Wealth Management Investment Strategy

April 2026 – *Executive Summary*

IDFC FIRST Bank

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West Asia Crisis Triggers Risk-Off Sentiment, Crude Oil up ~70%

KEY TAKEAWAY

- ***Israel attacked the South Pars natural gas field (located between Iran and Qatar) accounting for about 80% of Iran's total gas production Iran retaliated striking the Ras Laffan Industrial City, the world's largest liquefied natural gas export terminal which handles a fifth of global LNG supply.***
- ***Recently, Iran rejected a 15-point plan offered by the US to end the war, stating the proposal as 'excessive'. US President Trump made several threats attempting to coerce Iran into accepting its agenda, which Iran refuted.***
- ***Central Banks are attentive to upside risks to inflation. The duration and extent of higher crude prices would determine the trajectory of inflation and thereby impact monetary policy actions.***

India Macro Update - *Tracking Key Macro Factors*

Brent Crude

Crude oil prices shot up by 71% MoM in March amid US-Iran tensions following closure of the Strait of Hormuz by Iran, a critical maritime choke point.

Currency

The INR fell ~2.6% MoM vs USD in March (DXY rose 2.4%) on concerns over widening CAD amid the steep rise in crude oil in the backdrop of the West Asia war, and strength in DXY on expectations of possible rate hikes by the Fed.

Commodities

Gold and silver declined as rising inflation expectations pushed back expectations of rate cuts by central banks leading to strength in the dollar index.

Manufacturing & Services PMI

The HSBC India Manufacturing PMI fell to 53.9 in Mar'26 vs 56.9 in Feb'26 weighed down by cost pressures amid heightened uncertainty. The HSBC India Services PMI printed at 57.5 in Mar'26 vs 58.1 in Feb'26 amid rising input cost & easing demand.

GST Collections

Gross GST collections rose 8.8% YoY in March 2026 (reflecting activity in February) to a 10-month high of ₹2.0 tn, while net collections rose 8.2% to ₹1.78 tn, aided by steady domestic demand and a strong surge in import revenues.

Bank Deposit & Credit Growth

Bank deposits rose 10.8% YoY, while credit growth rose by 13.6% in the fortnight ending 15th Mar 26. Credit growth was primarily driven by lending momentum in retail and MSME segments. Deposit growth moderated due to advance tax outflows.

Auto Sales

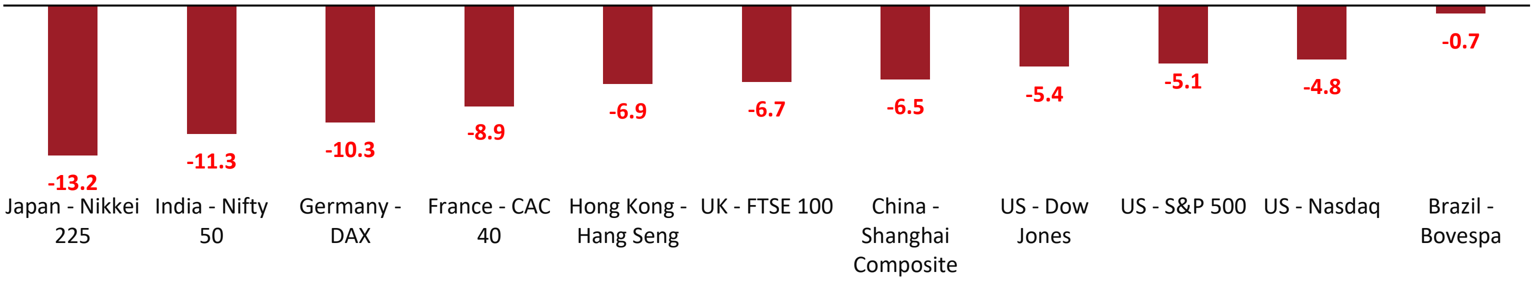
February saw record sales growing 25.62% YoY on the back of continued positive sentiment post GST 2.0 and broad-based demand growth.

