

NETRA

Early Signals Through Charts

July 2026



India Macros Likely to Support Corporate India's Need For Growth

India's BoP – Turning From Stress to Strength In A Matter of 30 Days

About thirty days ago scenarios were being built around India running a \$50 to \$100 Bn balance of payment deficit. Some of those scenarios were not without merit but were straight-line extrapolation of some hard to continue trends.

In the month of June 2026, the extrapolated troubles fell through. The biggest of them all was a steep rise in Crude Oil prices. India's BOP is robust enough to absorb shock from Oil prices climbing as high as \$120, may be not beyond.

Now, Oil prices have declined significantly and at the time of writing are trading BELOW the pre Iran-Israel-US war levels. FY27 balance of payments which was a cause of concern (only in street narrative though) is now likely to turn to a strong point for India's economy. With many Rupee assets yielding better, Rupee REER at an extreme, a wide segment of large cap stocks at cheap levels and FPI Debt inflows picking up, the India macro picture looks strong.

Balance of Payments Components (USD, Billions)	FY27 Est.	FY26	FY25	FY24	FY23	FY15- FY12 (Avg)	FY15	FY14	FY13	FY12
Current Account	(30)	(25)	(23)	(26)	(67)	(56)	(27)	(32)	(88)	(78)
Merchandise	(363)	(337)	(287)	(245)	(265)	(170)	(145)	(148)	(196)	(190)
Oil Trade Deficit	(123)	(109)	(122)	(95)	(112)	(96)	(81)	(102)	(103)	(99)
Crude Oil Basket (avg price \$/BBL)	75	68	79	83	95	101	83	105	107	110
Invisibles	333	312	264	219	198	104	118	115	107	75
Services	234	217	189	163	143	70	77	73	65	64
Software Services Balance	198	183	160	142	131	65	70	67	64	61
Remittance	151	144	125	107	102	65	66	65	64	63
Services + Remittance	385	360	313	270	244	134	142	138	129	128
Capital and Financial Account	70	2	17	89	59	74	89	49	89	68
Foreign Investment	30	(9)	5	54	23	46	73	26	47	39
FDI	20	7	1	10	28	24	31	22	20	22
FPI	10	(16)	3	45	(5)	22	41	5	27	17
Loans*	15	15	29	7	8	15	3	8	31	19
External Assistance	5	5	6	7	6	2	2	1	1	2
Commercial Borrowings	8	8	16	0	(4)	8	2	12	8	10
Short Term*	2	2	7	(6)	7	6	(0)	(5)	22	7
Banking Capital Balance*	30	21	(10)	41	21	17	12	25	17	16
Rupee Debt Service	(0)	-	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other Capital	(5)	(24)	(7)	(10)	7	0	1	-	-	-
Balance Before Fin Req	40	(24)	(5)	64	(9)	17	61	16	4	(13)
Change in Fx Reserves	(40)	24	5	(64)	9	(17)	(61)	(16)	(4)	13
Current Account Balance	-0.7%	-0.6%	-0.6%	-0.7%	-2.0%	-3.7%	-1.4%	-1.8%	-5.7%	-5.7%

Indian Assets: “Nobody Comes Here Anymore, It’s Too Crowded”

The narrative on India has swung 180°.

From

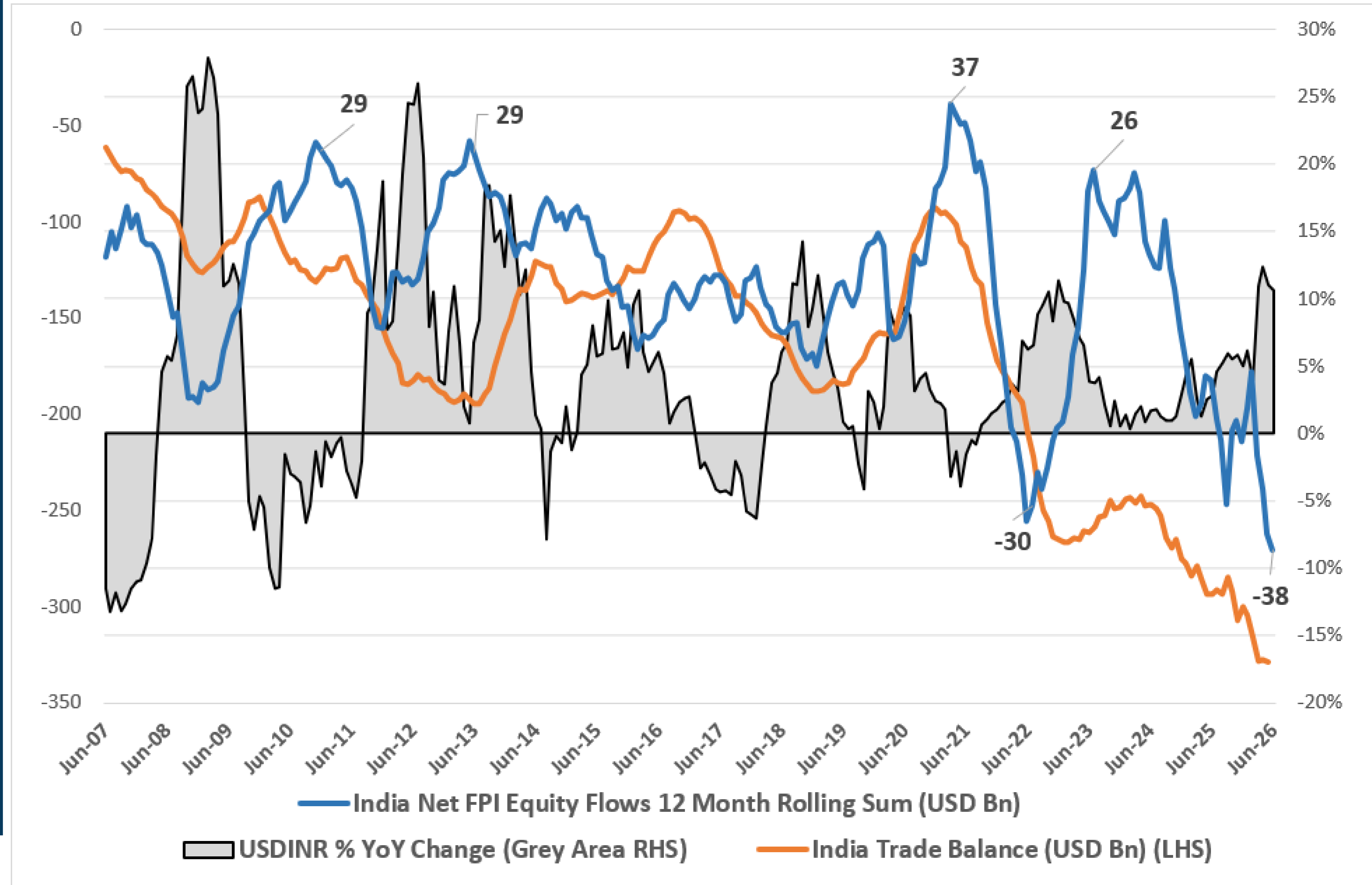
- peak Emerging Market share of 24% to 11%,
- best performing emerging market to the worst,
- most stable BOP to the shakiest and
- ‘likely to receive \$100Bn in Foreign flows per annum’ to ‘buy global equities’

June 2026 also saw the largest rolling 12-month FPI equity outflows. It also saw record trade deficit, but that wasn’t too high adjusted for the size of GDP or as a % of GDP.

What’s notable is the point of maximum pessimism built against owning Indian stocks and bonds exactly at the point of extremities of data. The most recent US Dollar appreciation against the Rupee was entirely in line with history, although the market sentiment was overtly pessimistic.

It is unlikely that this pace of outflows, trade deficit or Rupee depreciation can continue in FY27 and FY28.

Indian Rupee’s Depreciation Against US Dollar Was Ordinary



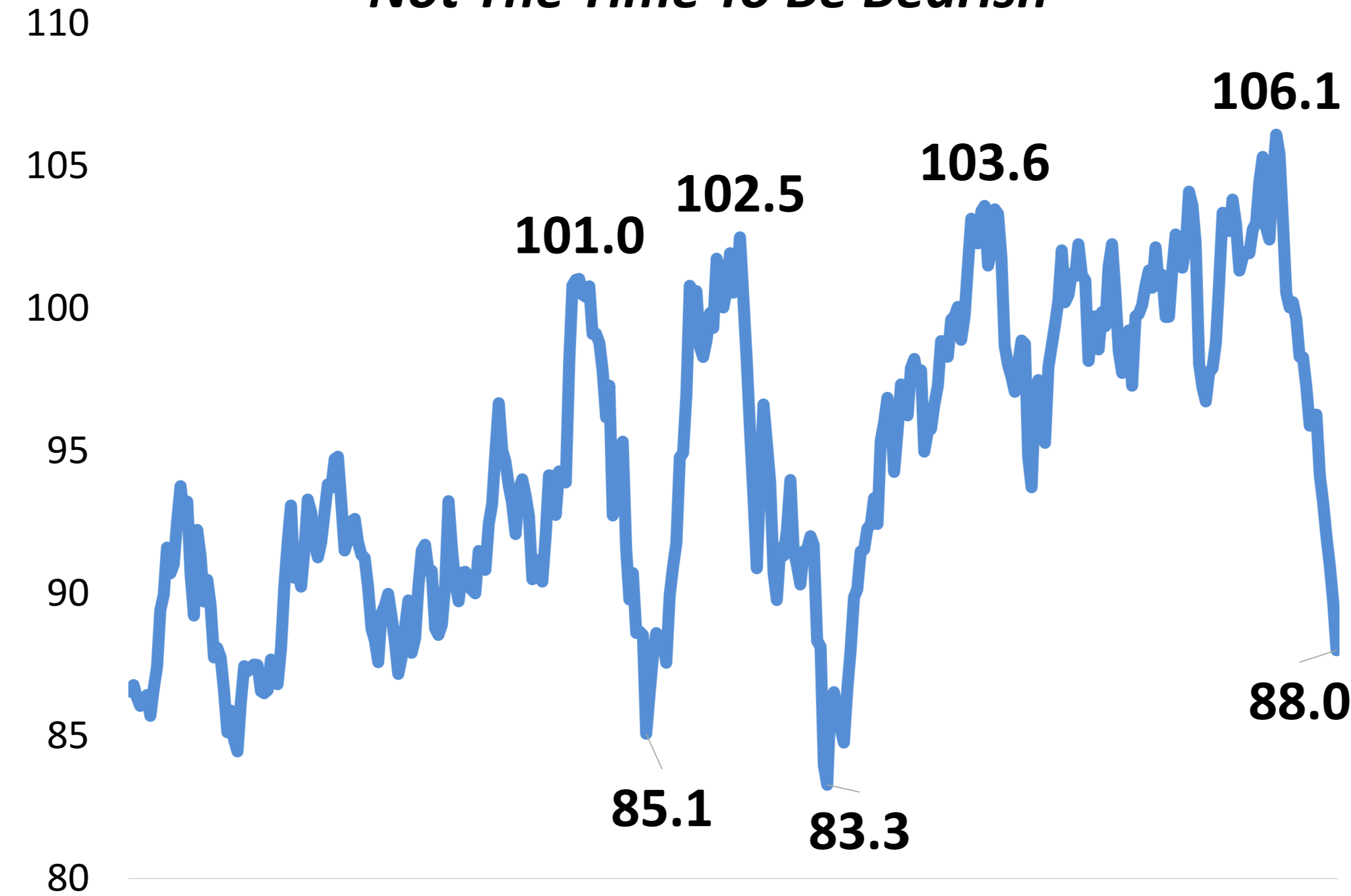
This Is The Time To Buy Rupee Assets, Not Sell Them

The Rupee has already adjusted meaningfully. India's REER fell below 88 in May 2026, a level usually seen only during major stress episodes. At the same time, India's inflation gap with the US has narrowed sharply, weakening the long-term case for faster Rupee depreciation.

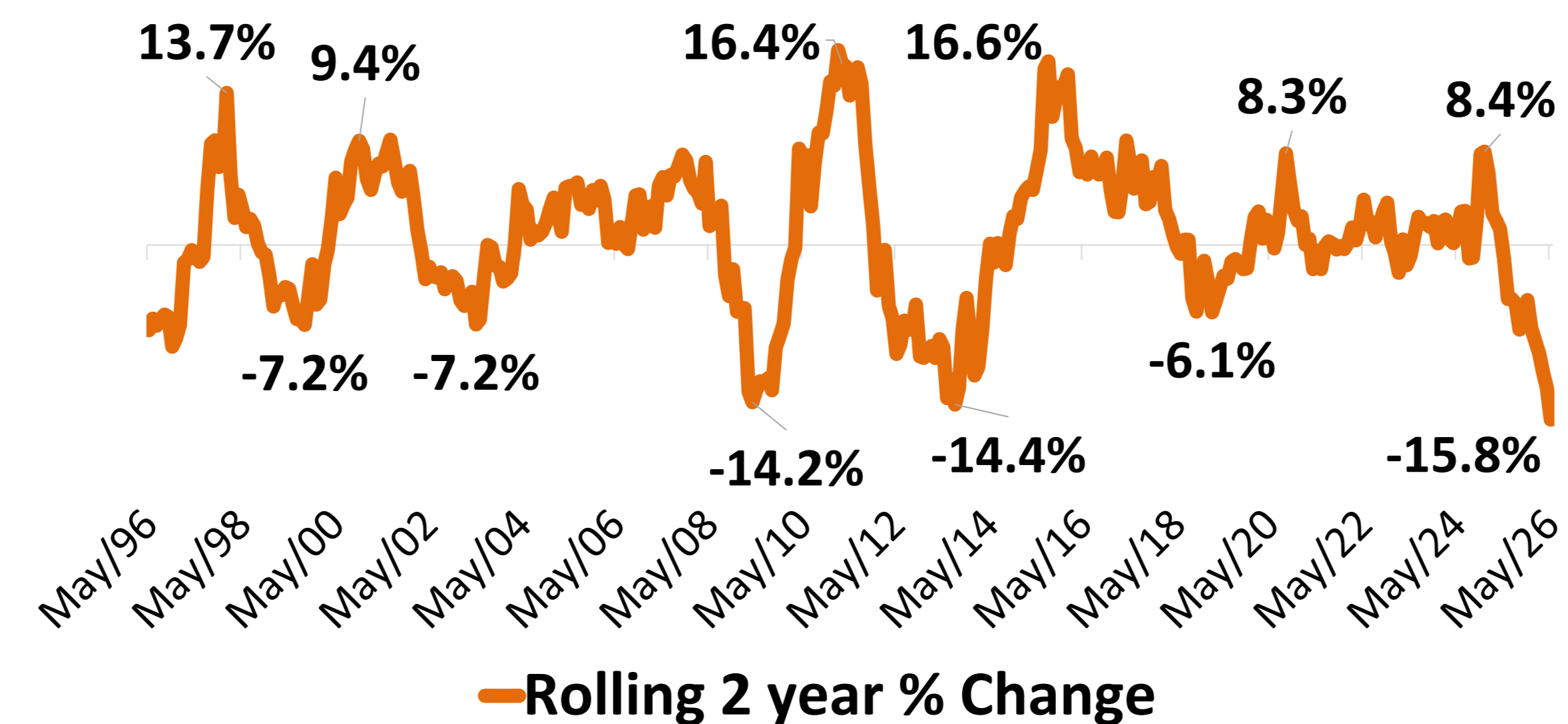
BoP risk exists, but this is not a crisis. Services exports, remittances and the services surplus now provide a large cushion against the goods trade deficit. Oil remains the key risk. Large-cap equities have derated, several quality businesses trade near or below long-term average valuations, and FPI selling has already been heavy. RBI reserves and the forward book need monitoring, but the better risk-reward is no longer in betting against the Rupee.

It is in selectively owning Rupee assets, especially large-cap equities and duration bonds. Read the note we wrote on 20th May 2026 ([5Things](#))

Rupee REER At An Extreme, Not The Time To Be Bearish

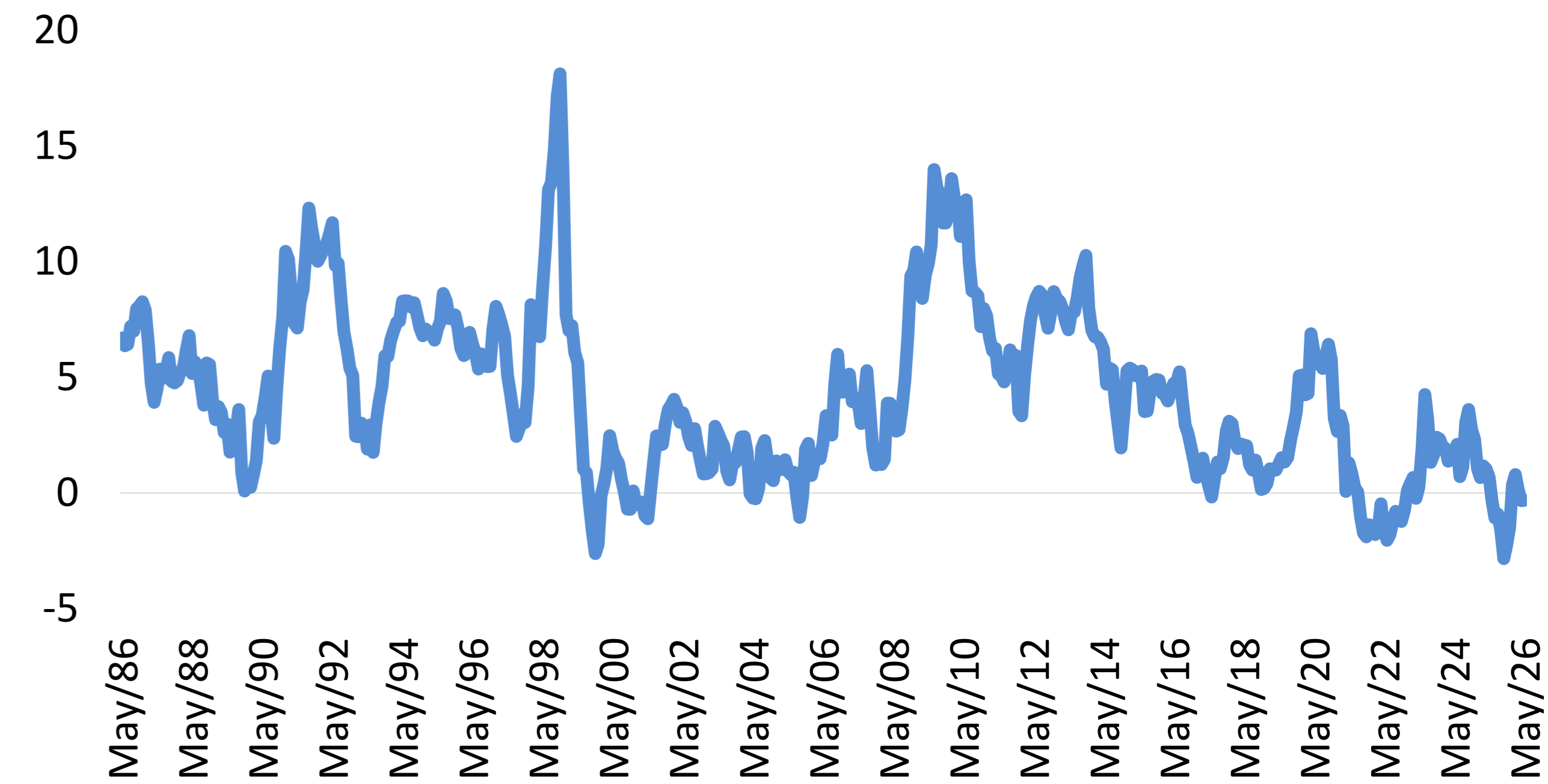


— Real Broad Effective Exchange Rate for India



— Rolling 2 year % Change

India's Inflation Differentials Have Plunged To Multi-Decade Lows



— India US Consumer Price Inflation Differential

India-US Inflation Differential by Decade	Average	Max	Min
1980	4.1	8.3	0.1
1990	6.3	18.1	-2.6
2000	4.0	14.0	-1.1
2010	4.5	10.3	-0.2
2020 to date	0.4	4.3	-2.8

