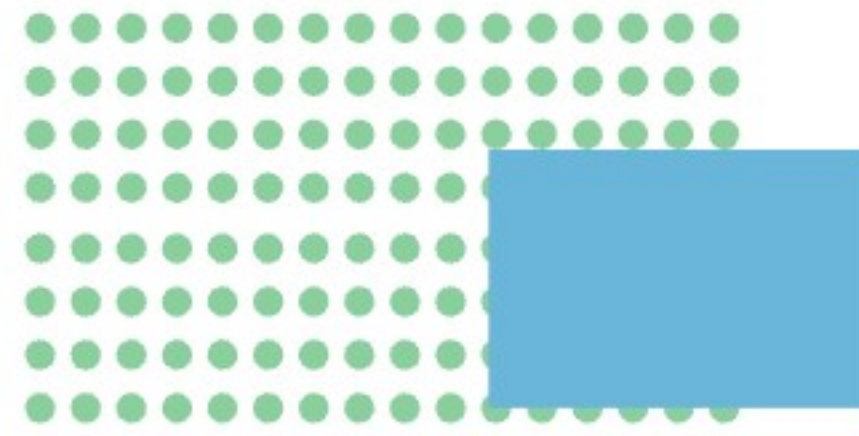


Market Outlook

March 2026



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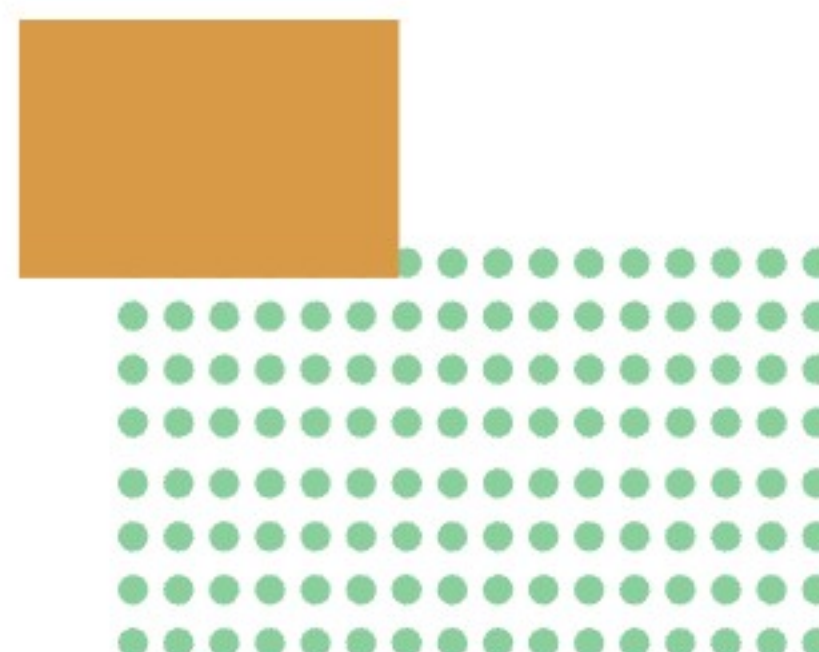
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CEO's desk

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

The current period of heightened volatility amid ongoing geopolitical developments calls for patience and a long-term perspective from investors. While markets may react sharply to evolving global events in the near term, such phases of uncertainty are a part of market cycles. Short-term fluctuations, though unsettling, should not alter well-considered long-term investment strategies. Staying disciplined and focused on long-term fundamentals remains key to navigating these periods and achieving sustainable wealth creation.

Going ahead, the trajectory of Indian equities will largely depend on the sustainability of the ongoing earnings cycle alongside developments in the global macro environment. Corporate earnings momentum remains healthy, with profit growth broadening across sectors. At the same time, external factors such as global interest rates, currency movements, and commodity prices will continue to influence foreign investor flows and may periodically introduce volatility.

On the fixed income front, India's yield curve has steepened in recent months, reflecting continued fiscal pressures at both the central and state levels. Geopolitical developments add further uncertainty through the risk of higher crude oil prices, which could exert additional pressure on the rupee and inflation.

We will continue to closely monitor global and domestic market developments while remaining adaptable to evolving conditions.



Manu Awasthy

Manu Awasthy
CEO & Founder
Centricity

Pulse check

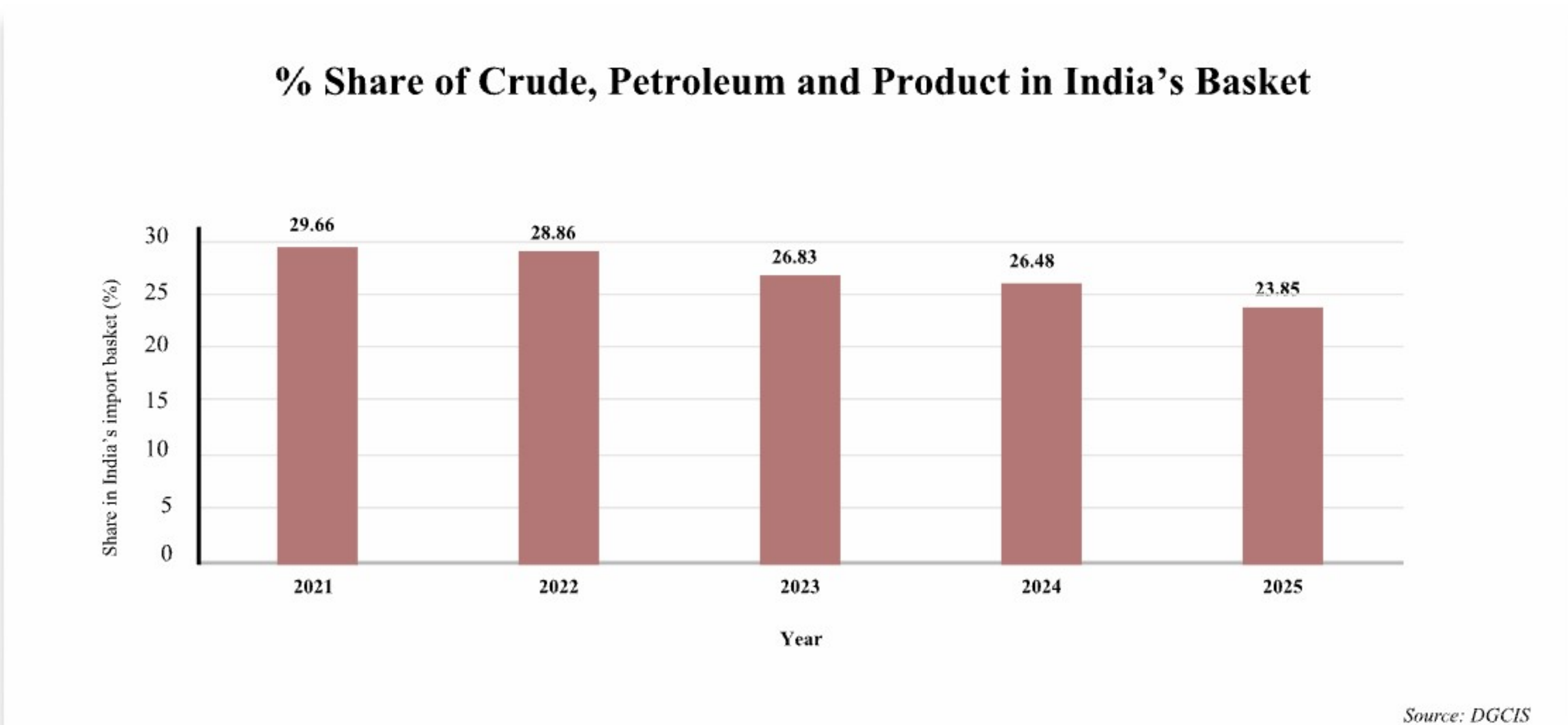
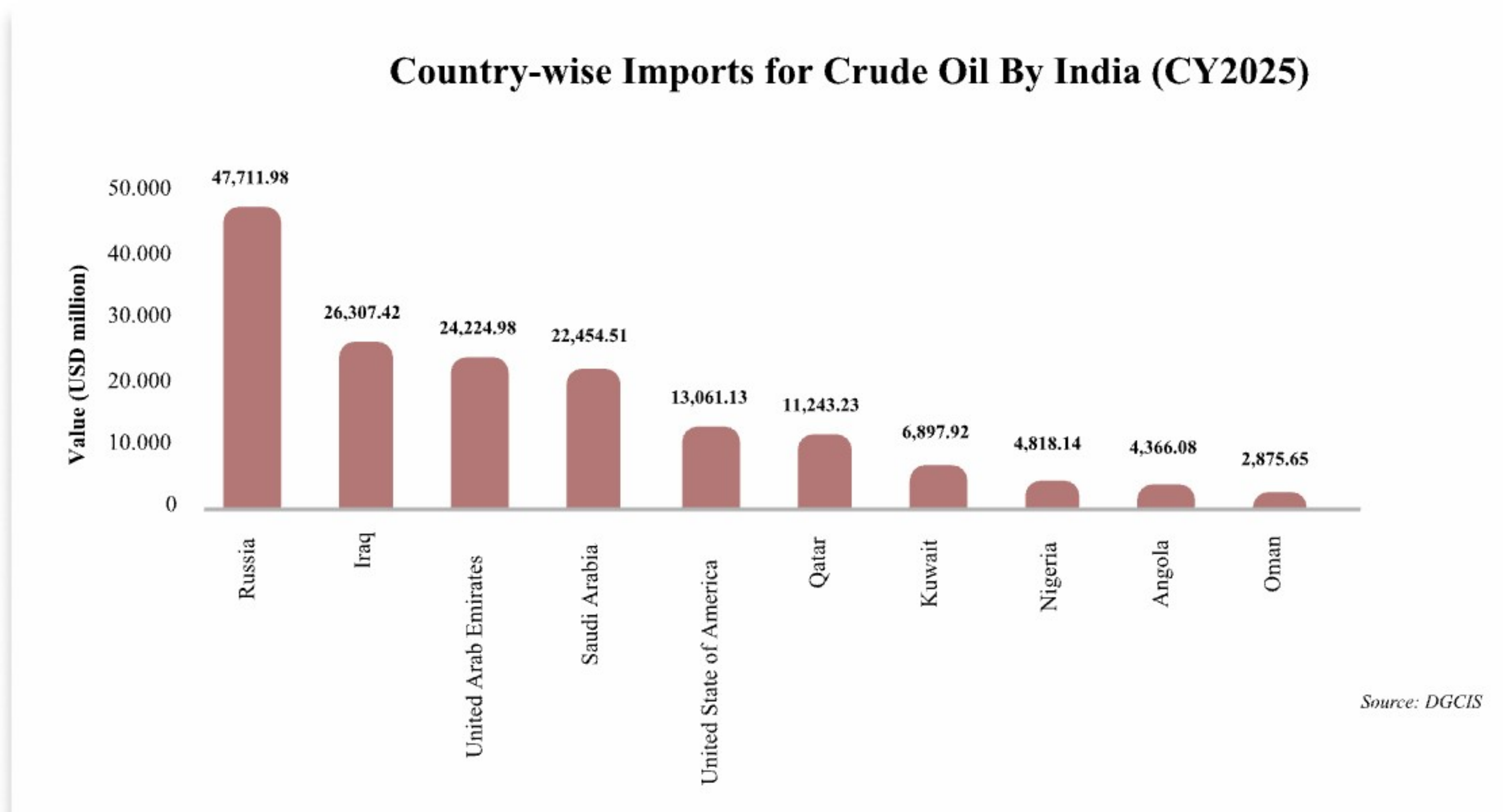
Oil Shock Risks and India's Macroeconomic Resilience

