

Overview:

For the month ended May 2026, the Nifty 50 index was down by 1.87% over the previous month. The Nifty Midcap 100 index gained 3.24%, while the Nifty Smallcap 100 index was up by 0.73%. Midcaps and smallcaps outperformed largecaps during the month. Within sectors, auto, metals, pharma, healthcare, banks, financial services, technology services, realty, and private banks outperformed the benchmark Nifty 50 index, while consumer goods, media, PSU banks, consumer durables, and oil & gas underperformed the benchmark.

Sr. No.	Index Name	May-26
		M-o-M Change
1	NIFTY 50	-1.87%
2	NIFTY Midcap 100	3.24%
3	NIFTY Smallcap 100	0.73%
4	NIFTY Auto	1.62%
5	NIFTY Bank	-1.14%
6	NIFTY Financial Services	-1.18%
7	NIFTY FMCG	-3.31%
8	NIFTY IT	-0.93%
9	NIFTY Media	-3.28%
10	NIFTY Metal	4.74%
11	NIFTY Pharma	4.63%
12	NIFTY Private Bank	0.17%
13	NIFTY PSU Bank	-3.85%
14	NIFTY Realty	-1.39%
15	NIFTY Consumer Durables	-6.25%
16	NIFTY Oil & Gas	-4.23%
17	NIFTY Healthcare Index	3.18%

Source: National Stock Exchange of India

Foreign funds (FIIs /FPIs) were net sellers in May 2026 at USD3.45bn and domestic institutions were net buyers at USD8.63bn. What is a worrying factor for investors in India is the relentless foreign fund selling which now stands at USD25bn for the current calendar year to date May 31, 2026. The entire selling from foreign funds has been more than adequately absorbed by domestic funds (DII) who receive systematic inflows from retail investors.

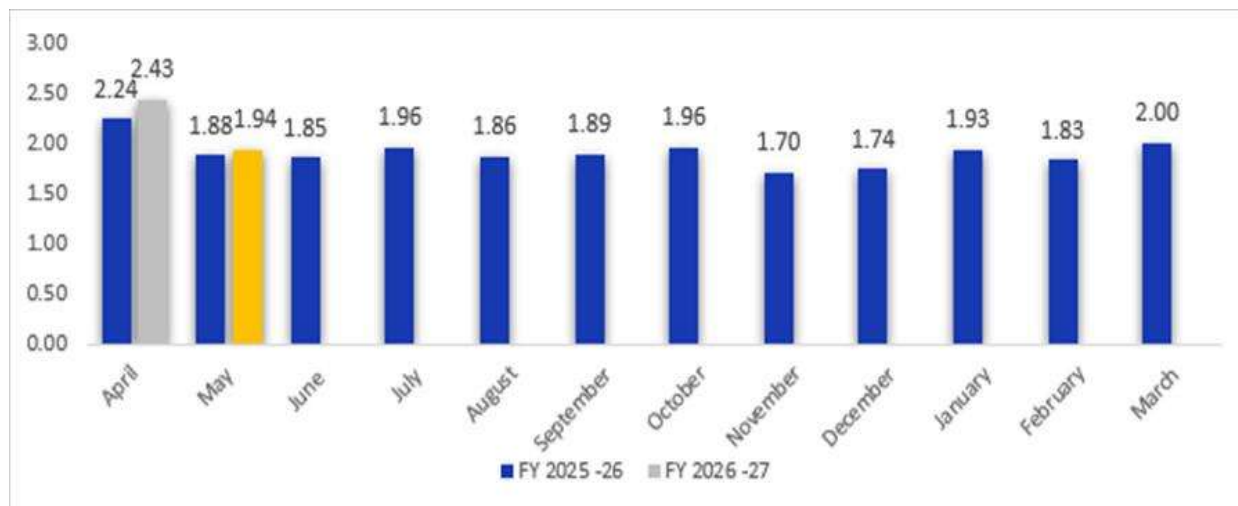
Fig: Foreign and domestic fund flows CYTD2026

CY2026	FPI/FII	DII
January	-4.0	7.5
February	2.5	4.2
March	-12.7	15.0
April	-6.5	5.4
May	-3.5	8.6
Total	-25	41

Source: NSDL. Fig in USD billion

On the macroeconomic front, Goods and Services Tax (GST) revenue for May 2026 stood at INR1.94 trillion, up 3.19% YoY. The biggest reason was that taxable goods supply increased 26.9% and taxable services supplies increased 22.2% compared to May 2025. This means businesses generated higher sales and consumers continued spending, leading to more GST being paid.

