



STAYING THE COURSE THROUGH MARKET TURBULENCE

Staying the Course Through Market Turbulence

If March had a theme, it was this: markets stumbled not because fundamentals weakened, but as global conditions became more uncertain.

The flare-up in West Asia quickly spilled beyond oil. Shortages of helium, sulphur and gas normally invisible to investors suddenly mattered. Crude crossed USD 100, shipping risks rose, and inflation worries made an unwelcome comeback. Confidence slipped, and markets followed.

Equities corrected globally and India felt the pressure. Foreign investors pulled money out, the rupee weakened, bond yields inched higher, and stocks across large, mid and small caps ended the month lower. It was a reminder of how quickly global uncertainty can travel.

Policymakers moved to cushion the impact. Fuel excise cuts helped limit pain at the pump, and the RBI's borrowing plan brought some calm to bond markets. Still, clarity remained elusive.

The brighter note lay at home. GST collections were strong, industrial activity improved, and domestic investors stayed engaged. Growth expectations have cooled to 6.5-7.1%, signalling prudence, not panic.

In uncertain times, the message is simple: stay diversified, stay disciplined and stay invested with perspective.

Source: Internal Research

EQUITY MARKET OUTLOOK

MOMENT OF THE MONTH:

Equity Market Outlook

Moments of the Month:

■ Conflict Upgrades into War

Iran retaliated on the attacks by Israel & USA by launching offensive not only on Israel but also on various American military bases in neighbouring countries. Many among the top leadership of Iran have been killed in attacks but Iran is responding fiercely. Iran's attack on Gulf countries expanded from USA's military bases to oil & gas fields n refineries in response to Israel's attack on Iran's oil & gas fields. The war has led to air space closures with major disruption for

commercial flights. Iran has used its natural advantage of control over the Hormuz strait by ordering a closure for ship movements. The Strait carries nearly 20% of global energy (oil & gas) consumption and this blockade has led to serious implications for global economic activities as curtailed supplies and escalation in prices have hurt economies across the globe.

■ **Oil is not the only disruption! So is helium, sulphur, etc.**

The West Asia conflict has disrupted critical industrial inputs such as **helium and sulphur**, exposing hidden vulnerabilities in global supply chains. Qatar accounts for nearly 1/3rd of global **helium** supply, has seen production shut due to LNG facility outages tightening supplies for **semiconductors, medical imaging and advanced manufacturing**. **Sulphur**, a key by-product of refining and essential **for fertilisers and chemicals**, has also faced sharp supply cuts, raising risks of **fertiliser inflation and food-price pressures**.

■ **Mr. Trump indicates de-escalations in Iran**

The West Asia conflict continues for the month, keeping the Strait of Hormuz under partial disruption through selective access, higher war-risk premia and tanker attacks. While the US has signalled a possible **military exit within 2-3 weeks**, the absence of a ceasefire continues to keep global risk sentiment fragile and commodity markets volatile.

■ **India softens blow on consumer:** The government **cut** special additional **excise duty on petrol and diesel by ₹10 per litre** each, lowering petrol excise to ₹3/litre and eliminating it on diesel, to shield consumers and oil marketing companies from surging crude prices amid the West Asia conflict. The relief, however, comes at a significant fiscal cost for the Centre, with estimated revenue foregone of ~₹1.7 lakh crore on an annualised basis. Export duties on diesel and Aviation Turbine Fuel (ATF) has been imposed to reduce the hit. Additionally, **ATF price hike** for domestic travel has risen by **only 8.5% versus expected 115%**.

● **India FY27 GDP growth to moderate:** Looking ahead to FY27, rating agencies and banks project a moderation in real GDP growth to the 6.5-7.1% range. ICRA has forecast 6.5%, lower than the previous estimate of 7.1%, citing elevated energy prices, potential supply disruptions from West Asia, and a wider current account deficit as key dampeners, even as lower GST rates, policy rate cuts, and farm sector support bolster consumption.

