From the Desk of CIO & CEO – July 2026

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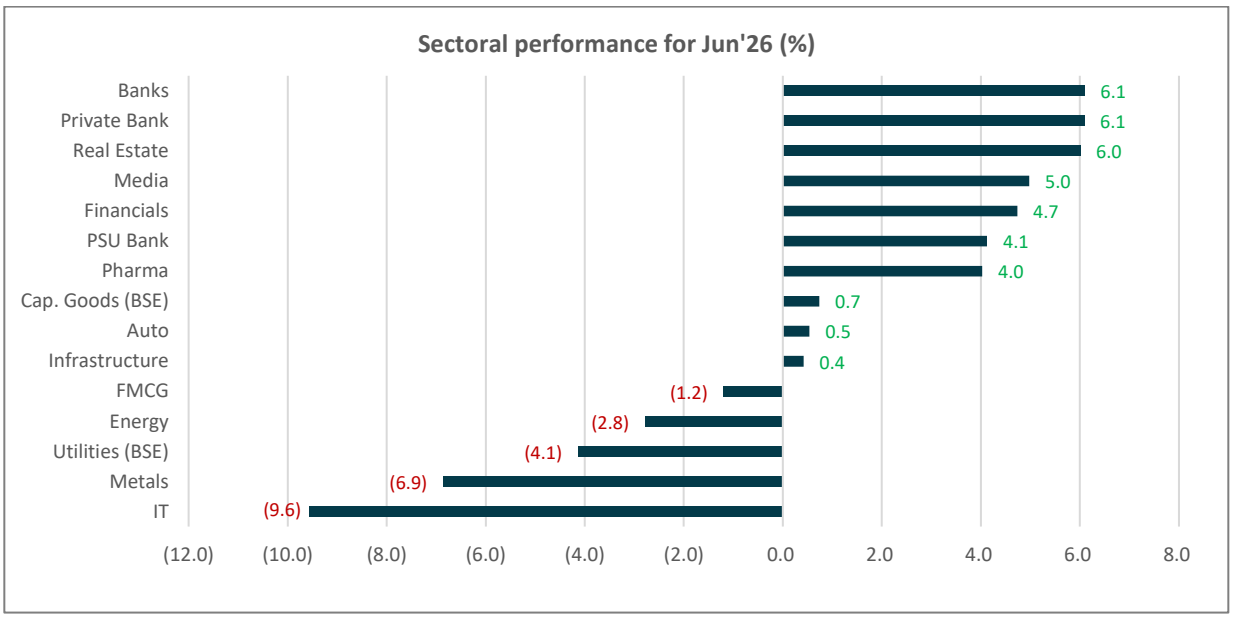
Dear Patron,

Welcome to this month's edition of our market commentary, where we reflect on key developments shaping global and domestic market conditions.

Global markets moved from geopolitical relief to valuation discipline in June. Brent crude oil corrected sharply as US–Iran tensions eased, closing near USD 73/bbl by month-end. The Nasdaq corrected 4.3% in June, with profit booking visible across AI and semiconductor-linked names after a strong rally earlier in the year. The correction does not yet question the AI earnings cycle, but it shows that elevated valuations now need stronger earnings delivery and greater discipline on capex assumptions.

For India, the global setup turned more supportive during the month. Lower crude reduced near-term pressure on inflation, the current account and corporate input costs, while Reserve Bank of India (RBI) and Government measures to attract dollar inflows helped stabilise the rupee. The INR appreciated 0.4% in June, its first monthly gain since February, and recovered around 2% from recent weakness. Indian equities also recovered from early-month pressure, with Nifty50-TRI and BSE 500-TRI were up 1.7%, BSE 150 Midcap-TRI was up 1.2% while BSE Small Cap grew by 4% during the month. Foreign Institutional Investor (FII) flows remained negative at USD 3.1bn. but selling moderated in the second half of the month, while domestic liquidity stayed strong with nearly USD 8bn of Domestic Institutional Investor (DII) inflows.

