

A dramatic photograph of a stormy sky over a body of water. Dark, heavy clouds are illuminated from below by a low sun, creating a golden glow and long, vertical rays of light (crepuscular rays) that pierce through the clouds. The horizon line is visible in the lower third of the image, showing a silhouette of a city or industrial area. The water in the foreground is dark and textured.

Same storm. Different India.

June 2026

Monthly Newsletter

Oil shock. Rupee under pressure. FIs selling. The RBI forced to hold rates. India has been here before. In 2013, they called it the Taper Tantrum.

After the Taper Tantrum, MSCI India returned +49% in 12 months. After the GFC, MSCI India returned +149%. After COVID, +77%. Three of the last four global crises ended the same way for India.

The question for June 2026 is not whether this crisis ends. It is whether you are still invested when it does.

India has seen this film before. The specific trigger was different - in 2013 it was Ben Bernanke signalling the end of quantitative easing; today it is a war in the Middle East that shut the Strait of Hormuz. But the playbook is the same: oil spikes, the rupee falls, FIs sell, the current account deficit widens, and every investor asks whether this time is structurally different.

India has navigated versions of this before. Energy costs spike, growth absorbs the hit, and then both the economy and corporate earnings return to their underlying trajectory. The mechanism is known. The timeline is the variable.

01 2013 and 2026: *The Similarities - and the Critical Differences*

The surface-level parallels between 2013 and 2026 are real. But the structural position India occupies today is materially stronger on the variables that determine both the depth of the damage and the speed of the recovery.

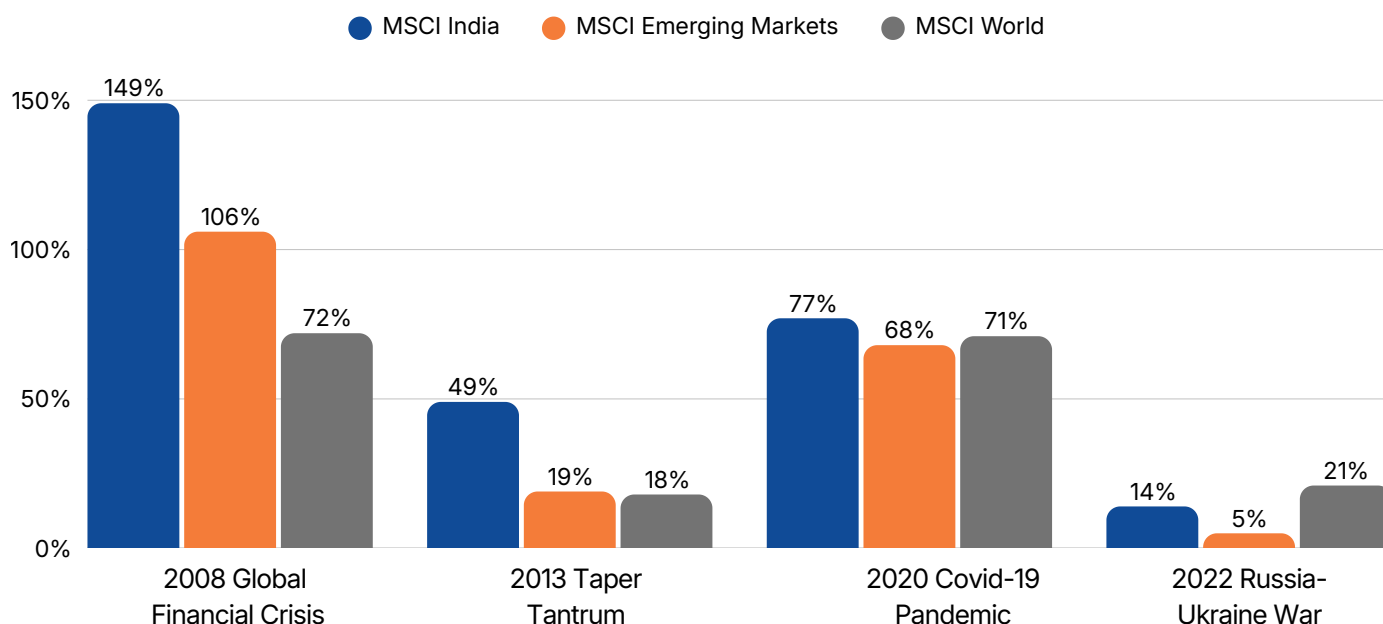
	2013 TAPER TANTRUM	2026 OIL & IRAN SHOCK
Trigger	Fed signals QE tapering	Iran war; Strait of Hormuz closure
INR / USD move	₹53 → ₹68 (~28% fall)	₹89 → ₹96 (~7% so far)
Current Account Deficit	~4.4% of GDP at peak	Projected at ~2.1% of GDP in FY27
FII equity outflows	\$12.8bn over the episode	\$20bn+ in first 4 months of 2026
Forex reserves	~\$300bn	~\$682bn (Bloomberg, May 2026)
RBI response	Emergency +200bps; oil window	Holding at 5.25%; FX intervention
12M MSCI India return post-trough	+49%	?