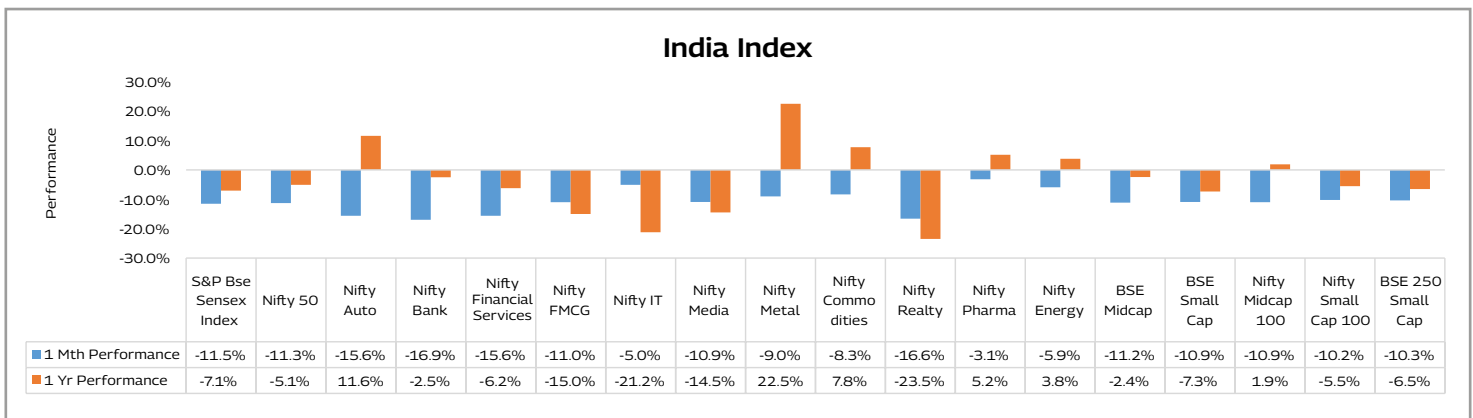
Source: Bloomberg

WHO MOVED MARKETS

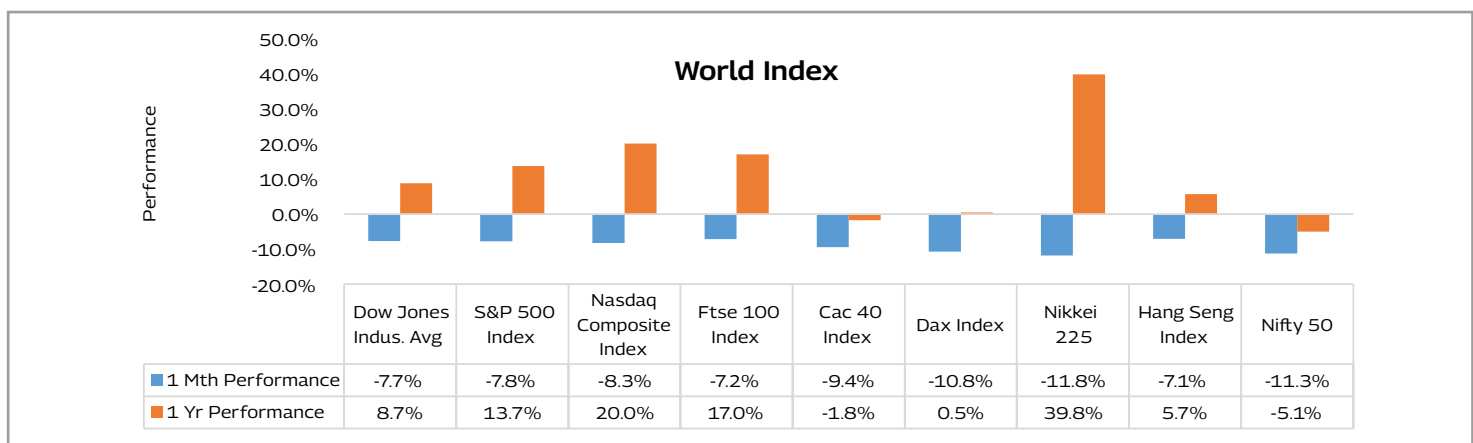
■ Foreign Portfolio Investors (FPIs) sold worth \$13bn in the month of March'2026 driven by West-Asia war and rising crude prices.