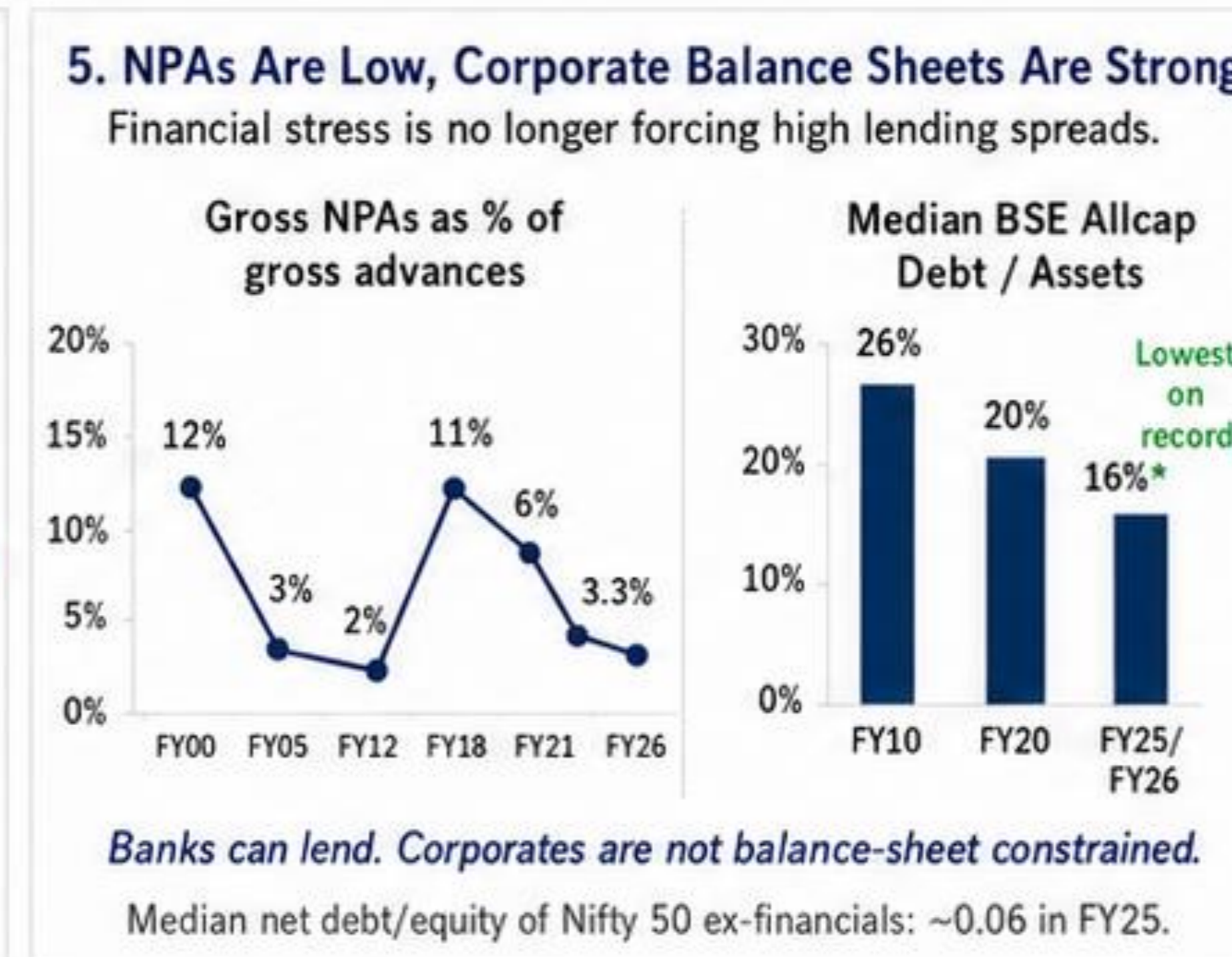
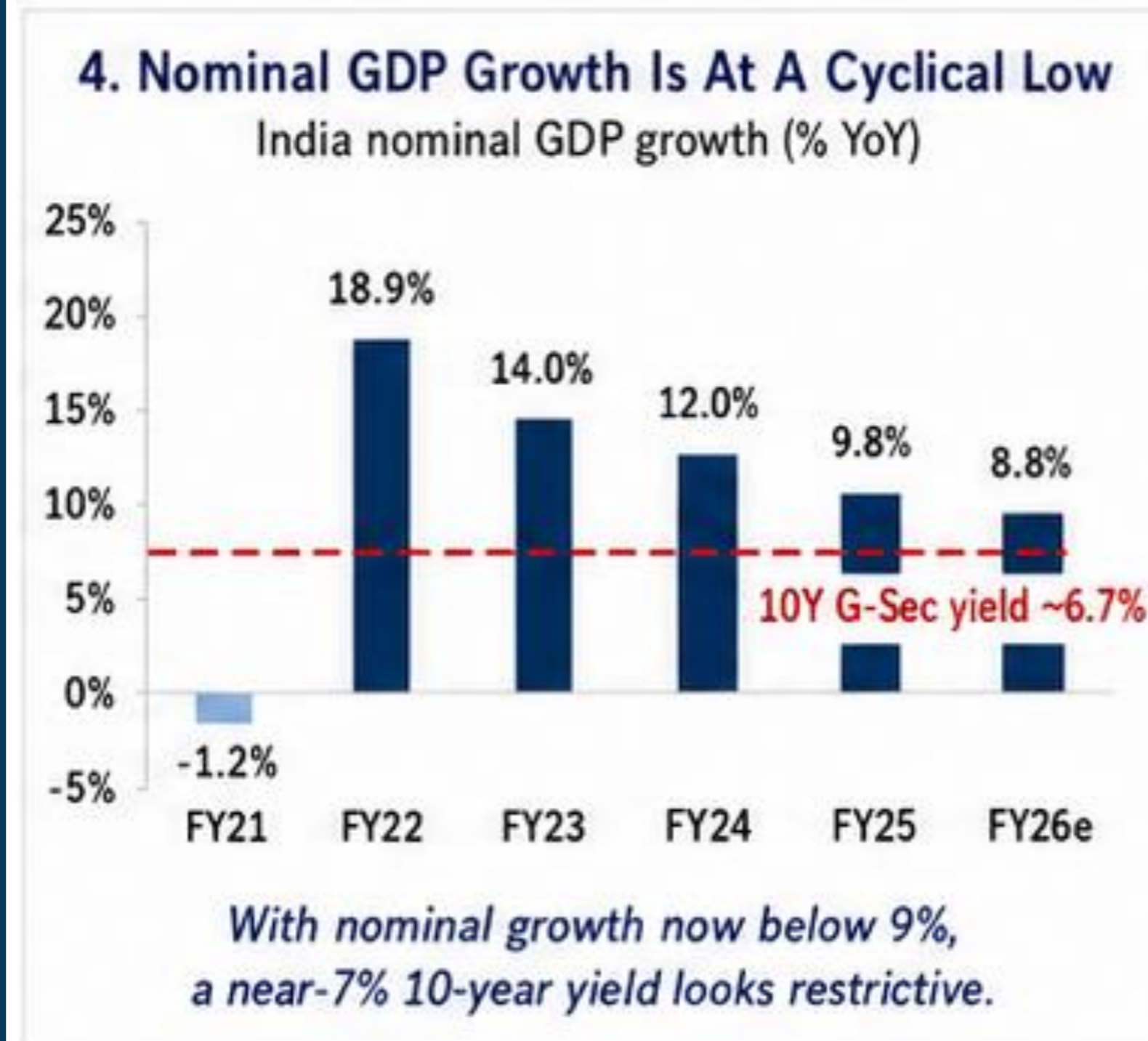
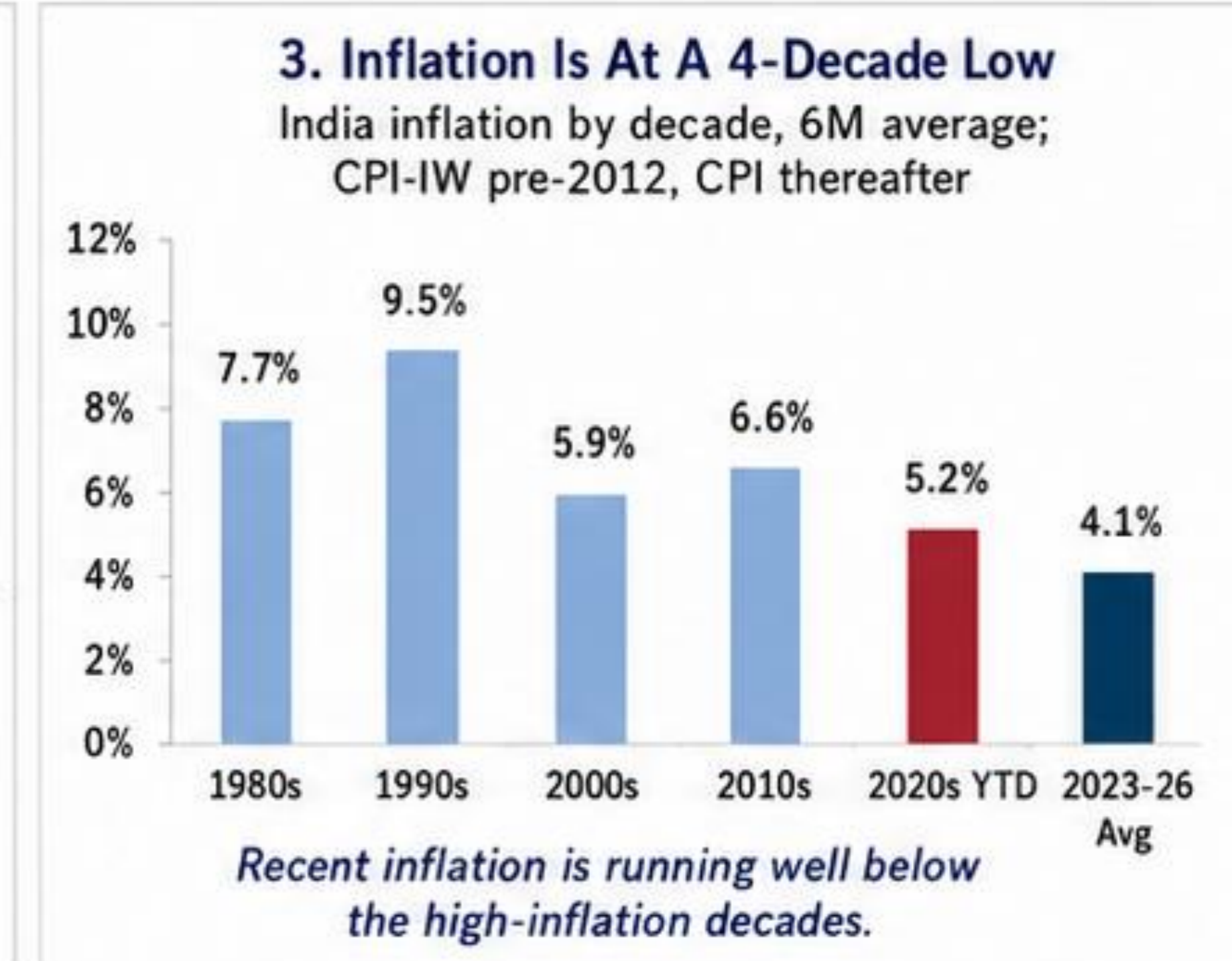
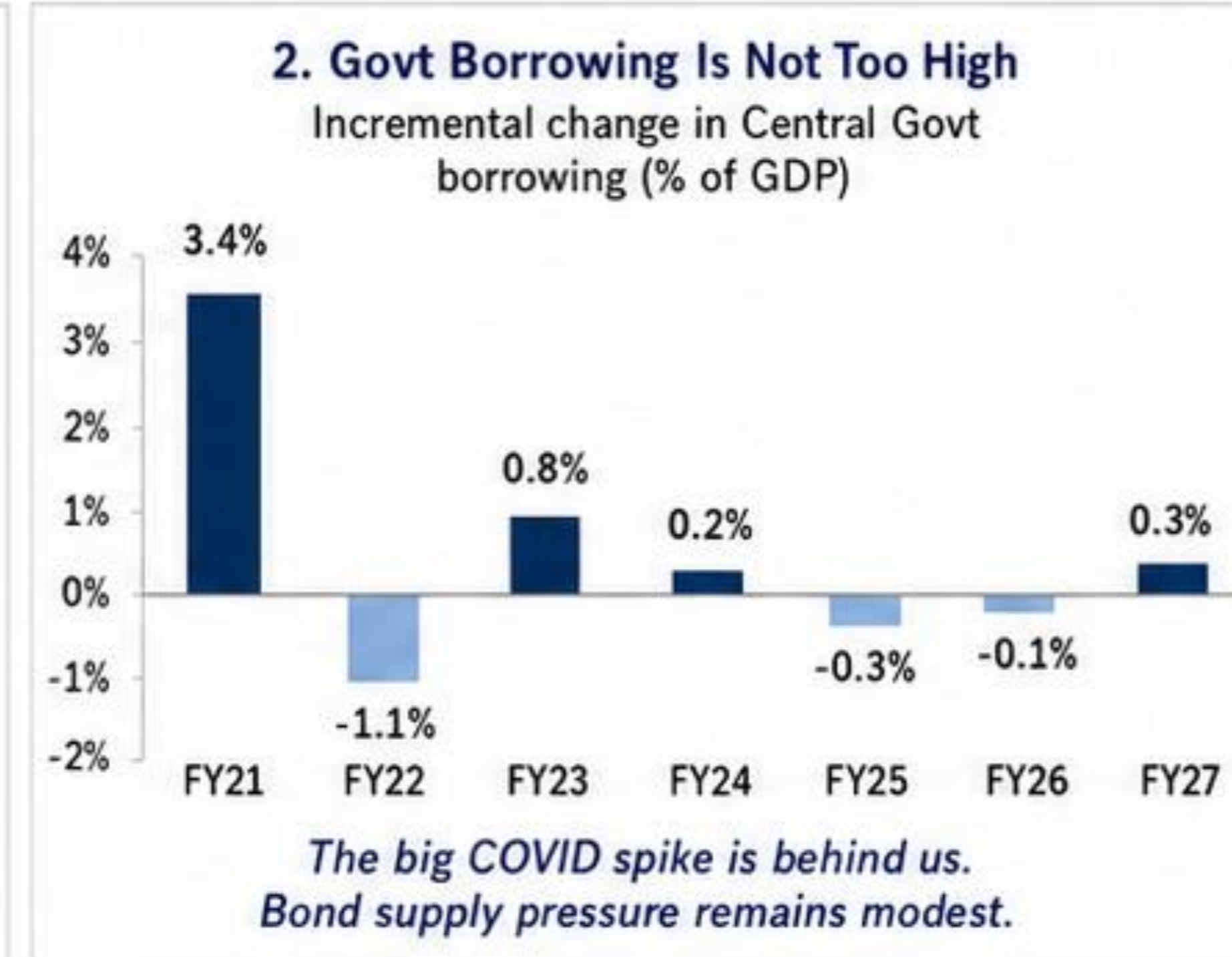
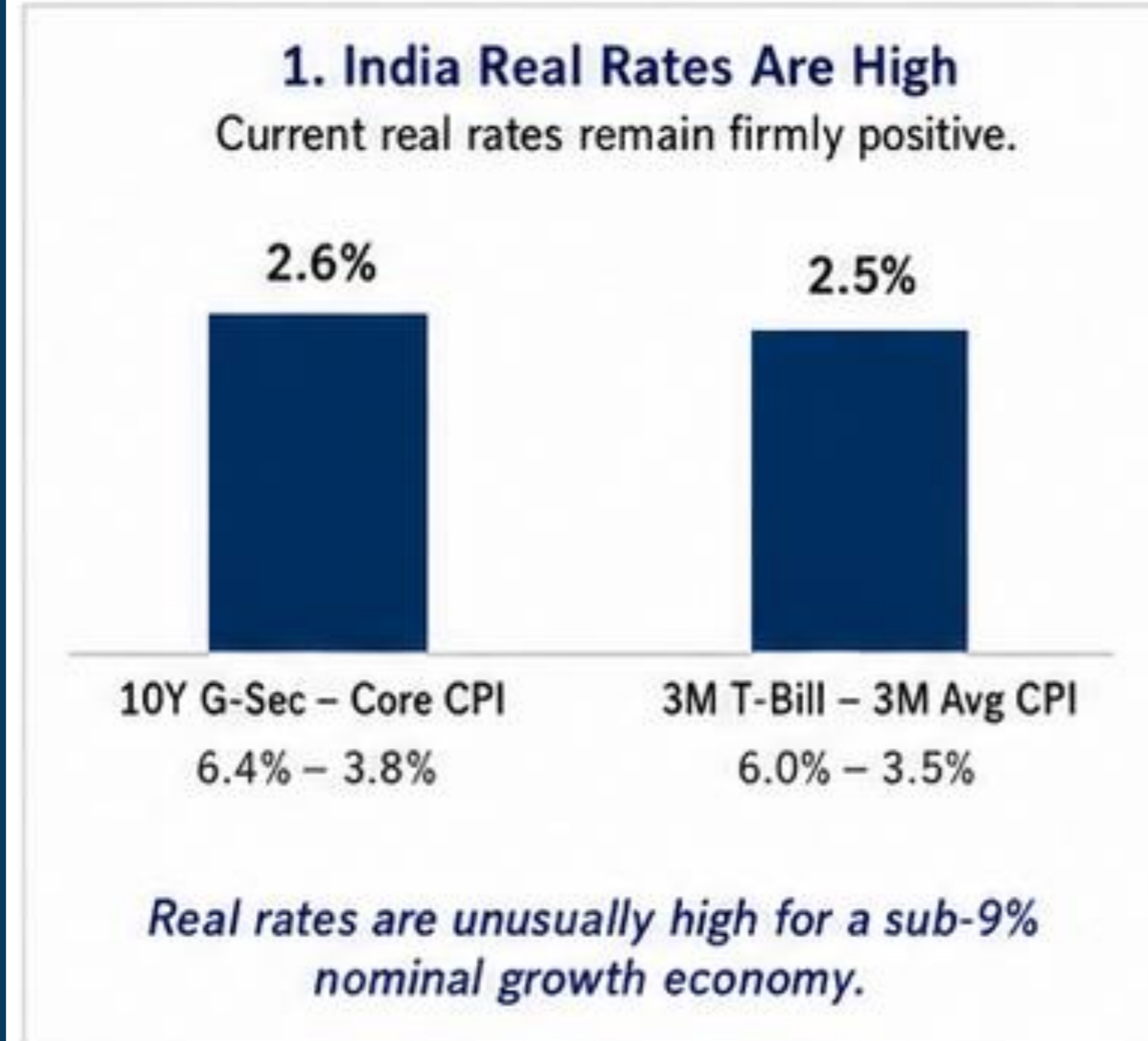
Aren't Bond Yields Too High in India?

India's interest-rate backdrop looks tight relative to domestic growth conditions. Real rates are high, inflation is subdued, and government borrowing is not rising aggressively. Nominal GDP growth has slowed to below 9%, while banking-system NPAs and corporate leverage are far lower than in prior cycles. Retail borrowing rates for households also remain elevated, especially in comparison to other EMs.

How many economies with a GDP of \$4trillion or more have grown at 7% or more with benchmark yields at 7% or more and real rates of more than 2%? You will be hard pressed to find many.

In short, today's 10-year G-Sec yields still look high relative to inflation, growth and balance-sheet stress.

Inflation, Govt Borrowing, Financial Stress Are At Manageable Levels, Yet Yields Are Relatively High

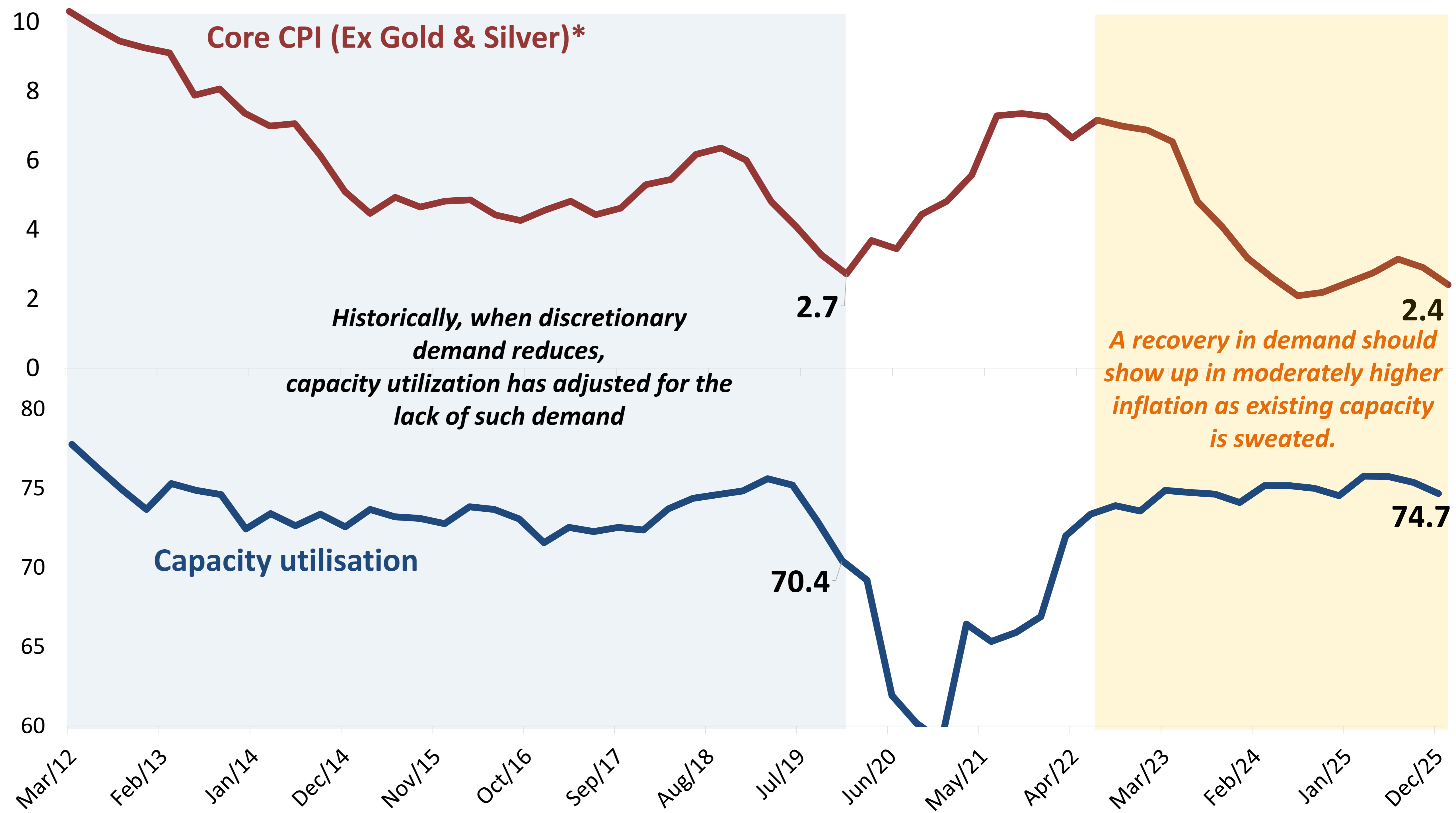


There Is Excess Capacity. A Purple Patch For Demand Revival?

