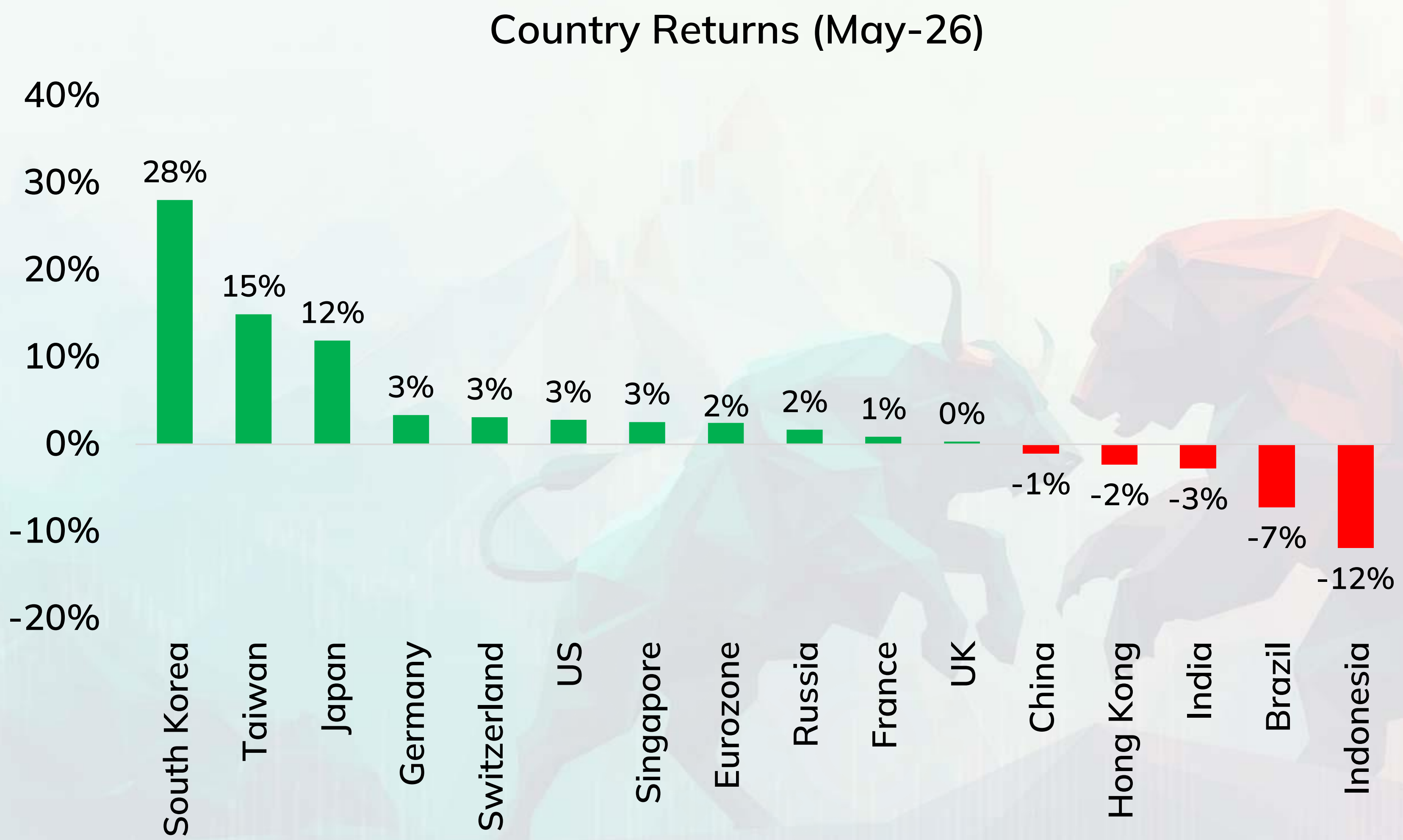
# EQUITY MARKET OUTLOOK

## June 2026

ICICI Prudential Mutual Fund Registration No.: MF/003/93/6

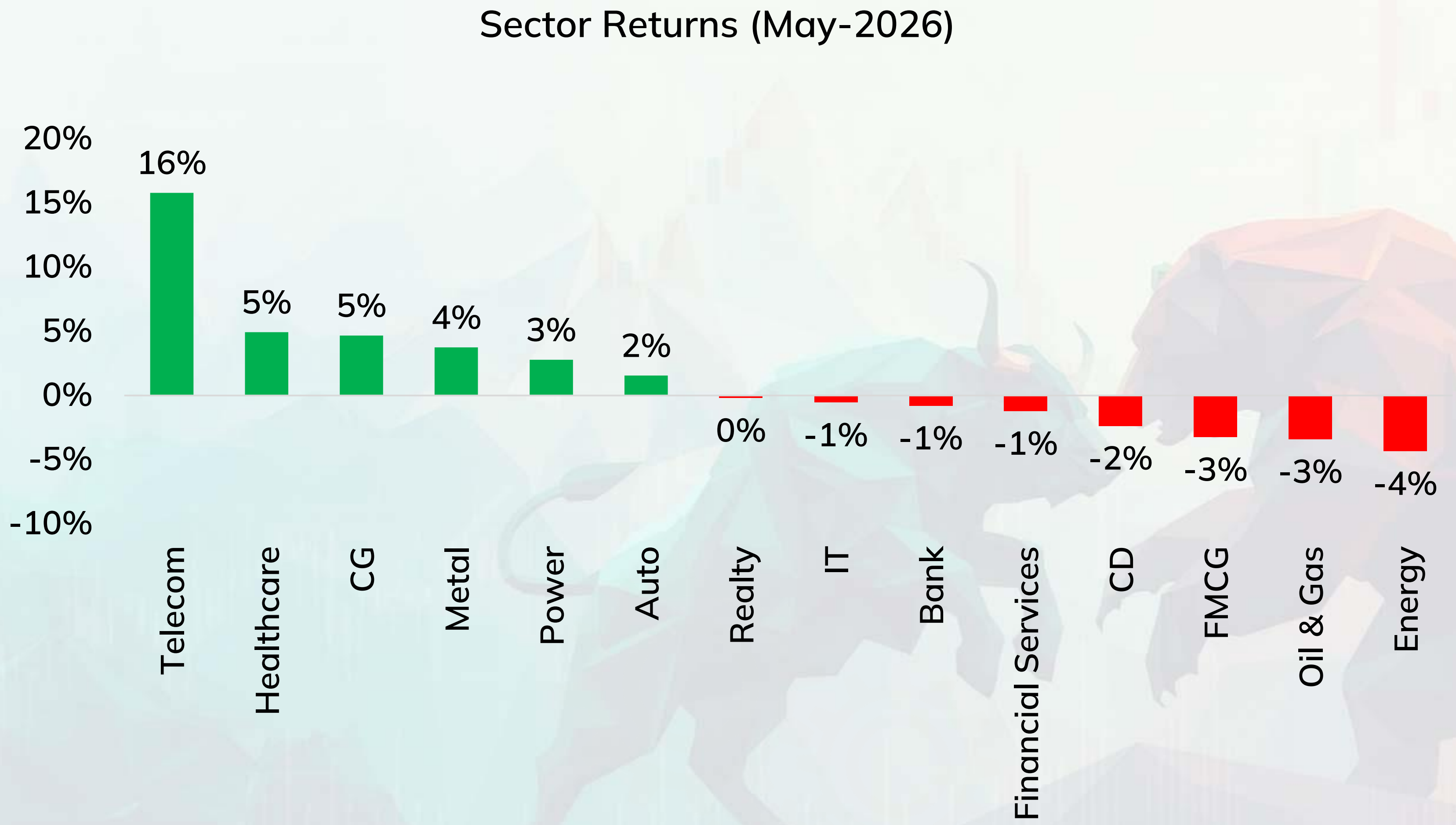
# Global Equity Markets – Asia rode the AI wave




- South Korea & Taiwan continued to perform exceptionally well during the month given record buying by foreign investors on the back of semiconductors & AI infrastructure demand
- Strong tech-led earnings momentum supported outperformance in Asian markets, while Indian equities witnessed relative consolidation.

Data Source – ACE MF. Returns data is from April 30, 2026 to May 31, 2026. Past performance may or may not sustain in the future. Returns are absolute returns. AI – Artificial Intelligence. Past performance may or may not sustain in future. Indices considered – India: BSE Sensex, France: – CAC 40, Germany: DAX, Eurozone: Euronext 100, UK: FTSE, Brazil: Ibovespa, Indonesia: Jakarta Composite Index, South Korea: Kospi, Japan: Nikkei, Russia: RTS, China: SSE Composite, Singapore: Strait Times, Switzerland: Swiss Market Index, Taiwan: TWSE Capitalization Weighted Stock Index, US: Dow Jones Industrial Average

# Sectoral Indices – Powering ahead with cyclicals




- Broadly, sector performance was muted as Indian markets corrected during the month. Telecom was an exception and saw massive outperformance as companies posted robust earnings growth
- Energy and Oil & Gas underperformed amid concerns around demand and commodity prices

