

# Monthly Market Outlook – February 2026

[Global Macros](#)

[India Macros](#)

[Fixed Income Outlook](#)

[Equity Outlook](#)

# Global Macros

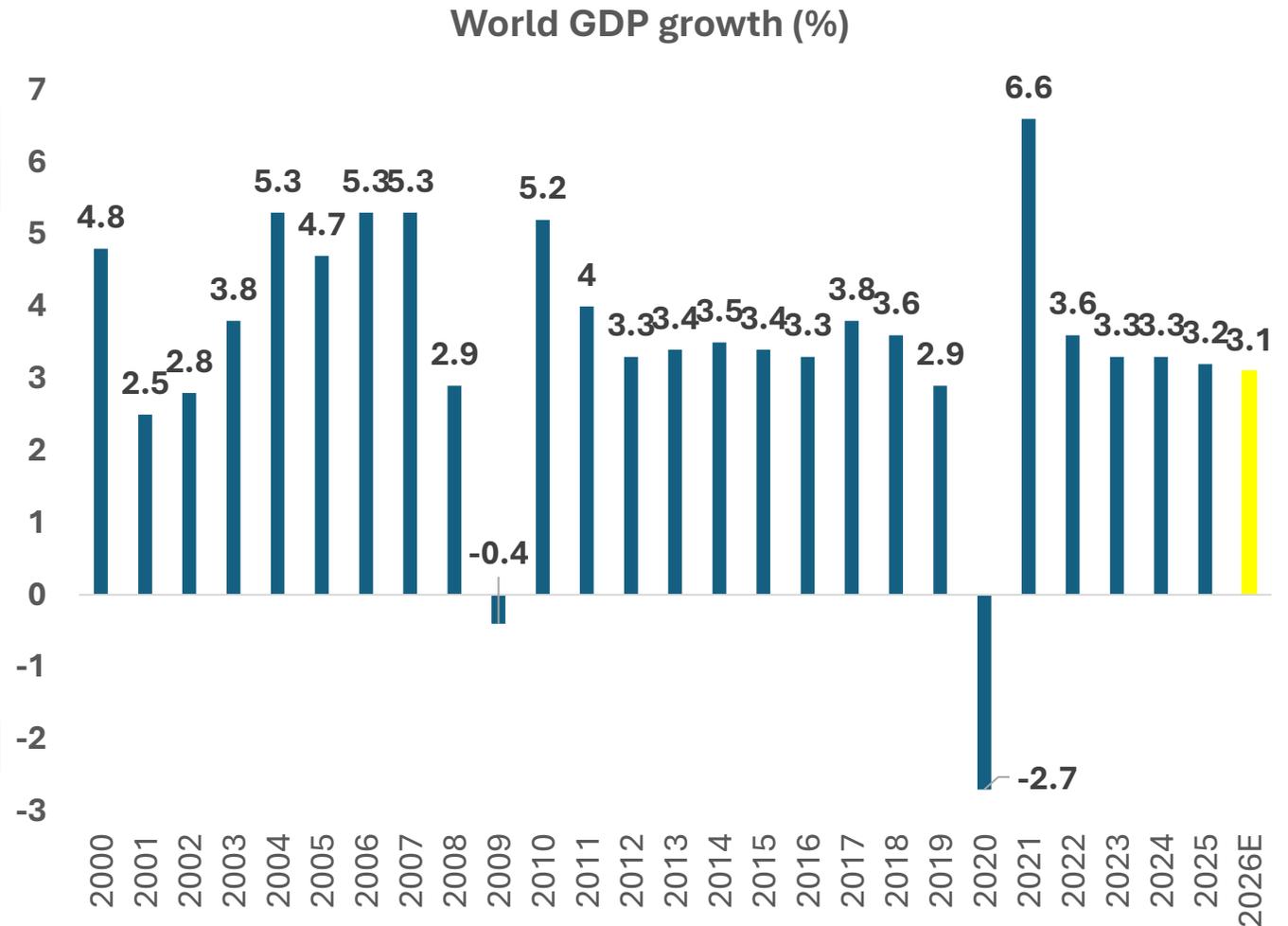
- World GDP growth expected to remain steady at 3.1% in 2026, with developed markets showing mixed momentum; global activity resilient despite geopolitical noise and trade disruptions.
- U.S. economy remains resilient: labor market stable (Jan payrolls +130k, unemployment 4.3%), personal income and consumption rising steadily, savings rate slightly lower, and inflation moderate (CPI-U YoY 2.4%, core 2.5%), reflecting healthy demand with underlying price pressures contained.
- U.S. consumer sentiment rose to 57.3 in February, led by wealthier households, reflecting a K-shaped economy; sentiment remains ~20% below last year, with ongoing concerns over prices and job security. Fed likely cautious amid persistent inflation and uneven hiring; U.S. deficits >6% of GDP and debt rising to 120% by 2036, keeping Treasury yields elevated.
- China's trade position strong, with record-high late-2025 surplus driven by exports to ASEAN, India, South America, Africa, and the Global South, offsetting weakening Western demand. Diversification strengthens trade resilience.
- Yen strengthened sharply, triggering carry-trade unwinds; BoJ rates ~0.75% with further hikes possible, raising funding costs. Policy uncertainty, market volatility, and intervention risk keep carry trades fragile, while core inflation remains above target.
- Tech layoffs remain elevated through 2024–25 (~76% in AI-linked sectors); ~79% of developers using AI tools. Adoption boosts productivity but struggles with real-world complexity, keeping humans central. AI investment drives growth, though full-scale disruption is still unfolding.
- Strong fiscal support in major economies (esp. U.S.) underpins growth; commodities contained (oil stable due to OPEC spare capacity and geopolitical restraint); USD stable with credible monetary leadership, anti-dollar assets corrected; global risks more balanced, with USD, US term premium, and AI-linked growth as key variables.

# World GDP growth expected to remain steady in 2026



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| (Real GDP, annual percent change)               | PROJECTIONS |            |            |
|---|-------------|------------|------------|
|   | 2024        | 2025       | 2026       |
| <b>World Output</b>                             | <b>3.3</b>  | <b>3.2</b> | <b>3.1</b> |
| <b>Advanced Economies</b>                       | <b>1.8</b>  | <b>1.6</b> | <b>1.6</b> |
| United States                                   | 2.8         | 2.0        | 2.1        |
| Euro Area                                       | 0.9         | 1.2        | 1.1        |
| Germany   | -0.5        | 0.2        | 0.9        |
| France  | 1.1         | 0.7        | 0.9        |
| Italy   | 0.7         | 0.5        | 0.8        |
| Spain   | 3.5         | 2.9        | 2.0        |
| Japan   | 0.1         | 1.1        | 0.6        |
| United Kingdom                                  | 1.1         | 1.3        | 1.3        |
| Canada  | 1.6         | 1.2        | 1.5        |
| Other Advanced Economies                        | 2.3         | 1.8        | 2.0        |
| <b>Emerging Market and Developing Economies</b> | <b>4.3</b>  | <b>4.2</b> | <b>4.0</b> |
| <b>Emerging and Developing Asia</b>             | <b>5.3</b>  | <b>5.2</b> | <b>4.7</b> |
| China   | 5.0         | 4.8        | 4.2        |
| India   | 6.5         | 6.6        | 6.2        |

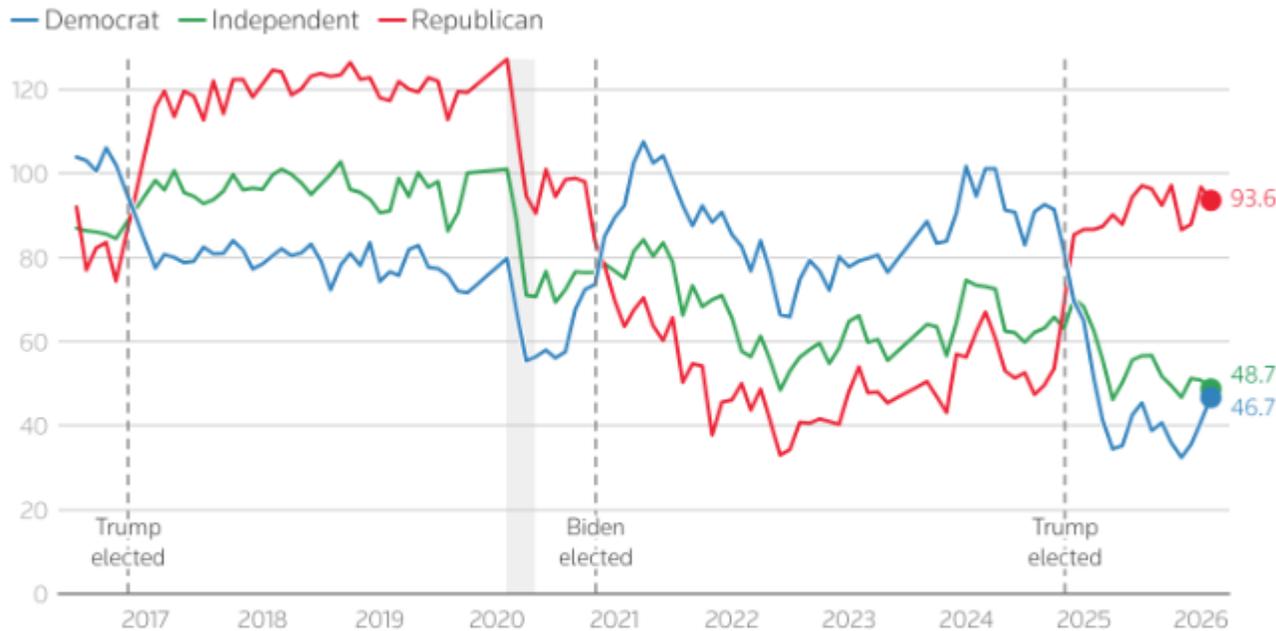


Source: IMF World Economic Outlook

# Consumer Sentiment Hits Six-Month High but K-Shaped Divide Persists

## Consumer sentiment by political party

The University of Michigan's February survey of the public's economic outlook



Each month a panel of Americans is asked five questions about current and future economic conditions. The results are scored against a 1966 baseline. Shaded areas represent recessions.

Sources: University of Michigan, National Bureau of Economic Research

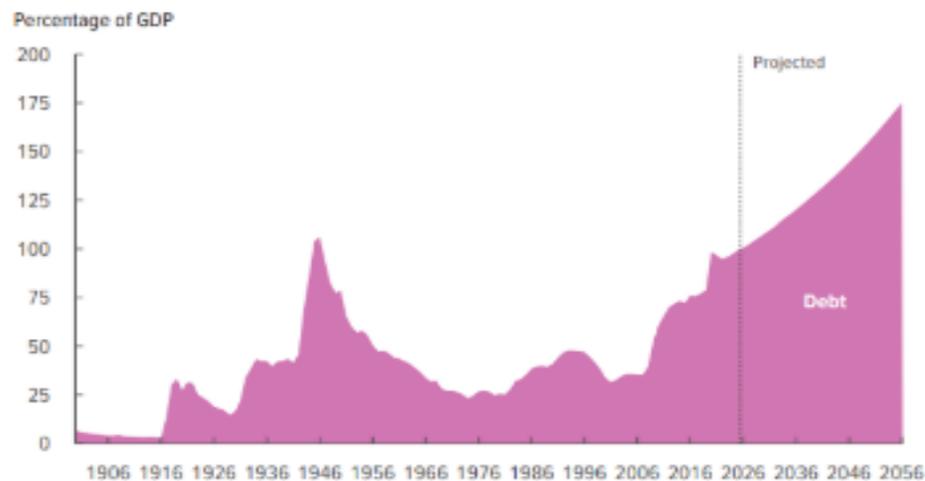
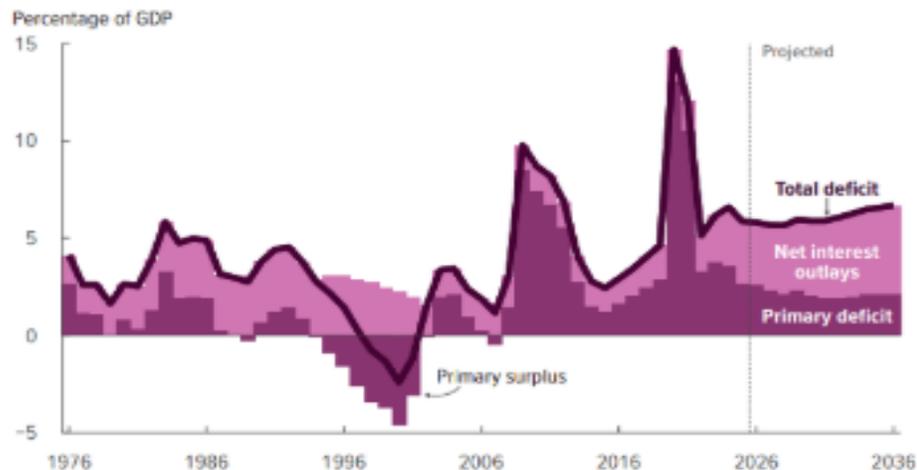
A line chart that shows the monthly consumer sentiment index by political party. In the month of February, the outlook of Democrats was 46.7, the outlook of Republicans was 93.6 and the outlook of independents was 48.7.

- U.S. consumer sentiment rose to 57.3 in February—the highest in six months—driven largely by households with large stock portfolios, reinforcing the K-shaped economy where wealthier consumers feel better while lower-income households remain pessimistic.
- Despite the improvement, sentiment remains about 20% below last year's level and concerns over high prices and job loss remain widespread.
- Inflation expectations for the next year eased to 3.5%, but longer-term expectations ticked up to 3.4%.
- The survey also highlighted growing apathy about the labor market, with job openings near a five-year low, suggesting the Fed will likely continue to focus on employment and inflation data before making any rate decisions.

# The U.S. Rate Floor: Market Reality vs. Political Rhetoric



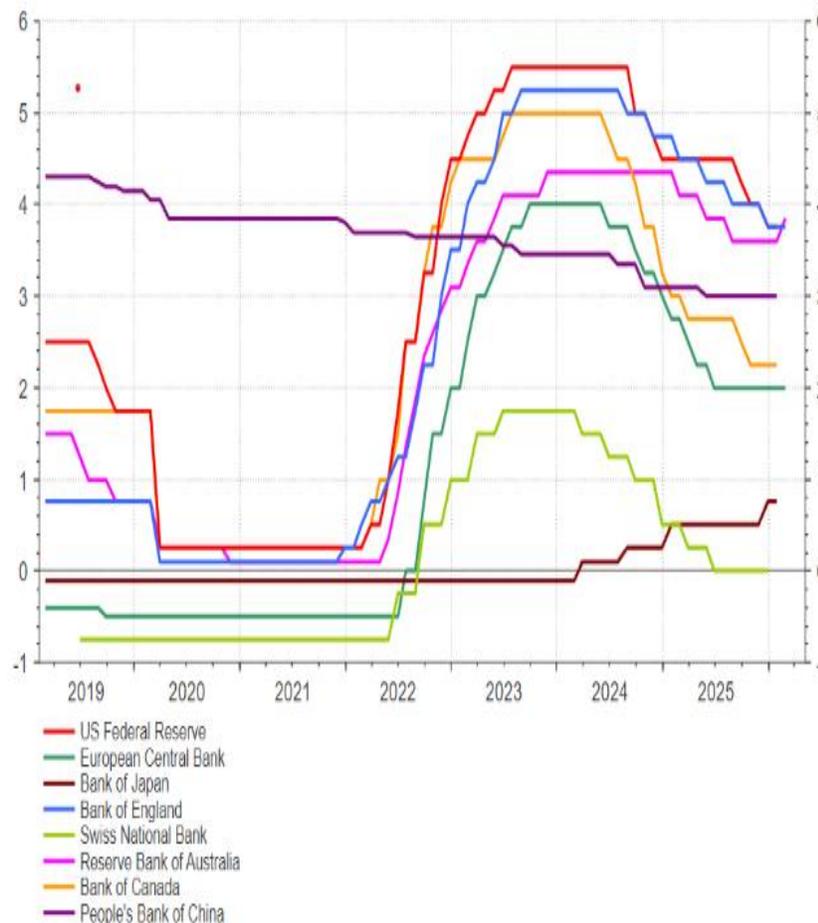
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Data sources: Congressional Budget Office: Office of Management and Budget

CBO chart on its latest US deficit and debt projections

### FED RATE ONE OF HIGHEST AMONG PEERS



Source: LSEG Datastream

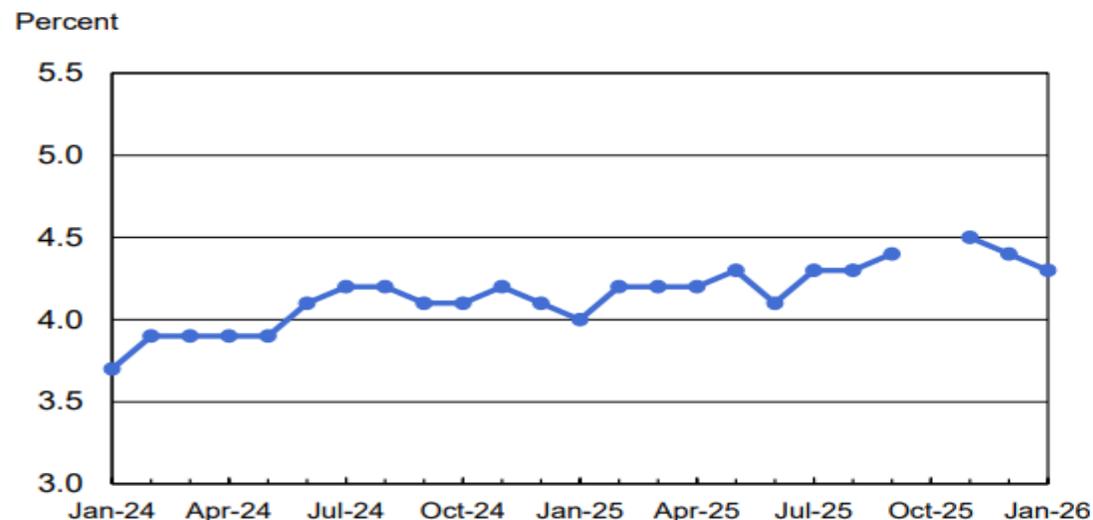
Trump's insistence that U.S. interest rates should be the lowest globally clashes with macro reality: the U.S. economy is running hot, inflation remains above target, and the Federal Reserve has limited room to cut before reaching a 3% floor. Meanwhile, the U.S. fiscal outlook is deteriorating sharply, with deficits projected to average over 6% of GDP and debt rising to 120% of GDP by 2036, which increases the risk premium investors demand on Treasury bonds. As a result, global bond markets expect U.S. yields to stay relatively high, and pushing rates lower would likely weaken the dollar and trigger a bond sell-off—exactly the opposite of what a “strongest country in the world” narrative would imply.

