

Overview:

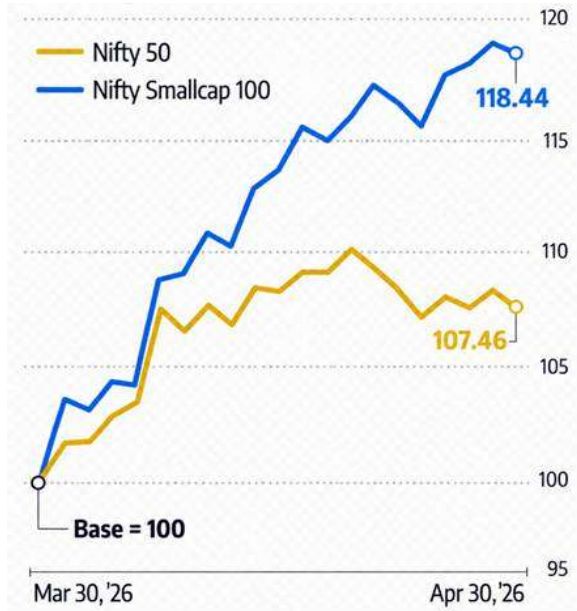
For the month ended April 2026, the Nifty 50 index was up by 7.46% over the previous month. The Nifty Midcap 100 index gained 13.55%, while the Nifty Smallcap 100 index up by 18.44. Smallcaps relatively outperformed midcaps and largecaps during the month. Within sectors, auto, banks, financial services, consumer goods, media, metals, private banks, PSU banks, consumer durables, oil & gas, and realty outperformed the benchmark Nifty 50 index, while technology services, pharma, and healthcare underperformed the benchmark.

Sr. No.	Index Name	Apr-26
		M-o-M Change
1	NIFTY 50	7.46%
2	NIFTY Midcap 100	13.55%
3	NIFTY Smallcap 100	18.44%
4	NIFTY Auto	9.04%
5	NIFTY Bank	9.13%
6	NIFTY Financial Services	9.08%
7	NIFTY FMCG	12.15%
8	NIFTY IT	1.00%
9	NIFTY Media	15.39%
10	NIFTY Metal	15.21%
11	NIFTY Pharma	4.66%
12	NIFTY Private Bank	8.85%
13	NIFTY PSU Bank	7.74%
14	NIFTY Realty	21.87%
15	NIFTY Consumer Durables	12.87%
16	NIFTY Oil & Gas	8.40%
17	NIFTY Healthcare Index	5.05%

Source: National Stock Exchange of India

Smallcaps showed a significant bounce back compared to largecaps as a temporary ceasefire in the West Asia conflict fueled a risk-on rally, with the Nifty Smallcap 100 surging 18.44% in April, more than double the 7.46% gain in the Nifty 50 and fully recovering its March losses unlike largecaps. The smallcap index is now up 6.4% in 2-month period and 1.7% year-to-date, while the Nifty 50 remains down 4.7% over the same period and 8.2% year-to-date.