Outlook *(Source - IDFC FIRST Bank Economics Research, As On 31st March 2026)*

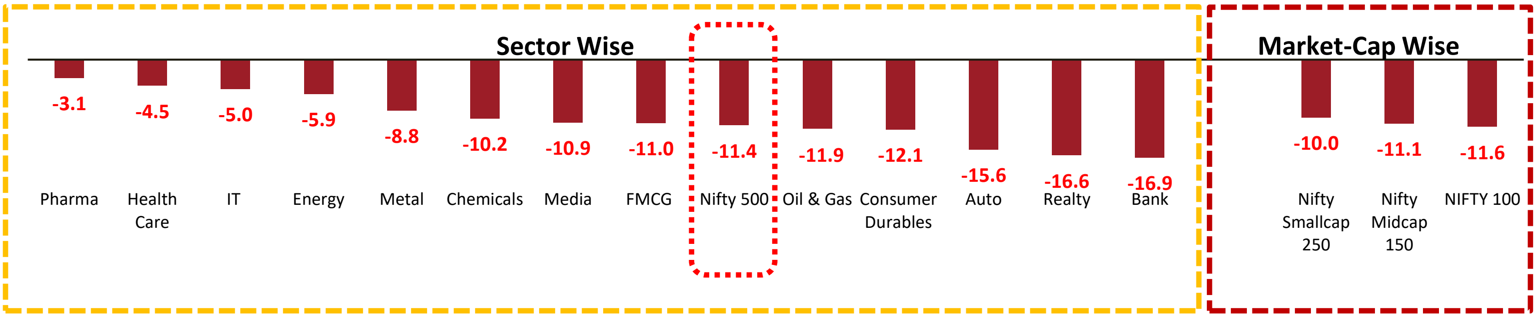
- **FY27 GDP growth estimated at 7.0% if current crisis is limited to Q1, with downside risk if disruptions persist beyond Q1.**
- **FY27 headline CPI estimated at 4.9% (pre crisis 4.1%) given upside risks owing to higher energy prices**
- **RBI is expected to stay on pause and look through the upside risk to inflation.**
- **RBI to deploy unconventional measures to support INR, given reduced FX interventions given a large forward book and a need to preserve FX reserves amid uncertainty over the duration of the crisis.**

Equity Market Update

Global Indices Performance (%) - March 2026



Domestic Indices Performance (%) - March 2026



Performance shown above is based on total returns for respective sectoral indices of the NSE. Data as on 31st March 2026, Source: ACE MF

- **Frontline Indices** – Indian equities witnessed sharp drawdown in March, amid uncertainty around economic growth prospects and steeply higher crude oil prices owing to the ongoing West Asia crisis. The large-cap segment underperformed falling slightly more than the mid-cap and small-cap segments. Banks and financial services were the top detractors in this fall which saw a sharp sell-off by FPIs.
- **Healthcare –** Healthcare outperformed in March amid as investors rotated into the defensive sector with stable demand, low exposure to rising crude oil prices and export orientation benefitting from rupee depreciation.

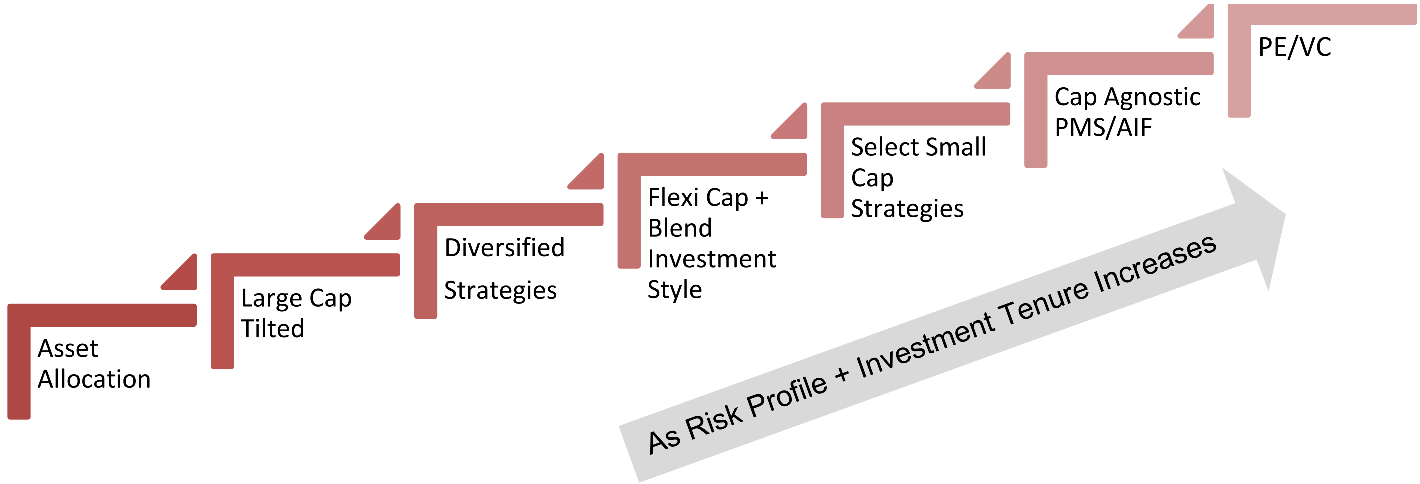
- **Banks** – Banks underperformed on persistent FPI selling amid escalating West Asia crisis. Also, a sharp decline in index heavy weight HDFC Bank (over 15%), following the resignation of its non-executive chairman who cited governance concerns at the bank, weighed on the sector.