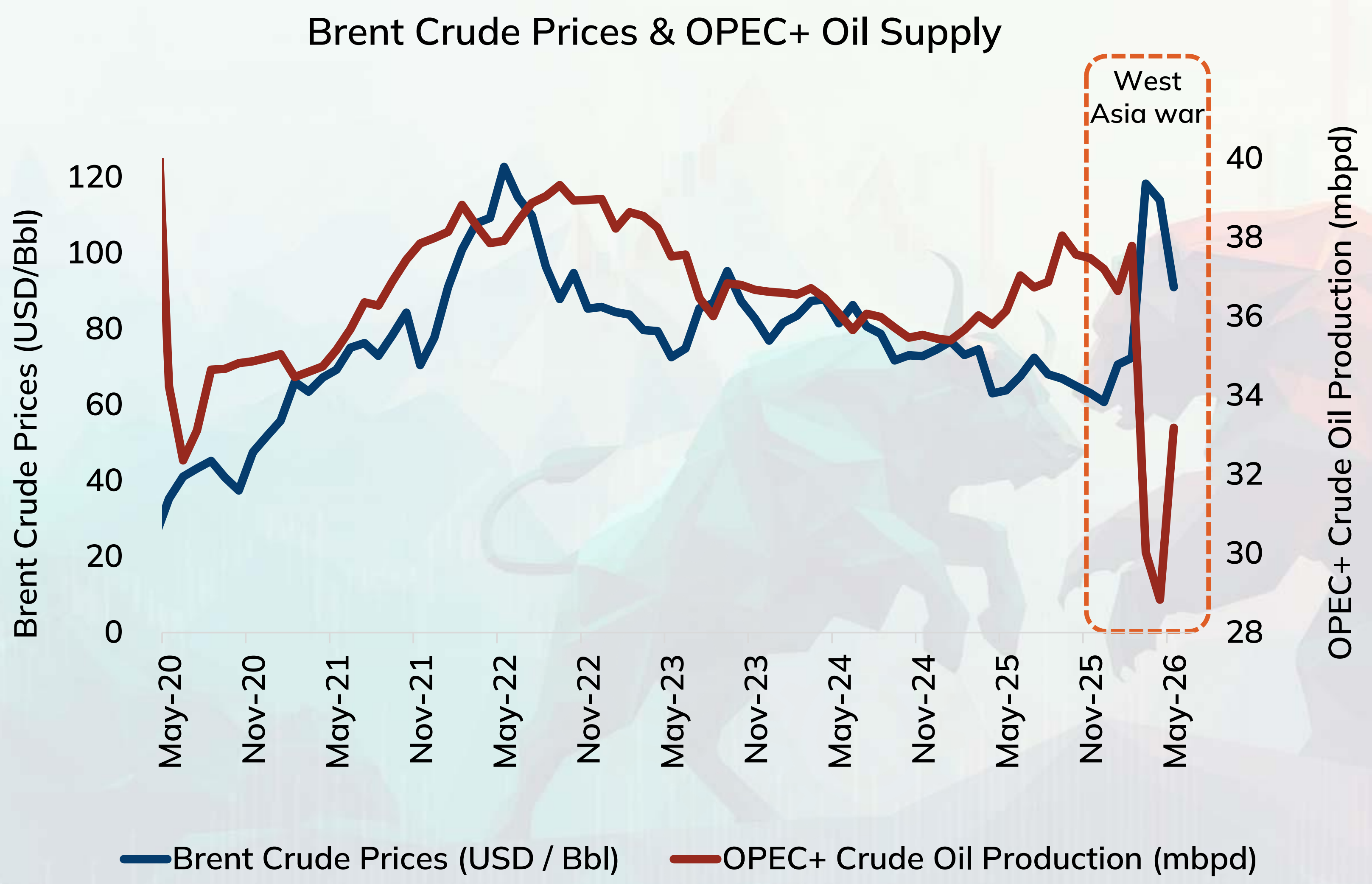
Data Source: MFIE Research. MFI Explorer is a tool provided by ICRA Analytics Ltd. For their standard disclaimer please visit https://icraanalytics.com/home/Disclaimer. Returns data is from April 30, 2026 to May 31, 2026 (in absolute terms). Indices used: Power Sector – BSE Power TRI, Bankex Sector – BSE Bankex TRI, FMCG Sector – BSE FMCG TRI, Energy Sector – BSE Energy TRI, For Capital Goods Sector – BSE CG TRI, Auto Sector – BSE AUTO TRI , Oil & Gas Sector – BSE Oil & Gas TRI, Finance Sector – BSE Financial Services TRI, Metal Sector – BSE METAL TRI, Telecom Sector – BSE Telecom TRI , HC Sector – BSE HC TRI, Realty Sector – BSE Realty TRI, Consumer Durables Sector – BSE CD TRI, IT Sector – BSE IT TRI is considered. CG: Capital Goods, CD: Consumer Durables, IT: Information Technology, FMCG: Fast moving Consumer Goods. Past performance may or may not sustain in future. The sector(s)/stock(s) mentioned in this document do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future positions in the sector(s)/stock(s).

# Global Economy – Stack of Cards

The global economy today resembles a house of cards – stable as long as balance holds, but vulnerable to even the smallest disturbance. The escalation in West Asia, though now moderated, is a reminder that shocks, however localized, rarely remain contained. They transmit quickly through energy markets, financial flows and investor sentiment creating ripple effects across regions. India, despite its strong domestic footing is not completely insulated from these shifts. In a structure so tightly linked, even a distant move can test domestic stability

While overall long term view remains positive on Indian economy and markets, we remain cautious on near term prospects

# Global Landscape – Supply Shock, Prices Moderate

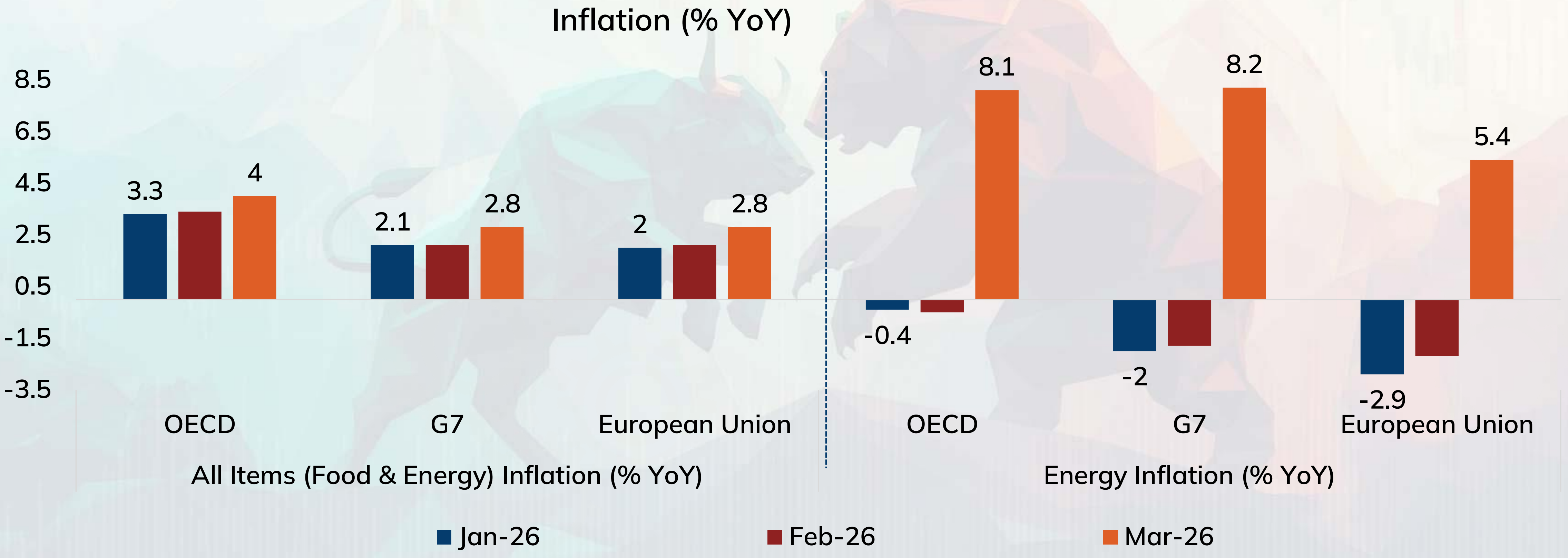



- As the tensions in West Asia eased, the Crude oil prices moderated in May-26. The OPEC + Crude Oil supply also seemed to have recovered during the month
- Despite the temporary respite, the OECD expects lasting damage of the conflict impacting the global growth outlook

Source – International Energy Agency. Data as of May 31, 2026. USD – US Dollar – Bbl – Barrel, OPEC – Organization of Petroleum Exporting Countries, OECD: Organisation for Economic Co-operation and Development mbpd – million barrels per day, UAE – United Arab Emirates. OPEC+ consists of 22 countries with 12 OPEC members and 10 non-OPEC members

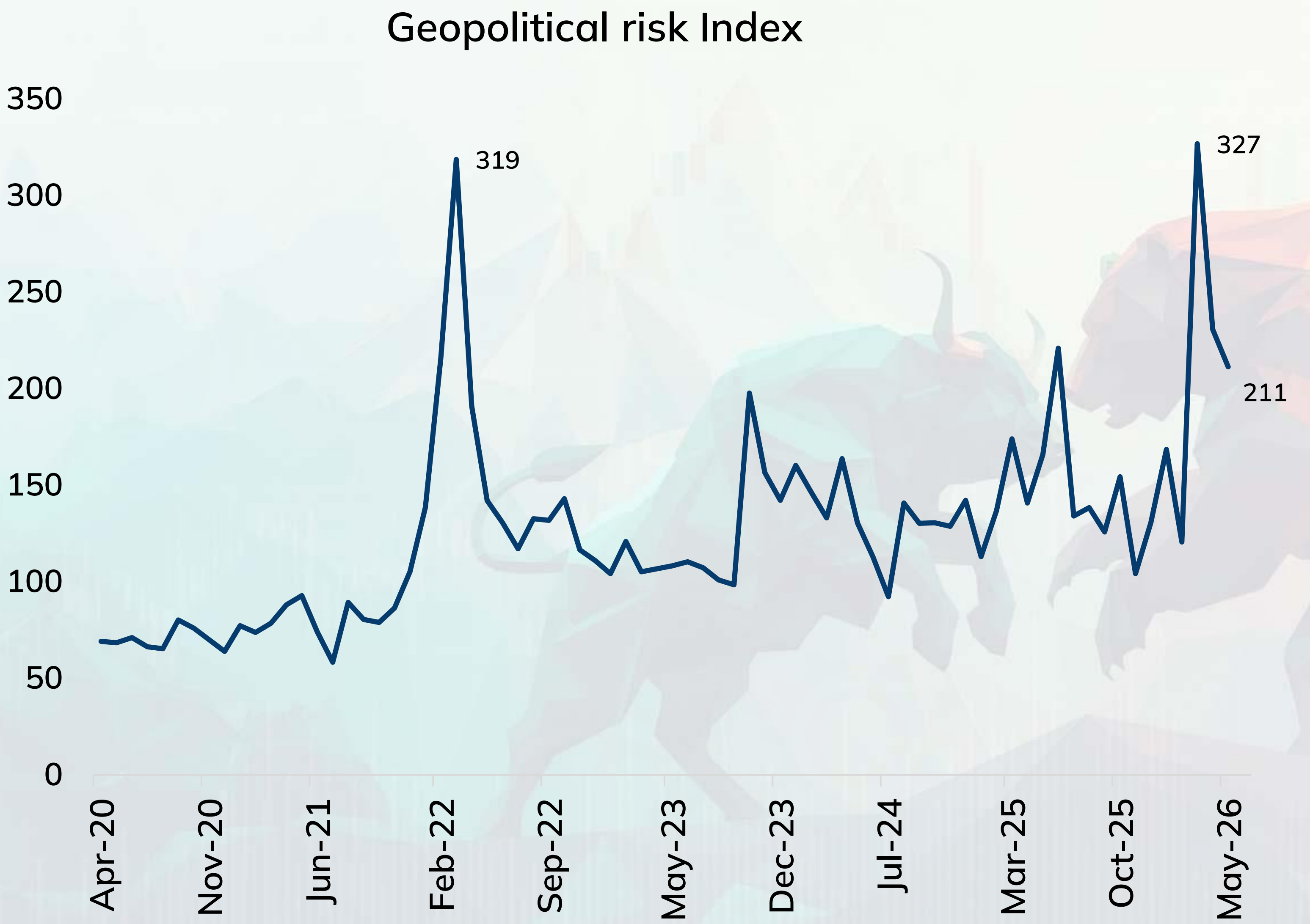
# Global Landscape – Oil Spike to Inflation Surge

