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Nifty Midcap Index Hits 52-Week High: Why Midcaps Are Outperforming Nifty 50 Despite Rising Oil Prices

As MidCap indices defy a 150-point Nifty slump, know why staggered SIPs and a focus on the business cycle are the keys to navigating this record-breaking rally

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Nifty Midcap Index Hits 52-Week High: Why Midcaps Are Outperforming Nifty 50 Despite Rising Oil Prices

Summary of this article

- Nifty Midcap indices reached record highs by outperforming the Nifty 50 despite rising oil prices and global market volatility.
- Resilience was driven by 29 percent year-on-year earnings growth and consistent liquidity from domestic retail SIP investments.
- Analysts advise investors to use staggered SIPs while remaining mindful of the structural volatility inherent in the midcap sector.

The Nifty MidCap 100, Nifty MidCap 150, and the Nifty MidCap 50 touched their 52-week highs on May 8. The rise came even as the benchmark Nifty closed lower by 150.50 points or 0.62 per cent at 24,176.15. However, the indices pared some of the gains and closed lower with the Nifty MidCap 150 finishing lower by 0.14 per cent at 22,772.4 and the Nifty MidCap 100 slipping 0.15 per cent to close at 61,910.90. The Nifty MidCap 50 finished the session with gains of 0.06 per cent at 17,628.20.

What Made MidCaps Resilient?

As the benchmark index finished the session with losses on account of global tensions, crude oil trading around the \$100 per barrel mark, and an overall sluggish market sentiment, midcaps remained propped up by superior earnings, domestic cash flows, and a technical breakout.

Strong Earnings Growth

One of the key reasons that supported the resilience of MidCaps in today's session was the relatively superior earnings performance of MidCap companies compared to large caps. While large caps saw modest earnings growth, MidCap companies delivered higher earnings. This growth in earnings aided investors in looking past the short-term macro headwinds caused by rising crude oil prices. According to Motilal Oswal's Q4FY26 India Strategy report, MidCap firms posted 29 per cent year-on-year earnings growth while large-cap companies posted an earnings growth of 14 per cent year-on-year.

Consistent Domestic Liquidity

Domestic buying also supported the resilience of the MidCaps, as a "surge in retail buying" and consistent monthly Systematic Investment Plan (SIP) investments from domestic investors provided a solid floor for MidCaps. Even as Foreign Institutional Investors (FIIs) sell impacted largecaps and MidCaps, the impact of Domestic Institutional Investors (DIIs) shielded the impact on MidCaps.

Favorable Sectoral Tailwinds

MidCaps also gained from specific outperformance in financials and consumer-driven sectors as select pockets in these areas reported stronger-than-expected earnings. On the other hand, the MidCap IT and MidCap Healthcare sectors also remained resilient on a day when heavyweights like SBI and HDFC Bank dragged the Nifty down. Shares of Coforge, Persistent, and Mankind closed higher by 6.22 per cent, 2.63 per cent, and 2.01 per cent, respectively, and emerged as the top gainers among the Nifty MidCap 50, which closed in the green. On the other hand, shares of Nifty 50 heavyweights like SBI, Coal India, and HDFC Bank ended the session lower by 6.74 per cent, 2.07 per cent, and 1.89 per cent, respectively, dragging the index lower.

What Should Investors Do?

Prabhakar Kudva, director and principal officer, portfolio management service, Samvitti Capital, told Outlook Money that while the Nifty MidCap 100 has already rallied significantly, investors can still gain from the surge by investing incrementally through SIPs, as the sector has benefited from strong earnings.

"This is actually a reasonably good time for retail investors to incrementally keep adding through SIPs rather than trying to time a single entry. The earnings season so far has also been encouraging, with growth holding up despite the geopolitical noise, which tells you the underlying business cycle is intact. Waiting for a "bigger dip" sounds prudent, but historically that's when most retail investors end up sitting on cash and missing the move entirely. Stagger your buying, stay disciplined, and let the SIP do the work," Kudva said.

Despite the resilience shown by MidCaps, Kudva cautioned investors that they are still not a 'safe' bet.

"The resilience you're seeing is being driven primarily by higher relative earnings growth in the MidCap space versus large caps. When a segment is delivering superior earnings momentum, the market tends to look past short-term macro headwinds like oil or geopolitics, at least for a while. But let me be very clear. This does not make MidCaps "safer" than large caps," Kudva said.

Kudva added that the volatility in the MidCap space has always been higher because of lower liquidity, and investors should not overallocate to the sector.

"Volatility in MidCaps will always be structurally higher because of lower liquidity, narrower business moats, and greater sensitivity to credit and demand cycles. Retail investors should resist the temptation to over-allocate to MidCaps just because they've been holding up well. Allocate prudently and keep MidCap exposure aligned to your risk appetite and time horizon, not to the most recent month's performance," Kudva said.

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