The very recent U.S.–Iran conflict has raised myriad forms of anticipations and caveats around possible impact on global economies with special attention given to Asian region.

For India, the principal channel of any likely impact is through: **oil imports** as India remains significantly import-dependent and **India's fall in exports to war hit regions in Middle East**.

1. Oil Dependence: A Structural Reality

To understand how India maybe impacted, following 2 charts will help get an overview of India's Oil Import landscape:

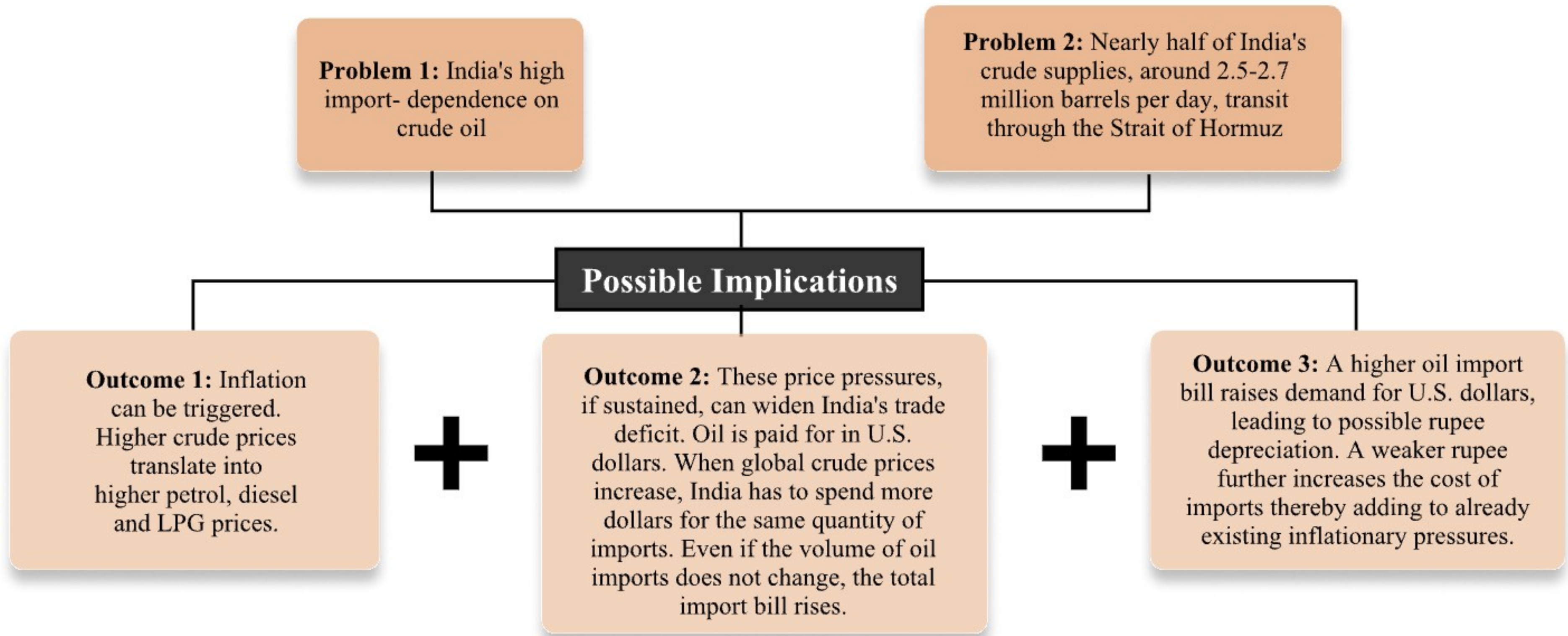


To put things in perspective, **the country's oil import dependency is almost 85-87%**. Additionally, significant share of imports, **almost 50%**, are **transported through Strait of Hormuz** which due to conflict can disrupt supply chains.

Any silver lining?

The share of crude, petroleum and related products in our overall import basket has been falling and stand at ~23.86 % for year 2025. Also, oil imports as a % share of GDP has reduced to almost 4.8% in 2025.

So, how can this roll out for India?



Why the Impact Remains Manageable for India?

- **Oil Reserves:** Even if these risks materialise, India has buffers to manage them. Our strategic petroleum reserves, when combined with commercial stocks held by refineries and at ports, can cover around 74 days of demand in the event of a major supply disruption.
- **Russian Oil Dilemma:** Until recently, Russia had become India’s largest crude supplier, accounting for roughly 35–40% of imports and helping reduce exposure to the Strait of Hormuz. However, amid evolving United States–India strategic discussions and growing Western scrutiny of Russian oil flows, India has gradually begun shifting part of its sourcing back toward the Middle East. In the near term, Russian crude may still act as a buffer, with the U.S. granting India a temporary 30-day waiver to import cargoes already stranded at sea. However, this relief could be limited if Middle East tensions escalate, particularly as the U.S. expects India to gradually increase reliance on American crude supplies.
- **Foreign Reserves and Remittances:** On currency front, RBI holds substantial foreign exchange reserves, more than ~\$700 billion, which can help manage rupee volatility. Our remittance inflows have been strong as well which can help contain current account deficit.

2. Limited Direct Trade Exposure with Iran

Apart from oil, another possible concern is India’s merchandise trade with Iran. Following data points show that this channel is relatively small.



India’s total exports to Iran are a little over USD 1.2 billion, which is less than 0.3 percent of India’s overall exports. The trade balance is in India’s favour, and Iran does not rank among India’s major trading partners.

Outlook

It is natural for a geopolitically exposed economy like India’s to feel short-term stress when global oil markets tighten. Yet, in narrative terms, this latest conflict reinforces long-running lessons rather than introducing a new fragility. India’s large and dynamic economy, coupled with active diversification, strategic policymaking, strong macros and fundamentals and deepening ties with alternative suppliers, suggests resilience built over time even as it manages short-term macro pressures. Even for the equities, we have seen historically that markets often react negatively at first, leading to sudden short-term declines. However, these temporary movements have typically been followed by recovery over time. Hence, times like such offer attractive entry points for investors with a long-term perspective.



