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Market Outlook
Presentation

June 2026

The US is trying to maintain its ‘dollar hegemony’

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2003 - US created artificial Dollar demand via Iraqi Oil

- US invaded Iraq
- Development fund for Iraq (DFI) created
- US **Fed** was the DFI **custodian**
- **Oil & Gas revenue priced in USD**

2026 - US is trying to replicate the Iraq strategy in Iran

2024
Saudi doesn’t renew the Petrodollar agreement

2026
US attack on Venezuela → Secured Venezuelan oil to be priced in USD

2026
UAE exits OPEC and OPEC +

2026
US-Iran war → US tries to create dollar demand by having Iranian oil priced in USD

This boosts USD demand ***BUT***

Iran now is better-positioned than Iraq in 2003

Larger population now (>90M) than Iraq (2003) (26M)	Diverse economic and industrial base
Independent military arm - IRGC	Control over a critical maritime path (Hormuz)

Additionally, Kevin Warsh adds to the uncertainty, unlike previous Fed chair

- **No forward guidance** → Greater policy flexibility
- **Prefers Quantitative Tightening** → Increasing USD scarcity
- Trying to **create non-transparency around policy decision** making **which can lead to a favourable USD due to opaqueness.**

Additionally, US echoes the patterns of 1920s (1/2)

1920s – cheap leverage + “new era” belief + narrow market leadership + warnings ignored

~

Today’s market carries the same fingerprints

“New era” faith

1929 Electricity, autos, radio = permanent prosperity

Now AI = a permanent productivity boom

Stretched valuations

1929 CAPE ~33 at the 1929 peak

Now CAPE ~40 – rarefied

High leverage

1929 Stocks bought on 10–25% margin

Now Record $1.4T margin debt, options & levered ETFs

Narrow leadership

1929 A few darlings (e.g. – RCA, GE) drove the index

Now Magnificent 7 ≈ over a third of the S&P 500

Circular, opaque flows

1929 Insider “stock pools” pumped then dumped

Now Circular AI vendor financing loops

Warnings waved away

1929 Ignored warnings; market “fundamentally sound”

Now BIS & Fed flag an AI bust; market climbs on

History doesn’t repeat itself, but it rhymes (2/2)

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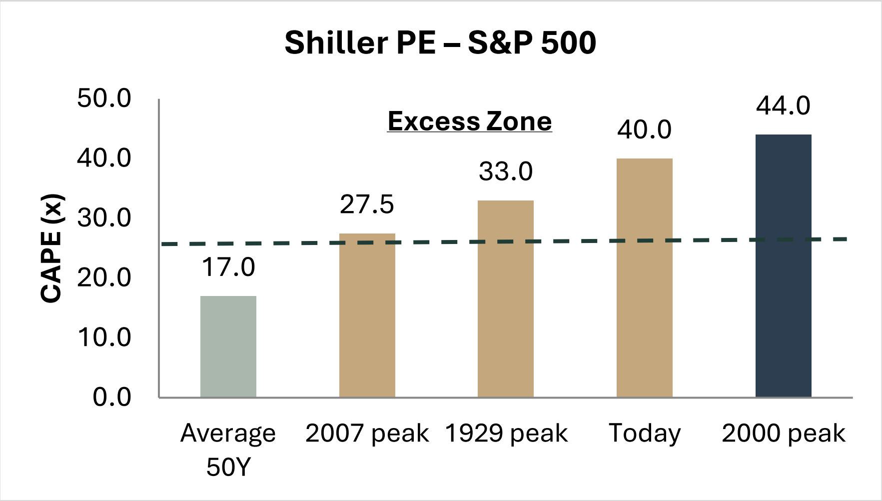
Stretched Valuations – belief in a ‘new era’



Source: Robert J. Shiller (Yale), Online Data – U.S. Stock Markets 1871-present; current value per GuruFocus.

Today’s cyclically-adjusted P/E sits **~2.3× its long-run average of 17x**

Robert Shiller noted readings **above 25** have clustered only around 1929, 2000 and 2007, each followed by a **major drawdown.**

Same Accelerator – Leverage

$1.42T
Record U.S. margin debt (May 2026)

+54%
Year-on-year jump in margin borrowing

4.1%
Margin debt / GDP vs a 1.5% 50-yr median

Now Investor cash balances sit at a record net-negative, leverage amplifies the climb, and the unwind.

Source: FINRA margin statistics; Advisor Perspectives; Atwater Malick (2026).

Market Concentration

~40%
Share held by just the top 10 companies

~28%
Prior top-10 record, back in 1970

~70%
Of S&P 500 economic profits, lie in top 10 companies

Source: Russell Investments (2026).

However, India has missed out on the AI Trade...

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AI capex is playing → **India's participation is negligible** → **FII flows left India**

1 India sat out the AI trade

India's listed market has no chip foundry, no HBM maker, no hyperscaler. Its largest tech names are IT-services firms' adopters of AI, not producers of the hardware investors are rewarding.