The latest data released by the Organization for Economic Co-operation and Development (OECD) indicate rise in inflation given high energy prices. This surge is expected to prolong inflationary pressures across many economies thereby potentially slowing the pace of monetary policy easing across major economies




Source – OECD. G7 i.e. Group of 7 is an intergovernmental political and economic forum consisting of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States; additionally, the European Union is a "non-enumerated member. YoY – Year on Year

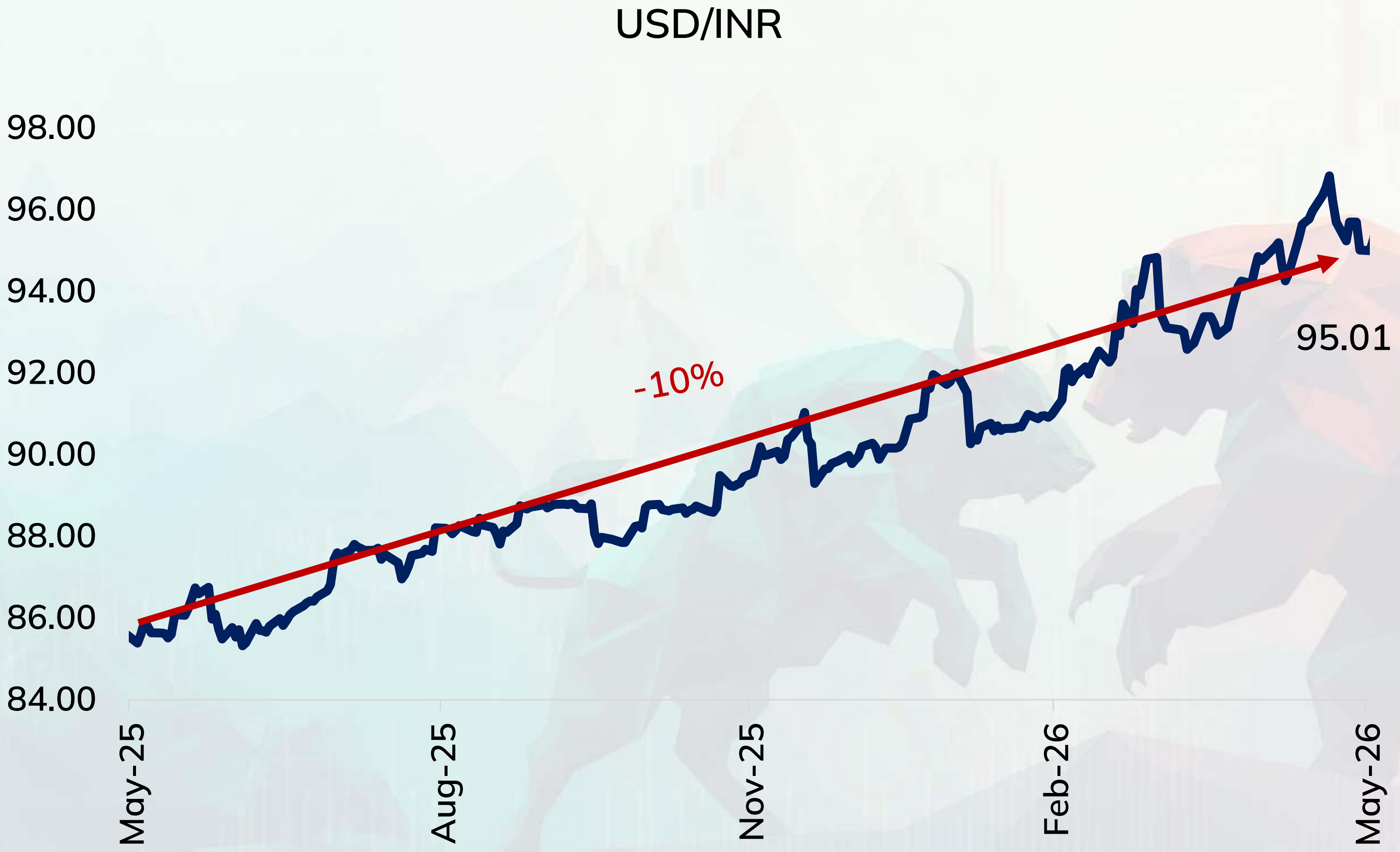
# Global Landscape – Rising Geopolitical Risk




- Geo-Political Risk Index (GPR) tends to spike during major events and is usually linked to reduced economic growth and higher downside risks to global economy
- The index spiked to 300+ levels, 4 years after the Russia-Ukraine war indicating inevitable volatility & risk
- Though moderated from Mar-26 peak, it remains above long-term average despite moderation from recent peaks

Source: UNCTAD (UN Trade & Development). Data as of May 13, 2026. Geo-political risk index is a measure of adverse geopolitical events and associated risks

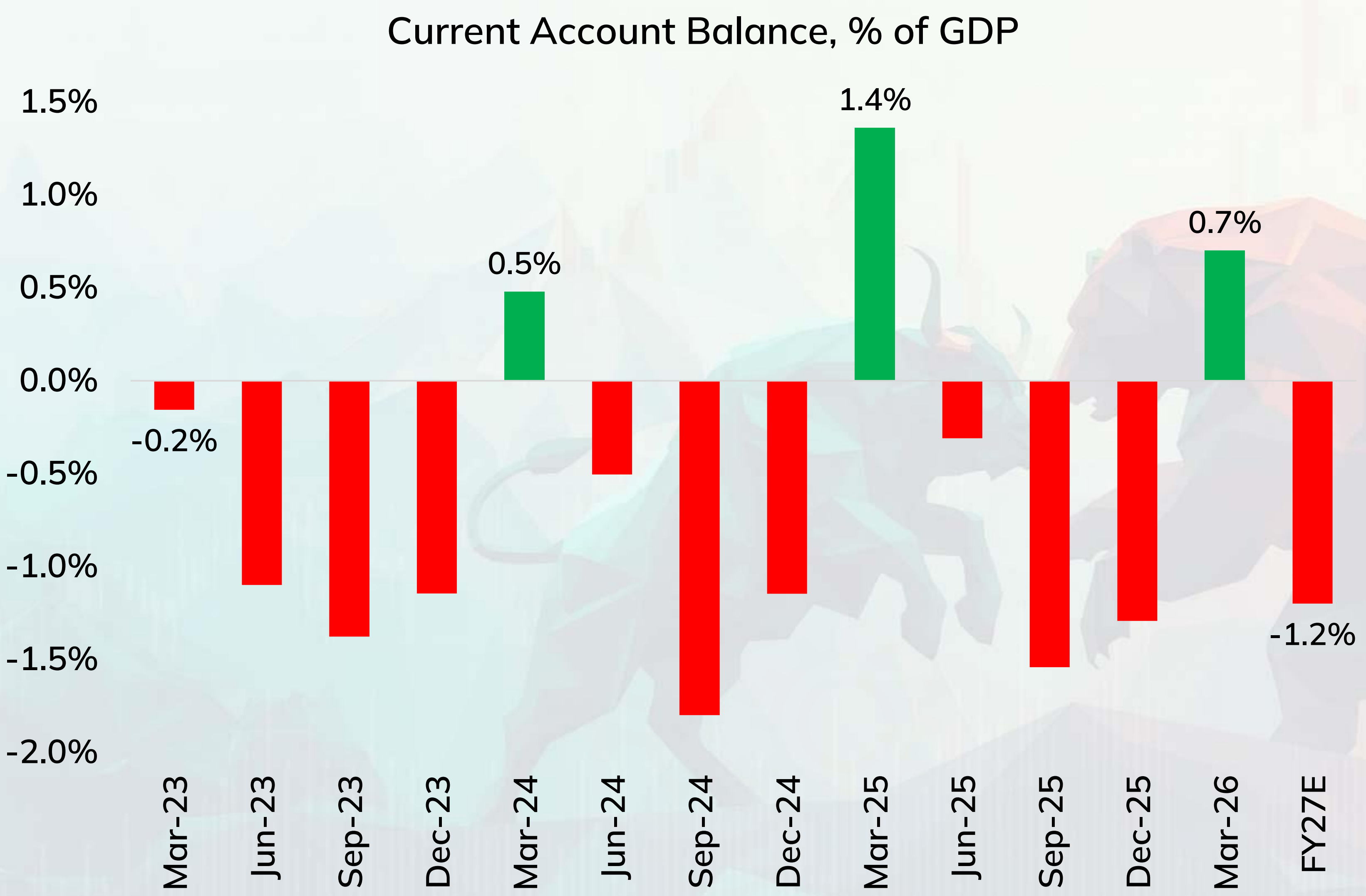
# Indian Economy – Rupee Edges Lower




- INR was already under pressure in 2025 given heavy FPI selling
- The West-Asia tensions further exacerbated the fall with rupee depreciating ~10% in last one year
- Despite heavy FPI selling and global uncertainties, forex reserves and RBI intervention continue to support INR

Data Source: RBI. Data as of May 31, 2026. USD – US Dollar, INR – Indian Rupee, FPI – Foreign Portfolio Investor