Source: Bloomberg

MOVERS & SHAKERS



Source: Bloomberg; Data as of March 2026; Performance - Absolute returns. Past performance may or may not be sustained in future.



Source: Bloomberg; Data as of March 2026; Performance - Absolute returns. Past performance may or may not be sustained in future.

PERFORMANCE SNAPSHOT OF SECTORAL INDICES - MONTH ON MONTH

Indices	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Nifty 50	6.3	3.5	1.7	3.1	-2.9	-1.4	0.8	4.5	1.9	-0.3	-3.1	-0.6	-11.3
Nifty Midcap 100	7.8	4.7	6.1	4.0	-3.9	-2.9	1.4	5.8	2.0	-0.9	-3.4	1.2	-10.9
Nifty Small Cap 100	9.5	2.2	8.7	6.7	-5.8	-4.1	1.9	4.7	-3.0	-0.6	-4.7	0.3	-10.2

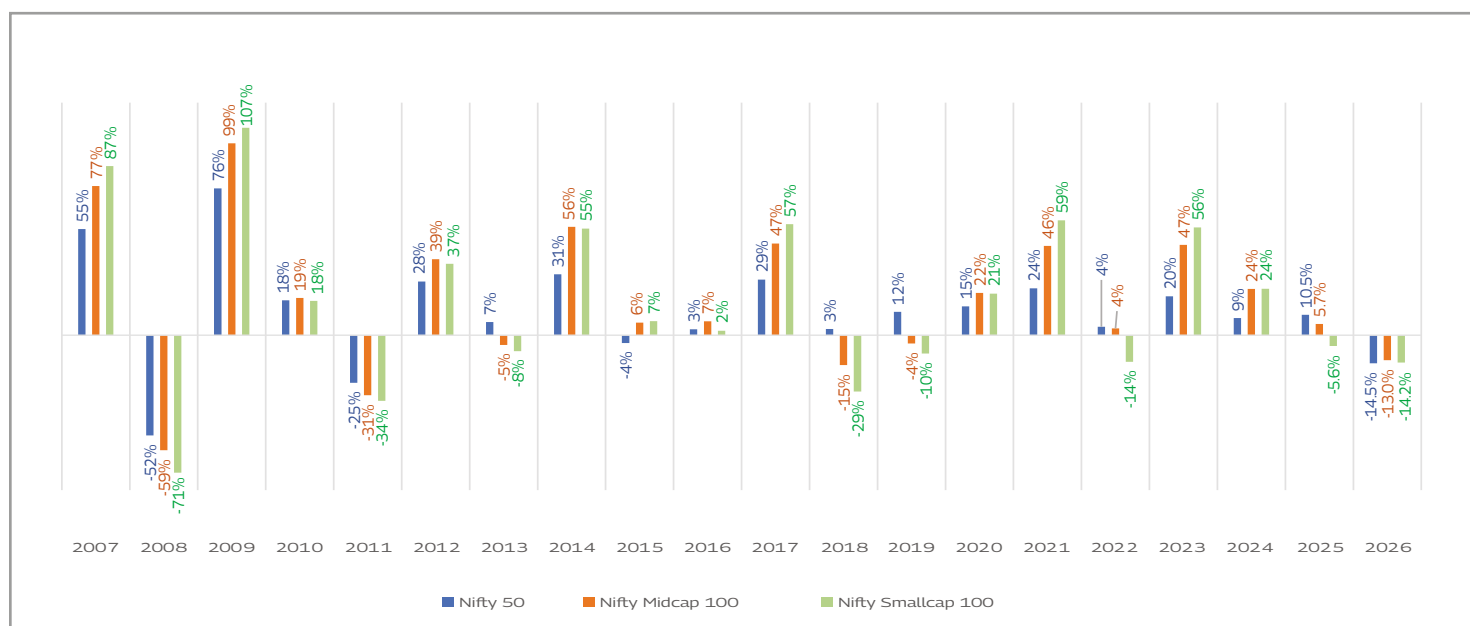
Note - Green highlighted cells represent highest returns amongst the 3 indices provided above; Orange highlighted cells represent lowest returns amongst the 3 indices for the respective month end periods. Returns have been calculated on Absolute basis for respective month end periods beginning March 2025 until March 2026. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/ Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. **Past performance may or may not be sustained in future.** Source: Bloomberg Data as of March 2026 Data during the period of March 2025 to March 2026.

