April 2026

FUND MANAGERS COMMUNICATION

Global Market:

Global equities in March 2026 exhibited negative performance, with volatility rising due to a combination of geopolitical tensions, sector rotation, and earnings dynamics. Escalating tensions in the Middle East weighed on risk-assets during the month. During the month of March 2026: S&P 500 was down by -5.13% & Nifty 50 was down -11.3%.

Domestic Market:

GST Collection: GST collection in March month was Rs. 1.78 Lakhs crore, marking a 8.2% year on year growth.

Auto numbers: The auto pack delivered a strong performance in Mar-26, with broad-based growth across 2Ws, PVs, and CVs. Post GST cut, demand momentum has sustained. It was primarily driven by positive demand traction amidst tailwinds from GST 2.0 rate cut, which lowered vehicle prices and boosted consumer sentiment. Auto wholesale sales volume for March 2026 came in healthy with PV & Tractors segments outperforming peers. CV space reported healthy volume prints for the month of March'26 with continued recovery visible across M&HCV (trucks) & LCV segments. FY26 ends on a high note with healthy growth across all vehicle categories making a new high in terms of total vehicles dispatched in a fiscal year.

Credit Growth: Gross banks' credit grew at 14.5% in Feb'26 (vs 14.6% in Jan'26/11.1% YoY in Feb'25). Credit growth on YoY basis improved broadly across segments.

PMI: The S&P Global HSBC Manufacturing PMI for India came at 52.9 in March, marking the weakest expansion in nearly four years due to cost pressures and geopolitical uncertainty. Services PMI at 57.2. (Manufacturing PMI data is an economic indicator that measures the activity level in the manufacturing sector. It is based on a survey of purchasing managers across manufacturing industries and provides insights into business conditions, including production, new orders, employment, supplier delivery times, and inventory levels).

Core sector growth slowed to 2.3% in Feb'26 from 4.7% in Jan'26, weighed down by contraction in refinery products and moderation in electricity output. On a cumulative basis, FY26 YTD growth stands at 2.9%, lower than 4.4% in the corresponding period of FY25, indicating a relatively slower pace of expansion this year. Infrastructure Segments Remain Robust: In Feb'26, steel and cement output expanded by 7.2% and 9.3% respectively, underscoring sustained momentum in infrastructure and construction activity.

IIP: IIP rose to 5.2% YoY in Feb'26 vs 5.1% (revised) in Jan'26, 100bps above the consensus.

RBI Policy: In February policy meet, the central bank kept rates unchanged while maintaining its liquidity stance neutral. The MPC expects real GDP growth in FY26 to remain strong at around 7.4%, supported by resilient domestic demand, robust services activity, improving investment conditions, and favourable agricultural prospects, even as external demand remains a drag.

Equity Market Outlook:

US IRAN war has delayed the recovery in Indian Equity Market which had already gone through cyclical earning slowdown and where earnings have just started to see improvement in September and December 2025 quarter. India has maintained neutrality over the current war and played more diplomatic role to ensure there is reasonable supply of oil and gas for domestic household consumption, however shortage and curbs are still there for Industrial usage. Some industries have migrated to alternate energy with increased cost structures.

Indian macro has got disturbed looks, which would be challenging for short to medium term. The rupee hit a record low of 94.79 per dollar as energy imports and remittances were disrupted. Brent maintaining above $100, FII outflows crossing ₹1.14 lakh crore in March, and squeezed corporate margins define the current macro pain. With 10 million Indians in Gulf countries remitting $40 billion annually, any Gulf slowdown hits Indian households directly.

The IEA said disruptions have cut global oil supply by about 8 million barrels a day. Oil above $100 is hurting the US economy, US allies, and global markets - making a prolonged war politically very costly for Trump at home. A temporary pause or informal ceasefire within the next 2-4 weeks is plausible - both sides are exhausted and the economic pain is real. But a full, formal peace deal is likely months away, with Lebanon, nuclear terms, and reparations still unresolved.

With recent correction in the March month, markets seems to have discounted the pain so far. The combination of valuations now below historic mean, majority of stocks under 200-DMA, two years of time correction, and a rupee near record lows all together point to a market that has substantially de-risked itself from a medium-term investment standpoint. If the war shows even partial de-escalation - which Trump's own statements suggest is coming - the relief rally in crude prices, the rupee, and risk sentiment could be sharp and swift. For patient investors with a 12-24-month horizon, risk/reward is now clearly in favor.

Regards,
Mayur Shah
(Fund Manager-Anand Rathi Advisors Ltd.)

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