

INVESTMENT PERSPECTIVE

JUNE 2026

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May 2026 month started under immense pressure, the **Nifty 50 declined approximately 2.6%** month-on-month, and was **down approximately 5.2%** year-on-year. Volatility, while easing from March's panic highs, remained elevated. **India VIX oscillated in the 18–22 range** through the month, with brief spikes on each fresh geopolitical headline. A notable warning sign appeared mid-month when VIX rose even as the market was not falling — a pattern that historically flags fragile internals and vulnerability to sharp downside on a single catalyst. **The Indian Rupee hit fresh historic lows, breaching 96.50** to the dollar — Asia's worst-performing currency in 2026 — stoking fears of further FII outflows and a more aggressive monetary response from the RBI. The twin headwinds of a weak rupee and elevated crude represented a particularly uncomfortable combination for India.



FIIs sold ₹55,963 crore in May 2026, extending their net selling streak to an 11th consecutive month. Yet, as has been the defining feature of this market cycle, domestic institutional investors stepped up decisively. DIIs absorbed the pressure with purchases of **₹82,668 crore**, underscoring the durability of the domestic savings-into-equities structural theme.



Toward the end of the last calendar year and into the early months of 2026, India's macroeconomic indicators were exhibiting clear signs of strengthening demand before the recent West Asia crisis introduced fresh uncertainty. The recently concluded March quarter earnings season reflected continued improvement in corporate performance; however, management commentaries remained cautious in light of the evolving energy situation. As a result, the outlook for FY27 remains uncertain. At this stage, it would be prudent to await the 1QFY27 earnings season and management guidance before forming a more definitive view on the trajectory of corporate earnings and economic growth.



At this stage, we have greater confidence that 2HFY27 will be meaningfully stronger than 1HFY27. The first quarter is likely to witness some adverse impact on growth arising from the ongoing West Asia crisis. Our optimism increases considerably from 3QFY27 onwards. By then, the benefits of the various trade agreements signed by India should begin translating into stronger industrial activity, higher business-to-business demand, and improved economic momentum. These factors, combined with the seasonal boost from the festive period, should provide a supportive backdrop for growth.



The setup heading into June is one of competing forces: a geopolitical risk premium that could dissipate rapidly on any ceasefire signal, a monsoon season that early indicators suggest may be broadly favorable, an RBI that has room to support growth if rupee pressure stabilises, and valuations that have now compressed to levels where the margin of safety for patient, long-term capital is meaningfully better than it was twelve months ago. The discomfort of the current environment is real — but so is the historical precedent that durable entry points are built precisely in months like these.



The deep price-time correction has brought valuations to a far more reasonable equilibrium. Evaluating the extended risk-off cycle, we maintain that the **balance of probabilities continues to shift in favor of long-term accumulators, justifying a steady, quality-growth deployment strategy.**

KEY TAKEAWAYS



Market volatility remained elevated in May, with VIX in the 18–22 range and warning signs of fragile market internals



The Indian Rupee hit fresh historic lows at ₹96.50/USD, becoming Asia's weakest-performing currency in 2026 amid elevated crude prices.



FIIs sold ₹55,963 crore in May, extending their selling streak to eleven months, while DIIs purchased ₹82,668 crore.



Macro indicators were showing signs of strengthening prior to the West Asia crisis, though the FY27 outlook remains uncertain.



2HFY27 is expected to be materially stronger than 1HFY27, with optimism increasing from 3QFY27 onward.



Valuations have corrected meaningfully, improving the margin of safety for patient long-term investors.



The balance of probabilities continues to favor disciplined long-term accumulation through quality-growth deployment.

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