2 So global capital re-allocated away

Passive and active EM money rotated toward Taiwan and Korea, where the AI supply chain is listed. India's MSCI EM weight roughly halved and FPIs became persistent sellers.

3 If AI capex keeps compounding...

Hyperscaler + memory capex is guided sharply higher into 2026–27. As long as that cycle pays, EM flows likely keep favouring the AI complex over India.

4 ...India's macro stays sound, but flows stay a risk

Growth, inflation and reserves remain a relative bright spot, and domestic institutions have absorbed the selling. But the external-flow drag is a real, looming overhang.

...leading to FII outflows towards AI supply chain

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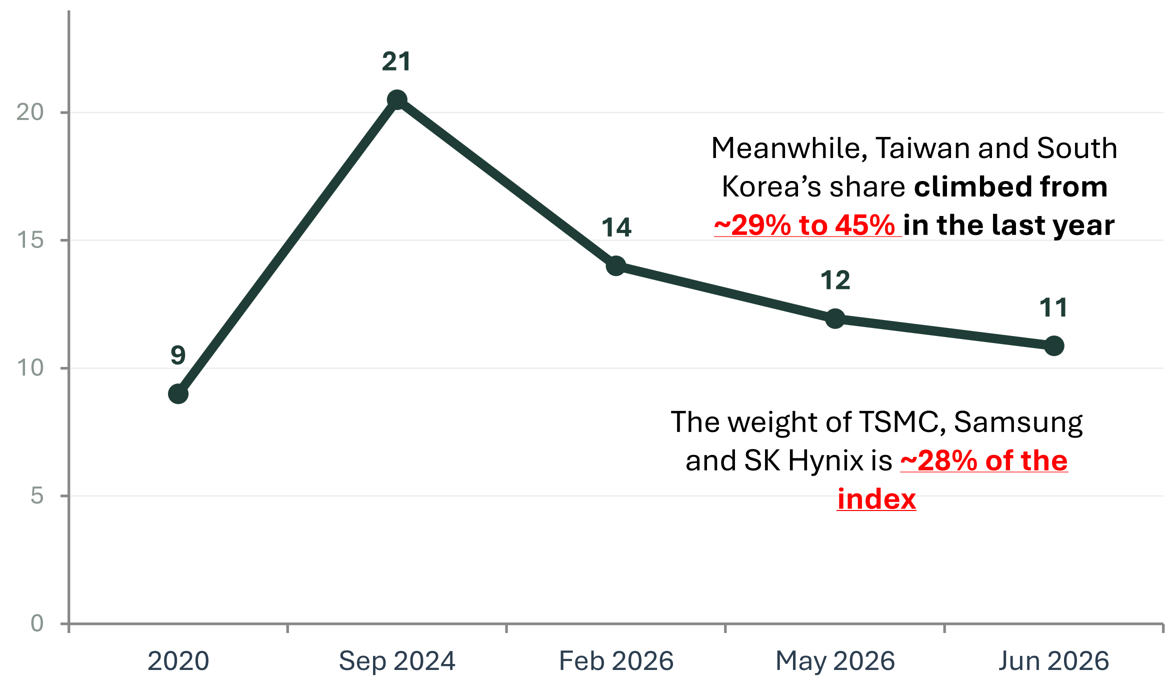
~$58 bn
Cumulative FPI equity selling since the Sep-2024 peak (per NSDL)

~$26 bn
FPI equity outflow in the first five months of CY2026 — the sharpest on record

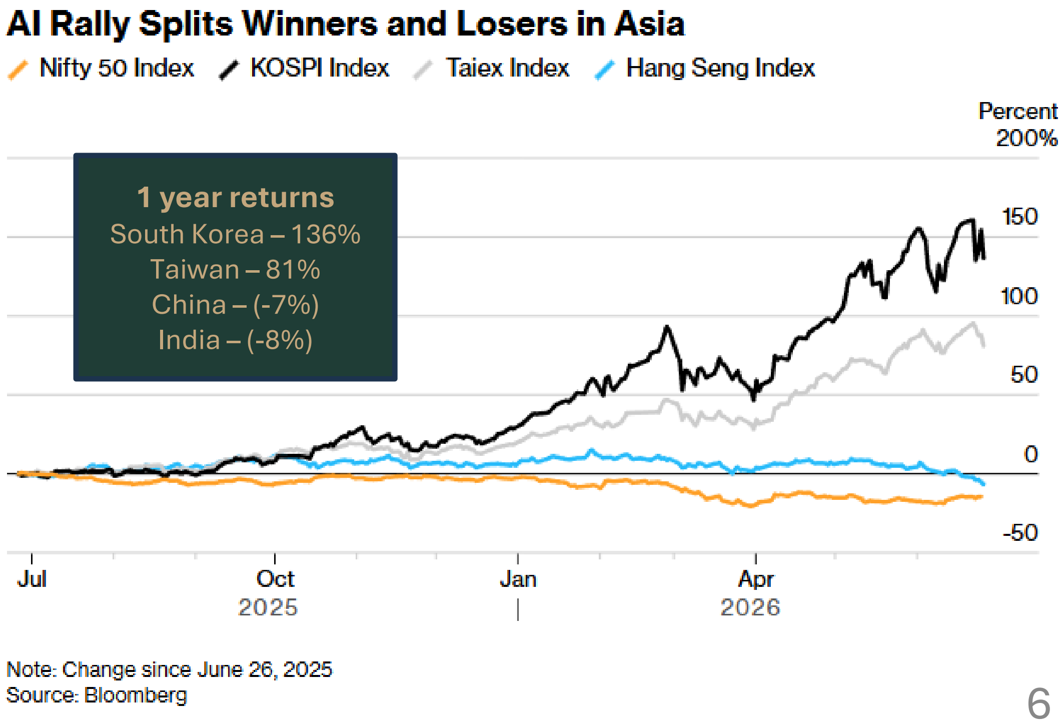
−23.7%
Decline in FPI equity AUC, ~$931bn → ~$710bn over the period

