

MONTHLY MACRO & MARKET INSIGHTS

APRIL-2026



Together for more

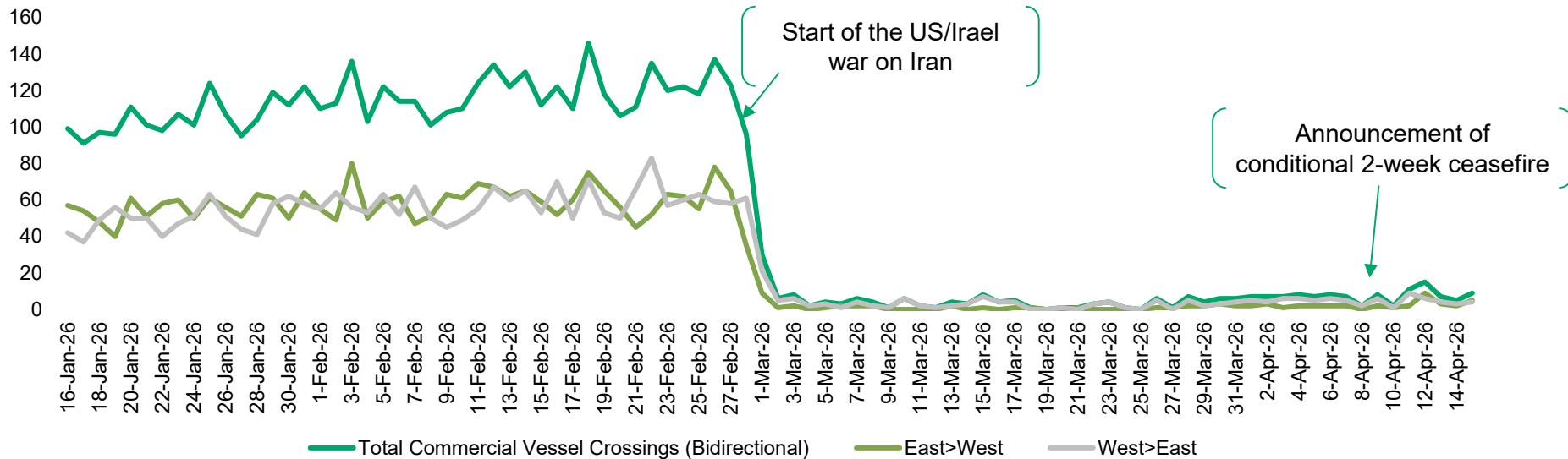
Current Key Events -

- ❑ US Iran war after leading global chaos for almost whole of March-26, has currently declared 2 weeks ceasefire giving some respite to the volatile global markets.
- ❑ During the conflict global bond yields elevated, currencies came under pressure, commodities like brent, fertilizers, natural gas witnessed price pressures.
- ❑ Brent prices which touched ~120\$/bl during peak crisis, has now softened to around 94\$/bl post the announcement of ceasefire.
- ❑ Shortage of Natural gas, fertilizers, crude etc led by supply side disruptions has affected global inflation dynamics, with major countries witnessing extreme price pressures.
- ❑ Gold prices too reflected extreme volatility, declining to 4500\$ during peak crisis and picked up back to ~4700\$ post ceasefire.
- ❑ RBI in April-2026 monetary policy meeting continued with a pause and retained the stance at neutral.
- ❑ RBI has projected GDP growth at 6.9% in FY27 vs 7.6% in FY26, whereas inflation is expected to be higher at 4.6% in FY27 vs 2.1% in FY26.
- ❑ INR post the ceasefire appreciated to ~92, after depreciating to around 95 during peak crisis.
- ❑ Central government plans to borrow 51% of its total FY27 budgeted gross borrowings in H1 FY27 vs 54% in H1 FY26.

Global Economy

The choke point!

