MASHREQ GLOBAL DIGEST
India
June 28 – July 4

This edition of the Market Digest highlights India's latest macroeconomic and financial developments, alongside recent deals and key trends influencing the country's economic outlook.

Macroeconomic News

S&P Cuts India's FY27 GDP Growth Forecast to 6.6%

S&P Global Ratings lowered India's FY27 GDP growth forecast to 6.6% from 7.7% in FY26, citing energy market disruptions, weaker monsoon expectations, and slowing global growth. The agency also warned that higher energy and fertilizer costs could push inflation to 5.1% this fiscal year, reducing consumer purchasing power and potentially prompting the Reserve Bank of India to raise interest rates in the second half of FY27. The forecast is in line with the RBI's own 6.6% growth estimate.

Reference: Business Standard

India's Forex Reserves Fall to $666.9B

India's foreign exchange reserves fell by $5.65 billion to $666.9 billion in the week ended June 26, mainly due to a $5.39 billion decline in gold reserves. Foreign currency assets, the largest component of reserves, edged down to $541.1 billion. Despite the weekly decline, India's reserves remain among the world's largest, providing a strong buffer against external shocks and currency volatility.

Reference: The Economic Times

India's Fiscal Deficit Reaches 9.6% of FY27 Target

India's fiscal deficit reached 1.62 trillion rupees ($17.1 billion) during April–May, equivalent to 9.6% of its full-year FY27 target. Government spending increased to 8.8 trillion rupees, driven by higher infrastructure investment, while tax revenues remained largely unchanged. Despite the rise in spending, the deficit remains well within the annual target, suggesting the government is balancing growth-focused investments with its fiscal consolidation goals.

Reference: Reuters

Manufacturing Growth Slows in June

India's manufacturing sector continued to expand in June, but growth slowed to its second-weakest pace since mid-2022, with the HSBC Manufacturing PMI falling to 54.2 from 55.0 in May. Weaker domestic and export demand weighed on new orders, output, hiring, and business confidence, while easing input cost pressures helped reduce cost pressures for manufacturers.

Reference: Reuters

India's Services PMI Falls to 17-Month Low in June

India's services sector continued to expand in June, but growth slowed to a 17-month low, with the HSBC India Services PMI falling to 57.4 from 59.8 in May. Weaker domestic demand led to the slowest growth in new business since November 2023, while hiring nearly stalled as firms turned more cautious. Although export demand remained resilient and cost pressures eased, business confidence fell to a five-month low amid economic uncertainty and global trade volatility.

Reference: Reuters

Financial/Tech News

Foreign Investment in Indian Bonds Hits Record High

Foreign investors invested a record $3 billion in Indian government bonds in June after the government removed taxes on foreign bond investments and the RBI expanded access to sovereign debt. The policy changes, along with lower oil prices, boosted demand and strengthened expectations that India could be included in the Bloomberg Global Aggregate Bond Index, potentially attracting further foreign capital.

Reference: Reuters

Global Funds Return to Indian Equities

Global investors are turning more positive on Indian equities as lower oil prices and a stronger rupee improve market conditions. After India allocations among emerging market funds fell below 10% from a peak of 17.5% in 2024, foreign selling has slowed and India-focused ETFs have recorded their first weekly inflows in over a month. However, fund managers say stronger corporate earnings will be key to sustaining the recovery.

Reference: Reuters

AI Hiring in India's IT Sector Rises 16% Despite Overall Recruitment Decline

Hiring for AI-related roles in India's IT sector increased 16% year-on-year in June, even as overall IT recruitment fell 3%, highlighting a growing shift toward AI skills. Across all industries, AI and machine learning job postings rose 25%, with insurance and consumer goods leading demand. The trend reflects companies' increasing investment in specialized AI talent as they adapt to evolving technology and changing client needs.

Reference: Reuters

MASHREQ GLOBAL DIGEST
India
June 28 – July 4

mashreq

Indian Banks' Bad Loan Ratio to Stay Below 2% Through 2028

According to the RBI's Financial Stability Report, India's banking sector is expected to remain resilient, with bad loans (NPAs) forecast to stay below 2% through 2028, rising only slightly from 1.8% to 1.9% under the baseline scenario. However, the report warned that the ratio could rise to 4.1% under a severe stress scenario driven by geopolitical risks. It also highlighted that household debt has increased to 45.5% of GDP, while rapid growth in gold-backed lending remains an area to watch.

