Wealth Management Investment Strategy

July 2026 – *Executive Summary*

IDFC FIRST Bank

ALWAYS YOU FIRST

Crude Declined On US - Iran Ceasefire; June Saw Rotation Away From AI

KEY TAKEAWAY

- ***Easing US-Iran tensions and the reopening of the Strait of Hormuz triggered a sharp correction in crude oil prices, with Brent falling nearly 20% in June to around pre-conflict levels.***
- ***Despite BoJ rate hikes, the Yen remained under pressure and fell to a 40-year low as persistent US-Japan interest rate differentials continued to support carry trade flows into higher-yielding currencies.***
- ***Amid upside risks to inflation owing to higher energy prices in the wake of the US-Iran conflict, central banks have tilted on the hawkish side.***
- ***The Fed held rates steady in June but adopted a hawkish stance, with policymakers signalling one rate hike in 2026 while Fed Chair Warsh refrained from providing forward guidance amid an uncertain outlook.***
- ***The southwest monsoon started on a weak note, with El Niño conditions contributing to a significant rainfall deficit, prompting the IMD to lower its forecast to 90% of the long-period average.***

India Macro Update - *Tracking Key Macro Factors*

Brent Crude

Brent crude declined 20.7% in June 2026 following the US - Iran memorandum of understanding (MoU) and reopening of the Strait of Hormuz eased supply concerns, triggering a sharp correction in oil prices and pushing them back to pre-war levels.

Currency

While most currencies have depreciated since US-Iran MoU, the INR appreciated ~0.4% vs USD in June (DXY rose 2.3%) on the back of sharply lower crude prices and RBI's measures to boost capital inflows (related to FCNR(B), ECBs, extension of eligible G-secs under FAR, exemption on capital gains to FPIs).

Commodities

Crude, gold, and silver fell in June 2026 as geopolitical tensions eased, supply concerns receded, and expectations of rate hike by US Fed bolstered the greenback reducing demand for commodities and safe-haven assets.

Manufacturing & Services PMI

Manufacturing PMI softened to 54.2 in June (55.0 in May), reflecting some cooling off in demand, but saw cost pressures ease. Services PMI moderated to 57.4 (59.8 in May) amid softer domestic demand and slower new order growth.

GST Collections

GST collections rose 13.9% YoY to ₹1.95tn in June 2026, driven by strong import tax revenues, highlighting resilient domestic demand amid global uncertainties. Net collections rose 11.2% YoY to ₹1.62tn.

Rainfall

Cumulative rainfall deficit stood at ~42% till 23rd June weighed down by El Nino conditions. The Indian Meteorological Department (IMD) has predicted rainfall at 90% of long period average (vs est. of 92% in April).

Auto Sales

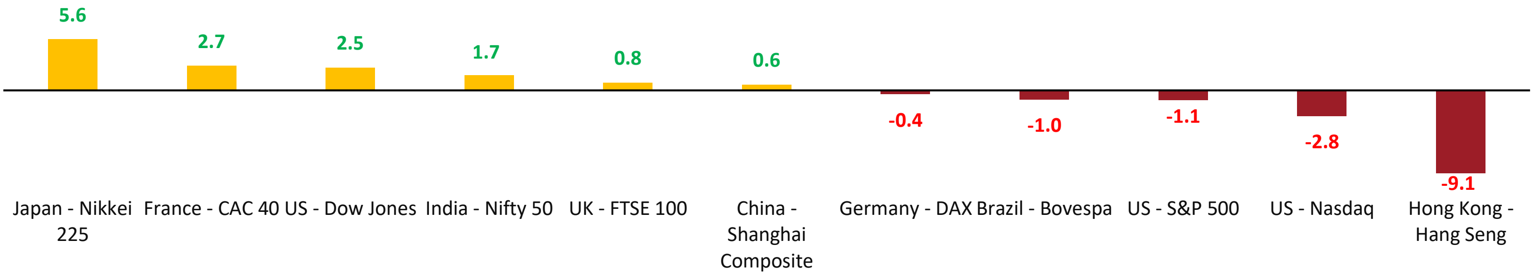
Auto sales rose 9.6% YoY in May, led by strong PV (23%) and tractor (11%) sales indicating robust consumer demand.