Core inflation has eased sharply, while capacity utilization is close to 75%. While core inflation has fallen sharply to 2.4% (3M avg) from a pre-COVID average of ~6%, capacity utilization has remained broadly unchanged at 74.7% (3Q avg) versus a Jan'12-Dec'19 average of 73.4%.

As consumption recovers, capacity utilization is likely to head higher as well. A revival in consumption should show up in moderate inflation as existing excess capacity is sweated. This is the phase where growth is accompanied by manageable inflation.

For the stock market, the most ideal zone, or a purple patch, is when the economy is in a recovery phase, fiscal situation isn't tight and the central bank is benign ensuring liquidity. All three of these conditions are closer than before.



This Is Not The Noughties. Corporate India Needs Growth. Revenue Growth!

For corporate India to see higher profit growth, revenues must grow at a faster rate or margins must expand. Currently margins are at cyclical highs, there is little room for margins to expand on an overall basis.

India's core and headline inflation have been running below average. There is excess capacity in the system. If monetary policy and fiscal policy work in tandem, there is a likelihood of reinvigorating the growth cycle. Nominal growth has been subdued because inflation is below trend. If policy support and recent consumption trends hold, inflation and therefore nominal growth will improve.

This is likely to improve the revenue growth for corporate India. This is the basis for the next round of renewed stock market appreciation. Improved corporate profits.

Strong Revenue Growth Can Improve Profit Growth

Period	Revenue CAGR	PAT CAGR
FY04–FY08	26.3%	29.1%
FY08–FY13	17.3%	8.1%
FY13–FY19	8.5%	7.0%
FY19–FY24	12.0%	22.3%
FY24–FY26	8.9% <i>Below trend growth is likely to catch up.</i>	10.4%

The noughties were a sales-and-profit cycle. The post-COVID cycle has been a profit-efficiency cycle.

Year	Revenue growth	PAT growth	PAT margin
FY20	1.6%	-15.3%	5.2%
FY21	2.2%	43.4%	7.3%
FY22	27.2%	51.5%	8.7%
FY23	23.8%	13.3%	7.9%
FY24	8.0%	31.3%	9.6%
FY25	8.3%	5.7%	9.4%
FY26	9.6%	15.3%	9.9%

India Inc is not in a sales boom. It is in a margin-supported profit cycle. That makes the cycle more selective.

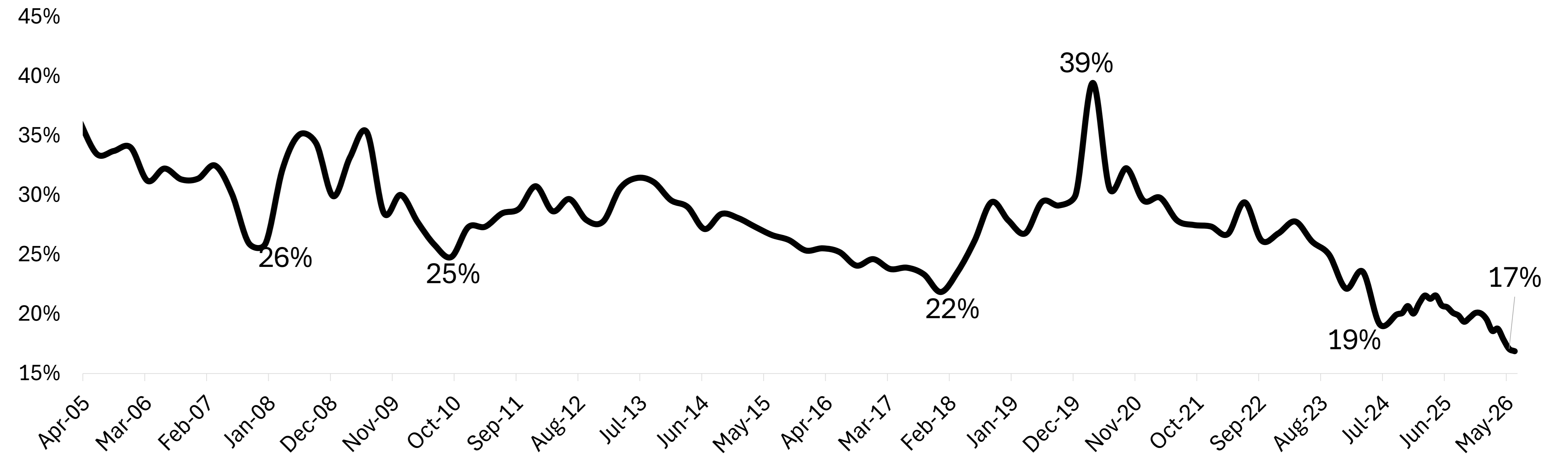
Top 10 Stocks – Most Under-Owned On Record

India's largest companies continue to account for their smallest share of the overall market capitalization.

One of the key drivers of this under-ownership has been the steady reduction in FII holdings in these companies. The average FII ownership across the top 10 companies has fallen to just ~34% of free-float market capitalization. This is the lowest level in two decades, and even below the trough (37%) reached during the Global Financial Crisis.

The under-ownership and undervaluation at present makes this high-quality segment attractive for long term investors. As INR depreciation stabilizes and geopolitical risks subside, there can be mean reversion in FII flows in this segment.

Top 10 Stocks – Share in Total India Market Cap



FII Ownership as % Free Float Market Cap

Company	Mar-26	Dec-23	Dec-19	Jun-14	Mar-09
Axis Bank	44%	57%	56%	68%	41%
Bharti Airtel	54%	50%	44%	51%	63%
HDFC Bank	38%	45%	39%	44%	32%
ICICI Bank	34%	35%	36%	40%	35%
Infosys	30%	35%	37%	49%	42%
ITC	12%	14%	15%	19%	14%
Kotak Mahindra Bank	36%	51%	57%	59%	60%
Larsen & Toubro	19%	25%	19%	20%	12%
Reliance Industries	36%	42%	47%	36%	31%
TCS	34%	45%	57%	63%	42%
Average	34%	40%	41%	45%	37%

Nifty Top 10 Equal Weight Index Constituents Are Below Long-Term Valuations

100% of the portfolio is available at or below average valuations

Nifty Top 10 Equal Weight Index	Valuation Matrix	TTM PE Ratio	10 Year Avg PE	Post GFC Avg PE	Valuations
Infosys	P/E Ratio	13.5	23.3	22.0	Buyback, Below Average
ITC	P/E Ratio	17.2	25.7	28.0	Cheaper vs Own History
Reliance Industries	P/E Ratio	22.7	24.1	20.5	Lower than avg
TCS	P/E Ratio	14.0	26.9	25.0	Buyback, Below Average
Axis Bank	P/B Ratio	2.0	2.1	2.3	Cheaper vs Own History
HDFC Bank	P/B Ratio	2.1	3.7	4.0	Cheaper vs Own History
ICICI Bank	P/B Ratio	2.8	2.6	2.3	At Average
Kotak Mah. Bank	P/B Ratio	2.2	3.8	3.8	Cheaper vs Own History
Bharti Airtel	EV/EBITDA	10.8	13.7	11.3	Cheaper vs Own History
Larsen & Toubro	EV/EBITDA	16.7	14.2	14.2	At Average

*Green highlight is where the current valuation is at or below the 10 year average

70% of the portfolio is available at or above average ROE

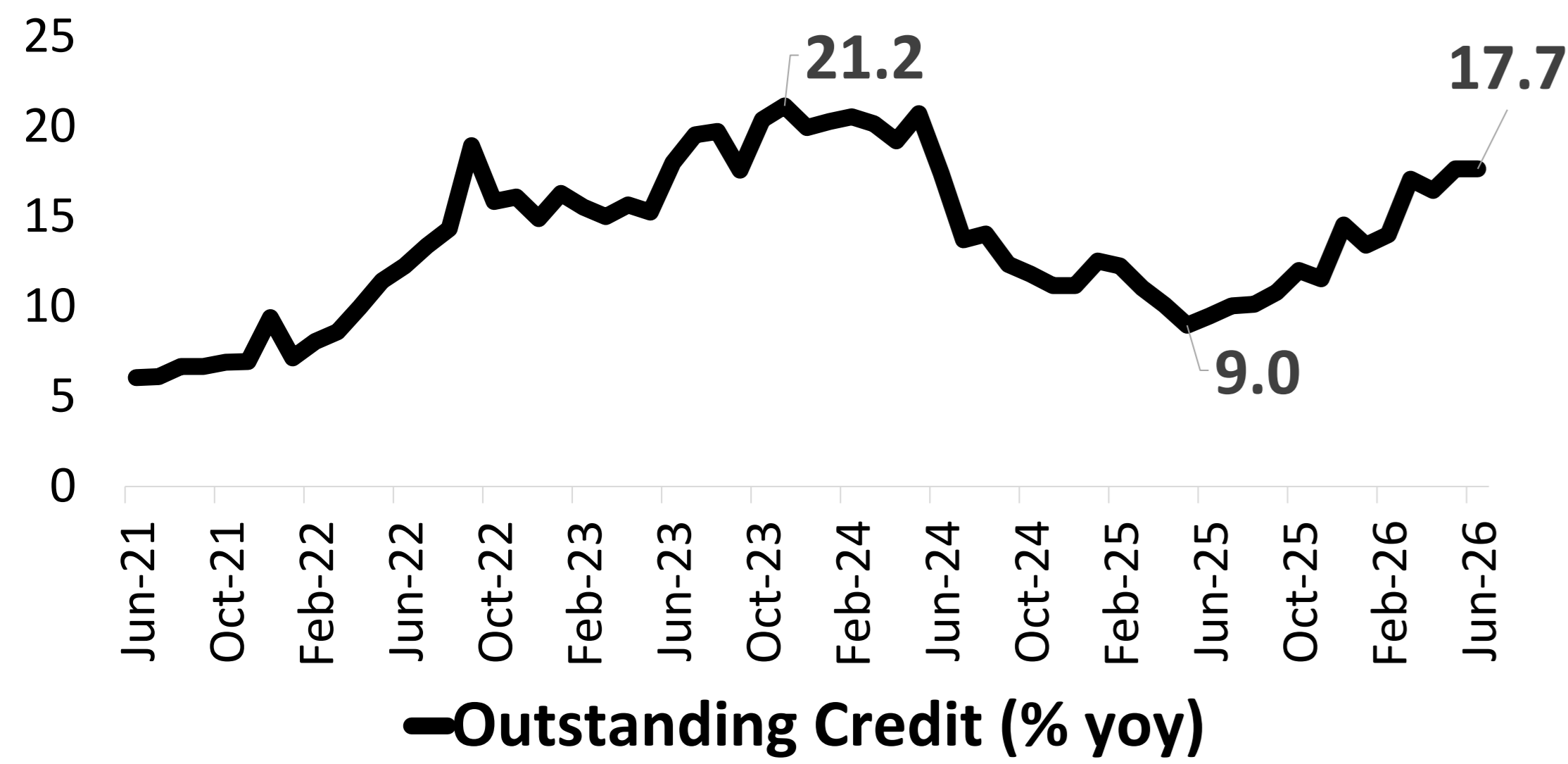
Nifty Top 10 Equal Weight Index	Current ROE*	10 Year Avg ROE	Post GFC Avg ROE	Return On Equity (ROE)
Infosys	32%	30%	29%	At Average
ITC	29%	25%	28%	At Average
Reliance Industries	9%	10%	11%	Below Average
TCS	52%	42%	41%	Higher than Average
Axis Bank	13%	10%	14%	Higher than Average
HDFC Bank [#]	14%	16%	18%	Below Average
ICICI Bank	16%	13%	13%	Higher than Average
Kotak Mah. Bank	11%	14%	14%	Below Average
Bharti Airtel	22%	11%	12%	Higher than Average
Larsen & Toubro	16%	15%	15%	Higher than Average

*Green highlight is where the current ROE is above the 10 year average

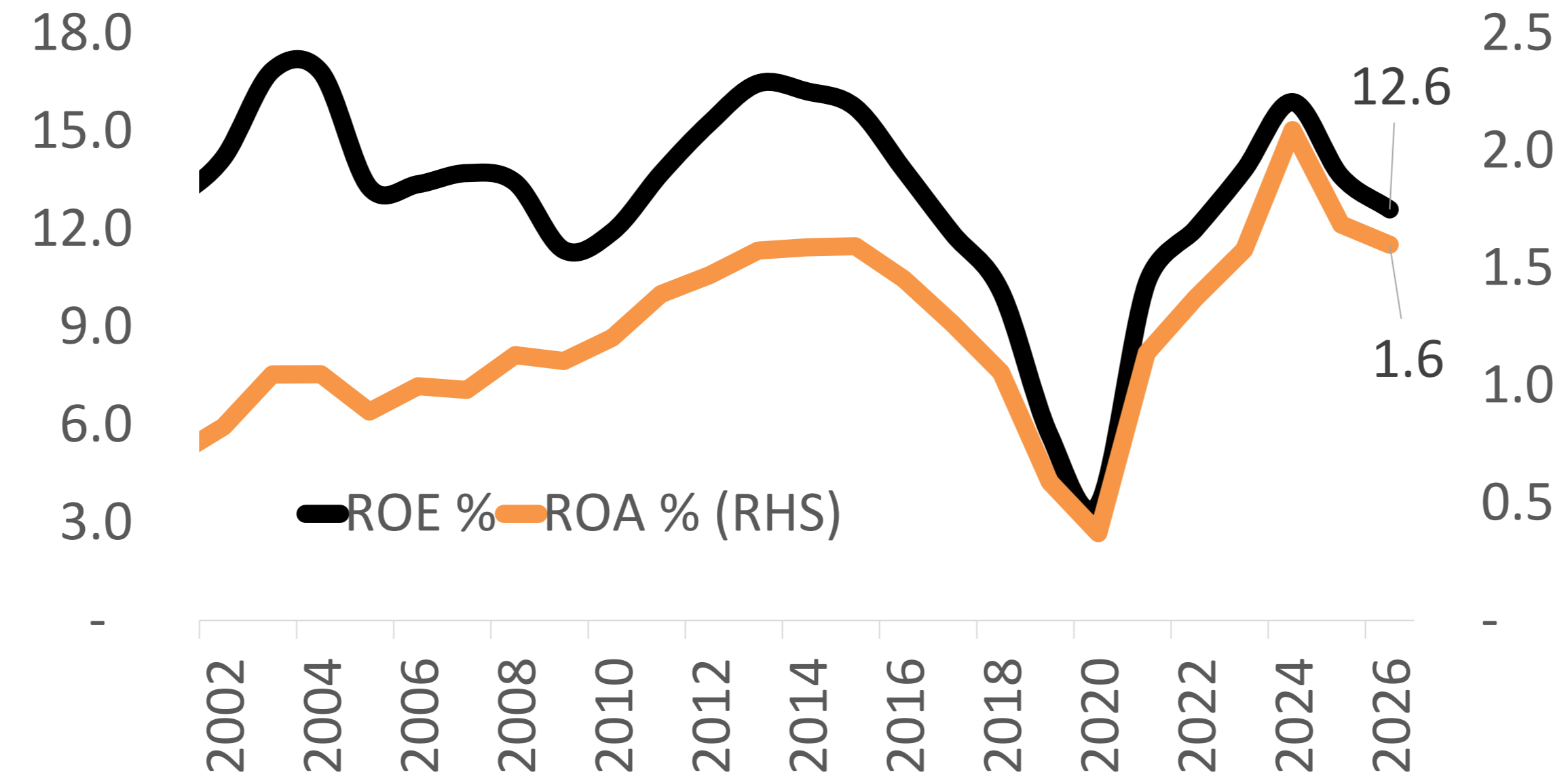
[#]The numbers are not comparable due to the Merger impact of HDFC and HDFC Bank

Private Banks – Low Valuations, Steady Earnings Growth, Clean Balance Sheets.

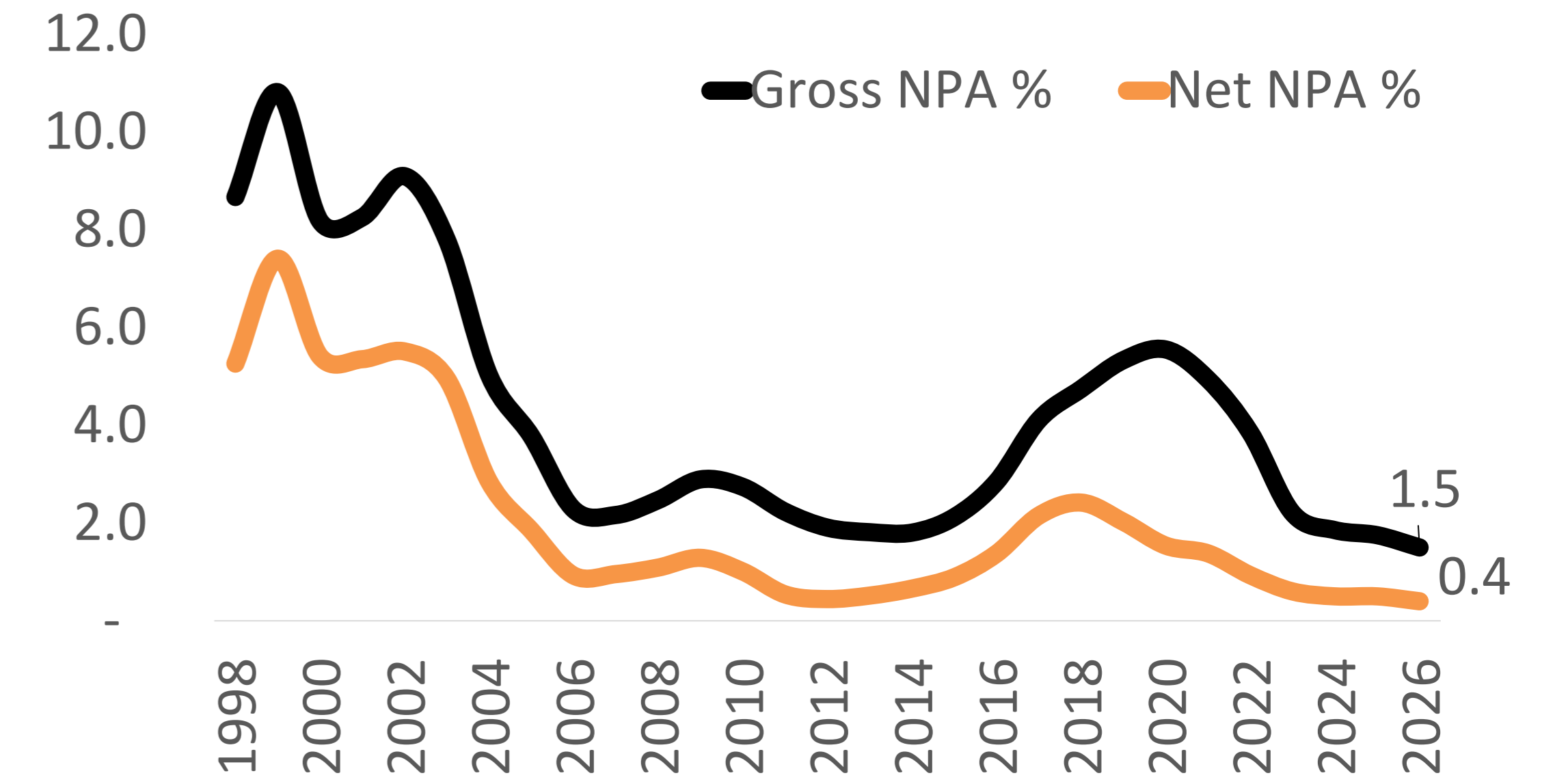
Loan Growth Is Now Accelerating to 1.7x of Nominal GDP