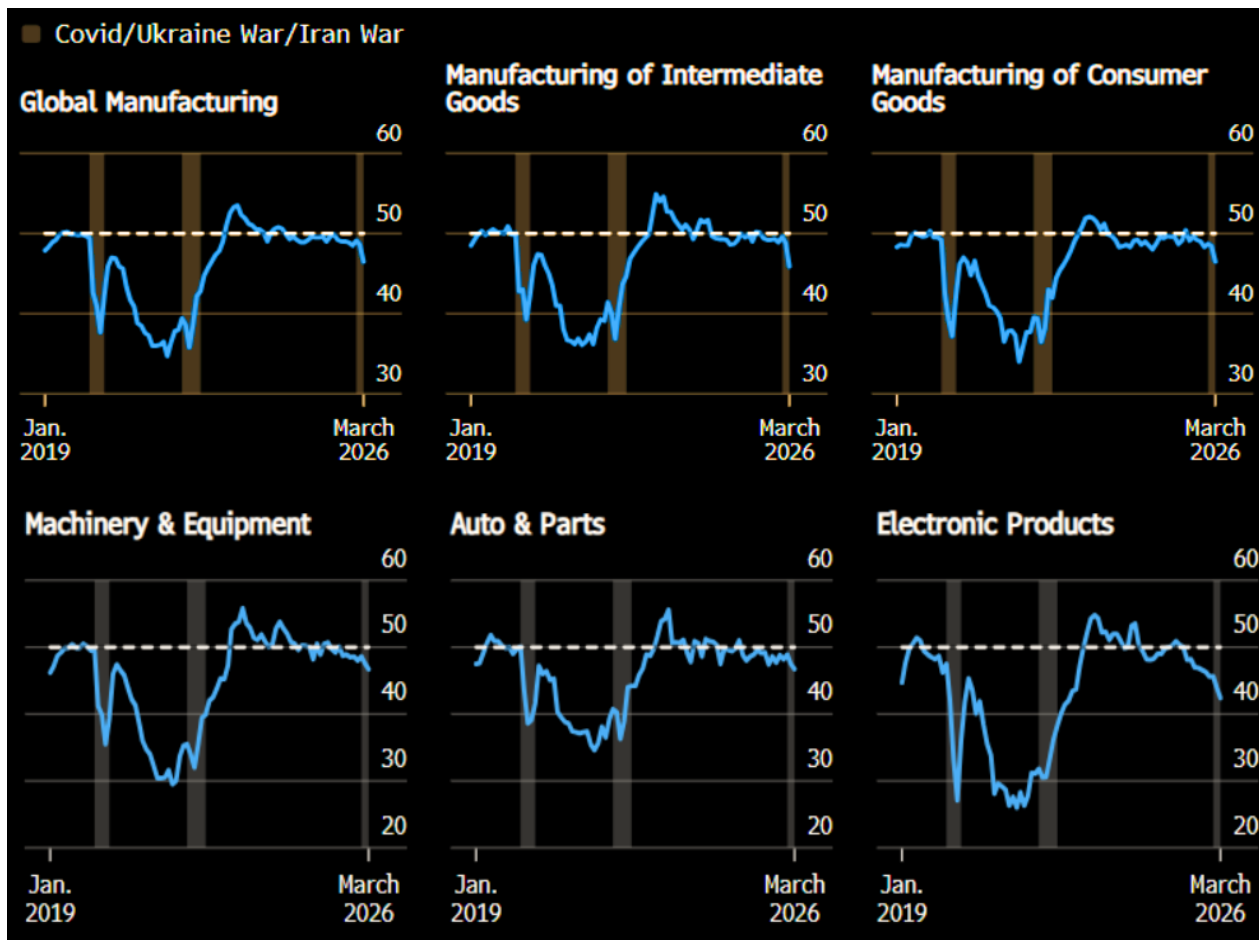
Vessel Passing through Hormuz!



- ❑ Commercial transits through the Strait of Hormuz, the world's most critical energy chokepoint, collapsed by more than 95%, plunging from a pre-war average of roughly 130 ships to single digits.
- ❑ Despite announcement of a ceasefire in mid-April, transit remains severely restricted owing to fears of sea mines and US led naval blockades.
- ❑ This has resulted in price spikes across sectors through 1. Supply disruptions and secondly through spillovers of high crude prices.
- ❑ In our view, the implication of this on global inflation will be felt but gradually, peaking in Q2 CY2026.

Shocks not limited to Energy Markets!