Outlook *(Source - IDFC FIRST Bank Economics Research, As On 30th Jun 2026)*

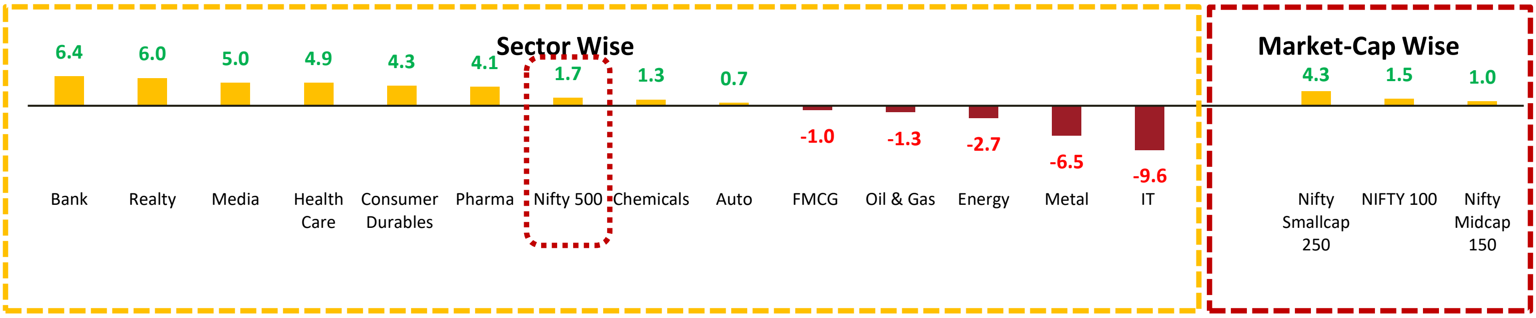
- **We retain our FY27 GDP growth estimate at 6.8%,** higher than RBI's estimate of 6.6%.
- **We maintain the CPI inflation estimate at 4.9% in FY27,** slightly lower than the RBI's estimate of 5.1%. **June CPI inflation is tracking at 4.4% YoY, with core inflation estimated at 4.1%.**
- **We expect the RBI to remain on pause and look through the supply-side shock in FY27.**
- **We still moderate depreciation in the INR vs the dollar, with USDINR at 96.50 by March 2027.**

Equity Market Update

Global Indices Performance (%) - Jun 2026



Domestic Indices Performance (%) - Jun 2026



Performance shown above is based on total returns for respective sectoral indices of the NSE in INR terms. Data as on 30th Jun 2026, Source: ACE

- **Frontline Indices** – Indian equities ended higher in June amid easing geopolitical tensions following a memorandum of understanding signed between the US and Iran, and tracking the sharp decline in crude oil prices. The small-cap segment outperformed the large-cap segment and mid-cap segments, all of which ended higher vs the previous month's close.
- **Banks –** Banks outperformed in June aided by measures announced by RBI to boost deposit growth, continued robust growth in advances and stable asset quality.
- **Realty –** Realty sector gained amid continued liquidity support by RBI and borrowing costs expected to remain lower for longer than previously anticipated. A status quo by RBI on policy rate and stance, and the governor indicating that it would be premature to think about rate hikes at the current juncture supported sentiment.

- **IT** – IT sector continued to face headwinds amid concerns over impact on earnings from AI, and tepid outlook over US discretionary technology spending.

Equity Outlook –

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

Valuations

Positive

- Nifty's 12-month forward PE* is at 18.8x vs current PE of 21.6x. Nifty Midcap 150's 12-month forward PE is at 27.83x vs current PE of 29.20x, Nifty Smallcap 250's 12-month forward PE is at 26.63x vs current PE of 35.13x (*As on 30th June 2026).
- **From a Valuation perspective – Large caps look most attractive**, followed by small caps & then midcaps.

Earnings

Neutral

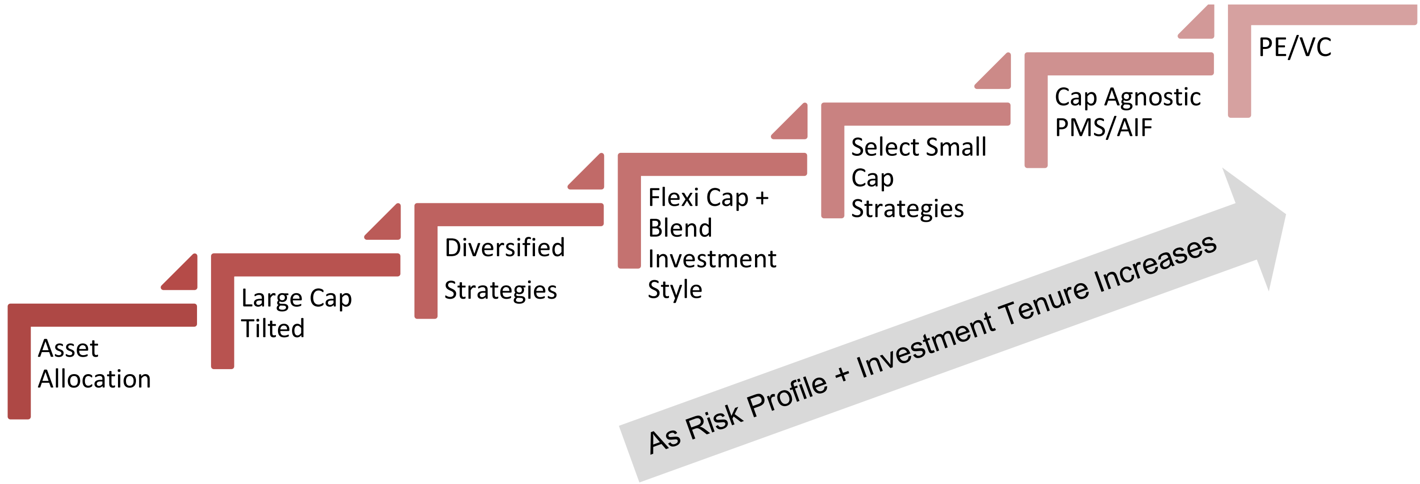
- Despite the near-term challenges and uncertain macro environment, the medium-to-long term growth outlook for India seems intact, which should support earnings growth.
- **Nifty 50 earnings growth^ estimated at ~11-13% CAGR in FY27 with some upside following the US-Iran ceasefire and subsequent fall in crude oil prices.**

