VARDAN

Monthly Newsletter
May 2026

Global Economy

- The inflation rate in the US accelerated to 3.80% y-o-y in Apr 2026, the highest since May 2023, and compared to 3.30% in Mar 2026.
- The US government has sold a 30-year debt at a 5.00% yield for the first time since 2007 amid signs that the war in West Asia is causing a sharp rise in inflation.
- China's current account surplus widened to USD 184.10 billion in Q1 2026, up from USD 163.60 billion in the same period last year, according to preliminary estimates.
- China's industrial profits jumped 18.20% y-o-y in the January-April 2026 period, following a 15.50% rise in the first quarter.
- Foreign direct investment inflows into China fell 10.30% y-o-y to CNY 287.7 billion in the first four months of 2026.
- Japan's trade balance swung to a surplus of JPY 301.9 billion in April from a deficit of JPY 149.5 billion in the same month last year. It was also better than market expectations for a JPY 29.7 billion shortfall.

Indian Economy

- United Nations Department of Economic and Social Affairs (UNDESA) revised India's 2026 real GDP growth forecast downwards to 6.40% from its earlier estimate of 6.60%, citing global uncertainty and economic pressures arising from the ongoing West Asia conflict.
- CPI inflation rose to 3.50% in April 2026 from 3.40% in March 2026. This is the highest inflation recorded in the last 13 months.
- India's wholesale prices increased 8.30% y-o-y in April 2026, accelerating sharply from a 3.90% rise in March 2026 and surpassing expectations of 4.40%.
- A revamped Index of Industrial Production will be released on June 1, updating the base year to 2022- 23 and expanding coverage to include sectors such as minor minerals, rare earth minerals, gas supply, water supply and sewerage, and waste management.
- The government increased import duty on gold and silver to 15.00% from 6.00% to curb precious metal imports and ease pressure on foreign exchange reserves.

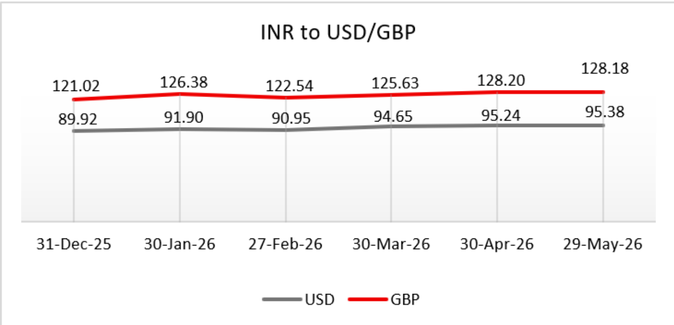
Indian Debt Market

- RBI announced a record dividend payout of INR 2.90 trillion to the central government for the accounting year 2025-26, a 7.00% increase compared to INR 2.70 trillion paid for 2024-25.
- The India's foreign exchange reserves stand at USD 681.38 billion, as on 22 May 2026, marking a major monthly decline of approximate USD 15.60 billion in May alone. This single month accounts for one-third of the total USD 47.10 billion reserve decline seen over the last three months (since reserves hit an all-time high in late February 2026).
- This drop was driven by the RBI aggressively selling off its US dollars to protect the rupee from capital flight during the West Asia conflict, combined with a sharp global market crash that heavily lowered the value of India's gold holdings.
- The RBI successfully executed its USD 5.00 billion dollar-rupee swap auction on May 26, 2026, which was nearly twice oversubscribed and successfully injected over INR 43,000 crore into the banking system to ease liquidity, stabilize the volatile rupee, and temporarily buffer the nation's declining forex reserves.
- Union Cabinet approved additional credit flow target of INR 2.55 lakh crore under the Emergency Credit Line Guarantee Scheme 5.0, to help MSMEs avoid short term liquidity crises inwake of the West Asia crisis.

