



# Monthly Market Update

**May 2026 — India & Global Markets Review**

# Market Update — May 2026

## Geopolitical Tensions — Hormuz & West Asia

- US-Iran tensions kept the Strait of Hormuz under focus, elevating global energy security concerns.
- Fears of supply disruptions supported risk-off sentiment across commodity and currency markets.
- Despite volatility, markets remained resilient as geopolitical risks showed signs of de-escalation.

## Oil Price — Sharp Reversal

- Brent crude started May near **\$116/bbl** on supply disruption fears..
- Prices fell ~17% to **\$91-93/bbl** by month-end on ceasefire optimism.
- Volatile month created significant Energy stocks and commodities witnessed significant repricing.

## Rates, Dollar & Currency

- US Fed held rates at **3.50-3.75%**, while policymakers signaled a gradual shift toward easing.
- Dollar Index (DXY) remained near **99**, reflecting mixed growth and inflation signals.
- INR touched a record low of **₹96.57/\$** before recovering to around **₹95/\$** on RBI support.

## Global Equity: Divergent Performance

- **KOSPI (+28%)** and **Nikkei (+12%)** outperformed on semiconductor-led gains..
- **S&P 500 (+5.1%)** advanced, while **Nasdaq (-1.8%)** corrected amid profit booking.
- **Hang Seng (-1.5%)** and **Nifty 50 (-1.9%)** lagged due to China concerns and oil-related pressures.

## India: Mid & Small Caps Outperform

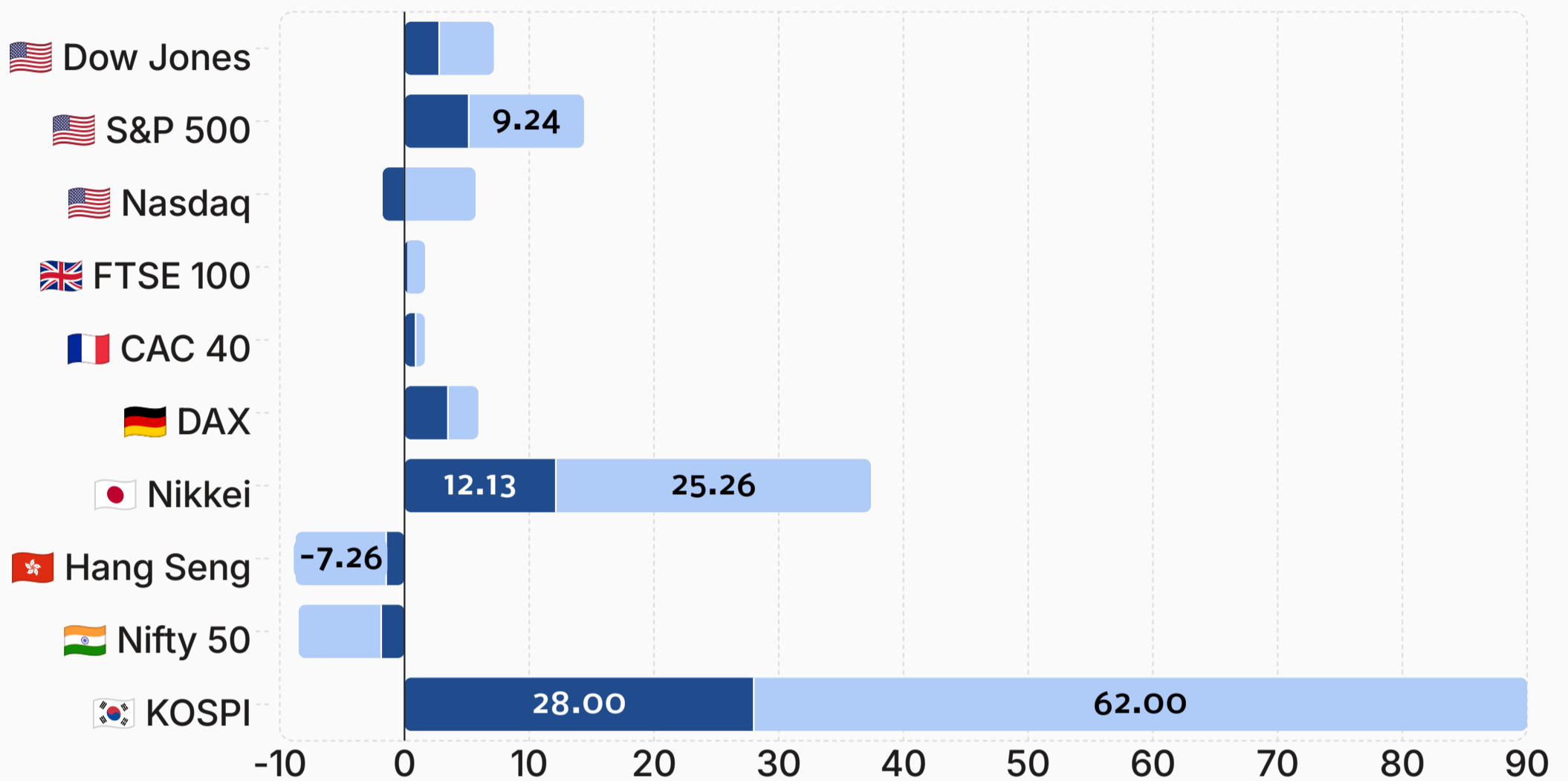
- Nifty 50 declined **1.9% MTD** amid oil and geopolitical concerns.
- Mid Caps (**+3.2%**) and Small Caps (**+0.7%**) showed resilience on strong domestic demand.
- FIIs remained net sellers (**-₹34,857 Cr**), while DIIs continued to provide support (**₹65,905 Cr**).

