>	42	<b>20.3</b>	18.6
May-14	Feb-16	<b>15.2</b>	29.8	<b>15.4</b>	16.6
Jan-18	Apr-20	<b>20.0</b>	86.2	<b>30.4</b>	26.8
May-25	May-26	<b>14.0</b>	?	?	?

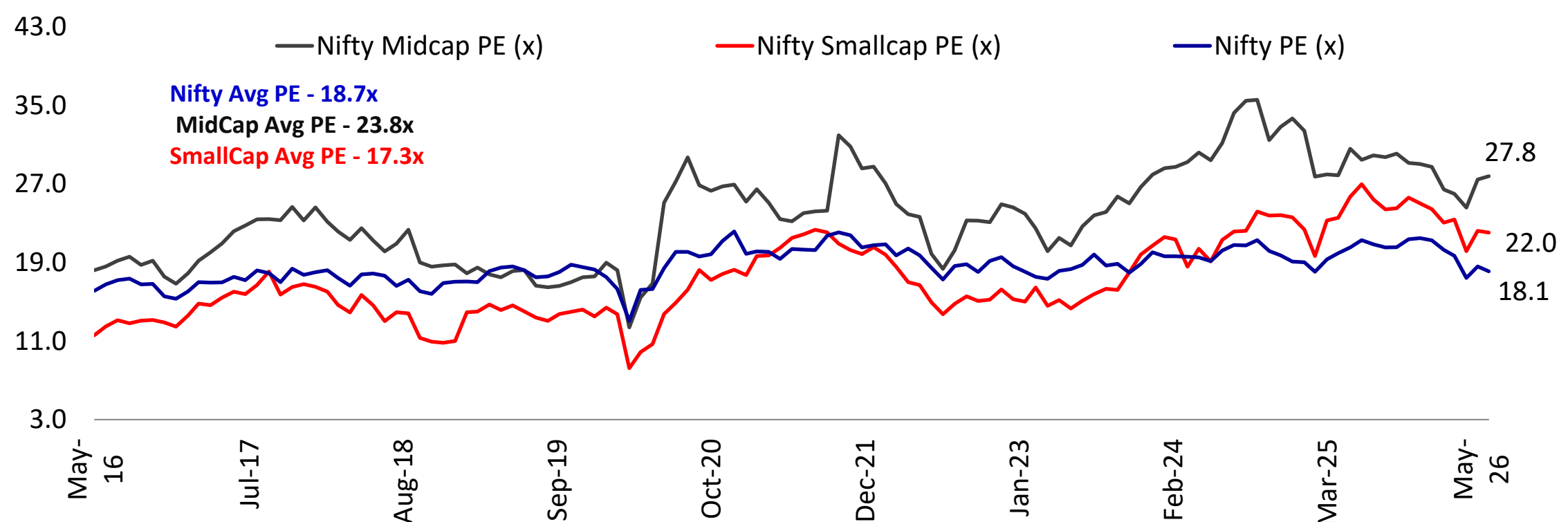
Source: Bloomberg | The Index names mentioned do not constitute any kind of recommendation and are for information purpose only | Past Performance may or may not sustain in future

## 4QFY26 Results Have Come Well Ahead Of Expectations Especially In Midcaps

Sector	PAT (INRb)			Growth (%)		PAT Vs Exp
	Mar-25	Mar-26	Mar-26	estimated	Actual	
	(actual)	(est)	(actual)	YoY	YoY	
Nifty 50 Index	2,085	2,123	2,179	2	4	In Line
BSE Sensex Index	1,618	1,706	1,686	5	4	In Line
Large Cap	2,990	3,137	3,361	5	12	Above
Mid Cap	419	526	570	25	36	Above
Small Cap	182	215	218	18	19	In Line

Source: Motilal Oswal report dated May 2026 | The Index names mentioned do not constitute any kind of recommendation and are for information purpose only | As per para 3.9 of SEBI Master Circular No. HO/24/13/11(1)2026-IMD-POD-1/I/7602/2026 dated March 20, 2026, Large Cap: 1st -100th company in terms of full market capitalization. Mid Cap: 101st -250th company in terms of full market capitalization. Small cap: 251st company onwards in terms of full market capitalization.