# Indian Economy –
# Current Account Balance – From Comfort to Caution

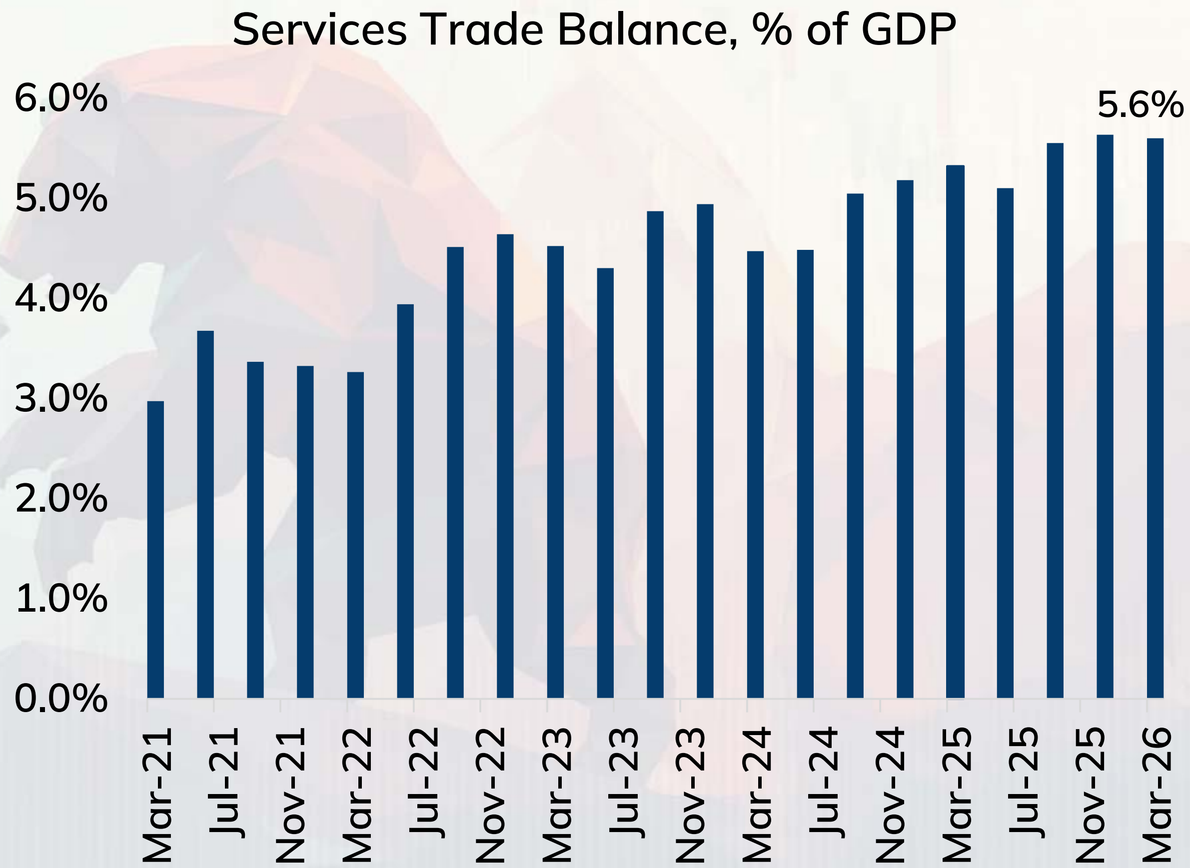



- Strong services exports and remittance inflows helped India post a current account surplus in Q4FY26
- However, elevated crude oil prices may exert pressure on current account balance in near term

Data as on March 31, 2026. Source: Morgan Stanley Research, RBI, Nirmal Bang Institutional Equities. GDP – Gross Domestic Product. E - Estimate

# Indian Economy –
# Service Exports & Forex Reserves (Buffers in Play)

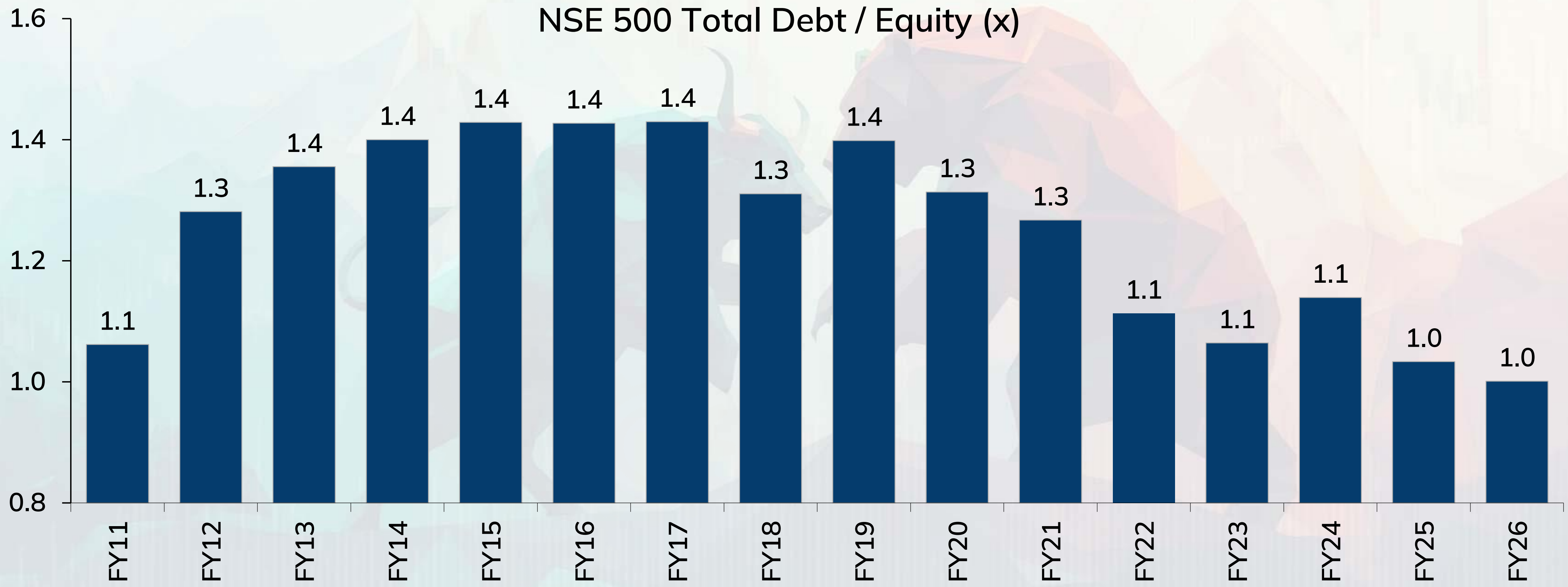
**The pressure on India's trade balance may partly be cushioned by healthy Forex Reserves & growing Services surplus**


Data as on March 31, 2026. Data Source: RBI. USD Bn – USD Billion, GDP – Gross Domestic Product

# Indian Economy – Long Term Macros Intact

Corporates are de-leveraging Vs their past cycles indicating good financial health & decreasing their vulnerability to any financial system shock




Source: DAM Capital. Data as of March 31, 2026. Past performance may or may not sustain in future. The ratio total debt/equity ratio is calculated as total liabilities / total shareholder's equity. For all NSE 500 companies, the average of total debt to equity ratio is considered

# Indian Economy – Front Loading of Capex

Sharp pickup in Govt. capex reflects continued fiscal support for the economy, aiding investment, consumption and earnings growth, which may domestic equities

Govt. Capex (Rs. Bn)

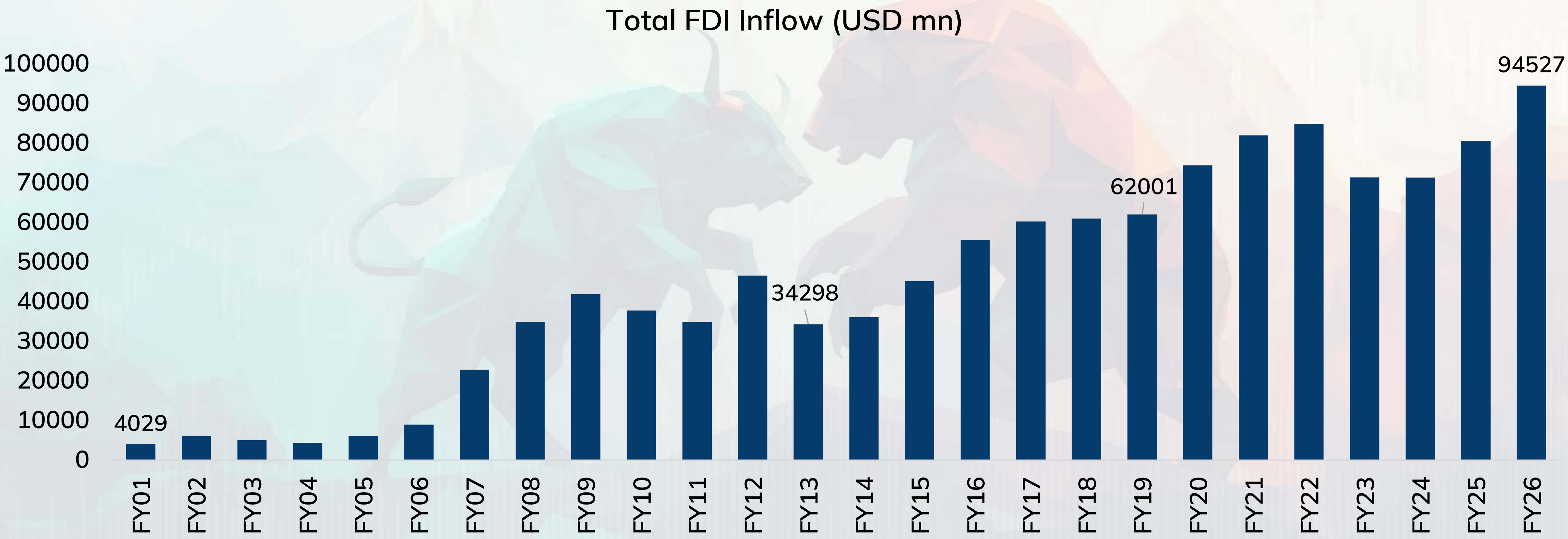

**Ministry-wise Expenditure**

| Ministry | Growth (% YoY) |
|---|---|
| Coal | 218.0% |
| MSME | 38.5% |
| New and Renewable Energy | 25.7% |
| Development of Northeastern Region | 18.9% |
| Defence | 15.0% |
| Food Subsidy | 10.6% |
| Power | 8.7% |
| Rural Development | 3.0% |
| Road | 2.1% |

Source: Avendus Spark. Data as of June 04, 2026. bn: billion. Capex: capital expenditure. Returns are in absolute terms. Past performance may or may not sustain in future.