# Labor Report: Stability Amid Structural Weakness



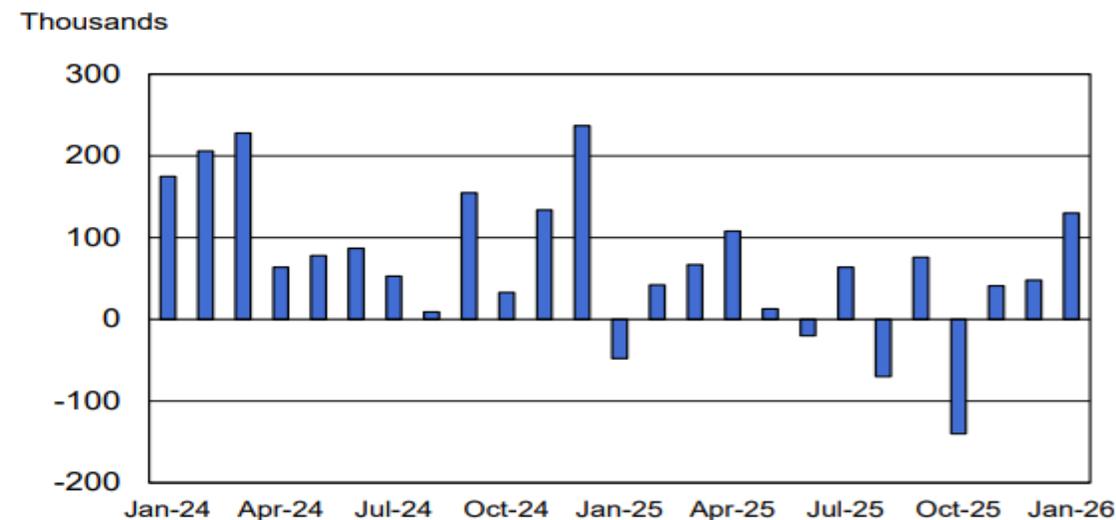
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**Chart 1. Unemployment rate, seasonally adjusted, January 2024 – January 2026**



Note: Data for October 2025 were not collected due to the federal government shutdown.

**Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, January 2024 – January 2026**



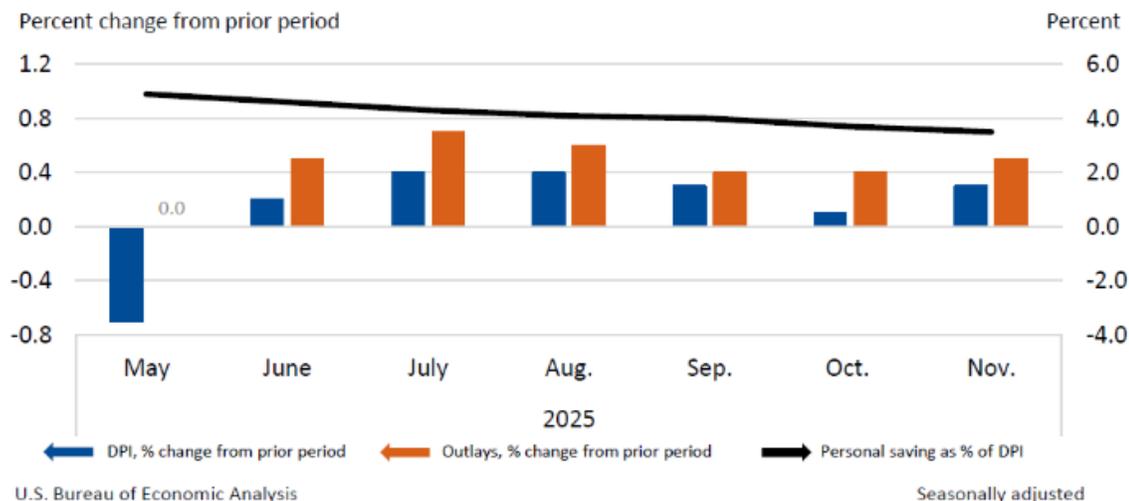
- U.S. job growth unexpectedly surged in January with payrolls rising by 130,000 and the unemployment rate falling to 4.3%, suggesting labor market stability that could allow the Federal Reserve to hold interest rates steady.
- However, the jump is likely overstated: 2025 job growth was revised down sharply, and gains were concentrated in healthcare and social services, while broader indicators like job openings remain weak.
- The labor market also faces uncertainty from Trump's trade and immigration policies, and the report was influenced by severe winter weather and government shutdown delays. As a result, markets now see a lower probability of a rate cut in June, and the Fed is likely to remain cautious given persistent inflation and uneven hiring.

# U.S. Personal Income & Spending Rise Moderately in Oct–Nov 25



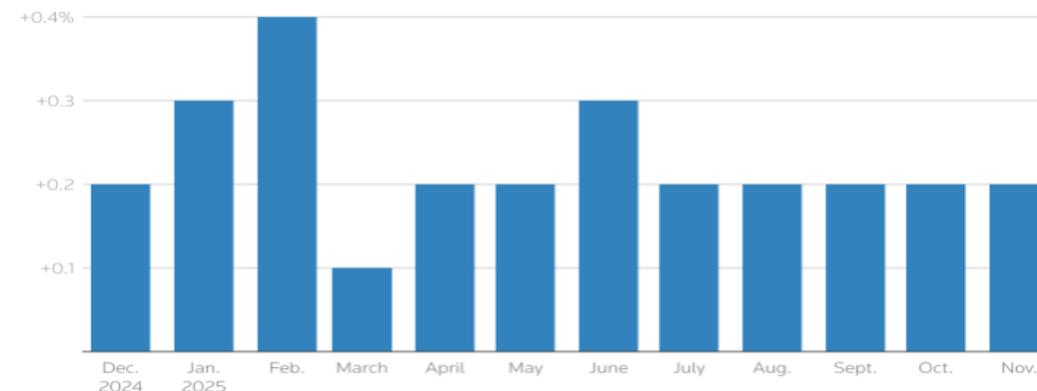
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Disposable Personal Income, Outlays, and Saving



Monthly change in core US Personal Consumption Expenditures Price Index

Prices rose 0.2% in November



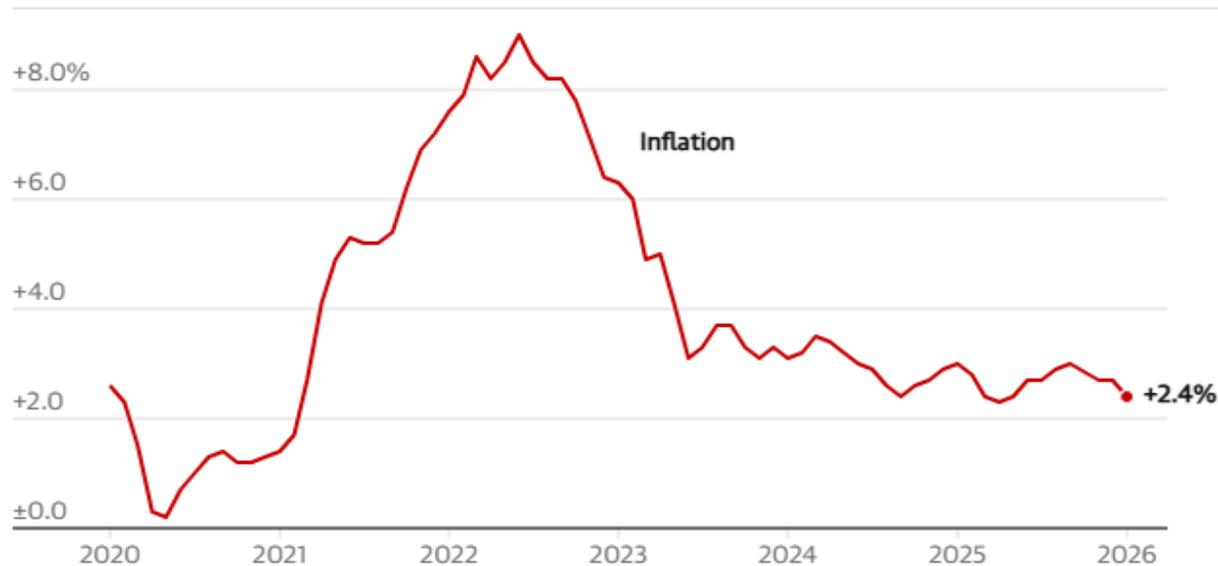
Data are seasonally adjusted.

Sources: Bureau of Economic Analysis, LSEG

A column chart with the title 'Monthly change in core US Personal Consumption Expenditures Price Index'

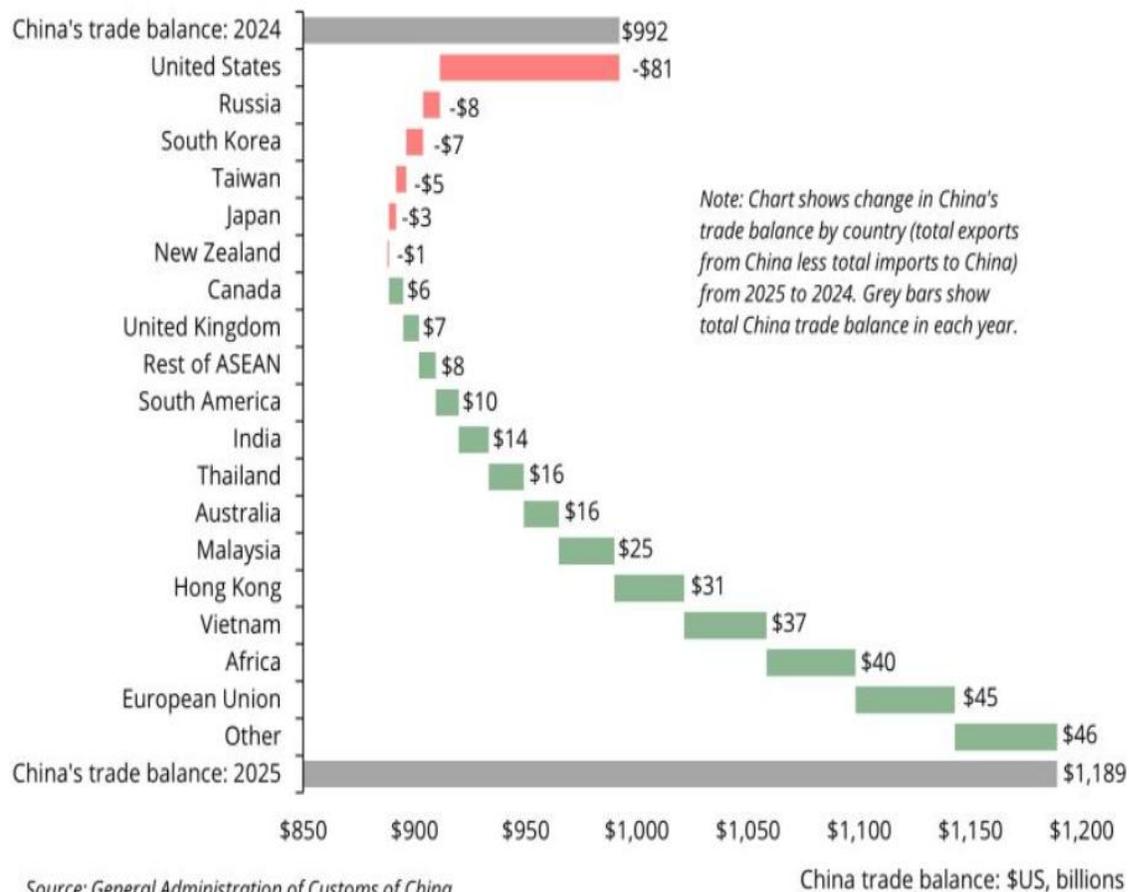
- Personal income rose 0.1% in October and 0.3% in November, led by wages, government benefits, and dividends. Disposable income increased the same.
- Personal consumption expenditures (PCE) grew 0.5% each month, with higher spending on services such as financial, health care, and housing, and goods including recreation, clothing, gasoline, and vehicles.
- Personal outlays rose by \$97.8 billion in October and \$107.9 billion in November. Personal saving fell from \$844 billion to \$800 billion, lowering the saving rate from 3.7% to 3.5%.
- The PCE price index increased 0.2% monthly and 2.7%–2.8% year-over-year, overall and excluding food and energy.
- This combined report covers October and November due to the government shutdown, showing steady income and spending growth amid inflation.

# U.S. Inflation Moderating



- CPI-U rose 0.2% in January (seasonally adjusted), bringing year-over-year inflation to 2.4%, down from 2.7% in December.
- Shelter (+0.2%) was the largest contributor to monthly increase, while food rose 0.2% and energy fell 1.5%, partially offsetting overall gains.
- Core inflation (all items less food and energy) increased 0.3% in January and 2.5% over the past 12 months.
- On a non-seasonally adjusted basis, CPI-U rose 2.4%, CPI-W increased 2.2%, and the chained CPI (C-CPI-U) also rose 2.2% over the last 12 months.
- Inflation is gradually cooling, supported by lower energy prices, but persistent shelter and core service costs indicate underlying price pressures remain.

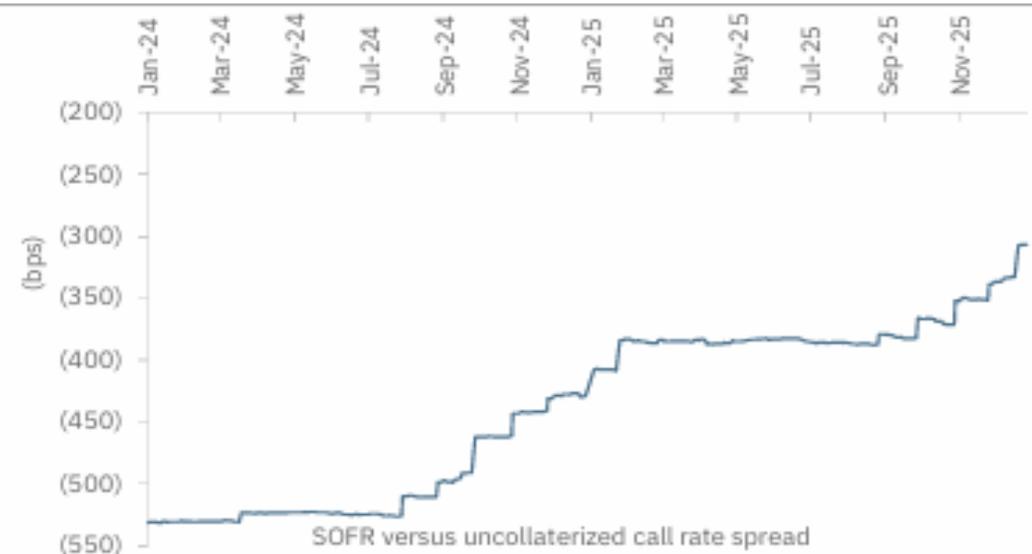
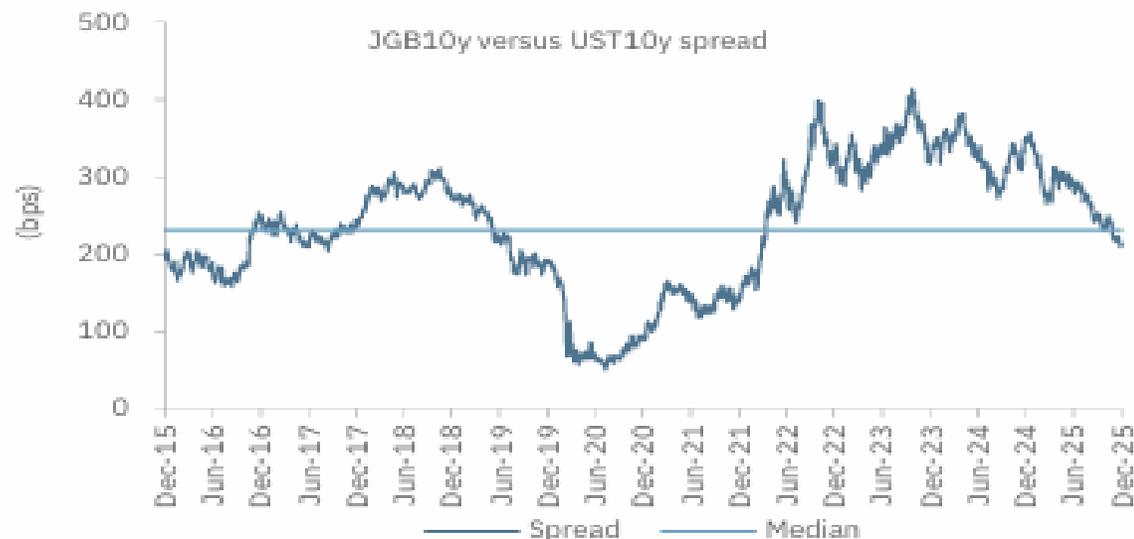
# China's Trade Balance Is Rewiring Toward Emerging Markets



- China's trade dynamics are shifting, with major developed markets—most notably the United States—showing the sharpest pullback, signalling rising friction in high-value trade lanes.
- At the same time, China's latest data shows its overall surplus hitting record highs into late-2025, driven by strong export momentum and a deepening pivot toward fast-growing partners across ASEAN, South America, India, Africa and the broader Global South.
- These regions are delivering broad-based gains that more than offset weakening demand from traditional Western counterparts, resulting in a net strengthening of China's trade position as diversification away from the West accelerates.

# Yen Rally and Carry-Trade Unwind: Rising Volatility Risk

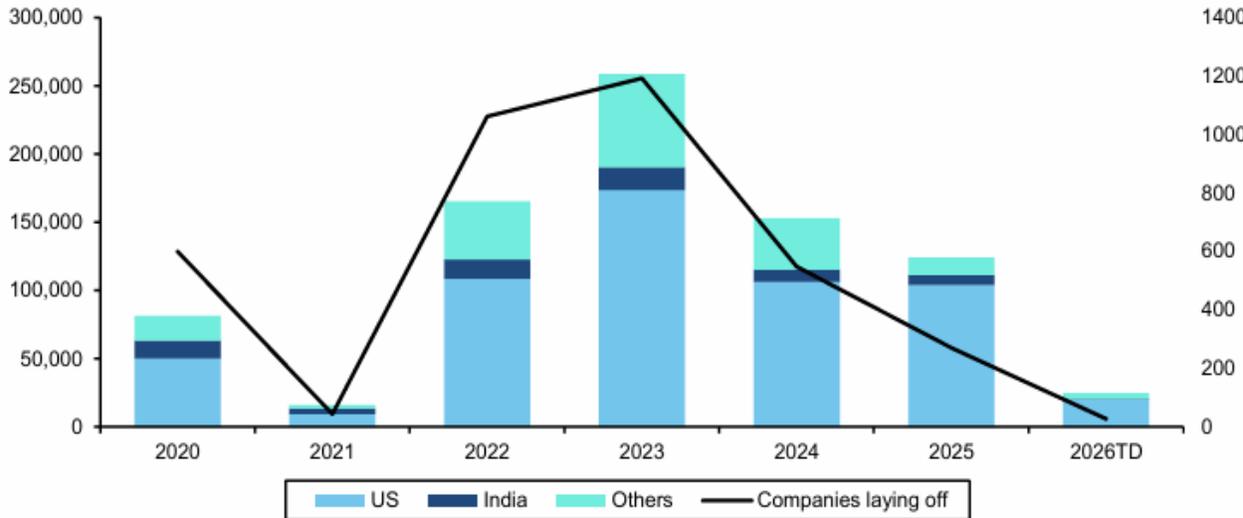
Benchmark JGB yields catching up to UST yields... ...but carry trade unwinding risks remain at bay for now



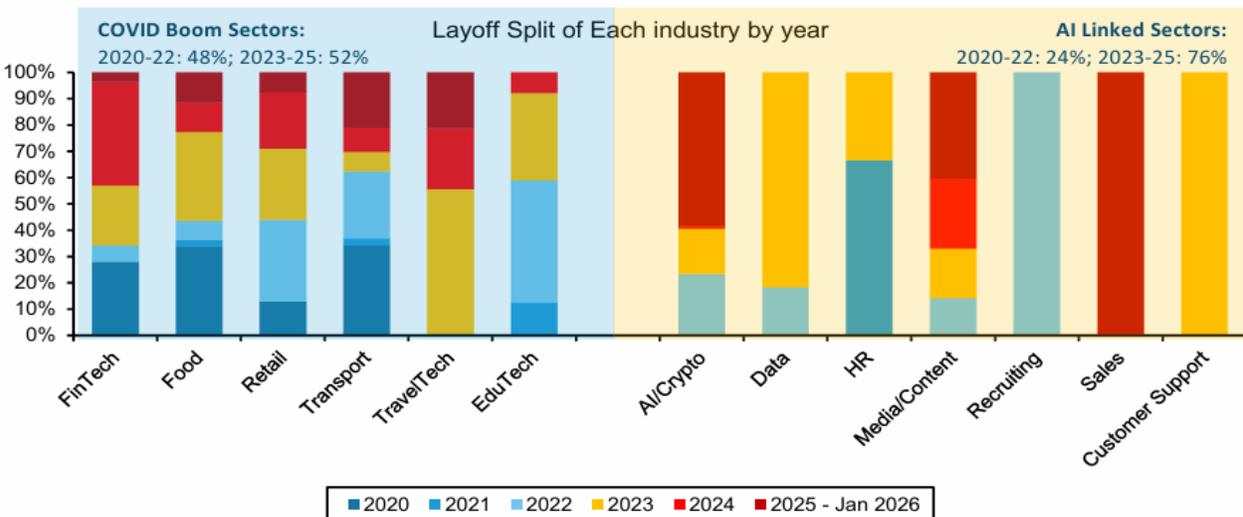
- Yen has strengthened sharply recently, triggering carry-trade unwinds as investors repatriate funds.
- Political stability in Japan and market volatility are driving risk-off positioning in USD/JPY carry.
- Bank of Japan may hike rates soon, which would raise yen funding costs and reduce carry profitability.
- Japanese authorities are increasingly vocal about intervention risk, making carry trades more fragile.
- Overall, carry-trade conditions are weakening due to policy uncertainty and higher volatility.

