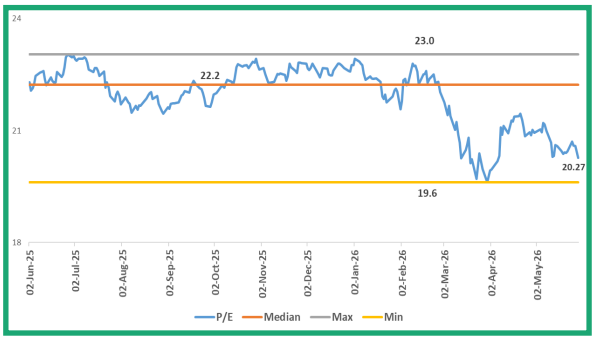
Monthly Market Wrap

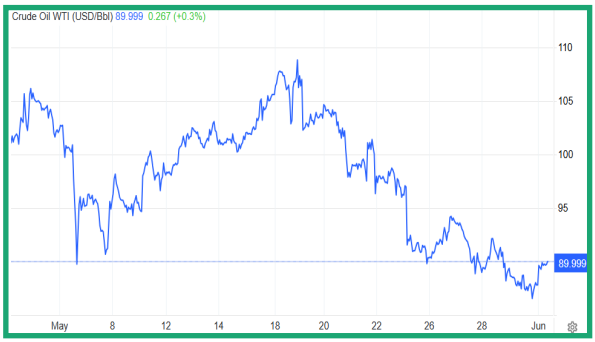
May 2026

NIFTY 50 P/E



Source: Nifty Indices, GEPL Capital

Crude Oil



Source: Trading Economics

Bond Yield

Source: Trading Economics

USD/INR

Source: Trading Economics

- **INDEX MOVEMENT**

⇒ Nifty traded within a narrow 1,219-point range during May, its smallest monthly range since December 2025, reflecting a lack of strong directional momentum. The monthly chart formed a bearish candle with shadows on both sides, indicating market indecision.

⇒ While lower crude oil prices, a weaker DXY, easing USD/INR, and softer bond yields continue to support the macro setup, equities are yet to witness a decisive breakout. Investors may continue to adopt a "Buy on Dips" approach as long as Nifty holds above 22500, with potential upside towards 26300.

- **CRUDE OIL MOVEMENT**

⇒ Brent Crude witnessed a breakout from a falling wedge pattern during the March series, followed by a strong rally in April. However, momentum faded in May, with prices slipping below the $95 mark, indicating a loss of bullish strength. On lower timeframes, crude continues to trade below its key moving averages, reflecting a weak near-term price structure.

⇒ Despite the recent softness, the broader trend remains constructive as long as Brent Crude holds above the critical support zone of $86. A decisive break below this level could further weaken the bullish outlook and signal a deeper correction.

- **INDIA BOND YIELD MOVEMENT**

⇒ The Indian 10-year yield is approaching a critical breakout zone near the long-term descending trendline drawn from the 2013 swing highs.

⇒ A sustained move above 7.10% could confirm a multi-year breakout, potentially triggering a medium-term rise toward 7.25%–7.40%. Until such a breakout occurs, the yield is likely to remain range-bound around 6.80%.

- **CURRENCY (USD/INR) MOVEMENT**

⇒ USD/INR touched a record high near 96.96 during May but eventually formed an indecisive Doji candlestick on the monthly chart, indicating a pause in the prevailing uptrend. With the RBI's intervention, the pair may witness a near-term pullback towards the 94 zone.

⇒ However, the broader trend remains positive as long as USD/INR holds above the crucial support level of 92.50. Sustaining above this level would keep the overall bullish structure intact despite any short-term corrective move.

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ACTIONABLE POINTERS

⇒ From a trading strategy perspective, short-term traders are advised to continue adopting a "Buy on Dips" approach as long as the index holds above the 22500 mark, with upside potential extending towards the 26300 level.

⇒ The March quarter earnings season was not strong enough to turnaround the market narrative. Nifty 50 EPS grew at a modest rate of ~5% in FY26, leading to a sharp underperformance compared to previous year.