# Indian Economy – Long Term Macros Intact

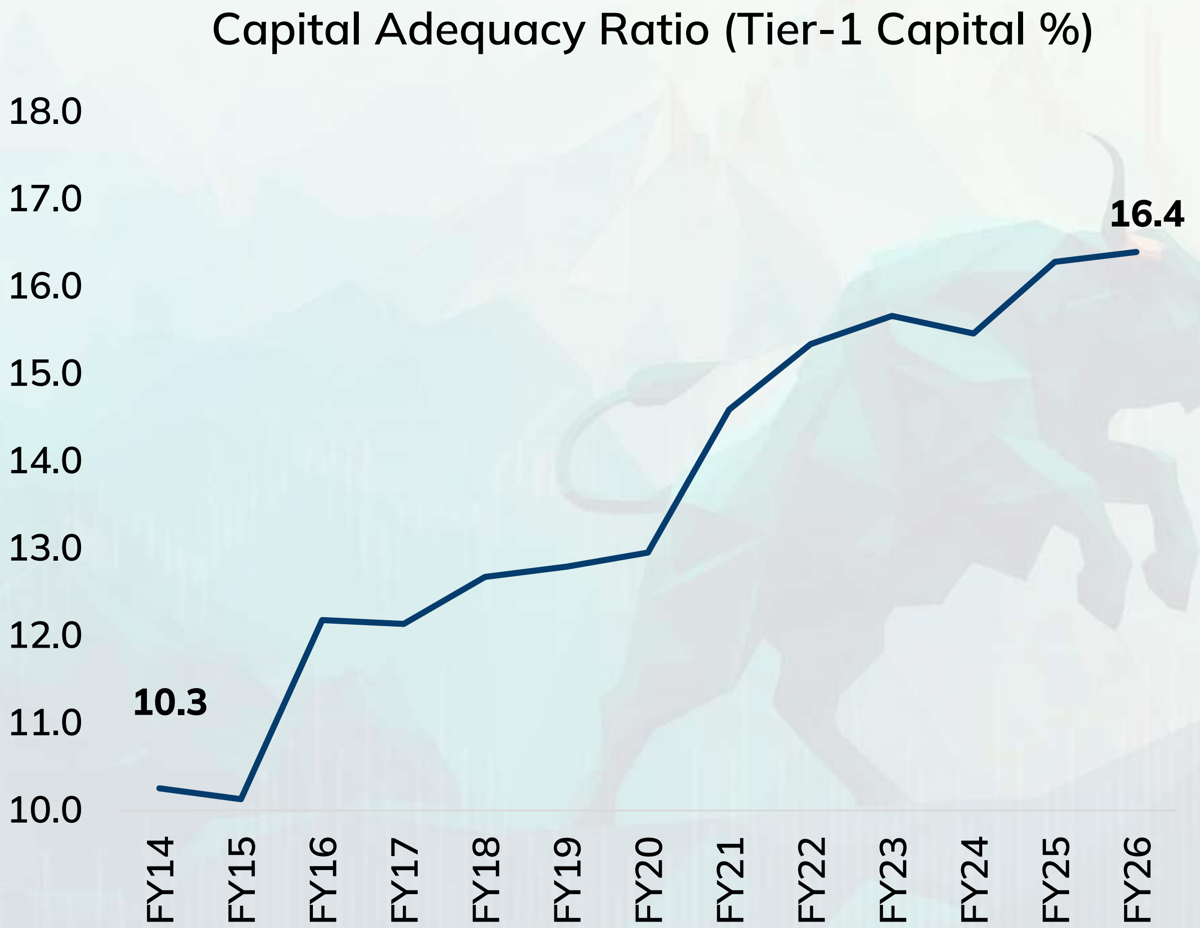
Strong FDI inflows provide a stable source of external financing, supporting India's balance of payments and mitigating concerns around a moderate current account deficit

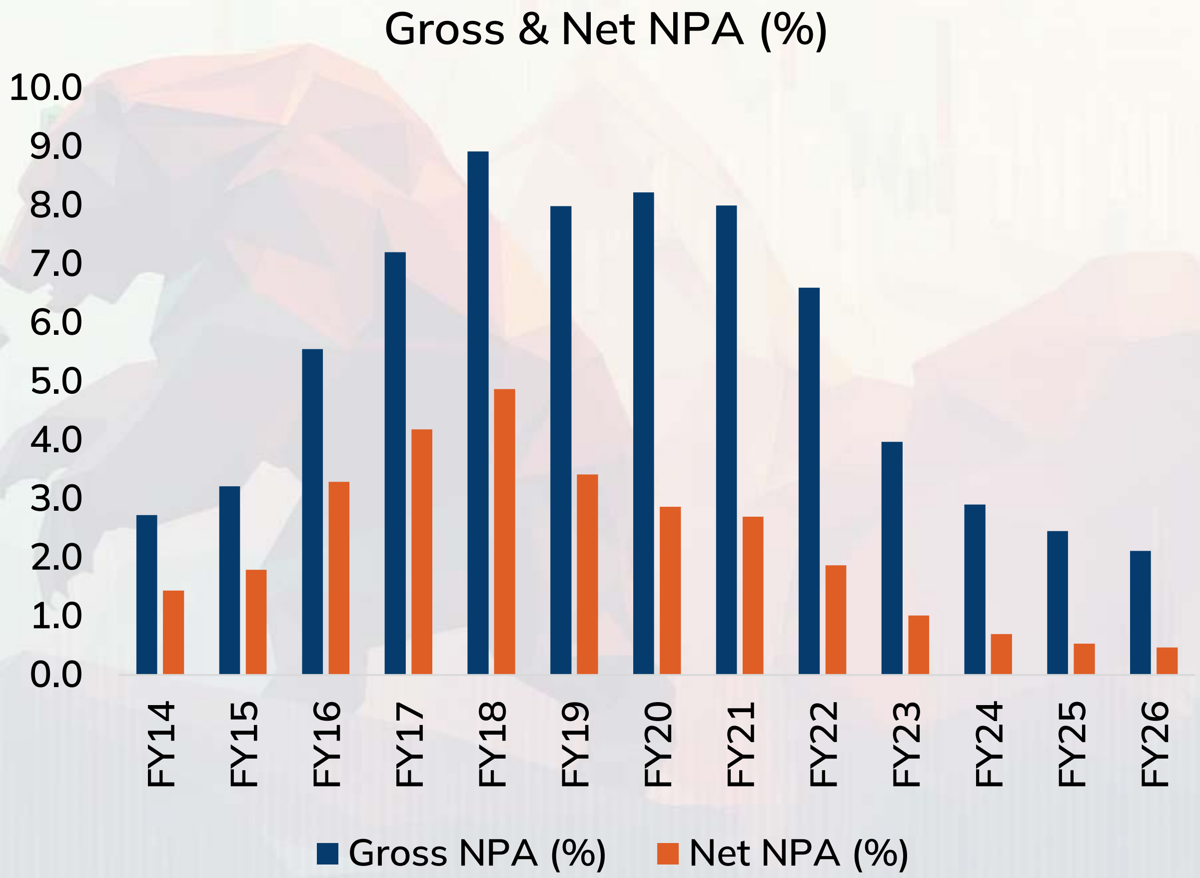



Data as on March 31, 2026. Data Source: dpiit.gov.in. USD: United States Dollar, Mn: million, FDI: Foreign Direct Investment

# Indian Economy – Long Term Macros Intact

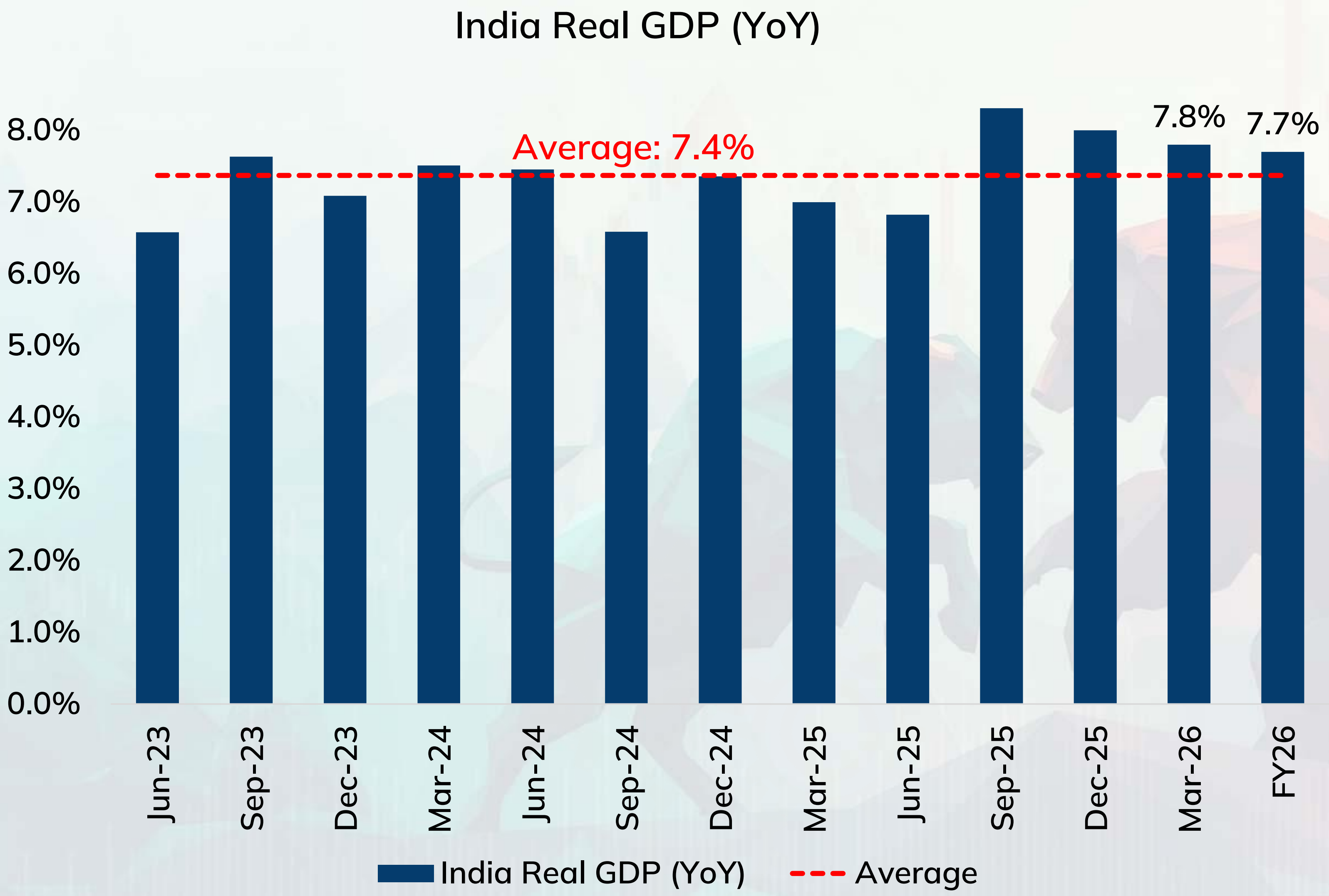
Banks are well-capitalized and asset quality is improving contributing to the resilience of overall financial system