# Is AI really replacing humans, or we are overreacting ?

Tech Workers laid off across geographies, and number of companies laying off (RHS)



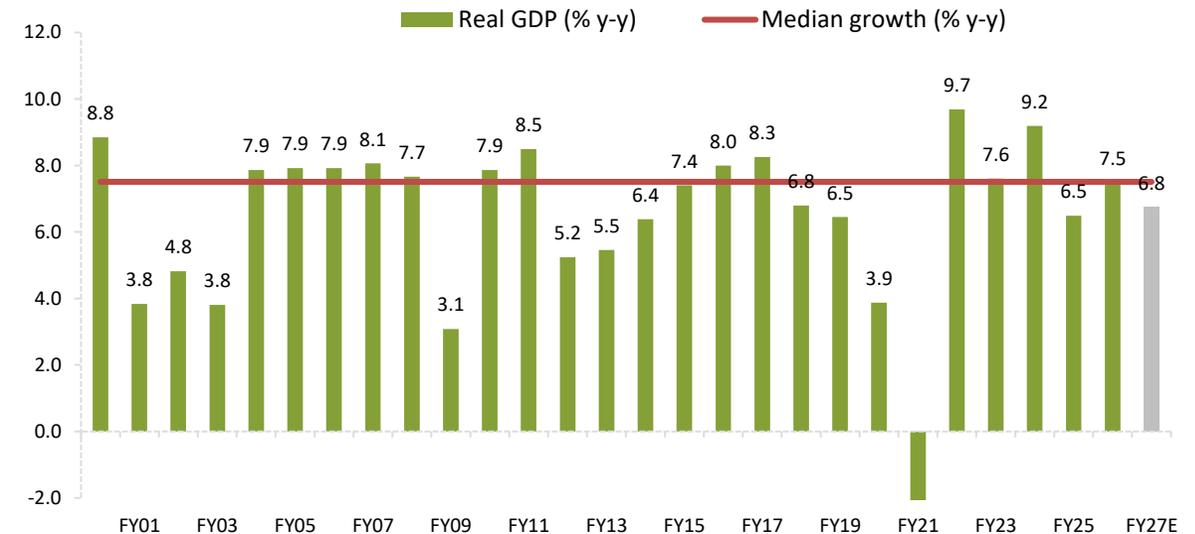
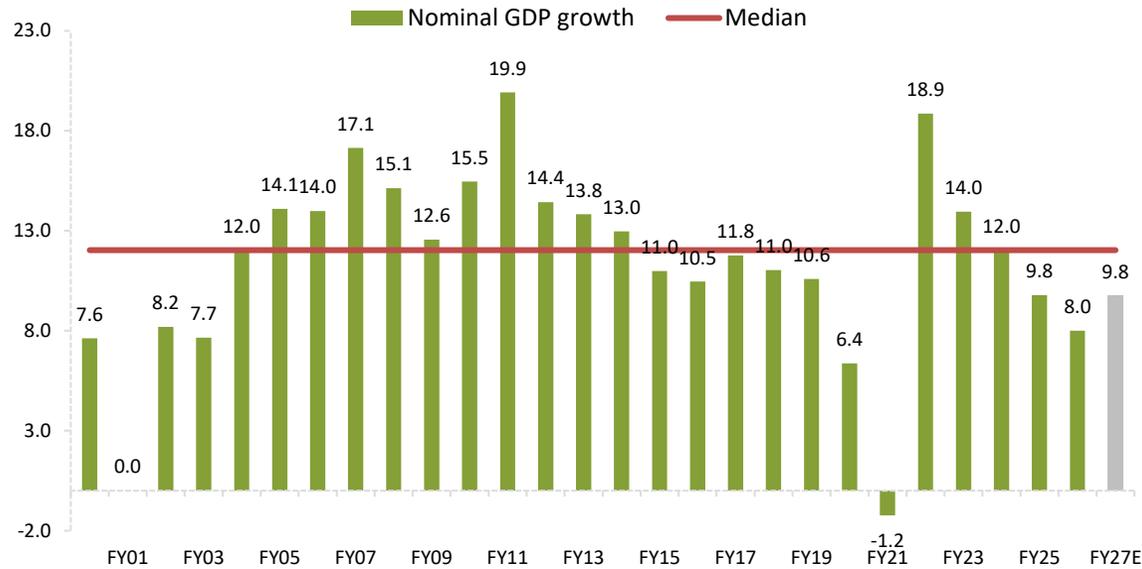
- Global tech layoffs stayed elevated through 2024–25, even after COVID over-hiring normalized, signaling a shift beyond pandemic correction.
- AI-linked sectors show a sharp post-2023 skew: 76% of their layoffs, versus a balanced split for COVID-boom sectors - pointing to early structural changes linked to AI adoption, not a full-scale displacement.
- Adoption is high (~79% of developers use AI tools), but most still refine/debug outputs, keeping humans essential for quality and context.
- Enterprises see productivity lift, yet AI still struggles with real-world complexity — messy requirements, system compatibility, contextual decisions.
- The pattern implies early restructuring tied to AI adoption, though far from mass displacement — team resizing, not function elimination.
- Meanwhile, AI capabilities continue to accelerate (agentic tools, reasoning, code automation), raising the possibility of deeper disruption ahead, even if today’s impact is still incremental.
- Markets reflect this tension: concerns are rising, but valuations remain far below dot-com levels, showing caution, not mania.



# India's Economic Pulse

- India's FY27 macro-outlook is positive, with nominal GDP expected to rise from 8.0% to 9.75%, supported by monetary and fiscal stimulus, lower tariffs, strong rural demand, and healthy capex conditions; real GDP may appear softer due to base effects & new GDP series (Feb 26).
- Fiscal consolidation continues, with fiscal and primary deficits declining as % of GDP (largely via lower revenue expenditure), targeting ~3.5% fiscal deficit by FY31.
- Growth indicators improving - PMIs strong and IIP up 7.8% YoY in Dec 2025 (manufacturing +8.1%), led by electronics and autos, though some high-frequency indicators remain mixed.
- Liquidity conditions remains adequate due to RBI OMOs, VRRR/VRRR and FX swaps; money market rates at/below repo, RBI balance sheet up 26% YoY, supporting stable financial conditions.
- FY27 consumption outlook positive, driven by tax relief, cash transfers, monetary easing and resilient rural incomes supported by strong agriculture output.
- Inflation benign: Jan 2026 CPI at 2.75% (new base year), within RBI band, led by softer food prices; allows room for calibrated easing if needed.
- External position strengthening: CAD manageable amid low crude and strong services exports; BoP likely moderate surplus with expected pickup in FDI/FII flows and possible global bond index inclusion.
- INR slightly undervalued (REER eased), trading around 90–91/USD; strong forex reserves (~\$723–724bn, ~11 months import cover) and elevated forward position support stability, limiting sharp appreciation despite potential inflows.
- India has signed the EU FTA and reached an interim tariff agreement with the US, both expected to enhance trade flows, improve export competitiveness, and support INR stability.

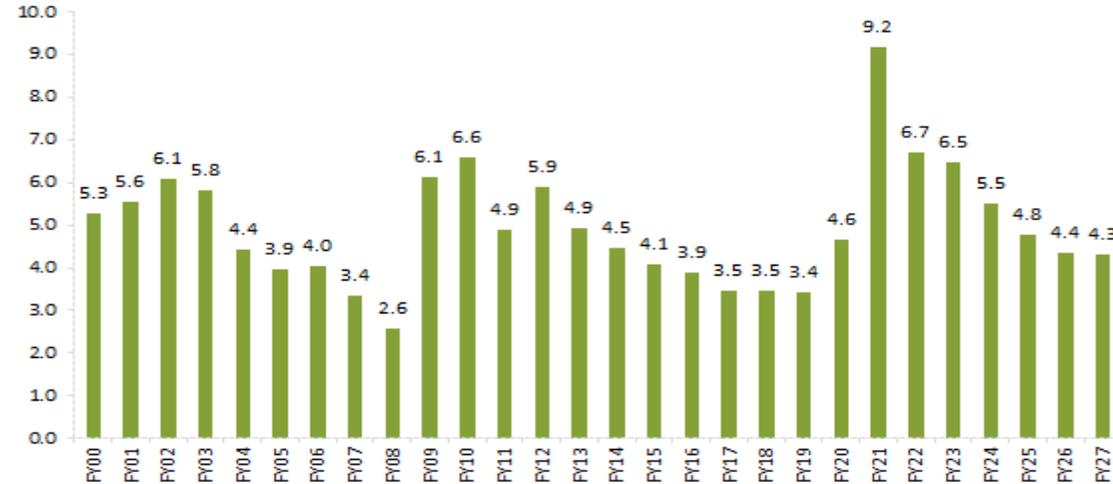
# FY27 Outlook: Nominal GDP uptick, but downtick in Real GDP



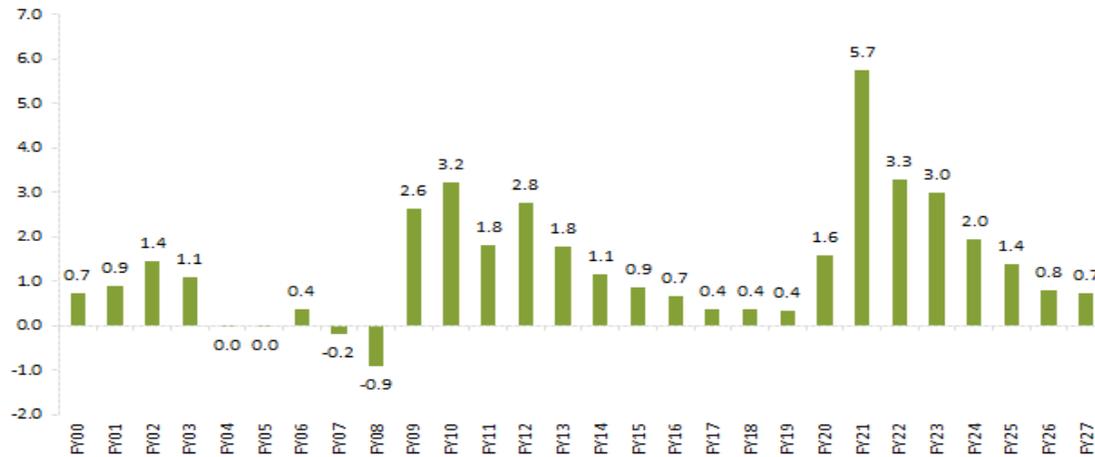
- We are positive on growth outlook in FY27 and we see nominal GDP growth to rise from 8.0% to 9.75%. Reason for our positive outlook come from monetary and fiscal stimulus, expectation of lower tariff (which should improve exports) and robust rural demand on the back of good agriculture output and continued fiscal support to rural India. While conditions are ripe for capex cycle with capacity utilization at high level and balance sheet healthy, global uncertainty is a key risk.
- However, headline Real GDP growth would likely be lower, as statistical effects of low deflator and base effects come into play. One key uncertainty in GDP numbers come from new series which will be introduced from Feb 26 onwards

# Fiscal Consolidation Healthy & set to continue

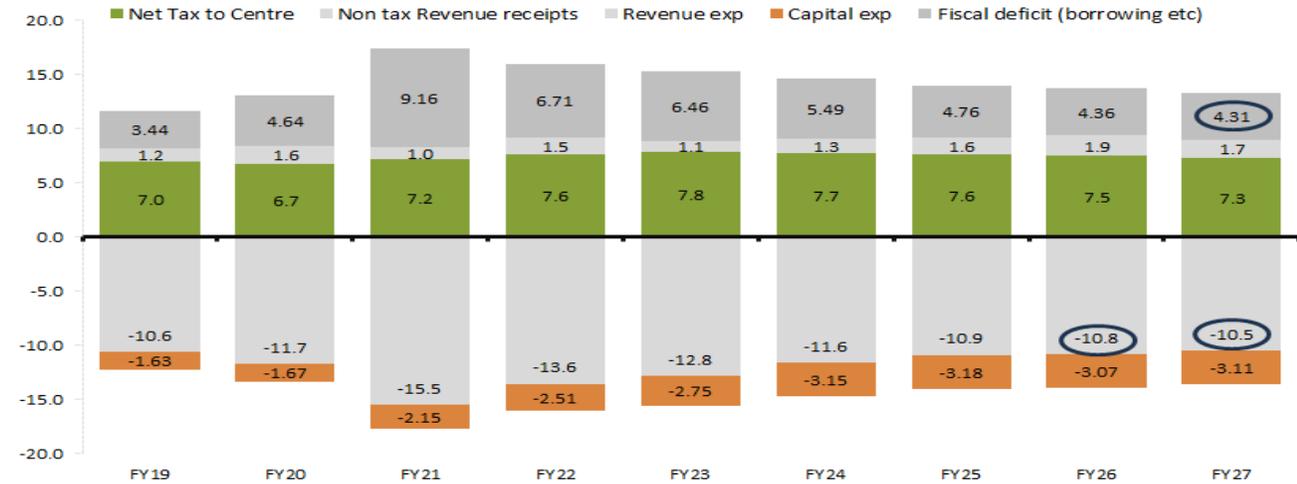
■ Fiscal deficit (% of GDP)



■ Primary deficit



Fiscal breakdown (% of GDP)



- Fiscal consolidation almost entirely on the back of lower revenue expenditure
- Both fiscal deficit and primary deficits continues to move steadily lower as %of GDP and nearly flat in absolute terms. We expect it to move towards 3.5% by FY31

# India PMIs continue to be strong



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| Global Composite PMI |        |      |      |      |      |       |       |       |      |
|----------------------|--------|------|------|------|------|-------|-------|-------|------|
|                      | Global | DM   | EM   | US   | UK   | Japan | China | India | EU   |
| Jan-26               | 52.5   | 52.6 | 52.3 | 53   | 53.9 | 52.8  | 51.6  | 59.5  | 51.3 |
| Dec-25               | 52     | 51.9 | 52.1 | 52.7 | 51.4 | 51.1  | 51.3  | 57.8  | 51.5 |
| Nov-25               | 52.7   | 53   | 52.3 | 54.8 | 50.5 | 52    | 49.7  | 59.7  | 52.8 |
| Oct-25               | 52.9   | 53.3 | 52.5 | 54.8 | 51.1 | 50.9  | 51.8  | 59.9  | 52.5 |
| Sep-25               | 52.4   | 52.4 | 52.6 | 53.6 | 51   | 51.1  | 52.5  | 61    | 51.2 |
| Aug-25               | 52.9   | 53.1 | 52.8 | 54.6 | 53.5 | 52    | 51.9  | 63.2  | 51   |
| Jul-25               | 51.2   | 53.1 | 51.6 | 55.1 | 51.5 | 51.6  | 50.8  | 61.1  | 50.9 |
| Jun-25               | 51.7   | 51.6 | 51.8 | 52.9 | 52   | 51.5  | 51.3  | 61    | 50.6 |
| May-25               | 51.2   | 51.4 | 50.9 | 53   | 50.3 | 50.2  | 49.6  | 59.3  | 50.2 |
| Apr-25               | 50.8   | 50.1 | 52   | 50.6 | 48.5 | 51.2  | 51.1  | 59.7  | 50.4 |
| Mar-25               | 52     | 51.8 | 52.6 | 53.5 | 51.5 | 48.9  | 51.8  | 59.5  | 50.9 |
| Feb-25               | 51.5   | 51   | 52.4 | 51.6 | 50.5 | 52    | 51.5  | 58.8  | 50.2 |
| Jan-25               | 51.8   | 51.7 | 51.9 | 52.7 | 50.6 | 51.1  | 51.1  | 57.7  | 50.2 |
| Dec-24               | 52.6   | 52.7 | 52.4 | 55.4 | 50.4 | 50.5  | 51.4  | 59.2  | 49.6 |
| Nov-24               | 52.4   | 52.2 | 52.9 | 54.9 | 50.5 | 50.1  | 52.3  | 58.6  | 48.3 |
| Oct-24               | 52.3   | 52.3 | 52.5 | 54.1 | 51.8 | 49.6  | 51.9  | 59.1  | 50   |
| Sep-24               | 51.9   | 52.3 | 51.2 | 54   | 52.6 | 52    | 50.3  | 58.3  | 49.6 |
| Aug-24               | 52.8   | 53.2 | 52.1 | 54.6 | 53.8 | 52.9  | 51.2  | 60.7  | 51   |
| Jul-24               | 52.5   | 52.7 | 52.4 | 54.3 | 52.8 | 52.5  | 51.2  | 60.7  | 50.2 |
| Jun-24               | 52.9   | 52.8 | 53.3 | 54.8 | 52.3 | 49.7  | 52.8  | 60.9  | 50.9 |
| May-24               | 53.7   | 53.4 | 54.3 | 54.4 | 53   | 52.6  | 54.1  | 60.5  | 52.2 |
| Apr-24               | 52.4   | 51.8 | 53.6 | 51.3 | 54.1 | 52.3  | 52.8  | 61.5  | 51.7 |
| Mar-24               | 52.2   | 51.5 | 53.7 | 52.1 | 52.8 | 51.7  | 52.7  | 61.8  | 50.3 |
| Feb-24               | 52.1   | 51.4 | 53.4 | 52.5 | 53   | 50.6  | 52.5  | 60.6  | 49.2 |
| Jan-24               | 51.8   | 50.8 | 53.5 | 52   | 52.9 | 51.5  | 52.5  | 61.2  | 47.9 |