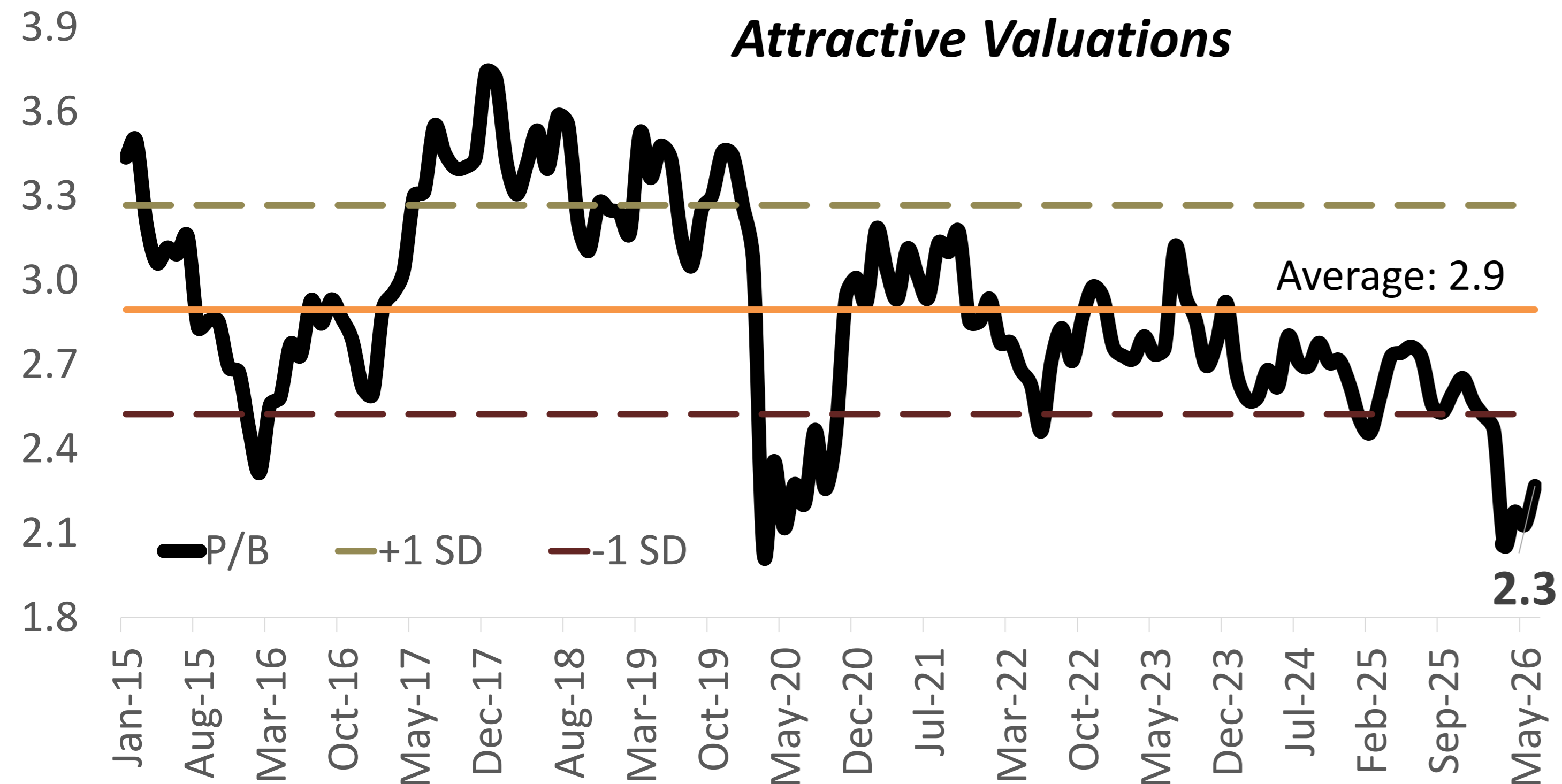
Profitability Remains Strong



NPA At Historical Lows



Large Banks – Strong Fundamentals with Supportive Valuations



	Price to Book	Price to Book (10Y Avg)	ROE	ROE (10Y Avg)	ROA	ROA (10Y Avg)	Leverage	Credit Growth (10Y Avg)	Net NPA (%)*
HDFC Bank	2.0	3.8	14%	17%	1.7%	1.7%	8.4	17.9%	0.4%
ICICI Bank	2.6	2.6	18%	12%	2.2%	1.2%	8.4	13.3%	0.4%
Axis Bank	1.8	2.2	16%	10%	1.8%	0.9%	8.9	15.2%	0.4%
Kotak Mah. Bank	2.2	3.9	15%	14%	2.7%	2.0%	5.6	20.5%	0.3%
Average	2.1	3.1	15.8%	13.3%	2.1%	1.5%	7.8	16.7%	0.4%

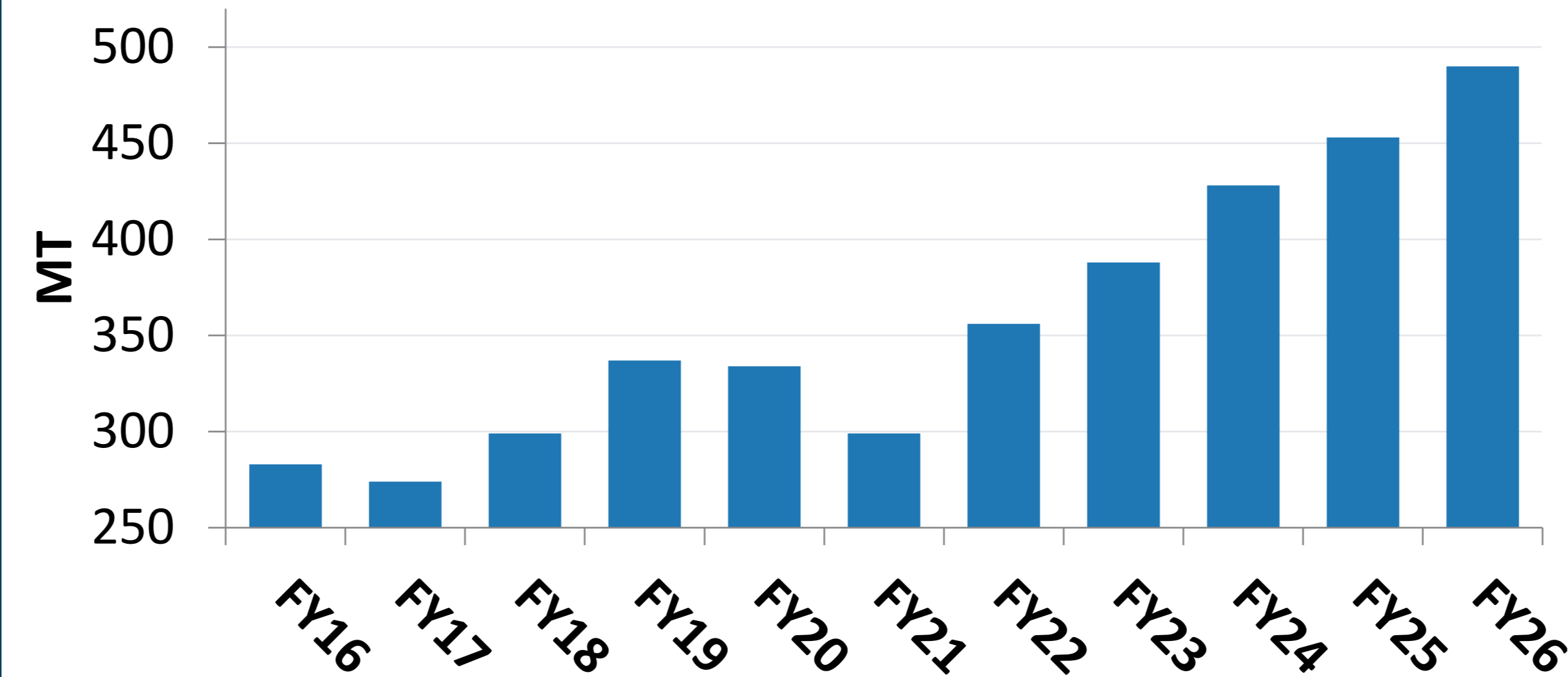
Cement: Growth Re-Acceleration Likely to Meet Margin Improvement

If India nominal GDP growth moves back to 10%+, cement is a clean cyclical expression of the construction cycle.

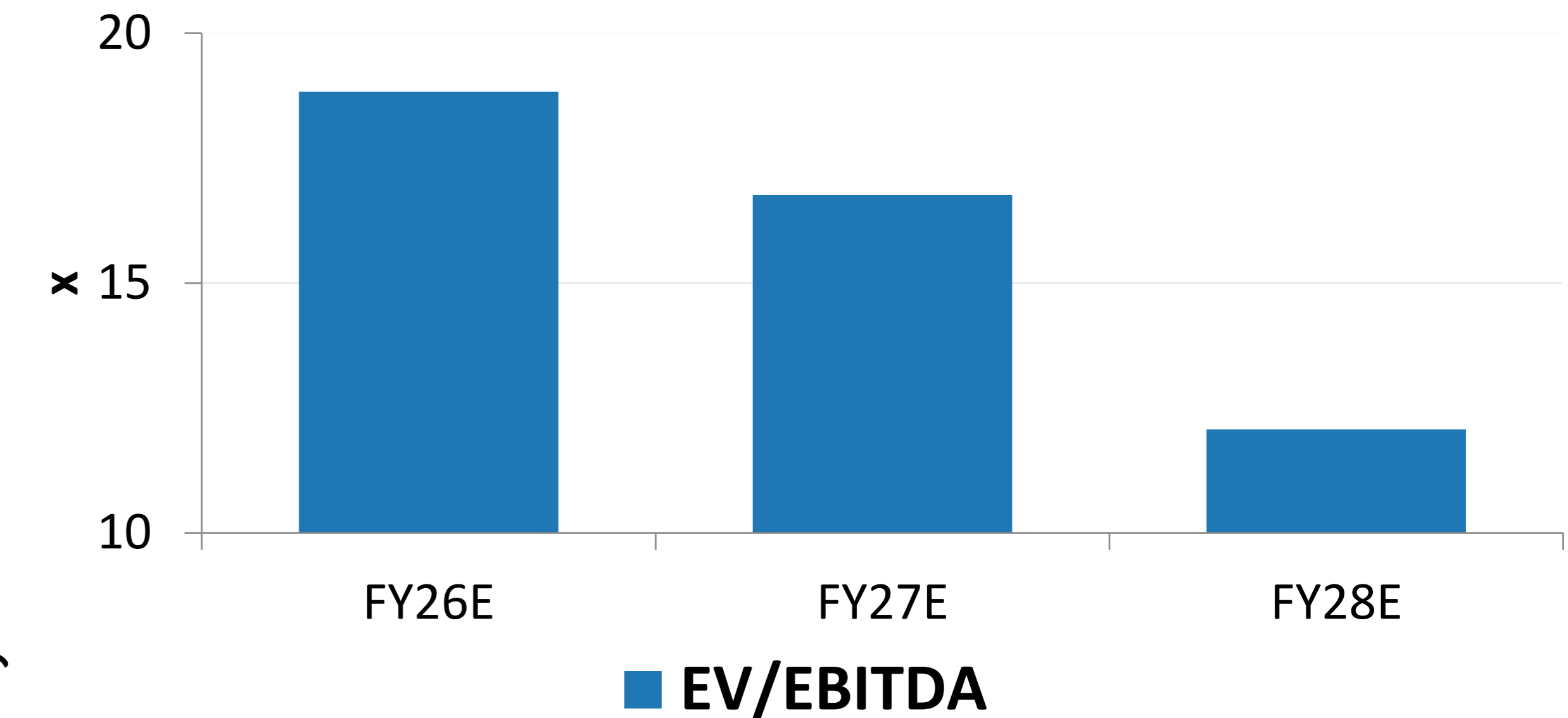
- FY26 cement production reached 490 MT, up 8.6% YoY. Volume momentum is already visible.
- Margins are likely bottoming. Sample aggregate OPM recovered from 15.1% in FY23 to 18.6% in FY26. Input costs are turning supportive: raw material + power/fuel costs fell from 44.3% of sales in FY23 to 39.8% in FY26. Although Q1FY27 may be hit by West Asia war, it is likely to see improvement ahead.
- Valuation support improves as earnings normalise: median EV/EBITDA falls from 18.8x FY26E to 12.1x FY28E.

Prefer cement selectively. The best case could be the one where volume growth and cost discipline convert into EBITDA/ton.

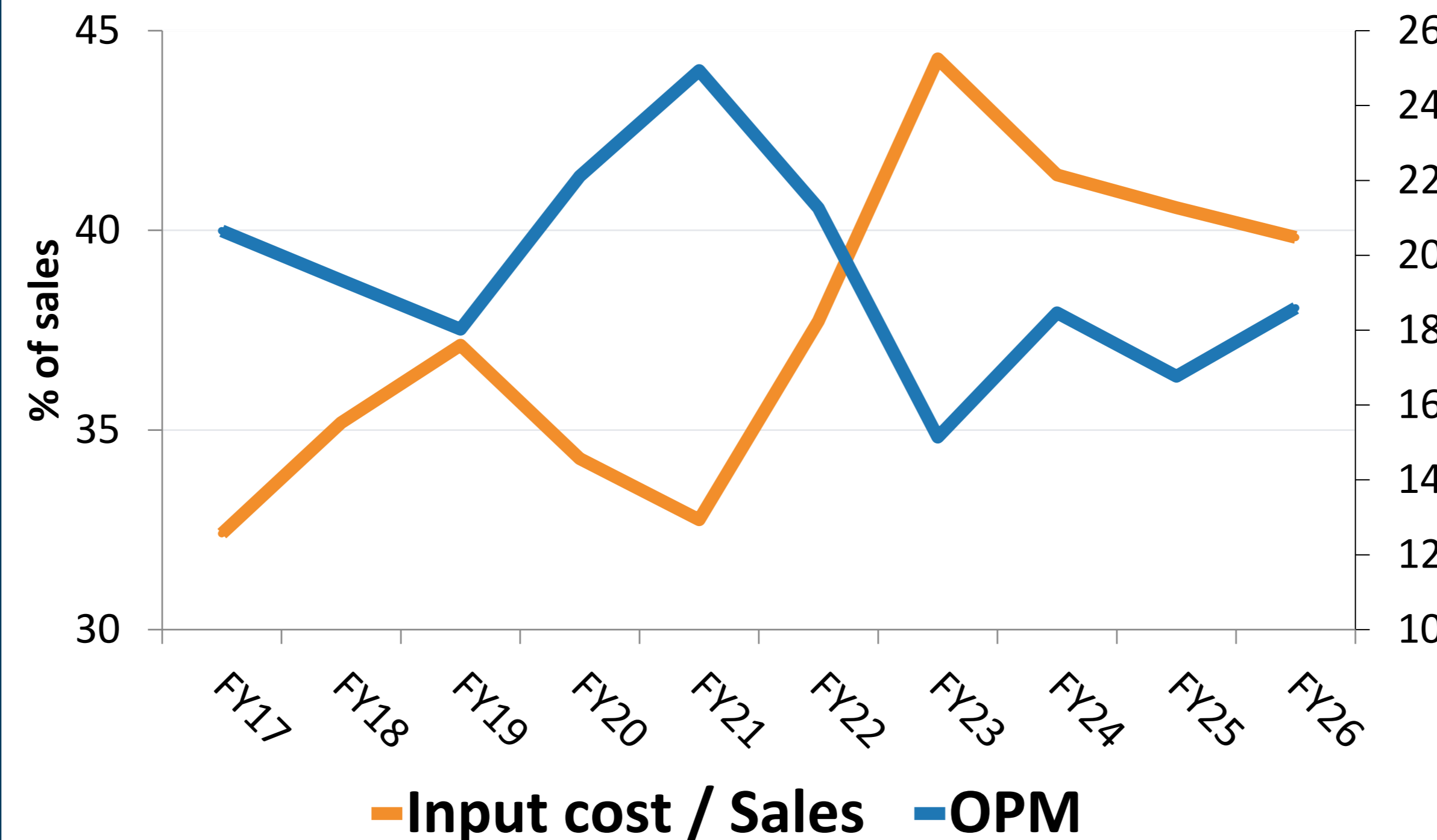
India Cement Production Is Re-Accelerating



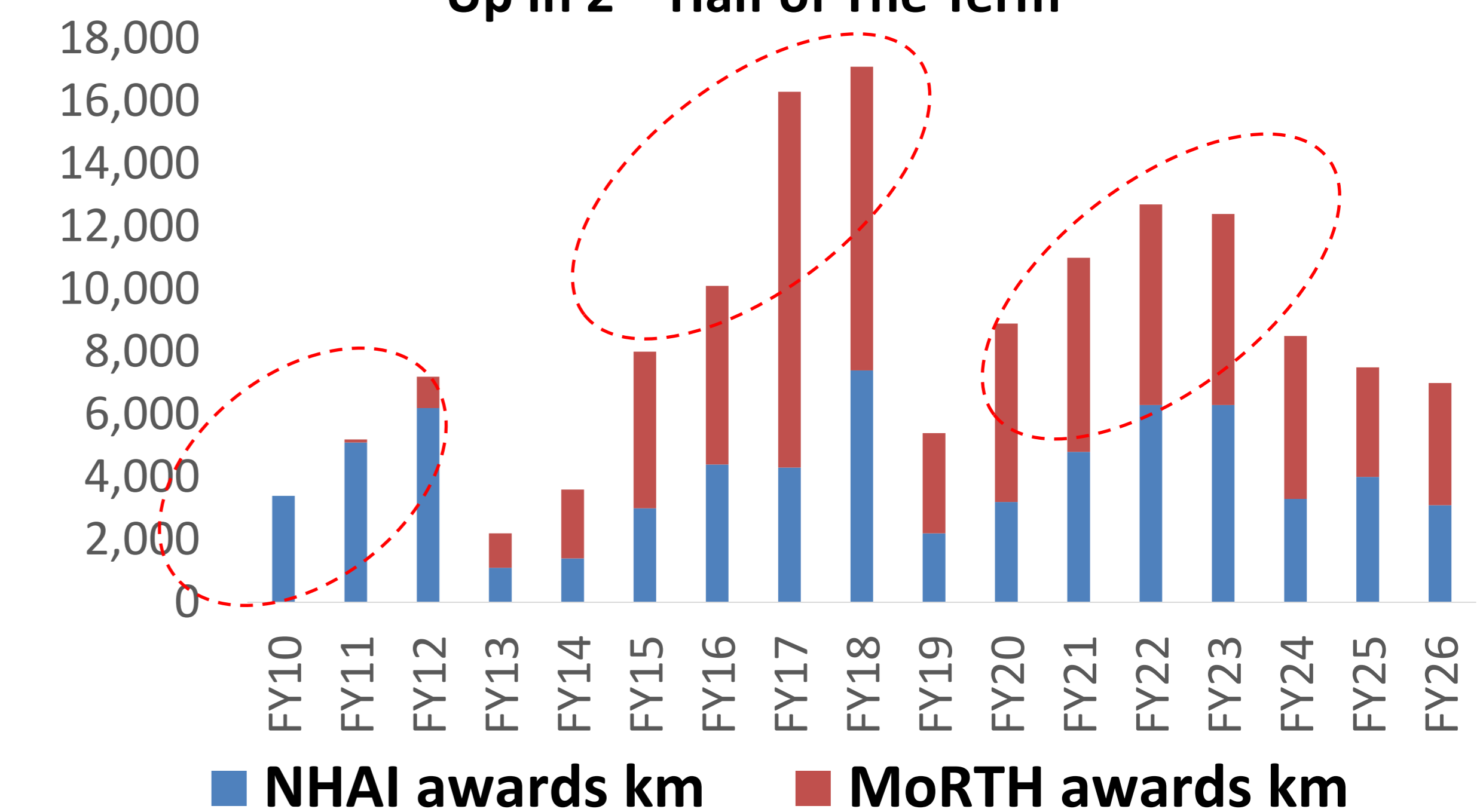
Multiples Compress As Earnings Normalise



Margins Bottoming; Input Costs Turning Supportive



Construction Activity Likely To Pick Up As Govt. Spending Picks Up In 2nd Half of The Term



Nifty IT Index Is Below Long-Term Valuations

Nifty IT is cheap where it matters most: the top 4 largecap IT stocks. They are at valuation-floor multiples, still generate strong free cash flow, carry net cash balance sheets and return cash through dividends and buybacks.

Largecap IT has shifted from a growth-multiple story to a cash-yield story. The top 4 largecap IT basket is at a 36% discount to its 10-year average PE but still has ~6.7% FCF yield and ~5.7% shareholder yield.