Volatility

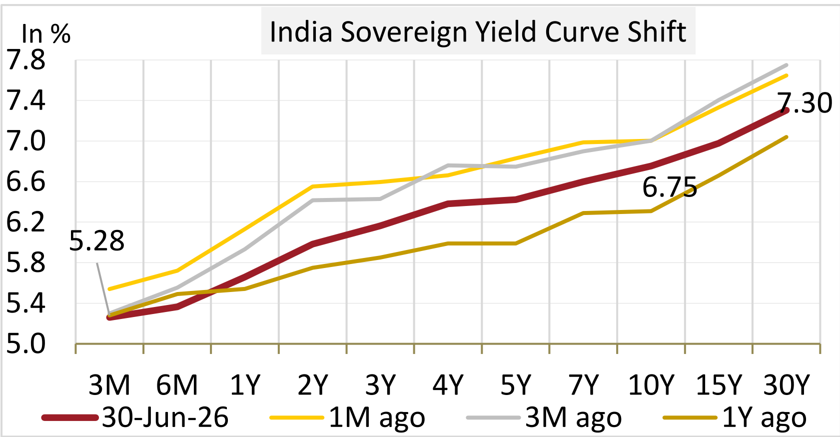
Neutral

- Nifty VIX ended June at 13.60 vs 16.18 as on 29-May-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 (%)	30-Jun-26	1M ago	1Y Ago
US 10 – Year	4.42	4.45	4.23
UK 10 – Year	4.77	4.81	4.48
Germany 10 – Year	2.86	2.93	2.60
Japan 10 - Year	2.69	2.66	1.43
India 10 – Year	6.75	7.00	6.32

Data as on 30th Jun 2026, Source- Investing.com

- **Indian 10Y yield** ended June on a bullish note amid a secular decline in yields across the curve. Decline in crude oil prices following the US-Iran ceasefire agreement and subsequent lowering of fiscal concerns led to sentiment turning positive. RBI Governor's comments that it was premature to discuss rate hikes also supported sentiment.

- **U.S. 10Y yield** fell ~4 bps MoM in June as easing US-Iran tensions and a resultant decline in crude oil prices supported sentiment. During the month, robust May jobs data weighed on bond prices. The US Fed held rates unchanged at 3.5-3.75% in June.

- **Euro zone:** Bond yields in UK and Germany too declined MoM tracking the decline in crude oil prices amid easing US-Iran tensions. The ECB raised policy rates by 25bps to prevent broadening of inflation pressures, while the BoE held rates unchanged at 3.75% amid uncertainty over strength of inflation pressures.

- **Japanese 10Y yield** inched up slightly in June amid expectations of further hikes by the BoJ to tackle persistent inflation and weakness in the Yen. The BoJ raised its short-term policy rate by 25bps to 1.0%.

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 are lower due to drop in crude oil prices** which reduce fiscal slippage and inflation risks. **10-Yr G-sec yield is expected to range between 6.65% to 6.90% over next few months.** An improvement in BoP would lower need for OMOs to ~INR3tn vs INR7tn estimated earlier.

Liquidity

Neutral

- Banking system liquidity moderated further in June (avg. of INR0.8tn) vs May (avg. of INR1.6tn) due to slowdown in government expenditure. **Core liquidity surplus stood at ~INR4.7tn** (1.8% of NDTL) by end June and may see a temporary pick-up till Sep’26 due to capital inflows.
- Persistently high credit-deposit ratio has kept pressure on money market rates. As FCNR(B) inflow pickups pressure on money market rates will ease as these deposits are significantly cheaper.