| Asia Manufacturing PMI |       |       |           |       |          |             |           |        |          |         |
|------------------------|-------|-------|-----------|-------|----------|-------------|-----------|--------|----------|---------|
|                        | China | India | Indonesia | Korea | Malaysia | Phillipines | Singapore | Taiwan | Thailand | Vietnam |
| Jan-26                 | 50.3  | 56.8  | 52.6      | 51.2  | 50.2     | 52.9        | 50.5      | 51.7   | 58.3     | 52.5    |
| Dec-25                 | 50.1  | 55    | 51.2      | 50.1  | 50.1     | 50.2        | 50.3      | 50.9   | 57.4     | 53      |
| Nov-25                 | 49.2  | 56.6  | 53.3      | 49.4  | 50.1     | 47.4        | 50.2      | 48.8   | 56.8     | 53.8    |
| Oct-25                 | 50.6  | 59.2  | 51.2      | 49.4  | 49.5     | 50.1        | 50        | 47.7   | 56.6     | 55.4    |
| Sep-25                 | 51.2  | 57.7  | 50.4      | 50.7  | 49.8     | 49.9        | 50.1      | 46.8   | 54.6     | 50.4    |
| Aug-25                 | 50.5  | 59.8  | 51.5      | 48.3  | 49.9     | 50.8        | 50        | 47.4   | 52.7     | 50.4    |
| Jul-25                 | 49.5  | 59.1  | 49.2      | 48    | 49.7     | 50.9        | 49.9      | 46.2   | 51.9     | 52.4    |
| Jun-25                 | 50.4  | 58.4  | 46.9      | 48.7  | 49.3     | 50.7        | 50        | 47.2   | 51.7     | 48.9    |
| May-25                 | 48.3  | 57.6  | 47.4      | 47.7  | 48.8     | 50.1        | 49.7      | 48.6   | 51.2     | 49.8    |
| Apr-25                 | 49    | 58.2  | 46.7      | 47.5  | 48.6     | 53          | 49.6      | 47.8   | 49.5     | 45.6    |
| Mar-25                 | 50.5  | 58.1  | 52.4      | 49.1  | 48.8     | 49.4        | 50.6      | 49.8   | 49.9     | 50.5    |
| Feb-25                 | 50.2  | 56.3  | 53.6      | 49.9  | 49.7     | 51          | 50.7      | 51.5   | 50.6     | 49.2    |
| Jan-25                 | 49.1  | 57.7  | 51.9      | 50.3  | 48.7     | 52.3        | 50.9      | 51.1   | 49.6     | 48.9    |
| Dec-24                 | 50.1  | 56.4  | 51.2      | 49    | 48.6     | 54.3        | 51.1      | 52.7   | 51.4     | 49.8    |
| Nov-24                 | 50.3  | 56.5  | 49.6      | 50.6  | 49.2     | 53.8        | 51        | 51.5   | 50.2     | 50.8    |
| Oct-24                 | 50.1  | 57.5  | 49.2      | 48.3  | 49.5     | 52.9        | 50.8      | 50.2   | 50       | 51.2    |
| Sep-24                 | 49.8  | 56.5  | 49.2      | 48.3  | 49.5     | 53.7        | 51        | 50.8   | 50.4     | 47.3    |
| Aug-24                 | 49.1  | 57.5  | 48.9      | 51.9  | 49.7     | 51.2        | 50.9      | 51.5   | 52       | 52.4    |
| Jul-24                 | 49.4  | 58.1  | 49.3      | 51.4  | 49.7     | 51.2        | 50.7      | 52.9   | 52.8     | 54.7    |
| Jun-24                 | 49.5  | 58.3  | 50.7      | 52    | 49.9     | 51.3        | 50.4      | 53.2   | 51.7     | 54.7    |
| May-24                 | 49.5  | 57.5  | 52.1      | 51.6  | 50.2     | 51.9        | 50.6      | 50.9   | 50.3     | 50.3    |
| Apr-24                 | 50.4  | 58.8  | 52.9      | 49.4  | 49       | 52.2        | 50.5      | 50.2   | 48.6     | 50.3    |
| Mar-24                 | 50.8  | 59.1  | 54.2      | 49.8  | 48.4     | 50.9        | 50.7      | 49.3   | 49.1     | 49.9    |
| Feb-24                 | 49.1  | 56.9  | 52.7      | 50.7  | 49.5     | 51          | 50.6      | 48.6   | 45.3     | 50.4    |
| Jan-24                 | 49.2  | 56.5  | 52.9      | 51.2  | 49       | 50.9        | 50.7      | 48.8   | 46.7     | 50.3    |

Source: Bloomberg, ABSLAMC Research

Aditya Birla Sun Life AMC Ltd.

# High frequency indicators show mixed picture

|                              | Jan-26 | Dec-25 | Nov-25 | Oct-25 | Sep-25 | Aug-25 | Jul-25 | Jun-25 | May-25 | Apr-25 | Mar-25 | Feb-25 | Jan-25 | Dec-24 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| PMI mfg (Index)              | 55.40  | 55.00  | 56.60  | 59.20  | 57.70  | 59.30  | 59.10  | 58.40  | 57.6   | 58.2   | 58.1   | 56.3   | 57.7   | 56.4   |
| PMI Ser (Index)              | 59.30  | 58.00  | 59.80  | 58.90  | 60.90  | 62.90  | 60.50  | 60.40  | 58.8   | 58.7   | 58.5   | 59     | 56.5   | 59.3   |
| PMI composite                | 59.50  | 57.80  | 59.70  | 60.40  | 61.00  | 63.20  | 61.10  | 61.00  | 59.30  | 59.7   | 59.5   | 58.8   | 57.7   | 59.2   |
| Passenger vehicle (% YoY)    |        | 26.76  | 18.67  | 17.17  | 4.40   | -8.80  | -0.22  | -7.37  | -0.82  | 3.9    | 3.6    | 1.9    | 1.6    | 12.8   |
| 2W sales                     |        | 39.39  | 21.17  | 2.15   | 6.66   | 7.10   | 8.71   | -3.36  | 2.21   | -16.7  | 11.4   | -9     | 2.1    | 3.2    |
| 3W sales                     |        | 17.43  | 21.31  | 5.89   | 5.51   | 8.30   | 17.49  | 3.84   | -3.27  | 0.7    | 10.7   | 5.9    | 8.6    | 23.3   |
| IIP                          |        | 7.78   | 7.16   | 0.53   | 4.02   | 4.00   | 3.47   | 1.52   | 1.90   | 2.6    | 3.9    | 2.7    | 5.2    | 3.7    |
| Infra Index                  |        | 3.72   | 2.07   | -0.06  | 3.02   | 6.30   | 3.70   | 2.20   | 1.2    | 1      | 4.5    | 3.4    | 5.1    | 5.1    |
| Coal                         |        | 3.58   | 2.10   | -8.55  | -1.19  | 11.40  | -12.27 | -6.81  | 2.8    | 3.5    | 1.6    | 1.7    | 4.6    | 5.3    |
| Steel                        |        | 6.85   | 6.72   | 5.92   | 14.11  | 14.20  | 12.77  | 9.70   | 6.7    | 4.4    | 8.7    | 6.9    | 4.7    | 7.3    |
| Cement                       |        | 13.46  | 14.58  | 5.18   | 5.31   | 6.10   | 11.74  | 9.17   | 9.2    | 6.3    | 12.2   | 10.8   | 14.6   | 4.6    |
| Good Exports                 |        | 1.9    | 19.3   | -12.4  | 6.8    | 6.7    | 7.29   | -0.06  | -2.17  | 9      | 0.7    | -10.9  | -2.5   | -1.5   |
| Goods Imports                |        | 8.8    | -2.0   | 17.0   | 16.7   | -10.1  | 8.59   | -3.71  | -1.73  | 19.1   | 11.4   | -16.3  | 10.3   | 2.3    |
| Goods Trade Balance (USD bn) |        | -25.0  | -24.5  | -41.9  | -32.2  | -26.5  | -27.35 | -18.78 | -21.88 | -26.4  | -21.5  | -14.1  | -23    | -20.7  |
| Services Exports             |        | 13.0   | 6.7    | 2.2    | 12.6   | 12.3   | 10.34  | 11.97  | 9.58   | 8.8    | 18.6   | 11.6   | 12     | 16.9   |
| Services Imports             |        | 7.3    | -2.1   | 2.9    | 7.8    | 6.0    | 8.49   | 5.08   | -1     | 0.9    | 5.3    | -4.8   | 12.6   | 13.9   |
| Services: Trade balance      |        | 22.67  | 17.39  | 17.44  | 18.83  | 16.60  | 16.45  | 16.21  | 15.758 | 15.9   | 18.1   | 17.1   | 18     | 19.2   |
| M3                           |        | 12.12  | 9.88   | 10.30  | 9.55   | 10.13  | 9.96   | 9.84   | 9.47   | 9.6    | 9.6    | 9.6    | 9.6    | 9.3    |
| Bank deposits                |        | 12.67  | 10.19  | 10.84  | 9.49   | 10.22  | 10.17  | 10.05  | 9.8891 | 9.8    | 10.1   | 10.2   | 11.9   | 9.7    |
| Bank credit                  |        | 14.53  | 11.53  | 12.00  | 10.38  | 10.03  | 10.04  | 9.48   | 8.96   | 9.9    | 10.9   | 10.8   | 12.4   | 11     |
| Passenger airport            |        | -2.80  | 7.05   | 4.67   | -0.69  | 1.00   | -0.99  | 3.66   | 3      | 10.3   | 9.3    | 11.2   | 13.5   | 10.5   |
| Cargo Airport                |        | 9.38   | 15.63  | -2.34  | 2.47   | 5.50   | 4.41   | 0.25   | 5      | 11.5   | 3.8    | -4.9   | 7      | 8      |
| Electricity                  |        | 5.79   | -0.58  | -5.82  | 3.53   | 3.92   | 2.60   | -2.27  | -4.8   | 2.8    | 5.7    | 2.4    | 1.3    | 5.1    |
| Diesel                       | 3.05   | 5.01   | 4.72   | -0.33  | 6.67   | 0.91   | 2.36   | 1.51   | 2.2    | 4.3    | 0.9    | -1.3   | 4.2    | 5.9    |
| Petrol                       | 5.63   | 7.08   | 2.59   | 7.42   | 8.01   | 5.50   | 5.93   | 6.85   | 9.2    | 5      | 5.7    | 5      | 6.7    | 11.1   |
| Petroleum overall            |        | 5.30   | 2.82   | -1.50  | 7.39   | 2.60   | -4.02  | 1.43   | 1.1    | 0      | -3.1   | -5.2   | 3      | 2      |
| Eway bill                    |        | 23.55  | 27.60  | 8.19   | 21.04  | 22.40  | 25.80  | 19.33  | 18.9   | 23.4   | 20.2   | 14.7   | 23.1   | 17.6   |
| GST collection               | 6.20   | 6.07   | 3.56   | 4.59   | 9.11   | 6.49   | 7.50   | 6.20   | 16.4   | 12.6   | 9.9    | 9.1    | 12.3   | 7.3    |

# IIP hits 2 year high

India's IIP for Dec 2025 recorded a significant, broad-based surge of 7.8% yoy, marking its fastest pace of growth in over two years. This performance signifies a sharp, V-shaped recovery from the 0.4% growth seen in October 2025 and an acceleration from the revised 7.2% in Nov2025. The recovery was primarily driven by strong manufacturing growth of 8.1%, reflecting improved demand conditions, higher production of computer, electronic and optical products, and sustained momentum in the automobile sector.

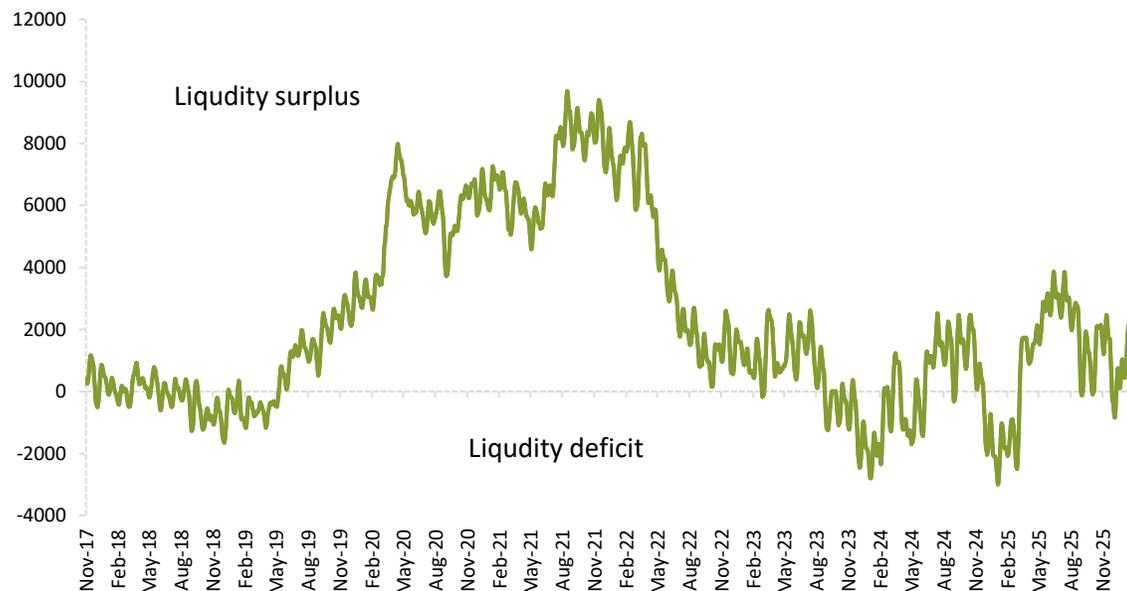
|        | IIP | Mining | Mfg | Electricity | Primary Goods | Capital Goods | Intermediate Goods | Infra & Construction | Consumer Durables | Consumer Non Durable |
|--------|-----|--------|-----|-------------|---------------|---------------|--------------------|----------------------|-------------------|----------------------|
| Dec-25 | 7.8 | 6.8    | 8.1 | 6.3         | 4.4           | 8.1           | 7.5                | 12.1                 | 12.3              | 8.3                  |
| Nov-25 | 7.2 | 5.8    | 8.5 | -1.5        | 2.2           | 10.1          | 7.4                | 13                   | 11.2              | 8                    |
| Oct-25 | 0.5 | -1.8   | 2   | -6.9        | -0.6          | 2.1           | 2.5                | 7.1                  | -1.3              | -5.2                 |
| Sep-25 | 4.6 | -0.4   | 5.6 | 3.1         | 1.3           | 5.4           | 6.3                | 10.6                 | 10                | -0.3                 |
| Aug-25 | 4.1 | 6.6    | 3.8 | 4.1         | 5.4           | 4.5           | 5.2                | 10.4                 | 3.5               | -6.4                 |
| Jul-25 | 4.3 | -7.2   | 6   | 3.7         | -1.7          | 5             | 5.8                | 11.9                 | 7.7               | 0.5                  |
| Jun-25 | 1.5 | -8.7   | 3.7 | -1.2        | -2.5          | 3             | 5.5                | 6.7                  | 2.8               | -0.9                 |
| May-25 | 1.9 | -0.1   | 3.2 | -4.7        | -1.4          | 13.3          | 4.7                | 6.7                  | -0.9              | -1                   |
| Apr-25 | 2.6 | -0.2   | 3.1 | 1.7         | -0.2          | 14            | 4.9                | 4.7                  | 6.2               | -2.7                 |
| Mar-25 | 3.9 | 1.2    | 4   | 7.5         | 3.9           | 3.6           | 3.8                | 9.9                  | 6.9               | -4                   |
| Feb-25 | 2.7 | 1.6    | 2.8 | 3.6         | 2.8           | 8.2           | 1                  | 6.8                  | 3.7               | -2.1                 |
| Jan-25 | 5.2 | 4.4    | 5.8 | 2.4         | 5.5           | 10.2          | 5.3                | 7.3                  | 7.1               | 0.1                  |
| Dec-24 | 3.7 | 2.7    | 3.7 | 6.2         | 3.8           | 10.5          | 6.4                | 8.4                  | 8.1               | -7.1                 |
| Nov-24 | 5   | 1.9    | 5.5 | 4.4         | 2.7           | 8.9           | 4.8                | 8                    | 14.1              | 0.6                  |
| Oct-24 | 3.7 | 0.9    | 4.4 | 2           | 2.5           | 2.9           | 4.8                | 4.7                  | 5.5               | 2.8                  |
| Sep-24 | 3.2 | 0.2    | 4   | 0.5         | 1.8           | 3.5           | 4.3                | 3.5                  | 6.3               | 2.2                  |
| Aug-24 | 0   | -4.3   | 1.2 | -3.7        | -2.6          | 0             | 3.1                | 2.7                  | 5.4               | -4.4                 |
| Jul-24 | 5   | 3.8    | 4.7 | 7.9         | 5.9           | 11.7          | 7                  | 5.5                  | 8.2               | -4.2                 |
| Jun-24 | 4.9 | 10.3   | 3.5 | 8.6         | 6.3           | 3.6           | 3.2                | 8.2                  | 8.8               | -1                   |
| May-24 | 6.2 | 6.6    | 5.1 | 13.7        | 7.3           | 2.6           | 3.5                | 7.6                  | 12.6              | 2.8                  |
| Apr-24 | 5.2 | 6.8    | 4.2 | 10.2        | 7             | 2.8           | 3.8                | 8.5                  | 10.5              | -2.5                 |
| Mar-24 | 5.5 | 1.3    | 5.9 | 8.6         | 3             | 7             | 6.1                | 7.4                  | 9.5               | 5.2                  |
| Feb-24 | 5.6 | 8.1    | 4.9 | 7.6         | 5.9           | 1.7           | 8.6                | 8.3                  | 12.6              | -3.2                 |
| Jan-24 | 4.2 | 6      | 3.6 | 5.6         | 2.9           | 3.2           | 5.3                | 5.5                  | 11.6              | 0.3                  |

# Liquidity remains comfortable; overnight rates stay soft

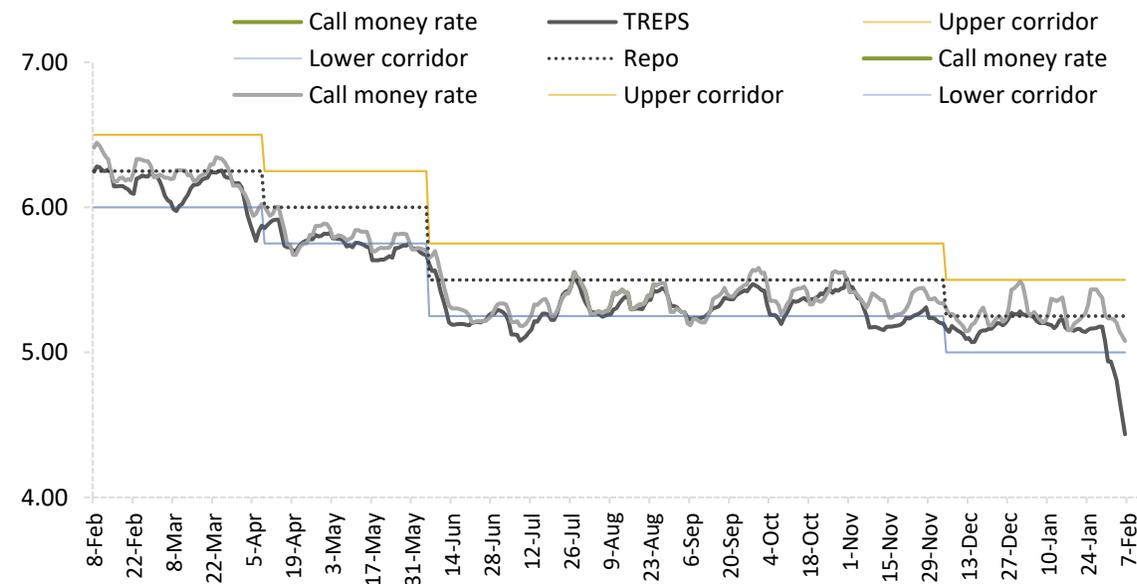


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Liquidity in the banking system



