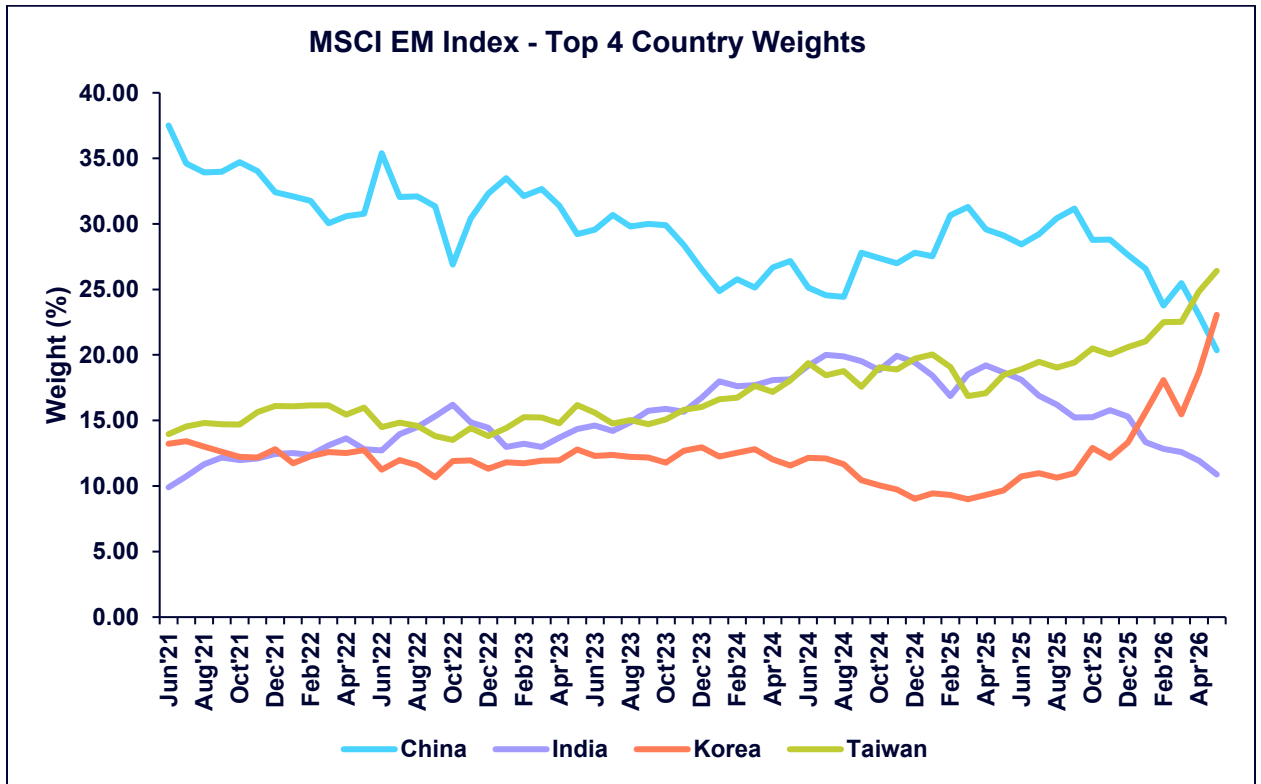


COMMENTARY  
June 11, 2026

# Mind on the Market

## Chart of the Week



Source: FactSet, MSCI. Monthly Data from June 2021 – May 2026.

India’s weight within the MSCI Emerging Markets Index has declined meaningfully, falling from roughly 20% in mid-2024 to near 11% by May 2026, with its position slipping from the second largest to the fourth largest constituent. Over the same period, Taiwan and Korea have seen their weights rise to approximately 26% and 23%, respectively, underscoring a clear reallocation of capital toward markets with more direct exposure to the AI-driven semiconductor cycle.

## Contact

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## Weekly Highlights

YTD Returns of MSCI  
India

**-14.4%**

Source: FactSet. Return in  
USD as of 6/9/26.

YTD Net Foreign Outflow  
from Indian Equities

**\$30B**

Source: NSDL. Data as of 6/9/26.