 **May 2026 was shaped by oil's dramatic rise-and-fall, Hormuz uncertainty, and a historic rupee low. Despite large-cap weakness and continued FII selling, resilient DII flows and mid/small cap outperformance offered selective optimism for India.**

# Global Market Snapshot

■ MTD % (May 2026)
 ■ YTD % (Jan–May 2026)

Index



🇰🇷 KOSPI dominated global markets with an extraordinary **+28% MTD** gain, extending YTD leadership to **+62%**.

🇯🇵 Nikkei delivered a strong **+12.13% MTD**, now up **+25.26% YTD** – a standout Asian performer.

🇺🇸 S&P 500 gained **+5.15% MTD** while Nasdaq slipped **-1.75%** on sector rotation from tech.

🇩🇪 DAX advanced **+3.48% MTD**, with European markets broadly positive but muted.

🇭🇰 Hang Seng (-1.47%) and 🇮🇳 Nifty 50 (-1.87%) underperformed on oil import pressures and cautious flows.

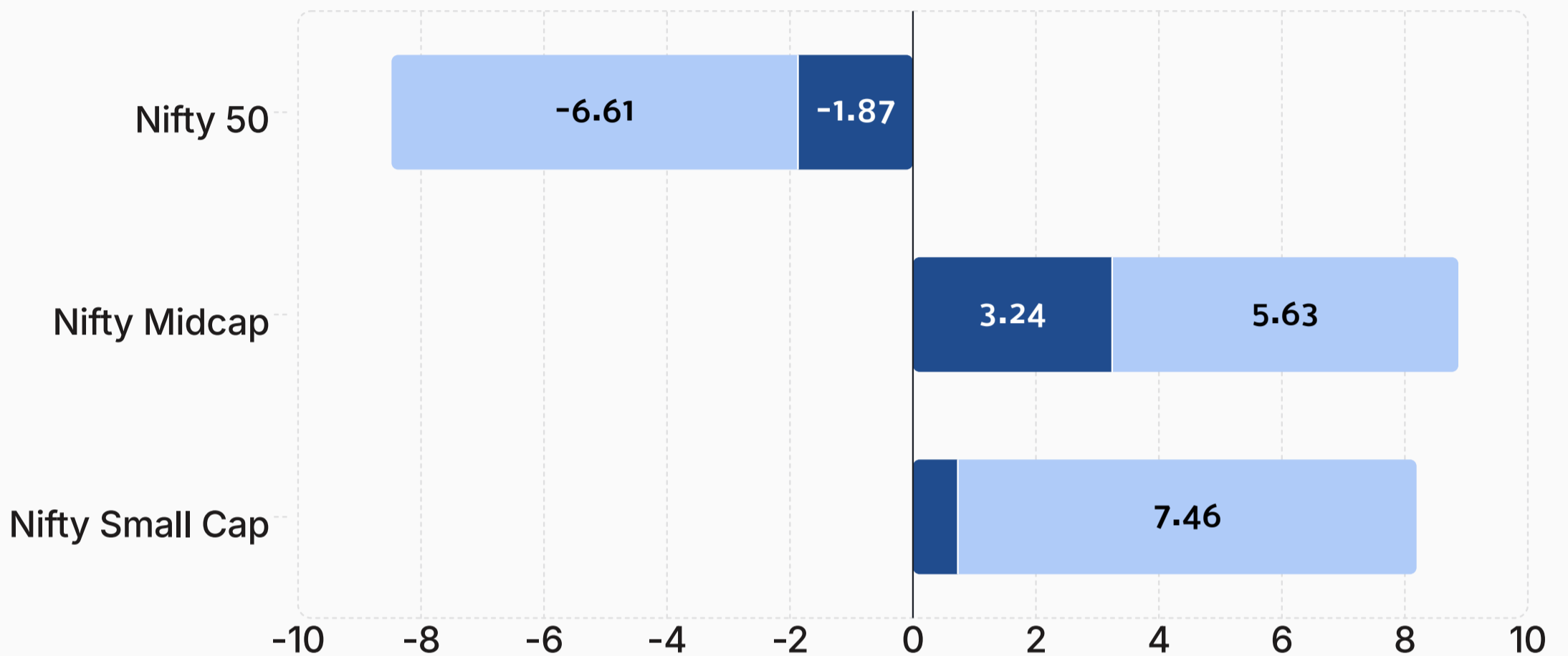
📌 **May's global rally was led by Asian markets — KOSPI and Nikkei surged on semiconductor and export demand. Western markets saw mixed performance, while India and Hong Kong lagged on persistent macro headwinds.**

# Indian Equity Markets

■ MTD % (May 2026)

■ YTD % (Jan–May 2026)

Index



🇮🇳 Indian large caps faced headwinds in May – Nifty 50 fell **-1.87% MTD** amid oil-led inflation concerns and a weak rupee.