Sources: Bloomberg (May 2026); ING Think (May 2026); Goldman Sachs Asset Management (Jun 2026); Business Standard; NSDL. INR move per Bloomberg.

The most important number in that table is the current account deficit. In 2013, India's CAD hit 4.4% of GDP - genuine crisis territory. Today, even with Brent above \$100, India's CAD is expected to widen to ~2.1% of GDP in FY27. The RBI has nearly \$150bn of deployable reserves before import cover falls to 2013 levels, per Bloomberg. The deficit is wider than last year. It is not in crisis territory.

Three of the last four times India faced this kind of external shock, it delivered some of the strongest equity recovery returns in the world. The chart below is not a prediction - it is a record.

India has given superior returns compared to other major indexes after three of the last four global shocks (12 months recovery returns post-crisis bottom %)



Source: Morningstar, Goldman Sachs Asset Management as of March 31, 2026 in USD. Past performance does not predict future returns and does not guarantee future results, which may vary.

The 2022 Russia-Ukraine war is the one instance where India underperformed - a commodity shock with no reform catalyst. The current episode has more in common with the 2013 playbook: FII selling driven by global risk-off, a currency under pressure, and an economy whose fundamentals remain intact beneath the noise.

02 The Government Just Laid a Red Carpet for Foreign Capital

While FIIs have been selling Indian equities for eighteen months, the government made two moves this week that send an unambiguous signal: it is actively building the conditions for foreign capital to return, at precisely the moment when the exit has been loudest. Taken together, they mirror the kind of reform response that followed the 2013 Taper Tantrum - and which set up the subsequent recovery.

On June 5, 2026, through a Cabinet ordinance, India abolished both the 12.5% long-term capital gains tax and the 20% withholding tax on interest income earned by foreign investors from Indian government securities - retroactive to April 1, 2026. The Bank for International Settlements received the same zero-tax treatment. The RBI, in its June 6 MPC statement, simultaneously removed ownership caps on certain government bonds for foreign portfolio investors. Indian G-Secs currently yield around 6.8-7%. Post-tax, foreign holders were receiving approximately 5.5%. The ordinance restores the full yield - making Indian sovereign debt one of the more attractively priced instruments in Asia overnight.