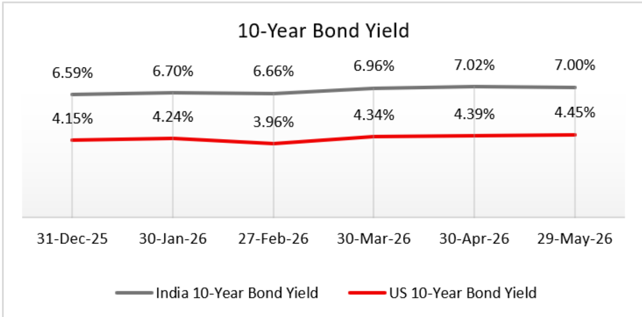
Indian Startups

- 51 Indian start-ups raised total funding of around USD 510.43 million in the month of May 2026 of which 4 remain undisclosed.
- Travel Tech, Fintech, and Consumer Tech are the major segments securing funding of USD 240 million, USD 63 million, and USD 15 million respectively. The entire USD 240 million in the Travel Tech segment was raised by a single company.

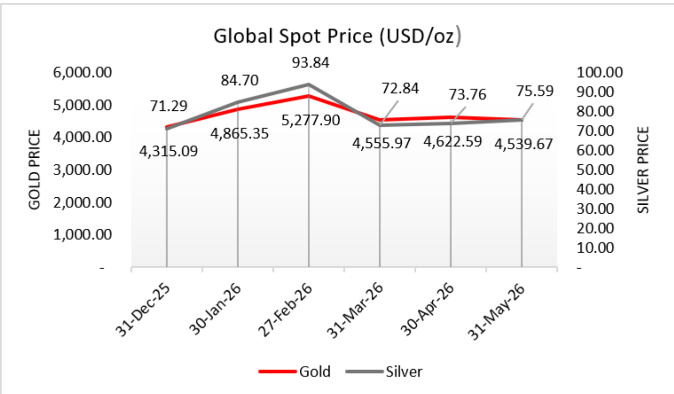
The last six months' trends in gold, silver, crude oil, bond yields, and exchange rates highlight evolving macroeconomic expectations and shifts in global risk sentiment. The charts below summarize these key trends.



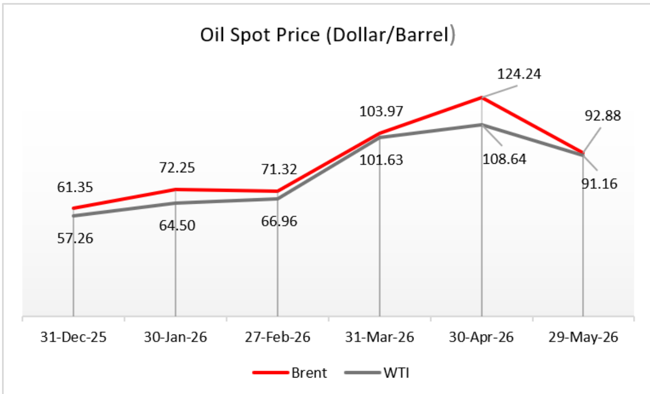
Driven by panic and capital flight, the Rupee hit an all-time intraday low of 96.96 on May 20. RBI interventions helped it recover slightly to close at 95.38 (USD) and 128.18 (GBP) on May 29.



India's yield rose to a high of 7.00% due to rising inflation and tight monetary conditions, while the US yield stood at 4.45%, increasing borrowing costs for India.



Both metals crashed in May from their February peaks, with Gold dropping to $4,539.67/oz and Silver plunging steeply to $75.59/oz. This sharp fall in gold directly drove the valuation drop in India's forex gold reserves.



Geopolitical blockades pushed crude oil prices to $138.21 per barrel for Brent and $114.58 for WTI on April 7, 2026. By late May, prices eased to $92.88 and $91.16 respectively. The initial shock, however, heavily inflated India's import bill.

Recent geopolitical developments have reinforced how quickly market sentiment can shift amid evolving trade dynamics and policy uncertainty.

While short-term volatility may persist, such phases often create selective opportunities for disciplined capital allocation.

In this environment, we are identifying attractive debt investment opportunities where elevated yields provide strong downside protection and steady income. Our strategy remains focused on resilience, quality, and long-term compounding.