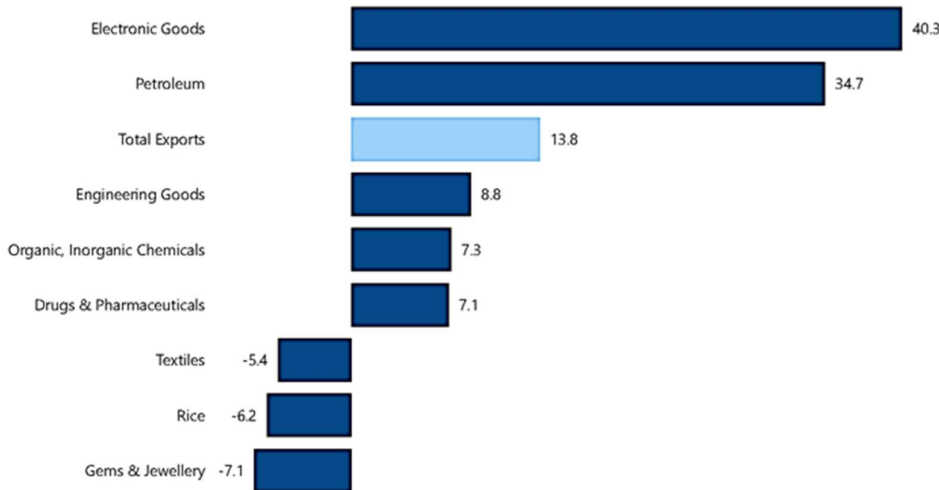
Fig: GST collections trend (in INR trillion)



Source: EquiPoise Capital Research, Gol

India's export performance remained resilient in April despite ongoing global uncertainty and supply chain disruptions, with exports growing 14% year-on-year, the fastest pace since November. Growth was led by strong momentum in electronics and petroleum exports, highlighting India's increasing integration into global manufacturing and supply chains. At the same time, robust imports of electronics reflected healthy domestic demand and ongoing economic activity. Overall, the strong trade performance underscores the competitiveness of Indian industries and the growing strength of the country's export ecosystem amid a challenging global environment.

Fig: Merchandise Export Growth (YoY%, April 2026)



Source: India Data Hub

India's industrial production grew 4.9% year-on-year in April 2026, reflecting continued strength in economic activity. Growth was driven by robust manufacturing output, strong capital goods production, and healthy infrastructure-related activity, indicating sustained investment momentum and capacity expansion. Growth in consumer goods also contributes to resilient domestic demand. Overall, the broad-based improvement in industrial output highlights the strength of India's manufacturing sector and the ongoing support from infrastructure spending and private investment.

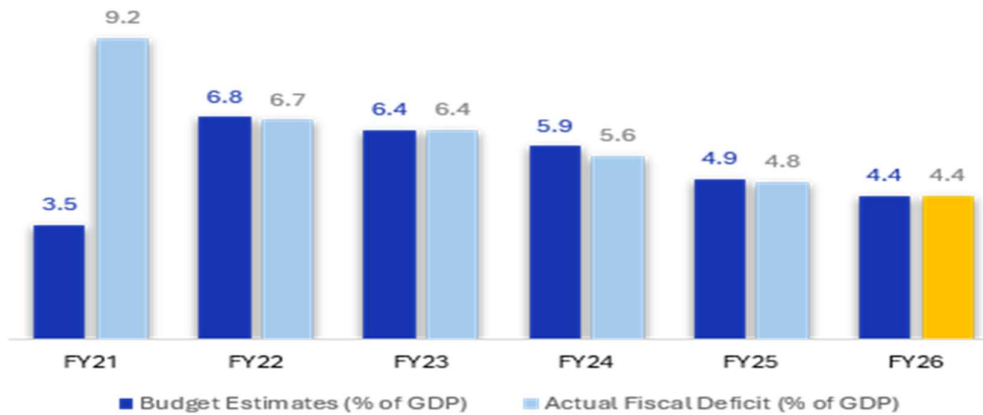
Fig: Performance of Major Sectors (YoY Growth %)



Source: Ministry of Statistics and Programme Implementation (MoSPI), National Statistical Office (NSO). April 2026 Index of Industrial Production (Base Year: 2022-23).

Government contained its FY2026 fiscal deficit at the budgeted target of 4.4% of GDP despite a downward revision of the GDP. This the government achieved through prudent expenditure and shows the government’s commitment to fiscal discipline despite global headwinds.