LTCG Ordinance - June 5, 2026	DIPAM Divestment - FY27 Pipeline
12.5% LTCG tax on G-Secs: abolished 20% withholding tax on G-Sec interest: abolished Effective date: April 1, 2026 (retroactive) Bond ownership caps removed (RBI, Jun 6 MPC)	FY27 divestment target: ~ USD 8.4bn The government's divestment strategy has evolved into a composite approach- combining stake sales, asset monetisation across roads, railways and infrastructure, and PSU closures-prioritising private sector efficiency over outright privatisation. IDBI Bank: financial bids received (60.72% stake, Centre + LIC) Offer for Sale planned in 5+ PSU banks; DIPAM signals flexibility on sub-51% stakes

Sources: Business Standard (Jun 5, 2026); Free Press Journal (Jun 5, 2026); CNBC (Jun 5, 2026); DIPAM / Business Standard (Feb 6, 2026); Avendus Spark Fiscal Pulse (Jun 4, 2026). *DIPAM-Department of Investment and Public Asset Management.
LTCG- Long Term Capital Gain

The DIPAM pipeline - USD 8.4bn FY27 target, IDBI Bank in its final stages, Offer for Sale across PSU banks - is a separate but connected signal. Done well, it deepens the float in state-owned enterprises and shifts capital allocation from government balance sheets to private hands. It is not a short-term market catalyst. It is a medium-term re-rating story for the quality and depth of Indian equity markets.

The LTCG ordinance is the immediate signal. The DIPAM pipeline is the structural one. Both point in the same direction: the government is not waiting for the storm to pass. It is using the storm to reform.

03 The Government Didn't Blink: *Record Capex in April FY27*

Government capex in April 2026 rose 18.8% YoY to ₹1.9 trillion (\$20bn)- the highest-ever April capex spend in Indian fiscal history, accounting for 15.5% of the full FY27 budgeted target in a single month. Core capital outlay grew 28% YoY. The Centre disbursed ~\$6bn in interest-free state loans- up 6% YoY, (including ~\$0.4bn in transfers to states, which surged 334% YoY), signalling a sharp front-loading of state-level investment support.

Ministry-wise Total expenditure	April'26 (USD bn)	YoY	What Q4 Showed
Railways	5.52	+68.8%	Highest April spend in years
Defence	10.96	+61.6%	Strategic sovereign priority
New & renewable Energy	0.53	+613%	Energy transition accelerating
Agriculture	0.37	+75.7%	Rural support ahead of weak monsoon
Road Transport	6.43	+3.0%	Steady; high base effect
Housing & Urban	0.04	-14.9%	Trimmed - fiscal triage in progress

Source: CGA / Avendus Spark Fiscal Pulse, June 4, 2026. Figures are for April 2026 (1M FY27). 1\$=94.75 as of April 2026. Total Expenditure= Capital Expenditure + Revenue and other Expenditure.

The composition signals intent. Railways (+68.8%), Defence (+61.6%), and Renewable Energy (+613%) are multi-year investment programmes whose demand effects compound. When the macro environment clears, this capex base is what FY27 and FY28 earnings are built on.

04 The Monsoon: *Real Risk, Honest Context*

The IMD's updated forecast for the 2026 southwest monsoon is 90% of the Long Period Average - the first below-normal projection in three years. This adds pressure on rural consumption, food inflation, and agricultural output. It is a genuine headwind and should not be minimised.

But context matters. The market is pricing India at ~19-20x forward P/E - near the bottom of its 5-year range. A below-normal monsoon is one variable in a picture that also includes: the largest income tax relief in Indian fiscal history beginning to transmit; record April government capex; forex reserves \$200bn+ larger than at the 2013 trough; and a chart showing India outperforming in 3 of the last 4 post-crisis recoveries.

Bottom Line

In 2013, India faced a CAD of 4.4% of GDP, \$300bn in forex reserves, and no domestic institutional base capable of absorbing the selling. MSCI India returned +49% in the twelve months that followed the trough. Today's CAD is forecast at ~2.1% of GDP. Forex reserves stand at \$682bn. The income tax cut that directly benefits hundreds of millions of households is in its first quarter of transmission. Government capex is front-loaded at a record pace. Data shows India outperforms MSCI World and MSCI Emerging Markets in 12-month recovery returns after three of the last four global shocks.

Our view: The risks are real - oil, monsoon, fiscal pressure, the RBI on hold. The film is the same genre. The budget is larger, the defences are stronger, and India has already survived this script before.

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