Dear Investor,

In May 2026, the Nifty 50 declined by 1.72% on a one-month basis, extending its three-month decline to 6.30%, reflecting continued pressure on large cap valuations. In contrast, the Nifty 500 was nearly flat, edging down just 0.01% over the same one-month period, with its three-month decline at a more moderate 2.05%. The sharp gap between large cap and broad market performance indicates that while frontline stocks remained under pressure, participation across the wider market base held up considerably better, pointing to selective resilience beyond the index heavyweights.

Broader market segments recorded broad based gains in May 2026. The Nifty Next 50 rose 2.09% over one month and 2.23% over three months, while the Nifty Midcap 150 advanced 2.63% on a one-month basis, with its three-month gain at 3.36%. The Nifty Smallcap 250 gained 1.60% over one month, with a stronger 7.06% rise over three months, and the Nifty Microcap 250 led with a 2.97% one-month gain and an 11.05% three-month surge, reflecting strong appetite at the lower end of the market. The Nifty India FPI 150, however, declined 0.16% over one month and 2.18% over three months, suggesting foreign-flow-sensitive stocks continued to underperform amid sustained FII selling, even as domestic risk appetite for mid, small and micro caps remained firm.

Index Name	1M	3M	Volatility (%) 1 Yr	Beta 1 Yr	P/E	P/B	DY
Nifty 50	-1.72	-6.30	**13.01**	1.00	20.27	**3.21**	1.35
Nifty Next 50	2.09	2.23	**16.57**	1.12	19.27	**3.79**	1.41
Nifty 500	-0.01	-2.05	**13.85**	1.04	22.45	**3.57**	1.14
Nifty Midcap 150	2.63	3.36	**16.03**	1.09	28.92	**4.79**	0.66
Nifty Smallcap 250	1.60	7.06	**16.96**	1.05	33.67	**3.61**	0.71
Nifty Microcap 250	2.97	11.05	**19.20**	1.14	27.05	**3.39**	0.64
Nifty India FPI 150	-0.16	-2.18	**13.53**	1.02	22.08	**3.69**	1.24

FIIs & DIIs Flows

In May 2026, FIIs remained net sellers in the cash segment, recording a net outflow of ₹55,963.33 crore, with gross purchases of ₹3.54 lakh crore against gross sales of ₹4.10 lakh crore. This outflow eased compared with April's heavier selling, suggesting some moderation in foreign investor caution, though sentiment remained net negative. DIIs, on the other hand, continued to provide strong counterbalancing support, posting a net inflow of ₹82,668.93 crore, with gross purchases of ₹3.61 lakh crore against gross sales of ₹2.79 lakh crore, a step-up from April's inflows, reflecting sustained domestic institutional buying backed by steady mutual fund and SIP-driven flows. Overall, the combination of easing FII outflows and strengthening DII inflows suggests domestic capital continued to absorb foreign selling pressure, providing a stabilising cushion for the broader market.

Sectoral Highlights

Index Name	1M	3M	Volatility (%) 1 Yr	Beta 1 Yr	P/E	P/B	DY
Nifty MidSmall IT & Telecom	11.55	11.98	**20.33**	1.00	18.77	**8.90**	0.97
Nifty MidSmall Healthcare	6.27	8.75	**14.44**	0.71	43.47	**5.89**	0.42
Nifty500 Healthcare	4.78	5.58	**13.32**	0.65	42.01	**6.08**	0.52
Nifty Metal	4.76	10.14	**21.97**	1.15	20.06	**3.52**	1.53
Nifty Pharma	4.66	6.10	**14.22**	0.61	37.61	**5.31**	0.67
Nifty MidSmall Financial Services	3.65	6.93	**20.28**	1.29	28.43	**3.25**	0.50
Nifty Healthcare Index	3.19	3.52	**14.01**	0.65	40.28	**5.77**	0.56
Nifty Chemicals	2.67	5.32	**17.10**	1.00	47.09	**4.29**	0.59
Nifty Auto	1.77	-6.29	**20.52**	1.31	30.43	**4.51**	1.30
Nifty Cement	1.14	-6.20	**18.66**	1.16	28.27	**2.35**	0.45
Nifty Financial Services Ex-Bank	1.01	-0.58	**20.04**	1.36	22.26	**4.28**	0.74
Nifty Private Bank	0.17	-8.01	**15.77**	1.10	17.30	**2.09**	0.61
Nifty REITs & Realty	-0.02	-1.30	**13.49**	0.72	47.53	**2.48**	3.29
Nifty IT	-0.60	-4.45	**21.88**	0.74	19.79	**5.40**	3.88
Nifty Financial Services 25/50	-0.88	-8.26	**16.63**	1.19	16.07	**2.82**	1.01
Nifty Bank	-0.97	-10.24	**15.93**	1.13	13.69	**1.85**	1.10
Nifty Financial Services	-1.02	-8.83	**16.44**	1.18	16.32	**2.72**	0.90
Nifty Realty	-1.37	0.27	**25.13**	1.49	34.32	**3.75**	0.38
Nifty FMCG	-3.23	-3.34	**13.68**	0.66	34.04	**8.55**	0.91
Nifty PSU Bank	-3.26	-16.44	**22.98**	1.27	7.91	**1.30**	2.38
Nifty Media	-3.28	-0.52	**20.85**	0.87	34.39	**1.48**	1.25
Nifty Oil & Gas	-4.23	-8.56	**16.04**	0.87	8.99	**1.55**	2.32
Nifty Consumer Durables	-6.21	-6.99	**19.99**	1.16	62.03	**11.24**	0.40