⇒ While frontline indices are under pressure, selective midcap and smallcap stocks continues to showcase resilience.

⇒ Investors should keep a close watch on the upcoming RBI MPC meet for repo rate, inflation targets, and GDP growth forecasts. Further, agri yields should be impacted in the coming months due to the El Nino conditions in India, resulting in a monsoon 10% below the Long Period Average (LPA).

Sectoral View

⇒ Sectors showing structural resilience, includes Defense, Energy, and AI-led technology. AI-led capex by global hyperscalers is projected to cross $700 billion in 2026, which may present surprises in the tech sector.

⇒ In the BFSI sector, despite systemic credit growth holding above 15% for three consecutive months, the sector is under pressure. Deposit growth continues to lag behind credit demand, and margins are expected to be squeezed in FY27 .

⇒ Power demand in the month of May amidst the intense heatwave conditions. India's power consumption grew by 11.55% YoY to 164.98 billion units (BU). The peak power demand jumped to a record high of 270.82 GW.

Conclusion

Currently, the Indian economy is navigating a complex period where sustained domestic resilience is being challenged by significant external exigencies, including the protracted West-Asia crisis, a weakening rupee, and potential El Nino developments. While high-frequency indicators like record GST collections and strong PMI prints highlight a robust internal foundation, the sharp spike in wholesale inflation to 8.3% and the risk of a below-normal monsoon present immediate threats to price stability.

Ultimately, while short-term volatility is expected, India's long-term trajectory toward becoming the world's third-largest economy by 2031 remains a compelling anchor for investors to capitalize on market corrections.

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ECONOMIC UPDATES

⇒ The Cabinet approved key measures across agriculture, energy and infrastructure, including a record MSP outlay for the 2026–27 kharif marketing season, sources said. It cleared Rs 2.6 lakh crore for kharif MSP operations for 2026–27 to support farmers and ensure procurement of key crops at assured prices. It has also approved a Rs 37,500 crore incentive scheme for coal gasification to promote the conversion of domestic coal into gas, urea and other industrial chemicals, supporting energy security and reducing import dependence. Separately, it cleared Rs 20,665 crore for the Sarkhej-Dholera semi-high-speed double-lane corridor, aimed at enhancing connectivity and driving industrial growth in the region.

⇒ Fuel prices in India have cumulatively risen by about ₹7.5 per litre between May 15 and May 31, 2026, marking the first major increases in four years. The price revisions occurred over four distinct hikes to compensate for state-run Oil Marketing Companies' (OMCs) daily losses from elevated global crude oil prices.

⇒ The RBI had announced a $5 billion USD/INR buy-sell swap auction scheduled for May 26, 2026. With the rupee under pressure from rising crude prices, geopolitical tensions in West Asia and sustained foreign investor outflows, the central bank stepped in by selling dollars in the market to stabilise the currency. The swap auction witnessed strong participation, with the auction getting nearly two times oversubscribed.

⇒ The India Meteorological Department (IMD) has further downgraded its 2026 southwest monsoon forecast to 90% of the Long Period Average (LPA) from the earlier estimate of 92%, signalling below-normal rainfall across most parts of the country. If realized, this would mark India's driest monsoon in over a decade, primarily driven by the El Niño phenomenon.

GLOBAL INDEX PERFORMANCE

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INDEX	PRICE	52W H	52W L	1M % CHANGE
DOW JONES INDUSTRIAL AVERAGE	51,067	51,118	41,854	3%
NASDAQ	26,973	27,095	18,985	8%
HANG SENG	25,390	28,056	23,186	-3%
NIKKEI 225	66,755	67,231	37,321	11%
KOSPI	8,769	8,874	2,877	31%

FII & DII MOVEMENTS

(in Cr)	May-26	Apr-26	Mar-26	Feb-26	Jan-26
FIIs	-55,963	-70,135	-1,22,540	-6,641	-41,435
DIIs	82,669	51,064	1,42,960	38,423	69,221

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