PMI subindex of suppliers' delivery time by sector

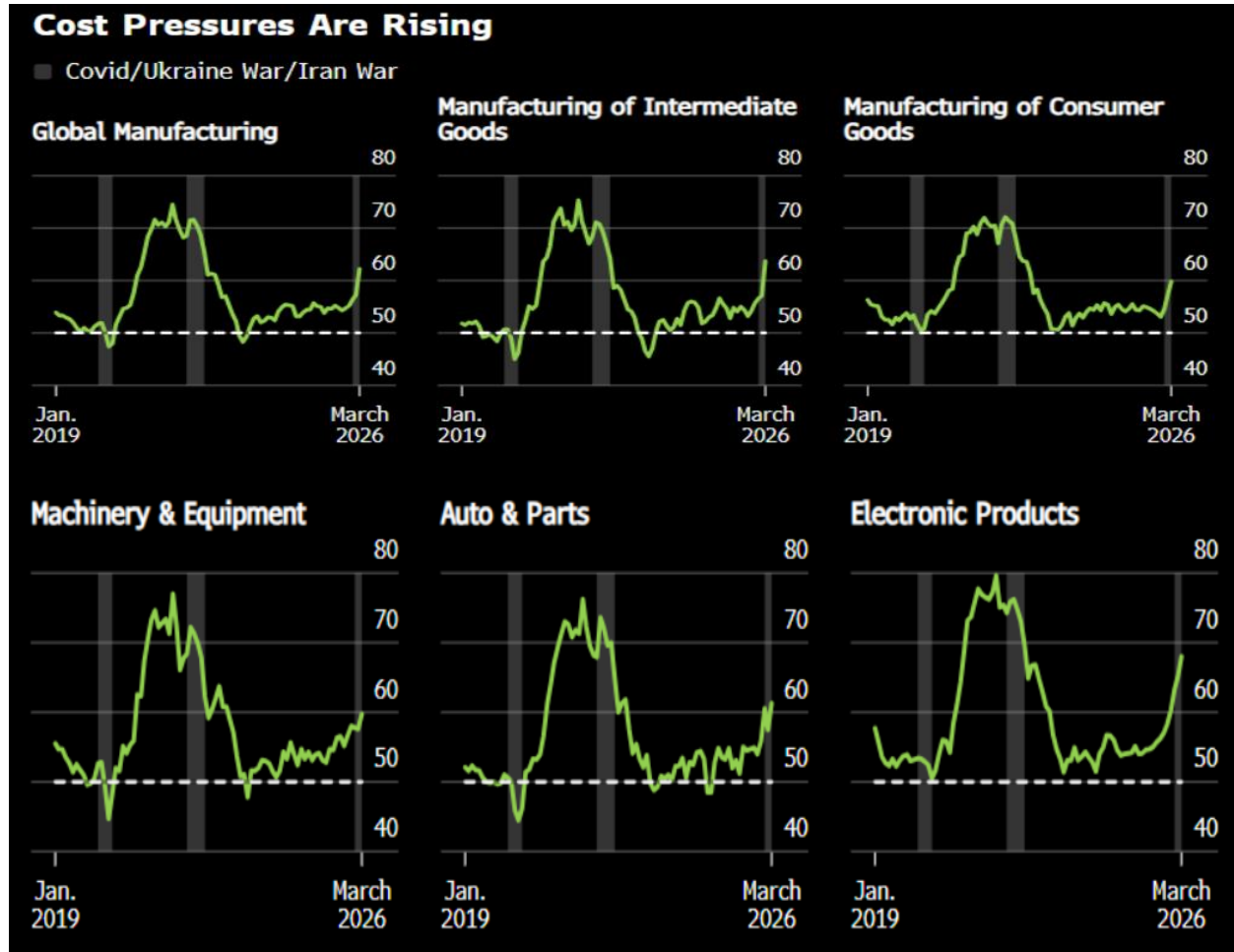


- ❑ Supply chain disruptions from Hormuz blockade have started showing up in global business surveys.
- ❑ PMI surveys in March point to longer delivery times and rising input costs, suggesting the fallout is spreading well beyond energy flows and prices.
- ❑ Manufacturing industries like electronic products & machineries are witnessing longer supply time.
- ❑ In our view, this will seep in global inflation through rising input cost prices as a stickier component.

The charts plot the PMI subindex of suppliers' delivery time by sector. A lower index indicates longer delivery times.

Building cost pressures

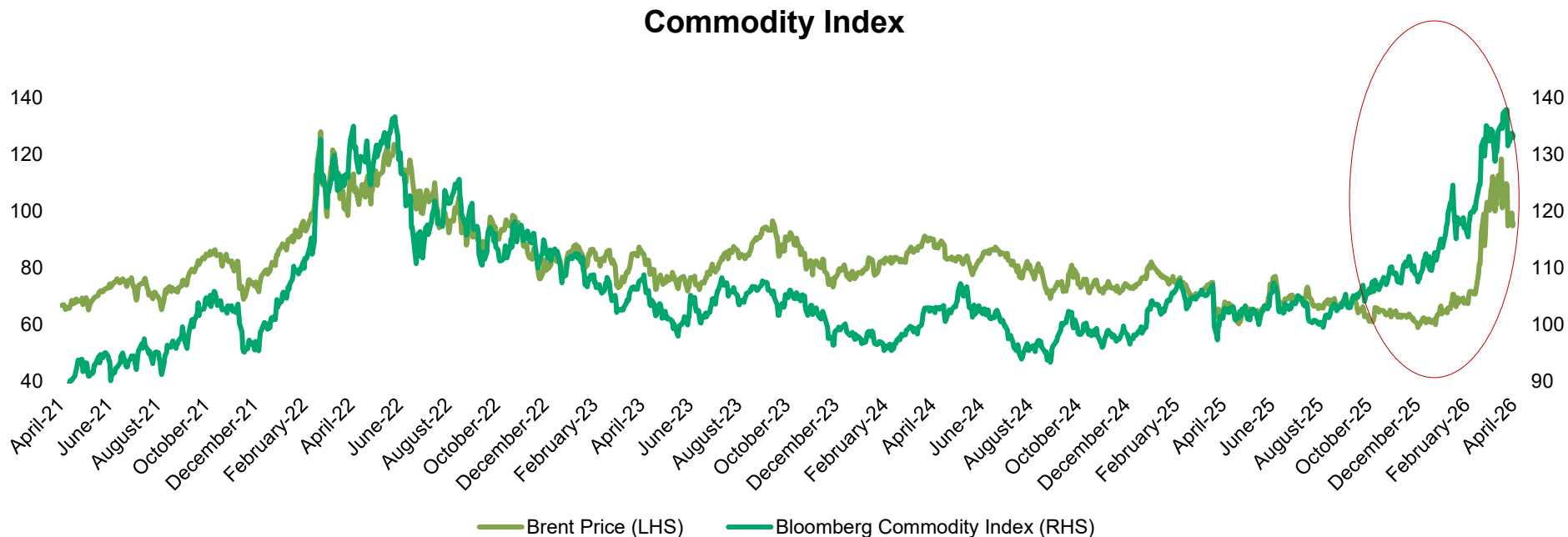
PMI subindex of Input cost by sector



- ❑ Price shocks were more pronounced than delivery disruptions, given the pervasive use of oil and related products in manufacturing.
- ❑ The survey reflects passing of these input cost shock to consumer goods.
- ❑ The implication of this is expected to be visible in wholesale prices and eventually in consumer inflation of countries.