India's relative investment case has improved after the CY26 correction. Unlike peer markets where earnings expectations are concentrated around AI and semiconductors, India's profit pool remains broader across financials, industrials, manufacturing and domestic consumption. We therefore continue to prefer quality large caps for earnings visibility, balance-sheet strength and liquidity, while remaining selective in Small and Midcap stocks (SMIDs) where valuations have become more reasonable and growth visibility remains intact.



Source: Bloomberg

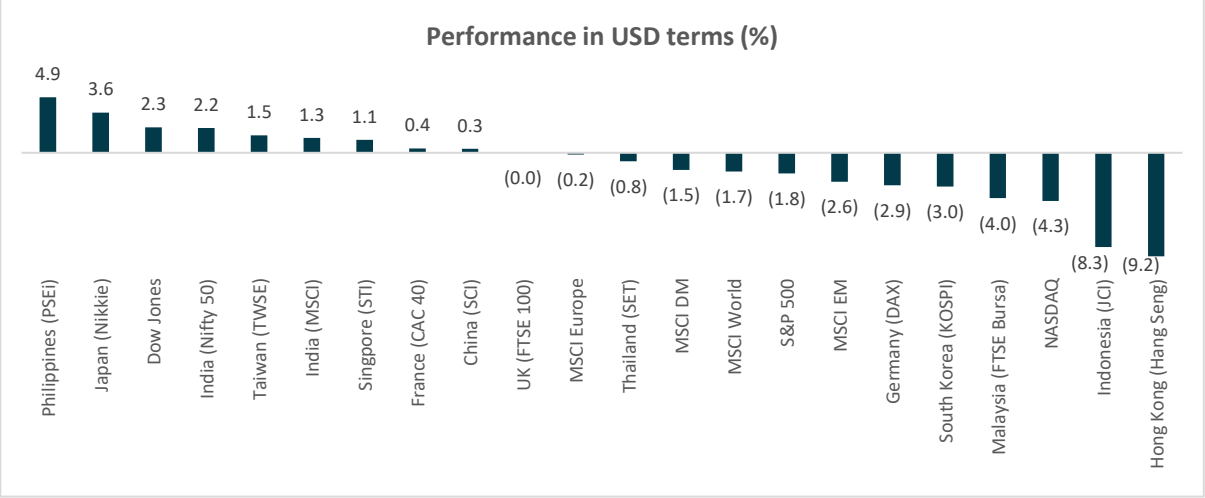
Global Market Update

Global markets moved from a geopolitical relief rally to a more valuation-sensitive phase by late June. Easing US–Iran tensions and the resumption of tanker traffic through the Strait of Hormuz helped Brent crude correct toward USD 73/bbl by month-end. The dollar remained firm, with DXY near 101, while US yields stayed elevated, with the 10-year around 4.4% and the 2-year near 4.1%.

The final week of June saw profit booking across global equities, led by technology and semiconductor stocks that had rallied sharply earlier in the year. The Nasdaq Composite ended the month down ~4.3%, while AI-linked leaders such as Nvidia and Broadcom corrected in the low-to-mid teens from their June peaks. Asia also saw pressure, with South Korea's KOSPI down ~7% and Taiwan's TWSE down ~3% from intra-month highs, as Samsung Electronics, SK Hynix and TSMC came under selling pressure.

The correction was not limited to semiconductor names. Large platform companies also de-rated as investors became more selective on businesses facing heavy capex requirements, higher chip costs and longer payback cycles. The Magnificent Seven saw a median decline of ~10% from June peaks, with Amazon and Meta down ~8–10% and Apple correcting ~11%. SpaceX also lost momentum after listing, with market capitalisation falling from around USD 2.64tn to closer to USD 2tn, implying value erosion of over USD 600bn from its post-listing peak.