Economic Outlook



Indian Economy Overview

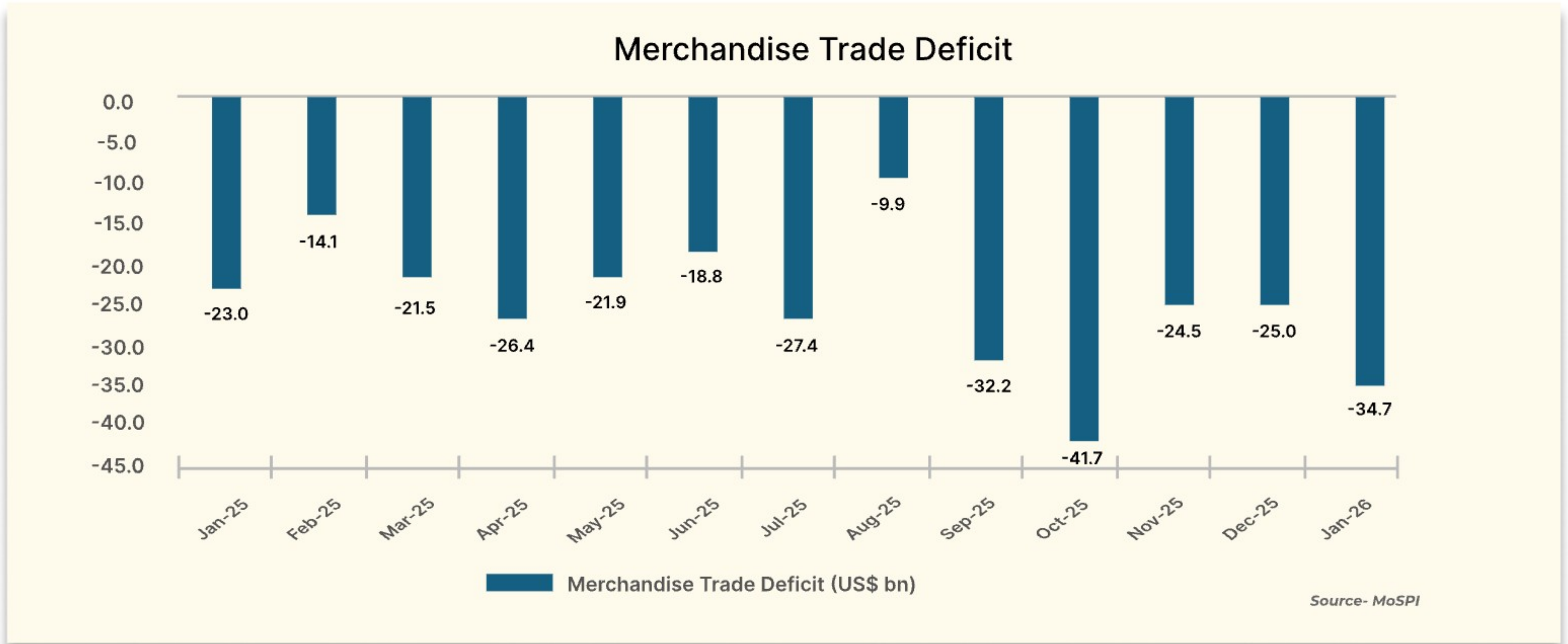
1. The Real GDP growth for FY 2025–26 is estimated at 7.6%, an improvement over the 7.1% growth recorded in FY 2024–25, while the Nominal GDP is projected at 8.6%. On a quarterly basis, Real GDP registered a 7.8% year-on-year expansion in Q3 FY 2025–26.
2. India's headline year-on-year inflation, based on the All-India Consumer Price Index (CPI) with base year 2024, stood at 2.75% in January 2026. The CPI print as per the old series, stood at 1.33% for December 2025.
3. India's fiscal deficit for the first ten months of this fiscal year through January stood at Rs 9.81 lakh crore, or 63% of annual estimates.
4. India's current account deficit (CAD) widened to \$13.2 billion, or 1.3% of GDP, in the October–December quarter of 2025-26, up from \$11.3 billion (1.1% of GDP) a year earlier.
5. India's forex reserves stood at USD 728.29 billion as on 27th Feb 2026
6. The rupee depreciated to fresh lows, breaching the ₹90 / USD mark and averaging ₹91.49/USD through February.
7. Net direct tax collections stood at ₹19.43 lakh crore as on 10th February 2026, registering 9.40% gain over the same period last year.
8. Total Gross GST Revenue stood at ₹1.83 lakh crore in February, marking a 8.1% 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	7.8
Average CPI Inflation (YoY%)	4.9	4.5	3.5	3.4	4.7	6.1	5.5	6.6	5.6	4.6	2.7
Forex Reserves (USD billion)	356	370	424	413	490	579	606	579	648	676	728.2
Currency (USD-INR)	66	64	66	70	75	74	77	82	83	86	92.2
Net Direct Tax Collections	7.4	8.5	10.0	11.3	10.5	9.4	14.1	16.1	15.8	22.2	19.4
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)

Merchandise Trade Deficit widens

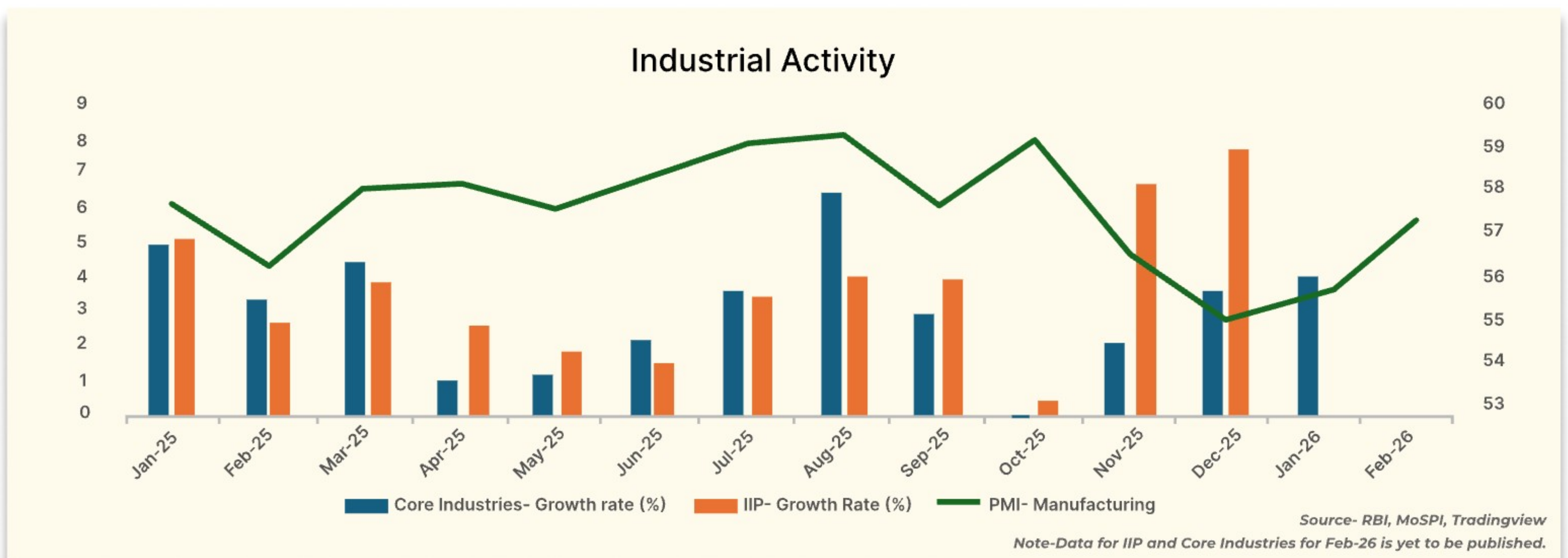


India’s merchandise trade deficit widened to a three-month high of \$34.68 billion in January 2026, the second-highest print after October 2025. Imports surged 19.2% YoY to \$71.2 billion, largely driven by a sharp rise in gold imports (\$9.4 billion), while export growth slowed to 0.6%, a three-month low, reflecting weak non-oil shipments.

On the policy front, the DGFT (Directorate General of Foreign Trade) has capped RoDTEP (Remission of Duties and Taxes on Exported Products) rates at half of existing levels, reducing export incentives under the scheme that refunds unrebated taxes and levies on exported goods. The move comes amid pressures from the global tariff environment, although agricultural and processed food exports remain exempt. In the absence of relaxation, the change could raise cost pressures for exporters.

External risks are also building. Geopolitical tensions in the Middle East could push crude oil prices higher, a key concern for India, which imports about 85–87% of its crude needs. With nearly half of India’s crude imports passing through the Strait of Hormuz, any disruption could widen the trade deficit. While the U.S. has granted India a temporary 30-day waiver to purchase Russian crude cargoes already at sea, the relief may be limited if tensions escalate. Higher oil prices could expand the import bill and add pressure on the rupee, currently trading near ₹92 per dollar, potentially reinforcing imported inflation.

Industrial Activity shows mixed momentum



India's industrial activity showed **mixed momentum**. **Industrial Production (IIP)** growth eased to a **three-month low of 4.8% in January**, moderating from the **26-month high recorded in December 2025**. The **slowdown was broad-based across mining and manufacturing**, partially owing to base effects.

The **HSBC Manufacturing PMI** rose to a **four-month high of 56.9**, largely driven by strong domestic demand. However, export momentum remains weak, with export orders recording their **slowest growth in nearly 1.5 years**. This moderation can partly be attributed to **tariff escalations between India and the United States**, which continues to be **India's largest export destination**, particularly for manufacturing goods.

On the cost side, **input price pressures have remained relatively contained**, with input inflation moderating over the past four months. However, a **potential rise in crude oil prices could push input costs higher**, posing a risk to manufacturing margins going forward.

Looking ahead, the **recently revised GDP series points to a stronger outlook for the manufacturing sector**, which continues to play a key role in supporting economic resilience, having recorded **double-digit growth in FY2023–24 and FY2025–26**. Additionally, the **new IIP (Index of Industrial Production) series with an updated base year**, expected to be released in **May 2026**, may provide greater clarity on the underlying momentum in industrial growth.

Key Macro Movements in Past Geopolitical Events

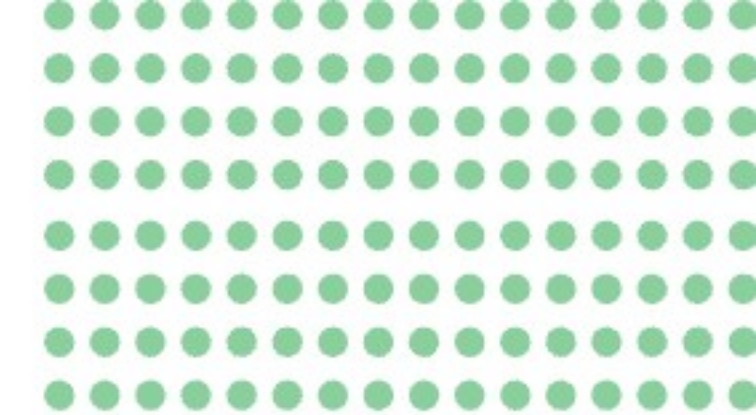
Historical evidence from recent geopolitical conflicts suggests that while such events tend to trigger **sharp knee-jerk reactions in key macro variables**, the impact on the Indian economy generally **moderates over time**. Episodes like the **Russia–Ukraine war, the Israel– Hamas conflict, and the Iran–Israel escalation initially led to spikes in oil prices, inflation pressures, and shifts in the trade balance**, reflecting immediate global risk premiums and commodity market disruptions. However, these effects typically **tapered over the subsequent 12 months** as markets adjusted, supply chains adapted, and domestic macro conditions stabilized. Even in the case of the **prolonged Russia–Ukraine war**, the initial shock to oil costs, CPI, and the trade deficit gradually normalized overtime.

