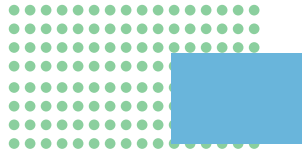


Market Outlook

February 2026



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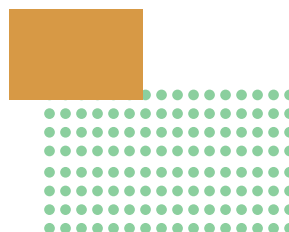
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CEO's desk

We present this month's Market Outlook, highlighting the key developments shaping financial markets.

In periods of heightened global volatility, where market movements are increasingly driven by factors beyond traditional financial indicators, it becomes essential to monitor a broad range of interconnected events. A multifaceted approach helps investors navigate uncertainty and align investment decisions with long-term objectives.

Despite continued FII outflows, strong domestic institutional participation has provided support to markets. While the prospect of an India-US trade agreement has been received positively, limited clarity keeps the development largely sentiment-driven in the near term. Although volatility may persist amid global and policy uncertainties, improved positioning, more reasonable valuations, and a supportive domestic macro backdrop provides a stronger foundation for equities.

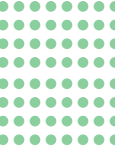
In India, the longer end of the yield curve continues to remain elevated. Liquidity remains comfortable amid RBI measures to ensure durable liquidity. The financial system is sound, with broad-based credit growth across retail, services, MSMEs, and large industries.

We will continue to closely monitor developments across financial markets. In a fluid environment, staying informed and adaptable is important in the period ahead, while maintaining a disciplined focus on long-term investment objectives.



Manu Awasthy

Manu Awasthy
CEO & Founder
Centricity



Budget 2026-27 Highlights

Fiscal Position: Revised and Budget Estimates

In Revised Estimates (RE) 2025–26, non-debt receipts are placed at ₹34 lakh crore, with net tax receipts of ₹26.7 lakh crore, while total expenditure is estimated at ₹49.6 lakh crore, including capital expenditure of about ₹11 lakh crore. For Budget Estimates (BE) 2026–27, non-debt receipts and total expenditure are projected at ₹36.5 lakh crore and ₹53.5 lakh crore respectively, with net tax receipts estimated at ₹28.7 lakh crore.

To finance the fiscal deficit in 2026–27, net market borrowings are estimated at ₹11.7 lakh crore, with gross market borrowings of ₹17.2 lakh crore, and the remaining financing to be met through small savings and other sources.

Various Reforms, Schemes and Fund Allocations Across Sectors:

- The government announced Biopharma SHAKTI with an outlay of ₹10,000 crore over five years to scale domestic manufacturing of biologics and biosimilars.
- The Electronics Components Manufacturing Scheme, launched in April 2025 with an outlay of ₹22,919 crore, has received investment commitments at over twice the targeted level, leading to a proposed enhancement of outlay to ₹40,000 crore.
- A Scheme for Rare Earth Permanent Magnets, launched in November 2025, will be operationalised through Rare Earth Corridors in Odisha, Kerala, Andhra Pradesh and Tamil Nadu to support mining, processing, research and manufacturing.
- The government will launch India Semiconductor Mission (ISM) 2.0, expanding focus to semiconductor equipment, materials, full-stack Indian IP, and supply-chain resilience.
- Mega Textile Parks will be set up with a focus on value addition in technical textiles. The Mahatma Gandhi Gram Swaraj Initiative will be launched to strengthen khadi, handloom and handicrafts.
- The Budget will focus on Tier II, Tier III cities and temple towns by mapping City Economic Regions (CERs) based on specific growth drivers. An allocation of ₹5,000 crore per CER over five years is proposed, to be implemented through a challenge mode with reform- and results-based financing.
- A market-making framework will be introduced with access to funding and derivatives on corporate bond indices, along with the introduction of total return swaps on corporate bonds.
- Persons Resident Outside India (PROI) will be allowed to invest in equity of listed Indian companies under the Portfolio Investment Scheme, with the individual investment limit raised from 5% to 10% and the aggregate PROI limit increased from 10% to 24%.

Direct Tax Proposals – Income Tax and TDS/TCS

Exemptions and Reliefs

- Interest awarded by the Motor Accident Claims Tribunal to a natural person will be exempt from Income Tax, and any tax deducted at source on this account will be done away with.
- Inter-cooperative society dividend income will be allowed as a deduction under the new tax regime to the extent it is further distributed to members.
- Dividend income received by a notified national cooperative federation on investments made in companies up to 31 January 2026 will be exempt for a period of three years, provided such dividend is further distributed to member cooperatives.
- Non-disclosure of non-immovable foreign assets with an aggregate value below ₹20 lakh will not attract penalty, and immunity from prosecution will be provided with retrospective effect from 1 October 2024.
- Capital gains exemption on SGBs will be limited to original subscribers holding till maturity, while all secondary market purchases will be taxable, uniformly across RBI issuances from 1st April 2026

Securities Transaction Tax (STT)

- STT on futures will be increased from 0.02 per cent to 0.05 per cent. STT on options premium and exercise of options will be increased to 0.15 per cent from 0.10 per cent and 0.125 per cent respectively.

Rationalisation of TDS and TCS

- A scheme for small taxpayers will be introduced wherein a rule-based automated process will enable obtaining a lower or nil deduction certificate instead of filing an application with the assessing officer.
- Depositories will be enabled to accept Form 15G or Form 15H from investors holding securities in multiple companies and provide it directly to the relevant companies.
- TDS on the sale of immovable property by a non-resident will be deducted and deposited through the resident buyer's PAN-based challan instead of requiring a TAN.
- TCS on overseas tour packages and education/medical remittances reduced to a flat 2% (previously varied between 5-20%)



Foreign Asset Disclosure Scheme

- A one-time six-month foreign asset disclosure scheme will be introduced to address practical issues faced by small taxpayers such as students, young professionals, tech employees, relocated NRIs, and others.
- The scheme will apply to two categories of taxpayers- Category (A): Those who did not disclose overseas income or assets and Category (B): Those who disclosed overseas income and/or paid due tax but could not declare the acquired asset
- For Category (A), the limit of undisclosed income or asset will be up to ₹1 crore, with payment of 30 per cent of the fair market value or undisclosed income as tax and an additional 30 per cent as income tax in lieu of penalty, granting immunity from prosecution. For Category (B), the asset value limit will be up to ₹5 crore, with immunity from penalty and prosecution available on payment of a fee of ₹1 lakh.

Corporate Taxation and MAT Reforms

- Buyback taxation will be shifted to capital gains for all shareholders. Corporate promoters will face an effective tax rate of 22 per cent, while non-corporate promoters will face an effective rate of 30 per cent through an additional buyback tax.
- Set-off of brought-forward MAT credit will be allowed only under the new tax regime, limited to one-fourth of the tax liability. The MAT rate will be reduced to 14 per cent from the existing 15 per cent. MAT credit accumulated up to 31 March 2026 will continue to be available for set-off as specified.

International Taxation, Safe Harbour and Non-Residents

- A tax holiday till 2047 will be provided to foreign companies offering cloud services globally using data centre services from India, subject to providing services to Indian customers through an Indian reseller.
- A safe harbour margin of 15 per cent on cost will be provided where data centre services are rendered from India by a related entity. Income tax exemption for five years will be provided to non-residents supplying capital goods, equipment or tooling to toll manufacturers in bonded zones.
- Exemption will be provided to non-resident experts on global income for a stay period of five years under notified schemes. Common safe harbour rules will be prescribed at 15.5 per cent for IT, ITeS, KPO and contract R&D, with the turnover threshold increased from ₹300 crore to ₹2,000 crore.

Overall, the Budget prioritises predictability, structural reforms, and long-term competitiveness. While certain measures may create discomfort in the near term, particularly for market participants, the broader policy direction remains constructive for sustainable growth and capital formation, keeping a check on the fiscal debt path.





Economic Outlook



Indian Economy Overview

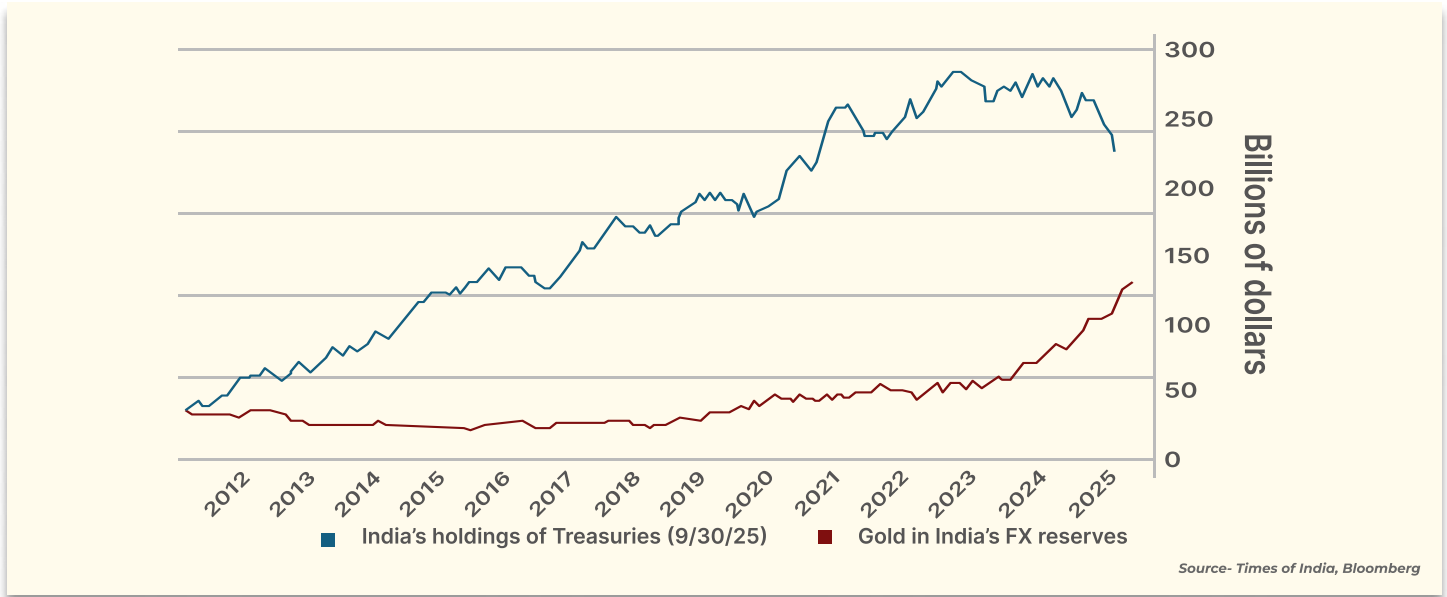
1. According to the **First Advance Estimates (FAE)** of Gross Domestic Product (2025–26) India's real GDP growth is pegged at **7.4% for FY26**.
2. Headline consumer price inflation rose slightly to **1.33% in December 2025**, from **0.71% in November**, but it remains **low by historical standards** and comfortably below the RBI's 2–6% target range.
3. Fiscal deficit for the first 8 months of this fiscal year through November stood at **₹ 9.76 lakh crore or 62.3% of the annual estimate**.
4. Current account deficit eased to **1.3% of GDP** for Q2 FY26
5. India's forex reserves stood at **USD 723.8 billion as on 30th January 2026**.
6. The rupee depreciated to fresh record lows, breaching the ₹90 /USD mark and averaging **₹90.69/USD** through January.
7. Net direct tax collections stood at **₹18.37 lakh crore as on 11 January 2026**, registering **8.82%** gain over the same period last year.
8. Total Net GST Revenue stood at **₹1.93 lakh crore in January**, marking a **6.2% annual increase**.