Global Market performance in Jun 2026 (in USD terms)



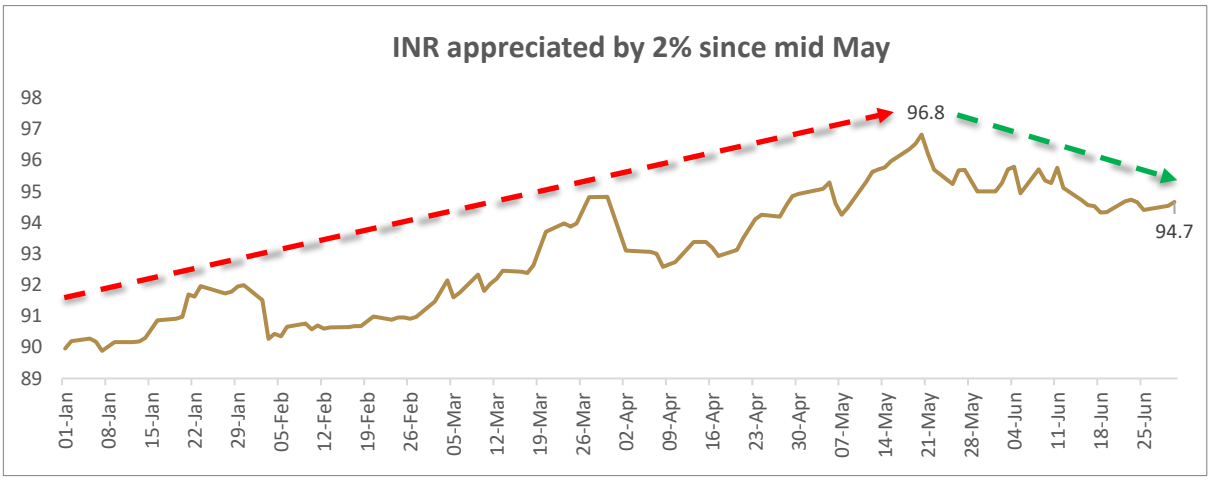
Source: Bloomberg

Domestic Update

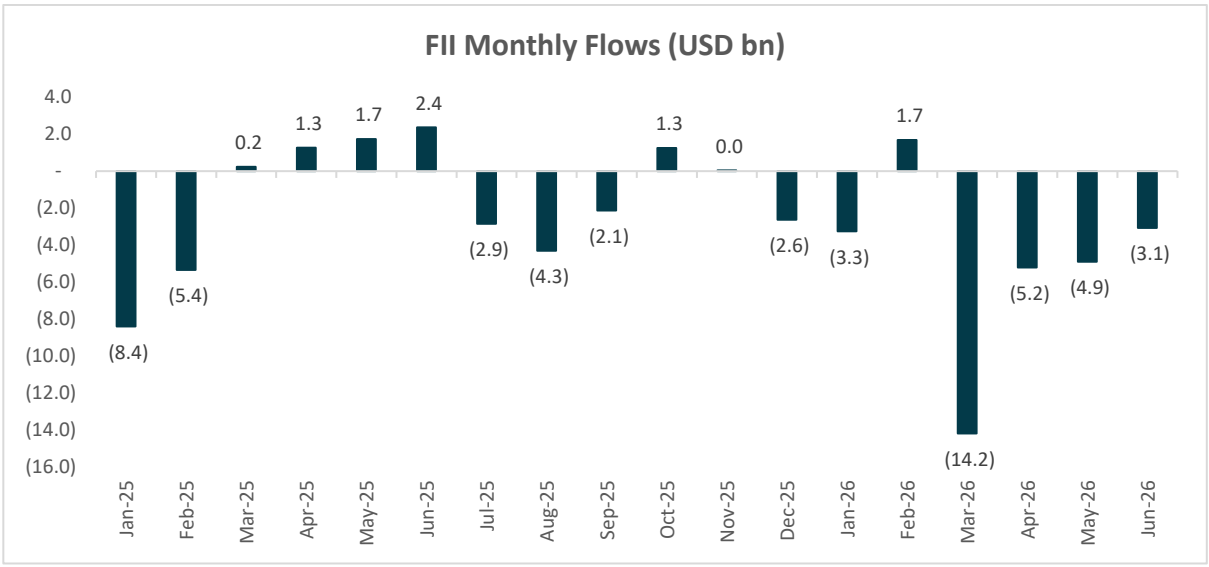
Indian equities recovered in the second half of June after a weak start, supported by softer crude, rupee stability and resilient domestic flows. Post the de-escalation in the Middle East war, Brent crude closed near USD 73/bbl by month-end, easing pressure on India's import bill and inflation outlook. Nifty50 recovered from its June lows, but late-month caution around the monsoon limited monthly gains to 1.4%. FII selling moderated but remained negative at USD 3.2bn, while DII inflows stayed strong at USD 8bn, supported by steady SIP flows of USD 3.3bn per month over the past 12 months.