7th
India's global market-cap rank, overtaken by Taiwan & South Korea

India's weight in the MSCI EM Index (%)



Source: MSCI Indices.



India’s current scenario

Macro

Although, India's High frequency indicators are buoyant

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Major Macro Indicators	Market peak	Now
Category	**Sep-24**	**May-26**
No. of Vehicle Sold (In lakhs)		
2W	12.0	18.4
3W	1.1	1.1
PV	2.8	4.0
Tractors	0.6	0.8
CV	0.7	0.8
Macro Indicators		
IIP*	3.1%	4.9%
Manufacturing PMI	56.5	55.0
Services PMI	57.7	59.8
UPI Transactions (INR Lakh Cr)	20.6	29.9
GST Revenue (INR Lakh Cr)	1.7	1.9
Domestic air passengers (Lakh)	130.3	156.4
E-Way Bills (Cr)	9.8	13.6

Data source – GOI, IHS Markit, RBI, FADA, various news articles, Tradingview

Particulars	Market peak Sep-24	Now
Repo rate	6.50%	5.25%
Bond Yields		
India 2 year	6.65%	5.95%
India 5 year	6.67%	6.43%
India 10 year	6.72%	6.75%
India 30 year	6.88%	6.82%

- Major Macroeconomic indicators for India ***stand better than at peak of markets in Sep-24***
- At the same time, **cost of capital is significantly lower now** v/s Sep-24

And Corporate India delivered better than expected performance

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Improving Fundamentals:

NIFTY 500 Q4FY26 YoY Performance vis a vis Q4FY25:

LMS	Sales	EBITDA	PAT
Large	10.7%	12.8%	14.5%
Mid	12.4%	18.6%	24.8%
Small	11.5%	9.7%	16.8%
Total	**11.1%**	**13.5%**	**16.4%**

Source: Ace Equity, Pravia Research

Pravia's Insight

Q4FY26 earnings season delivered mix set of performance while on aggregate basis largely the performance has been ***better than market expectation*** with Mid & Small cap segment outperforming Large cap companies

NIFTY 500 FY26 YoY Performance vis a vis FY25

LMS	Sales	EBITDA	PAT	1Y Return
Large	8.1%	13.9%	10.9%	0.2%
Mid	10.6%	18.8%	17.8%	1.3%
Small	12.0%	14.3%	12.0%	-6.8%
Total	**9.0%**	**14.9%**	**11.5%**	**-0.3%**

Source: Ace Equity, Pravia Research

Note: NIFTY 500 Delivered +5.73% in 1 year

Additionally, India remains resilient – despite multiple headwinds

~6.6% GDP (down)

Growth holds up

RBI's FY27 real GDP projection – among the fastest of major economies.

5.1% CPI (up)

Inflation in the band

May CPI sits inside the **4%±2% target.** RBI revised the FY27 target upwards from 4.6% to **5.1%** in the June meeting.

5.25% Repo

A credible central bank

RBI held the repo for a 3rd meeting, neutral stance – anchoring expectations.

Patient

Rate hikes used sparingly

Unlike the Fed, the RBI hasn't leaned on aggressive tightening to defend price stability.

~82% GDP

Debt looks sustainable

General-govt debt is stabilizing on a consolidation glide-path; nominal growth aids dynamics.

Energy-led inflation

Disinflation can resume

Recent upticks are largely crude-driven; base effects can let headline settle if oil cools, as the war is coming to an end.

Source: RBI Monetary Policy (Jun 2026, repo 5.25%); MoSPI CPI (May 2026); Trading Economics. Govt-debt ratio, general government.

...but a fiscal overhang remains

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Elevated crude

India imports ~85% of its oil. The Iran/Hormuz energy shock keeps Brent elevated, a direct hit to the import bill, subsidies and CPI.

Tariffs

A more protectionist global trade backdrop raises input costs and clouds the export outlook for key sectors.