The sector is no longer expensive. But a valuation bottom needs earnings visibility, not just lower multiples. Currently, earnings growth is absent. Firms and investors do not have the visibility of how earnings will shape up and at what pace. For Midcap IT, the growth challenge is lower.

On valuations, the risk-reward appears significant, but growth challenges and business cycle present valid challenges. You need to judge what's priced in and what isn't.

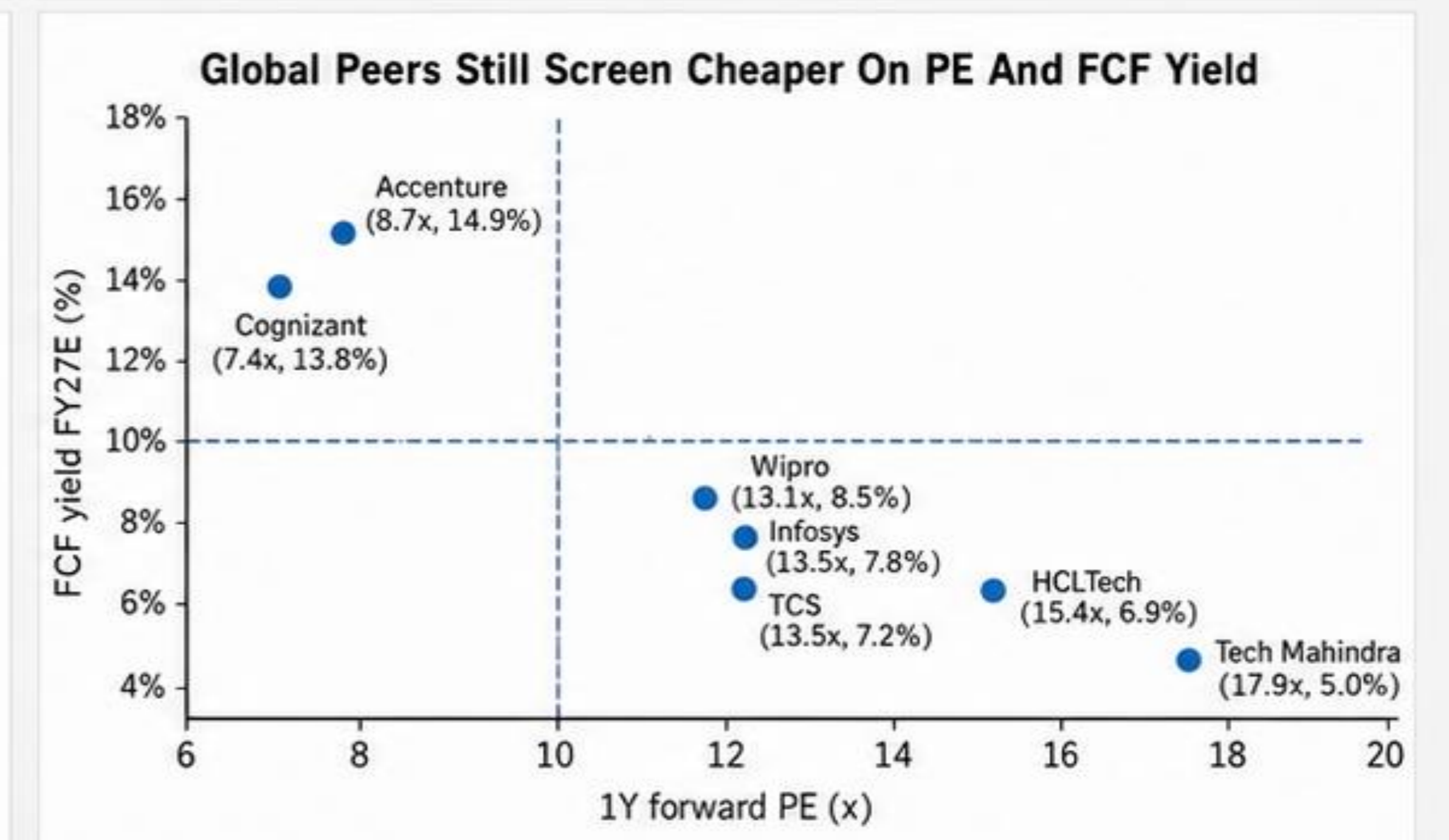
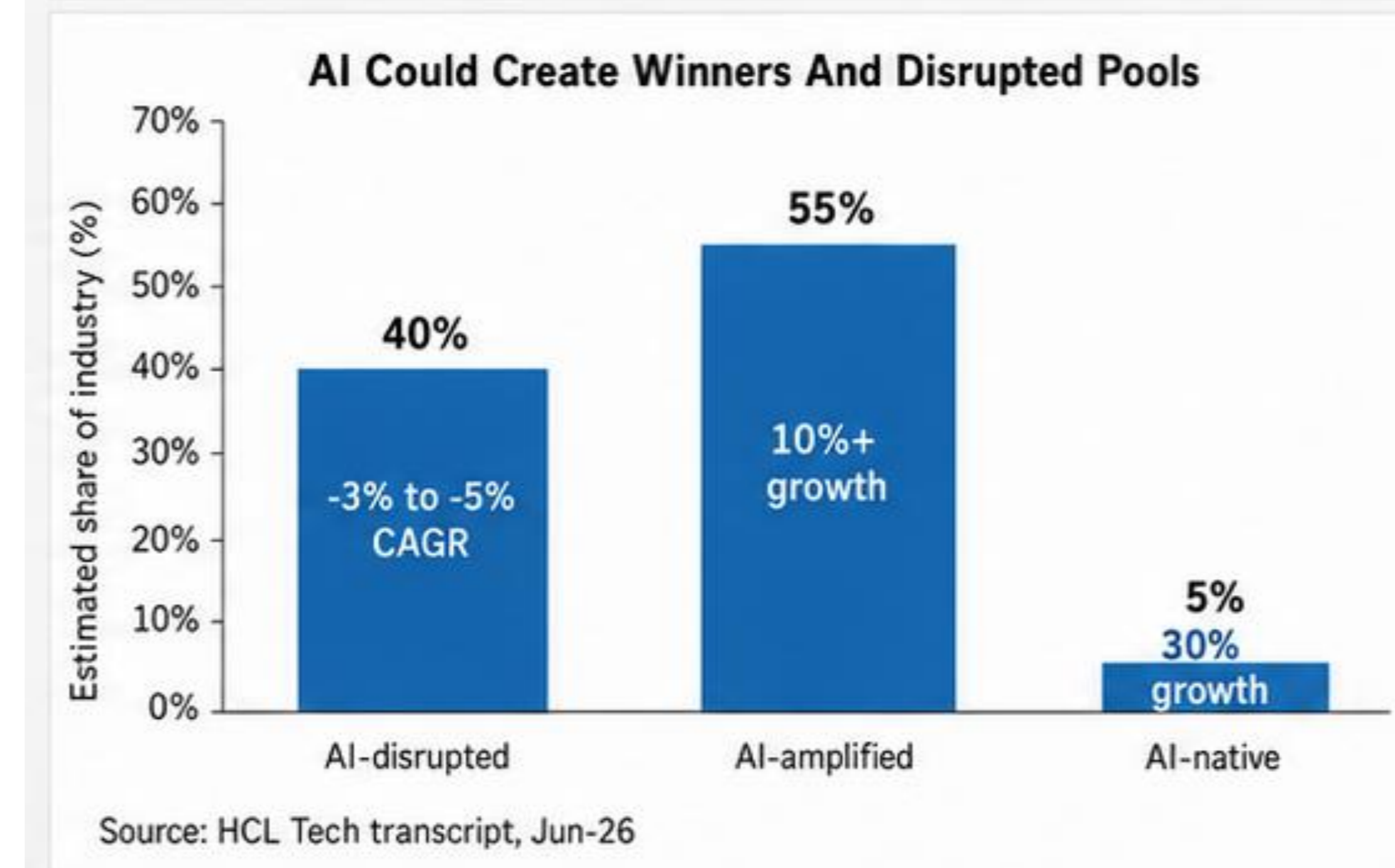
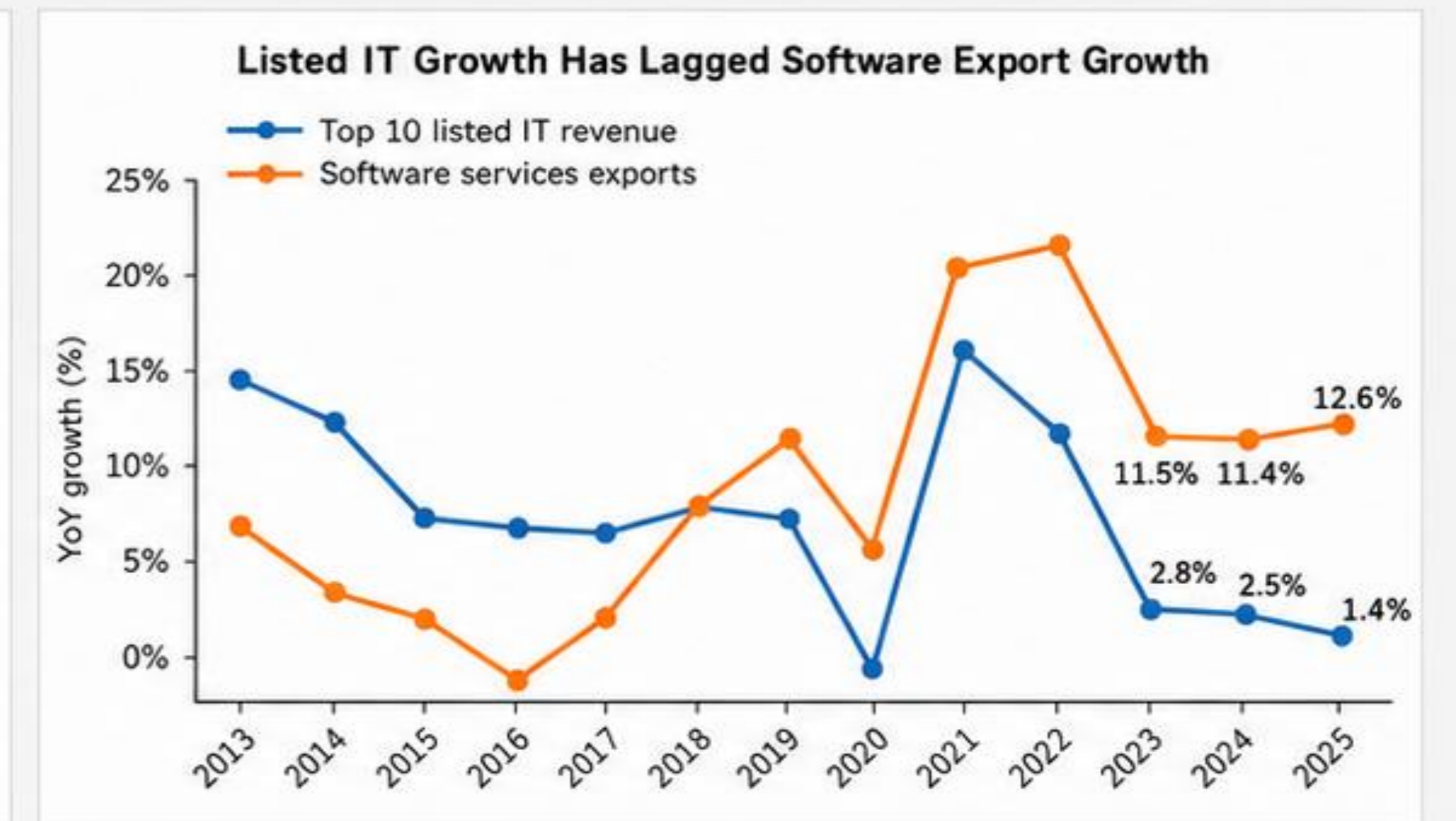
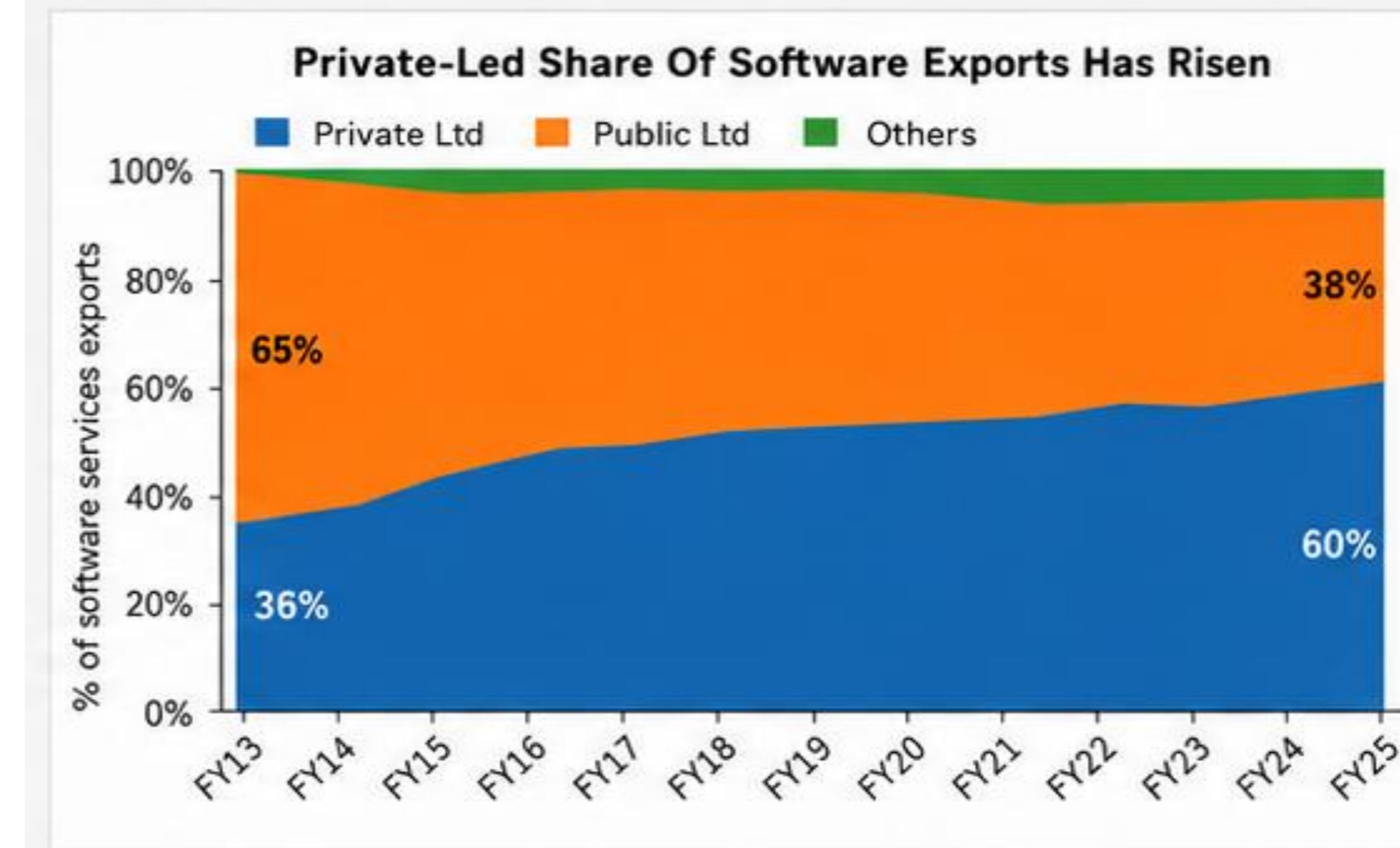
Company	Current PE	10Y Avg PE	Disc. to 10Y avg	FCF yield	Shareholder yield
Top 4 largecap IT	14.7x	23.0x	-36%	6.7%	5.7%
Nifty IT Index	16.6x	23.3x	-29%	5.8%	4.9%
TCS	14.5x	25.9x	-44%	6.3%	5.6%
Infosys	14.0x	22.6x	-38%	7.4%	5.4%
HCL Technologies	17.2x	19.6x	-12%	6.2%	4.9%
Wipro	14.0x	18.3x	-24%	7.3%	7.8%
Tech Mahindra	28.1x	24.6x	14%	4.0%	3.2%
LTM	20.2x	25.0x	-19%	3.6%	2.0%
Oracle Fin.Serv.	35.9x	21.9x	64%	2.7%	3.7%
Persistent Systems	35.1x	34.2x	3%	2.3%	0.9%
Coforge	39.1x	31.3x	25%	1.9%	0.2%
Mphasis	22.3x	23.3x	-4%	1.9%	2.8%

IT Services: Why The Outlook Is Still Cloudy

There are serious headwinds for the sector which are hard to decipher.

- Private-led share of software services exports has risen from 36% in FY13 to 60% in FY25, while public share has fallen to 38%. Which means private firms are taking market share.
- Top 10 listed IT revenue growth slowed to 1.4% in 2025, versus software services export growth of 12.6%. This means listed IT firms may be losing business to Indian GCCs.
- Large IT Firms have slowed hiring indicating uncertain demand outlook.
- AI may bifurcate the sector: 40% of the industry revenue pool could be AI-disrupted, 55% AI-amplified, and only 5% AI-native today. This makes the outlook hazy. Remember that AI is still a promise and is yet to show up in numbers.
- Global peers still look cheaper: Accenture at 8.7x PE and 14.9% FCF yield, Cognizant at 7.4x and 13.8%, versus TCS and Infosys at 13.5x and about 7%-8% FCF yields.

Total Employee Headcount	TCS	Infosys	Wipro	HCL Tech
CAGR till FY21	8.5%	6.4%	4.5%	7.4%
CAGR from FY22 (End of WFH Euphoria/Beginning of LLMs led AI era)	-0.3%	1.8%	-0.1%	2.1%



El Niño Risk Is Back But Inflation Impact Is Not Automatic

El Niño raises the odds of a weak monsoon. It does not automatically create a food-inflation shock.

India's farm economy is less rain-fragile than it was earlier. Irrigation now covers about 55% of gross cropped area, up from roughly 40% in FY11. Gross cropped area has risen from 201 mn ha in FY14 to 218 mn ha in FY24, while cropping intensity has improved from 143% to 157%. That blunts rainfall volatility.

History also shows weak rainfall is only one variable. 2002 had a major monsoon deficit, but post-monsoon food inflation was only 1.2%. 2009 had similar rainfall stress, but food inflation rose 18.8%. The difference was inventories, global prices, currency pressure, policy response and supply-chain management.

Food inflation can rise from a low base in FY27. But a full-year double-digit shock would need a much larger supply disruption. For now, monitor the shock. Don't extrapolate it.

Don't Extrapolate El Nino To Poor Growth Or High Inflation

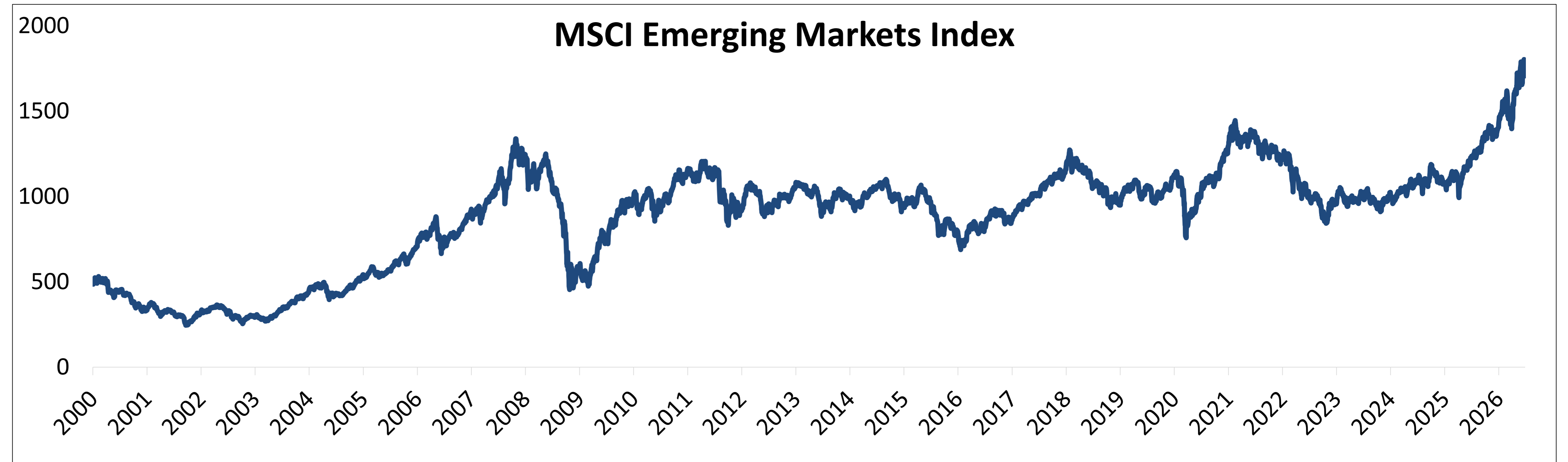
Year	Rainfall (% of LPA)	Rainfall Category	Drought Intensity	El Niño / ENSO Intensity	Food Inflation: 12M Avg Post Monsoon (%)
1965-66	79	Deficient	Major	Strong	10.8
1966-67	88	Deficient	Major	No El Niño	13.1
1972-73	76	Deficient	Major	Strong	16.9
1976-77	100	Normal	Moderate	Weak	8.3
1979-80	82	Deficient	Major	Weak	11.3
1986-87	90	Deficient	Moderate	Moderate	8.8
1987-88	84	Deficient	Major	Strong	11.3
1991-92	98	Near normal	Moderate	Strong	19.5
2002-03	78	Deficient	Major	Moderate	1.2
2004-05	89	Deficient	Moderate	Weak	3.2
2009-10	79	Deficient	Moderate	Moderate	18.8
2014-15	88	Deficient	Moderate	Weak	4.3
2015-16	86	Deficient	Moderate	Very Strong	6.2
2018-19	91	Below normal	Moderate	Weak	0.6
2023-24	94	Below normal	Moderate	Strong	8.1
2024-25	108	Above normal	None	No El Niño / La Niña-like circulation	3.1
2025-26	108	Above normal	None	ENSO neutral	0.9
2026-27	90	Below normal forecast	Drought risk / not final	Developing El Niño risk	N/A

Emerging Markets – Concentration Risks & India's Contra Time

Emerging Markets' Rally Masks a Valuation Bifurcation

The MSCI Emerging Markets index has staged a strong recovery, approaching levels last seen in 2021, yet this rally warrants closer scrutiny when assessed against valuation fundamentals. Among the four constituent markets with index weights exceeding 5%, a clear bifurcation emerges.