Economic Updates

Rupee Hits Record Low Past ₹96.9/USD

The Indian rupee touched a fresh record low of ₹96.90 against the US dollar on May 20, 2026, pressured by Brent crude trading near $110 per barrel amid the ongoing Iran-US conflict, and continued FII outflows from Indian equities. By end-April, the rupee's Real Effective Exchange Rate (REER) stood at 89.7 as per BIS data and is estimated to have slipped below 88 when USDINR breached 96.9 on May 20, a level of undervaluation last seen mainly during the 2013 twin deficit crisis and the 2008 Global Financial Crisis.

Forex Reserves Fall to $681.4 Billion as RBI Defends Rupee Amid Oil Shock

India’s foreign exchange reserves fell by $7.511 billion to $681.384 billion more than one-year low for the week ended May 22, 2026, the second consecutive weekly decline of more than $7.5 billion, according to RBI. The kitty had touched an all-time high of $728.494 billion in the week ended February 27, before the West Asia conflict triggered sustained rupee depreciation and RBI intervention through dollar sales. Foreign currency assets fell $2.872 billion to $543.032 billion, while gold reserves declined $4.53 billion to $114.786 billion. Special Drawing Rights fell $77 million to $18.748 billion, and India’s reserve position with the IMF declined $33 million to $4.818 billion. Reserves have now fallen by approximately $47 billion from the February peak. The pace of reserve depletion underscores the scale of intervention required to manage the rupee amid the ongoing oil price shock, a key variable for fixed income and currency-sensitive portfolios.

CPI Eases to 3.93% While WPI Surges to 9.68% in May 2026

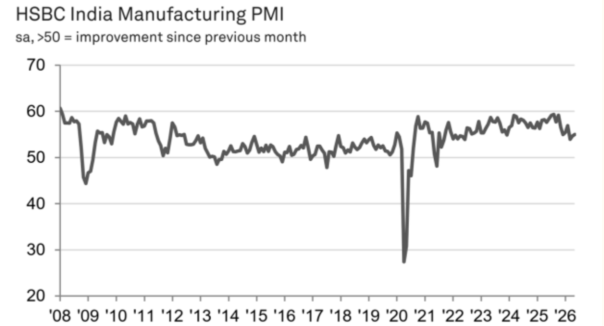
India's retail inflation (CPI) rose to 3.93% year-on-year in May 2026, up from 3.48% in April, staying below the RBI's 4% target, per MoSPI. Food inflation climbed to 4.78% from 4.20%. In sharp contrast, wholesale inflation (WPI) surged to 9.68%, up from 8.26% in April, according to DPIIT, which has shifted WPI to a new 2022-23 base year with this release. The Fuel and Power index YoY% jumped to 30.33% from 24.89%, as crude petroleum and natural gas prices surged 61.51% and mineral oils rose 49.82% on elevated global crude amid the West Asia conflict; manufacturing inflation also accelerated to 7.48% from 6.68%. The widening gap between moderate retail inflation and surging wholesale inflation signals cost-push pressure building further in the pipeline, a risk to corporate margins, particularly in energy-intensive and transport-linked sectors, even as the RBI retains headroom on the consumer-facing inflation metric.