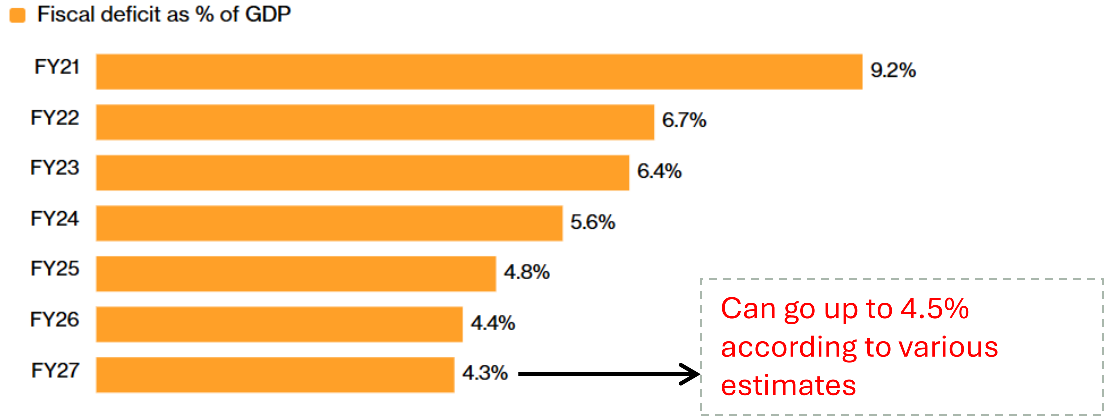
Import dependence

Energy, electronics and edible-oil reliance leaves the current account and rupee exposed to global price swings.`

Capital & currency

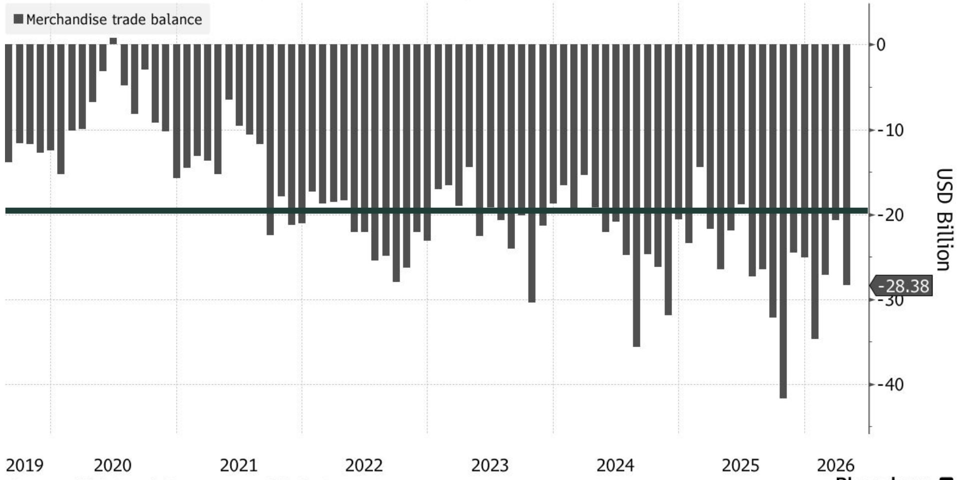
~$13.7bn of FII equity outflows in 2026 and a softer rupee tighten financial conditions at the margin.

India's Fiscal Position Has Improved Steadily



Note: India's financial year runs from April to March | FY27 represents estimate in Union Budget
Source: Government of India, Bloomberg

India's Trade Gap Widens in April

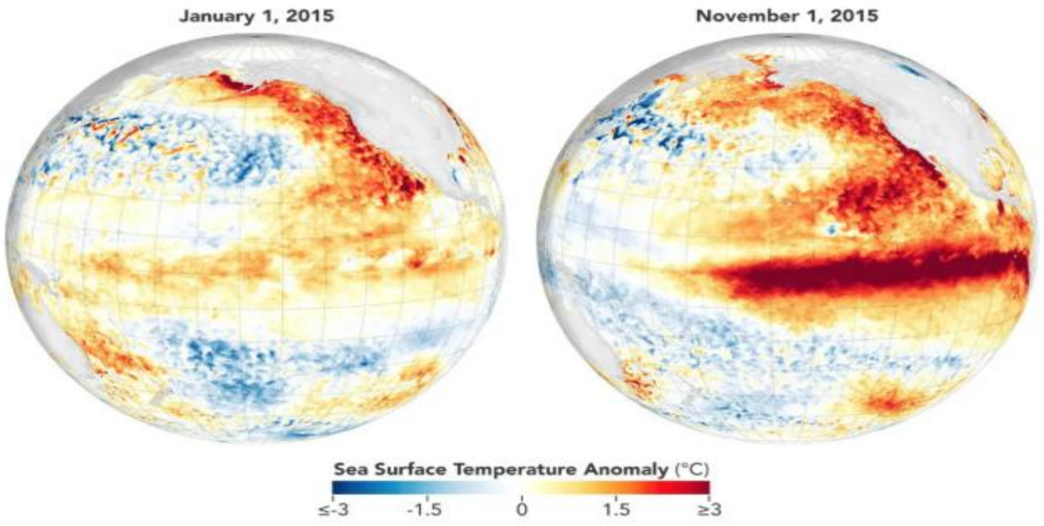


Source: Ministry of Commerce and Industry
Bloomberg

Source: RBI; MoSPI CPI series; Trading Economics; press reports on FII flows — June 2026.