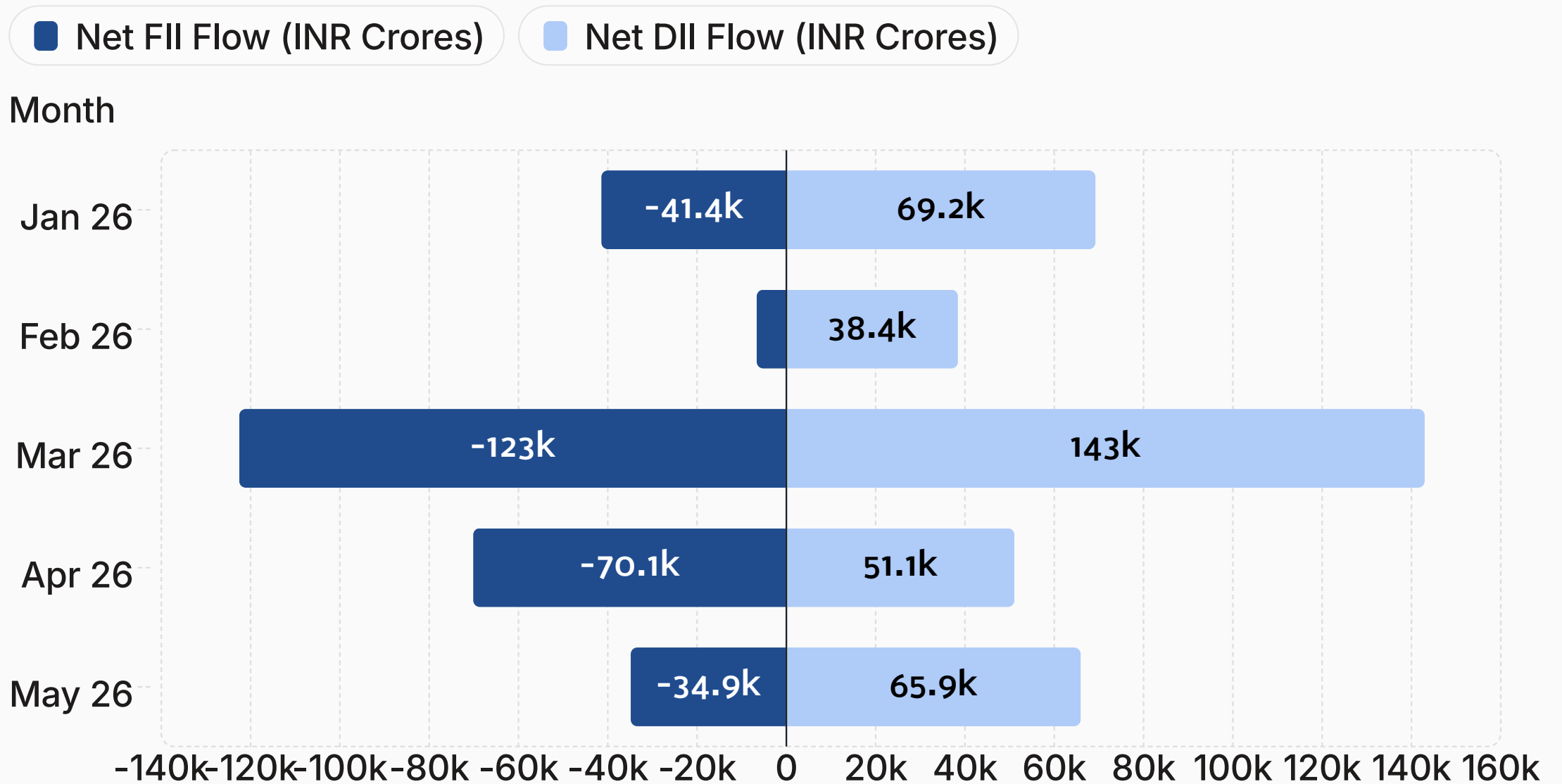
📈 Mid Caps demonstrated resilience, gaining **+3.24% MTD** and turning strongly positive **+5.63% YTD**.

- ◆ Small Caps held ground with **+0.73% MTD**, extending YTD gains to **+7.46%**.

📊 The divergence between large caps and broader markets reflects selective domestic demand strength despite macro pressures.

📌 **May 2026 saw a clear reversal from April's uniform rally. Large caps succumbed to oil and currency headwinds, while mid and small caps – driven by domestic consumption themes – showed notable outperformance and positive YTD returns.**