Source: Bloomberg Data as of March 2026

Indices	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Nifty Auto	3.9	4.8	4.6	2.3	-0.9	5.5	6.3	1.0	3.6	1.5	-5.1	5.3	-15.6
Nifty Bank	6.7	6.8	1.2	2.8	-2.4	-4.1	1.8	5.7	3.4	-0.3	0.0	1.5	-16.9
Nifty Financial Services	8.9	4.1	1.5	2.5	-1.9	-4.1	1.8	4.3	2.8	-1.0	-1.0	2.0	-15.6
Nifty FMCG	5.7	5.3	-2.1	-0.7	1.7	0.6	-2.5	2.7	-1.1	-0.2	-7.7	-0.1	-11.0
Nifty IT	-1.2	-3.0	4.3	4.4	-9.4	-0.3	-4.3	6.1	4.7	1.3	0.4	-19.5	-5.0
Nifty Metal	10.6	-5.6	7.1	3.7	-2.6	-1.4	9.6	5.7	-3.0	8.5	5.9	3.5	-9.0
Nifty Realty	6.7	4.1	7.2	3.9	-7.5	-4.6	-0.4	9.2	-4.7	-2.8	-10.8	-0.3	-16.6
Nifty Pharma	6.7	3.0	-1.5	2.8	3.3	-4.2	-1.6	3.4	3.7	-1.2	-4.4	5.7	-3.1
Nifty Energy	11.8	2.0	4.8	1.9	-4.0	-4.2	4.0	3.6	-2.0	-0.6	-0.5	5.4	-5.9

Note - Cells highlighted in green colour represents top 2 performers and the orange highlighted cells represent bottom 2 performers amongst the indices covered above for the respective months. Returns have been calculated on Absolute basis for respective month end periods beginning March 2025 until March 2026. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/ Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. **Past performance may or may not be sustained in future.** Data during the period of March 2025 to March 2026.

MARKET CAPITALIZATION - PERFORMANCE SNAPSHOT



Source :- MFI, 31st March 2026 YOY- Dec

Data period: January 1, 2007, till March 2026. Returns are absolute returns (1 year) calculated as of the last business day of every calendar year end. Past performance may or may not be sustained in future.

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BOND AND MONEY MARKET

Parameters	30-Mar-26	27-Feb-26	31-Mar-25
RBI Repo Rate %	5.25	5.25	6.25
5Y AAA PSU %	7.57	7.20	7.18
1 year CD %	7.19	6.91	7.25
10Y Gsec %	7.04	6.66	6.58
CPI (%)	3.21	2.74	3.56
IIP (YoY) %	5.20	5.10	3.90
US 10Y %	4.35	3.94	4.21
Dollar Rupee	94.83	90.98	85.46

Source: Bloomberg; Data as on March 30, 2026

THE FIXED INCOME GLANCE

- Global financial markets turned volatile during March as the West Asia crisis escalated into a direct conflict involving the US, Israel, and Iran. The closure of the Strait of Hormuz and the absence of any clear de-escalation timeline disrupted energy supply chains and heightened uncertainty across asset classes. While India remains relatively resilient, it may not be immune to these global spillovers.
- Crude oil prices surged sharply during the month, while gas supply disruptions raised concerns over higher inflation and weaker growth. Firm oil prices exerted upward pressure on bond yields, with the Indian 10-year benchmark government bond rising from 6.70% last month to close March at 7.03%.
- The RBI announced the H1FY27 borrowing calendar, with the government planning to complete 51% of its gross borrowing in the first half of the year, better than expectations and lower than 54% in H1 last year. This could help limit near-term supply pressure in the government bond market.
- The Indian Rupee weakened meaningfully amid global risk aversion and higher oil prices, depreciating from 91.26 to 93.47 against the US dollar over the month. Domestic liquidity conditions tightened due to year-end effects and advance tax outflows, leading to a 40–50 bps rise in money-market rates across maturities up to one year. Globally, US Treasury yields also moved higher, with the 10-year US yield rising by about 26 bps to close at 4.31%.
- On the macro front, India transitioned to the new 2024 Consumer Price Index (CPI) base series. February 2026 CPI inflation printed at 3.2% compared to 2.74% previously, reflecting changes in coverage and weightings aimed at improving representativeness. Rupee weakness and elevated oil prices pose risks to India's current account and fiscal balances. While retail fuel prices have largely been kept unchanged through excise duty cuts, selective increases—such as in commercial LPG—may still add to inflationary pressures.