Domestic Macro Indicators

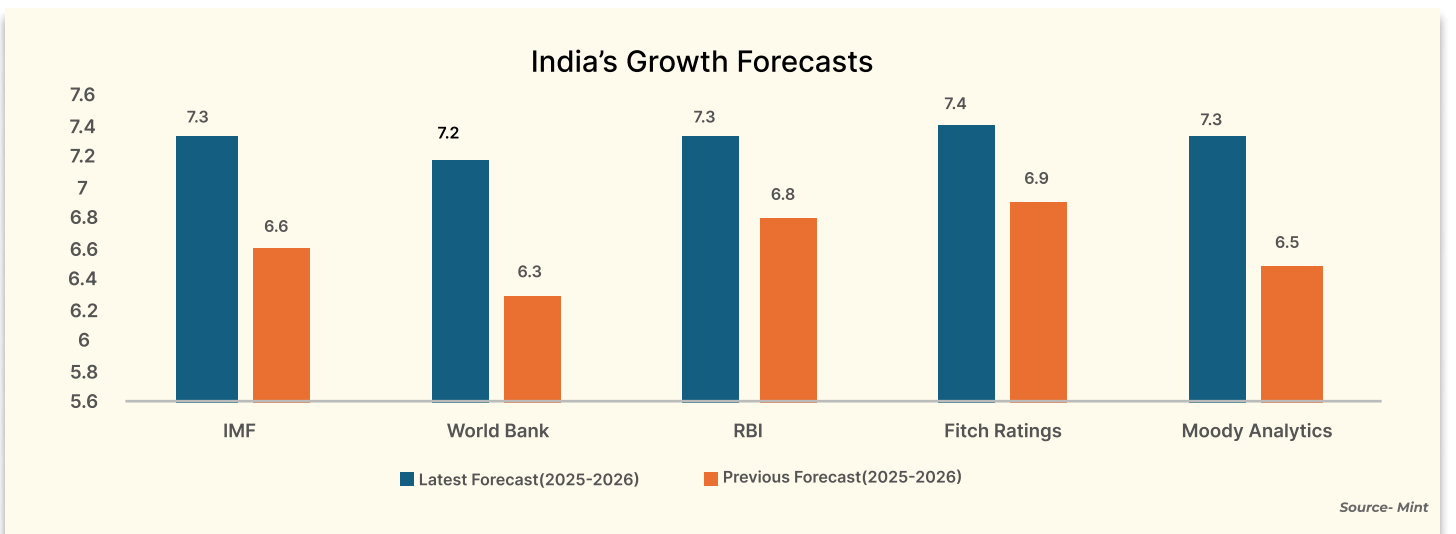
| FY | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | FY 24 | FY 25 | Current |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|
| Real GDP Growth (%) | 8.0 | 8.3 | 6.8 | 6.5 | 3.9 | -5.8 | 9.7 | 7.6 | 9.2 | 6.5 | 8.2 |
| Average CPI Inflation (YoY%) | 4.9 | 4.5 | 3.5 | 3.4 | 4.7 | 6.1 | 5.5 | 6.6 | 5.6 | 4.6 | 1.3 |
| Forex Reserves (USD billion) | 356 | 370 | 424 | 413 | 490 | 579 | 606 | 579 | 648 | 676 | 723.8 |
| Currency (USD-INR) | 66 | 64 | 66 | 70 | 75 | 74 | 77 | 82 | 83 | 86 | 90.6 |
| Net Direct Tax Collections | 7.4 | 8.5 | 10.0 | 11.3 | 10.5 | 9.4 | 14.1 | 16.1 | 15.8 | 22.2 | 18.3 |
| Current Account (%GDP) | -1.1 | -0.6 | -1.9 | -2.4 | 0.1 | -0.2 | -1.5 | -2.2 | 0.7 | -1.1 | 1.3 |
| Fiscal Deficit (%GDP) | 3.9 | 3.5 | 3.5 | 3.4 | 4.6 | 9.3 | 6.7 | 6.4 | 5.6 | 4.8 | 4.3 (Target) |

India Reduces US-Treasury Holdings



India’s recent reserve management strategy reflects a deliberate shift away from heavy reliance on **dollar-denominated assets**. India’s approach mirrors a broader global trend, with central banks such as **China and Brazil** also reducing the exposure to the greenback. According to RBI and US Treasury data, India’s holdings of US Treasuries have declined sharply to around **\$174 billion, the lowest level in nearly five years**, representing a **~26% fall from their 2023-24 peak**. As a result, Treasuries now account for roughly **one-third of total foreign exchange reserves**, down from about **40% a year ago**. Concurrently, **gold’s share in India’s forex reserves has risen materially**, supported by both physical accumulation and strong valuation gains. India’s total gold reserves now exceed **880 tonnes**, at a time when the precious metal has witnessed a sharp rally, delivering a **72% gain in CY2025**. This decision is driven by a mix of economic imperatives, including managing a weakening rupee, and the need to hedge dollar-centric risks amid heightened geopolitical uncertainty.

India’s Growth Outlook remains Resilient

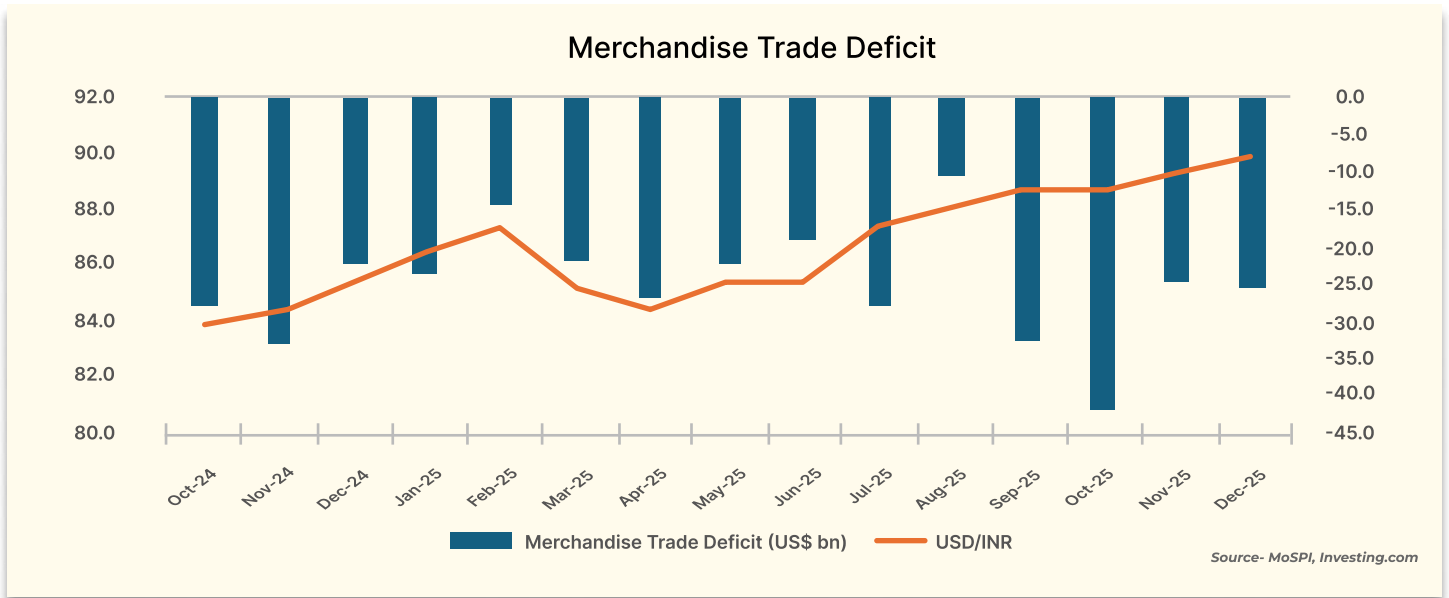


Recent forecasts signal broad-based confidence in India’s economic resilience, with most major institutions revising their GDP growth projections upward. The IMF now expects India to grow at **7.3%**, up from its earlier estimate of **6.6%**, while the RBI has raised its forecast to **7.3%** from **6.8%** previously. The World Bank, meanwhile, has maintained a steady **7.2%** growth outlook, reinforcing a narrative of stability alongside optimism.

Taken together, these revisions point to a growing consensus that India’s growth momentum is strengthening beyond earlier expectations, underpinned by robust domestic demand, resilient investment activity, and gradually improving external conditions. The World Bank has noted that despite higher tariffs on select exports to the United States, its growth forecast remains unchanged relative to the June projections. This reflects the expectation that tariff-related headwinds will be offset by stronger domestic demand and more resilient export performance.

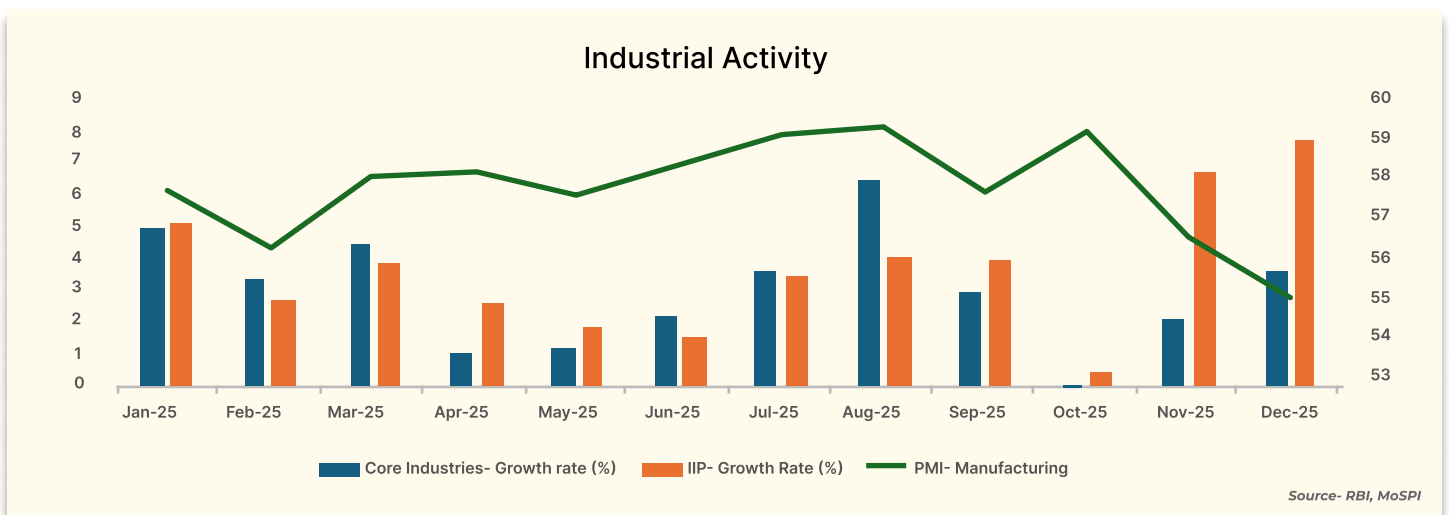
Looking ahead, recent progress on trade agreements with the European Union, along with the much-anticipated deal with the United States, is expected to further support India’s medium-term growth outlook.