## FII / DII Trend

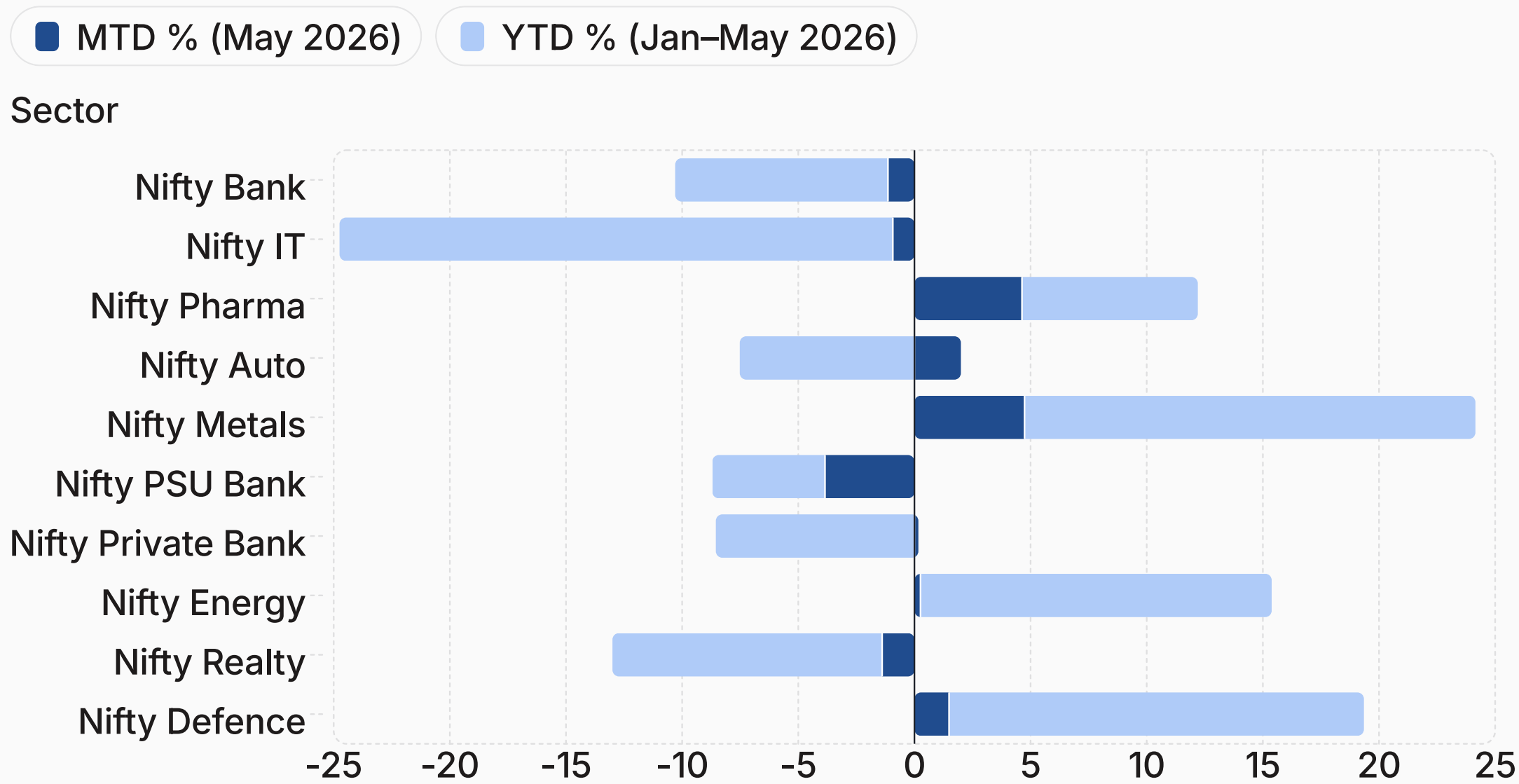



🇮🇳 **FII**s remained net **SELLERS** in May 2026 with outflows of **-₹34,857 Cr** – extending their selling streak to five consecutive months.


🇮🇳 **DII inflows** of **₹65,905 Cr** continued to offset FII selling, providing a strong domestic cushion.


📌 **May 2026 marks the fifth consecutive month of FII outflows, with -₹34,857 Cr exiting Indian equities. However, robust DII inflows of ₹65,905 Cr continued to provide a strong domestic counterbalance, underscoring the resilience of India's retail and institutional investor base.**


# Sectoral Performance





 **Nifty Metals** led sectoral gains at **+4.74% MTD**, extending YTD leadership to **+19.41%** on global commodity demand.