Data as on Mar 31, 2026. Source: DAM Capital. NPA – Non Performing Asset, FY – Financial Year. Past performance may or may not sustain in future. Capital Adequacy Ratio measures a bank's capacity to absorb losses, protecting depositors and ensuring stability

# Indian Economy – Long Term Macros Intact




- India continues to remain one of the fastest growing economies in the world at ~7%
- Despite the impact of the West-Asia tensions on the Indian economy, India still continues to be the fastest economy, beating the slowdown projections

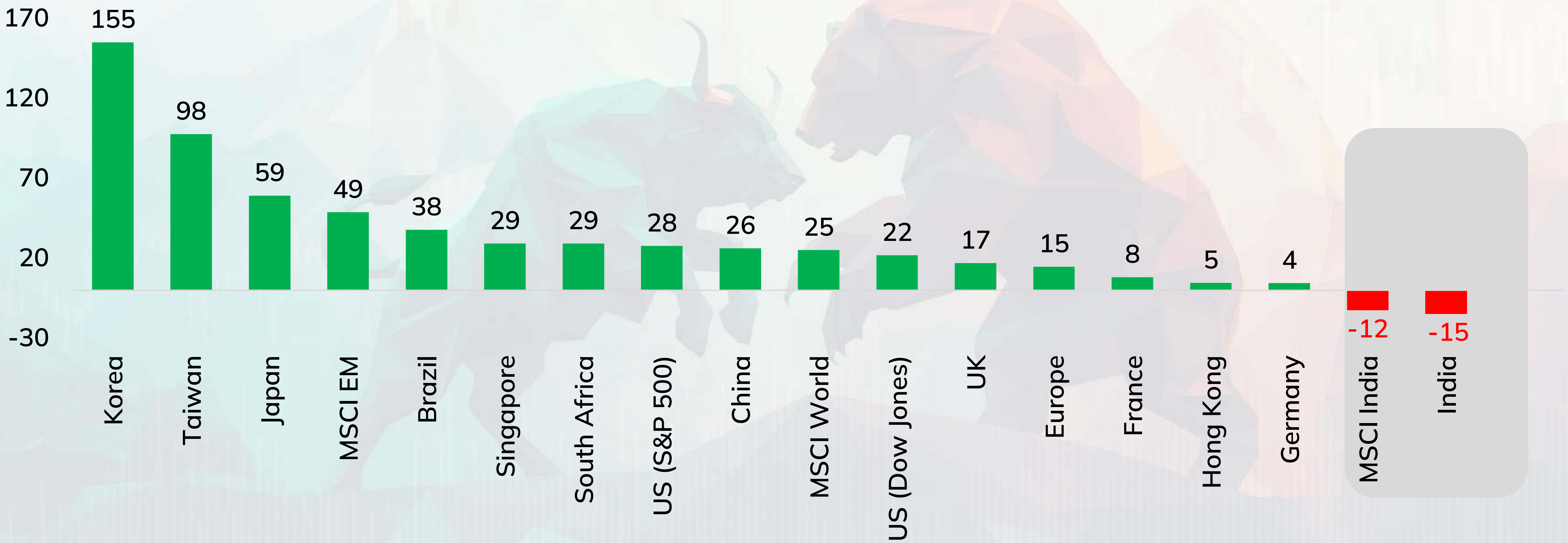
Data Source: MOSPI. Data as on June 05, 2026. GDP – Gross Domestic Product, YoY – Year on Year.

# INDIAN EQUITIES – CURRENT STATE

# 'V'aluations Re-set

Indian equities were commanding rich valuations until last year. They have moderated post recent corrections

1Y Returns (%, USD terms)




Source: DAM Capital. Data as of June 6, 2026. Returns are in absolute terms. Past performance may or may not sustain in future. Indices considered: Kospi for Korea, Taiwan – TWSE Capitalization Weighted Index, Brazil – Ibovespa Sao Paulo Index, MSCI EM – MSCI Emerging Markets Index, Japan – Nikkei 225, South Africa – JSE Top 40 Index, China – Shanghai Composite Index, Singapore – Strait Times, UK – FTSE 100, Europe – Euro Stoxx 50, Hong Kong – Hang Seng Index, France – CAC 40, Germany – DAX, India – Nifty 50

# 'V'aluations Re-set

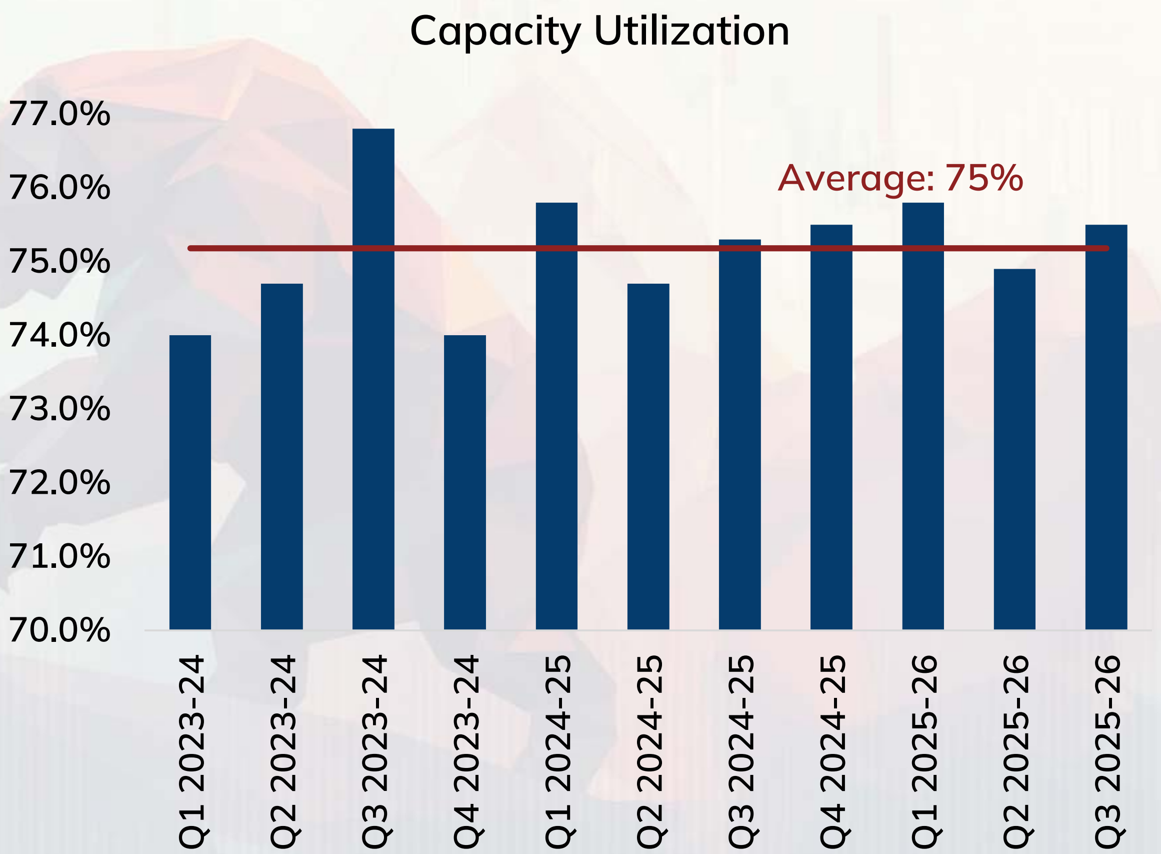
**The valuations froth seen in last 2 years, has come off, especially in large cap space**

| Period | As a % of Total Market Cap | | | |
|---|---|---|---|---|
| | Top 50 Stocks | Next 50 Stocks | Midcap-150 Stocks | Smallcap - Above 250 Stocks |
| 2015 | 59.8 | 14 | 15.2 | 11 |
| 2016 | 58.8 | 14.1 | 15.3 | 11.8 |
| 2017 | 53.4 | 14.7 | 17.3 | 14.6 |
| 2018 | 58.3 | 13.7 | 16.3 | 11.7 |
| 2019 | 61.8 | 13.1 | 15.6 | 9.5 |
| 2020 | 60.9 | 13.3 | 15.5 | 10.2 |
| 2021 | 55.6 | 13.1 | 16.8 | 14.4 |
| 2022 | 56.7 | 12.5 | 16.1 | 14.7 |
| 2023 | 51.4 | 13.1 | 17.6 | 17.8 |
| 2024 | 46.1 | 13.8 | 19.3 | 20.8 |
| 2025 | 46.7 | 13.9 | 20.0 | 19.4 |
| May-26 | 44.5 | 14.8 | 20.3 | 20.4 |

Source: NSE. Data as on May 31, 2026. Data is on calendar year basis. Past performance may or may not sustain in future. Red indicates high valuations, Amber indicates neutral valuations and Green indicates attractive valuations. No of stocks in terms of full market capitalization.