The charts plot PMI subindex on input prices by sector. A higher index indicates rising prices

Commodity Index – Reflects space to transfer



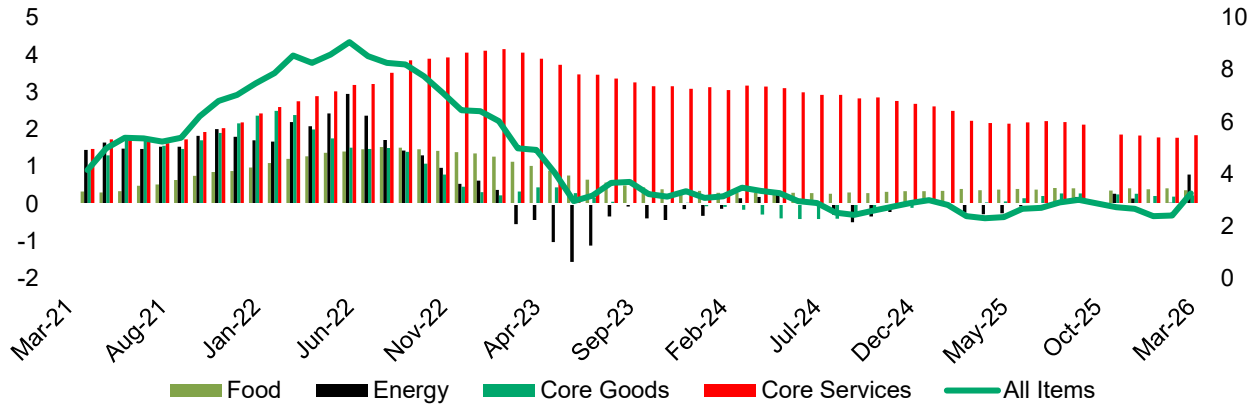
The above chart reflects –

1. The commodity index picked up since Oct-2025, even when the crude prices were lower and ranging between 60-65\$/bl. The rise was led by increase in metal prices.
2. Current crude shock is still not completely visible in the commodity index reflecting some space remaining for complete transfer of current crude shock.

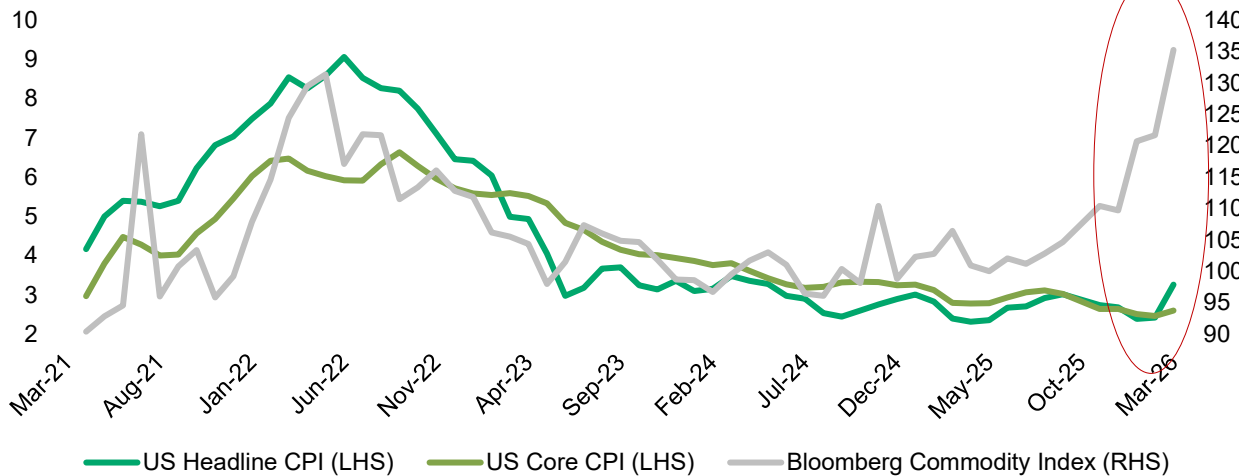
Therefore, we expect high energy costs to reflect with a lag in overall global inflation.

Inflation Headwinds!

US CPI - Transfer of Energy prices



Commodity Index and US CPI



- The chart depicts US headline inflation to pickup during oil shocks e.g. in 2021-2022.
- US Energy basket has begun to reflect higher oil prices.
- Commodity index is elevated reflecting higher metal prices and renewed crude shocks.
- We expect a pass through in US CPI starting Q2 CY2026.
- Elevated inflation as an outcome of war is expected to cloud rest of 2026.

Domestic Economy

RBI MPC April 2026 – A wait and watch approach!

- RBI in April-2026 monetary policy meeting decided to **continue with a pause on repo rate** and retained the **neutral stance**.

Key Policy Highlights –

- **Decision to pause aligns with volatile global backdrop** - To assess the intensity and duration of the conflict and accordingly anchor the policy.
- **Lower GDP estimate reflects the impact from the West Asia crisis** - Growth projected at 6.9% in FY27 vs 7.6% in FY26.
- **Shocks from high crude visible in CPI** - Inflation is expected to be higher at 4.6% in FY27 vs 2.1% in FY26.
- **Risk to GDP and Inflation remain – The projections** assumes crude at 85\$/bl, therefore any upside to crude prices can lead to further downside on growth and upside on inflation.
- **Weather conditions possess risk** - The evolving EL Nino conditions remains a key variable defining inflation.
- **RBI remains supportive on liquidity management** – RBI’s language on liquidity reflected expectations of proactive liquidity management.