Along with a looming food inflation risk

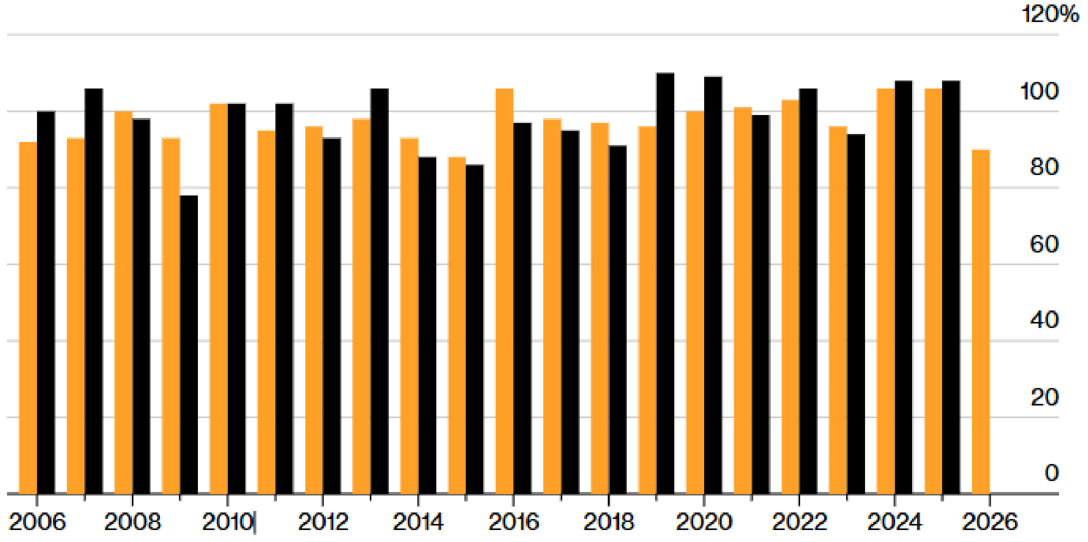
El Niño's Signature Warming Pattern
The difference in Pacific Ocean surface temperatures versus the 30-year average intensified as the 2015-2016 El Niño developed



Source: NASA Earth Observatory maps by Michala Garrison using data from the Multi-scale Ultra-high Resolution Sea Surface Temperature project

India Predicts Below-Normal Monsoon Rains in 2026
June-September precipitation seen 90% of long-period average

Forecast (% of Long Period Average) ■ Actual (% of Long Period Average)



Source: India Meteorological Department

- **El Niño :** A recurring climate pattern causing floods in some regions and droughts in others.
- **Rare strong events:** Very strong El Niño's are uncommon; the last major one occurred in **2015–16**.
- **<u>Food production risk leading to food inflation</u>**

Risk Mitigant – India maintains **record-high food reserves**, ensuring complete food security and buffer against potential disruptions. As of **June 1, 2026**, the country holds **68.43 MMT** of rice (including paddy) and **53.41 MMT** of wheat, significantly exceeding official buffer norms.

However, we reiterate – 2026 is a year of allocation and opportunity

Favourable Valuation:

- **MSCI India Index in USD terms is flat for ~4.8 years since 31st August 2021**

While,

- **India's GDP in USD terms grew ~23%**
- **India's Profit After Tax in USD terms grew ~63%**

Source – TradingView

Portfolio Navigation

Pravia's Strategy

Revisiting Last Quarter Recommendations…

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Direct Equity	▪ Initiated investment into [redacted] ▪ Booked part profit in [redacted]
Equity Mutual Fund	▪ Initiated investment in [redacted] Momentum, NIFTY Bank, NIFTY Digital ▪ Booked part profit in [redacted]
Portfolio Management Services (PMS) and Venture Capital (VC) Fund	▪ Allocated to microcap-focused Multicap, value-oriented strategy ▪ Allocated to niche growth-oriented Venture Capital fund
Global Allocation	▪ Onboarded Interactive Brokers India Pvt. Ltd (IBKR) ▪ Focus on global opportunities over next 1–2 quarters
Safety Allocation	▪ Initiated Real Estate Investment Trust (REIT) Basket ▪ Bias towards Income Plus Arbitrage category for favorable taxation ▪ Legacy FI MF returns are dragged by Corporate bonds → Turning around now

...and their performance

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Investment Recommendations:

Date	Category	Security Name	Return %
**Recommendations are for clients only*			13.5%
			1.4%
			-6.7%
			13.5%
			20.1%
			6.2%
			6.8%
			9.0%
			NA
			0.8%
			12.5%
			-2.8%

Returns Since Inception as of 29th June 2026

We opportunistically recommended **profit booking** for our call on [redacted]

Additionally, We have **initiated few** Thematic, Active Mutual Fund, Smart Beta Strategy, and bottom-up Stock Ideas.