Fig: Fiscal deficit as a % GDP

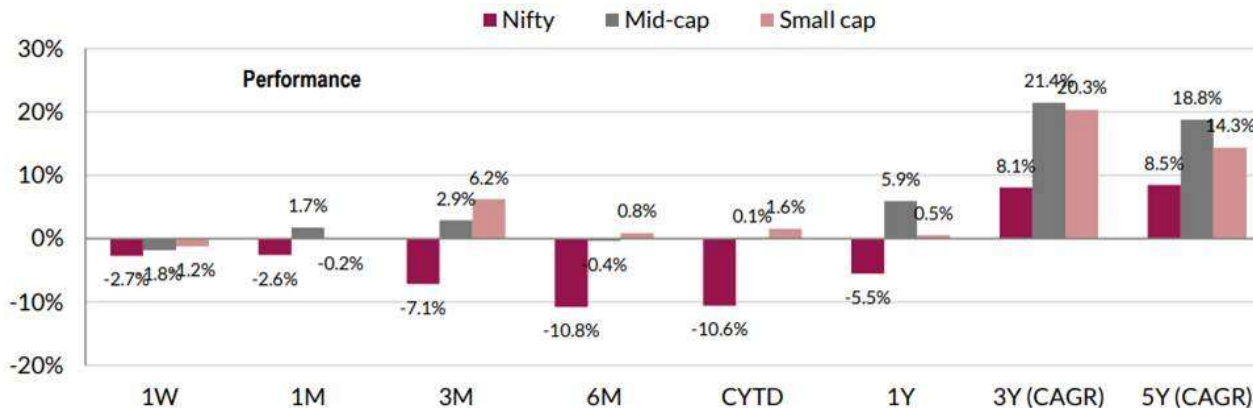


Source: Gol Budget documents

Our view:

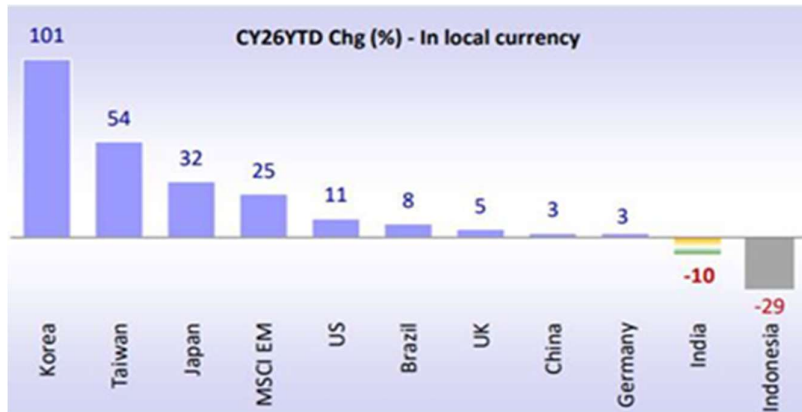
In May, Indian markets were relatively muted, after a strong April, due to geopolitical challenges, which kept oil prices elevated and continued to disrupt trade, travel, thereby threatening global growth. After a decent start to the month, when the Nifty index was up 1.5% MTD by the end of the first week, markets turned bearish again, with Nifty returns falling to -2% MTD by the second week, which sustained throughout the rest of the month. The broader market remained resilient during May despite weakness caused by unprecedented foreign fund selling over last 12 months. While the Nifty 50 declined 1.87%, the Nifty Midcap 100 and Nifty Smallcap 100 gained 3.24% and 0.73%, respectively.

Fig: Midcaps outperform Nifty in 1M/3M/6M/1Y periods



Source: Axis Capital Research

Fig: World equity indices in local currency terms in CY26YTD (%)



Source: Motilal Oswal Research

Broader market in India i.e. mid-caps, has consistently outperformed large caps. Even CYTD2026, while large caps Nifty 50 index was down 10% but Nifty Small Cap 100 and Nifty Midcap 100 indices were up 2.3% and 2% in local currencies. Same is more evident over one year, 3 years and 5 years period.

Given this aspect of Indian market, and as highlighted even in the past, our portfolio has reflected our bottom-up approach. We are focused on infrastructure, telecom, textiles, engineering, shipping, pharmaceuticals, and capital goods sectors. We maintain significant underweight in information technology services, metals, energy, and real estate. We remain steadfast on our conviction picks in the portfolio.

We are cautious in the short term given ongoing US-Iran war, India-US bilateral trade agreement discussions, the global investor rush towards AI sector and the impact of these three on Indian economy, inflation, currency and markets. We remain optimistic on India's investment and domestic consumption led growth in the long term.

Ashish A. Wakankar

Founder and Chief Investment Officer

EquiPoise Capital Management Private Limited

June 03, 2026.

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