## Nifty 50 Index Is Trading Around Long-Term Average, Small & Mid Cap At A Premium



Source: Bloomberg Data As On May 2026. 1Yr FWD PE | Nifty Midcap = Nifty Midcap 100 Index, Nifty Small Cap = Nifty Small Cap 100 Index, Nifty = Nifty 50 Index | Past Performance may or may not sustain in future | The Index names mentioned do not constitute any kind of recommendation and are for information purpose only | As per para 3.9 of SEBI Master Circular No. HO/24/13/11(1)2026-IMD-POD-1/I/7602/2026 dated March 20, 2026, Large Cap: 1st -100th company in terms of full market capitalization. Mid Cap: 101st -250th company in terms of full market capitalization. Small cap: 251st company onwards in terms of full market capitalization.

## Correction Is An Opportunity To Add

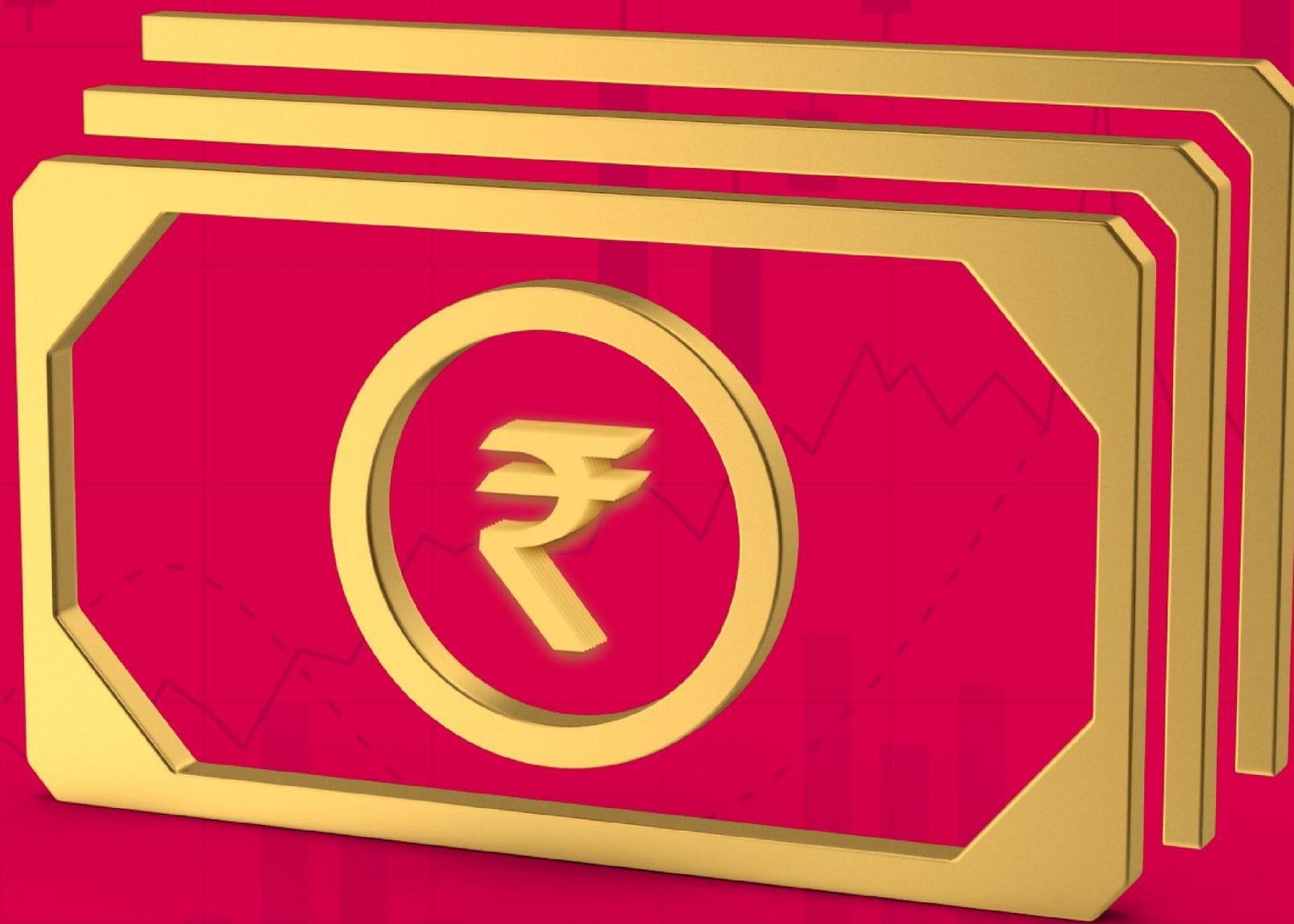
Equities	Neutral Weight*
Large cap	Over Weight
Midcap	Marginally Over Weight
Smallcap	Under Weight