Date	Category	Macro Note
25-Apr	Thematic Note	Global AI trade reversal and India's Advantage
19-Jun	Thematic Note	When Patterns Break, New World Emerges

Partial Profit Booking Recommendations:

Date	% Booked	Category	Security Name	Return %
**Recommendations are for clients only*				-5.2%
				-2.9%

Returns Since Action as of 29th June 2026

Source: Google Finance

We continue with our stated 2026 Market Outlook (1/2)

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For Growth Allocation, we continue to follow our **ICM Framework** and opportunistically deploy in equities on every fall in a **staggered manner**

A. Direct Equity Strategy

- Our direct equity bucket represents **niche ideas**, in themes that we are positive on, which have a **low representation** in our Mutual Fund portfolio.
- Direct Equity Ideas continue to be **bottom up** ideas from our **favourable sectors.**

C. PMS Strategy

- We continue to selectively allocate to fund manager with **differentiated strategy.**

B. Mutual Fund Strategy

Our mutual fund bucket comprises of –

- **Market participation** viz. passive funds, and smart beta (factor indices)
- **Active funds –** based on strategy and fund manager comfort
- **Thematic Funds –** we have expressly taken an overweight allocation to themes and sectors where we are positive

- We continue to remain positive on **asset heavy sectors** relative to asset-light sectors

We continue with our stated 2026 Market Outlook (2/2)

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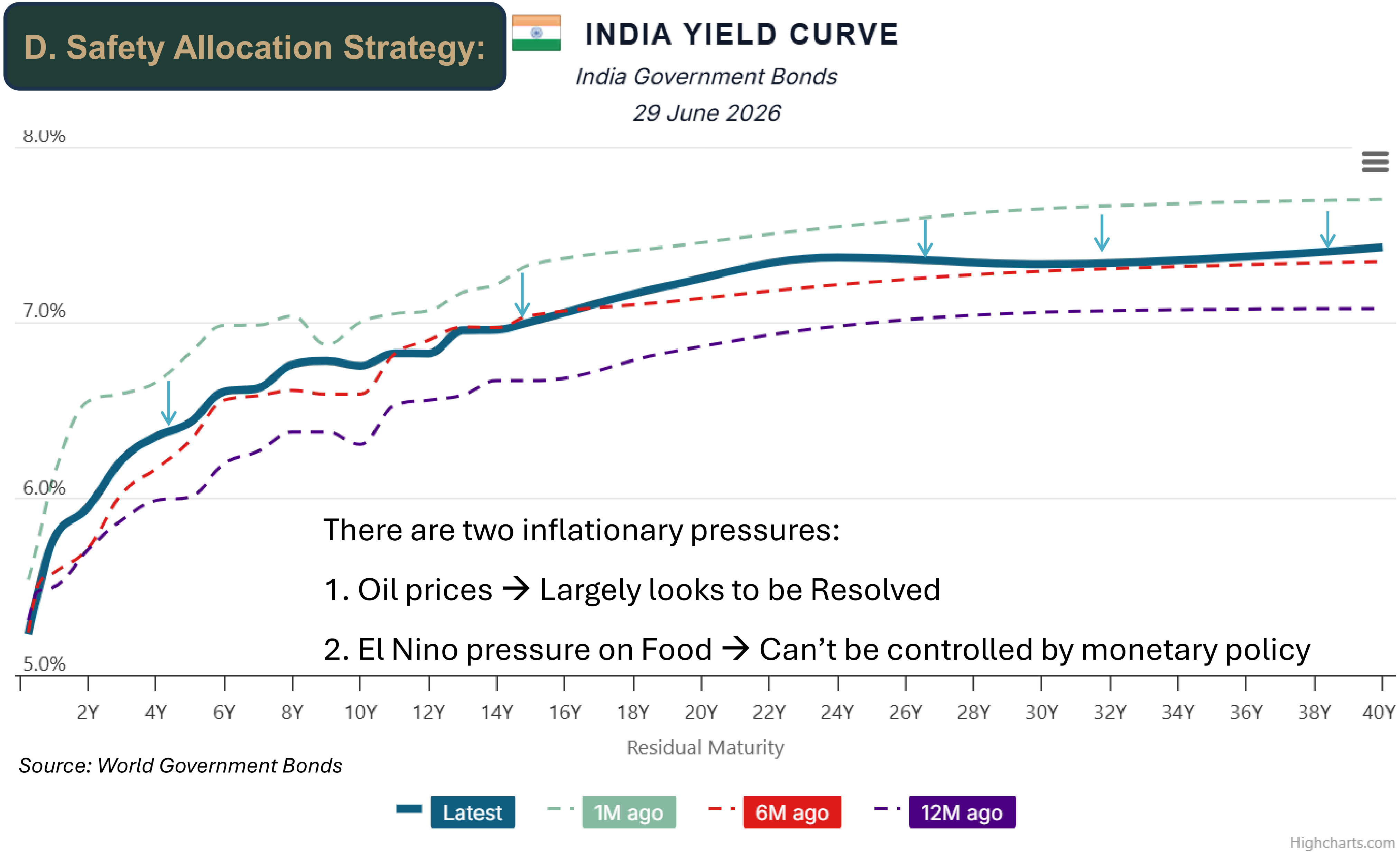
D. Safety Allocation Strategy:



There are two inflationary pressures:

1. Oil prices → Largely looks to be Resolved

2. El Nino pressure on Food → Can't be controlled by monetary policy

Source: World Government Bonds

1. We expect Yields will cool down as Oil shock is largely resolved.

2. Turned positive on duration, prefer corporate bond vs G-sec as spreads are lucrative

3. While we are evaluating allocation against tax favorable categories.

4. Continue with positive bias towards Income yielding & Real assets

Safety and Yielding Bucket – Allocation Strategy

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- **Income plus Arbitrage Funds**:
  - We would like to allocate funds that have a holding period of 2+ years to **Income plus Arbitrage** funds (underlying is a combination of corporate bond funds and arbitrage funds) due to their favourable taxation
  - LTCG if held for >2 years is at 12.5% - same as Equity
- **Hybrid Mutual Funds:**
  - We believe Balanced Advantage funds offer a great opportunity post-2022 to create allocation as both Equity and Fixed Income markets are well placed
  - Since Apr-22 (4 years ago), Balanced Advantage funds as a category have outperformed Nifty 50 by ~0.5% (9.49% vs 9.01% CAGR) – with lower volatility
- **REITs/InvITs:**
  - Can present lucrative opportunities if interest rates remain elevated, as rental yields can become attractive.
  - Initiated investment into 3 listed Commercial REITs.

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Precious Metals

Outlook

We continue to believe Gold is an asset class of the decade:

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Global Debt hit a record $346 Trillion (~310% of Global GDP)

Source: IIF Global Debt Monitor

+

G7 Government 10Y bond yields at highest levels since 2004
Increased from <1% Pre-Covid to >4.5%

Source: ICE BoFAML

+

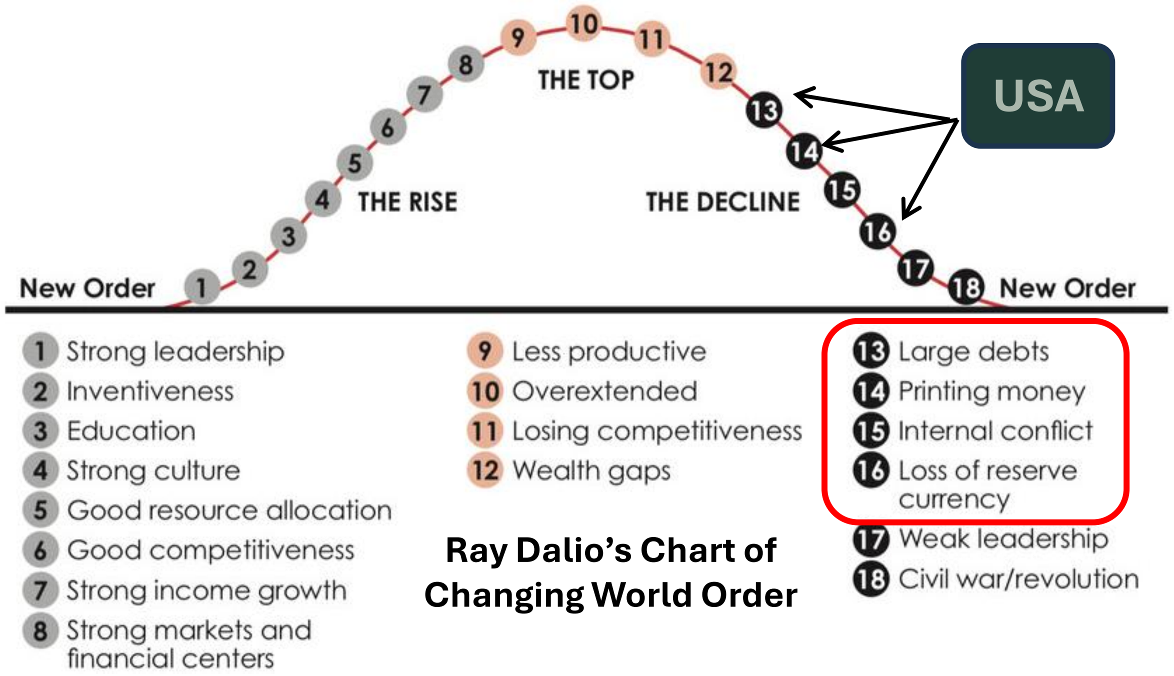
US federal government interest payments forms ~25% of total US government receipts