RBI Inflation Estimates	FY27	Q1 FY27	Q2 FY27	Q3 FY27	Q4 FY27
February-2026 Policy	-	4.0	4.2	-	-
April-2026 Policy	4.6	4.0	4.4	5.2	4.7
RBI Growth Estimates	FY27	Q1 FY27	Q2 FY27	Q3 FY27	Q4 FY27
February-2026 Policy	-	6.9	7.0	-	-
April-2026 Policy	6.9	6.8	6.7	7.0	7.2

Our View

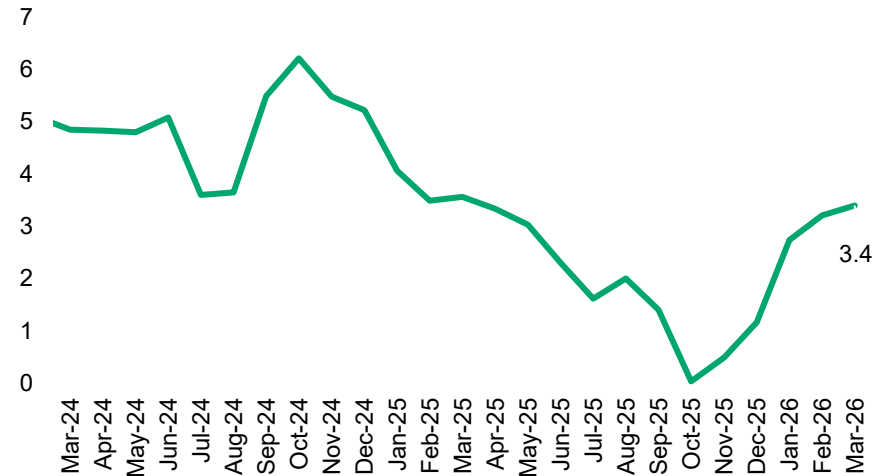
- ❑ **A dovish policy, with evident concerns on growth while still having some comfort on inflation.**
- ❑ **RBI’s reiteration on being supportive of liquidity reflects RBI being tilted towards growth.**
- ❑ **We also expect RBI to continue with prolong pause in CY2026.**
- ❑ **Policy to remain dependent on the evolving situation in the current geopolitical scenario.**
- ❑ **RBI expected to handle risks to currency through nonpolicy route.**

Source: RBI, Data as on April 08th , 2026

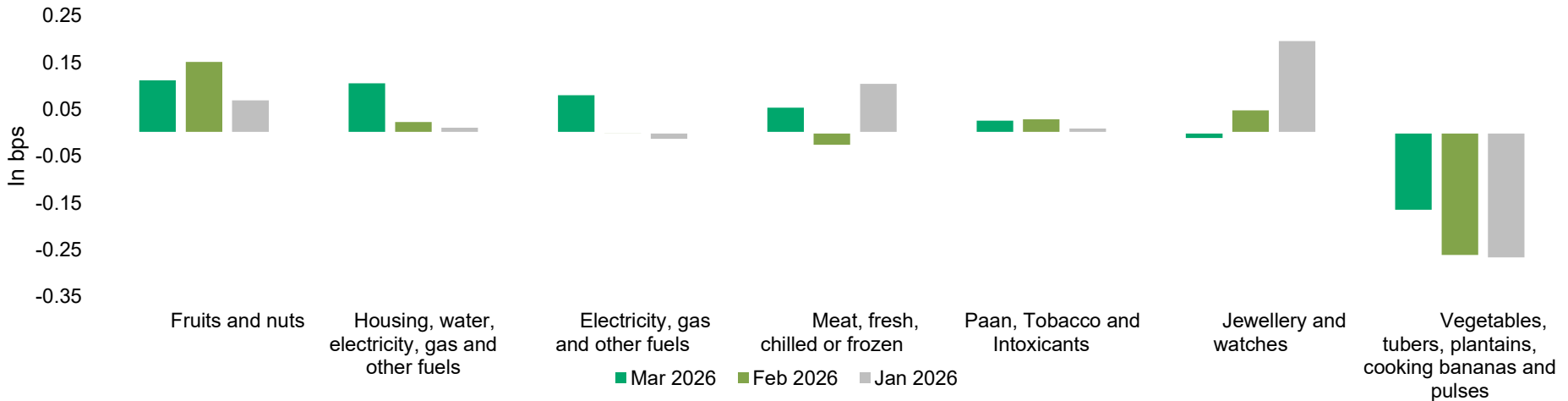
Domestic Inflation – Prone to upside risks

- March CPI rose marginally to 3.4% y/y vs 3.2% y/y in Feb-26 as food, fuel prices inched up.
- Core inflation was at 3.7% y/y in Mar-2026, vs 3.4% y/y in Feb-2026.
- On a sequential basis, headline CPI inched up by 0.26% m/m led by broad base increase in the basket prices.
- Price hikes of LPG and other levied taxes on Tobacco related items have also added to the sequential; momentum.

