

India Rewind is a monthly update from DSP's Investment Desk.

It separates the alpha from the noise and aims to deliver key insights to readers, packed within a 2-minute reading time.

Indian equities rebounded sharply in April after the steep March correction, even as global uncertainty remained elevated. MSCI India USD rallied ~9% in Apr'26, but India still lagged the broader EM recovery. MSCI EM rose ~16%, led by AI-linked markets such as South Korea (~34%) and Taiwan (~24%), highlighting that global risk appetite is returning first to export- and technology-heavy markets. The YTD gap is sharper, with MSCI India down ~10% in USD terms versus a ~15% rise in MSCI EM.

The fall is due to combined drag of weaker INR, elevated Brent, margin and earnings risk and continued FII selling, though April outflows moderated to ~USD 6.5bn from ~USD 14bn outflows in Mar'26. In our view, this makes the rebound encouraging but not yet decisive. DIIs continued to provide a steady offset, reinforcing the growing role of local capital in cushioning volatility during periods of global risk aversion, with net buying of ~USD 32.3bn YTD. SIP inflows reached a fresh high of ~USD 3.5bn. Notably, DII holdings have risen to an all-time high of ~21%, while FII holdings have declined to a record low of ~17% - a historic shift in market ownership that underscores the growing structural importance of domestic capital.

In the near term, Brent remains the key macro-overhang, with direct implications for inflation, currency, margins and earnings. This makes policy cushioning central to sustaining India's recovery. The RBI has remained data-dependent, holding rates steady while using liquidity support and regulatory tools to contain rupee volatility and limit speculative pressure. The government has complemented this with fiscal buffers through excise-duty cuts, higher fertilizer subsidy and delayed pump-price pass-through, softening the immediate hit to consumers. The cushion matters because domestic activity has not rolled over. Credit growth at ~14% remains ahead of nominal GDP growth, PMIs are still expansionary, and vehicle registrations continue to grow in double digits. It is very clear that external risks have intensified, but India's domestic macro resilience, and balanced fiscal-monetary response act like much needed shock absorbers.

Beyond near-term macro cushioning, India's stronger structural offset remains its public capex and infrastructure cycle. The government is trying to balance two objectives: supporting consumption through income-tax relief and GST cuts, while sustaining investment-led growth through public capex. FY27 central government capex is budgeted at ~USD 128.5bn, up ~11.5% YoY and close to ~3.1% of GDP, with continued focus on roads, railways, housing, logistics and urban infrastructure. Private capex is still uneven, but public investment remains the bridge.

Mumbai's Generational Infrastructure Moment - India's financial capital is in the midst of its biggest infrastructure upgrade in decades — over ~USD 60bn is flowing into metro networks, expressways, sea bridges, and a new international airport, all simultaneously. With 16 metro lines planned (100+ km already live), a second airport handling 90 million passengers, and a bullet train corridor underway, this is not incremental — it is systemic. Notably, redevelopment premiums have now become the BMC's (city governing body) single largest revenue source, meaning the infrastructure boom is partly self-financing. This aligns with the government's broader twin push — maintaining capex growth at ~10% while simultaneously boosting consumption — and underscores why India's urbanisation story remains a multi-decade structural theme.

The recently concluded state elections delivered decisive verdicts across four states and one union territory, with challengers winning in three of the four major states—including a historic first change of government in over two decades in West Bengal (one of India's largest states) and the debut of an entirely new political force in another (Tamil Nadu). Importantly, India now enters a relatively election-free corridor over the coming months, allowing policymakers to focus squarely on managing near-term macro headwinds and medium-term capacity building. Markets are expected to quickly shift attention back to the more immediate variables: earnings delivery, the West Asia situation and monsoon outcomes.

Near-term market direction will hinge on a narrow set of variables: crude oil prices, global yields, currency stability, monsoon outcomes and the durability of earnings delivery. External risks have intensified, but India's combination of domestic demand resilience, policy flexibility and a long infrastructure runway continues to provide balance in an increasingly fragmented global environment.

Info Sources: Elara Capital, Nuvama, Morgan Stanley Research, MOFSL, Avendus Spark Research, UBS, Kotak Securities. Data as of April 2026. MXASJ – MSCI Asia Ex-Japan, FPI – Foreign Portfolio Investor, DII – Domestic Institutional Investor, RBI – Reserve Bank of India, FY – Financial Year, CY – Calendar Year; YoY is Year over Year, YTD – Year to date, EM – Emerging Markets, DM – Developed Markets, FTA – Free Trade Agreement. Past performance should not be taken as an indication or guarantee of future performance



Ashish Tekwani
Manager,
Investment Strategist



Jay Kothari
Senior Vice President,
Lead Investment Strategist

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	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Economic Activity and Employment								
GDP, USD bn	2,871	2,668	3,176	3,390	3,568	3910	3910	3991
GDP per capita, USD	2,141	1,969	2,321	2,451	2,554	2771	2753	2787
Real GDP growth, %	4.0	-6.6	8.7	7.2	8.2	6.5	7.6	6.2
Prices, Interest Rates and Money								
CPI inflation, % y/y (average)	4.8	6.2	5.5	6.7	5.4	4.6	2.1	5.2
Repo rate, % (year-end)	4.4	4.0	4.0	6.50	6.50	6.25	5.25	5.75
10-year bond yield, % (year-end)	6.1	6.2	6.8	7.3	7.1	6.5	7.0	7.0
USDINR (year-end)	75.4	73.5	75.8	82.3	83.0	85.6	94.7	96.0
Fiscal Accounts								
General government budget balance, % GDP	-7.8	-13.9	-9.5	-9.4	-8.5	-8.0	-8.0	-7.5
Balance of Payments								
Trade balance, USD bn	-158	-102	-189	-266	-243.2	-287.2	-339.5	-406.6
Exports, USD bn	320	296	429	456	440.2	441.8	446.9	470.7
Imports, USD bn	478	398	619	720	683	729	786	877
Current account balance, USD bn	-25	24	-39	-67	-25	-23	-41	-100
Foreign direct investment (net), USD bn	43.0	44.0	38.6	35	18	1	10	15
Total FX reserves, USD bn	478	577	607	578	646	668	695	658
Total external debt, % GDP	19.5	21.4	19.1	18	18.1	17.1	19.9	20.3
Credit ratings								
Moody's	Baa2	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3
S&P	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB	BBB
Fitch	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

Source: CEIC, Haver, UBS estimates; Note: Data is for FY ending March; E – Estimates. Data as of April 2026

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