 **Nifty Pharma** advanced **+4.63% MTD**, with a healthy **+7.57% YTD** – a consistent outperformer.

 **Nifty Defence** gained **+1.49% MTD**, reflecting continued government spending with a strong **+17.86% YTD**.

 **Banking** underperformed: PSU Banks fell **-3.85% MTD**; Nifty Bank declined **-1.14% MTD**.

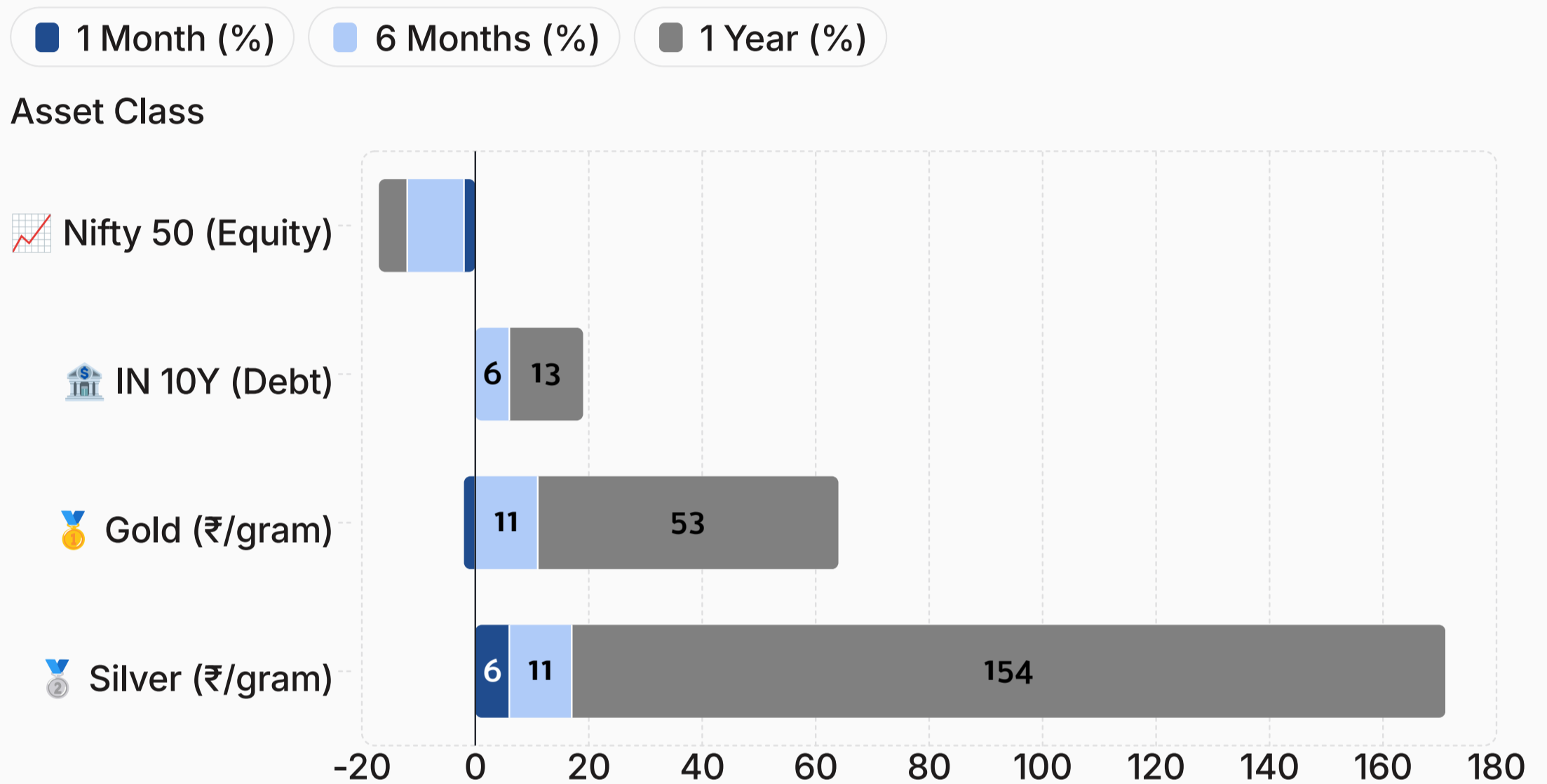
 **Nifty IT** remained the worst YTD performer at **-23.82%**, continuing to struggle with global demand uncertainty.