Source: CLSA, BEA

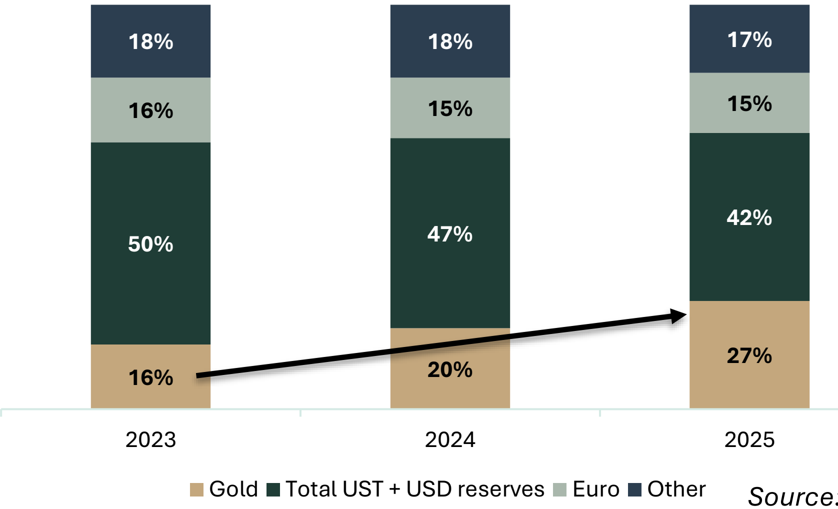
+

US M-Cap to GDP at 245%
2.6x SD of 75Y Data vs 2x SD in Dotcom

Source: Currentmarketvaluation.com



Ray Dalio's Chart of Changing World Order



Source: ECB

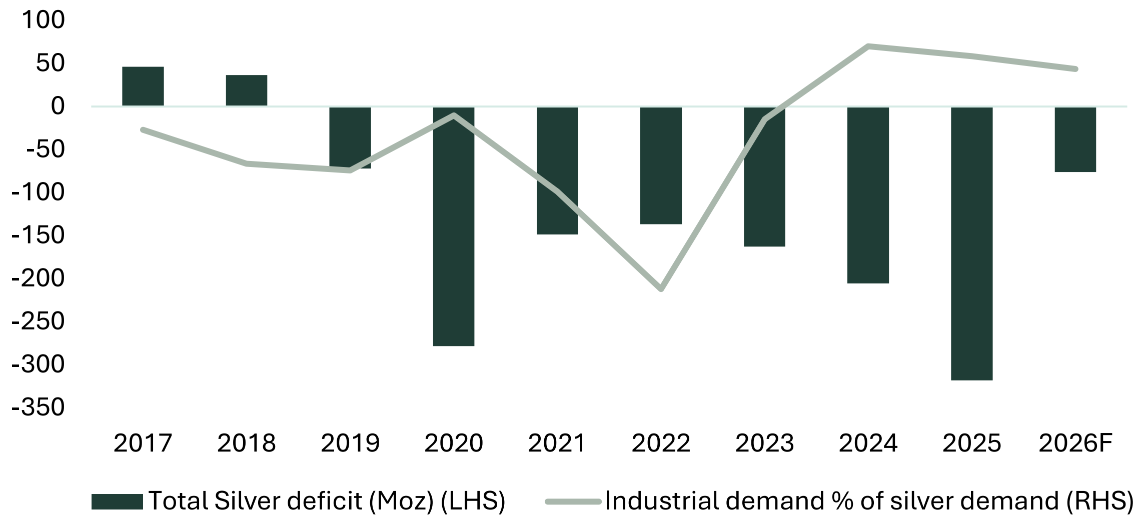
Currencies Share of Global reserves

Global Forex reserves are moving towards Gold

USD is losing its status of reserve currency

Structural demand drivers make Silver attractive at current prices

Deficit expected to persist as Industrial demand remains high



Data source – Silver institute

Silver USD – technically at a favourable level

Data source – Tradingview

Structural Demand Drivers

Solar Photovoltaics

- Increased push for energy security
- Decreased dependence on oil

ICE to EV transition

- EVs use 65-80% more silver per vehicle v/s ICE

AI & Data centres

- Can create 2-5% increase in annual demand

We are recommending a 2/3rd : 1/3rd 6M staggered allocation to Gold : Silver

Executive Summary

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Key messages	Our View
Possibility of strong USD	Possibility of **short-term USD strength** driven by policy uncertainty and US-Iran war
Uncertain Monetary Policy	Fed's reduced transparency and the potential inflationary impact of **El Niño** increase uncertainty around the policy path
Dynamic Geopolitics	The global landscape remains fluid, with new geopolitical risks emerging regularly
Investment Approach	We are **staggering allocations**, waiting for attractive entry points to buy at **our preferred prices.** **Equity –** focus on upside capture; **Debt –** safety; Yielding – yield capture; **Global –** capture niche investment ideas; **Precious Metals –** hedge against volatility
Asset Allocation	The current environment presents an opportunity to **rebalance asset allocation** ahead of the next market cycle
2026 Outlook	We continue to view **2026 as a year of allocation**
Preferred Strategy	Maintain a positive bias towards the **ICM framework**, **tax-efficient income-yielding assets**, and **precious metals**

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Thank *you!*

Pravia Investment Advisors

2026

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