Source: RBI

WHAT NEXT?

Economy Check
India Economy

- GST collections for March boosted by imports:** India's gross GST collections crossed ₹2.0 lakh crore in March 2026, rising 8.8% YoY, marking one of the strongest month-end prints and a robust close to FY26. Growth was driven by a sharp **17.8% YoY surge in import-related GST**, while **domestic GST revenues grew a steady 5.9%**; after refunds of ₹22,074 crore, net GST collections stood at **~₹1.78 lakh crore, up 8.2% YoY**.

- IIP grew by 5.2% yoy in Feb 2026 vs 4.8% in January 2026 indicating pickup in activity. Manufacturing output rose 6% YoY, while mining and electricity increased by 3% and 2.3% respectively. Infrastructure & construction goods remained the strongest use-based segment with a robust 12% YoY rise, while consumer non-durables contracted 0.6%YoY.
- CPI rose 3.2% YoY in February up 47bps from a softening 2.75% in January 2026.** Food inflation increased to 3.47%, while housing inflation printed at 2.12%, indicating broad-based price stability across categories. However, going forward as 100\$ oil prices flows through the system the CPI would rise from current levels.

Source: Internal Research

Markets

- We believed that February was eventful, but March has been worse with conflicting news flows on West Asia War from Trump and Iran camps. Markets have ended in the red with all indices down. Nifty, Mid and Small cap indices ended down 11.3%, 10.9% and 10.3% respectively.
- India Q4 result season is about to begin and the commentary on Q1 will be the most watched as disruptions on raw material and cost pressures will determine Fy27 earnings growth and upgrade/downgrade to street estimates.
- Global markets have fallen across the board in March. US indices down 7.8% with Nasdaq down 8.3% and the European markets down 7-11%. Asian markets also had a sell off as all are energy dependent. Japan down 11.8%, Hangseng down 7% and Korea down 18% for the month.
- Among the Nifty sectoral indices, Nifty Pharma and Nifty IT was the best performing while Nifty Bank and Realty being the worst performing for the month.
- Domestic Flows: Active equity funds flows up 8% MoM to ₹26000 Crore. Gross SIP flows in February 2026 was down marginally at ₹28000 Crores. Mid & Small-Cap inflows was strong at ₹4000Cr and ₹3880Cr respectively.