Fig: Smallcap vs Nifty50



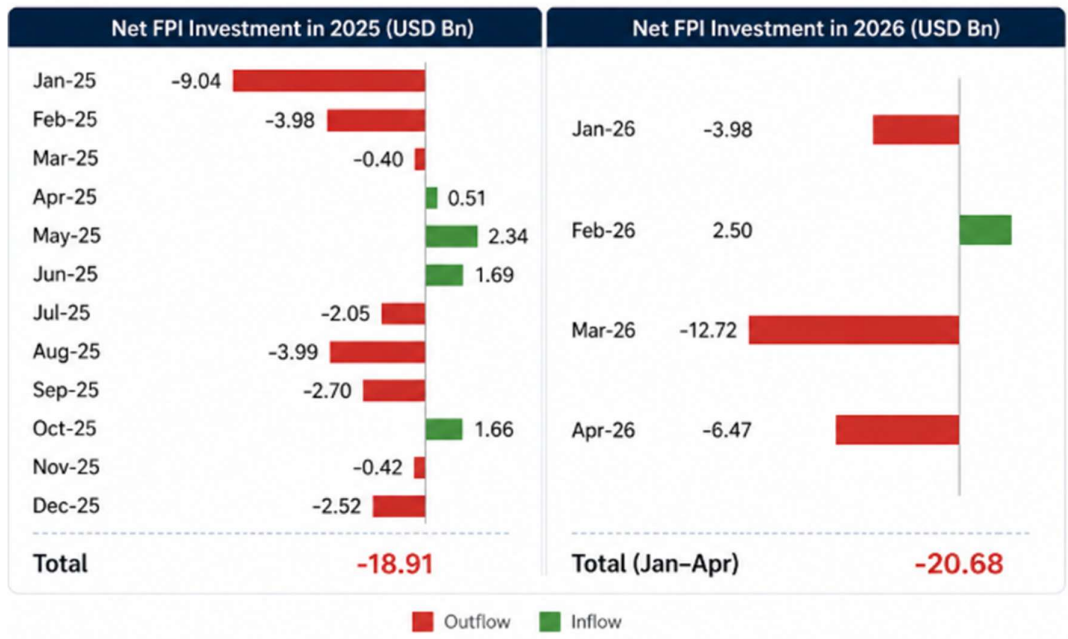
Source: Bloomberg

Foreign funds (FIIs /FPIs) were net sellers in April 2026 at ~USD6.47bn and domestic institutions were net buyers at ~USD5.39bn. Foreign investors (FPIs) have been steadily pulling money out of Indian stock markets in CY2026, with cumulative outflows of ~USD20.68bn in the first four months, exceeding the full-year outflow of ~USD18.91bn in CY2025. March witnessed the sharpest selling, with April continuing the trend amid a more uncertain global environment. Rising geopolitical tensions, particularly in West Asia, have pushed crude oil prices higher, reducing the likelihood of near-term rate cuts by central banks. At the same time, elevated global bond yields have made safer assets like US bonds more attractive relative to emerging markets such as India. On the domestic side, institutional investors continued to support markets, though more selectively and cautiously, as significant deployment during the March correction led to a decline in cash levels to a 21-month low (~4.7%), limiting their ability to invest aggressively in April. However, continued inflows through Systematic Investment Plans (SIPs) and strong retail investor participation have helped sustain domestic flows.

Market Flows (USD mn)			
(USD mn)	1D	30D	CYTD
DII - Cash	368	5,460	32,719
FII - Cash	(209)	(6,474)	(20,677)
FII - Debt	29	(826)	(368)

Source: Axis Capital

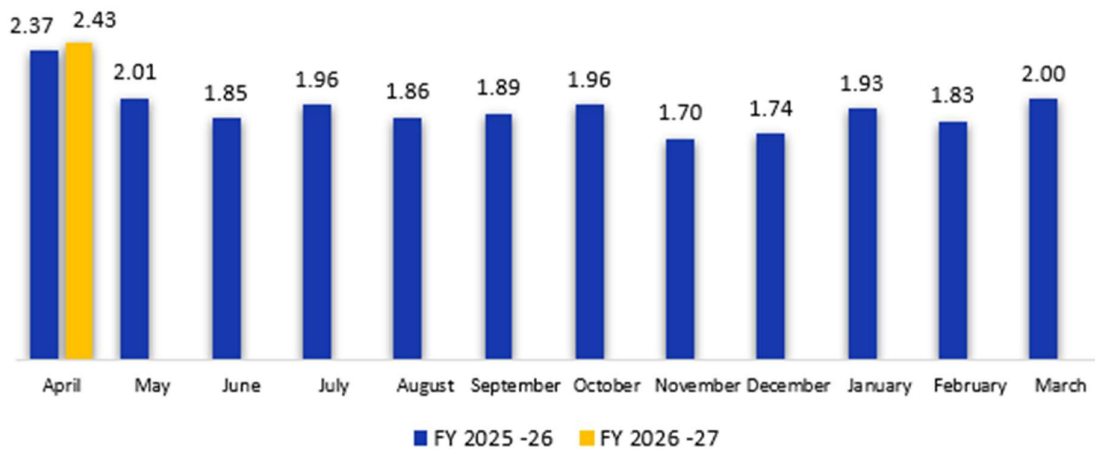
Fig: Foreign funds flow CY2025 vs CY2026