Headline Inflation YoY%



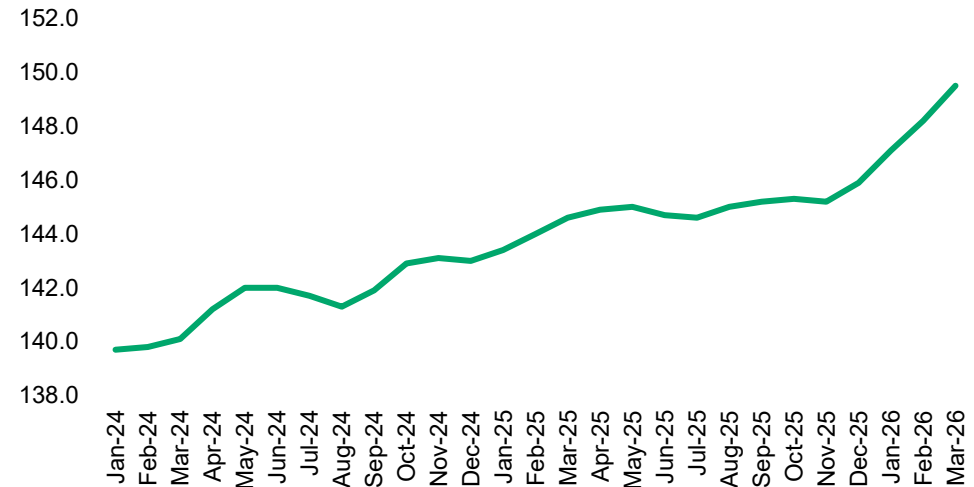
Top contributors/Offsetters to CPI



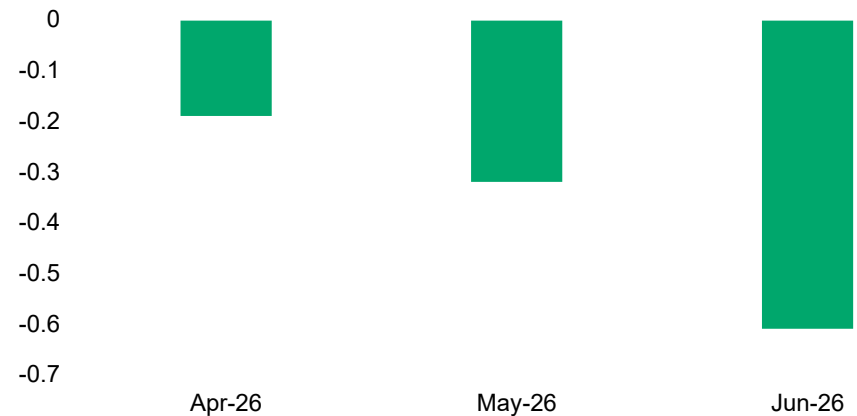
Domestic Inflation- Risks on the upside

- A flattish favorable base to continue in FY27.
- Transfer of airfares prices, input cost inflation in manufacturing products, LPG price hikes etc. will keep the headline inflation higher than the current sub 3.5% inflation trend to a sub 4% headline number.
- The key risk to domestic inflation
- CPI in Q1 and Q2 FY27 is expected to remain above RBI's target of 4%.
- Any more shocks from climate related risks or geopolitical crisis will keep the outlook on domestic inflation tilted on upside.
- We expect inflation to average around 4.8% y/y in FY27 with risks tilted on the upside.