Merchandise Trade Deficit widens marginally



India’s merchandise trade deficit edged higher in December, widening to around **\$25 billion** after touching a **five-month low in October 2025**, as import growth continued to outpace exports. While goods exports showed mild improvement, supported by engineering goods and electronics, imports rose more sharply, led by crude oil and other commodity inflows. The trade deficit remained elevated during a period when the rupee was undergoing historic depreciation, breaching the **₹90/USD** mark. While currency depreciation is structurally supportive for exports, the transmission typically operates with a lag. In the initial phase, import costs, particularly for commodities tend to rise faster than export volumes adjust, leading to a temporary widening of the trade gap. This dynamic was evident post-October 2025, when the merchandise trade deficit began to narrow after touching a multi-year high of **\$41.7 billion**, even as the rupee continued to trade beyond the ₹90 level.

Industrial Activity shows strong signs

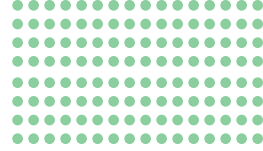


India's industrial landscape entered 2026 on a firm footing, with multiple indicators pointing to a broad-based pickup in activity. **Manufacturing conditions improved in January, as the Manufacturing PMI rose to 55.4, reflecting a revival in output and order flows following the moderation seen in the previous month.** Industrial output accelerated sharply in December, recording its fastest pace in over two years, supported by a strong performance in manufacturing. **Momentum also improved across core infrastructure segments, with gains in cement, steel, and electricity contributing to a pickup in the overall core sector growth to 3.7%.** This broad-based improvement underscores resilient domestic demand and strengthening industrial fundamentals.

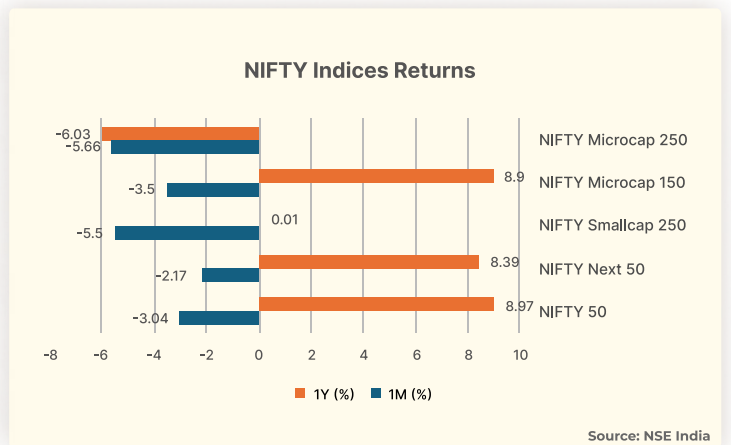
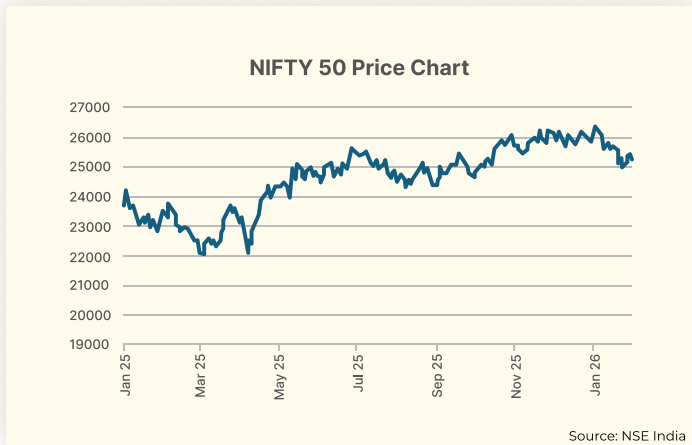




Equity Outlook



Preview of the month: January 2026



| NIFTY Indices | Returns (%) | | |
|--------------------|-------------|--------|--------|
| | 1M | 3M | 1Y |
| Auto | -5.10 | -0.19 | 18.06 |
| FMCG | -7.65 | -8.65 | -7.87 |
| Media | -4.03 | -9.71 | -11.69 |
| Financial Services | -1.02 | 0.73 | 18.85 |
| Metal | 5.91 | 11.51 | 41.68 |
| Pharma | -4.44 | -2.06 | 1.98 |
| Consumer Durables | -6.41 | -10.92 | -8.18 |
| Oil & Gas | -3.59 | -1.56 | 12.57 |
| Realty | -10.8 | -17.36 | -14.73 |
| Energy | -0.52 | -2.96 | 4.94 |
| Infrastructure | -4.81 | -4.20 | 10.54 |
| India Defence | 5.54 | 0.63 | 28.72 |
| India Consumption | -6.66 | -7.55 | 4.20 |
| Commodities | 1.42 | 2.68 | 20.39 |
| Housing | -1.74 | -2.97 | 10.30 |
| Bank | 0.05 | 3.17 | 21.17 |
| IT | 0.89 | 7.06 | -8.74 |

Source: NSE India

Profit-Taking After Strong Run, Broader Market Under Pressure

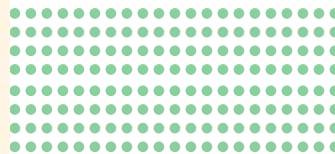
In January, Indian equities witnessed a phase of correction and consolidation after the rally seen in 2025. **The NIFTY 50 declined 3.04% MoM**, amid weaker earnings growth, geopolitical concerns, continuous FII selling & lack of clarity around India-US trade deal, even as the **index continued to post a solid ~9% YoY return**, underscoring the structural resilience of large-cap stocks.

Market breadth weakened during the month, primarily due to **FII outflows**, elevated global bond yields, and cautious global risk sentiment. This pressure was more pronounced in the broader market. The **NIFTY Midcap 150 fell 3.50% MoM**, while the **NIFTY Smallcap 250 declined 5.50%**, highlighting a clear shift toward risk aversion. The **Microcap 250 underperformed sharply**, reflecting investors' preference for balance-sheet strength and earnings visibility amid global uncertainty.



Sectoral Performance

- **The metal sector emerged as a clear outperformed**, gaining ~5.9% MoM and ~41.7% YoY. Improved global sentiment toward industrial metals, expectations of Chinese stimulus, and supportive trade and tariff developments buoyed domestic metal stocks.
- **FMCG stocks also saw notable weakness**, declining 7.7% MoM and 7.9% YoY, reflecting concerns over volume growth and investor rotation away from defensives.
- **Banking stocks displayed relative resilience**, ending the month broadly flat (+0.05% MoM) while delivering a strong 21.2% YoY return, underpinned by robust loan growth and stable margins.
- **Realty witnessed the sharpest correction**, dropping 10.8% MoM and 14.7% YoY, driven by valuation resets, higher funding costs, and profit-taking after a strong earlier rally.



Valuation of Indian Equity Markets

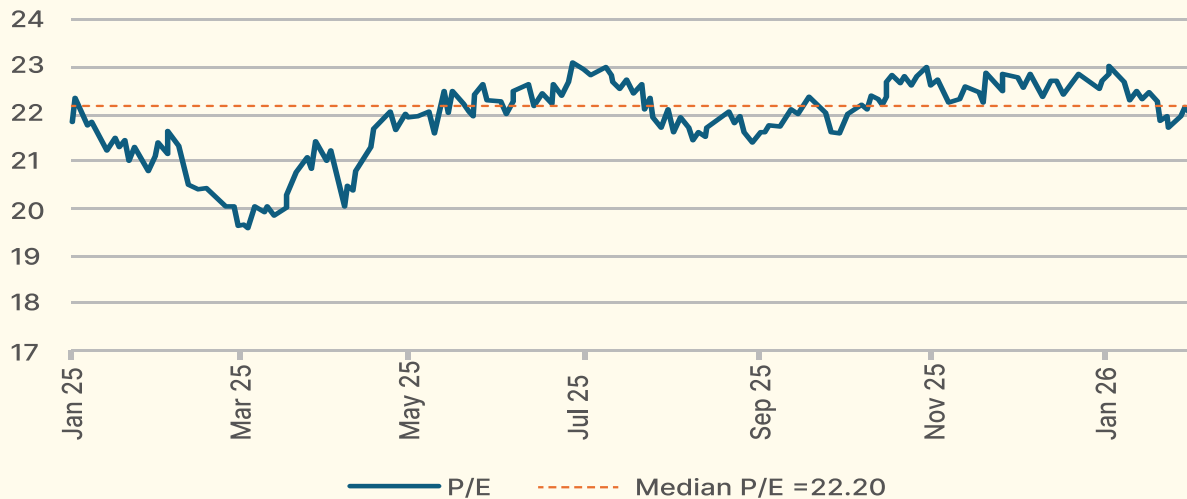
The Nifty 50 is currently trading at a trailing P/E of around 22.4, marginally higher than levels seen a year ago, but still below its 10-year historical average of ~23.5. It seems that large-cap equities are neither overheated nor meaningfully undervalued. Importantly, the valuation has remained close to its long-term median for most of the past year, indicating that earnings growth rather than multiple expansion has been the primary driver of returns.

| | TTM P/E (As on 31 st Jan 2025) | TTM P/E (As on 30 th Jan 2026) | Apr'2015-Mar'2025 (10 Yr Historical Average) |
|---------------------------|---|---|--|
| Nifty 50 | 21.33 | 22.04 | 23.49 |
| Nifty Next 50 | 23.34 | 19.37 | 27.43 |
| Nifty Smallcap 100 | 29.64 | 30.03 | 33.04 |
| Nifty Midcap 100 | 37.98 | 32.07 | 30.57 |
| Nifty 500 | 24.27 | 23.48 | 26.69 |

Source: NSE India

The moderation is more evident when viewed across the broader market. **The Nifty 500's P/E has declined from 24.2 last year to 23.4, now trading at a clear discount to its long-term average of ~26.7.** This suggests that the broader market has absorbed a significant portion of earlier valuation froth, aided by corrections and improving earnings in select segments.

