Global markets rallied in June 2026 after the US and Iran signed a preliminary peace deal. The Sensex gained nearly 1,700 points (month on month) to close near 76,500. The Nifty gained 1.4% in June to close near 23,900. The Dow Jones gained 2.5%. Other leading markets, Nikkei (Japan), DAX (Germany), CAC (France), and FTSE (UK), were all in the green. However, tech stocks came under pressure towards the end of the month. Emerging markets underperformed versus developed markets in June 2026, apart from China. The Shanghai Composite gained 0.6% in June.

Market recovery was broad-based, with midcaps gaining 1%. The small-cap segment was the standout performer, gaining nearly 4%. Most industry sectors were in the green in June. Realty, financial services, healthcare, consumer durables, and automobiles outperformed the broad market index in June, while IT underperformed.

FII sell-off continued in June with Rs 49,300 crore of net sales of Indian equities. This is the 4th consecutive month when FIIs have been net sellers. In the first 6 months of CY 2026, FII have been net sellers for 5 months. Mutual funds continued to support the market with net inflows of Rs 53,000 crore.

Reserve Bank of India (RBI) kept the repo rate unchanged at 5.25% in the June MPC meeting. The Marginal Standing Facility Rate (i.e., the rate at which commercial banks can borrow emergency funds from the RBI overnight) also remains unchanged at 5.5%. RBI’s monetary policy stance is neutral, which means that the central bank is carefully balancing growth and inflation. The 10-year G-Sec softened by 25 bps to around 6.75%. The yield curve steepened with the 364-Day T-Bill yield falling by 47 bps to 5.66%. The 91-day T-Bill yield also softened by 26 bps. The INR ended almost flat against the US dollar in June 2026. Hawkish US Federal Reserve monetary policy stance led to a decline in precious metal prices versus the USD. Gold prices fell by nearly 10% in June, while silver prices fell nearly 15%. WPI Inflation spiked, and factory output (IIP) jumped in May 2026.

In the past, the market has seen V-shaped recoveries from a deep correction (e.g., post-2008, post-COVID recoveries). The market is waiting for global and domestic cues to break out of the current range. However, midcaps and small caps have been outperforming. Valuations seem reasonable at the broad market level. Nifty PE ratio is below thelong-term historical valuation. Valuations have also moderated considerably for large-cap and midcap stocks. Long-term investors may find current valuations attractive. In the long term, large, mid, and small-cap Indian companies are likely to benefit from the structural reforms made by the Government, e.g., Atmanirbhar Bharat, Make in India, Digital India, Atal Innovation Mission, Defence sector reforms, labour law reforms, etc. Investors should remain disciplined and continue to invest with long investment horizons.

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