Event	Variable	3 month period	12 month period	Rationale
Russia-Ukraine War (2022)	Brent Crude* USD/INR (per barrel cost in INR)	52.70%	19.00%	War-driven oil shock sharply raised import costs before normalizing.
	CPI	27.50%	18.10%	Energy and commodity shock pushed inflation higher initially.
	Trade Deficit	20.80%	-14.3%	Higher oil imports widened the deficit before external adjustment.
Israel–Hamas Conflict (2023)	Brent Crude* USD/INR (per barrel cost in INR)	-6.80%	-11.60%	Limited supply risk meant oil prices normalized quickly.
	CPI	-20.68%	-3.42%	Global disinflation and food prices drove CPI lower.
	Trade Deficit	-21.30%	-15.60%	Lower commodity prices reduced import pressures.
Iran–Israel Conflict (2024)	Brent Crude* USD/INR (per barrel cost in INR)	-13.60%	-23.10%	Initial risk premium faded as disruption fears eased.
	CPI	-28.19%	-36.97%	Food price correction and base effects reduced inflation.
	Trade Deficit	56.40%	54.10%	Stronger imports temporarily widened the trade deficit.

Source- RBI, MoSPI, Own Calculations



Equity Outlook



Preview of the month: February 2026

NIFTY 50 Price Chart



Source: NSE India

NIFTY Indices Returns



Source: NSE India

NIFTY Indices	Returns (%)		
	1M	3M	1Y
Auto	5.39	1.51	38.8
FMCG	-0.08	-7.92	2.37
Media	2.30	-3.40	2.78
Financial Services	2.01	0.04	22.21
Metal	3.55	18.99	49.91
Pharma	5.93	0.02	16.68
Consumer Durables	9.30	-0.75	9.49
Oil & Gas	4.12	2.02	28.90
Realty	-0.31	-13.56	-1.85
Energy	5.79	4.59	24.90
Infrastructure	-4.81	-4.20	10.54
India Defence	-0.48	1.69	59.28
India Consumption	0.66	-7.43	14.55
Commodities	3.35	8.28	32.26
Housing	4.07	2.04	22.27
Bank	1.54	1.30	26.20
IT	-19.54	-17.79	-16.06

Source: NSE India

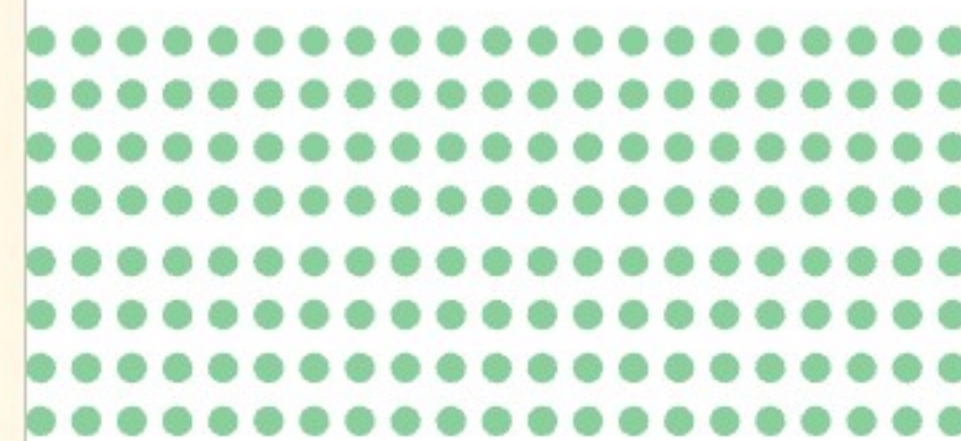
Indian equities saw divergent performance across sectors in February, with the benchmark **Nifty 50 declining about 0.51% during the month**, even as some pockets of the market delivered gains. It was largely dragged down by the sharp correction in the **IT sector (-19.5% for the month)**, which has a meaningful weight in the index.

The broader market showed **mixed but relatively resilient performance**. The **Nifty Next 50** gained about **2.86% in February**, outperforming the benchmark, supported by strong performance in sectors such as capital goods, energy, and domestic cyclicals. **Nifty Midcap 150** rose **~1.79%** and the **Nifty Smallcap 250** gained **~0.81%**. Meanwhile, **Nifty Microcap 250** was broadly flat at **~0.19%**. Investors remained selective amid elevated valuations and global uncertainty.



Sectoral Performance for February

- **Consumer Durables (+9.30%) – Best Performing Sector**
Strong rally driven by **robust urban consumption, premiumisation trends, and expectations of demand growth in appliances and electronics.**
- **IT (-19.54%) – Worst Performing Sector**
The sector saw a sharp decline due to **global technology weakness, concerns over slower IT spending by global clients, and disruption fears from AI technologies** impacting traditional outsourcing models.
- **Auto (+5.39%)** Strong gains were driven by **steady domestic demand, improving rural sentiment, and expectations of continued volume growth** in passenger vehicles and two-wheelers
- **Metals (+3.55%)**
Gains were supported by **firm global commodity prices and strong domestic infrastructure demand**, which continues to support steel and base metal producers.
- **Pharma (+5.93%)**
The sector outperformed due to its **defensive characteristics amid global uncertainty**, along with expectations of **stable export demand and improving margins.**



Valuation of Indian Equity Markets

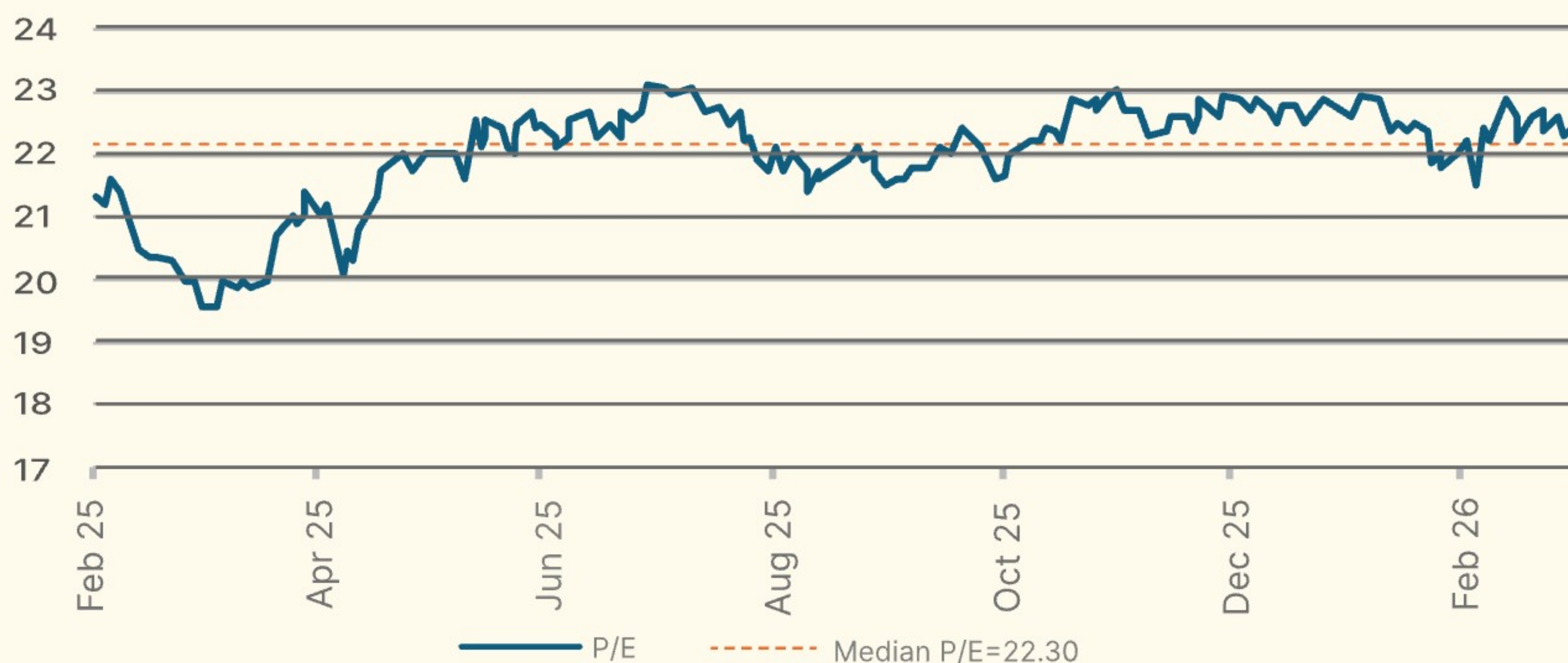
The Nifty 50 is currently trading at a trailing P/E of around **22.0**, higher than the **~19.7 level seen a year ago**, but still **below its 10-year historical average of ~23.5**. While valuations have rebounded from the softer levels seen in early 2025, they remain well below the **~24.4 peak recorded during Sep–Oct 2024**. This suggests that large-cap equities are currently **do not look overheated**, with earnings growth continuing to play a key role in supporting market performance.