MANUFACTURED PRODUCTS INFLATION



Favorable base effect in bps

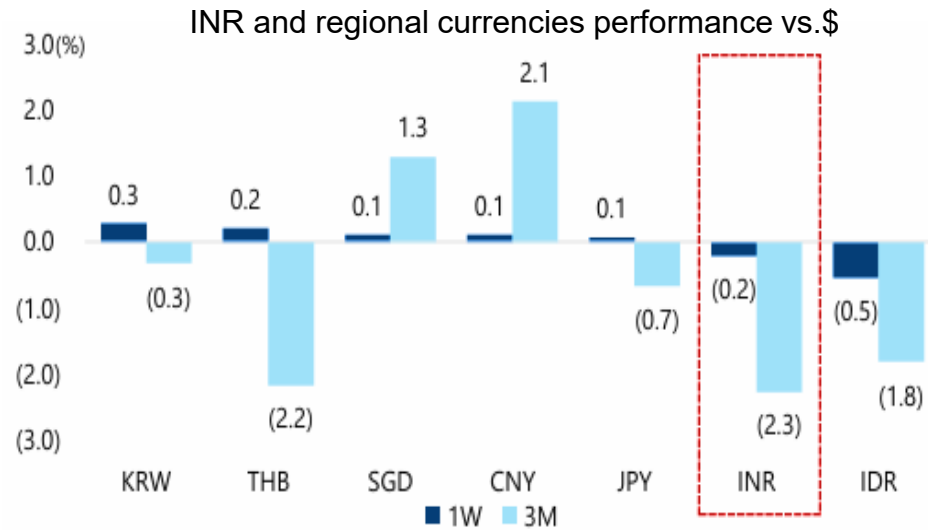


Source: Bloomberg, BBNPP Research, Data as on April 16, 2026

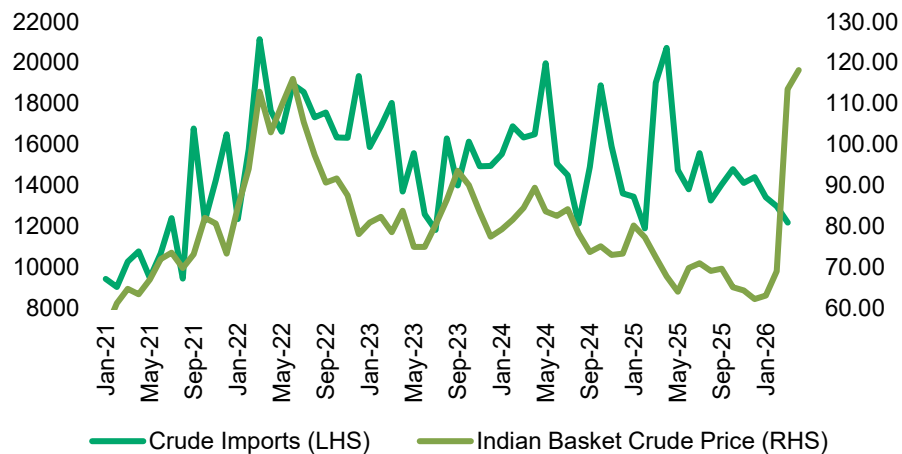
Together for more

India's crude imports a sticky affair!

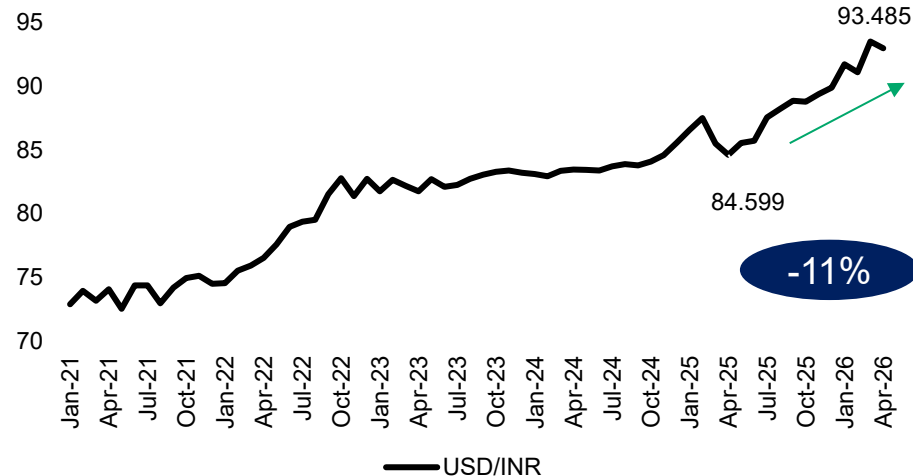
- India is currently (April-26) paying an average price of 118\$/bl for crude.
- The march trade numbers reflect lower crude bill led by supply restrictions vis a vis historic crude bill paid at triple digit crude price.
- The graph below describes India's double whammy as a net importer of crude given depreciating currency and high dependence on crude.
- Therefore, crude import numbers remain sticky led by depreciating INR.
- INR remains one of the most depreciated Asian currency amidst this war.