India's relative valuation comfort has improved after the CY26 correction. The Nifty50 is down ~9% YTD and as per estimates now trades at 18.4x 12-month forward P/E, below the September 2024 peak of 21.3x and close to its 10-year average of ~18.7x. Earnings visibility remains reasonable, with Nifty50 EPS expected to grow ~14% in FY27 and FY28. Unlike North Asian markets, where returns and earnings expectations are increasingly concentrated around a handful of AI and semiconductor companies. Importantly, India's earnings base remains broader across financials, industrials, consumer, manufacturing and infrastructure-linked sectors, reducing dependence on any single global theme.

The rupee also turned more stable in June, helped by lower crude, RBI measures to attract dollar inflows and improving external-account expectations. USDINR appreciated 0.4% MoM and recovered around 2% from earlier-quarter pressure, when it had moved close to record-low levels above 96.5/USD. With crude down more than 20% over the past month, near-term pressure on dollar demand has eased.



Source: Bloomberg



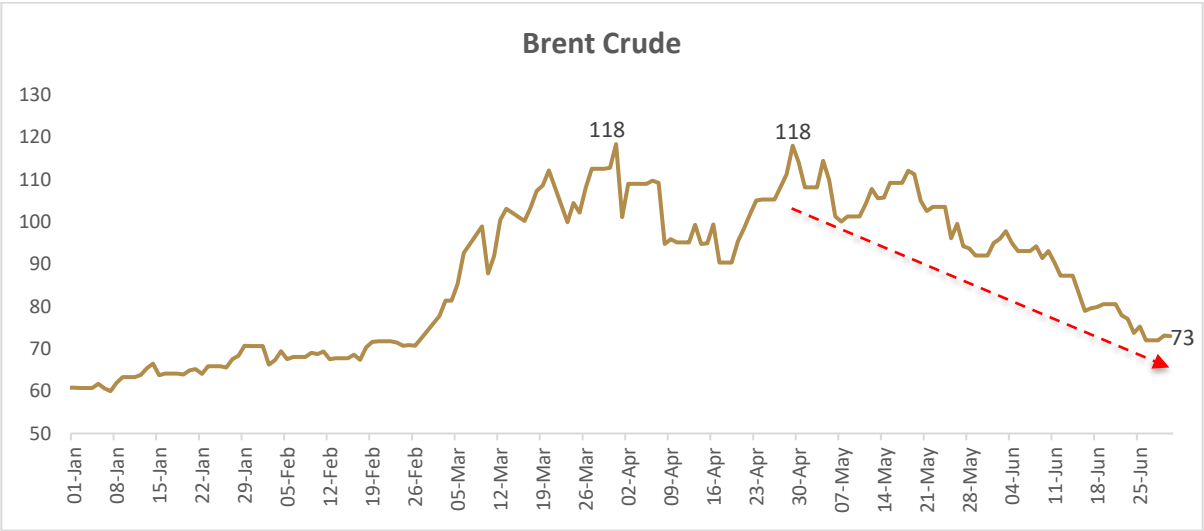
Source: Bloomberg

Commodities Review

Brent Crude

Crude oil has reversed sharply from the conflict-driven spike as the US-Iran de-escalation reduced disruption risk around the Gulf and the Strait of Hormuz. This is a meaningful macro relief for India, lowering the risk of second-round inflation through transport, logistics, aviation fuel, petrochemicals and household expectations.