**\*Marginal Overweight For Investors With Aggressive Risk Profile**

Source: KMAMC internal , OW – Overweight, UW – Under Weight, As per para 3.9 of SEBI Master Circular No. HO/24/13/11(1)2026-IMD-POD-1/I/7602/2026 dated March 20, 2026, Large Cap: 1st -100th company in terms of full market capitalization. Mid Cap: 101st -250th company in terms of full market capitalization. Small cap: 251st company onwards in terms of full market capitalization. The above does not constitute any kind of recommendation from Kotak Mahindra Mutual Fund and are for information purpose only

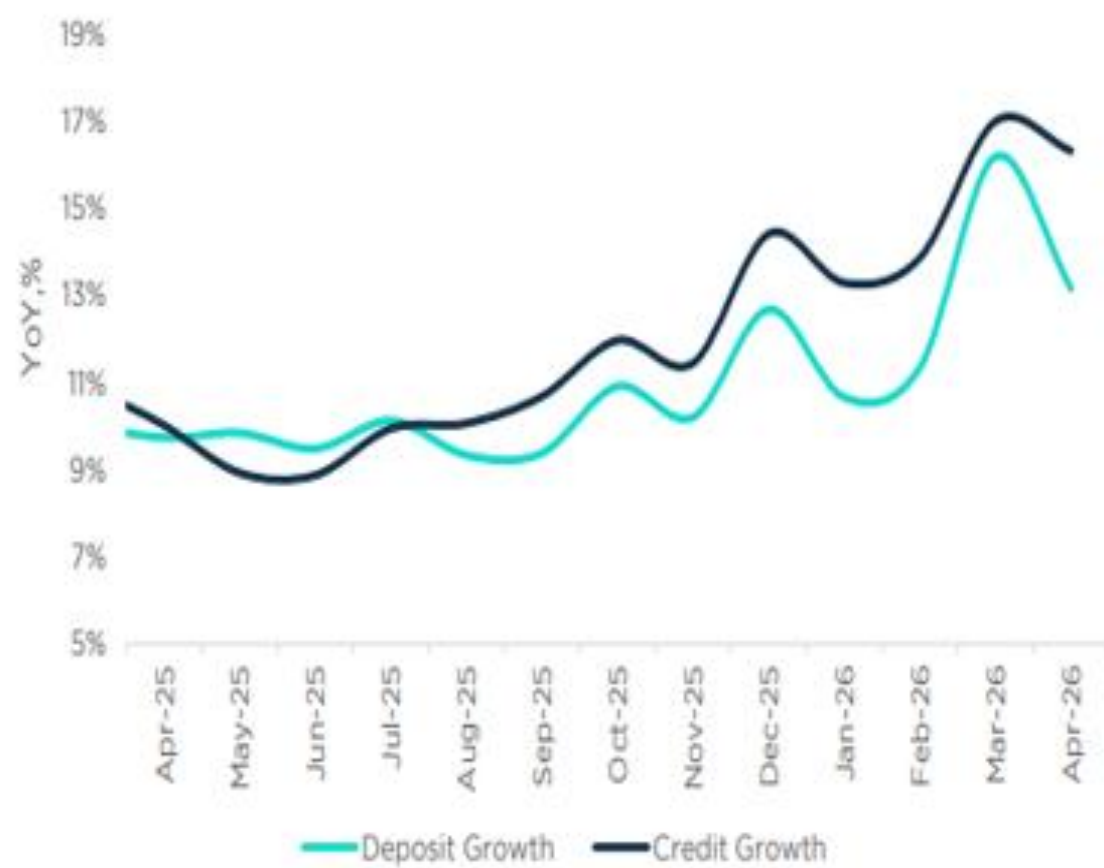
# Debt Markets

*June 2026*

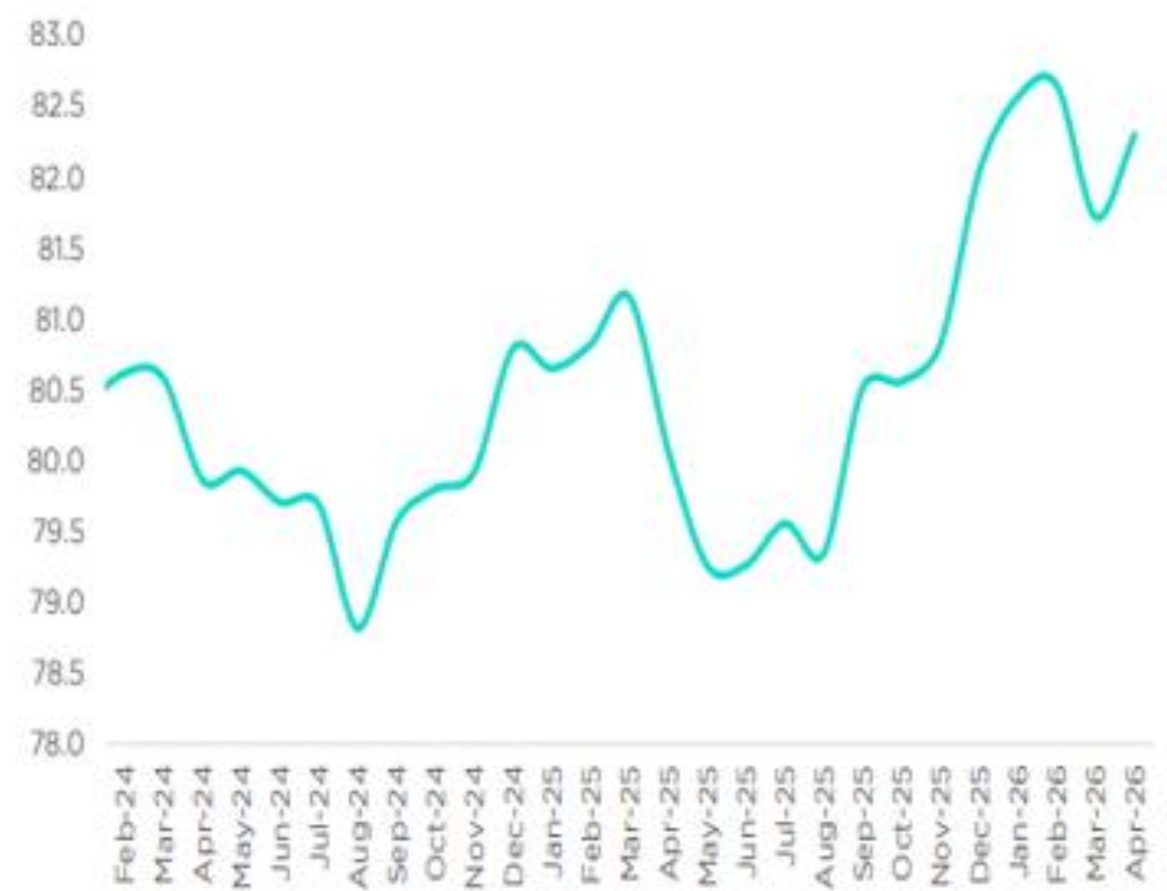


