

# INVESTMENT PERSPECTIVE

MAY 2026



**April 2026** month started under intense pressure, with the Nifty touching fresh lows in the first week as geopolitical anxieties around the US-Iran conflict sent volatility sharply higher. India VIX pierced 25 and touched a high of 28.9, approaching levels that have historically signalled capitulatory panic selling. Market breadth deteriorated to near extreme readings, with only 18% of Nifty 500 stocks trading above their 200-day moving average, and just 13% above their 50-day moving average – conditions that are rare and typically precede meaningful recoveries. Also as we noted last month- the history reminds us that attractive market entry points rarely coincide with positive headlines. Evaluating the range of possible outcomes, we believe the balance of probabilities and risk-reward is now turning favourable enough to justify gradual capital deployment. And the turn came mid-month. By month-end, the Nifty had recovered meaningfully off its April lows, closing around 24,093.



We do not see any reason why the West Asian crisis should materially impair India's long-term resilience. India currently consumes around 41,000 petajoules (PJ) of energy, with crude and its derivatives accounting for about 28.5% of this demand—down from 34.3% in 2015–16. This indicates a gradual reduction in the country's relative dependence on imported crude. In the near term, strong fiscal and monetary fundamentals should provide adequate buffers, enabling India to navigate the current crisis with limited disruption. Despite the strong medium to long term picture, energy supply disruptions persisting for about two months, even a swift resolution in peace negotiations is unlikely to normalize supply chains immediately. Restoring flows to pre-February levels could take another couple of months, as vessels diverted to alternate routes will need time to realign. This suggests at least one full quarter of disruption, which is likely to weigh on the FY27 earnings trajectory. That said, markets typically price in forward twelve-month earnings rather than focusing strictly on a financial year, which should help absorb some of the near-term impact.



India's macro fundamentals remain broadly solid, with the key overhang being elevated crude prices. We expect the economy to enter a strong investment-led growth phase, supported by improving bank credit growth and healthy balance sheets. And towards the end of the calendar year, the benefits from recently signed trade agreements should begin to materialize. That said, for Indian equity markets to reflect underlying structural strength, uncertainties linked to the Strait of Hormuz need to recede.



Sector-wise, we remain constructive on both large banks and insurance companies. Insurance stocks have seen a sharp correction over the past two months, driven by a spike in the 10-year bond yield that has weighed on their investment income. However, we believe the bulk of the yield up-move is behind us, and valuations have corrected to levels from which reasonable returns can be expected.



Nifty has recovered only about 9% from the lows seen during the peak of the US-Iran conflict in March. We believe the likelihood of the index revisiting those lows is quite low. We continue to expect mid-teen earnings growth over the next two years. Given current valuations, there is a strong likelihood that the Nifty could deliver ~15% annualized returns over this period.

## KEY TAKEAWAYS



Market volatility spiked in April but conditions now indicate favourable risk-reward for gradual capital deployment.



India's energy dependence is reducing; strong fiscal & monetary buffers provide near-term support.



Investment-led growth phase ahead, supported by credit growth and upcoming trade benefits.



Positive on large banks and insurance; valuations have corrected and offer reasonable return potential.



Expecting mid-teen earnings growth over the next two years; Nifty positioned for ~15% annualized returns.

Chief Investment Officer  
Narnolia Financial  
Services Ltd.

Shailendra  
Kumar