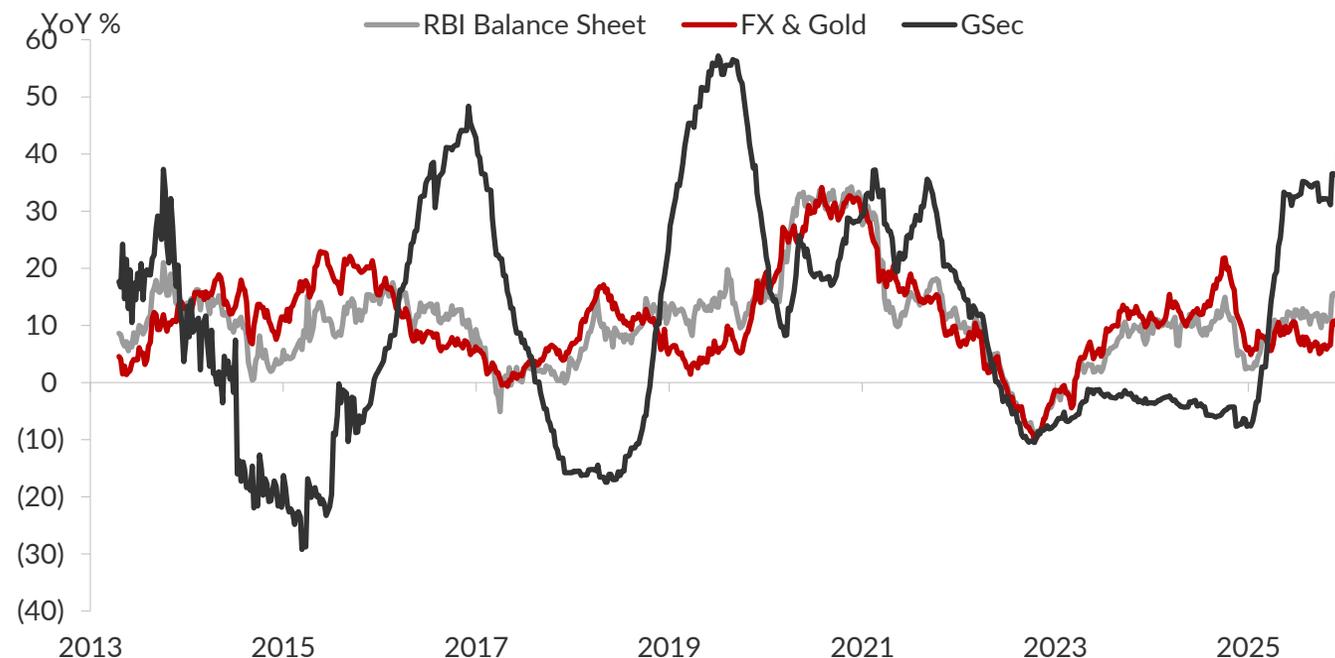
India Overnight Rates (7day avg)



System liquidity turned comfortably surplus in early January and remained ample, aided by RBI liquidity operations (OMOs, VRR/VRRR, forex swaps), keeping overnight call/TREPS rates at or below the 5.25% repo rate.

By early February, surplus conditions pushed the weighted average call rate to multi-year lows below repo, with elevated SDF parking and limited expectations of near-term rate cuts.

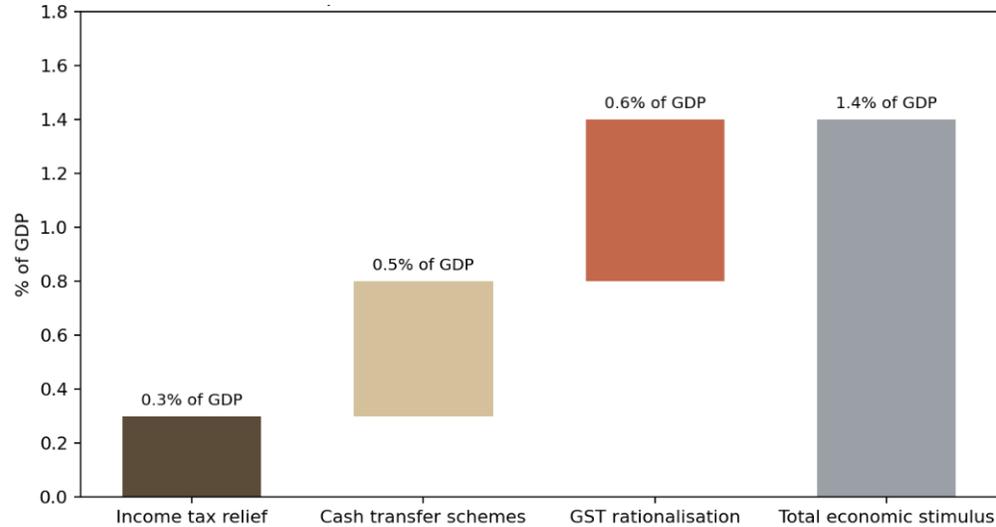
# Healthy increase in RBI balance sheet



RBI's balance sheet remained robust, growing at a brisk pace of 26.28% year-on-year—outpacing nominal GDP—driven by aggressive liquidity-enhancing measures such as OMO purchases and FX swaps. The balance sheet's composition continued to be dominated by foreign assets and gold, with currency in circulation and revaluation reserves forming the major liabilities. RBI's active liquidity management and forex interventions supported a stable monetary environment and the smooth functioning of the financial system.

# Consumption outlook positive

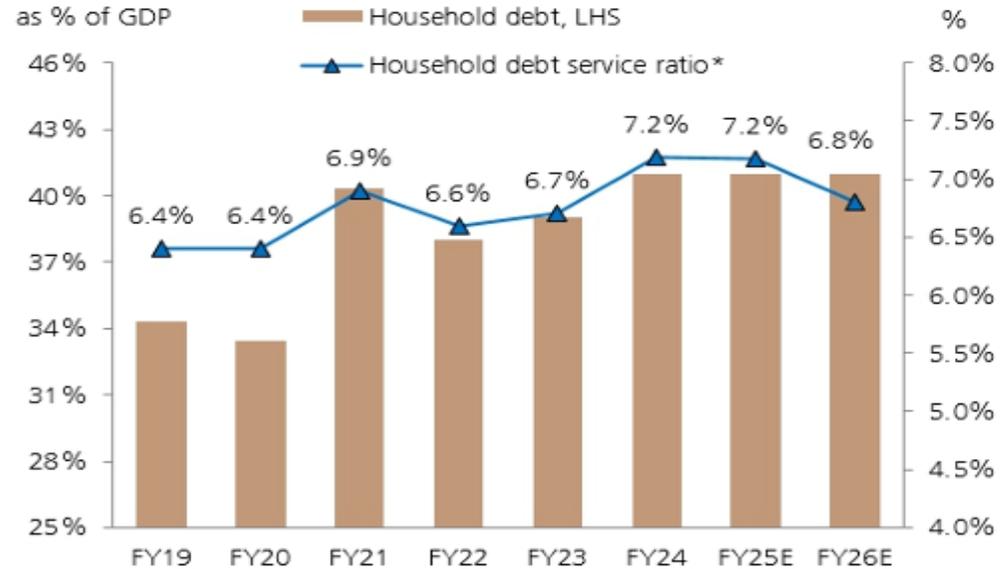
## Significant fiscal consumption push to the economy by government



## Consumer confidence is running high

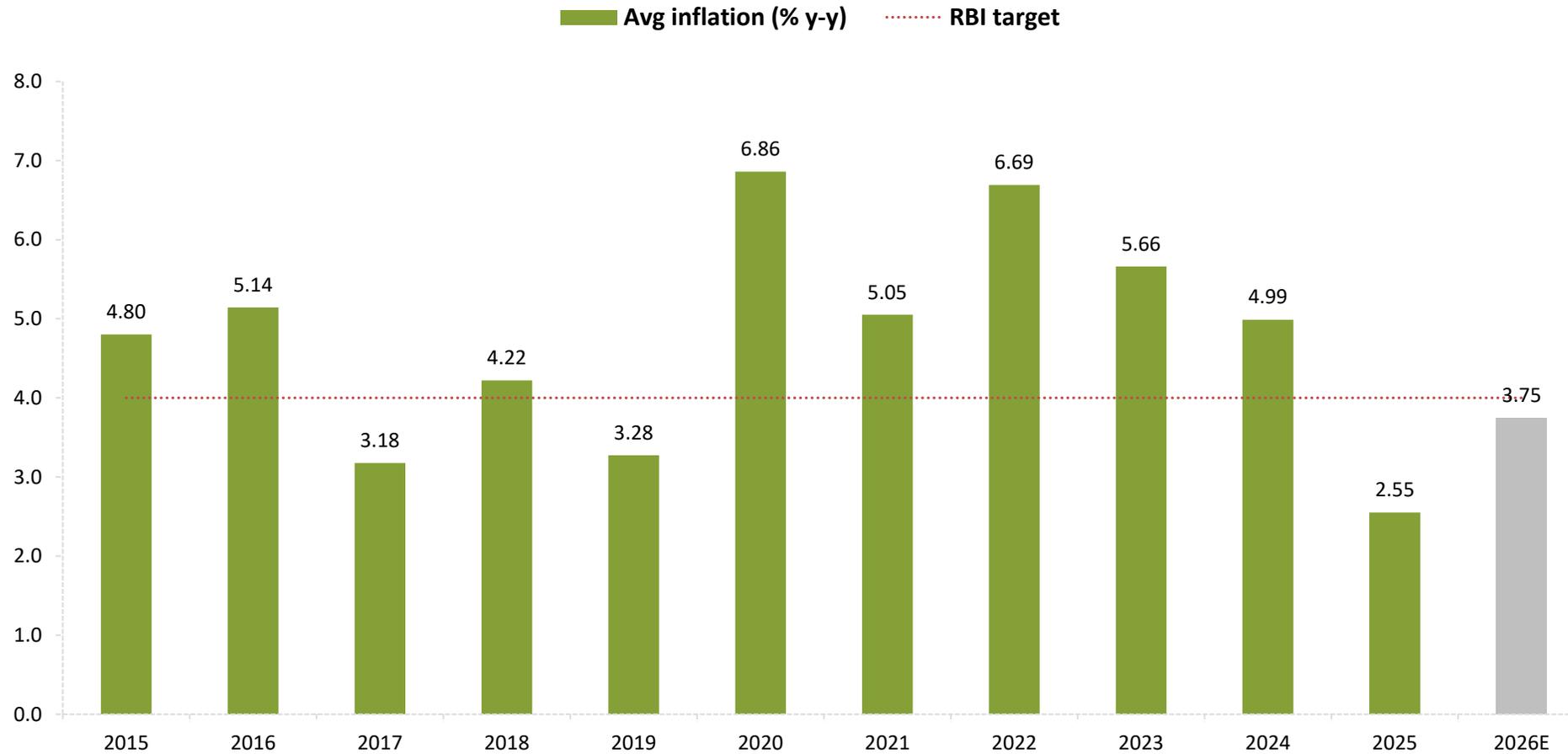


## Lower lending rates to improve household balance sheet

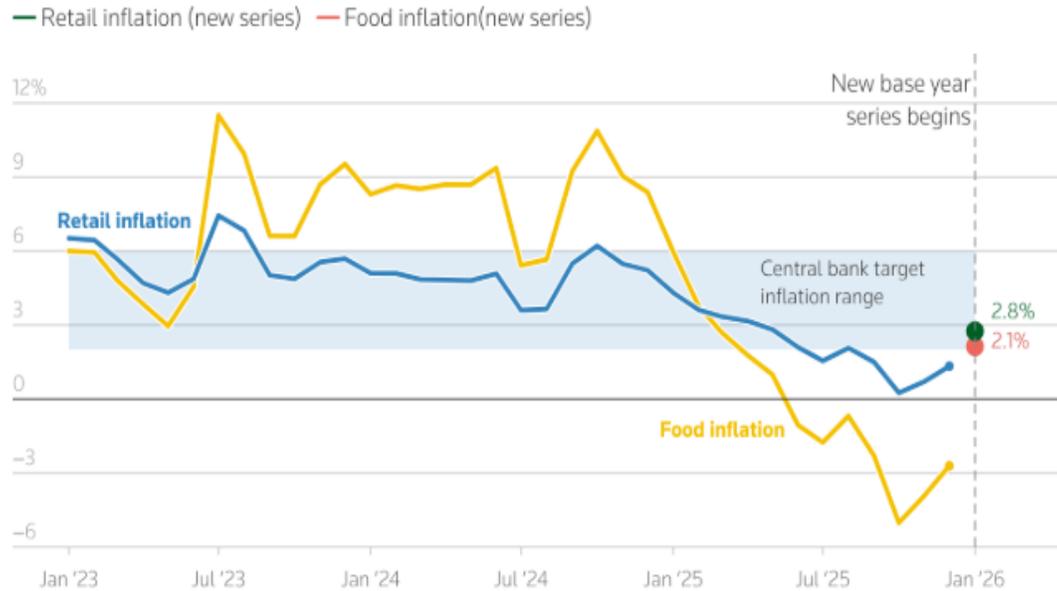


- Private consumption in FY27 is expected to be well supported by a strong fiscal impulse (GST reductions, income tax cuts, and ongoing cash transfer programs), alongside monetary easing and elevated consumer confidence.
- Rural consumption, in particular, should remain resilient, underpinned by healthy agricultural output, expanding cash transfer schemes, and favorable terms of trade for the farm sector.

# Inflation to stay comfortable in 2026



# January CPI at 2.75% Signals Benign Inflation Backdrop

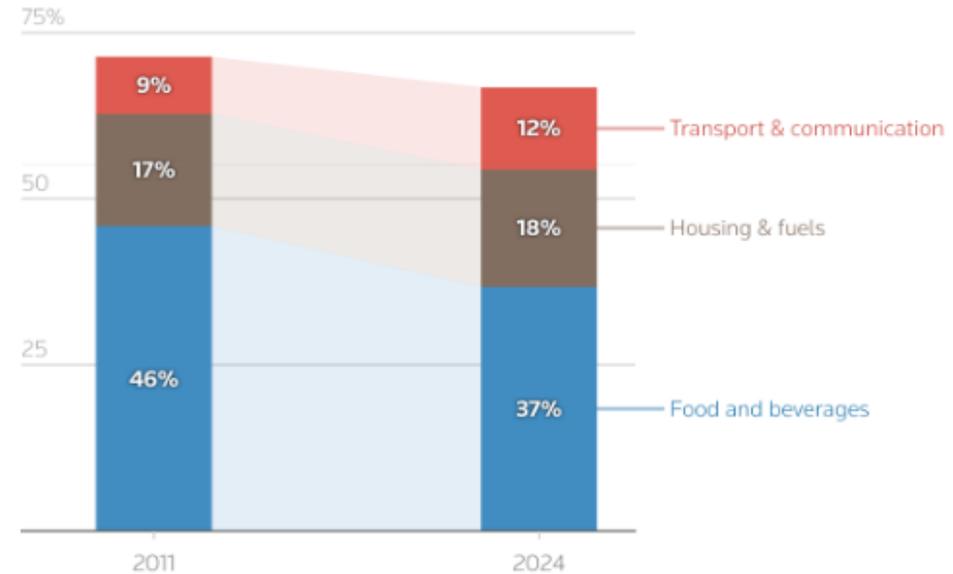


Note: Central bank inflation range is only for headline inflation

Sources: LSEG, MoSPI

A line chart with India's retail and food inflation under new base year 2024

## Weightage of top three divisions in each base year



Note: Only items with weightage greater than 5 percentage points in 2024 base series are shown;

Numbers for transport and information communication for 2024 series are taken together as one for comparison with 2011 series

Source: MoSPI, India | Reuters, Feb. 12, 2026 | Vineet Sachdev

The chart shows the weightage of top three divisions for measuring India's inflation with base year 2011 and 2024

- India's January 2026 CPI inflation eased to 2.75%, the first reading under the newly revised CPI with base year 2024, remaining comfortably within the RBI's 2–6% tolerance band and marking a continuation of the recent disinflation trend.
- The moderation was led by softer food prices, while core inflation stayed contained, reflecting limited underlying demand pressures.
- The benign print strengthens expectations of a stable policy stance in the near term, with room for calibrated easing if growth conditions warrant.

## Balance of payment account should return to surplus in FY27

|                  | FY15  | FY16  | FY17  | FY18  | FY19  | FY20  | FY21 | FY22  | FY23  | FY24  | FY25  | FY26E | FY27E |
|------------------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|
| Non-oil goods    | -145  | -130  | -112  | -160  | -180  | -158  | -102 | -189  | -265  | -245  | -287  | -315  | -314  |
| Non- oil Exports | 254   | 232   | 244   | 266   | 284   | 272   | 266  | 355   | 354   | 353   | 374   | 390   | 420   |
| Non-oil Imports  | 310   | 298   | 297   | 357   | 373   | 344   | 312  | 451   | 507   | 499   | 534   | 585   | 620   |
| Net Oil          | -82   | -52   | -55   | -71   | -94   | -89   | -57  | -94   | -112  | -95   | -122  | -120  | -114  |
| Services         | 77    | 70    | 68    | 78    | 82    | 85    | 89   | 108   | 143   | 163   | 189   | 210   | 220   |
| Transfers        | 66    | 63    | 56    | 62    | 70    | 75    | 73   | 80    | 101   | 106   | 123   | 130   | 130   |
| Income           | -24   | -24   | -26   | -29   | -29   | -27   | -36  | -37   | -46   | -50   | -48   | -53   | -56   |
| Current Account  | -26.9 | -22.2 | -14.4 | -48.7 | -57.3 | -24.7 | 23.9 | -38.8 | -67.1 | -26.1 | -23.1 | -28.0 | -19.8 |
| CAD, % of GDP    | -1.3  | -1.1  | -0.6  | -1.8  | -2.1  | -0.9  | 0.9  | -1.2  | -2.0  | -0.7  | -0.6  | -0.7  | -0.5  |
| FDI              | 31    | 36    | 36    | 30    | 31    | 43    | 44   | 39    | 28    | 10    | 1     | 5     | 10    |
| FII              | 42    | -4    | 8     | 22    | -1    | 1     | 36   | -17   | -5    | 44    | 4     | -10   | 20    |
| Loans            | 3     | -5    | 2     | 17    | 16    | 26    | 7    | 34    | 8     | 7     | 29    | 15    | 15    |
| Banking Capital  | 12    | 11    | -17   | 16    | 7     | -5    | -21  | 7     | 21    | 41    | -10   | -5    | -15   |
| Others           | 1     | 3     | 8     | 6     | 1     | 18    | -2   | 24    | 7     | -12   | -7    | 0     | 0     |
| Capital Account  | 89    | 41    | 36    | 91    | 54    | 83    | 64   | 86    | 59    | 90    | 17    | 5     | 30    |
| Overall BoP      | 62    | 19    | 22    | 43    | -3    | 59    | 88   | 47    | -8    | 63    | -6    | -23   | 10    |
| Basic Balance    | 4     | 14    | 21    | -18   | -27   | 18    | 68   | 0     | -39   | -16   | -22   | -23   | -10   |

We expect Balance of Payment account to return to moderate surplus in FY27. We expect current account deficit to continue to be comfortable on the back of low crude prices, continued strong performance of invisibles, particularly services.