2026 EPS Growth Estimate  
for MSCI India

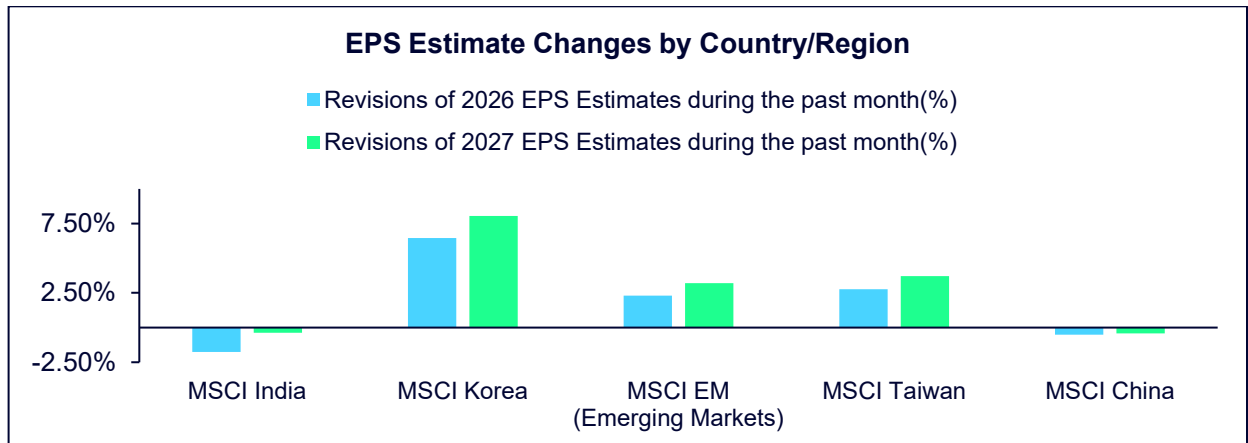
**13.75%**

Source: FactSet, as of 6/9/26.

## India: Cyclical Headwinds, Structural Story Intact

India has long occupied a distinctive position within emerging markets: a structural-growth story underpinned by favorable demographics, deepening domestic capital markets, and a long-run compounding record of roughly 15% annualized returns in local-currency since 2000, outpacing the US, MSCI EM, and MSCI China by more than four percentage points each. That track record is what makes the year-to-date picture so striking. YTD, Indian equities have declined roughly 9% in local-currency terms while MSCI Emerging Markets has gained nearly 16% and the S&P 500 has risen about 9%. For global investors, the gap has been amplified by currency weakness. A roughly 6% depreciation in the rupee - making it one of the weaker-performing Asian currencies this year - has widened India's relative gap for foreign holders to more than 28% versus broad EM. This is not the result of a single catalyst, but of cyclical macro pressures, weaker earnings momentum, and a global capital rotation toward markets more directly tied to the AI and semiconductor cycle.

The dominant external shock has been crude oil. The escalation of the conflict in Iran beginning in late February 2026 pushed crude above \$100 per barrel for much of the spring, a particularly acute move for an economy that imports about 85% of its crude oil. That shock widened the current account deficit, lifted inflation expectations, and effectively closed the window for further monetary easing. At its June review, the Reserve Bank of India held policy rates unchanged, raised its FY27 inflation forecast to 5.1%, and lowered its growth projection to 6.6% from 6.9%. These macro headwinds have begun to feed through to corporate fundamentals, and over the past month, consensus EPS estimates for MSCI India have been revised downward for both 2026 and 2027, making it the only major region alongside China to experience negative revisions across both forecast years and weighing on near-term sentiment.



Source: MSCI, FactSet as of May 31, 2026.

Deteriorating earnings have also coincided with meaningful foreign outflows, with foreign portfolio investors withdrawing roughly \$30 billion year-to-date. Selling has been concentrated in financials and IT, sectors that carry significant index weight and foreign ownership, thereby amplifying downside pressure at the index level. These outflows have been driven by a combination of elevated valuations, weakening earnings revisions, and a reallocation of global capital toward markets more directly exposed to the AI cycle, where earnings visibility has been stronger.

That said, the structural story remains intact. India continues to be the fastest-growing major economy, and steady domestic inflows have helped offset foreign selling. Valuations have also moderated, with MSCI India trading near 20.8x forward earnings, below its five-year average of 22.2x<sup>1</sup>. In addition, recent policy measures aimed at improving [foreign participation in domestic bond markets](#) could support incremental inflows and provide some relief to the currency.

For asset allocators, this points to a more balanced outlook. Near-term constraints from earnings downgrades, elevated oil prices, and currency pressures may continue to weigh on relative performance. However, the broader structural case remains supported by resilient domestic demand, a deepening institutional investor base, and continued policy efforts to strengthen capital market participation. These factors have historically helped cushion external shocks and reinforce India's relative earnings durability over the cycle. As such, while India may appear less compelling as a tactical trade in the current environment, the recent weakness is more likely to represent a cyclical reset rather than a shift in the

<sup>1</sup> Source: FactSet. Valuation data as of 5/31/2026.

underlying growth trajectory, supporting its role as a strategic, long-horizon allocation within emerging markets.

Source: MSCI, FactSet, NSDL. Data as of 6/9/2026 unless otherwise stated. Returns data are provided in USD unless otherwise stated. The performance data quoted represents past performance. Past performance does not guarantee future results. Investing involves risk, including the risk of loss of principal.

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\* This figure is presented as of March 31, 2026 and includes ETF AUM of \$1,940.32 billion USD of which approximately \$184.18 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise bond values and yields usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities.

Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

Increase in real interest rates can cause the price of inflation-protected debt securities to decrease. Interest payments on inflation-protected debt securities can be unpredictable.

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Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations. Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may

involve exposure to economic structures that are generally less diverse and mature and to political systems which have less stability than those of more developed countries.

Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.

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