China and India remain the only two markets trading at discounts to their 10-year average PE ratios, of 10.98% and 2.39% respectively, suggesting some residual valuation support. Taiwan and South Korea, however, present a starkly different picture, trading at premiums of 85.09% and 71.52% to their historical average PEs significantly above even MSCI EM's own 24.71% premium and MSCI World's 19.58%. With Taiwan now accounting for 26.6% of MSCI EM's weight and South Korea 23.3%, these two markets together represent approximately 50% of the index. Their combined valuation expansion has a disproportionate influence on the index's aggregate pricing, raising questions about the rally's broader sustainability beyond two richly valued markets.



Countries with > 5% Weight	Country Weights as of 29 th May 2026	Current PE	10 Year Average PE	ROE	PE Premium/ (Discount)
China	20.2%	12.72	14.28	10.90	-10.98%
Taiwan	26.6%	32.60	17.62	18.18	85.09%
India	10.7%	23.84	24.43	15.30	-2.39%
South Korea	23.3%	24.39	14.22	13.75	71.52%
MSCI Emerging Markets		18.66	14.97	13.68	24.71%
MSCI World		24.54	20.52	16.00	19.58%

Korea and Taiwan: A Concentration Risk Like Never Before

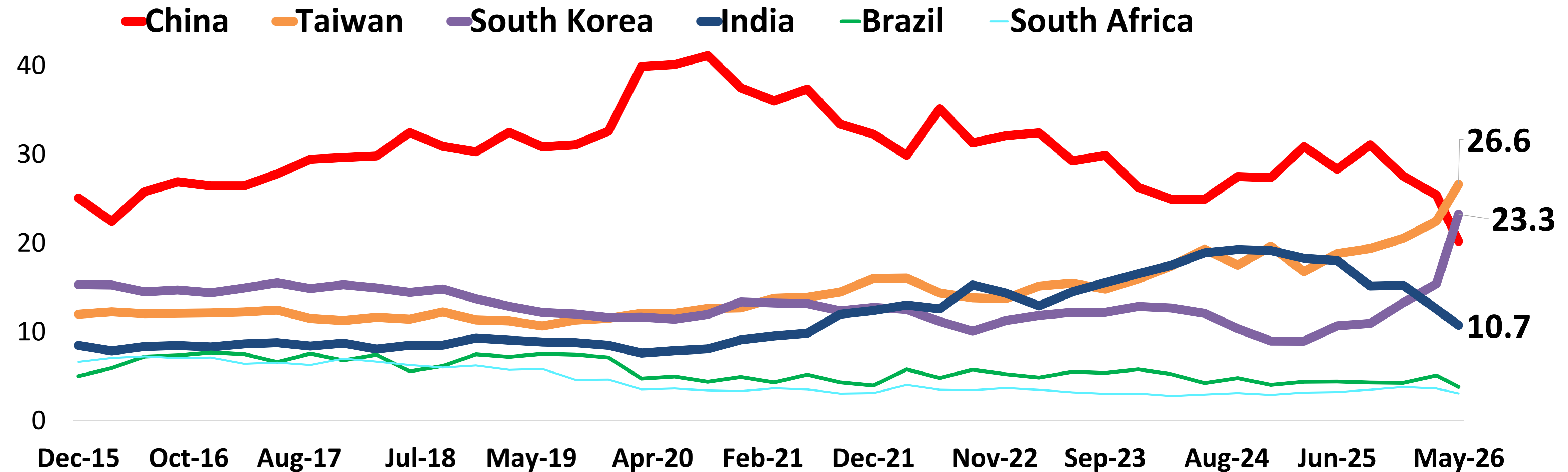
Within MSCI Emerging Markets, the relative standing of its largest constituents has shifted meaningfully over the past decade. China's index weight, once exceeding 40% in early 2021, has steadily declined and now sits closer to its long-term range, while Taiwan and South Korea have climbed to weights last seen only briefly in the index's history, with both markets recently overtaking China for the first time.

This repositioning has coincided with sharply divergent year-to-date performance: South Korea has returned 115.6% and Taiwan 57.6%, against a decline of 16.0% for China over the same period. India, Brazil, and South Africa, despite earlier gains, have also pulled back, posting negative or muted returns.

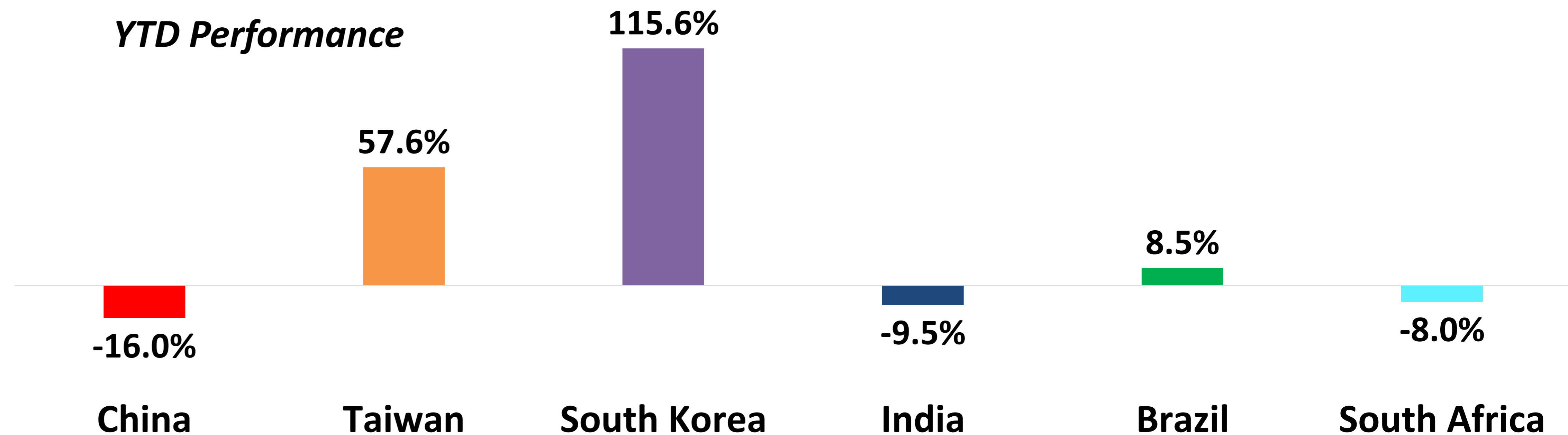
What is particularly notable is that Korea and Taiwan's outperformance, despite being geographically distinct markets, has moved in near-lockstep and within a compressed timeframe. This synchronicity is unlikely to be coincidental; it points toward a common, sector-level catalyst driving both markets simultaneously rather than independent, broad-based economic re-ratings, a dynamic the following slide examines in closer detail.

India now appears to be the most contrarian bet in the basket. Notably, it was the biggest consensus 'buy' just two years ago.

Weights of Top MSCI Constituents – Korea & Taiwan Now Account For Half of MSCI EM



YTD Performance



Technology: All of 2026 EM Performance Is From Tech, 3/4th Just From 3 Stocks

The sectoral composition of MSCI Emerging Markets has shifted decisively toward Technology over the past six months. The sector's weight in the index rose from 28.3% in Dec 2025 to 44.2% by May 2026, a 56% increase, even as every other sector's weight contracted, with Communication Services, Consumer Cyclical, and Healthcare each declining by 25% or more.

This shift is mirrored in the index's returns: of MSCI EM's 25.3% year-to-date gain, Technology alone contributed roughly 25.5 percentage points, effectively accounting for the entirety of the index's return.

Drilling further, just three companies: TSMC, Samsung, and SK Hynix with a combined index weight of approximately 30%, contributed around 18 percentage points to the index's total return, underscoring that the rally is not merely a sector story but a single-theme, three-stock phenomenon.

This degree of concentration means the index's near-term trajectory is now contingent on a remarkably narrow set of companies, raising legitimate questions about the rally's breadth and durability.

MSCI EM Delivered 25.3% YTD Returns in 2026 so far

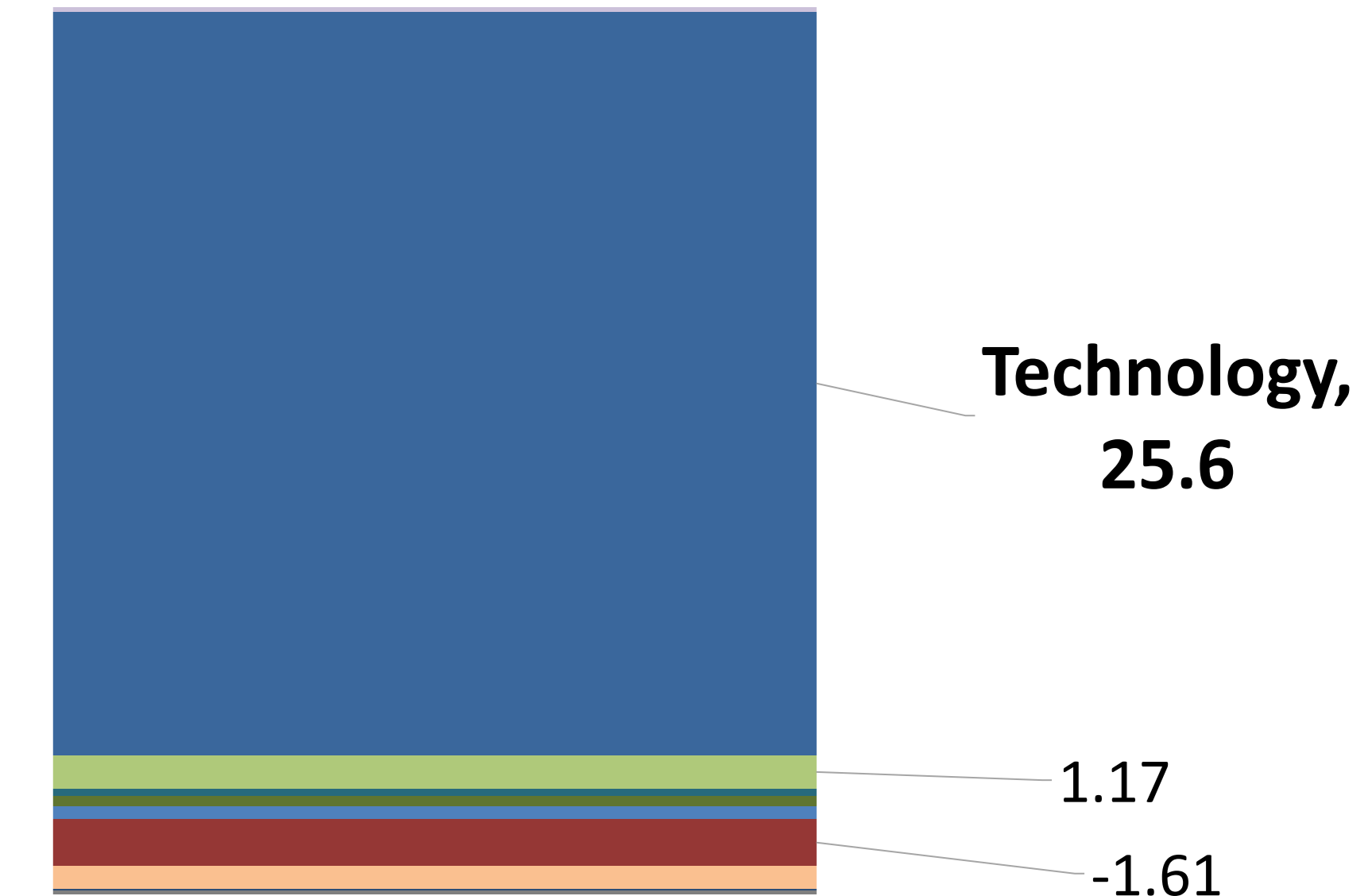
25.3



MSCI EM

Contribution to Returns

- Utilities
- Technology
- Real Estate
- Industrials
- Healthcare
- Financial Services
- Energy
- Consumer Defensive



Technology contributed 25.6 percentage points to the total returns. 3 stocks (SK Hynix, Samsung and TSMC) contributed to ~18% of the total return of the index. Other sectors were detractors.

Sectoral Allocation	Dec'25	May'26	YTD Change (%)
Technology	28.30	44.21	56%
Industrials	6.96	6.57	-6%
Energy	3.97	3.43	-14%
Utilities	2.15	1.81	-16%
Basic Materials	7.03	5.88	-16%
Financial Services	22.01	17.63	-20%
Real Estate	1.31	0.98	-25%
Healthcare	3.31	2.47	-25%
Consumer Defensive	3.45	2.54	-26%
Consumer Cyclical	11.82	8.34	-29%
Communication Services	9.34	6.00	-36%

US Dollar – A Re-look Look At US Debt Situation

The State of The Overall US Balance Sheet

When you hear the chatter around how fast the US Debt situation is deteriorating you would feel nervous.

For a moment, think about this question. In Jan 2020, the total credit to Nonfinancial sector in the US was 252% of GDP. (Total credit to Nonfinancial sector is the cumulative debt of Federal, state & local governments, Corporate Businesses and Households in the United States of America).

Now ask yourself, from 252% of GDP what would this number be today after all the 'money printing' and post COVID 0% rates and the noise we hear all around?

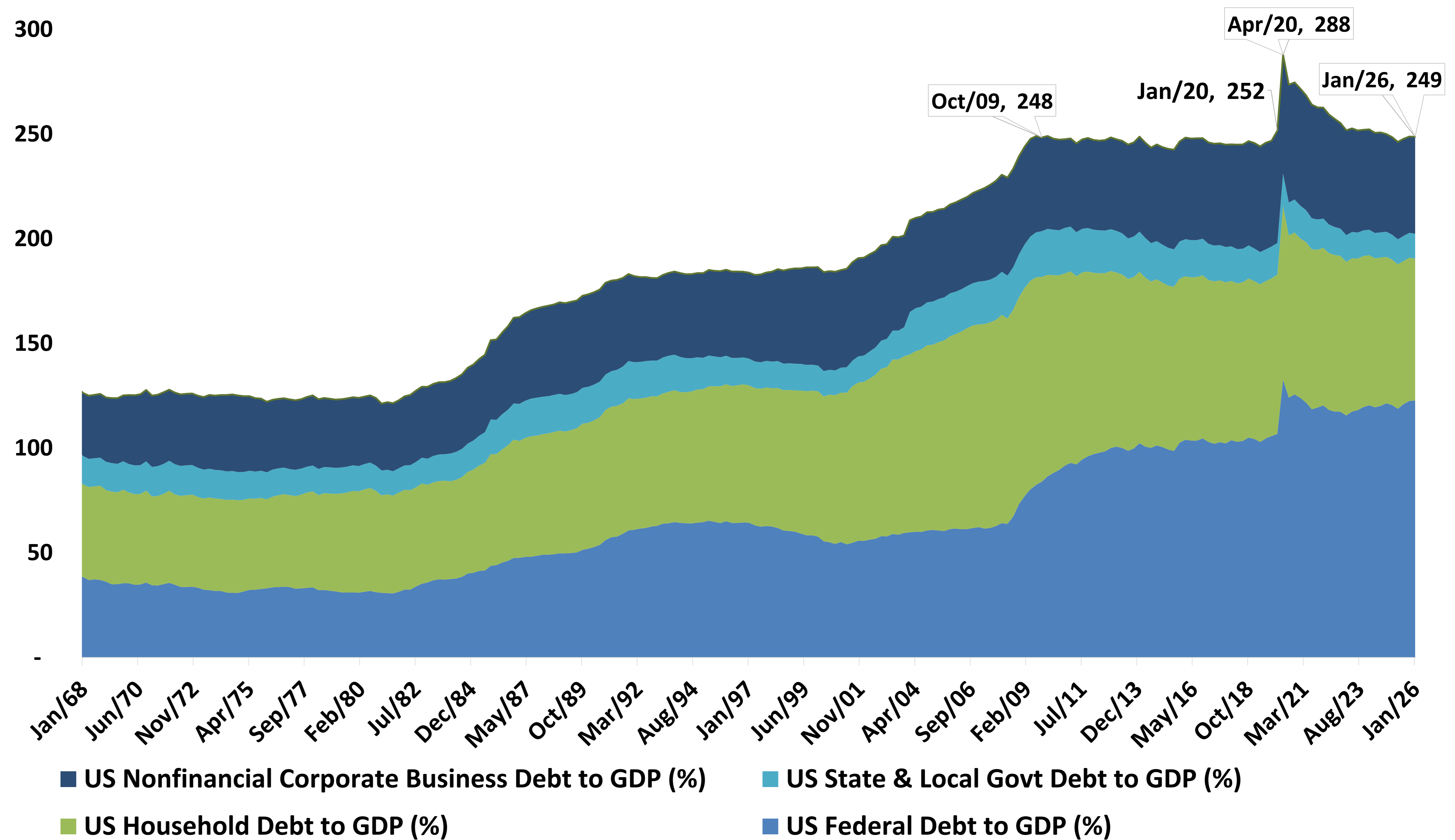
As of the latest update the total credit to Nonfinancial sector in US has DECLINED to 249% of GDP.

The next slide will show you how.

Important note: The overall economic leverage of the three economic agents – Government, Business and Households – cumulatively has FALLEN.

Next time when you worry about the US Debt situation, keep this data in mind. Although there are still reasons to worry.