Source: Bloomberg Data as of March 2026

Outlook

- Global equity markets have been hit by the West Asia conflict that completed 32 days as on March end. The core dimensions of conflict spans from the humanitarian impact in Iran to wider economic implications of supply disruption due to damages to oil & gas infrastructure as well as impact of blockade of Hormuz Strait by Iran. The blockade has led to a drastic fall in ships & tankers flowing out of the area and that has disrupted not only the oil & gas supply chain but also of the other by-products that have a linkage to oil & gas production. Primary being fertilisers (food) & helium (technology), among many other things. The restoration challenges (cost & time) for the impacted Oil & Gas fields will be known only once conflict is over. The resumption of supplies (post conflict) has its own logistics challenges as the duration of the crisis has made lot of countries end up consuming the oil & gas in storage and the transit time can't be compressed by adding new ships in a very short term. Quite a few countries globally have resorted to energy saving and rationing options like work from home, flights cancellation, petrol-diesel curbs etc.
- India has some advantages primarily being a neutral country and hence we have been able to procure oil via hormuz strait, courtesy approval from Iran. In addition, India is the nearest economy in terms of shipping time from Strait of Hormuz. This allows not only a faster delivery of energy but also a quicker velocity in terms of shipment. On crude oil, USA allowed India to buy Russian oil for 1 month and Government has been able to secure 60 mn barrels. India imports nearly 5 mn barrels per day of which 2 mn comes via Hormuz. So Russian oil has helped for now in supply security though at a price. Russian crude which used to trade at a discount to Brent has started quoting at premium. In absolute terms, India's cost may have gone up by 50\$ per mn barrel. While paying higher prices to ensure fuel security is a very good decision to support economy the cost implication can hurt at some stage if situation remains same.
- A bigger challenge to India is on sourcing of LPG. LPG is widely used by Indian households for cooking and many MSME units (restaurants, manufacturing, services etc). Near term solution is always to ensure supply at any price from alternate sources while medium term solution is to look for alternate fuels. Trying to shift from LPG to LNG as a fuel has been identified as a key medium-term priority and we expect future policy actions on that front. However, actual rollout and benefits have their own time cycles.
- Fortunately, India has a very high share of coal usage in electricity as well as industries based on Thermal Coal for which we have abundant resources. This energy crisis has potential to push for higher coal based power as well as industrial application as energy security would take precedence over environmental concerns seen over coal usage.
- As India's overall import bill rises due to higher payouts on Oil & Gas as well as Fertilisers, the immediate impact has been felt on INR. March month saw a sharp depreciation in INR as actual outflows (FPI selling & higher energy prices) and perceived outflows based on energy prices movement and time for normalcy. While we write this, USA & Iran both seem to have their own terms for a ceasefire and an immediate resolution looks tough to predict. President Trump had set April 6th as deadline for Iran to open up Hormuz strait for safe movement of Ships & tankers while Iran is not willing to agree. USA has threatened a ground invasion post 6th April deadline.
- The global economic and financial markets outlook has turned weaker with this conflict. From financial market perspective, fears of Higher inflation expectations (energy prices), Economic contraction (Energy shortage) and higher fiscal deficit in USA (for financing conflict) has led to higher yields on US Govt bonds (10 and 30 years). Globally, for the elevated equity valuations, higher bond yields is an additional headwind over and above the scare of contraction in economy.

- In troubled times, we usually look to history for a guide and thankfully, history has evidence that once the uncertainties created by military conflicts are reduced/cleared the rebound in economic activities and equity markets makes its own sharp and swift moves. So for now, it makes sense to monitor the outcome of conflict as well as try and identify medium term beneficiaries in terms of sectors & companies.
- We believe asset allocation remains key for investors in their journey of wealth creation despite the uncertainties. The allocation is applicable to both equity as an asset class as well as choice of market capitalization within equities. From investors perspective, we continue to believe that an aggregate large cap offers better value and margin of safety as compared to micro caps & small caps & mid-caps. The risk to large caps remains in further selling by FPI's as they primarily own large caps.
- Investors with near-term objectives or low risk appetite may opt to prefer Equity Hybrid Funds or multi asset allocation funds. Investors with a longer-term horizon may continue to remain invested with fresh equity allocation towards large caps.

Source: Internal Research

SUMMARISING OUR THOUGHTS



- The ongoing conflict is likely to keep markets volatile. Sustained high oil prices could widen India's current account deficit towards 2%, though this remains significantly lower than the 4.8% seen in 2013, highlighting improved macro resilience.
- The H1 borrowing calendar could help moderate supply pressure and provide some support to bond markets.
- With inflation risks tilted upward, the 10 year benchmark yield may drift higher before offering a possibility of more attractive entry point.
- We expect spreads between State Development Loans (SDLs) and central government securities to compress, alongside gradual flattening between the 10 year and 30 year segments.
- Despite RBI's supportive measures, pressure on the Rupee may continue to persist until geopolitical tensions ease.

Source: Internal Research

From the CIO Desk...



Mr. Krishna Sanghavi
CIO - Equity



Mr. Rahul Pal
CIO - Fixed Income

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