## Credit And Deposit Growth Remains Strong

### Credit and Deposit Growth

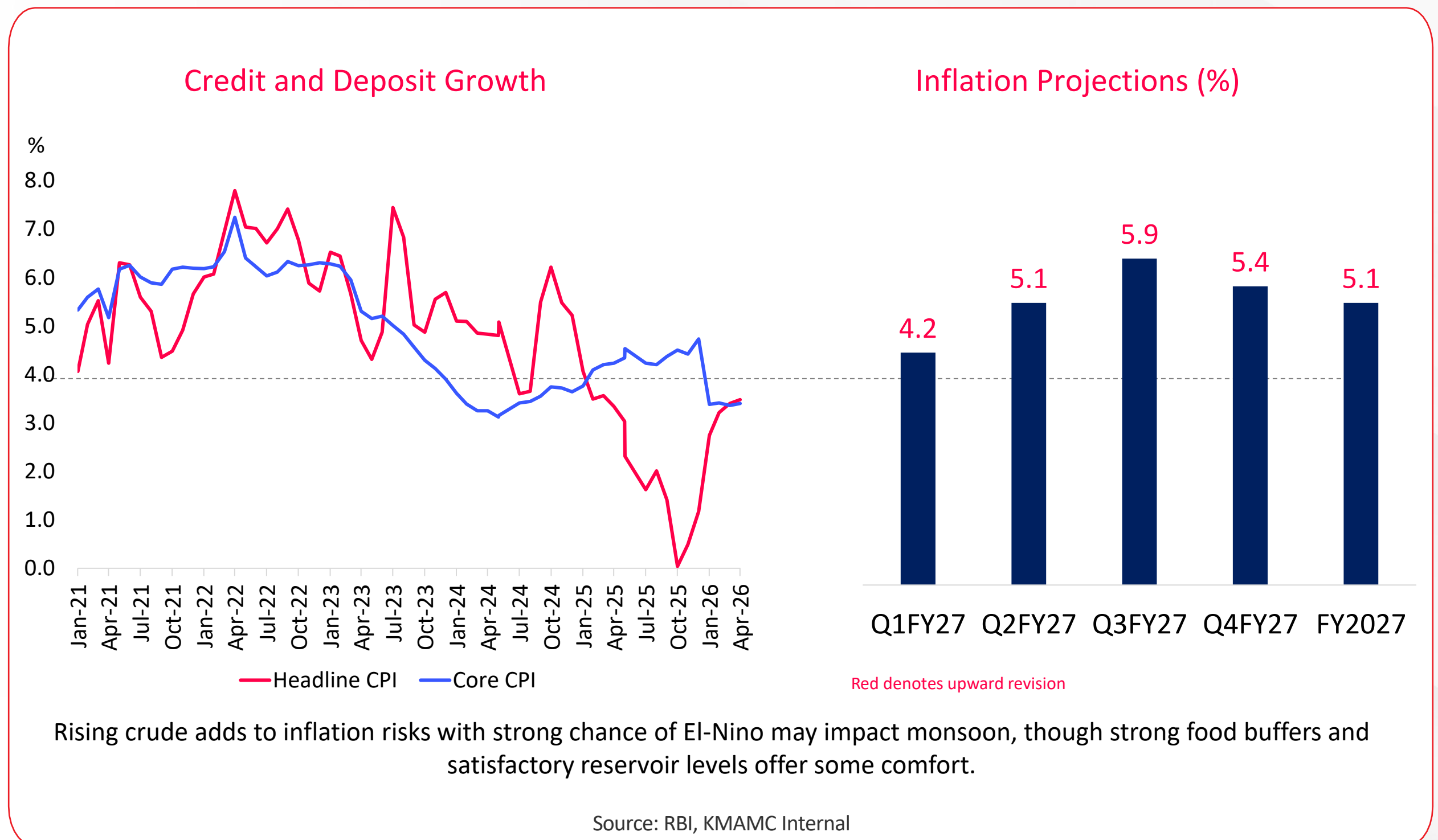


### Credit And Deposit Ratio



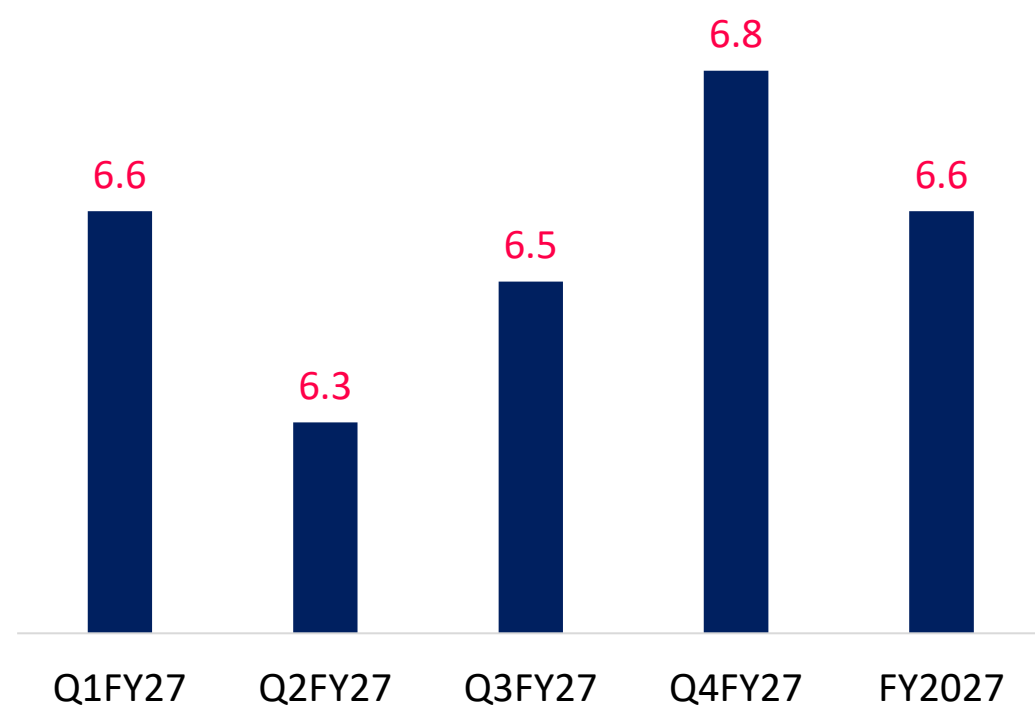
Source: CMIE, CareEdge Report dated 29th May 2026

## War-led Pressures Push Inflation Projection To 5.1% From 4.6%



## RBI Support For Rupee Tends To Lifts Bond Yields

### GDP Growth Forecasts (%)



### Headwinds To Growth External uncertainties



Prolonged Global Supply Chain Disruptions



Heightened Volatility In Global Financial Markets



Weather-related Shocks

Energy markets remain volatile, crude oil inventories are declining, and global commodity prices have firmed up, posing potential headwinds to domestic growth.

Source: RBI

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