Equity Outlook –

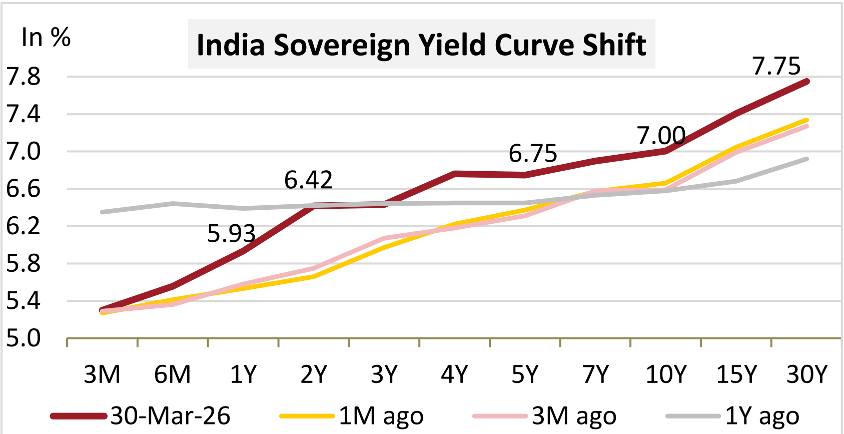
We try to understand equity markets based on following three important pillars:

Valuations **Positive**	▪ Nifty's 12-month forward PE is at 17.24x vs current PE of 19.96x. Nifty Midcap 150's 12-month forward PE is at 24.66x vs current PE of 31.20x, Nifty Smallcap 250's 12-month forward PE is at 22.28x vs current PE of 26.65x (As on 2nd April 2025). ▪ **From a Valuation perspective – Large caps look most attractive, followed by small caps & then midcaps.**
Earnings **Neutral**	▪ Despite the near-term challenges and uncertain macro environment, the medium-to-long term growth outlook for India seems intact, which should support earnings growth. ▪ **Nifty 50 earnings growth^ estimated at ~15-17% CAGR in FY27 with downside risks in the wake of the ongoing West Asia Crisis.**
Volatility **Neutral**	▪ Nifty VIX ended sharply higher at 27.89 (as on 30-Mar-26) vs 13.70 (as on 27-Feb-26). ▪ **Domestic and global macros, geopolitics, crude oil prices and global yields to drive the volatility index going ahead.**

Equity Investment Strategy



Debt Market Update



Global Bond yields (%)	31-Mar-26	1M ago	1Y Ago
US 10 – Year	4.32	3.94	4.25
UK 10 – Year	4.92	4.23	4.68
Germany 10 – Year	3.00	2.64	2.73
Japan 10 - Year	2.35	2.11	1.49
India 10 – Year	7.04	6.66	6.58

Data as on 31st March 2026, Source- Investing.com

- **Indian G-Sec yield curve** witnessed a sharp upward shift in March, as yields rose across the curve on concerns over widening CAD, higher inflation and a weaker rupee following a surge in crude oil prices amid the West Asia crisis. Excise duty cuts on fuel raised concerns over fiscal deficit, while tighter liquidity conditions also weighed on bond prices despite RBI support in the form of OMO purchases.

- **U.S. Treasury yields:** US 10Y yield rose ~35 bps MoM in March amid concerns over upside to inflation stemming from higher crude oil prices in the backdrop of the US-Iran war.

- **Euro zone:** UK yields rose by a sharp ~58bps tracking the rise across global markets amid expectations of rate hikes by the BoE vs that of rate cuts before the war. German 10Y yields rose ~32bps amid upside risks to inflation. The BoE and ECB held rates unchanged in March amid concerns over the shock to energy prices.