NIFTY 50 P/E Chart



Source: NSE India

Mid-cap valuations have corrected sharply from their December-2024 peaks but remain elevated in a historical context. Despite the pullback, mid-cap indices continue to trade above long-term multiples. Small-cap valuations are currently **slightly higher than a year ago** but remain below long-term historical averages. The correction has been uneven, with quality names continuing to command premiums while weaker businesses remain vulnerable, pointing to a market that is increasingly **earnings and fundamentals driven**.

Market Breadth Changes as Valuation Discipline Deepens

Between December 2025 and January 2026, a **meaningful churn occurred within PE buckets**. The most visible shift was a **moderation at the extremes** i.e. the number of companies trading at **very high PEs (>75x)** declined sharply, while the **mid-valuation bands (25–50x and 50–75x)** saw modest fall in numbers. This suggests investors became more valuation-disciplined in January, rotating away from overly stretched names.



NIFTY Total Market Index Companies P/E

| P/E Range | No. of Companies | % of Total Companies | MoM Change in No. of Companies (%) |
|-----------|------------------|----------------------|------------------------------------|
| <25 | 253 | 33.73 | 13.04 |
| 25-50 | 267 | 35.60 | -1.50 |
| 50-75 | 117 | 15.60 | -11.11 |
| 75< | 77 | 10.27 | -20.78 |

Source: Screener.com
Note: Total adds up to 714 as P/E for 36 companies was not available.

High-growth sectors like IT Software, Construction, Consumer Durables, Retailing, and select Financial Technology names saw a **compression from very high PE bands (>75x) into 50–75x and 25–50x**, reflecting valuation discipline rather than loss of structural confidence. At the same time, earnings delivery in cyclical sectors pushed many stocks into cheaper valuation territory. **Industrials, metals, utilities, transport, and parts of manufacturing saw more companies slip into the sub-25x PE range**, reflecting short-term pressure on margins and cash flows rather than long-term stress. This can be seen as a valuation reset, not a sell-off.

Sectors with steadier Defensive and stable earnings such as banks, healthcare, pharmaceuticals, and select consumer names showed relatively limited movement, anchoring the overall market.

Overall, **the shift shows that the market is moving away from easy-money and sentiment-driven pricing toward a more careful focus on earnings and risk**. Investors are becoming more selective, valuation resets are offering pockets of opportunities and prices are settling at more reasonable levels, creating a stronger and more sustainable foundation for returns in 2026.



Earnings

As Q3 FY26 earnings have rolled out in India, results show **steady but selective growth** rather than broad-based acceleration. In financials, banks delivered solid profitability: **IDFC FIRST Bank's net profit jumped ~48% YoY** underpinned by a 12% rise in net interest income, while PSU and private lenders like **Union Bank reported ~9% profit growth** and **Indian Bank logged a ~7% rise**, reflecting resilient credit demand, higher NIMs, controlled costs and improving asset quality.

On the **IT front**, **TCS reported net income up ~3% YoY** and strong AI services traction, but broader industry results suggest moderate margin pressure and mixed profit trends. **Infosys saw revenue growth of ~9% YoY while net profit dipped modestly**, highlighting continued demand headwinds.

In **commodities and energy**, **Hindustan Petroleum's net profit rose ~35%**, while select pharma firms reported profit contraction despite modest revenue growth. Overall, Q3 FY26 earnings in India emphasize **resilient domestic demand and credit growth**, with earnings strength concentrated in financials and select industrials, while **global-linked and margin-sensitive sectors remain uneven** in performance.

Institutional Activities

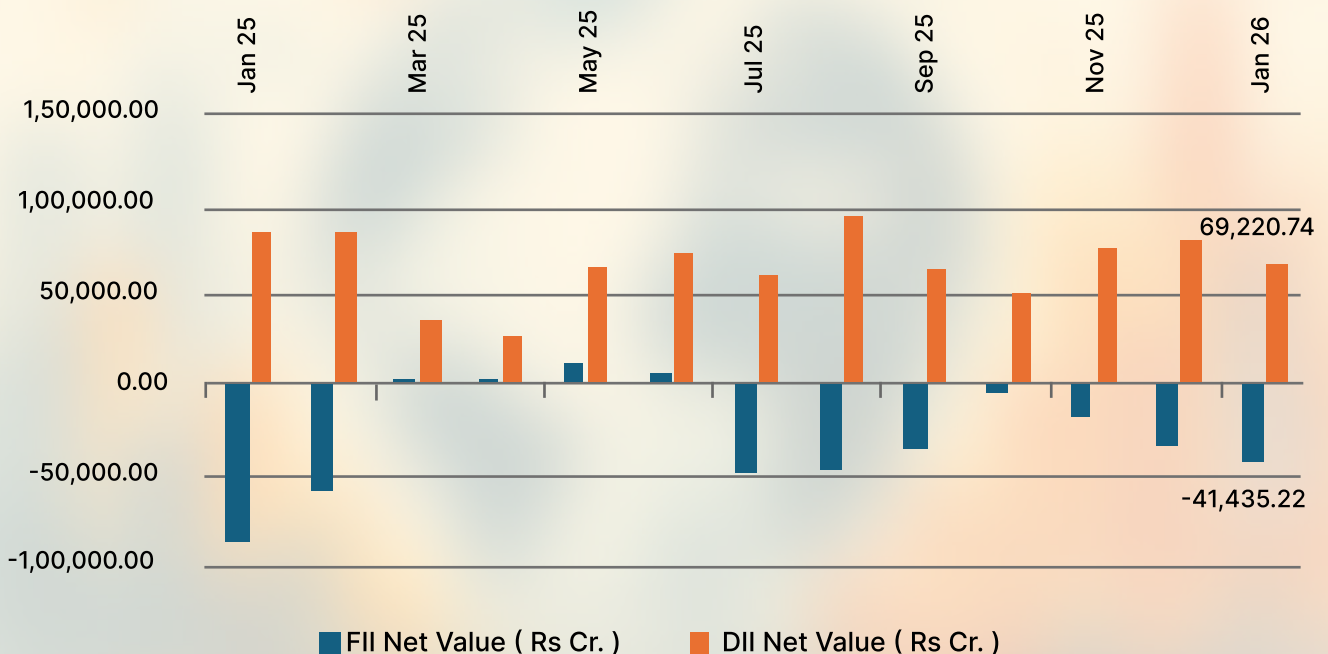
FII Outflows Extend into January as Well

- **Foreign investors stay net sellers:** FIIs continued to pare exposure to Indian equities in January, with net outflows of around ₹41,435 crore, extending the selling trend seen over recent months.
- **Why pressure remains:** Elevated U.S. bond yields and a resilient dollar continued to divert global capital toward developed markets and fixed income. Global portfolios are also seeing a rebalance toward commodities and energy-linked assets, where earnings visibility and cyclical momentum appear stronger in the current phase. Additionally, Indian equity valuations near cycle highs kept FIIs selective and risk averse.

DII Maintain Strong Buying and Cushion the Market

- **Strong domestic support:** Domestic institutional investors remained strong net buyers in January, investing nearly ₹69,220 crore, once again cushioning the impact of foreign selling.
- **What's driving DII strength:** DII ownership in NSE-listed companies has risen to multi-year highs, overtaking foreign institutional investor holdings. **By Q2 FY26, domestic institutions accounted for about 18.7% of the listed equity market, while FII share declined to 16.3%, a 13 year low,** highlighting a clear structural shift toward domestic participation. This has been supported by rapid household financialization, with equity and mutual funds increasing from roughly **2% of household financial savings in FY12 to over 15% by FY25**. Together, these stable, long-term flows have helped absorb external shocks and sustain market demand even during periods of FII selling.

Graph: FII-DII in Cash Segment



Source: Moneycontrol.com

Global Markets

Asian markets extended their leadership into January with South Korea's KOSPI and Japan's Nikkei 225 once again standing out. The **KOSPI's sharp gains** reflect renewed optimism around the **global semiconductor and AI cycle**, with heavyweight names such as **Samsung Electronics and SK Hynix** benefiting from rising demand for memory chips used in AI servers and data centres.

In Japan, the Nikkei 225 hit record highs, supported by strong corporate earnings from exporters, technology firms, and financials, alongside **a weaker yen that boosted overseas revenues**. **Corporate governance reforms** continue to improve shareholder returns through higher buybacks and dividends, while expectations that the Bank of Japan will normalize policy only gradually have helped keep financial conditions supportive and investor confidence intact.

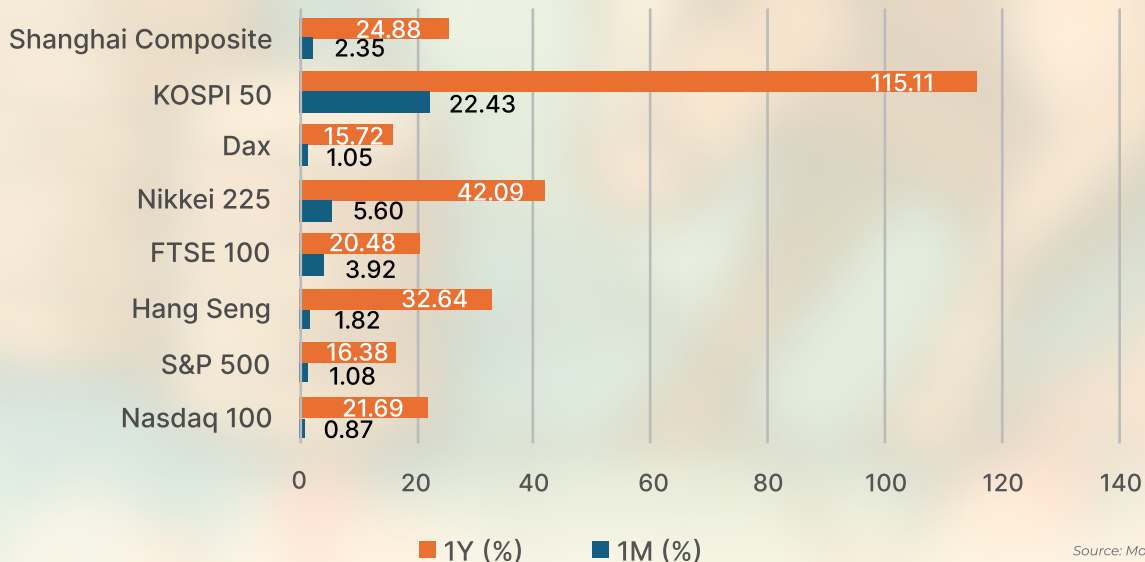
China's **Shanghai Composite and Hang Seng** edged up modestly in January but continued to lag regional peers, as **property-sector stress and weak domestic demand** weighed on investor confidence. The also saw limited gains, with persistent volatility reflecting **cautious sentiment toward China-linked equities**.