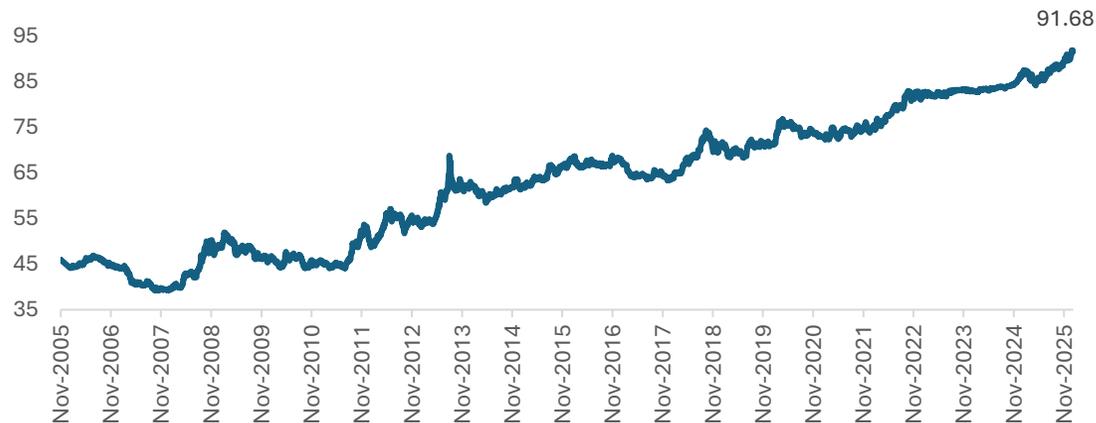
We expect improvement on capital account front we are expecting some uptick in net FDI and FII inflows. We are witnessing renewed pick-up in FDI inflows into India which we expect to pick-up further in FY27. We also see good chance of India being added to Bloomberg Barclays Global Aggregate Index which we have put in our base case. FII allocation to Indian equity markets is also very low where we see some uptick.

# India's External Position : Reserves, REER and INR Holding Up



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USR INR Exchange Rate



Foreign Exchange Reserves (US \$ Million)

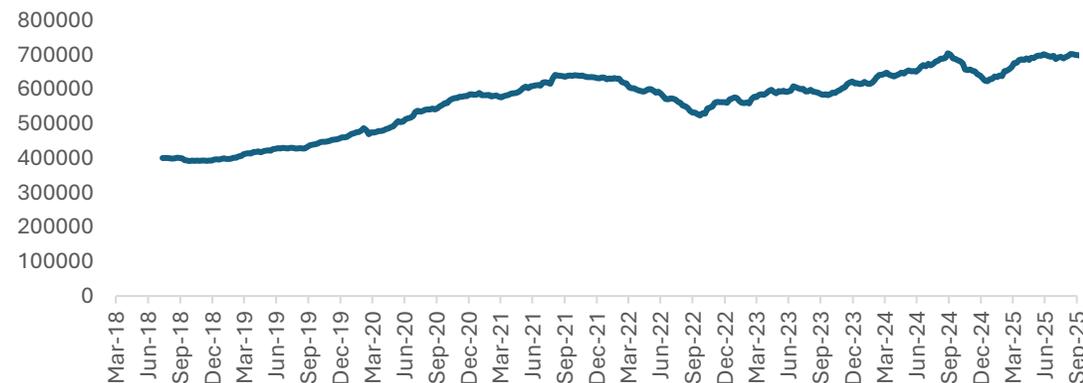
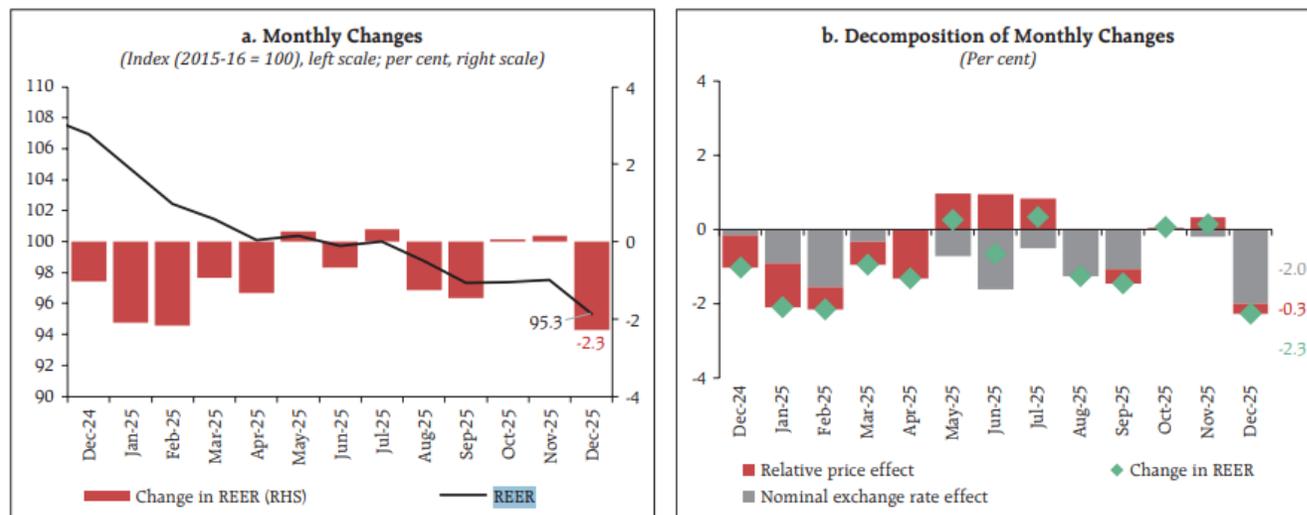


Chart IV.17: Movements in the 40-Currency Real Effective Exchange Rate



Note: Positive change indicates an appreciation of nominal and real exchange rate and negative change indicates a depreciation.  
Source: RBI.

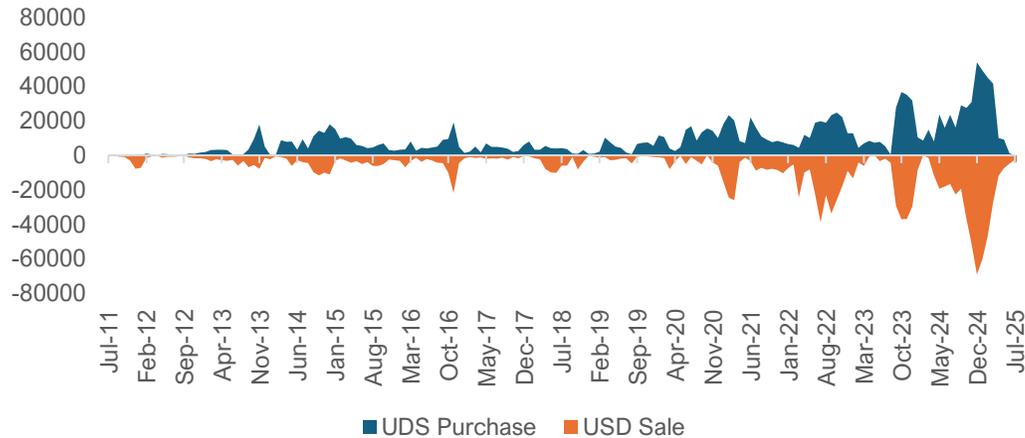
- REER has eased from earlier highs, implying a slightly undervalued INR and improved export competitiveness.
- INR–USD has traded around the 90–91 range, with recent EU–India FTA talks and improved US ties providing some support to the rupee.
- Forex reserves remain robust (~\$723–724 bn), sufficient to cover about 11 months of imports, strengthening India's external buffer.

# RBI Boosts Forward Dollar Sales to Defend Rupee

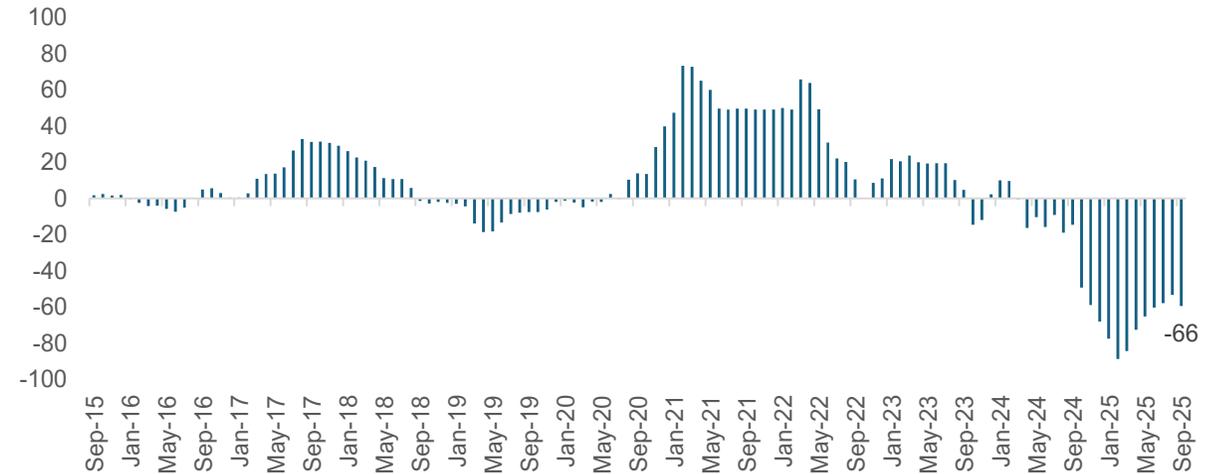


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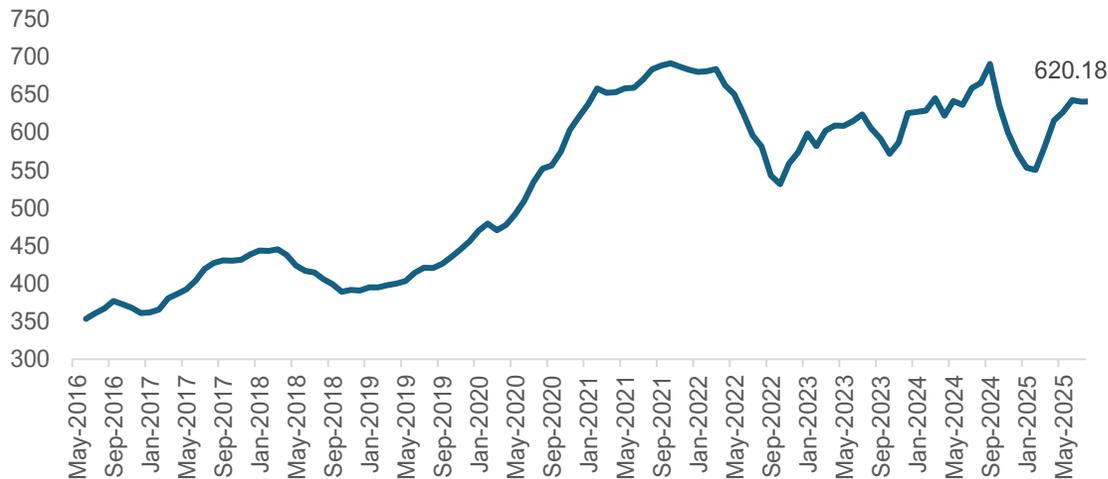
RBI Forex Operation



Net forward position of RBI (US\$ bn)



Reserves + forwards ( US\$ bn)



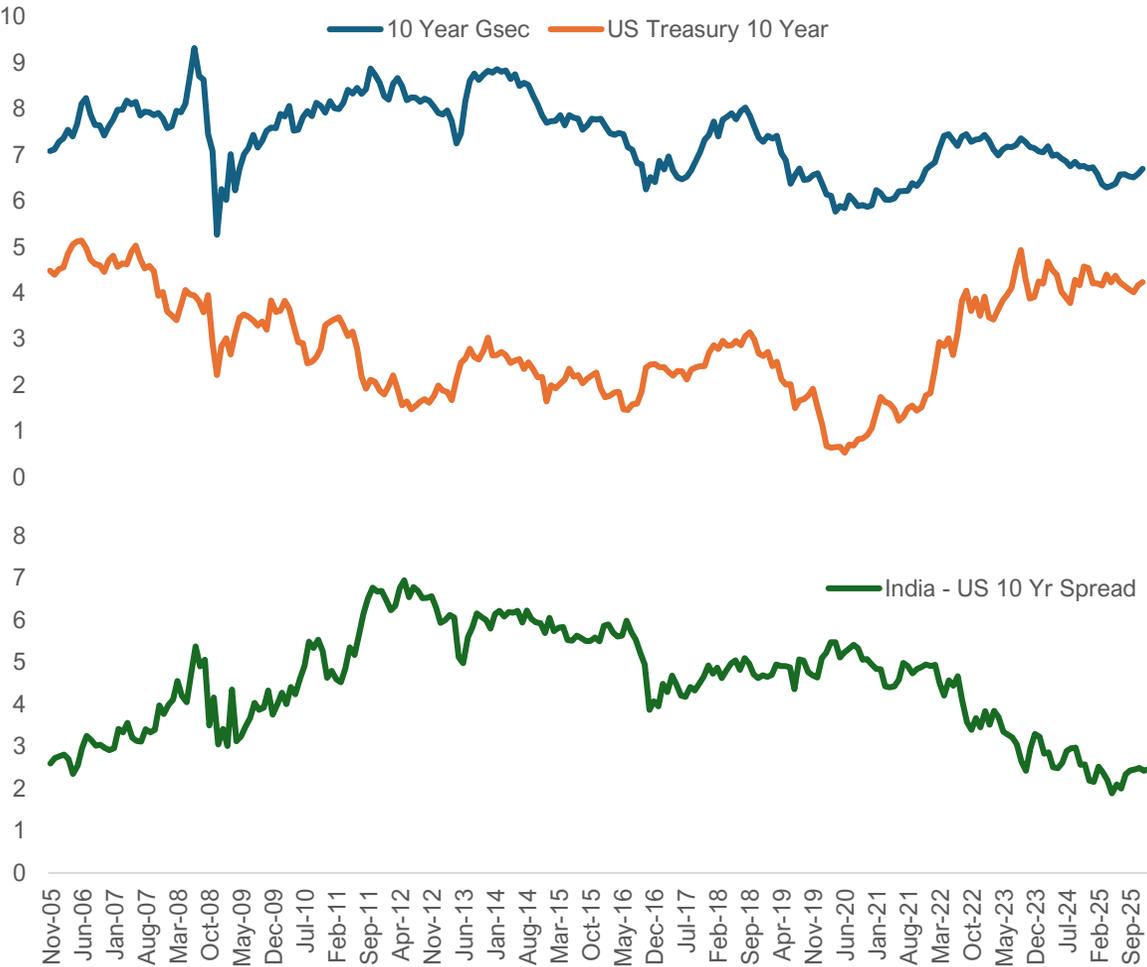
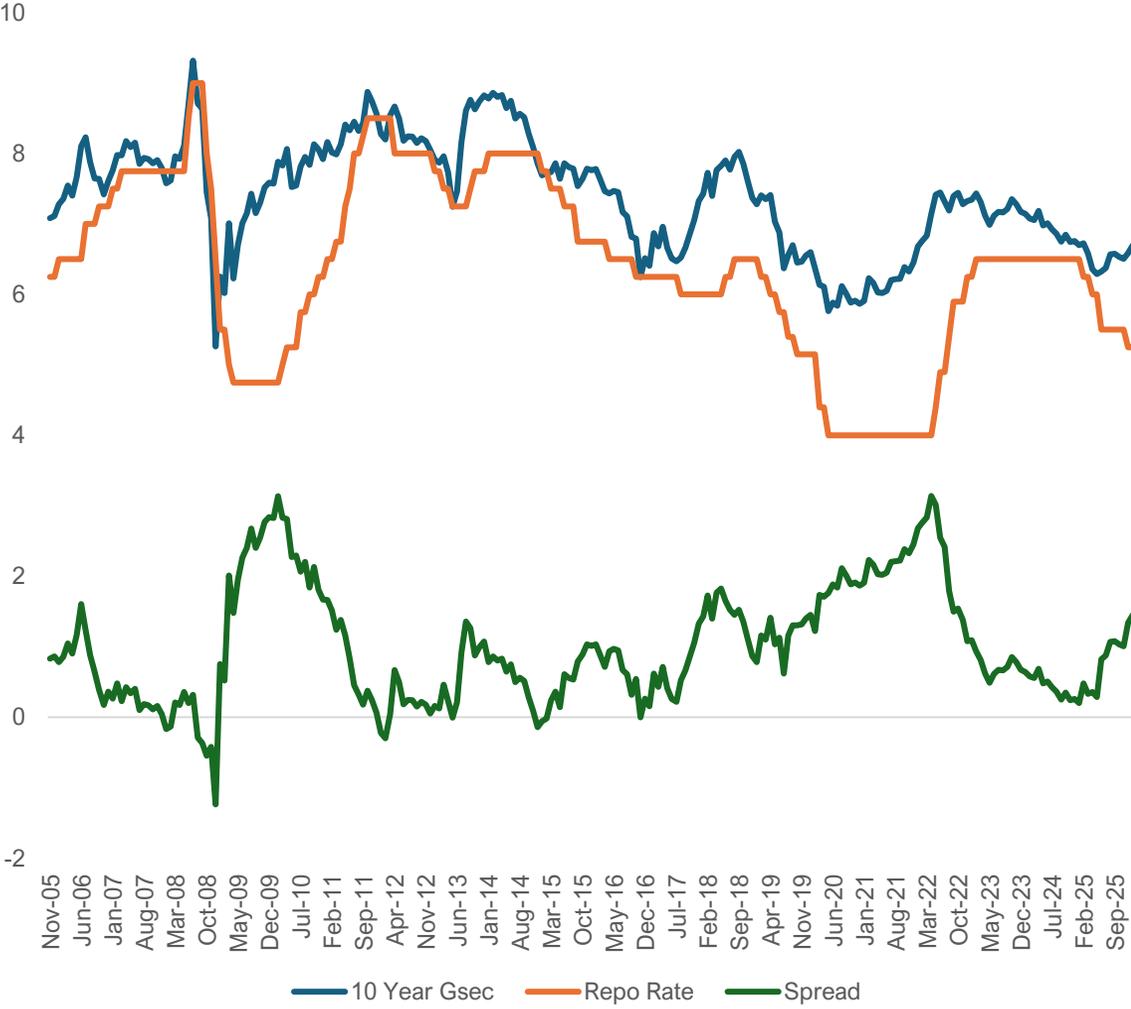
- India's net forward dollar position remains elevated (~\$66bn), signaling continued RBI use of forwards to smooth rupee volatility.
- This limits sharp rupee appreciation even if inflows rise, as the forward overhang implies future dollar selling and slightly reduces the effective reserve buffer.