	TTM P/E (Peaks in Sep-Oct 2024)	TTM P/E (As on 28th Feb 2025)	TTM P/E (As on 27th Feb 2026)	Apr'2015-Mar'2025 (10Yr Historical)
Nifty 50	24.40	19.67	22.03	23.49
Nifty Next 50	27.60	20.37	19.49	27.43
Nifty Smallcap 100	36.00	25.19	30.14	33.04
Nifty Midcap 100	35.10	32.50	32.89	30.57
Nifty 500	28.00	21.84	23.50	26.69

Source: NSE India

Across the broader market, valuations have also recovered from last year's compression but remain below historical norms. The **Nifty 500 P/E has risen to around 23.5 from ~21.8 a year ago**, yet it still trades at a **notable discount to its long-term average of ~26.7**. The index is also meaningfully below the **~28 peak seen in late 2024**, indicating that a portion of the earlier valuation excess has been absorbed through market corrections.

NIFTY 50 P/E Chart



Mid-cap valuations remain relatively elevated. The **Nifty Midcap 100 currently trades at a P/E of ~32.9, broadly similar to last year's ~32.5 level** though still below the **~35 peak recorded in late 2024**. This indicates that while the sharpest phase of excess valuation has cooled, mid-cap stocks continue to command some premium and sustained investor interest in the segment. Small-cap valuations also have seen a sharper rebound over the past year. Its **P/E has risen to ~30.1 from ~25.2 last year**, though it remains **below its historical average of ~33.0** and well under the **~36 peak seen during 2024**. The recovery suggests that risk appetite has gradually returned to the segment, but valuations are still some distance away from earlier extremes.



NIFTY Total Market Index Companies P/E

P/E Range	No. of Companies	% of Total Companies (for which data is available)	MoM Change in No. of Companies (%)
<25	279	39.02	9.32
25-50	258	36.08	-3.49
50-75	98	13.71	-19.39
75<	80	11.19	3.75

Source: Screener.com
Note: Total adds up to 715 as P/E for 35 companies was not available.

P/E Range	Segment with ~45% or more companies in resp. P/E Ranges
<25	Banks, Finance, Construction, Power, IT Software,
25-50	Auto Components, Chemicals & Petrochemicals, Consumer Durables
50-75	Aerospace & Defense
>75	NA

Source: Screener.com

The distribution of companies across valuation bands indicates a **gradual cooling of valuations**, with a visible shift from mid-to-high P/E ranges toward lower valuation buckets. The number of companies trading at P/E <25 increased to 279 (~9% MoM increase), accounting for about 39% of the universe. In contrast, companies in the 25–50 P/E range declined by about ~3.5%, while the 50–75 segment recorded the sharpest drop of nearly ~19%, indicating that a significant portion of stocks previously trading at moderately elevated valuations have moved into lower bands.

At the sectoral level, the most visible valuation adjustment occurred within **IT services and software companies**, where a meaningful number of stocks shifted from the 25–50 P/E band into <25 category, indicating multiple compression across the sector. Technology and software stocks globally faced heavy selling pressure after concerns emerged around **AI-led disruption to traditional software and IT service business models**. Similar valuation adjustments were also visible in **consumer discretionary segments, especially in, consumer durables**, where several companies moved out of the 50–75 P/E bracket into lower ones, suggesting that stocks that had earlier commanded premium valuations are now seeing **more normalized pricing as consumption growth stabilizes**.

In contrast, some sectors showed **limited change in valuation positioning**, particularly commodities such as metals, oil, and utilities, where the number of companies across valuation buckets remained broadly stable. Meanwhile, segments like retailing and financial services showed small shifts across bands, suggesting **selective re-rating within sectors rather than structural valuation changes**. Taken together, the February valuation distribution saw sharpest adjustments occurring in the **mid-valuation segment (50–75 P/E)**.



Earnings

Corporate earnings in Q3FY26 showed a clear **improvement in breadth**, with profit growth expanding across sectors and market segments. 17 of the 29 sectors posted double-digit YoY profit growth, while another five sectors recorded single-digit growth. **Nifty 500 reported earnings growth of ~19% YoY** as reported by Motilal Oswal Financial Services.

A key highlight of the quarter was the **strong outperformance of smaller companies**. **Small-cap earnings grew around 26-28%**, ahead of **mid-caps (~16%)** and **large-caps (~16-18%)**. At the aggregate level, **revenues grew around ~10% YoY**, while **EBITDA and profit growth were slightly stronger**, indicating modest margin improvement across corporate India.

Stronger earnings momentum was visible in **cyclical and commodity-linked sectors such as metals and oil & gas** while **industrials and capital-goods companies**, on other hand, continued to benefit from a healthy domestic capex cycle. **Select consumption-linked sectors** saw more moderate growth as demand recovery remained gradual. Overall, the earnings cycle appears to be gradually broadening, with **aggregate listed company profits reaching around ₹18–19 trillion on a trailing basis**. This has pushed the **PAT-to-GDP ratio up to about 5.3%**, reflecting improving corporate profitability and a strengthening macroeconomic environment in India.

Institutional Activities

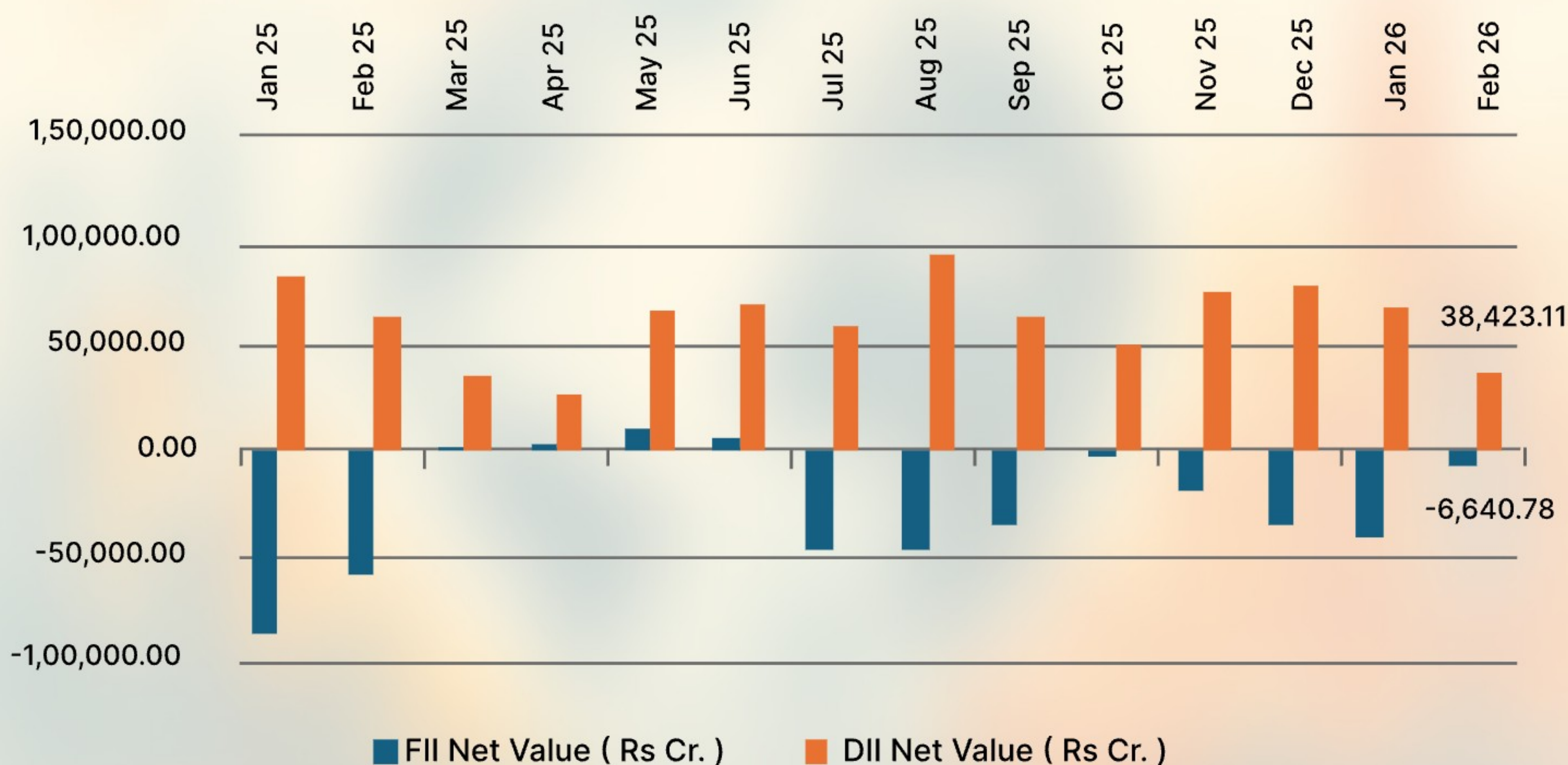
Institutional flows in February 2026 continued to highlight the divergence between foreign and domestic investors in Indian equities. **FPIs remained net sellers in cash segment during the month, however, on total net investment basis, FPIs turn positive with massive inflow of Rs 22615 crore (17-month high).**

The selling in cash segment was largely driven by a mix of **valuation concerns in Indian markets, higher global bond yields and a stronger US dollar**, which tend to reduce the relative attractiveness of emerging market equities. Some reallocations of capital toward developed markets and global risk-off sentiment also contributed to the cautious stance of foreign investors. Primary markets also attracted an inflow of approximately Rs 2832 crore in February.