 **Nifty Realty** reversed April's gains, falling **-1.39% MTD** and turning deeply negative at **-11.61% YTD**.

 **Metals, Pharma, and Defence are May's key themes. IT and Banking remain structural drags — IT's -23.82% YTD gap demands close monitoring. Defence's sustained strength reflects geopolitical defence-spending tailwinds.**

# Asset Class Performance

Precious metals continue their multi-year dominance. Equity corrected in May on macro headwinds. Debt remains a steady compounder. Silver's extraordinary 1-year run continues to lead all asset classes.



🏆 Silver delivered a remarkable **+154% return** over 1 year, cementing its position as the standout multi-period performer.

🏆 Gold gained **+53% over 1 year**, continuing its role as the premier inflation and geopolitical hedge – highly relevant with the Iran conflict and Hormuz uncertainty.


📉 Equity (Nifty 50) fell **-2% in May**, now negative at **-5% over 1 year** and **-10% over 6 months**.


🏠 Debt (IN 10Y) continues to outperform equity over 1 year at **+13%**, rewarding conservative allocators.

📌 **Over 6 months and 1 year, precious metals have dramatically outperformed equities. Silver's 154% 1-year return underscores the critical importance of diversification – investors without metals exposure missed the cycle's biggest winner.**


## Mutual Fund Category Performance — Equity


Rank	1 Month	3 Months	6 Months	1 Year	3 Year	5 Year
Rank 1	Small Cap 2.37%	Small Cap 9.38%	Small Cap 3.67%	Mid Cap 6.31%	Mid Cap 20.30%	Small Cap 17.40%
Rank 2	Mid Cap 2.29%	Mid Cap 4.62%	Mid Cap 1.55%	Small Cap 5.41%	Small Cap 18.27%	Mid Cap 17.41%
Rank 3	Multi Cap 1.44%	Multi Cap 3.14%	Multi Cap -1.05%	Multi Cap 2.64%	Multi Cap 17.09%	Multi Cap 14.75%
Rank 4	Large & Mid 0.92%	Large & Mid 0.91%	Large & Mid -2.32%	Large & Mid 1.82%	Large & Mid 16.21%	Large & Mid 14.31%
Rank 5	Flexi Cap 0.58%	Flexi Cap 0.25%	Value -2.52%	Value 1.54%	Value 16.17%	Value 14.28%
Rank 6	Value -0.09%	Value -0.12%	Flexi Cap -3.79%	Flexi Cap 0.10%	Flexi Cap 13.66%	ELSS 13.69%
Rank 7	ELSS -0.32%	ELSS -0.62%	ELSS -4.67%	ELSS -1.64%	ELSS 13.49%	Flexi Cap 13.60%
Rank 8	Large Cap -0.70%	Large Cap -3.46%	Large Cap -6.67%	Large Cap -2.56%	Large Cap 11.35%	Large Cap 10.34%

 **Small Cap Funds** topped the 1M, 3M, 6M, and 5Y rankings – delivering **2.37% in May** and **9.38% over 3 months**.

 **Mid Cap Funds** led on 1Y (**6.31%**) and 3Y (**20.30%**) – the most consistent multi-year outperformer.


 **Multi Cap and Value Funds** delivered balanced, consistent performance across time horizons.

 **Large Cap Funds** remain the weakest category across all time frames, with **-6.67% over 6 months**.

 **ELSS and Flexi Cap** showed short-term weakness (-4.67% and -3.79% over 6M) but strong long-term compounding (3Y: 13.49-13.66%).