Source: Bloomberg, ABSLAMC Research

# IGB vis-à-vis policy rates and US treasuries



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Source: Bloomberg, ABSLAMC Research Data as on 30<sup>th</sup> Jan 2026

# Corporate bond spreads above median levels

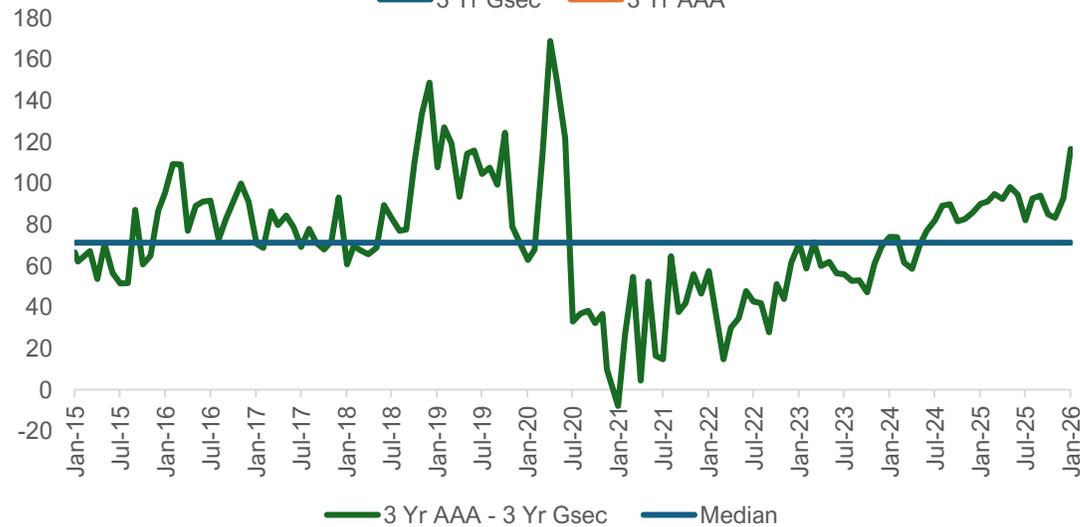
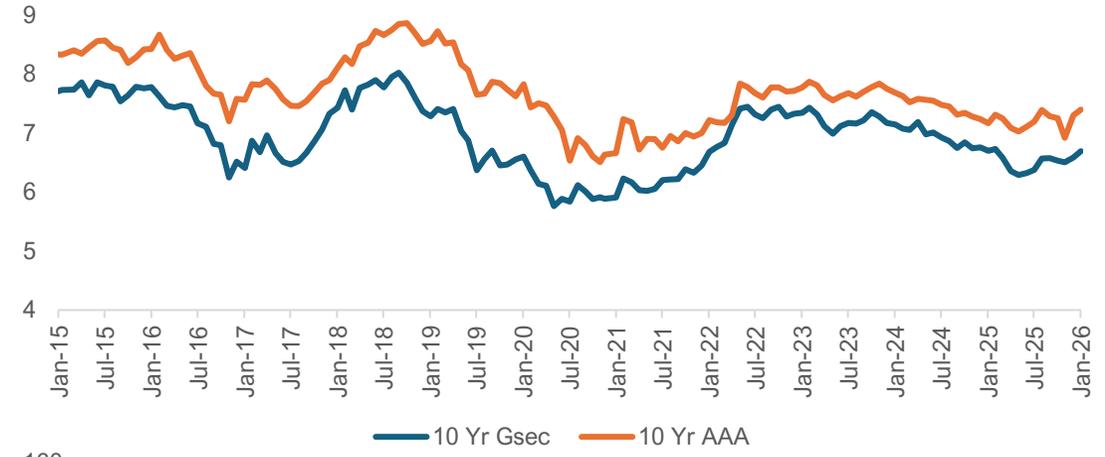


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3 Yr Gsec Vs 3 Yr AAA



10 Yr Gsec Vs 10 yr AAA



Source: Bloomberg, ABSLAMC Research Data as on 30<sup>th</sup> Jan 2026

# Fixed Income Outlook

- Despite RBI's 125 bps rate cut, transmission to the bond market has been muted so far.
- Feb MPC held policy rates at 5.25% with neutral stance and pre-emptive liquidity management, but no new measures announced.
- Headline CPI inflation eased to 2.75% in Jan 2026 (new base 2024), within RBI's 2–6% target band; moderation led by softer food prices, while core inflation remained contained, allowing scope for calibrated policy support.
- Front-end yields have responded to surplus liquidity (overnight rates below repo), while long-end rates remain sticky due to high term premium and over-weighted 20–40-year bond supply.
- Union Budget 2026 gross borrowing elevated mainly due to longer maturities; net supply manageable. Expected shift toward shorter-tenor issuance and RBI OMOs could ease long-end yields, while potential Bloomberg/Barclays global bond index inclusion may boost structural demand.
- Spreads in money market are currently elevated due to (i) moderation in surplus liquidity; (ii) excess supply from bunching of redemptions in CPs and CDs in January; and (iii) year-end seasonal effects.
- Given the favorable outlook in fixed-income markets, investors should match fixed-income allocation to their investment horizon. For short-term ABSL Corporate Bond Fund or ABSL Banking PSU Debt Fund or ABSL Income Plus Arbitrage Active FOF for tax efficiency are recommended. For liquidity management, the 3-6 month Index Fund and Low Duration Fund are attractive.

# Union Budget Borrowing numbers on higher side



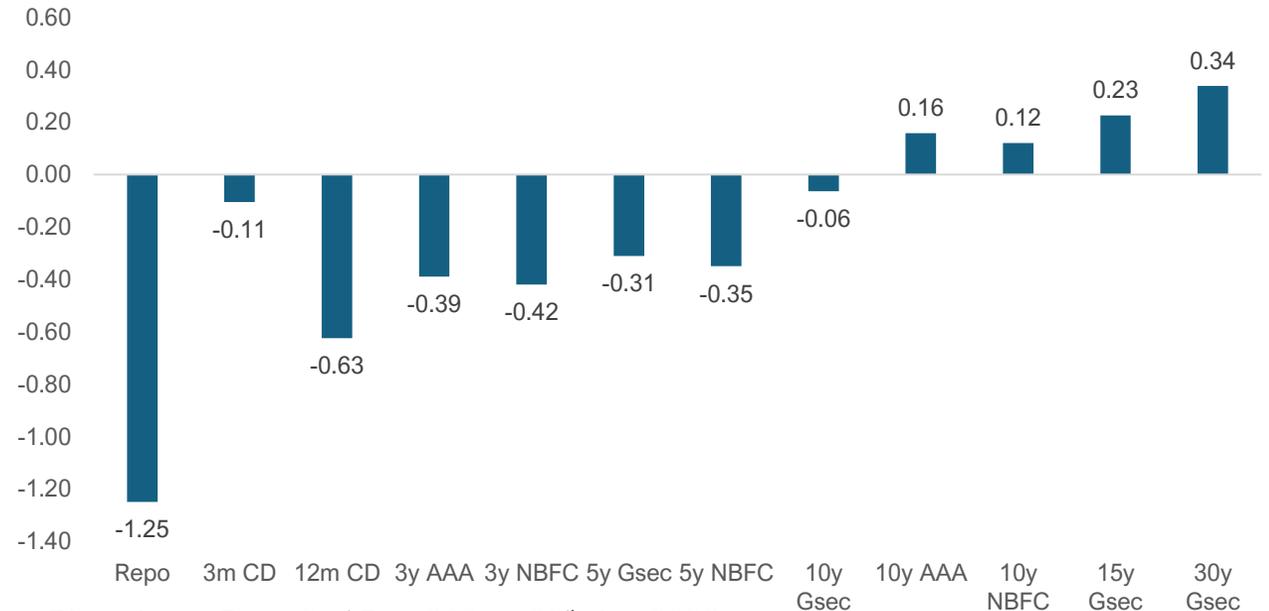
- Gross borrowing is slightly higher than the market estimates. This is due to lower receipts from other sources. Net borrowing broadly in line with expectations.
- The heavy supply has contributed to upward pressure on G-Sec yields, as demand struggles to keep pace with issuance — likely keeping long-term rates elevated.
- Larger government borrowing may absorb savings that could otherwise go to private credit, potentially limiting credit availability or keeping borrowing costs higher for corporates.
- Overall, the borrowing plan supports infrastructure and capex outlays but could shape yield curves, liquidity dynamics, and private sector financing conditions in the months ahead.

# Repo rate held steady, amid weak transmission

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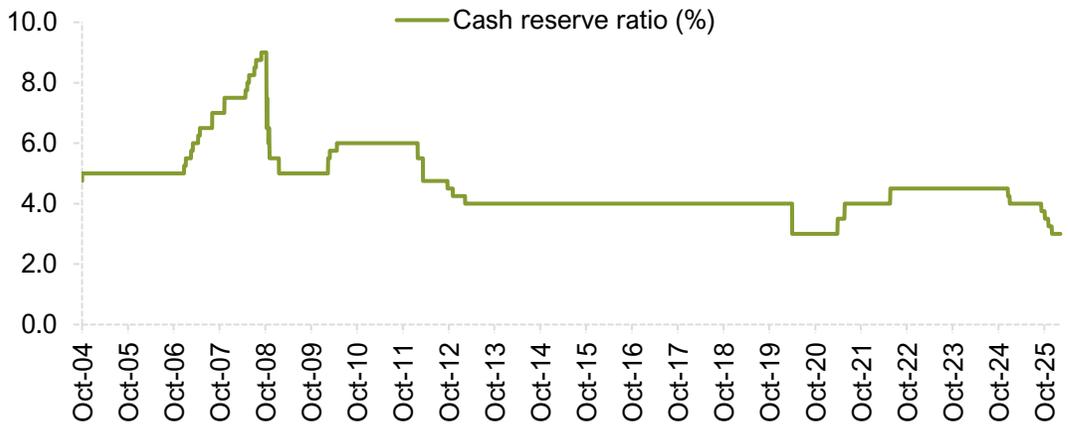
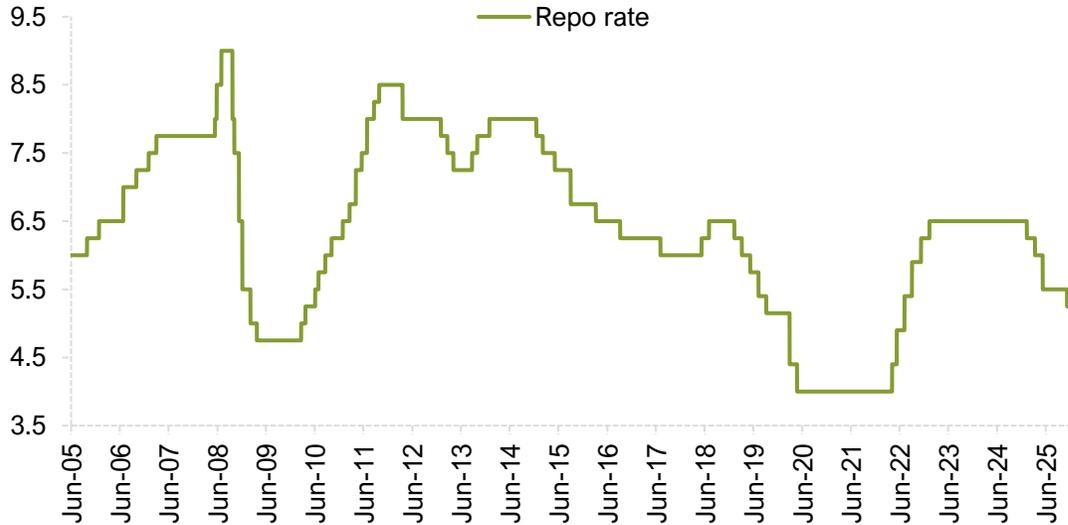
Weak rate cut transmission since Dec 2025 despite 125 bps reduction.

Rate Cut Transmission

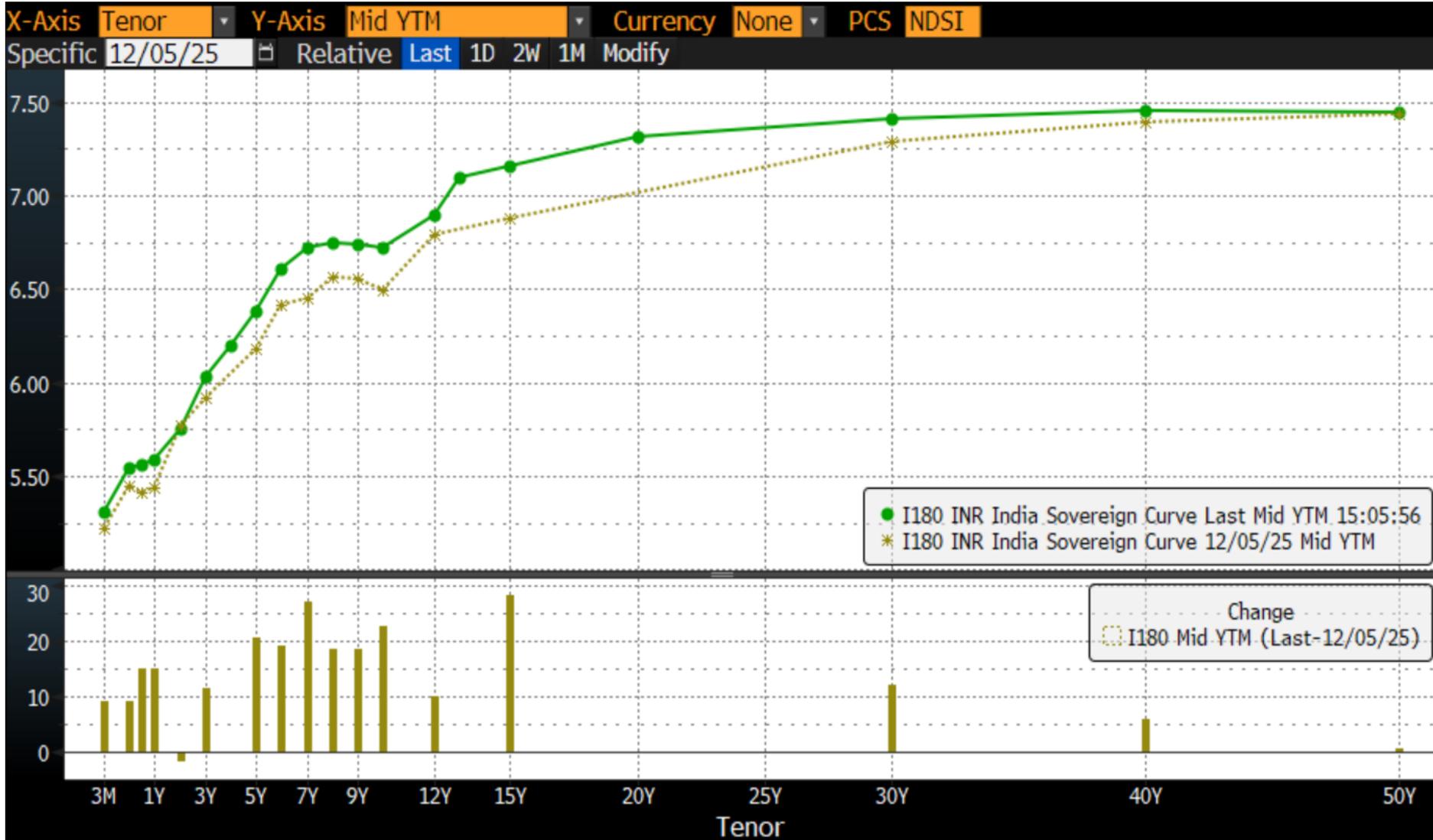


Bloomberg, Data: 31<sup>st</sup> Dec 2024 – 30<sup>th</sup> Jan 2026

- Despite RBI's 125 bps rate cut, transmission to the bond market has been muted so far.
- Feb MPC held policy rates at 5.25% with neutral stance and pre-emptive liquidity management, but no new measures announced.



# Sovereign curve movement since last policy



Rates have risen since the last policy

# Equity Outlook

# Global and Indian equities at a glance



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- Korean markets have surged to multi-year highs, powered by semiconductor and AI optimism, but the pace of gains signals rising concentration risk and potential fatigue.
- U.S. equities continue to display remarkable resilience, with broad-based strength led by tech even amid geopolitical uncertainty and global trade tensions.
- Indian small caps have sharply corrected, reflecting froth unwinding after an overheated rally, while large and midcaps remain structurally solid over longer horizons.

| Period                          | 3M    | 6M    | 1Y    | 3Y    | 5Y    | 10Y   |
|---------------------------------|-------|-------|-------|-------|-------|-------|
| <b>Nifty 100 - TRI</b>          | -1.7% | 2.5%  | 8.9%  | 15.0% | 14.8% | 14.3% |
| <b>Nifty Midcap 150 - TRI</b>   | -2.4% | 0.9%  | 8.9%  | 23.6% | 23.1% | 18.8% |
| <b>Nifty Smallcap 250 - TRI</b> | -9.0% | -7.8% | 0.0%  | 20.1% | 21.6% | 15.3% |
| <b>FTSE 100</b>                 | 6.4%  | 13.2% | 19.2% | 10.0% | 10.0% | 5.4%  |
| <b>DJIA</b>                     | 3.9%  | 12.0% | 10.9% | 13.2% | 10.5% | 11.6% |
| <b>S&amp;P 500</b>              | 2.0%  | 10.0% | 15.5% | 19.6% | 13.4% | 13.7% |
| <b>Nasdaq</b>                   | -0.6% | 11.7% | 20.2% | 26.8% | 12.5% | 17.7% |
| <b>Hang Seng</b>                | 3.6%  | 8.4%  | 32.7% | 7.1%  | -1.0% | 3.2%  |
| <b>KOSPI</b>                    | 20.5% | 52.5% | 96.6% | 26.8% | 10.7% | 10.0% |
| <b>Nikkei 225</b>               | 0.5%  | 28.2% | 33.1% | 24.4% | 13.7% | 11.6% |

# Key sector performance at glance



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- Metals and IT are clear outperformers, with strong short-term momentum and robust 1Y–5Y follow-through, signalling sustained cyclic and tech-led strength.
- Banks and Autos show steady, broad-based compounding, reflecting stable domestic demand and healthy sector fundamentals.
- Energy and Realty remain the weakest pockets, with persistent 3M–1Y declines pointing to sector-specific stress and ongoing valuation reset.

| Index Name                    | 3M     | 6M     | 1Y     | 3Y    | 5Y    | 10Y   |
|-------------------------------|--------|--------|--------|-------|-------|-------|
| Nifty Auto TRI                | -0.2%  | 13.6%  | 18.1%  | 27.2% | 23.3% | 14.6% |
| Nifty Bank TRI                | 3.2%   | 6.8%   | 21.2%  | 14.6% | 15.1% | 15.1% |
| Nifty India Consumption - TRI | -3.0%  | 0.8%   | 5.0%   | 15.4% | 18.9% | 17.5% |
| Nifty Energy TRI              | -8.8%  | -7.9%  | -7.9%  | 6.7%  | 11.2% | 12.2% |
| Nifty FMCG TRI                | -7.6%  | -2.1%  | 4.2%   | 17.1% | 15.8% | 14.4% |
| Nifty IT TRI                  | 7.1%   | 9.2%   | -8.8%  | 10.9% | 11.3% | 15.3% |
| Nifty Metal TRI               | 11.6%  | 27.9%  | 41.8%  | 23.0% | 32.7% | 24.1% |
| Nifty Oil & Gas TRI           | -1.6%  | 5.2%   | 12.6%  | 16.8% | 18.7% | 17.2% |
| Nifty Pharma TRI              | -2.1%  | -4.6%  | 2.0%   | 21.6% | 13.1% | 7.0%  |
| Nifty Realty TRI              | -17.6% | -14.1% | -14.8% | 24.3% | 21.1% | 18.2% |