The fall in crude has also supported the INR's recovery and improves India's inflation-current account mix at a time when domestic demand remains resilient. A lower oil import bill gives the RBI more room to look through temporary supply shocks, provided crude remains contained. For crude to remain near current levels, the de-escalation needs to hold and Gulf shipping routes must continue operating normally. For now, softer crude is the clearest external tailwind for India's inflation, currency and current account outlook.



Source: Bloomberg

Gold

Precious metals have corrected sharply over the past month, with gold down 11%. The pressure has come from a stronger US dollar, rising expectations of further US tightening and elevated real yields near a CYTD high of 2.2%.

The fading of geopolitical risk premium has also reduced safe-haven demand. As a result, gold and silver are currently behaving less like inflation hedges and more like rate-sensitive macro assets.

Portfolio Positioning

Our portfolio allocation continues to favour domestically oriented, fundamentally strong businesses with visibility across growth, margins, and policy tailwinds.

Financial Services

- We remain selectively constructive on large private players that continue to trade at a discount to their long-term average valuations despite demonstrating stable asset quality and earnings growth.
- Credit growth is gaining momentum due to the easing monetary policy.
- From low bad loans to clean balance sheet and robust credit growth to valuation comfort – banks are witnessing multiple tailwinds.

Cement

- As industry consolidation gains ground, cement makers are focused on balancing volume growth and profitability.
- Cement prices are likely to recover in coming quarters as macroeconomic conditions improve.
- With recent price hikes and improving demand, EBITDA per tonne is expected to improve. However, we will be watchful for recent movement in energy prices due to geopolitical tensions.

Defence / Infrastructure / Manufacturing

- The Make-in-India initiative and Production-Linked Incentive (PLI) schemes enabling domestic companies to compete with global players
- As per Budget documents, India's Defence spending has outpaced its neighbours since 2010. India aims to increase exports by 2.1x to ₹500 billion by FY30 from ₹236 billion in FY25.
- Favourable conditions like clean balance sheets of banks, stable government policies, and a low-interest rate environment are beneficial for companies from infra and manufacturing segments.
- Once recent geopolitical tensions ease off, a revival of global energy capex is expected.

Discretionary consumption

Automobile and auto components

- Constructive on 2W and Select PV OEMs: Rural demand uptick, GST reforms and a declining interest rate environment.
- Brand Agnostic: Auto ancillaries are relatively insulated from shifts in customer brand preferences, offering more stable growth prospects across cycles.

Real Estate

- Positive outlook on the premium segment.
- Sustained demand: Continues to gain on the sustained demand at the premium end.

- Macro tailwinds: End-buyers expected to benefit from the rate cuts.

Tactical Play

IT

- **Our Approach**: Strategically increasing exposure to large cap IT companies with fundamentally strong business models and quality earnings.
- **Valuations Support**: A tactical play with robust dividend yield and valuation comfort.
- **Tailwinds**: The depreciation of the Indian rupee could give a boost to export-oriented businesses like IT.
- **Demand Visibility**: The management commentary indicates increased client engagements on embedding AI in service offerings.
- **AI Concerns**: Enterprises are exploring AI-driven opportunities, yet the complexity of existing technology stacks ensure that widespread adoption will follow a phased, carefully orchestrated trajectory.

In summary, with the de-escalation of tensions in the Middle East, India appears relatively well positioned, supported by softer crude prices, a stable INR, and early signs of a reversal in FII flows. In this backdrop, we believe investors with a long-term horizon may consider accumulating domestic equities. Our portfolio remains firmly tilted towards large-cap stocks, which we find attractively valued and well positioned to benefit from a potential resurgence in FII flows.

Warm Regards,

George Heber Joseph
CIO And CEO – Equity, ASK Investment Managers

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