European markets started the year on a steady note, with the **FTSE 100 and DAX posting modest January gains**. Performance was supported by **defensive, dividend-paying sectors** and expectations of a gradual cyclical recovery, which helped anchor returns. However, **tariff-related headlines and shifting AI narratives** triggered intermittent volatility, particularly in tech and data-related stocks, limiting stronger upside.

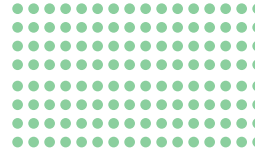
U.S. markets posted **modest gains but with elevated volatility**. The **S&P 500 briefly crossed the 7,000 mark**, supported by optimism around AI-driven earnings growth and expectations of future Fed rate cuts. However, **profit-taking in large-cap technology stocks**, along with policy and tariff-related uncertainty, capped further upside. Ongoing geopolitical tensions added to market jitters, resulting in **choppy performance across the Nasdaq and broader indices**.

Overall, January acted as both a continuation of strong global equity performance and a reminder of heightened macro-political risks.

Global Indices Returns



Equity In-House View

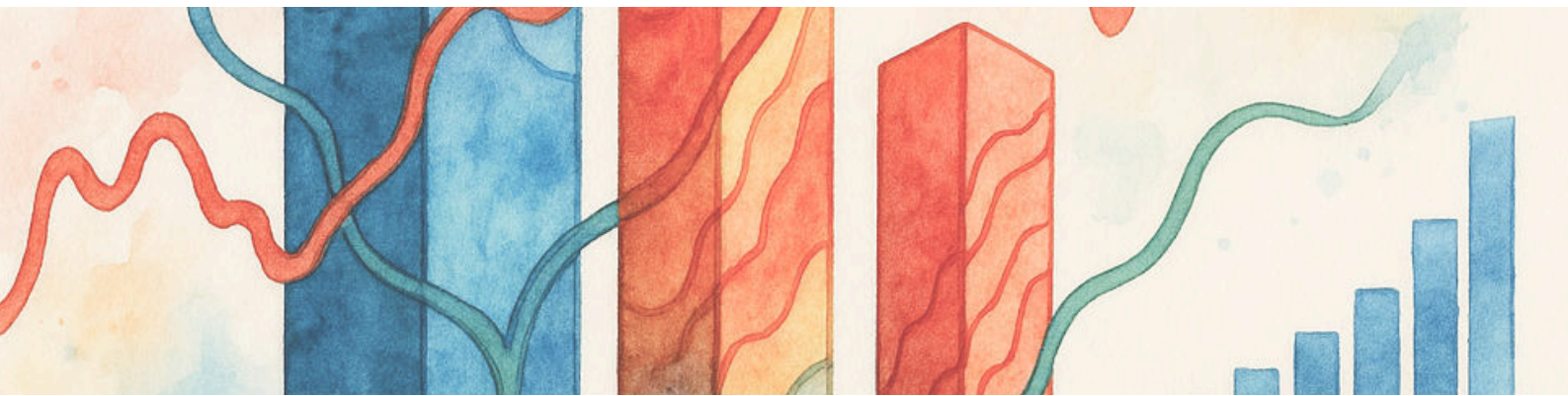


Domestic Outlook

FIIIs have remained consistent sellers however strong domestic flows effectively cushioned the outflows. The announcement around a potential India–US trade deal has been received positively by markets, but clarity remains limited. Until the contours of the agreement are clearly articulated, the development is more sentiment-supportive and near-term uncertainty is likely to persist.

From a global lens, any rotation away from crowded AI-led trades could act as a meaningful trigger for renewed emerging-market flows, with India well positioned to benefit given its domestic-demand-led growth profile and earnings visibility. **Valuations have cooled meaningfully. Markets look less frothy, with noticeable compression across high-valuation segments toward the lower end of valuation band. As a result, opportunities emerge in mid- and small-cap, particularly where earnings delivery remains intact and balance sheets are strong.**

Volatility is expected to remain elevated. Ongoing commodity strength, geopolitical uncertainties, and policy-related developments could drive short-term market swings. However, cleaner positioning, moderating valuations, and a supportive domestic macro framework can provide a stronger foundation.



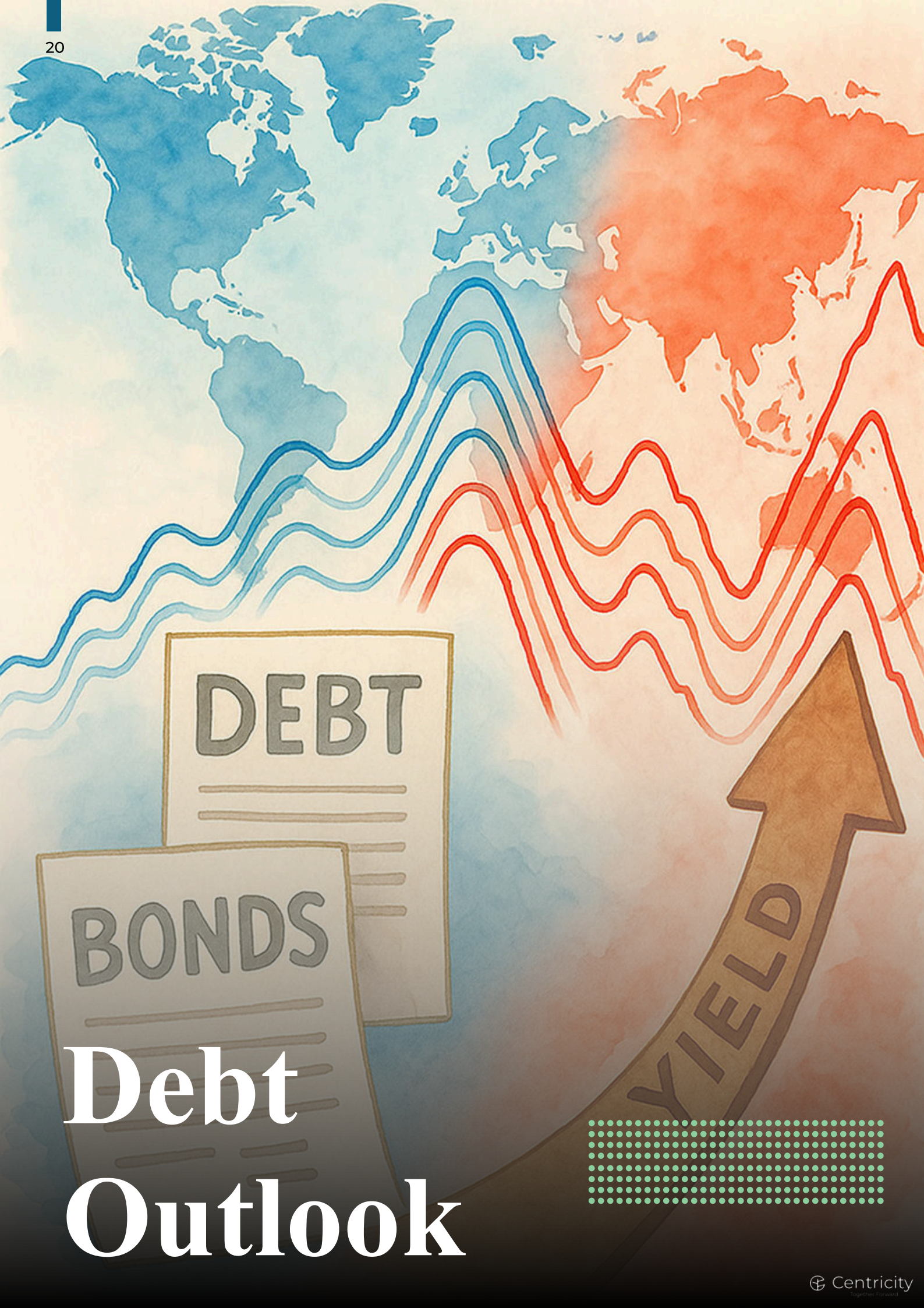
Global Outlook

Global landscape seems to be affected by myriad variables; U.S. fed chair nominations, earnings delivery, commodity volatility and rising geopolitical risk premia. Trade deal announcements and tariff alterations still keep the market on toes. Simultaneously, escalating geopolitical tensions, most notably involving U.S.–Iran relations, add to macro risk although without materially altering near-term growth, resulting in higher volatility.

Against this backdrop, U.S. equities remain fundamentally strong but seem expensive. Earnings momentum in technology and AI-linked companies continues to justify premium valuations but only for select leaders. This limits the scope for broad-based U.S. outperformance and shifts the opportunity set toward selective stock picking. Europe, despite weak growth and geopolitical sensitivities, provides selective upside through export-oriented and industrial names where expectations remain subdued.

China also remains deeply policy-dependent; attractive valuations alone are insufficient without sustained confidence-building measures. Japan, out of all, stands out as a compelling market, where corporate governance reforms and improved capital efficiency continue to translate into earnings resilience and rerating potential at still-reasonable valuations.

From a positioning perspective, current environment supports diversification away from concentrated U.S. exposure while maintaining participation in global growth themes. Core allocations can remain anchored in high-quality U.S. companies with proven earnings visibility, complemented by an increased allocation to Japan and selective exposure to Europe. Aggressive investors can look at China on the active style of management with sector specific approach.