# 'C'ycle –
# Business Cycle Holds Firm

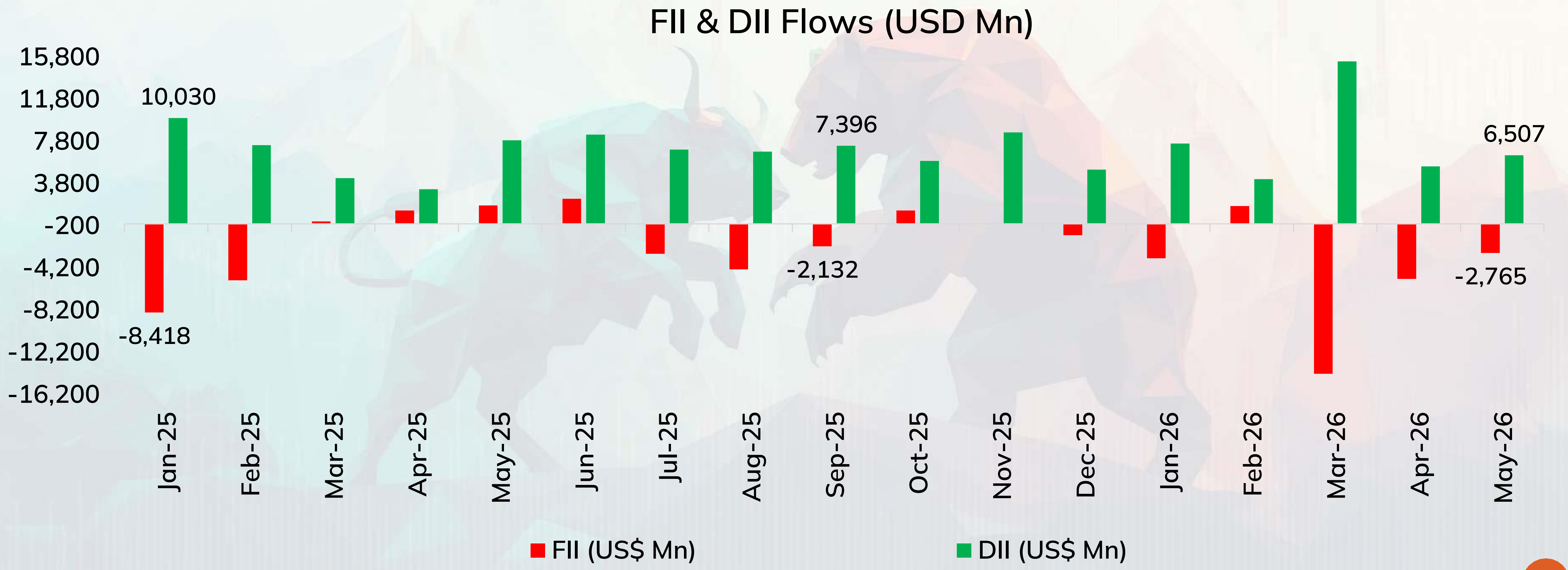
Business Cycle continues to remain strong indicating good overall economic health


Source – RBI. YoY – Year on Year, Q – Quarter. Data as of May 31, 2026 for Credit Growth & Dec 2025 for Capacity Utilization.

# ‘S’entiments – Neutral

Sentiments have been subdued in case of FIIs as they moved to ‘safer assets’ from riskier ones (Emerging Markets). DIIs on the other hand continue to absorb a significant part of outflows making Sentiments neutral




Source – Kotak Institutional Equities. Data as of May 31, 2026. Past performance may or may not sustain in future. FII – Foreign Institutional Investor, DII – Domestic Institutional Investor

# Key Takeaways

- Global markets are volatile at the moment and India is not completely insulated from the near term jolts. Factors that may chart future course include – Inflation, Global Central Banks' monetary policies & Growth
- There may be a short term impact on India's trade balance and currency.
- However, India's core fundamentals remain intact – Healthy Govt. Capex, forex reserves, services trade surplus, strong demand, steady long term Govt. reforms
- Valuations have eased from their peaks, Business Cycle remains robust, Sentiments are neutral. However, in near term, volatility is inevitable as geo-political environment is very dynamic
- One can consider investing in equities for long term in a staggered manner through SIP / STP in schemes that have the flexibility to maneuver across sectors / market cap
- Since market volatility may persist, we continue to recommend investing in Hybrid / Asset Allocation schemes

SIP – Systematic Investment Plan, STP – Systematic Transfer Plan

# Recommendations

**Hybrid / Asset allocation schemes to manage volatility**

- **IPRU Equity & Debt Fund**
- **IPRU Multi-Asset Fund**
- **IPRU Balanced Advantage Fund**
- **IPRU Dynamic Asset Allocation Active FOF** (erstwhile ICICI Prudential Asset Allocator Fund (FOF))

**Schemes with flexibility to maneuver across sectors / themes**

- **IPRU Business Cycle Fund**
- **IPRU Flexicap Fund**
- **IPRU Dividend Yield Equity Fund**
- **IPRU Active Momentum Fund**
- **IPRU Multicap Fund**
- **IPRU Diversified Equity All Cap Active FOF**
- **IPRU India Opportunities Fund**
- **IPRU Value Fund** (erstwhile ICICI Prudential Value Discovery Fund)

**Large cap biased schemes for long term wealth creation**

- **IPRU Large Cap Fund** (erstwhile ICICI Prudential Bluechip Fund)
- **IPRU Equity Minimum Variance Fund**

Continue SIP/STP as the long term view remains intact, strongly recommend ICICI Prudential Booster STP*

IPRU – ICICI Prudential, SIP – Systematic Investment Plan, STP – Systematic Transfer Plan, FOF – Fund of Fund. The asset allocation and investment strategies will be as per Scheme Information Document. * ICICI Prudential Booster Systematic Transfer Plan is a facility wherein unit holder(s) can opt to transfer variable amount(s) from designated open ended scheme(s) of ICICI Prudential Mutual Fund to the designated open ended scheme(s) of ICICI Prudential Mutual Fund

# Walking the talk

At market peak in Sep-24, we were overall cautious on equities and hence our asset allocation schemes too had lower equity allocation. As we believe that high valuations have now cooled-off, the equity allocation across these schemes have increased

| EQUITY RANGE | Scheme | Sep-24 | May-26 |
|---|---|---|---|
| 65-80% | ICICI Prudential Equity & Debt Fund | 67.3% | 74.9% |
| 10-80% | ICICI Prudential Multi-Asset Fund | 50.5% | 60.7% |
| 35 - 100%* | ICICI Prudential Dynamic Asset Allocation Active FOF^ | 37.4% | 58.4% |
| 30-80% | ICICI Prudential Balanced Advantage Fund | 31.8% | 55.3% |
| 10-25% | ICICI Prudential Regular Savings Fund | 21.7% | 22.9% |
| 15-50% | ICICI Prudential Equity Savings Fund | 16.3% | 19.2% |

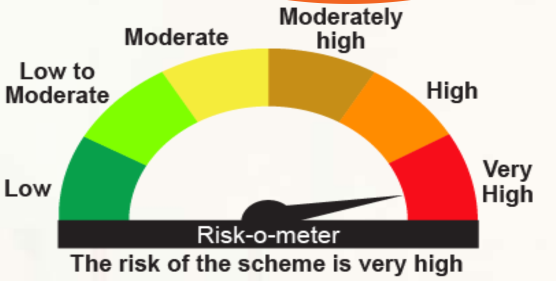
Data as on May 31, 2026. FOF: Fund of Fund. The net equity exposure is calculated net of stock futures and options (Notional Exposure of Index Put Options only) and does not include exposure in REITs. The portfolio of the scheme is subject to changes within the provisions of the Scheme Information document of the scheme. Please refer to the SID for investment pattern, strategy and risk factors. The asset allocation and investment strategy will be as per Scheme Information Document. ^Pursuant to SEBI's framework on Fund of Fund Schemes, the Scheme features has been modified with effect from November 25, 2025. Kindly refer to the AMC's website for detailed information. Erstwhile ICICI Prudential Asset Allocator Fund (FOF)Investors may please note that they will be bearing the recurring expenses of this Scheme in addition to the expenses of the underlying Schemes in which this Scheme makes investment. *Please note that total Non Debt Allocation of the scheme will be 35-100%. Compulsorily convertible debentures and foreign equity has been included in the net equity exposure.

# Riskometers

**ICICI Prudential Balanced Advantage Fund (An open ended dynamic asset allocation fund) is suitable for investors who are seeking*:**

- ❑ Long term capital appreciation/income
- ❑ Investing in equity and equity related securities and debt instruments

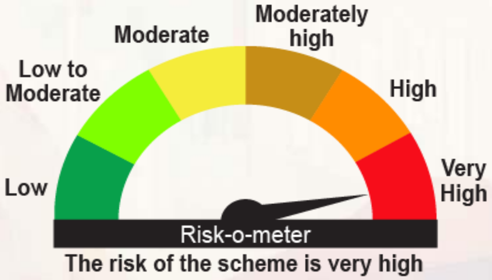
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




**ICICI Prudential Multi-Asset Fund (An open ended scheme investing in Equity, Debt and Exchange Traded Commodity Derivatives/ units of Gold ETFs/units of Silver ETFs/units of REITs & InvITs/ Preference shares) is suitable for investors who are seeking*:**

- ❑ Long Term Wealth Creation
- ❑ An open ended scheme investing across asset classes

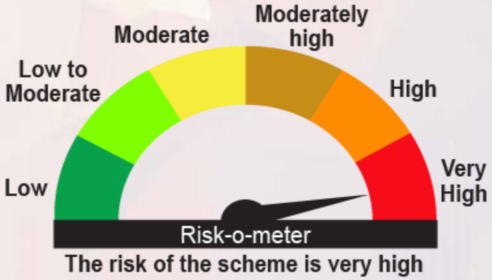
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




**ICICI Prudential Large Cap Fund (Erstwhile ICICI Prudential Bluechip Fund) (An open ended equity scheme predominantly investing in large cap stocks) is suitable for investors who are seeking*:**

- ❑ Long term wealth creation
- ❑ An open ended equity scheme predominantly investing in large cap stocks