Source: NSDL

On the macroeconomic front, India's gross GST revenue in April 2026 hit a record high of INR2.43 trillion, marking an 8.7% YoY growth compared to April 2025. This surge saw net collections rise 7.3% to INR2.11 trillion after accounting for increased refunds.

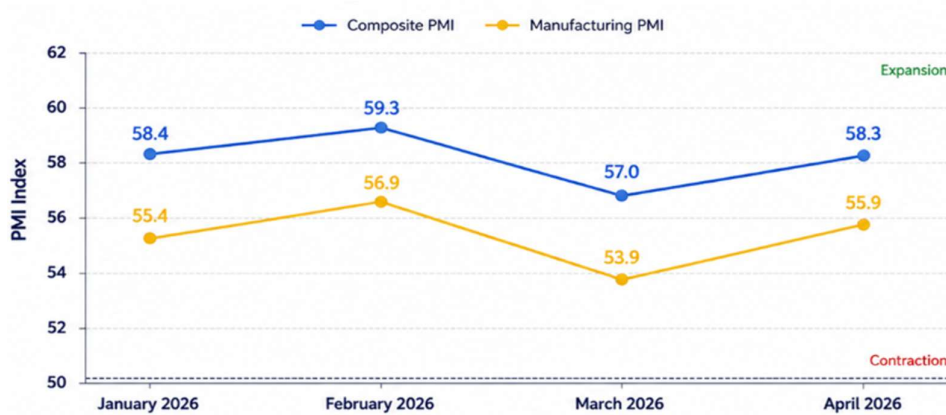
Fig: GST collections trend (in INR trillion)



Source: EquiPoise Capital Research, Gol

India's private sector kicked off the new fiscal year (FY2026–27) on a strong note, with the HSBC Flash India Composite PMI rising to 58.3 in April from 57.0 in March, indicating a sharp acceleration in activity. The Manufacturing PMI Index also increased to 55.9 from 53.9, reflecting a strong rebound in factory production and new orders. Despite ongoing geopolitical uncertainties, this momentum signals a positive start to FY27, supported by improving export demand and steady domestic order inflow, creating a strong base for further growth.