India Crude buying



USD/INR



Source: Bloomberg, PPAC, BBNPP Research, Data as on April 16, 2026

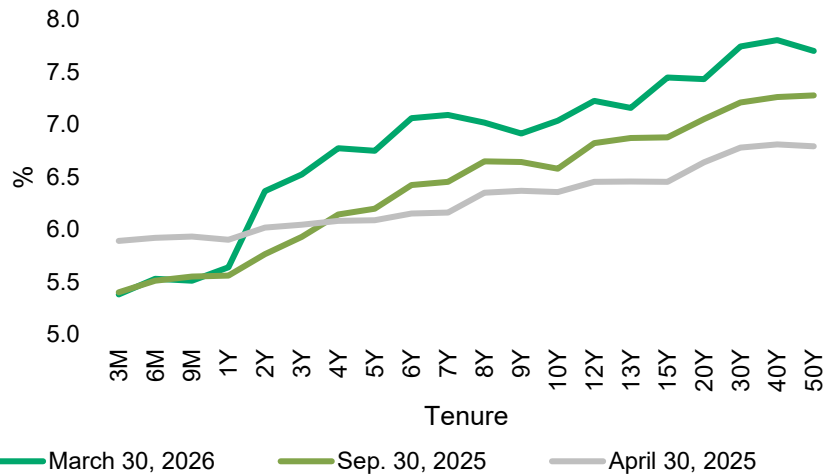
Together for more



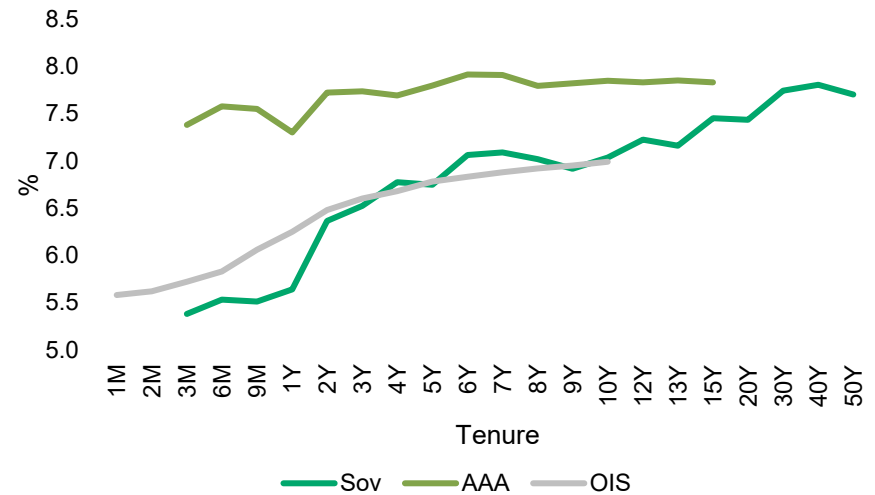
Fixed Income Markets Outlook

- ❑ Indian markets closed FY26 in a regime of higher yields and elevated volatility.
- ❑ The benchmark 10-year yield which was already reeling under pressure post higher than expected gross borrowing, became more vulnerable post the geo-political crisis.
- ❑ The benchmark yields rose approx. 30 bps over March-2026 itself causing 10-year benchmark to close the year at slightly above 7% levels.
- ❑ Similarly, we witnessed the longer end and the SDL also registering rise in yields closing the fiscal at approx. 7.75% to 8.00%.
- ❑ The short to medium end of the curve, is relatively better anchored, supported by durable liquidity and RBIs focus on transmitting past rate cuts through OMO's and forex swap operation.

Sovereign Curve



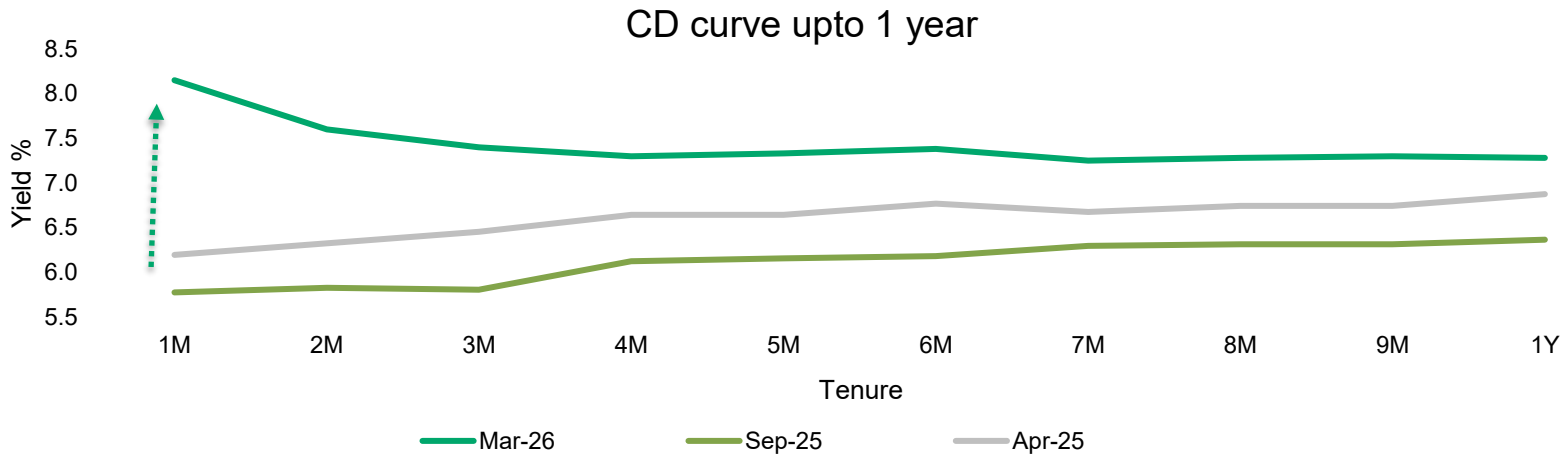
Curve Spread Sov/AAA/OIS





Fixed Income Markets Outlook

- ❑ The money market curve also witnessed some hardening despite continuous liquidity support by RBI.
- ❑ We witnessed flatness in the yield curve, with 3-6 months almost flat to inverted, curving up to one year with levels trading in the range of 7.25%-7.75%.



- ❑ With Repo rate hovering at 5.25% the current levels is at an historic elevated spread.

Rupee and FX – Market dynamics:

- ❑ INR weakened to near record lows, driven by a combination of heavy FPI outflows, a strong dollar and sharply higher crude oil prices.
- ❑ INR’s sensitivity to oil price shocks and global risk sentiment became particularly visible in the first three weeks of March, when long end curve steepened and currency briefly touched fresh lows.

Source: Bloomberg, Internal Research, Data as on April 06th, 2026



Fixed Income Markets Outlook

- ❑ However, the recent ceasefire announcement, helped stabilize sentiment starting April-26.



View-

- ❑ Going forward, **we expect a bear flattening scenario between 10 year and ultra long end tenor** thereby prompting **funds to position for a barbell strategy in their duration portfolios.**
- ❑ We believe in **generating alpha through spreads and accruals rather than extreme duration** as had been the case over last couple of years.
- ❑ Accordingly, **we have reduced duration in our portfolios and concentrated in allocating more into spread and accrual assets** and recommend investors and corporates to be more defensive on duration going ahead and till further clarity emerges on the geopolitical front.

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