Additionally, a good part of foreign inflows during the month was directed toward debt markets. After recording a **net inflow of ₹6,013 crore in January, debt markets saw a sharp rise in February**, with inflows increasing to **₹18,791 crore**.

In contrast, **DIIs largely acted as a counterbalance, deploying around ₹25,000–₹30,000 crore into equities during the month**. These inflows were supported by steady SIP contributions, mutual fund allocations and insurance flows, which have increasingly become a structural source of liquidity for the market. As a result, despite sustained foreign selling, Indian equities remained relatively resilient, with domestic investors absorbing a significant part of the supply in the secondary market. However, **DII equity purchases in February moderated to their lowest level in about ten months**, partly reflecting some diversion of investor interest toward assets such as precious metals.

FII-DII in Cash Segment



Source: Moneycontrol.com

Global Markets

United States

The S&P 500 and Nasdaq Composite saw muted performance in February as the strong technology-led rally lost some steam and investors rotated toward value and cyclical sectors. The Nasdaq Composite, which is heavily weighted toward technology stocks, saw an early-month dip as news around AI firm Anthropic raised concerns about potential disruption to traditional software and IT services companies. At the macro level, a tad high inflation data kept expectations of aggressive rate cuts by the Fed in check, while geopolitical tensions also triggered sell-off towards the month end.

South Korea

KOSPI experienced one of the sharpest corrections among major global indices during February. The decline was driven largely by heavy foreign selling in semiconductor and technology stocks, sectors that dominate the Korean equity market. Concerns around stretched valuations in global technology names, combined with rising geopolitical risks and a stronger US dollar, triggered large capital outflows from the market.

China & Hong Kong

The Shanghai Composite remained volatile with limited upside as investors assessed China's economic recovery, while trading activity stayed subdued around the Lunar New Year. Meanwhile, the Hang Seng Index stayed under pressure amid concerns over China's growth outlook and its heavy exposure to internet and technology stocks during the broader global tech correction.

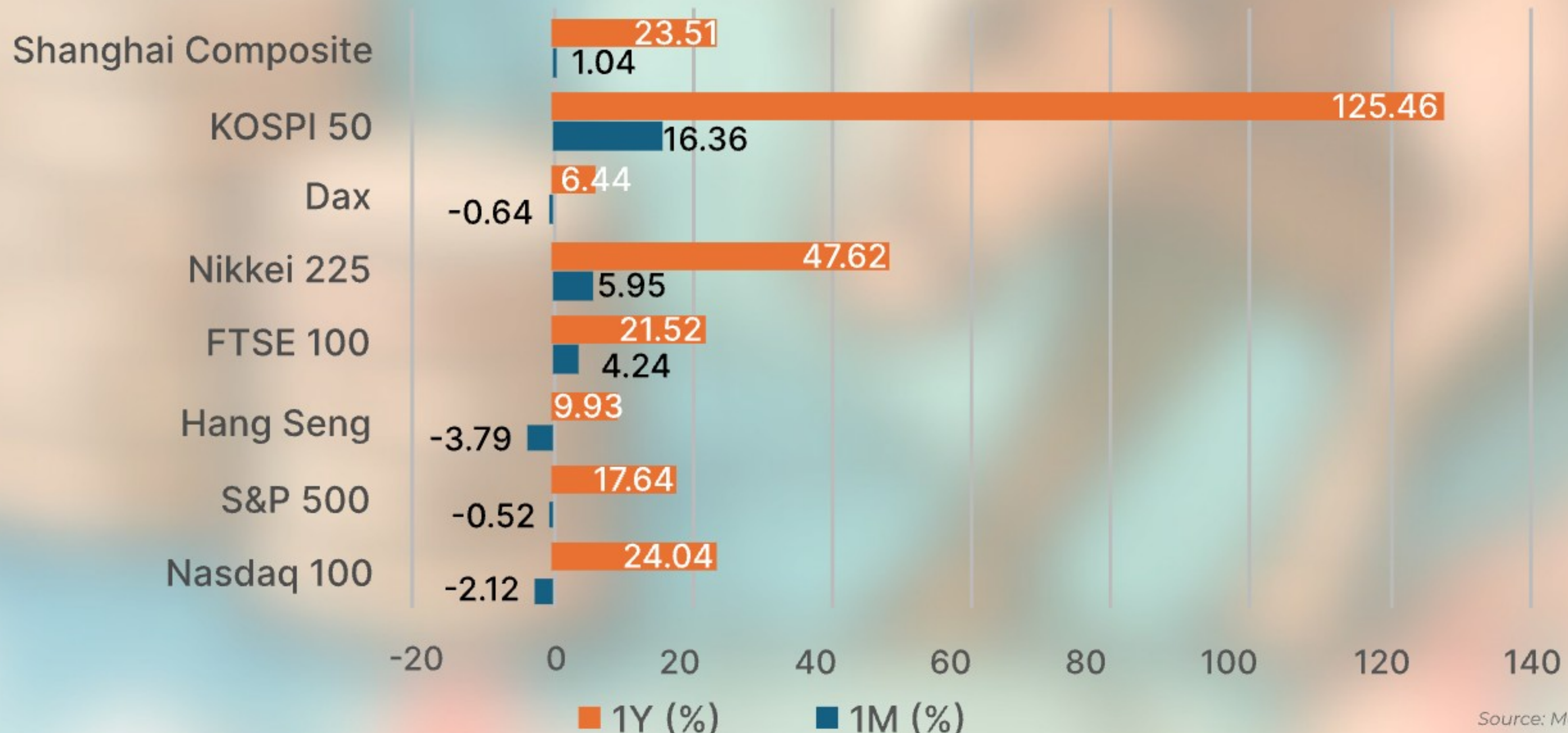
Japan

The Nikkei 225 remained strong, supported by continued foreign inflows, solid corporate earnings, and improving shareholder return policies. Structural governance reforms and exposure to global semiconductor and automation demand also supported sentiment, alongside relatively accommodative policy conditions.

Europe

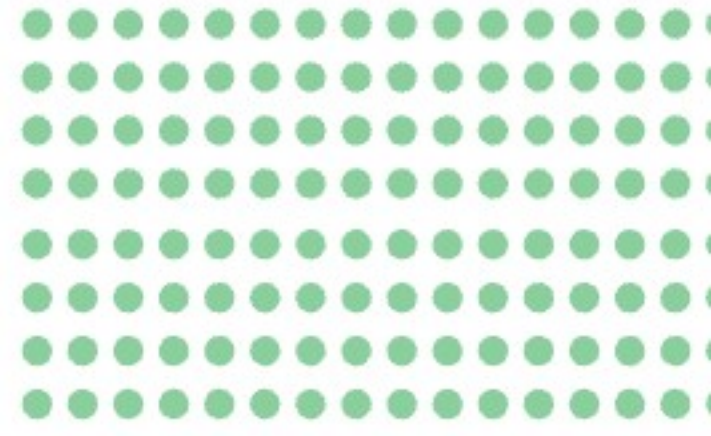
The FTSE 100 outperformed many global peers, supported by its heavy exposure to energy, mining and financial stocks, which benefitted from firm commodity prices and resilient demand. Its lower exposure to high-valuation technology stocks also helped shield it from the global tech-sector correction. Meanwhile, DAX recorded a slight decline as investors remained cautious amid mixed Eurozone economic signals and broader global market volatility.

Global Indices Returns



Source: Moneycontrol.com

Equity In-House View

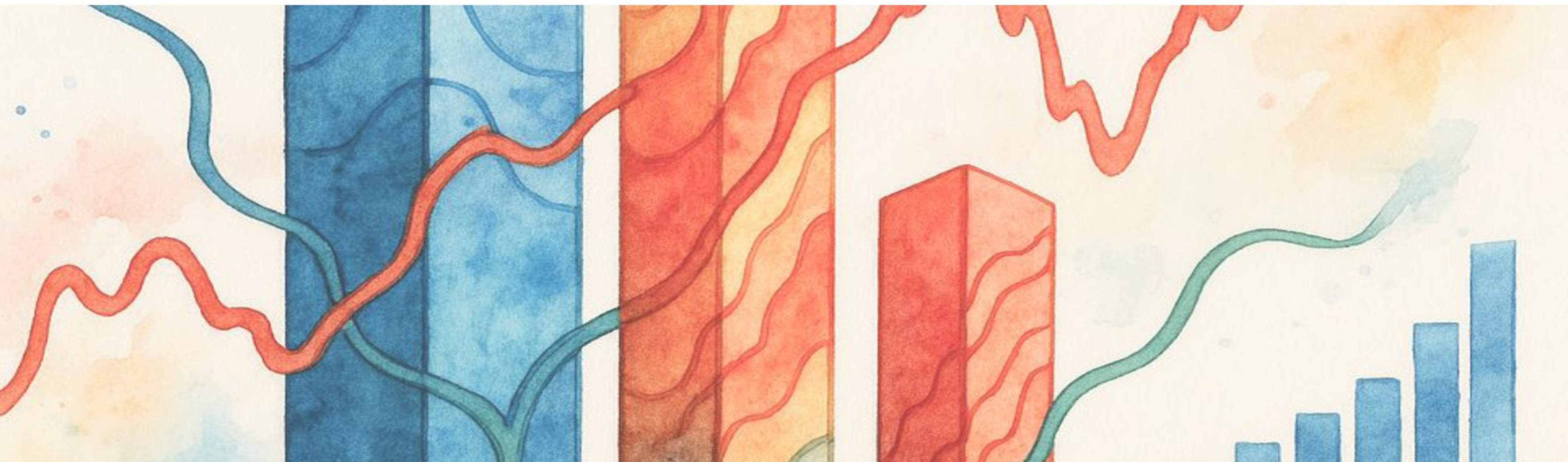


Domestic Outlook

Going ahead, the trajectory of Indian equities is likely to depend on the sustainability of the ongoing earnings cycle and the possible developments in global events. **Corporate earnings momentum looks healthy with profit growth broadening across sectors and continued strength in industrials, capital goods, and commodity-linked segments reflecting a sustained domestic capex cycle.** *External factors such as global interest rates, currency movements, and commodity prices will continue to influence foreign investor positioning and could periodically introduce volatility.*

Small-cap and Mid-cap segment saw better earnings growth for Q3 FY26 with their valuation, though higher than last year, have still seen a lot of froth from 2024 peaks settled. *This could create selective investment opportunities within the broader mid- and small-cap universe, but stock selection and earnings sustainability will play a more important role than broad-based segment outperformance going forward.*

Overall, the outlook for equities remains constructive, with a gradual rotation toward stocks in the lower valuation bands becoming increasingly visible over the past few months. At the same time, globally induced volatility has led to frequent market swings and periods of broad-based selling. While it is still unclear whether markets have fully bottomed out, recent corrections undoubtedly show good entry levels across the market capitalization. Such phases can be effectively utilised through gradual averaging and allocating toward fundamentally strong, growth-oriented companies with earnings visibility. Investors should also look at diversified funds with inclination towards mid & small caps.