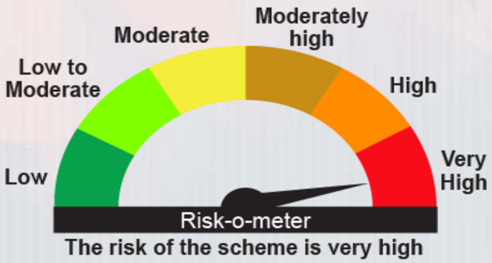
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




**ICICI Prudential Equity Minimum Variance Fund (An open ended equity scheme following Minimum Variance theme) is suitable for investors who are seeking*:**

- ❑ Long term wealth creation
- ❑ To generate long term capital appreciation by investing in Equity & Equity related instruments through a diversified basket with an aim to minimize the portfolio volatility

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

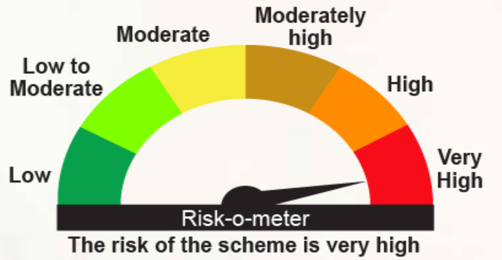


# Riskometers

**ICICI Prudential Equity & Debt Fund (An open ended hybrid scheme investing predominantly in equity and equity related instruments) is suitable for investors who are seeking*:**

- Long term wealth creation solution
- A balanced fund aiming for long term capital appreciation and current income by investing in equity as well as fixed income securities

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

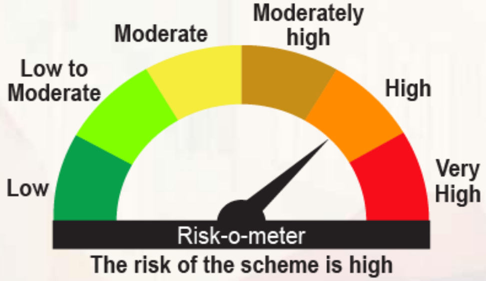



**ICICI Prudential Dynamic Asset Allocation Active FOF (Erstwhile ICICI Prudential Asset Allocator Fund (FOF)) (An open ended Fund of Funds scheme investing dynamically in units of active equity and debt oriented schemes) is suitable for investors who are seeking*:**

- Long term wealth creation
- An Open-ended Fund of Funds scheme investing dynamically in units of active equity and debt oriented mutual fund schemes.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

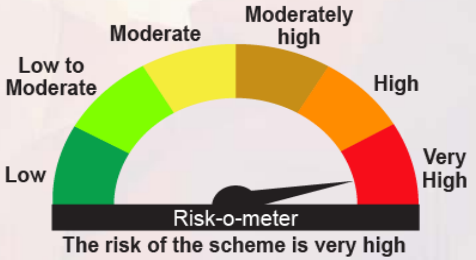
Investors may please note that they will be bearing the recurring expenses of the relevant fund of funds scheme in addition to the expenses of the underlying schemes in which the fund of funds scheme makes investment.




**ICICI Prudential Flexicap Fund (An open ended dynamic equity scheme investing across large cap, mid cap & small cap stocks) is suitable for investors who are seeking*:**

- Long term wealth creation
- An open ended dynamic equity scheme investing across large cap, mid cap and small cap stocks

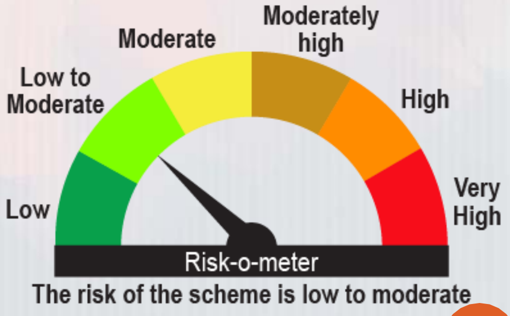
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




**ICICI Prudential Equity Savings Fund (An open ended scheme investing in equity, arbitrage and debt) is suitable for investors who are seeking*:**

- Long term wealth creation
- An open ended scheme that seeks to generate regular income through investments in fixed income securities, arbitrage and other derivative strategies and aim for long term capital appreciation by investing in equity and equity related instruments.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

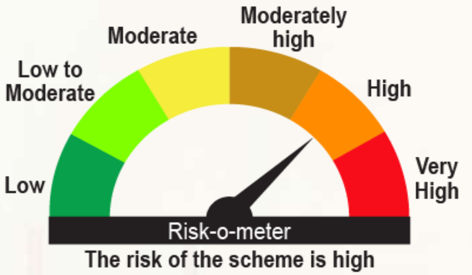


# Riskometers

**ICICI Prudential Regular Savings Fund (An open ended hybrid scheme investing predominantly in debt instruments) suitable for investors who are seeking*:**

- ❑ Medium to long term regular income solution
- ❑ A hybrid fund that aims to generate regular income through investments primarily in debt and money market instruments and long term capital appreciation by investing a portion in equity.

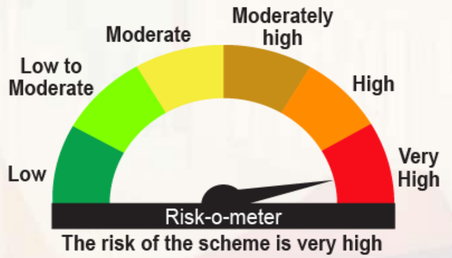
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




**ICICI Prudential Value Fund (Erstwhile ICICI Prudential Value Discovery Fund) (An open ended equity scheme following a value investment strategy.) is suitable for investors who are seeking*:**

- ❑ Long term wealth creation
- ❑ An open ended equity scheme following a value investment strategy

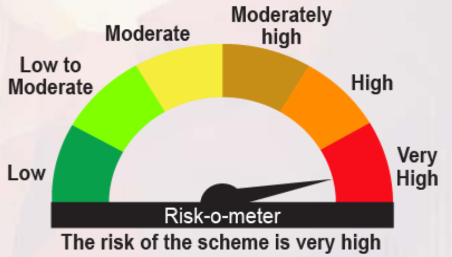
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




**ICICI Prudential India Opportunities Fund (An open ended equity scheme following special situations theme) is suitable for investors who are seeking*:**

- ❑ Long Term Wealth Creation
- ❑ An equity scheme that invests in stocks based on special situations theme.

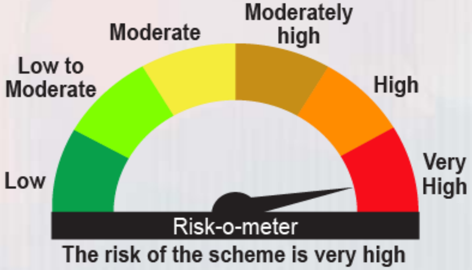
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




**ICICI Prudential Business Cycle Fund (An open ended equity scheme following business cycles based investing theme) is suitable for investors who are seeking*:**

- ❑ Long term wealth creation
- ❑ An equity scheme that invests in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



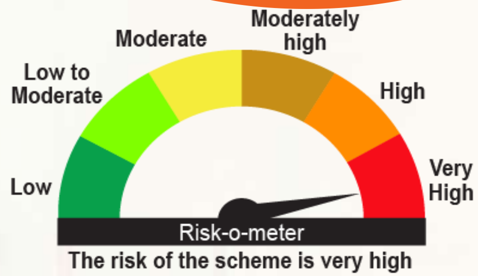
# Riskometers

**ICICI Prudential Diversified Equity All Cap Active FOF (An open ended Fund of Funds scheme investing predominantly in the units of diversified domestic active equity-oriented schemes based on varied market caps) is suitable for investors who are seeking*:**

- ❑ Long term wealth creation
- ❑ An open ended Fund of Funds scheme investing predominantly in the units of diversified domestic active equity-oriented schemes based on varied market caps

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

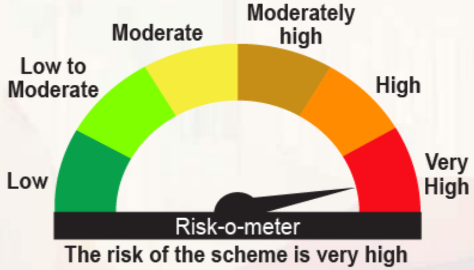
Investors may please note that they will be bearing the recurring expenses of the relevant fund of funds scheme in addition to the expenses of the underlying schemes in which the fund of funds scheme makes investment.




**ICICI Prudential Multicap Fund (An open ended equity scheme investing across large cap, mid cap, small cap stocks) is suitable for investors who are seeking*:**

- ❑ Long Term Wealth Creation
- ❑ An open ended equity scheme investing across large cap, mid cap and small cap stocks.

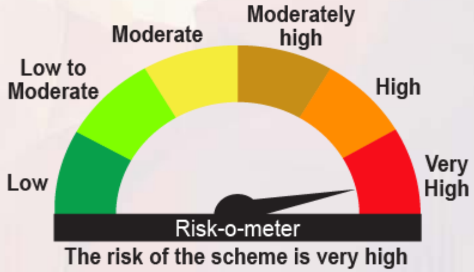
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




**ICICI Prudential Active Momentum Fund (An open ended equity scheme following momentum theme) is suitable for investors who are seeking*:**

- ❑ Long Term Wealth Creation
- ❑ An open ended equity scheme investing in equity and equity related instruments of companies reflecting momentum factors.

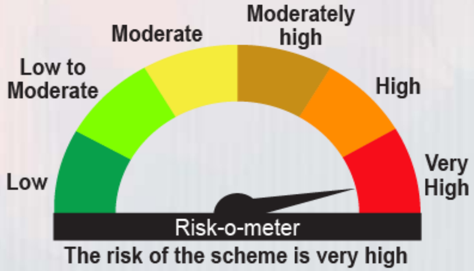
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




**ICICI Prudential Dividend Yield Equity Fund (An open ended equity scheme predominantly investing in dividend yielding stocks) is suitable for investors who are seeking*:**

- ❑ Long term wealth creation
- ❑ An open ended equity scheme that aims for growth by primarily investing in equity and equity related instruments of dividend yielding companies.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them




Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis as per SEBI circular on Product Labeling in Mutual Fund schemes - Risk-o-meter. The above riskometers are as on May 31, 2026. Please refer to https://www.icicipruamc.com/news-and-updates/all-news for more details.

# Disclaimer

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

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