China's Factory Activity Stalls at 50.0 in May, Just Holding Expansion Territory

China's official manufacturing PMI eased to 50.0 in May 2026 from 50.3 in April, right at the boundary between expansion and contraction, according to the National Bureau of Statistics. New export orders fell sharply amid supply constraints linked to the Middle East conflict affecting oil and chemical sectors, while the non-manufacturing PMI improved to 50.1 from 49.4, moving back into expansion on stronger services and construction activity. For Indian markets, a softening Chinese economy is a double-edged signal: it can divert global manufacturing capital toward India as a China-plus-one destination, but weaker Chinese demand also dampens regional trade and commodity prices that affect Indian exporters.

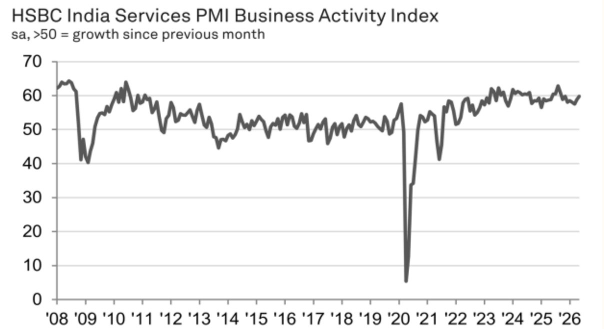
India Manufacturing and Services PMI Both Strengthen in May 2026

The HSBC India Manufacturing PMI rose to 55.0 in May from 54.7 in April, beating the flash estimate and marking a three-month high, per S&P Global. Growth was driven by domestic demand, with output and new orders up the most since February, even as input cost inflation stayed near four-year highs amid the Middle East conflict.



Sources: HSBC, S&P Global PMI.
Data were collected 8-22 May 2026.

Services accelerated further, with the HSBC India Services PMI Business Activity Index climbing to 59.8 from 58.8, the strongest pace since last November, on demand for freight, digital and IT services. The combined HSBC India Composite PMI rose to 59.3 from 58.2.



Sources: HSBC, S&P Global PMI.
Data were collected 8-27 May 2026.

Small & Mid-cap Update

SIP contributions for May 2026 stood at ₹30,954 crore, with cumulative SIP assets under management reaching ₹17.12 lakh crore, reflecting sustained retail participation through systematic investment plans. The latest available data on equity mutual fund flows, for May 2026, shows total net inflows of ₹10,923.56 crore across large, mid and small cap categories. Small cap funds led with ₹4,945.57 crore (45.27%), followed by mid cap funds at ₹4,385.06 crore (40.14%), while large cap funds received ₹1,592.93 crore (14.58%). The allocation remains heavily growth-oriented, with small and mid cap categories together accounting for over 85% of net inflows, signalling continued investor preference for higher-growth segments over large caps.

Outlook

May 2026 presented a mixed but resilient picture. The Nifty 50 declined 1.72% on large cap weakness, yet the Nifty Microcap 250 rose 2.97% and the Nifty Smallcap 250 gained 1.60%, indicating that domestic risk appetite for broader market segments held firm even as frontline stocks corrected. Flows told a similarly two-sided story: FII net outflows eased to ₹55,963 crore in May from ₹70,135 crore in April, while DII net inflows strengthened to ₹82,669 crore from ₹51,064 crore, underscoring domestic capital's growing role in absorbing foreign selling. The dominant macro theme remained the West Asia conflict and drove the rupee to a record low past ₹96.9/USD, and lifted wholesale inflation to 9.68% YoY, even as retail inflation stayed contained at 3.93%, comfortably below the RBI's 4% target. This widening WPI-CPI gap signals cost-push pressure building in the pipeline, particularly for energy-intensive and transport-linked sectors. Whether this trend extends into June will hinge on whether the Iran-US conflict de-escalates and oil prices retreat, easing the twin pressures on the rupee and import-driven inflation.

Newsroom

1. SKG in MoneyControl - Daily Voice: recommendations by Abhishek Mishra
2. SKG in BS- Fintech stocks underperform: What's behind the reset?