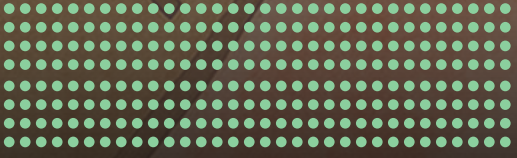


DEBT

BONDS

Debt Outlook

YIELD



Global Debt Outlook

USA

10Y yield:

Yields increased from 4.241 to 4.277

Inflation:

Inflation (PCE Index) stood at 2.7%

Fed stance:

Cautious and data dependent

China

10Y yield:

1.809, increased from 1.803 in the previous month

Inflation:

Inflation numbers stood at 0.8% year on year, in December 2025

PBOC stance:

Accomodative

Japan

10Y yield:

2.258 (as on 30th Jan), increased from 2.23 in previous month

Inflation:

2.1%, decreased from 2.9% in November

BOJ stance:

Cautious gradual approach to normalisation

Eurozone (Germany)

10Y yield:

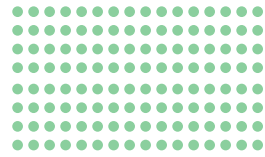
2.88, increased from 2.83 in previous month

Inflation:

1.9%, slight decline from the last month (2.1%)

ECB stance:

Decisions to be based on further data dependent changes



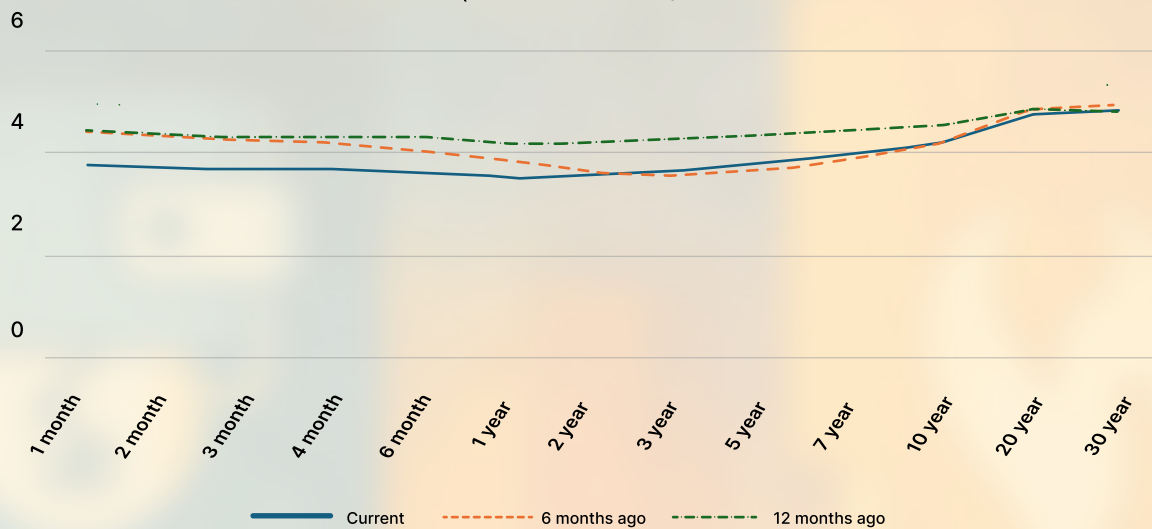
Global Debt Outlook

Short end

In January, the front end of the U.S. yield curve remained largely anchored as the Federal Reserve's decision to keep policy rates unchanged at its January 2026 meeting was largely priced in by the markets. While Chair Powell flagged some signs of slowing in the labor market, the data did not point to a sharp deterioration. **The unemployment rate eased marginally to 4.4% in December 2025 from 4.5% in November.** The Fed noted that slower job growth partly reflects a deceleration in labor force expansion, linked to lower immigration, as well as a mild softening in demand. The upcoming data for the labor market has been delayed because of the current partial government shutdown. Powell emphasized that policy decisions would remain data-dependent and taken on a meeting-by-meeting basis, with no clear guidance on the timing of future rate cuts. This reinforced expectations that any policy normalization would be gradual, keeping front-end yields range bound.

Yield Curve - USA

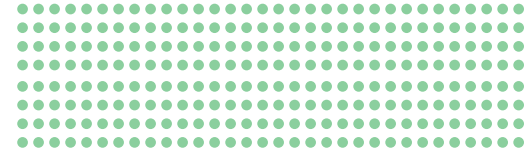
(as on 29th Jan 2026)



Source- U.S. Department of Treasury

Long end

The long end of the U.S. yield curve remained elevated in January amid strong economic growth and persistent inflation pressures. **GDP growth of 4.4% in Q3 suggests that economic momentum remains intact, limiting expectations of near-term easing at longer maturities. Inflation also continues to run above the Fed's 2% target, at 2.9% in CY2025, keeping inflation risks relevant for longer-dated yields.** The Fed's decision to keep the federal funds rate unchanged at its January 2026 meeting reflects its assessment that, despite solid growth, inflation has not eased sufficiently to warrant further near-term easing. This macro backdrop, along with ongoing heavy Treasury issuance, has maintained upward pressure on long-dated yields. Additionally, uncertainty surrounding the partial government shutdown has added to fiscal concerns, keeping term premia elevated at the long end of the curve.

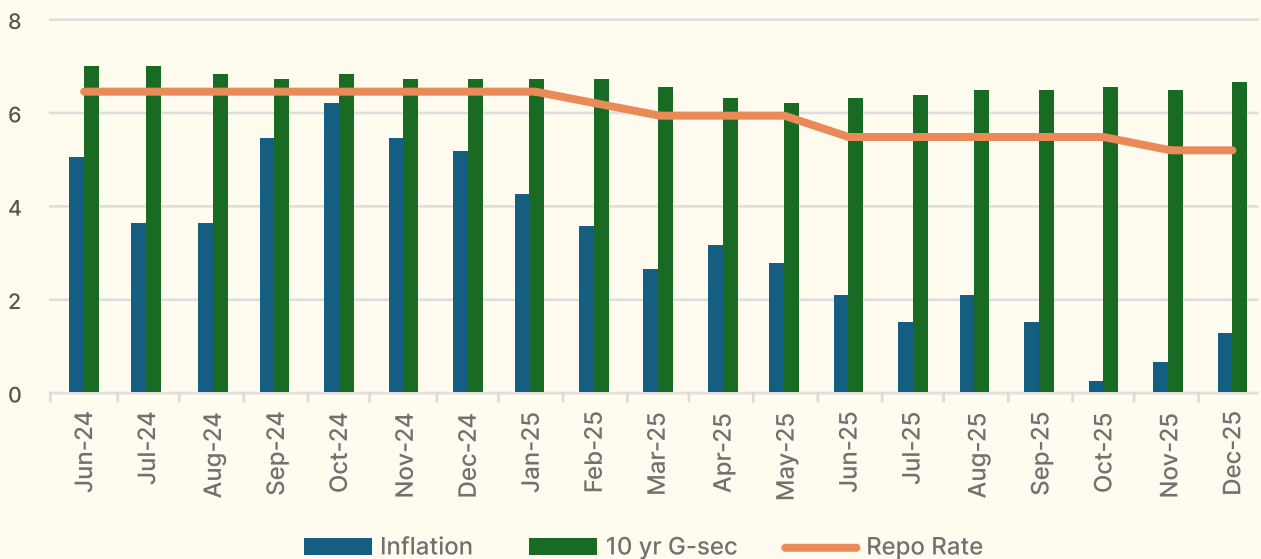


Indian Debt Outlook

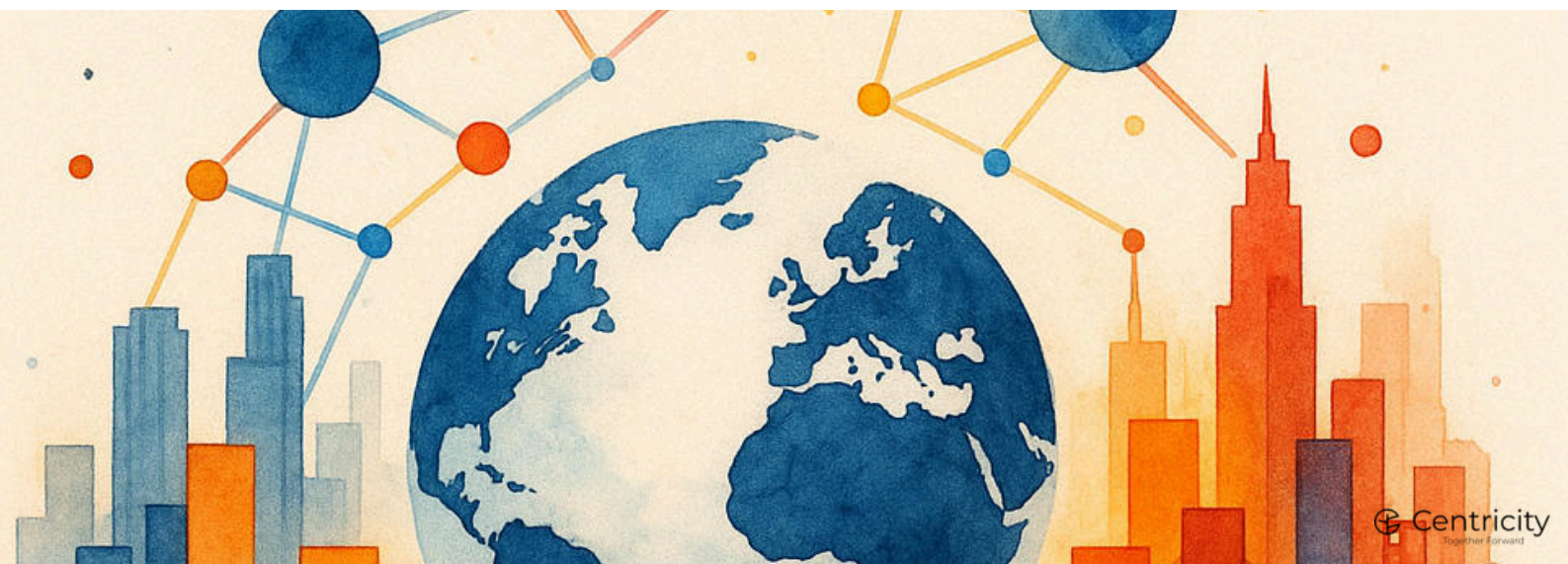
Over the past year, India’s 10-year G-Sec yield has moved within a narrow range and currently sits around **6.707%**, reflecting declining inflation expectations. Yields have not fallen sharply despite policy easing by the RBI, as global interest rate pressures and supply dynamics have kept the long-end relatively stable.

In its February 2026 policy meeting, the RBI kept the repo rate unchanged and retained a neutral stance, noting benign inflation and a resilient domestic growth outlook. The central bank reiterated its commitment to maintaining adequate system liquidity, supported by recent measures to ensure durable liquidity and stable funding conditions. These actions are expected to support credit growth, with banks well positioned to extend loans amid improving transmission and easing funding pressures.

Key Rates

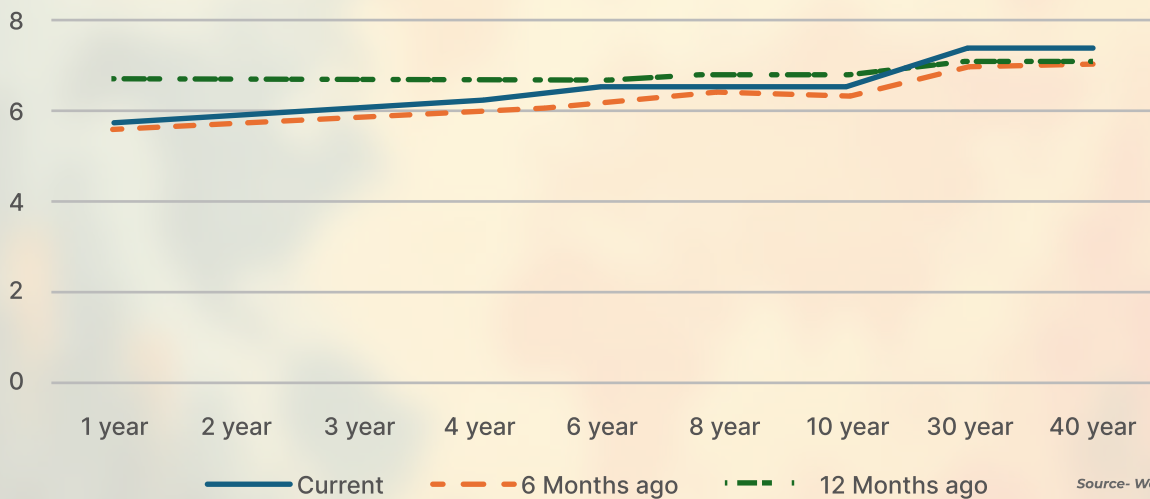


Source- RBI



Yield Curve- India

(as on 29th Jan 2026)



Short end

The short end of the India yield curve has remained relatively sticky, reflecting the RBI Governor's cautious, data-dependent stance and the decision to retain a neutral policy stance at the February meeting. **This has tempered expectations of aggressive or front-loaded rate cuts as a result, bullish positioning at the front end has been restrained, keeping short tenor yields well anchored.** Over recent months, this has been supported by a clear disinflation trend and contained near-term inflation expectations, with the December 2025 CPI print at 1.33% reinforcing confidence on the inflation front.