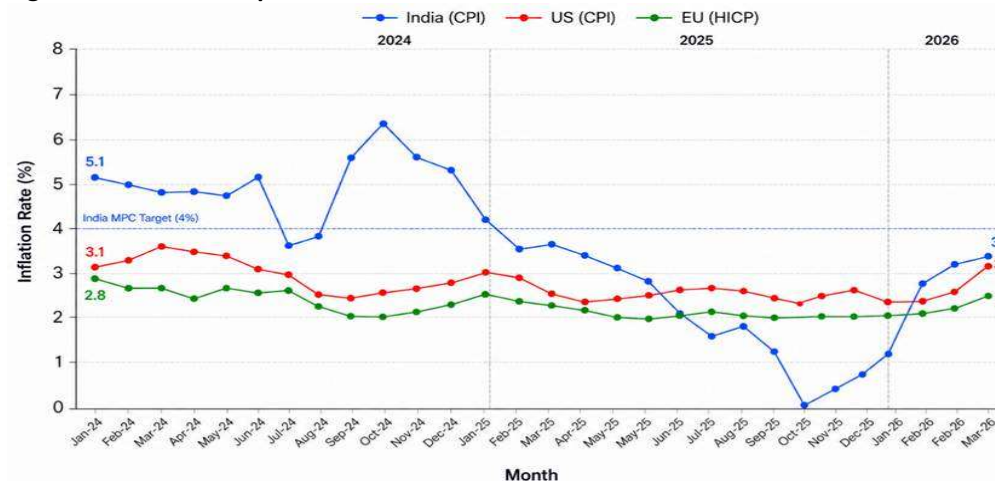
Fig: PMI signals robust growth momentum



Source: HSBC

In April 2026, major central banks such as the Federal Reserve, European Central Bank, and Reserve Bank of India kept interest rates unchanged, reflecting a clear “wait-and-see” approach. Geopolitical uncertainty has pushed up inflation again, driven by higher energy prices, while growth remains uneven, creating a policy dilemma, cutting rates risks fueling inflation, while hiking could hurt growth. In the US, some policymakers are leaning towards tighter action to curb inflation, while Europe faces a tougher situation with weak growth and rising prices. India is relatively better placed, supported by stable growth and diversified oil sourcing, though risks like food inflation (due to a potential El Niño) and global uncertainties keep the RBI cautious.

Fig: Inflation rate comparison: India vs US vs EU



Source: MoSPI, BLS, Eurostat. Note: CPI: Consumer Price Index, HICP: Harmonised Index of Consumer Prices

The value of India’s Gold reserves has increased by over 50% since the start of the last financial year. At the start of April 2025, the value of FX reserves held in Gold totaled just under USD80bn. As of the last week of April 2026, this has increased to USD120bn. Gold holdings now account for 17% of total FX reserves, up from just under 12% a year back.

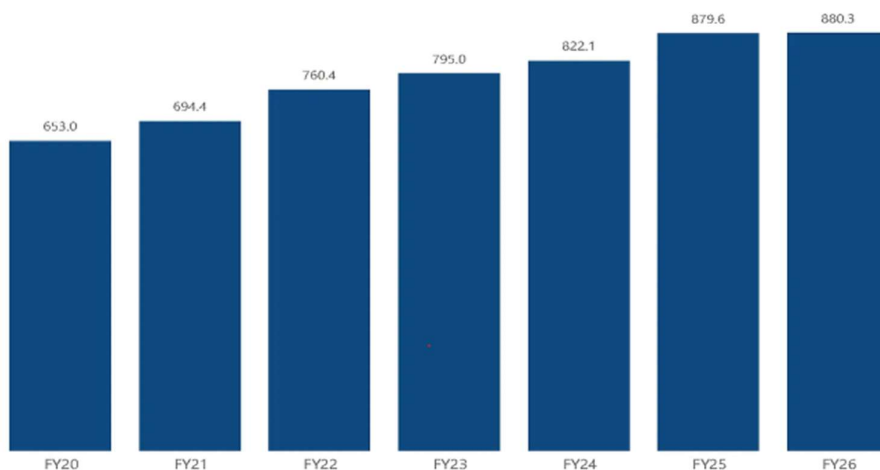
Fig: Share of gold in India’s forex reserves



Source: IndiaDataHub

However, almost the entire increase in this is due to the higher value of gold holdings. In volume terms, RBI’s holdings of physical gold have increased by less than 1% or less than 1 metric tonne over the past year. Indeed, FY26 was the first year in recent times when the RBI did not add to its physical gold holdings. In each of the preceding 5 years, the RBI, on average, increased its gold holdings by ~45 tonnes.

Fig: RBI’s physical gold holdings (metric tonnes, as on March end of each year)