# Key factor performance at glance



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- Quality factors remain the most stable performers, reflecting steady leadership from defensible, consistent-earnings companies.
- Moment and Alpha has come under pressure, signaling a pullback in high-beta, high-risk strategies as markets rotate toward stability and fundamentals.

| Index Name                      | 3M    | 6M    | 1Y    | 3Y    | 5Y    | 10Y   |
|---------------------------------|-------|-------|-------|-------|-------|-------|
| Nifty 100 Low Volatility 30 TRI | -0.9% | 2.7%  | 7.3%  | 17.3% | 15.5% | 14.9% |
| Nifty 100 Quality 30 index TRI  | 1.5%  | 6.2%  | 6.6%  | 16.2% | 14.0% | 12.8% |
| Nifty 200 Momentum 30 Index TRI | -3.6% | 0.5%  | 3.2%  | 18.6% | 19.1% | 18.6% |
| Nifty Alpha 50 TRI              | -4.4% | -6.7% | -2.2% | 21.9% | 21.1% | 19.6% |

# DII strongly countering FII outflows



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| Date   | Nifty 50 - TRI | S&P 500 | DII    | FII     |
|--------|----------------|---------|--------|---------|
| Jan-24 | 0.0%           | 2%      | 3,219  | -4,330  |
| Feb-24 | 1.3%           | 5%      | 3,061  | -1,925  |
| Mar-24 | 1.6%           | 3%      | 6,754  | 398     |
| Apr-24 | 1.2%           | -4%     | 5,291  | -4,274  |
| May-24 | 0.0%           | 5%      | 6,691  | -5,068  |
| Jun-24 | 6.8%           | 3%      | 3,431  | 244     |
| Jul-24 | 4.0%           | 1%      | 2,805  | 646     |
| Aug-24 | 1.4%           | 2%      | 5,982  | -2,425  |
| Sep-24 | 2.3%           | 2%      | 3,683  | 1,505   |
| Oct-24 | -6.1%          | -1%     | 12,755 | -13,610 |
| Nov-24 | -0.3%          | 6%      | 5,265  | -5,441  |
| Dec-24 | -2.0%          | -2%     | 3,994  | -1,983  |
| Jan-25 | -0.4%          | 3%      | 9,994  | -10,085 |
| Feb-25 | -5.8%          | -1%     | 7,420  | -6,749  |
| Mar-25 | 6.3%           | -6%     | 4,392  | 235     |
| Apr-25 | 3.5%           | 0%      | 3,319  | 322     |
| May-25 | 1.9%           | 6.15%   | 7,913  | 1,377   |
| Jun-25 | 3.4%           | 5.0%    | 8,496  | 875     |
| Jul-25 | -2.8%          | 2.2%    | 6,960  | -5,444  |
| Aug-25 | -1.2%          | 1.9%    | 10,794 | -5,339  |
| Sep-25 | 0.8%           | 4%      | 7,360  | -3,976  |
| Oct-25 | 4.6%           | 2%      | 5,947  | -264    |
| Nov-25 | 1.9%           | 0%      | 8,617  | -1,956  |
| Dec-25 | -0.3%          | 1%      | 8,859  | -3,822  |
| Jan-26 | -3.0%          | 1%      | 7,525  | -4,504  |

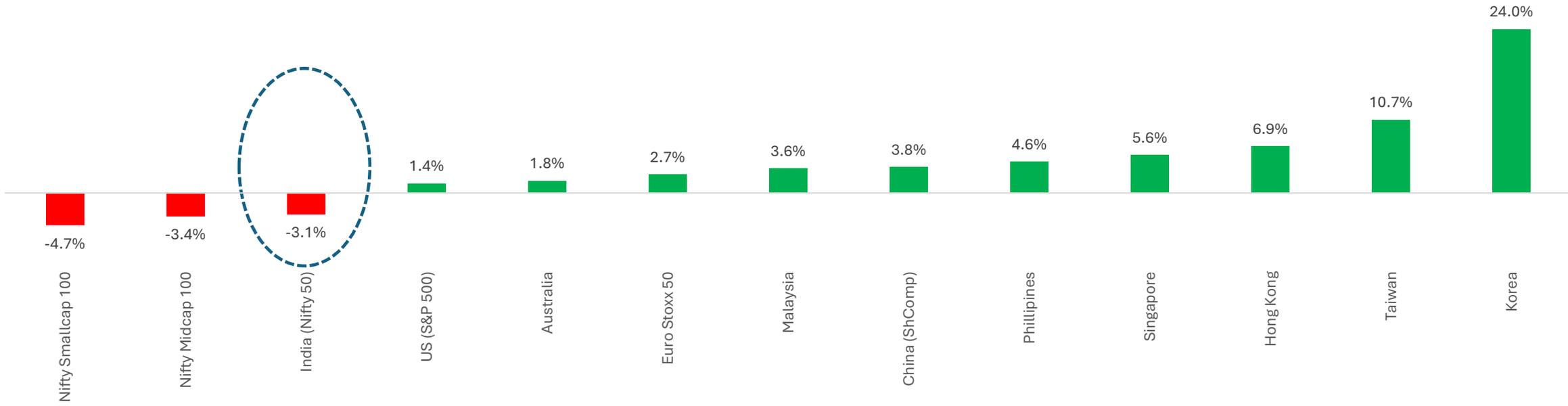
- Foreign flows remain highly volatile, with repeated heavy FII outflows contrasting sharply with steady, supportive DII buying — signaling domestic investors are consistently absorbing global risk-off pressure.
- The Nifty's performance remains resilient relative to large FII swings, showing that aggressive selling by foreign investors hasn't meaningfully derailed market direction thanks to strong local participation.
- S&P 500 strength contrasts with India's flow-driven choppiness, highlighting how global equities can rally even as foreign investors rotate out of emerging markets like India.

# India vs Peers - Market Performance CYTD



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**Index Performance YTD CY26 (in local currency)**  
*Indian markets are underperforming most major markets*



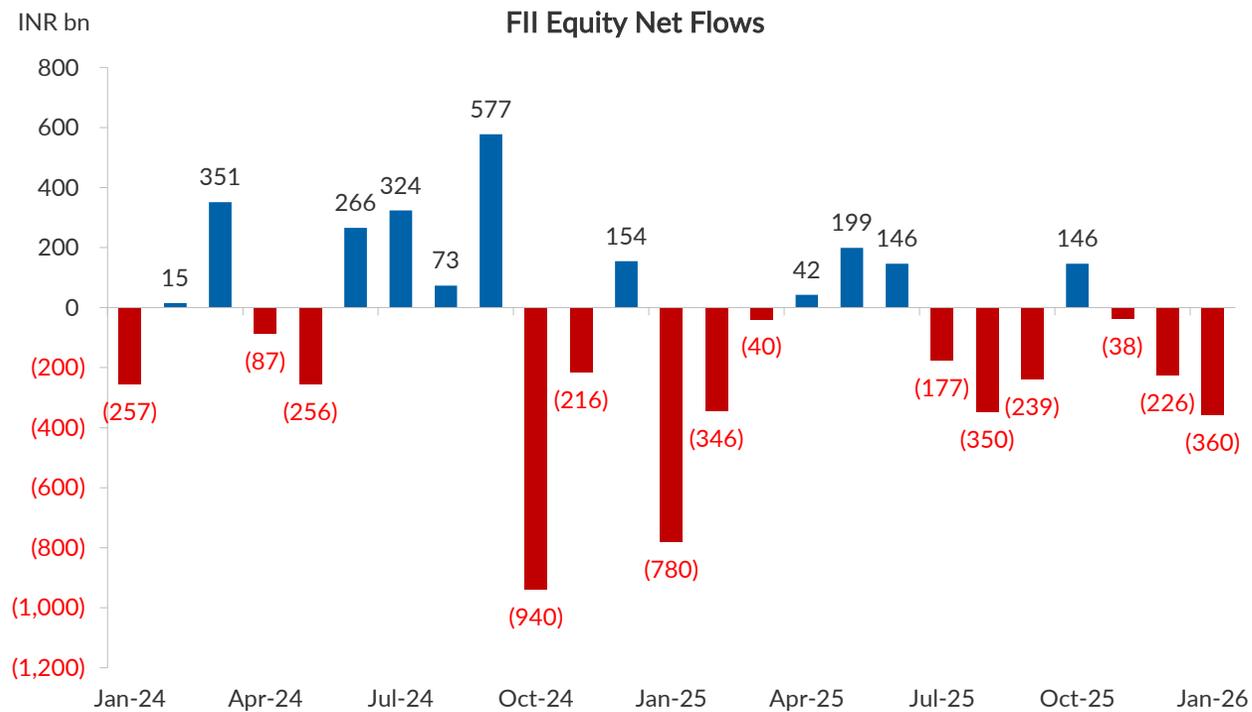
Source: ABSLAMC Research; Note: Data as of 31<sup>st</sup> Jan 2026

FII Net equity flows negative. SIP flows crossed 31,000 cr\*

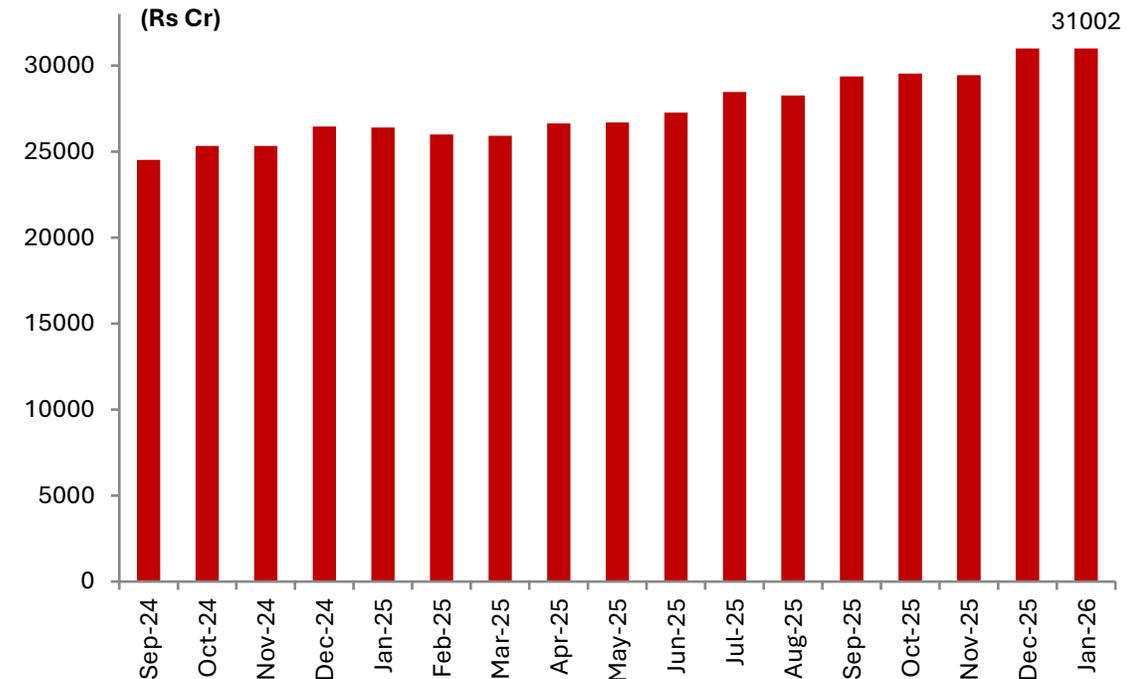


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Post Oct, FII Equity flows are trending lower

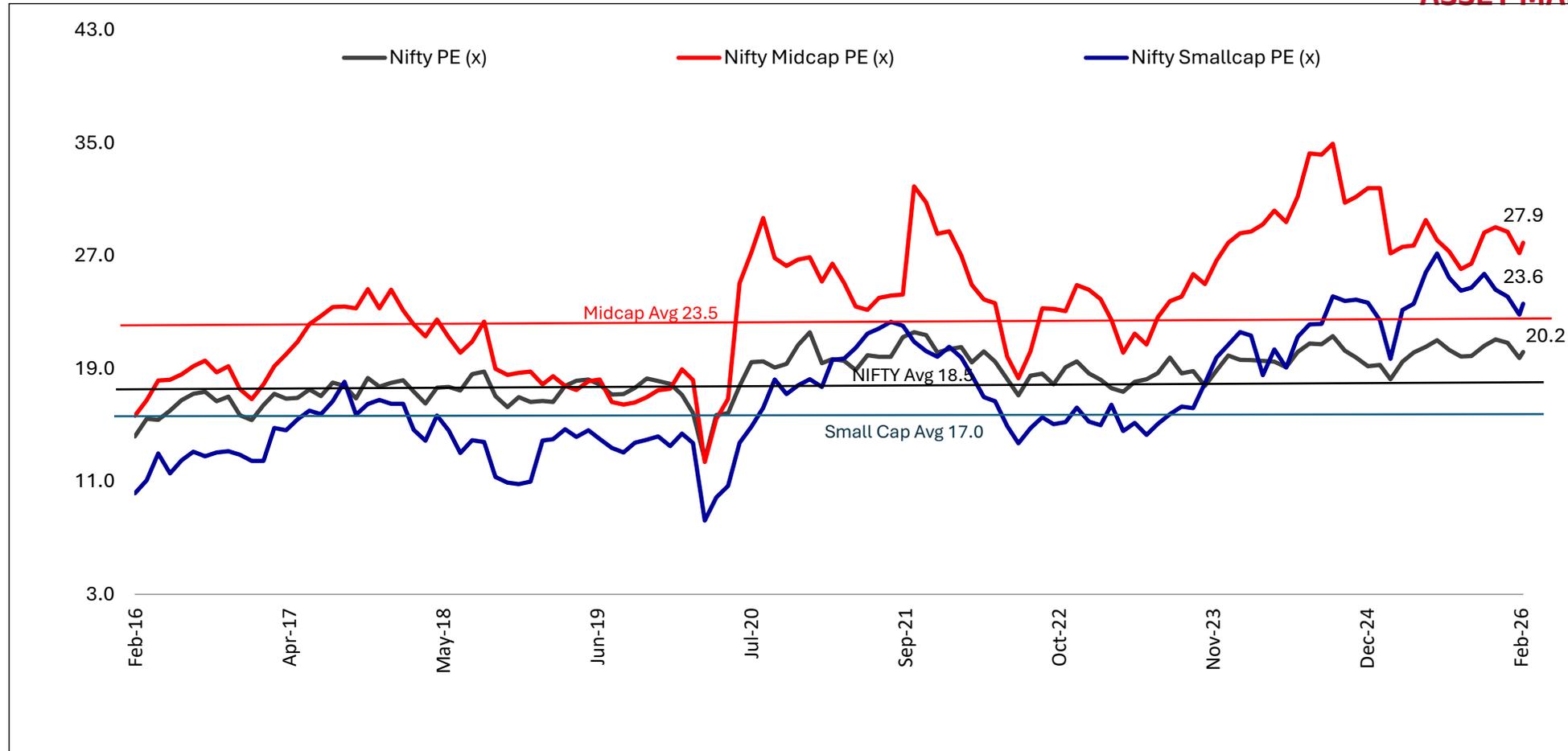


Monthly SIP flows are steady

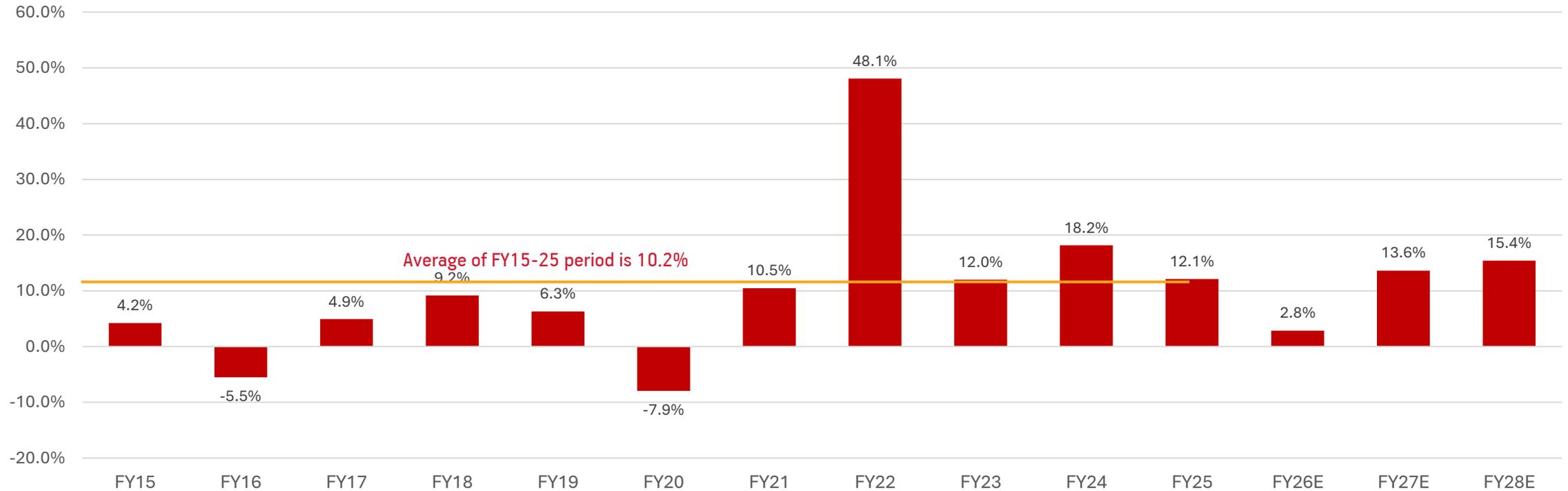


\*Jan26

# Nifty-50 valuations comparatively cheaper than small and mid cap



# Expect corporate earnings to grow in the mid teens in FY28E



- Nifty 50 earnings growth is expected to be ~15% in FY28E.
- Although earnings growth could see slight moderation, it will still be higher than the historical average of ~10% as well as single-digit earnings growth expected in other large markets.



## Metal

**Positive:** Margins have been resilient while metal prices have been improving. China involution theme further add to margin stability with upward bias. We are positive on Commodities



## Auto

**Positive:** The demand momentum continues. Sales across segments are up. Expecting this momentum to be maintained over next few months.



## Pharma

**Neutral:** Domestic business outlook is robust but export is at cyclical peak with product specific opportunities to face headwinds in coming quarters. Valuations are shade higher than long term average.



## Real Estate

**Neutral:** Consolidation is a prevalent theme with major players reporting better pre-sales numbers, despite mixed set of results from the industry as a whole. Pan India Inventory levels are still favourable while certain regions showing signs of stress. We remain neutral and selective in the sector.



## Telecom

**Neutral:** Telecom sector has seen realignment of market share amongst 3 players. With 10 year moratorium granted to 3rd player (most leveraged) its ability to invest in network and defend market share will see increase. This limits the share gains for top 2 players as new subscribers are limited in the telco market. Any incremental upside will only come through higher than expected tariff increases, thus we remain Neutral on the sector.

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