Long end

The long end of the curve has been shaped by a **push-and-pull between elevated supply concerns and improving fiscal credibility.** The government's **higher-than-expected gross market borrowing of ₹17.2 trillion for FY27**, as outlined in the Union Budget, **revived supply-side concerns**, particularly for longer maturities. These pressures coupled with the **elevated state-level borrowing** are raising fears of bond issuance outpacing demand.

However, the budget's clear emphasis on fiscal consolidation has helped anchor long-term sentiment. The FY27 fiscal deficit guidance of ~4.3% (lower than FY26), alongside an explicit shift toward managing the debt-to-GDP ratio, has reinforced fiscal discipline. In addition, measures aimed at deepening the corporate bond market are structurally supportive, signalling a gradual reduction in reliance on G-sec issuance over time. A **resilient macroeconomic momentum**, reflected in firm growth indicators, has reinforced **yield resilience at the long end**, keeping **term premia elevated** despite a broadly disinflationary backdrop.

External factors have added volatility, with geopolitical tensions and rupee depreciation contributing to hardening of long-end yields in January 2026. That being said, the recent US-India deal announcement is expected to ease external pressures, improving confidence.

Debt In-house View

In India, the long end of the yield curve has remained elevated, supported by an optimistic growth outlook and substantial fiscal borrowing, particularly at the state government level. These supply pressures have been further reinforced by the Union Budget's higher-than-expected gross market borrowing programme, which revived concerns around the absorption capacity of longer-dated bonds despite the government's broader fiscal consolidation narrative.

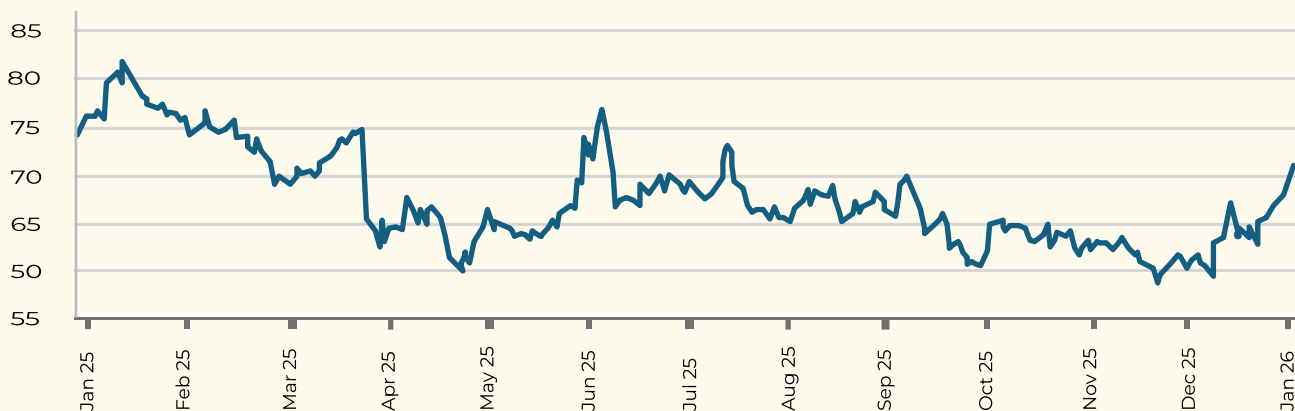
Globally, front-end U.S. Treasury yields have remained anchored after the Federal Reserve's rate hold in January 2026, aided by persistent inflation pressure. In contrast, long-end U.S. yields remain elevated amid firm GDP growth, uncertainty stemming from the recent partial shutdown and elevated fiscal borrowing.

In light of these policy developments, a cautious strategy would be to focus on selective opportunities along the short-to medium-maturity segment of the yield curve, including targeted credit plays, while limiting exposure to longer-dated instruments. Within this framework, standalone NCDs and Credit AIFs offer appealing opportunities from a debt investment perspective.

Crude Oil

January saw Brent crude swing on persistent geopolitical tensions. Prices rose about **\$6/bbl** early in the month and again near **\$70/bbl** at month-end on fears of a U.S. strike on Iran, unrest in Venezuela, and a winter storm disrupting U.S. crude production. It eased in between, but overall, the market remained choppy.

Brent Oil Futures Prices (USD/bbl)



Source: Investing.com

On supply side, global oil output fell about **350,000 b/d** in December 2025 to **107.4 million b/d**, mainly due to lower production in Kazakhstan and some OPEC members, partially offset by a rebound in Russia. Overall, the market remains surplus-oriented, with supply expected to rise **2.5 million b/d** in 2026, slightly below the **3 million b/d** growth in 2025.

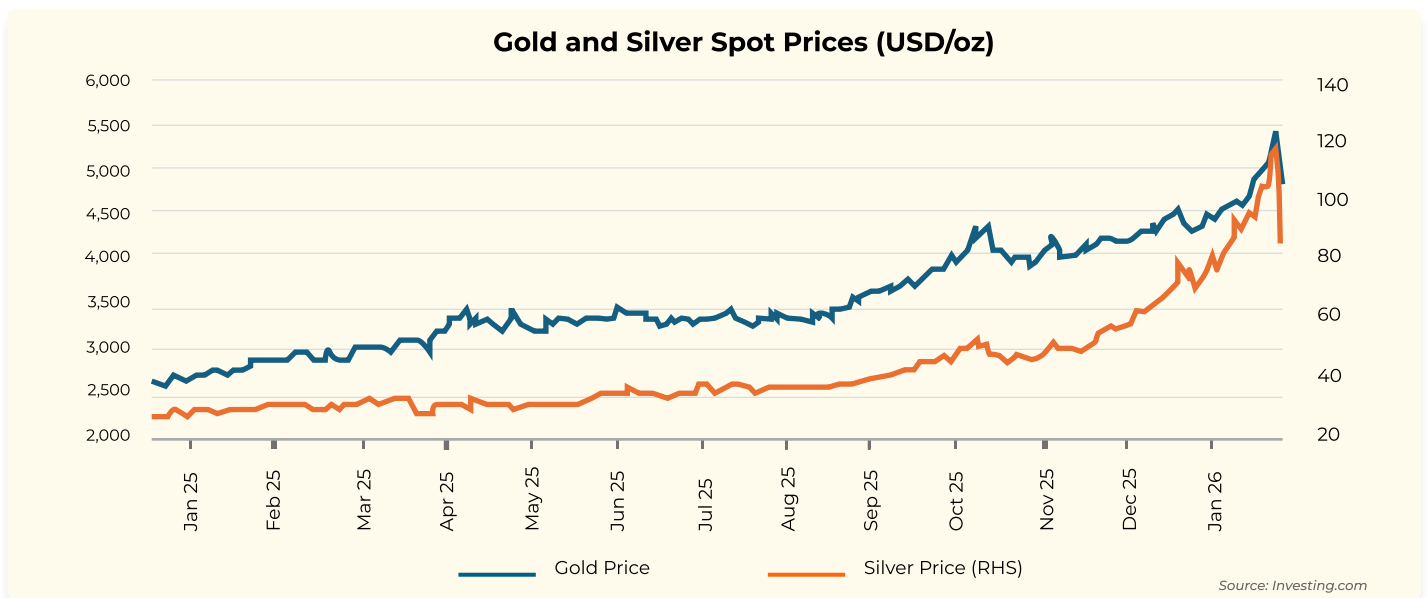
Demand growth is modest, led by non-OECD countries, with global consumption projected to increase **930,000 b/d** in 2026, while developed economies see little change. Inventories remain elevated, with OECD stocks near the five-year average and global inventories higher than at the start of 2025, highlighting the market's structural oversupply.

Gold

Gold prices had a volatile January, peaking around the \$5,500 mark before seeing an almost 10% fall in a single day towards the end of the month. The rally, initially, was largely driven by geopolitical tensions, continues central bank purchases and investors using gold as a hedge against uncertainty, which pushed a lot of speculative money into the market.

Sentiment turned more cautious after reports of Kevin Warsh's potential appointment as Fed Chair, as markets interpreted this as a shift toward a less accommodative monetary stance, likely to strengthen the dollar and reduce gold's appeal. Investors began booking profits, triggering a rapid sell-off. Rising volatility prompted the CME to increase margin requirements, forcing leveraged traders to cut positions and adding further downward pressure. Since the rally was not driven by long-term structural fundamentals, prices experienced a sharp decline.





Silver

Silver prices surged to extraordinary levels in 2025, briefly spiking above \$116 per ounce in 2026, before falling sharply. The rally initially began on **fundamental factors**. A structural deficit in the silver market, and strong industrial demand, set the stage for higher prices. Expectations of rising silver use in **defense, aerospace, solar energy, electronics, and medical sectors** nurtured expectation of price rise.

Towards the end of the month, silver prices plunged nearly 27%. The potential appointment of **Kevin Warsh** as Fed Chair eased short-term concerns over Fed independence and signalled a more hawkish policy stance. Coupled with the largely **speculative nature of the rally**, shifting sentiment triggered a sharp sell-off. The decline was further amplified by **CME raising margin requirements** for silver contracts, with non-heightened risk margins rising to **15% from 11%** and heightened risk margins to **16.5% from 12.1%**, intensifying pressure amid volatile price swings.

Commodity In-house View

Crude Oil

Brent crude is likely to remain volatile, with short-term price swings primarily driven by geopolitical tensions. Conflicts in the Middle East, particularly around Iran, and ongoing instability in Venezuela could trigger intermittent spikes, as seen in January.

At the same time, underlying fundamentals suggest the market remains well-supplied. Demand growth, while positive in non-OECD regions, is modest relative to supply, limiting the potential for sustained price rallies. Overall, while short-term spikes are possible, structural oversupply and elevated inventories are likely to keep prices anchored over the medium term.