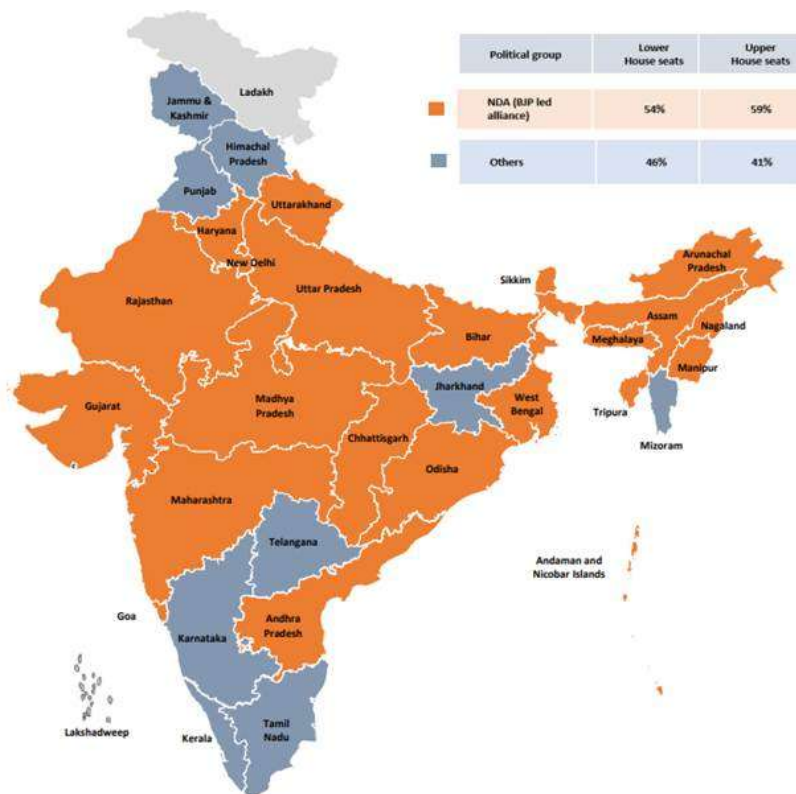


Source: IndiaDataHub

Our view:

The stable political environment in India since May 2014, is getting more stable and this augurs well for tough reforms, governance, finance and macroeconomic growth. Monday May 4, 2026 landmark win by the ruling Bharatiya Janata Party (BJP) in West Bengal (India's 3rd-largest state) continues the party's strong showing over the past 2 years, with victories in eight of 12 state elections. The crucial West Bengal win bolsters the BJP across Eastern India, where the party now rules the major states. Party manifestos continue to emphasize on development, infrastructure, jobs and growth.

Fig: India Political Map



Source: Gol

Why is this political analysis important? We believe India is ultimately governed through and by the states with central government working more through policy formulation and directive principles whereas the actual implementation of reforms and governance is in the hands of the respective state governments. Hence having administration of states which work in tandem with central government is crucial for the success of realizing Mission Developed India or Viksit Bharat. With no major state election scheduled until early 2027, and the government entering a relatively election-free corridor of 10 months, this presents an excellent opportunity to the government to firmly focus on managing India's macro environment, amid elevated crude oil prices, risks to food inflation from a below normal monsoon and a widening current account deficit. We would now focus on how the government proceeds on rationalizing energy subsidies, accelerating trade diversification, achieving the India-US Bilateral Trade Agreement and accelerating overall reforms.

Manufacturing companies under coverage that rely on crude oil inputs – cutting across sectors such as cement, auto, building material, chemicals, consumer discretionary and consumer goods - have largely shown in-line results so far during quarter four FY2026. Also, guidance from these companies has not raised any material red-flags on the demand outlook for FY2027 due to the US-Iran war. Most companies exuded confidence on maintaining double-digit volume growth and that crude oil-related input price escalation will likely be managed via cost savings and passing on to end consumers. Corollary of the above is that we are entering a robust demand-driven inflationary environment, wherein nominal growth numbers may appear strong. Recent high-frequency data, flash PMI-manufacturing for April 2026 (59.1) and credit growth (15% YoY) corroborate the readings from corporate commentaries from quarter four results. Also, there are hints of private capex picking up pace.

Our portfolio continues to focus on infrastructure, telecom, textiles, engineering, shipping, trade, and capital goods sectors. We remain optimistic on the companies in our portfolio. We maintain significant underweight in information technology services, metals, energy, and real estate.

We are cautious in the short term given the unfolding and ongoing geopolitical crisis but remain optimistic on India in the long term.

Ashish A. Wakankar

Founder and Chief Investment Officer

EquiPoise Capital Management Private Limited

May 05, 2026.

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