US Total Credit to Non-Financial Sector Is Back to Pre-Covid, Pre-GFC Levels



Businesses And Households In the US Have De-leveraged While The Federal Debt Zoomed

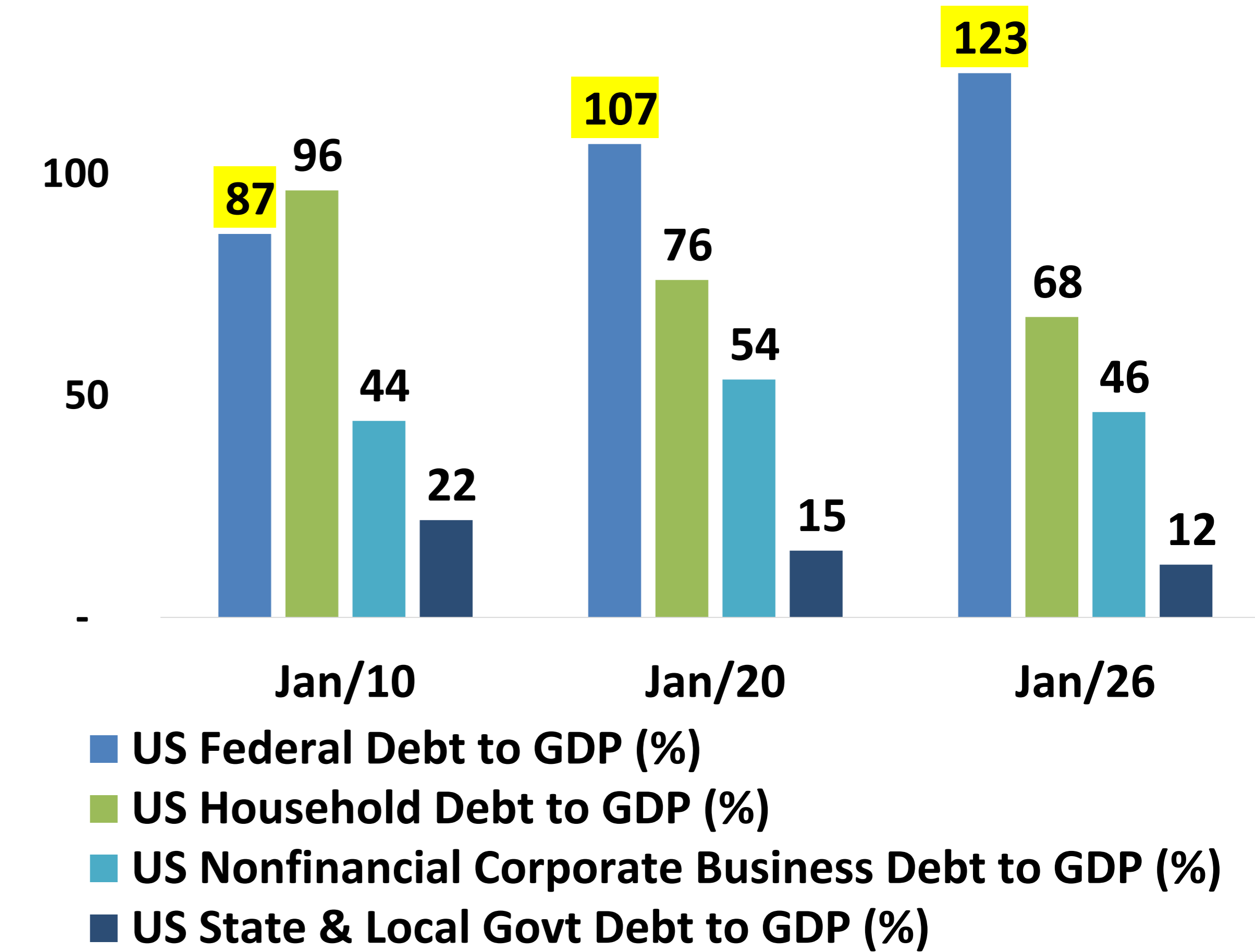
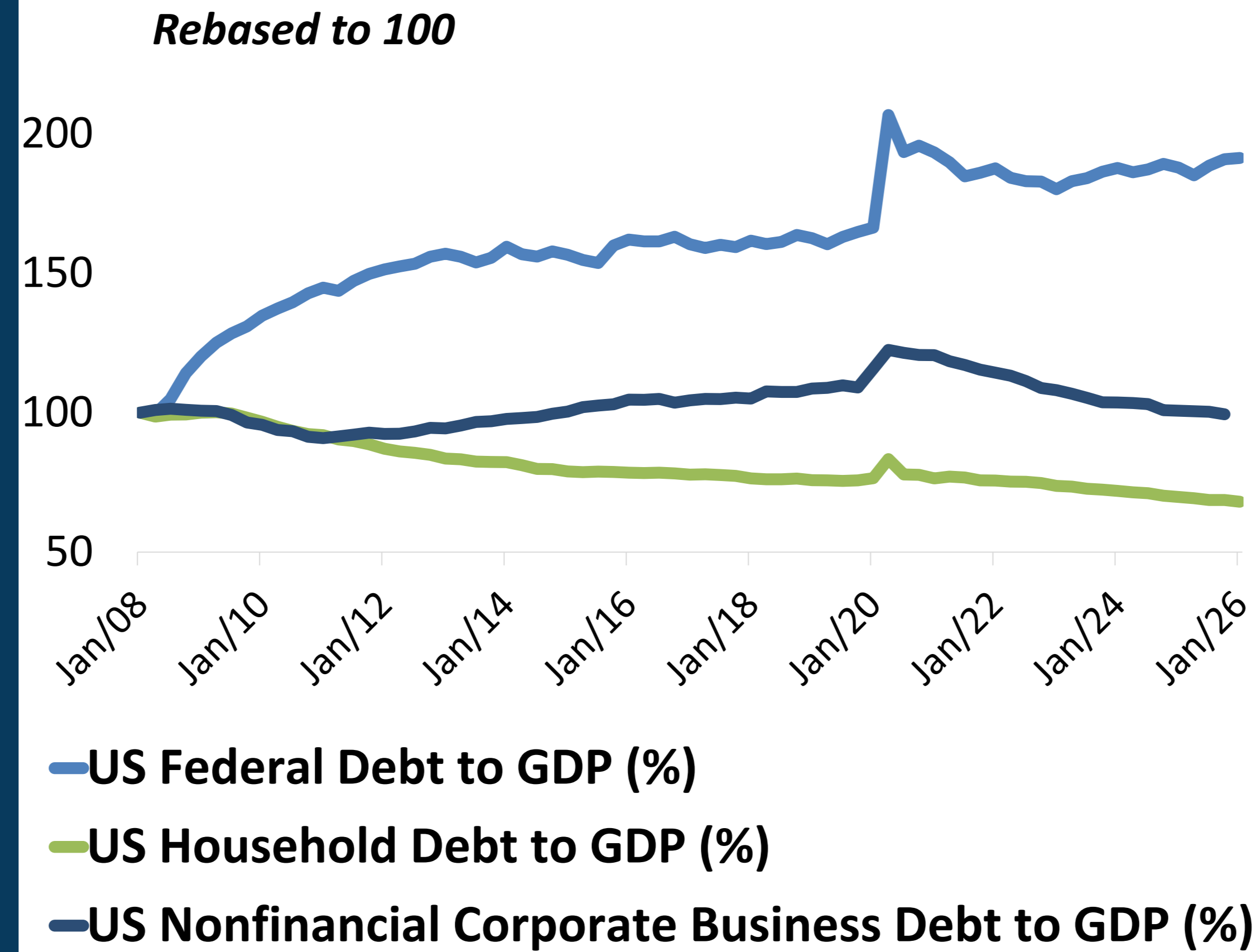
Since the Global Financial Crisis of 2008 (GFC), US federal debt has nearly doubled, while households deleveraged and corporate business leverage barely changed.

Post-GFC, fiscal and monetary policymakers understood that they could use as much policy support as they wanted to bring the US economy back from the brink.

When the COVID pandemic struck, US policymakers went into overdrive. At the federal level, the US added about \$10 trillion in new debt from the time the pandemic hit to when emergency measures were more or less rolled back in mid-2023. This means that nearly 40% of all US federal debt ever issued was issued in this period.

But during the same period, corporate businesses and households were borrowing at a pace lower than nominal GDP growth, thereby DEFLATING their way out of indebtedness.

Conclusion: The US debt situation at the federal level is stretched, but not yet dire. At the whole-economy level, the US debt situation is stretched but improving, not deteriorating. Hence, the biggest anti-consensus positioning from this standpoint is the return of "KING DOLLAR."



Time Period	CAGR		
	Dec'99 – Sep'08	Mar'09 – Sep'19	Mar'20 – Dec'25
Federal Debt	7.3%	6.9%	7.0%
NF Corporate Debt	4.8%	4.6%	3.1%
HH Debt	8.7%	1.3%	4.7%
Nominal GDP	4.4%	3.8%	6.8%

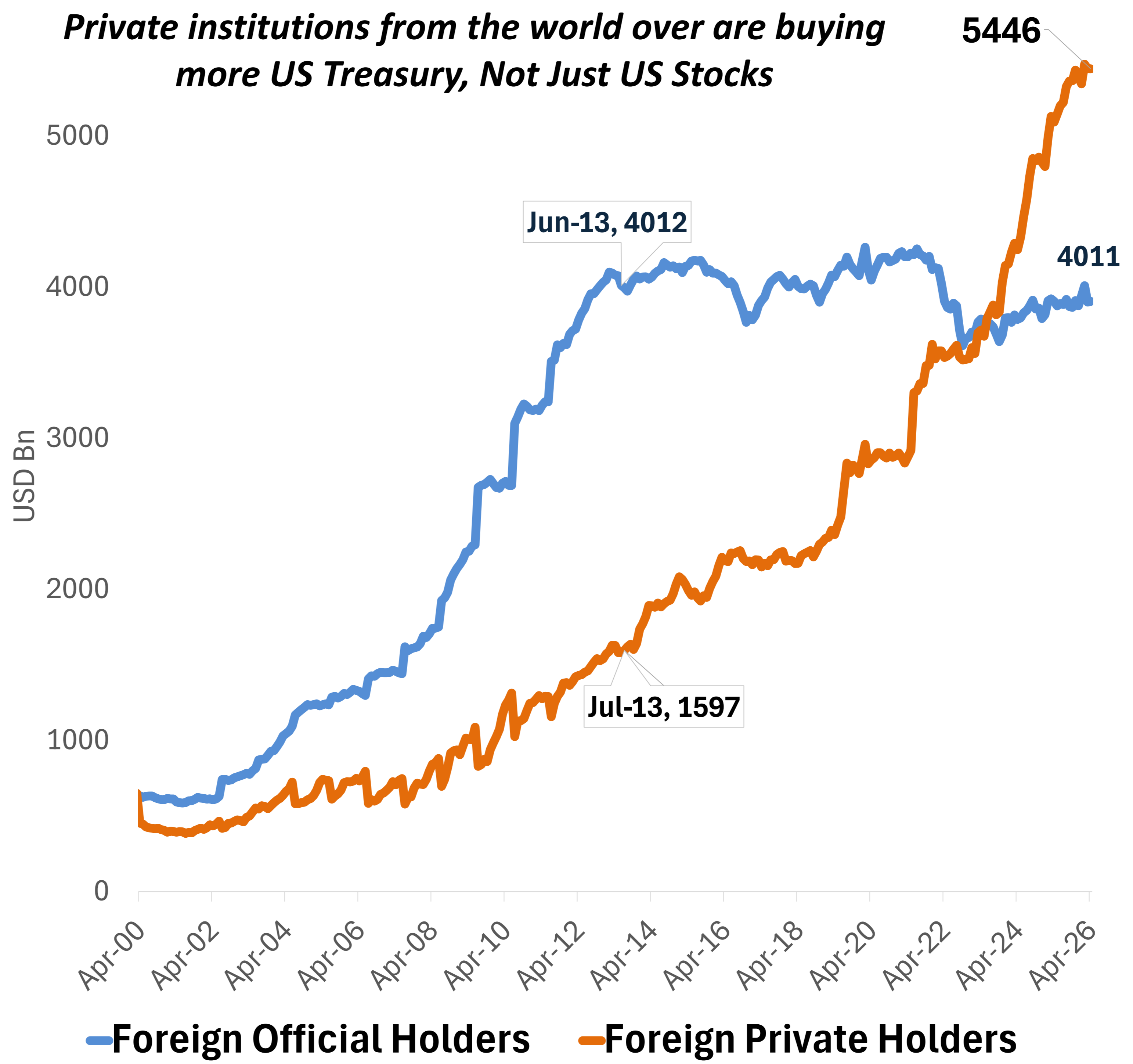
King Dollar – Sovereigns Have Shied Away, Institutions Are Hungry For Dollar Assets

The demise of the dollar, De-dollarization, new world currency and returns to Gold Standard are some of the most common narratives at this time.

All of them are based on two underlying facts:

1. US is borrowing huge sums of money. This is unsustainable. This is a half-truth because when seen collectively the three agents of US Economy haven't seen an increase in indebtedness.
2. The US government's policy of fighting trade war with the world and alienating its allies is reducing demand for US Treasuries. Once again, the data tells you that if you look only at official demand (from foreign sovereigns) it seems true, but demand from private institutions is stronger than ever.

This means that the overcrowded ship of De-dollarization has tilted, maybe a bit too much. This sets the stage for a halt in DXY Index's decline and a probable reversal in the next few months and quarters. US Fed's reluctance to lower the Fed Funds rate can further put a floor under the US Dollar's decline. The repercussions can be negative for hard assets and emerging markets dependent on US imports.



US Treasury Offers Competitive Real Returns

	10 Year Real Yield
US	0.60
UK	1.95
Japan	1.05
Canada	0.67
Italy	1.27
Germany	0.26
S Korea	1.33
China	0.63
Indonesia	3.82
Brazil	9.61
Mexico	4.91
India	3.41

How To Approach Gold & Silver

How To Value Gold And Silver

Gold & Silver have fallen below the midpoint of theoretical price as per this framework

How To Value Gold		
Total mined Gold (above-ground stock in tonnes)	1	2,25,265
Total mined Gold (Bn troy ounce)	2	7.24
US M2 Money Supply (USD Bn)	3	23,052.3
Value of total mined Gold per troy ounce w.r.t US M2	4 = 3 ÷ 2	3183
Additional EU Money Supply (taken at 50% of total) (USD Bn)	5	9341
Value of total mined Gold per troy ounce w.r.t EU M2	6 = 5 ÷ 2	1290
Final Value of total mined Gold per troy ounce	7 = 6 + 4	4473
Midpoint		3828
Current Price Premium/Discount To Theoretical Price		-10.7%

Source: DSPNetra, Metals Focus, Refinitiv GFMS, US Geological Survey, World Gold Council

Prices at the time of writing : Gold \$3994.1 Silver \$58.295 as on 1st July 2026



Source: DSP. Data as of June 2026, Price Data as on 1st July 2026

How To Value Silver		
Current Gold Silver Ratio (GSR)	1	69
Historical Gold to Silver Ratio	2	
<i>The Roman Empire</i>		12:1
<i>Medieval Europe</i>		9.4:1
<i>US Coinage Act of 1792</i>		15:1
<i>US Decision To Raise Gold price to \$35 in 1939</i>		98:1
<i>Abandonment of Gold standard & aftermath</i>		97.5:1
Average Gold to Silver Ratio in 21st Century		69:1
Assuming a Gold to Silver Ratio of 60:1	3	
Lower band		53
Upper band		75
Midpoint		64
Derived price range for silver based on GSR of 60	4	\$53 to \$75
Current Price Premium/Discount To Theoretical Price		-21.8%

Source: DSPNetra, Metals Focus, Refinitiv GFMS, US Geological Survey, World Gold Council

Main Questions Answered

- 1. The "Gold is Money" Premise:** The core of the valuation framework treats gold as the ultimate global monetary base or 'money'. To find its fair value, the model takes the total money supply and divides it by the total amount of gold ever mined in human history (currently around 7.1 billion troy ounces).
- 2. Anchoring on the US Dollar:** The primary metric used to represent the global monetary base is the US M2 money supply (approx. \$22.7 trillion). The US Dollar is used because it remains the primary reserve currency and the only legal tender seamlessly accepted and exchanged worldwide. Why not M3 or any other metric? Because M3 is influenced heavily by credit. This exercise is to find the monetary value of Gold, not transactional ability.
- 3. Why Other Countries' Money Supplies are Excluded:** The money supplies of countries like India, China, or Russia are not used in the calculation because their currencies are not universally accepted legal tenders. You cannot easily exchange Indian Rupees or Russian Rubles at a local cafe in Madrid or Dubai, making them invalid proxies for a *global* monetary base. At this point, there is only one true legal tender accepted widely.
- 4. Why the Euro Money Supply is Included:** The Euro is included because it is the world's second-largest reserve currency, but more importantly, it serves as a conservative proxy to account for the "Eurodollar Market." The Eurodollar market consists of massive amounts of US Dollars existing outside the jurisdiction of the US Federal Reserve (estimated at roughly \$15 to \$17 trillion). DSP Netra conservatively adds 50% of the Eurozone money supply to account for this hidden, global dollar liquidity. Half because that gets you a conservative estimate of the Eurodollar market. The US Fed has stopped reporting the exact size of this market since 2005.
- 5. Valuing Silver via the Gold/Silver Ratio:** Unlike gold, silver does not currently possess a formal monetary role (having lost it around 1970). Therefore, it cannot be valued directly against the money supply. Instead, its theoretical fair value is derived by taking the modelled fair price of gold and applying a historical Gold-to-Silver ratio, giving it a target midpoint (e.g., around \$64).

Discomforting Questions For Gold Bears

1. If US fiscal deficit remains structurally large and debt service keeps rising, why should investors assume long-duration fiat assets will remain unquestioned stores of value?

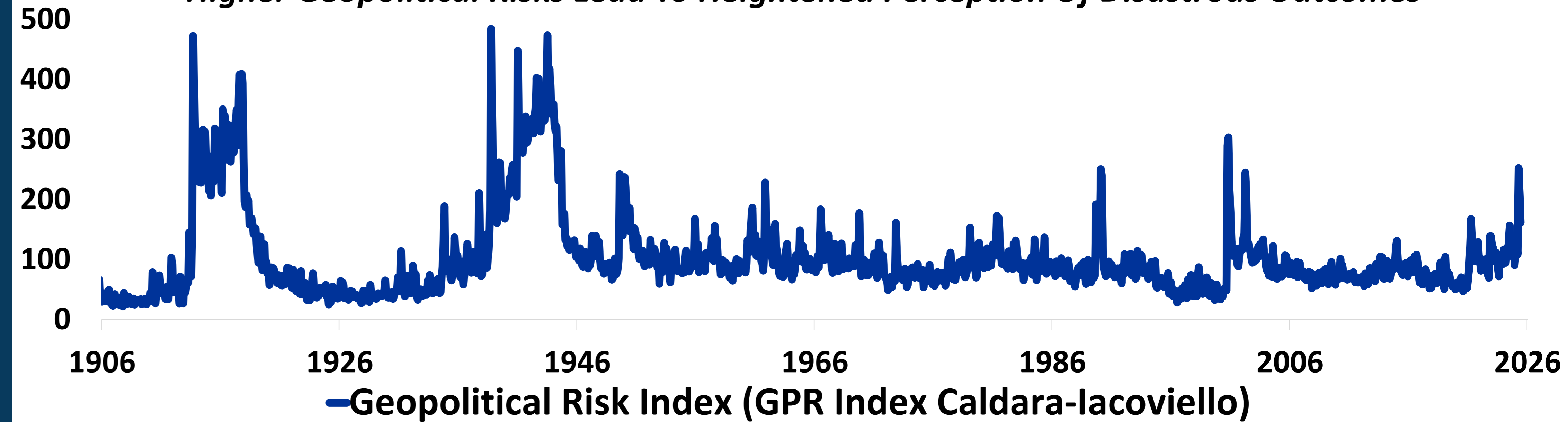
2. The world is becoming more distrustful. The last decade has shown that great powers need more than weapons. They need reserves that are harder to freeze, sanction or weaponise. Gold has served that role well. What if future Gold demand is driven less by investors chasing returns and more by countries seeking economic security in a fractured world?

3. Gold has rallied despite high real rates and a strong Dollar. What happens if real rates fall, the Dollar weakens, or the Fed is forced to ease into fiscal stress?

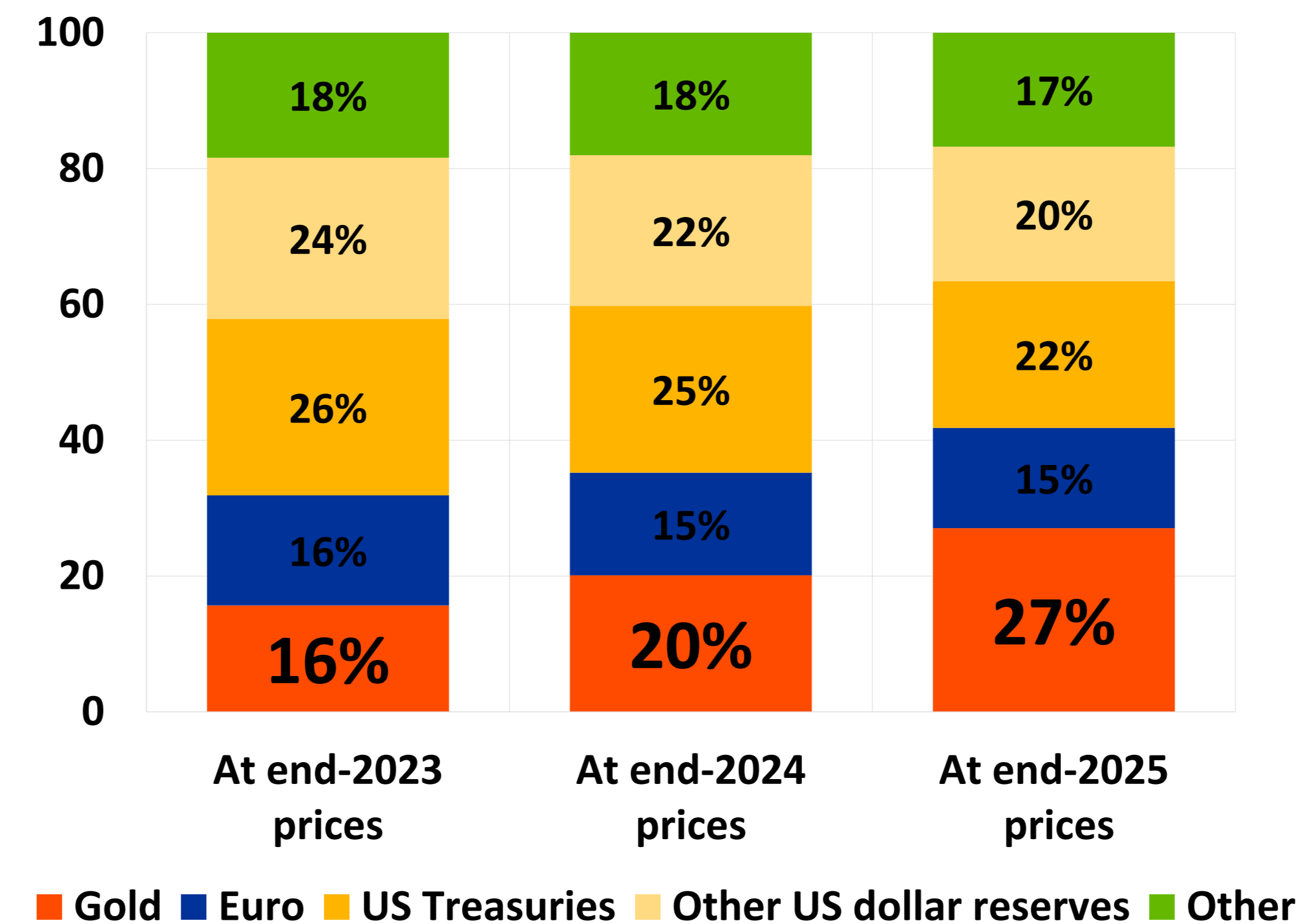
4. ETF demand and jewellery demand are weak. If even one private demand channel normalises while central-bank demand remains positive, where does the marginal supply come from?