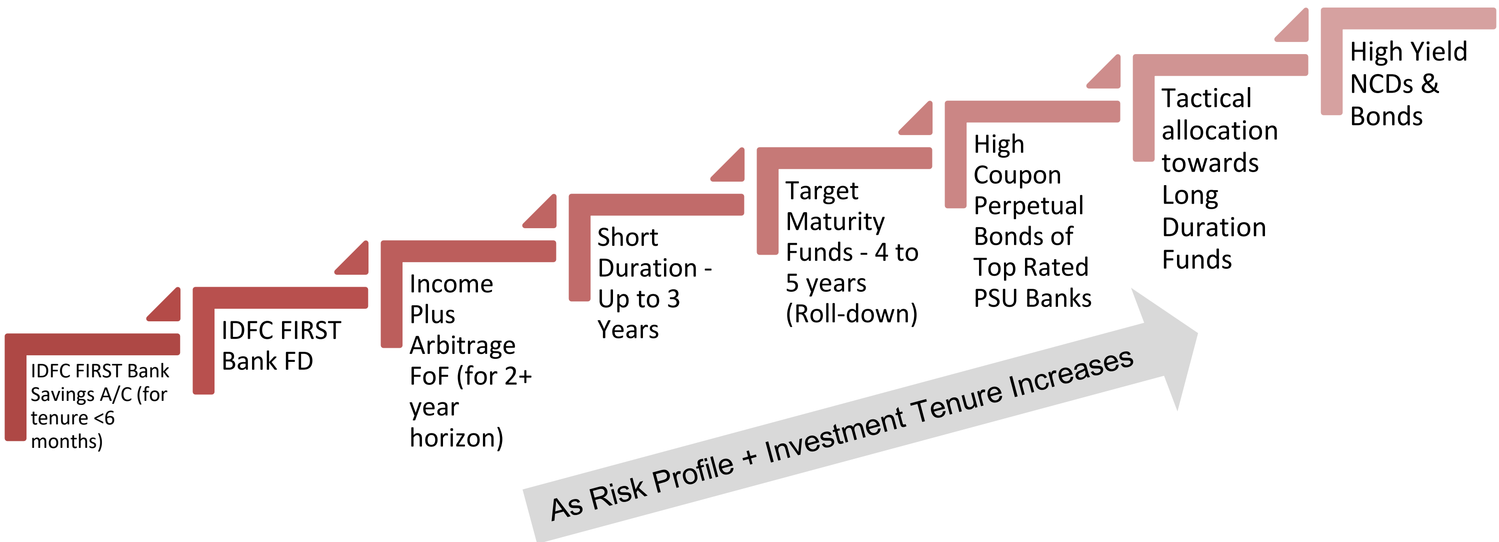
Credit Risk

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 30th Jun 2026)

Debt Investment Strategy



Disclaimer

This document has been prepared by IDFC FIRST Bank Limited based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. The contents of this report are solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments or any other product. Nothing in the report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the investor's circumstances. While due care has been taken in preparing this document, IDFC FIRST Bank and its affiliates accept no liabilities for any loss or damage of any kind arising out of any inaccurate, delayed or incomplete information nor for any actions taken in reliance thereon. The securities/funds discussed, and opinions expressed in this mail may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives & financial position. Please be informed that past performance is not necessarily a guide to future performance. Actual results may differ materially from those set forth in projections. Unless expressly stated, performance of products is not guaranteed by IDFC FIRST Bank or its affiliates. The information provided may not be taken in substitution for the exercise of independent judgement by any investor.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country, or other jurisdiction, where such distribution, publication, availability, or use would be contrary to law, regulation or which would subject IDFC FIRST Bank and affiliates to any registration or licensing requirement within such jurisdiction.

Please note that Mutual Fund Investments are subject to market risks, please read the Statement of Additional Information & Scheme Information Document carefully before investing for full understanding and detail. IDFC FIRST Bank Limited shall receive brokerage for Mutual fund transactions through AMC's as permitted under the extant regulations. For the applicable brokerage rates for each transaction, please visit idfcbank.com or contact your IDFC FIRST Bank representative.

The information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied, or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of IDFC FIRST Bank Limited. IDFC FIRST Bank limited accepts no liability nor responsibility whatsoever with respect to the use of the information provided hereinabove.

The customers acknowledge that none of the Information has been subject to verification and neither IDFC FIRST Bank nor any of its representatives accepts responsibility for or makes any representation, expressed or implied, or gives any warranty with respect to the accuracy or completeness of the Information. The Customers shall be responsible for making their own decision on the Information and acknowledge that it shall not have any right of action against IDFC FIRST Bank or any of its Representatives in relation to the accuracy, reasonableness, or completeness of any of the Information. Accordingly, IDFC FIRST Bank and any of its Representatives will not be liable for any direct, indirect, or consequential loss or damage suffered by any person as a result of any reliance on any statement contained in or omitted from the Information.