Gold

The recent rise in gold prices is not being driven by supply shortages or structural factors, nor by strong demand from traditional sectors. On the demand side, 2025 saw a **19% year-on-year decline in jewellery demand**, a **1% drop in demand in technology**, and even **central bank purchases fell 21% year-on-year**. The main driver has been the **investment segment, which surged 84% year-on-year**, reflecting speculative and safe-haven demand rather than long-term structural support.

Gold is expected to remain volatile in the near term. With the Fed Chair appointment yet to be announced and geopolitical tensions continuing to fluctuate, gold prices are likely to see frequent swings. Given the rapid rally throughout 2025 and even during start of 2026, some degree of correction appears likely. Investors are advised to remain cautious and view gold primarily as a hedging instrument rather than a tool for wealth creation.

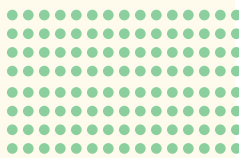
Silver

The silver rally now appears to be **predominantly speculative**. Heavy trading in paper markets and leveraged positions has added significant volatility. Signs of stress are visible in physical availability. **Registered silver inventories on COMEX have fallen to just 107.7 million ounces, down 4.7 million ounces in a single day**, reducing the amount of metal available for delivery. This means stocks to cover only **14.2% of outstanding paper claims are available**. This sharp imbalance highlights rising market stress, as even a modest increase in delivery demand could strain the exchange's delivery mechanism.

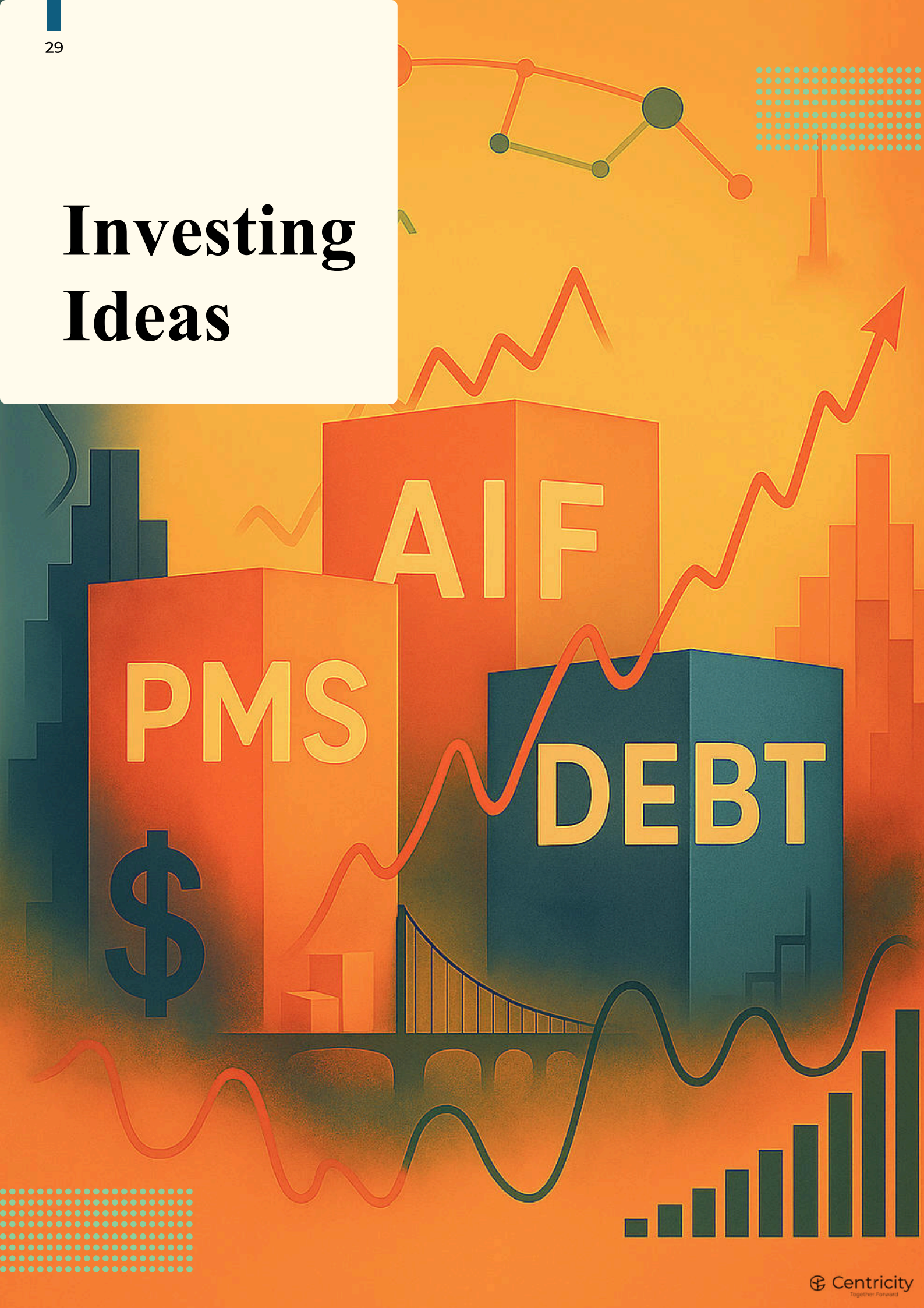
Exchanges have responded by tightening risk controls, most notably through margin hikes, with CME raising silver margins to **15–16.5% from around 11–12%**, highlighting elevated leverage and volatility in the system.

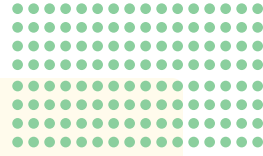
While physical precious metals demand remains intact, **price action in silver has been far more extreme than in gold**, reinforcing the speculative skew. The **gold–silver ratio has compressed meaningfully** to almost 57:1 from its April high of 100:1 owing to heightened surge in silver prices.

Hence, we see silver overvalued and a near-term correction remains highly possible with **elevated volatility likely to persist**.



Investing Ideas





Products

India continues to exhibit relative macro strength. Easing inflation, a supportive policy environment, and targeted fiscal measures are reinforcing domestic demand and earnings visibility, providing resilience against external headwinds.

At the same time, global uncertainties, ranging from geopolitical tensions to trade disruptions, call for a more measured and diversified investment approach. Accordingly, the strategies presented reflect opportunities across business cycles, selective equity exposure across market capitalisations, and performing debt and special credit solutions, with a clear emphasis on risk-adjusted returns and portfolio resilience in uncertain times.

| Category | Sub-Category | Product | Rationale | Suitable Tenure | Expected Return Range (Net of Expenses) |
|----------|----------------|--|---|-----------------|---|
| Equity | Mutual Fund | Motilal Business Cycle Fund | Motilal Oswal Business Cycle Fund, managed by Niket Shah with a strong mid-cap track record, offers flexibility to move across market caps. | >3 years | 14-17% |
| | PMS- Multi Cap | Buoyant Capital-Opportunities Strategy | Since inception, the fund has delivered a 22% IRR across market cycles, supported by its investment approach of balancing core and satellite portfolios. By actively shifting between defensive and aggressive positions based on market phases, it is well-positioned for today's dynamic environment. | >3 years | 15-17% |

| Category | Sub Category | Product | Rationale | Suitable Tenure | Expected Return Range (Net of Expenses) |
|----------|----------------------|---|---|-----------------|---|
| Equity | PMS- Multi Cap | Negen Capital-Special Situation & Technology Fund | With a 5-year TWRR of ~33%, the fund leverages rare value-unlocking opportunities like demergers, promoter changes, and delistings to capture alpha. Its focus on special situations and technology themes allows investors to access high-quality businesses at compelling valuations making it a powerful contrarian play in today's market. | >3 years | 17-19% |
| | PMS- Mid & Small Cap | Carnelian Shift Strategy PMS | A concentrated portfolio of ~25 high-conviction ideas, pruned rigorously to retain only the best performers. It has delivered strong returns, with a 3-year CAGR of 30% and since-inception CAGR of 35%, far ahead of the BSE 500 TRI. The fund is led by founder Vikas Khemani, a veteran with 27+ years in capital markets and a proven track record in building market-leading businesses. | >3 years | 17-19% |
| | PMS- Mid & Small Cap | Abakkus Emerging Cap Approach | With over three decades of experience, Sunil Singhania brings deep market insight and a proven ability to generate long-term alpha in the mid and small cap space. His strong vintage and consistent performance across cycles make the fund well-equipped to navigate current market complexities. | >3 years | 17-19% |

| Category | Sub Category | Product | Rationale | Suitable Tenure | Expected Return Range (Net of Expenses) |
|----------|--------------------|---------------------------------|---|-----------------|---|
| Equity | AIF-Private Equity | Incred Growth Partners Fund II | A fit for investors seeking exposure to best-in-class, late-stage and high-growth private companies across consumer, financial services, enterprise and emerging national-priority themes, enabled by proprietary deal sourcing, active portfolio value-creation, and a disciplined SUPER-based selection framework—targeting a balanced mix of stability, liquidity, growth, and disruption over a focused 6-year fund tenure. | 6 years | 27-32% |
| Debt | AIF | Vivriti Short Term Debt Fund | Fund is a professionally managed, open-ended debt AIF targeting double-digit pre-tax returns with low volatility and quarterly liquidity, ideal for investors seeking stable, short-term income from a diversified, 100% investment-grade portfolio of short-maturity NCDs, PTCs, and commercial paper. | >1.5 years | 12-13% |
| | AIF | Mosaic Multiyield Fund Series I | Targeting a 14-16% gross IRR, the fund builds a granular, fully secured credit portfolio across 25–35 profitable and bankable firms. With multi-manager, multi-strategy diversification and a strong risk framework, it offers high-yielding, collateral-backed exposure in performing credit, without venturing into distressed or venture-style debt. | ~5 years | 13-14% |

| Category | Sub Category | Product | Rationale | Suitable Tenure | Expected Return Range (Net of Expenses) |
|----------|--------------|---|---|-----------------|---|
| Hybrid | SIF-Hybrid | Edelweiss Altiva Hybrid Long Short SIF | Targeting a 9–10% gross return, the strategy blends multiple low-volatility strategies to generate consistent arbitrage-plus yield. The portfolio is constructed with 20–40% in arbitrage, 40–60% in fixed income, 0–10% in special situations, and 10–20% in derivative strategies. It is a balanced, low-volatility, multi-strategy approach designed for stable returns. | > 2 years | 7-8% (Post Tax) |
| | SIF-Hybrid | Tata Titanium Hybrid Long Short Fund | The strategy aims to deliver Balanced Advantage plus 2 percent returns with lower volatility than broader markets through a diversified allocation of 50 percent cash equities, 25 percent debt, and 25 percent derivative strategies. Managed by Suraj Nanda, who earlier generated 2 to 3 percent alpha over the Nifty 50 with significantly lower volatility in his previous fund, ICICI Enhanced Dynamic, the fund suits investors seeking equity like returns with moderated risk. | > 2 years | 9-11% (Post Tax) |



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