Reference: Bloomberg, Reuters

Deals/Projects

India, Japan Deepen Ties with AI and Energy Agreements

India and Japan signed agreements to strengthen cooperation in AI, energy resilience, and economic security, while also reaching their first co-development agreement in the defence sector. The two countries reaffirmed plans to expand collaboration in trade, investment, critical minerals, and emerging technologies, further deepening their strategic and economic partnership. Japan had previously pledged to invest more than $61 billion in India over the next decade.

Reference: Reuters

Adani Airports to Invest Over $2B in Airport Cities

Adani Airports will invest more than $2 billion to develop airport-linked commercial districts across six Indian cities, including Mumbai, Navi Mumbai, Ahmedabad, Lucknow, Jaipur, and Guwahati. The integrated developments will include hotels, retail, offices, and entertainment hubs, supporting the company's strategy to expand beyond aviation while strengthening commercial infrastructure around major airports.

Reference: Reuters

UAE's IHC, Adani to Invest $11.5B in Aluminium Project

UAE-based IHC and India's Adani Group will jointly invest $11.5 billion in an integrated aluminium project in Odisha, marking the largest foreign investment in India's metals sector. The project is expected to increase India's aluminium production capacity by nearly 50%, create 53,000 jobs, and strengthen the country's domestic manufacturing capabilities.

Reference: The Economic Times

India Eases Restrictions on Chinese Firms for Power Projects

India has allowed four Chinese-linked power equipment manufacturers with local production facilities to bid for government tenders for critical power projects. The companies have been granted a two-year exemption from India's special approval requirements for Chinese bidders, reflecting easing bilateral tensions while supporting the rapid expansion of the country's power transmission network to meet rising electricity demand and renewable energy targets.

Reference: Reuters

Markets

Market Dashboard

- U.S. equities ended the week higher despite a pullback in technology stocks, as weaker-than-expected labor market data boosted expectations that the Federal Reserve may refrain from raising interest rates in the near term. The Dow Jones gained 2.0% over the week to a record high, while the S&P 500 rose 1.8% and the NASDAQ Composite advanced 2.1%. Investor sentiment improved after the U.S. economy added only 57,000 jobs in June, well below expectations, easing concerns over further monetary tightening. However, gains were partly offset by profit-taking in semiconductor stocks following their strong rally earlier this year.
- Cryptocurrency markets started July on a positive note, supported by weaker-than-expected U.S. labor market data that reduced expectations of further interest rate hikes by the Federal Reserve. Bitcoin gained 4.21% over the week, while Ethereum rose 8.5%, as improving risk sentiment encouraged investors to return to digital assets. The rebound also aligns with the historical trend of a stronger July following a weak June for Bitcoin.
- Gold rebounded more than 2% over the week, ending a four-week losing streak, after weaker-than-expected U.S. jobs data reduced expectations of a near-term interest rate hike by the Federal Reserve and weakened the U.S. dollar. Demand also remained supported by continued central bank purchases, although JPMorgan Chase revised its near-term gold price outlook lower, forecasting $4,300/oz in Q3 and $4,500/oz in Q4, while maintaining a constructive long-term view driven by structural demand from central banks.
- Oil prices ended the week broadly unchanged, with Brent Crude trading near $72/barrel, as easing U.S.-Iran tensions and the gradual reopening of the Strait of Hormuz improved supply expectations. Meanwhile, OPEC+ approved a further 188,000 bpd production increase for August, adding to global supply and helping keep prices near pre-war levels.
- The U.S. dollar posted its largest weekly decline since April, as weaker-than-expected U.S. jobs data reduced expectations of a near-term interest rate hike by the Federal Reserve. The weaker dollar supported major currencies, with the euro and pound strengthening, while the Japanese yen recovered from 40-year lows amid continued speculation over possible intervention by Japanese authorities.

Indicators	26-Jun-26	3-Jul-26	% Change
S&P 500*	7,354.02	7,483.24	1.76%
Bitcoin	60,016.43	62,544.20	4.21%
Gold	4,089.26	4,175.70	2.11%
Crude Oil	71.99	72.13	0.19%
EUR/USD	1.1362	1.1440	0.69%

** prices are as of July 2nd*

Rise every day