Global Outlook

Global equity markets are likely to remain influenced by monetary policy uncertainty, technology sector repricing, and geopolitical developments. In the United States, inflation remains above target, which could keep interest rates higher for longer and limit expectations of aggressive policy easing in the near term.

Technology stocks have recently seen volatility as investors reassess valuations and the potential impact of AI-driven disruptions, leading to some rotation toward value and cyclical sectors. If this trend continues, global equity performance may become more sector- and fiscal policy driven rather than led by a narrow group of technology companies.

At the same time, emerging markets could experience intermittent capital flow volatility depending on movements in US bond yields and the dollar. Overall, global markets may see periods of volatility in the near term, with performance increasingly shaped by regional growth dynamics and sector-specific earnings trends.



Debt Outlook



Global Debt Outlook

USA

10Y yield:

Yields increased from 3.192 to 4.176

Inflation:

Inflation (PCE Index) stood at 2.9%

Fed stance:

Cautious and data dependent

China

10Y yield:

1.797, decreased from 1.803 in the previous month

Inflation:

Inflation numbers stood at 1.3% year on year, in February 2025

PBOC stance:

Accommodative

Japan

10Y yield:

Increased from 2.116 to 2.189

Inflation:

1.5%, decreased from 2.1%

BOJ stance:

Cautious gradual approach to normalisation

Eurozone (Germany)

10Y yield:

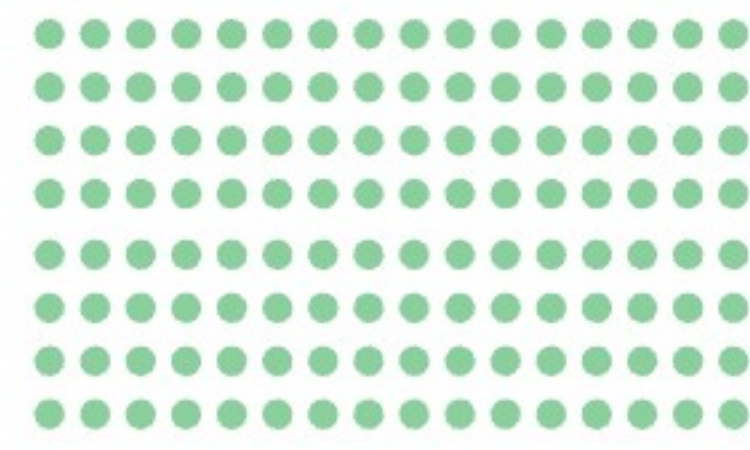
2.88, increased from 2.05 in previous month

Inflation:

1.9%, slight decline from the last month (1.7%)

ECB stance:

Decisions to be based on further data dependent changes



Global Debt Outlook

Short end

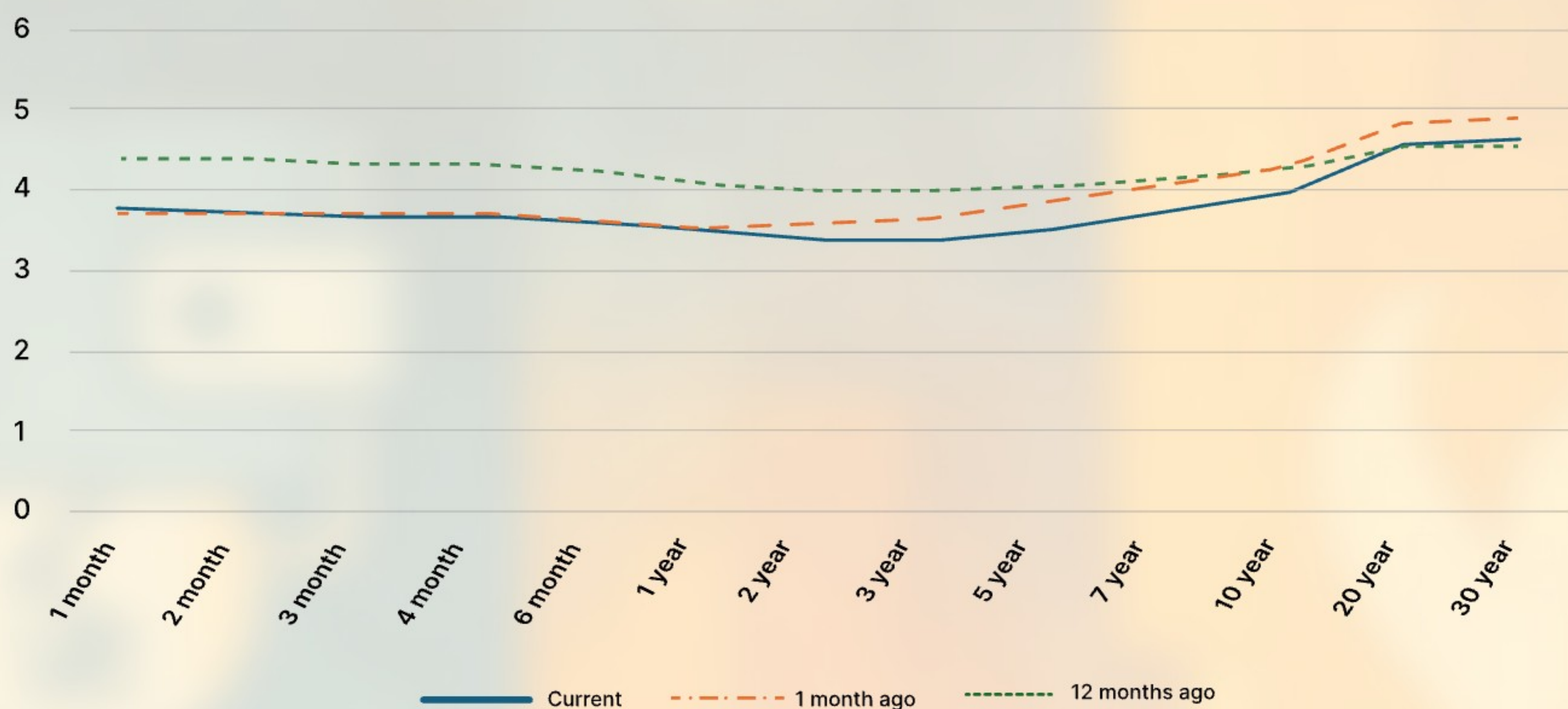
The short end of the U.S. yield curve remained largely anchored through February. Following the January Federal Reserve meeting, markets had already priced in limited policy easing, which kept yields broadly firm at the front end.

The **Personal Consumption Expenditures (PCE)** price index, the Fed's preferred inflation gauge stood at **2.9% for December 2025**, indicating that underlying price pressures remain persistent. Recent policy discussions by members of the Federal Reserve have reiterated that the future path of the fed funds rate remains heavily dependent on inflation dynamics, with policymakers maintaining a clear bias toward inflation control.

Geopolitical developments have also added to uncertainty. The recent **U.S.–Israel strike on Iran** has revived concerns around energy prices, potentially adding to inflationary pressures in the U.S. economy. As a result, rate-cut expectations in the Treasury market have moderated. The probability of a rate cut in March has effectively evaporated, falling from 22% in early February to a negligible 2.73% as of this week, with the market now pricing in a 97.3% certainty that the Fed will hold rates steady. (Fed Fund futures)

Given these conditions, if the Fed maintains a cautious stance and keeps policy rates unchanged amid lingering inflation risks, the **front end of the yield curve is likely to remain anchored around current levels.**

Yield Curve - USA
(as on 2nd March 2026)



Source- U.S. Department of Treasury

Long end

The long end of the U.S. yield curve has remained elevated amid a mix of macroeconomic and geopolitical developments.