- **Japanese 10Y yield** rose by ~24bps MoM tracking the rise in global fixed income markets amid upside risks to inflation. The BoJ too held its short-term rate unchanged at 0.75% amid a cloudy outlook in the backdrop of Middle East tensions.

Debt Outlook –

We try to understand debt markets based on the following three important pillars:

Interest Rate

Neutral

- **Headline CPI inflation is not expected to breach 6% threshold** of the RBI. We believe **RBI would remain on a pause,** as monetary policy is ill suited to address supply-side issues.
- **G-sec yields to remain elevated** due to fiscal slippage risks and adverse demand-supply dynamics. **10-Yr G-sec yield is expected to range between 6.90% to 7.20% next few months.** A key support to G-secs would be from OMO purchases by RBI (announced + on-screen).

Liquidity

Neutral

Liquidity tightness is expected to be elevated over the near term amid FX intervention by RBI to support the INR. **Core liquidity surplus** at INR5.0tn as of 27th March is comforting.

- Pick-up in government spending shall add to banking system liquidity in April. **RBI** is expected **to provide liquidity support via OMO purchases in FY27.**

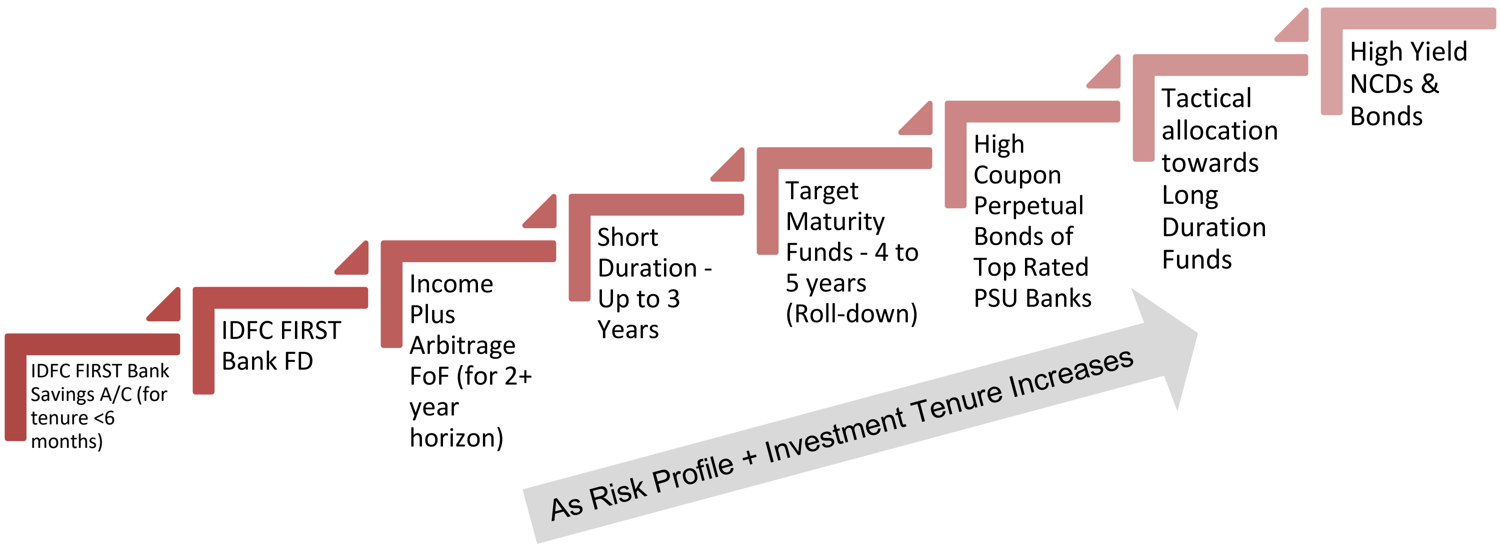
Credit Risk

Neutral

- **Spreads on offer versus additional risk taken are modest –** risk-reward doesn't favour taking credit risk via low rated category as a whole. However, selective buying can be rewarding.
- **Markets are illiquid in low rated segment,** look at company specific opportunity.

(Source - IDFC FIRST Bank Economics Research, As On 31st March 2026)

Debt Investment Strategy



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