## Mutual Fund Category Performance — Debt


Rank	1 Month	3 Months	6 Months	1 Year	3 Year
Rank 1	Liquid 0.44%	Ultra Short Duration 1.22%	Liquid 2.98%	Liquid 6.04%	Money Market 6.83%
Rank 2	Medium Duration 0.25%	Money Market 1.07%	Money Market 2.38%	Money Market 5.63%	Medium Duration 6.81%
Rank 3	Ultra Short Duration 0.22%	Low Duration 0.89%	Ultra Short Duration 2.46%	Ultra Short Duration 5.58%	Liquid 6.77%
Rank 4	Money Market 0.16%	Short Duration 0.29%	Low Duration 2.06%	Low Duration 5.25%	Low Duration 6.69%
Rank 5	Corporate Bond 0.16%	Medium Duration 0.27%	Medium Duration 1.39%	Medium Duration 4.01%	Corporate Bond 6.64%
Rank 6	Low Duration 0.15%	Corporate Bond 0.21%	Short Duration 1.19%	Short Duration 3.77%	Ultra Short Duration 6.57%
Rank 7	Short Duration 0.14%	Liquid 0.44% (est.)	Corporate Bond 1.04%	Corporate Bond 3.49%	Short Duration 6.52%

 **Liquid & Ultra Short Duration funds** lead short-term (1M) rankings, providing capital safety in a volatile rate environment.

 **Liquid funds** top the 1Y chart at **6.04%**, while **Money Market** leads the 3Y horizon at **6.83%**.

 **Medium Duration** (6.81%) and **Low Duration** (6.69%) rank among top 3Y performers.

 **Corporate Bond funds** remain competitive over 3Y (**6.64%**) as yields begin to stabilise toward month-end.

 With RBI holding repo at 5.25% and inflation outlook elevated, shorter duration allocations remain prudent near-term.

## What Should Investors Do?



### **Stay Goal Oriented**

Avoid reacting to short-term oil price swings or currency volatility. Stay focused on your long-term financial goals and investment horizon.



### **Continue SIPs — DII Resilience Provides a Strong Cushion**

Robust domestic inflows continue to provide stability amid foreign investor volatility. Stay disciplined with SIPs and use market fluctuations as opportunities to accumulate for long-term wealth creation.



### **Diversify Across Assets**

Gold and silver have reinforced the value of diversification. Maintain a balanced allocation across equities, debt, and precious metals to enhance portfolio resilience.



# Our View — May 2026: Selective Optimism, Stay Diversified

May 2026 was a month of divergence – oil collapsed, the rupee hit record lows, large caps struggled, yet mid and small caps held firm and FIIs continued selling for a fifth straight month, though strong DII inflows provided a solid domestic cushion. India's domestic resilience continues to stand out.

## For Existing Investors

- **Stay invested** – Robust domestic inflows continue to provide stability despite persistent FII selling.
- **Review Sectoral Exposure:** Metals, Pharma, and Defence remain market leaders, while select opportunities are emerging in IT, Banking, and Realty.
- **Maintain exposure to mid and small caps:** Their resilience amid market volatility reflects healthy domestic participation and earnings momentum.
- **Continue SIPs:** Regular investments and selective top-ups during market corrections can enhance long-term wealth creation.

## For New Investors

- **Adopt a staggered approach:** SIPs remain an effective way to participate in markets while managing short-term volatility.
- **Build a diversified portfolio:** A balanced allocation across equities, debt, gold, and silver can improve risk-adjusted returns.
- **Use volatility as an opportunity:** Geopolitical uncertainties, currency fluctuations, and foreign outflows may create attractive entry points for long-term investors.

📌 **Disciplined asset allocation, continued SIPs, and selective sectoral positioning remain the surest path to participating in India's long-term growth story — even through volatile months like May 2026.**



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