5. Gold looks expensive only if it is valued like a financial asset. But if it is insurance against sanctions, war, monetary debasement and fiscal dominance, what is the right valuation anchor?

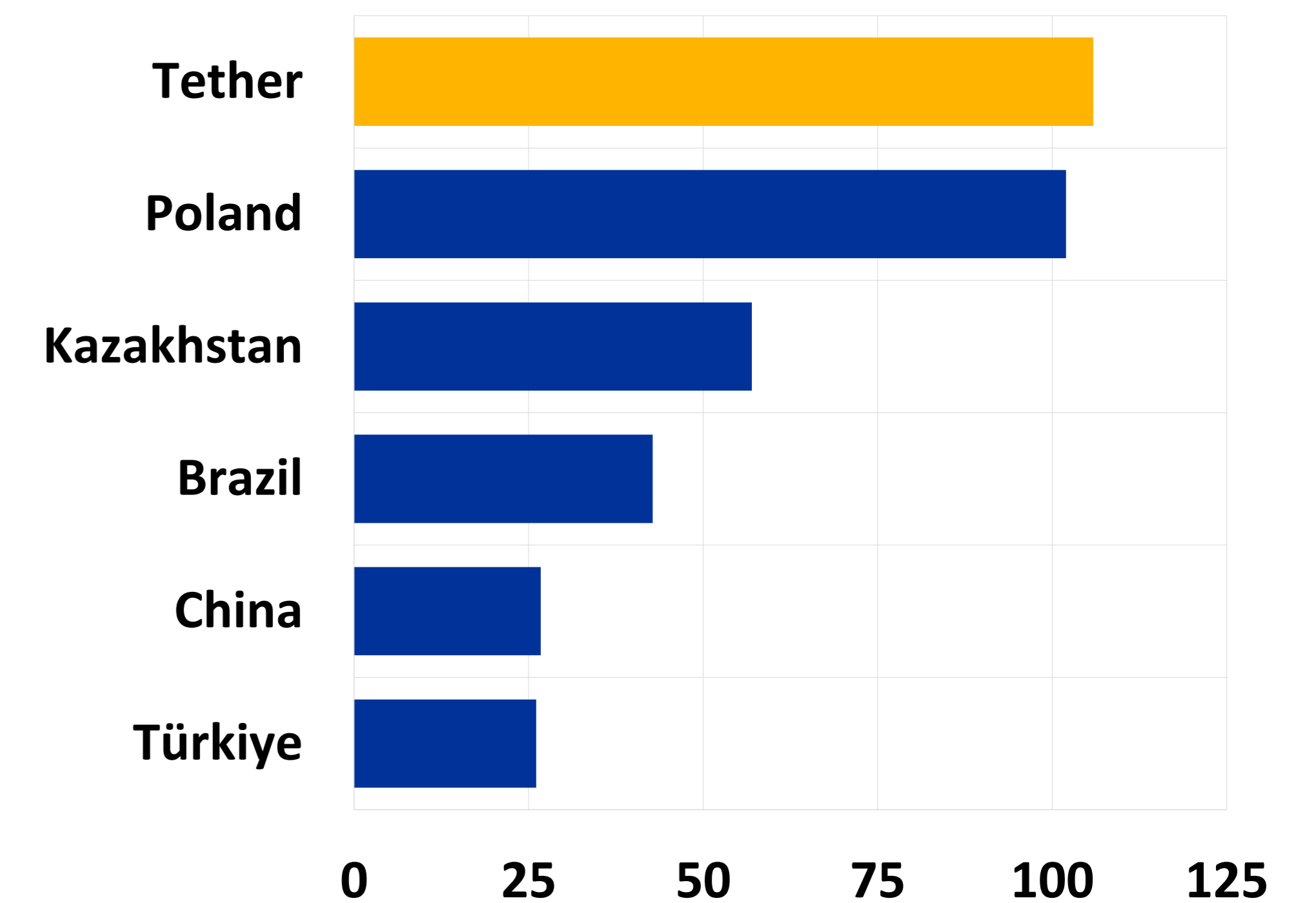
Higher Geopolitical Risks Lead To Heightened Perception Of Disastrous Outcomes



Gold Is Back To The Lead In Global Reserve Assets (in %)



Gold Purchases By Central Banks Are Pervasive

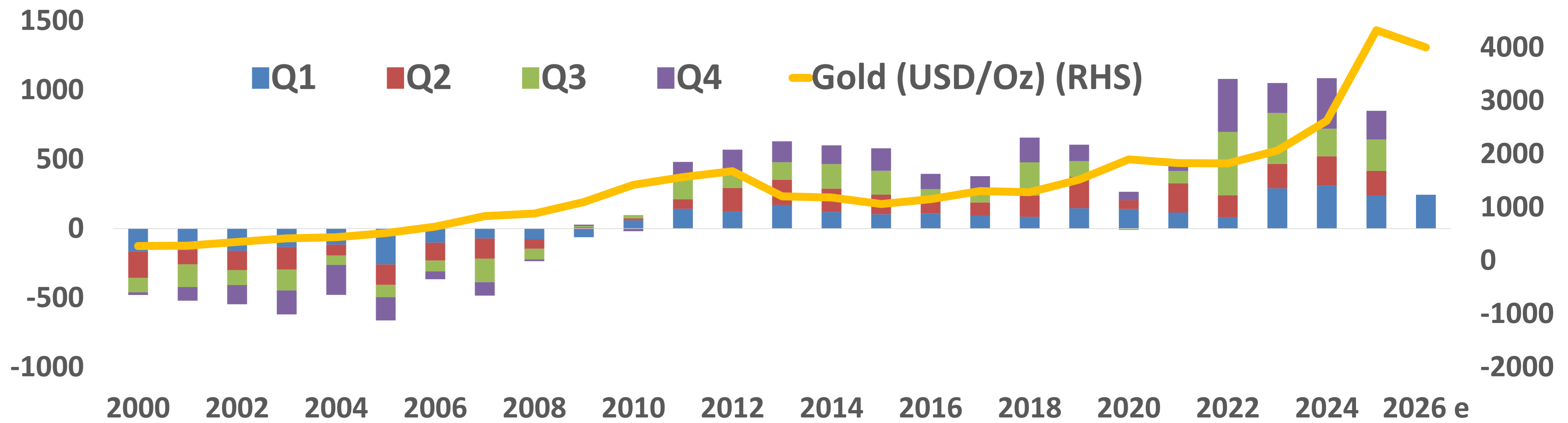


Discomforting Questions For Gold Bulls

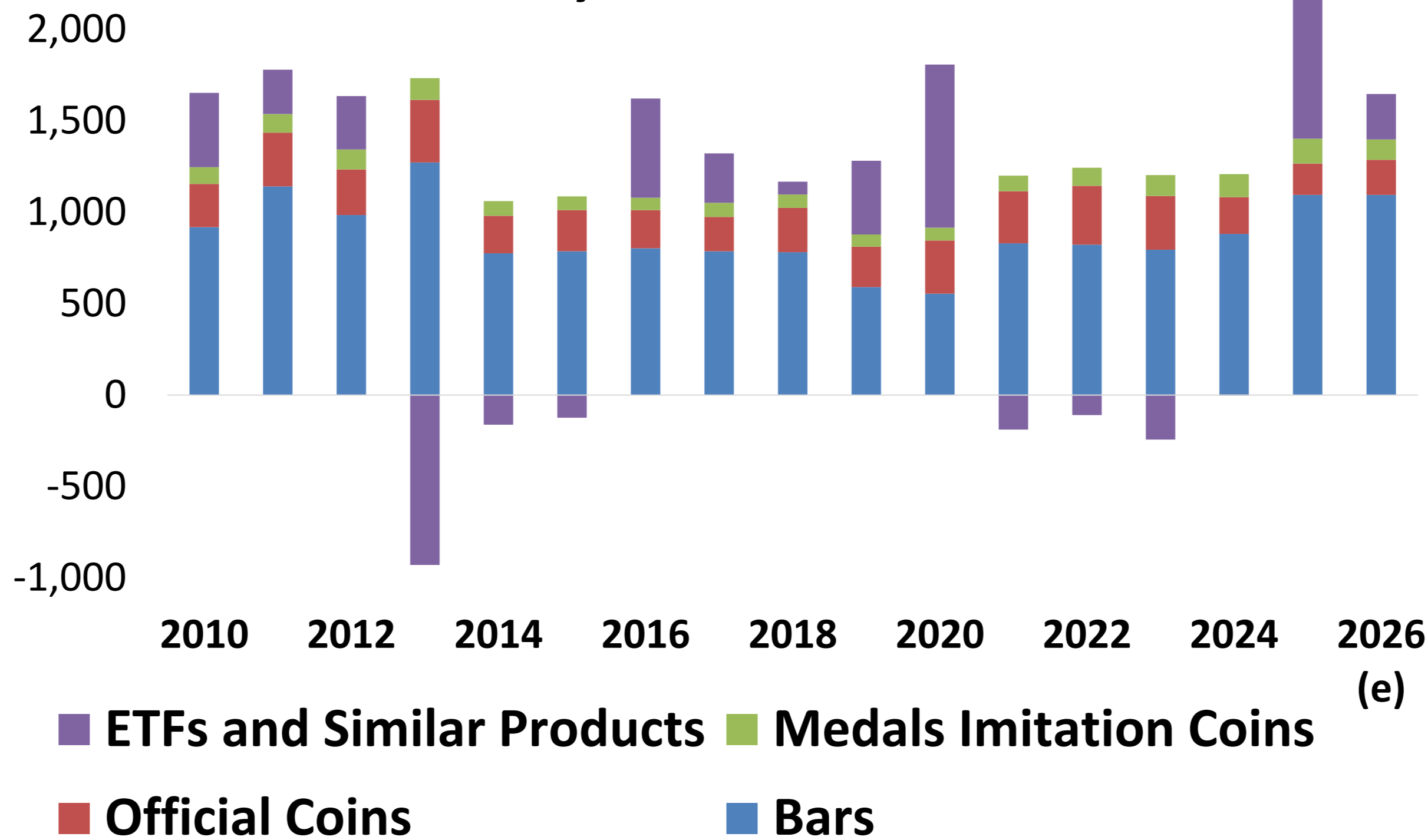
1. The last Gold bull market was based on widespread, large and consistent Gold purchases by Central Banks. In case of a strong US Dollar, US toning down of war rhetoric and trade deals, can it once again raise demand for UST Bonds and thereby reduce the case building up to buy more Gold?
2. Investors are momentum chasers. Gold ETFs were a huge factor in lengthening the life of the bull market. In absence of momentum created by central banks (if the answer to the first question is yes) then ETF demand can remain subdued and can turn into selling, like in the past.
3. Can lower prices bring back the most important structural demand driver – Jewellery demand? If not, then what's going to cause the next bull market?
4. Not long ago, Gold was bucketed as an asset which wasn't needed anymore. Can that allocation sentiment return?

Guess we will never know exact answers. But it is worth assessing these discomforting questions before you jump to an overweight stance on Gold. It is what we know that gets us into trouble, not that we don't.

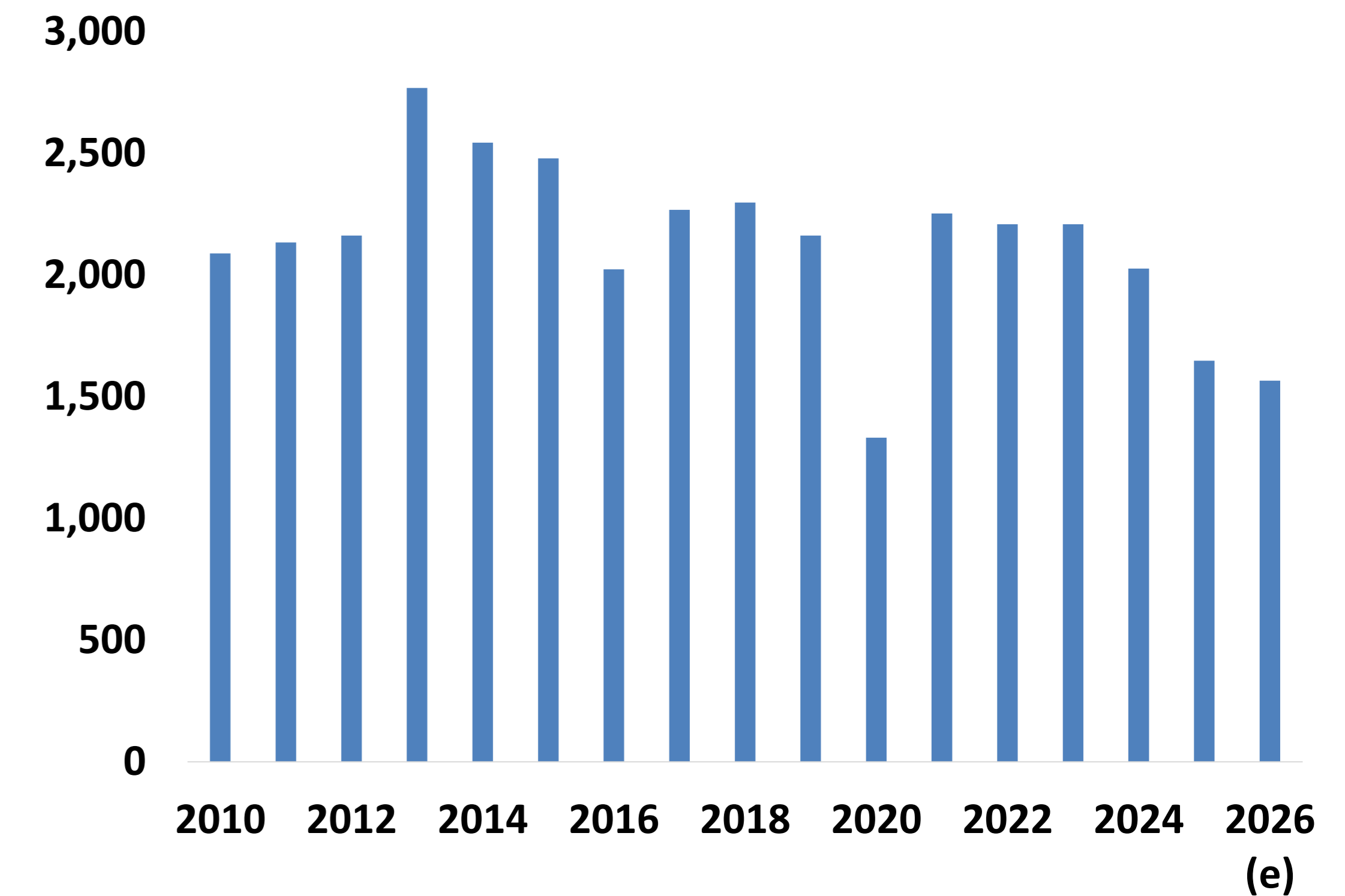
Central Bank Gold Purchases Have Slowed



Gold ETF demand fell 73% in Q126, And Is Usually Driven by Price Momentum



Gold Jewelry Demand has Been Falling For years



Don't Be In A Hurry. Prices Aren't Attractive Enough To Be Overweight.

Current price levels are in a sort of zone where the risk reward is balanced. The mathematical proof of higher margin of safety can emerge on further correction.

At the peak of this cycle, Gold was beating yielding assets like stocks and bonds by a very wide margin. That outperformance has reduced somewhat but remains inline with long period bull markets. This means either further price correction or a period of consolidation will bring prices in-line with levels which can help investors get closer to long period base rate returns for Gold.

Silver is further away from these numbers and needs both price and time correction to become attractive.

It is important to note, that these commodities can move drastically in a matter of few days, sometimes hours and create opportunities for the patient investor.

Gold's Excess Returns Over Stocks And Bonds Is Normalizing, But There Is Still Room For Time correction

Start Date	End Date	Period (Yrs)	CAGR Returns			5 Year CAGR			10 Year CAGR		
			Gold Returns	S&P 500 Returns	US Treasury Returns	Gold Returns	S&P 500 Returns	US Treasury Returns	Gold Returns	S&P 500 Returns	US Treasury Returns
Aug-76	Jan-80	3.4	85%	7%	5%	37%	15%	6%	-	-	-
Feb-85	Dec-87	2.8	22%	16%	12%	2%	17%	12%	12%	15%	11%
Sep-99	Mar-08	8.5	17%	1%	7%	24%	11%	5%	13%	4%	6%
Nov-08	Sep-11	2.8	42%	15%	6%	24%	0%	7%	21%	2%	6%
Dec-15	Aug-20	4.6	16%	14%	4%	14%	12%	4%	6%	14%	3%
Sep-22	Jan-26	3.4	41%	20%	3%	24%	15%	-1%	17%	16%	1%
Sep-22	Jun-26	3.8	25%	20%	3%	18%	13%	0%	12%	16%	1%

***Prior to 1989 S&P 500 TRI was not available. Hence the PR Index is recalculated using the average dividend yield of 4.42% since 1975 to 1989**

How To Think About Gold & Silver, Broadly?

Ideally, look for the following setup when assessing Gold & Silver.

1. A large discount to fair value theoretical prices from the framework. The larger the discount the better it is. At least a discount of more than 20%.
2. At least one of the three large drivers (jewellery, central banks, ETFs) turns bigger incremental buyers.
3. A probability of flat or a depreciation bias for the DXY Index.
4. For Silver, a Gold-Silver ratio of more than 80-85 range along with all the above criteria being met.
5. Overweight stance of these precious metals should be exercised when they see rapid selling and then a period of low participation in the futures / ETFs market.

If you made this checklist today, you would not get high conviction checks on most of these points. Hence maintain a neutral stance.

Drawdown Analysis Shows Severe Price Damage, But Time Correction Is Still Pending

Gold Price (US\$ / Oz) Drawdowns from All Time High

Rank	ATH month	All time high	Rally before drawdown	First month down >25%	Time to hit -25% Drawdown	Durable bottom	Bottom low	Overall drawdown	Time ATH to bottom	ATH recovery time after Drawdown
1	Jan-80	873	773%	Feb-80	1m	Aug-99	252	-71%	19y 7m	28y
2	Dec-74	196	46%	Sep-75	9m	Aug-76	100	-49%	1y 8m	3y 7m
3	Sep-11	1921	182%	Apr-13	1y 7m	Dec-15	1,046	-46%	4y 3m	8y 10m
4	Mar-08	1033	310%	Aug-08	5m	Oct-08	682	-34%	7m	1y 7m
5	Jan-26	5602	435%	Mar-26	2m	??	3,942	-30%	5m	??
6	Jul-73	126	262%	Aug-73	1m	Nov-73	90	-29%	4m	6m
7	Apr-74	180	99%	Jul-74	3m	Jul-74	134	-25%	3m	7m

Silver Price (US\$ / Oz) Drawdowns from All Time High

Rank	ATH month	All time high	Rally before drawdown	First month down >25%	Time to hit -25% Drawdown	Durable bottom	Bottom low	Overall drawdown	Time ATH to bottom	ATH recovery time after Drawdown
1	Jan-80	48.0	1158%	Feb-80	1m	Feb-91	3.5	-93%	11y 1m	31y 3m
2	Apr-11	49.8	1340%	May-11	1m	Mar-20	11.6	-77%	8y 11m	14y 6m
3	Jan-26	121.6	945%	Feb-26	1m	??	55.6	-54%	5m	??
4	Aug-75	5.2	36%	Dec-75	4m	Jan-76	3.8	-27%	5m	2y 7m

It's Just a Mug. Until It's Yours.

Same mug but the price only jumped because it became yours.

A STRANGER'S MUG



\$3

what a stranger would pay

YOUR MUG



\$6

what you'd demand to sell it

Don't attach a black-market value just because you own a stock or an investment.

Ask yourself: "Would I buy it at any price I want to sell at?"



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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.