U.S. Q4 GDP growth came in at 1.4%, marking a sharp slowdown from **4.4% in the previous quarter**. *The deceleration was partly attributed to the government shutdown during the first half of the quarter, which the U.S. government estimated may have reduced growth by roughly one percentage point.*

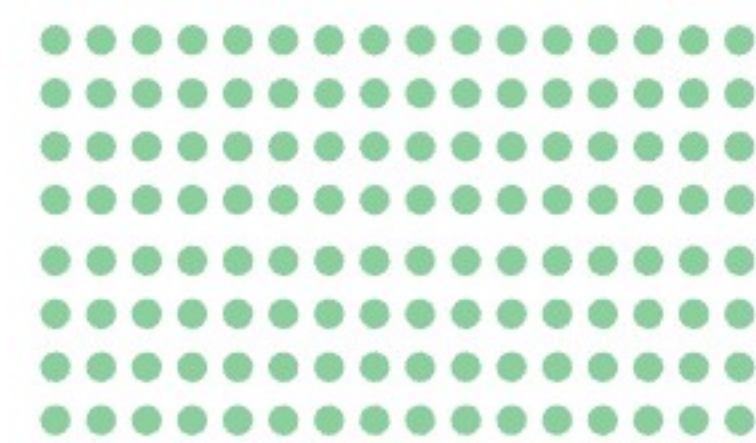
Despite the slowdown in growth, long-term yields have stayed high as inflation remains persistent, raising concerns about a potential **stagflation** in the U.S. economy. In such conditions, characterized by slow growth and elevated inflation investors typically demand a **higher term premium**.

Prior to the recent escalation in geopolitical tensions, the 10-year U.S. Treasury yield had briefly declined as investor demand for safe assets increased. A correction in technology stocks and broader market volatility prompted flows into government bonds, leading to a short-lived rally in the long end.

However, yields moved higher again following the escalation of tensions involving the U.S., Israel, and Iran. *Concerns over potential disruptions to global oil supply particularly because roughly one-quarter of global oil shipments pass through the Strait of Hormuz, triggered a selloff in bonds as markets priced in the risk of renewed energy-driven inflation.*



Indian Debt Outlook



Short End

The short end of the Indian yield curve softened during February, reflecting the cautious and data-dependent stance maintained by the Reserve Bank of India. The central bank has continued to balance easing inflation with growth dynamics, which has kept expectations of aggressive or front-loaded policy easing relatively contained.

At the same time, the recent stabilising inflation has supported stability at the front end. The **January 2026 CPI print under the new series stood at 2.75%**, remaining within the **Flexible Inflation Targeting band**, and has helped keep near-term inflation expectations relatively contained. This combination of a cautious policy stance and benign inflation dynamics has continued to provide stability to yields at the short end of the curve. With the policy rate currently at **5.25% following cumulative rate cuts of 125 bps in CY2025**, and growth momentum remaining resilient under the new GDP series, the Reserve Bank of India still retains policy space to respond if inflation pressures re-emerge or if growth moderates going forward.

Long End

The long end of the Indian yield curve has continued to remain relatively elevated, shaped by a push-and-pull between supply concerns and evolving macro risks. A key factor has been the rise in geopolitical tensions in the Middle East, which is expected to push crude oil prices higher and revive concerns around inflation for India, given that the country imports nearly 85–87% of its crude requirements. With close to **50% of India's monthly crude imports passing through the Strait of Hormuz (as of Jan 2026)**, any disruption or sustained increase in oil prices could pose short- to medium-term upside risks to inflation.

At the same time, the release of the new GDP series, which incorporates changes in methodology and computation to better reflect current economic structures, has reinforced confidence in the resilience of the domestic economy. **Stronger growth expectations, along with persistent inflation risks, have kept term premia elevated at the longer end of the curve.**

These dynamics have been reflected in the **benchmark 10-year government bond yield**, which has moved toward the 6.6–6.7% range, signalling a selloff in longer-duration bonds. Additionally, the sizeable government borrowing programme announced in the Union Budget 2026 has kept investors cautious about the future supply of long-dated securities.



Debt In-house View

India's yield curve has steepened in recent months, reflecting an optimistic growth outlook alongside persistent inflation risks and fiscal pressures at both the central and state levels. At the same time, geopolitical developments pose an additional inflation risk through potential increases in crude oil prices, which could widen India's import bill and exert pressure on the rupee. With the currency already trading near the ₹92 per dollar mark, further depreciation could raise the cost of non-fuel imports as well, reinforcing inflationary pressures.

In the U.S., geopolitical tensions and firming energy prices have tempered expectations of near-term policy easing. At the same time, the long end of the curve has remained elevated amid persistent inflation pressures and slowing growth, reviving discussions around potential stagflation risks. However, if growth continues to weaken further, long-term yields could eventually soften.

Against this macro backdrop, **a prudent strategy would be to focus on selective opportunities in the short-to-medium maturity segment of the yield curve.** Elevated inflation risks, geopolitical uncertainties affecting energy prices, and higher term premia continue to keep long-end yields volatile. At the same time, central bank including the Federal Reserve and the Reserve Bank of India remain firmly data-dependent, reducing the likelihood of aggressive policy easing in the near term. In this environment, **shorter and intermediate maturities offer relatively stable carry, while retaining flexibility to adapt to evolving policy signals.** Within this framework, **standalone Non-Convertible Debentures (NCDs) and credit-focused Alternative Investment Funds (AIFs) present attractive opportunities without assuming significant exposure to long-end rate volatility.**

Crude Oil

Brent Oil Futures Prices (USD/bbl)



Source: Investing.com

Global oil production fell by around 1.2 million b/d in January largely due to weather-related disruptions and operational issues. However, **for the full year, global oil supply is projected to increase by roughly 2.4 million b/d in 2026**, following a strong 3.1 million b/d expansion in 2025, supported by both OPEC+ producers and rising output from non-OPEC countries. **Inventories continue to highlight the comfortable supply situation** with OECD inventories now hovering around their five-year average.

Russian oil supply also declined in January by about 350 kb/d as tighter U.S. and EU sanctions increased pressure on its key buyers. **India's imports of Russian crude fell sharply to around 1.1 mb/d**, the lowest level since November 2022, compared with an average of 1.7 mb/d in 2025. Meanwhile, **China increased its purchases**, with Russian crude shipments rising to a record high in January.

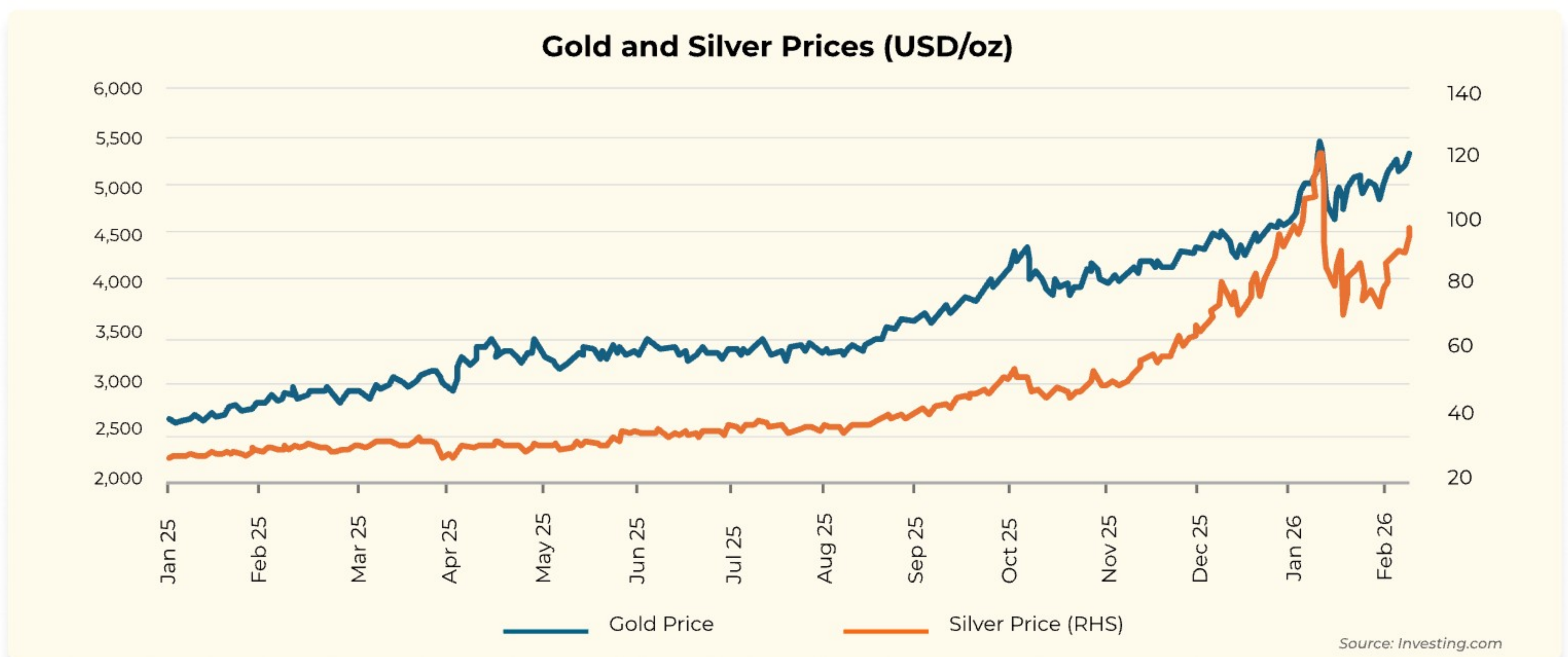
On the demand side, growth remains relatively modest. The IEA expects **global oil demand to increase by about 850,000 barrels per day in 2026**, with most of the growth coming from emerging economies, particularly in Asia. Developed economies, meanwhile, are expected to see little change in consumption.

Gold

Gold prices continued to remain volatile through February after the sharp fall of ~9% seen toward the end of January. Renewed geopolitical tensions, along with the U.S. GDP and PCE data releases in February, shifted macroeconomic expectations and influenced market sentiment.

The initial decline seen in early February was largely driven by profit-booking after the strong rally earlier in the year. The sell-off also coincided with a strengthening U.S. dollar, supported by hawkish signals from the Fed and growing expectations that interest rate cuts in the U.S. may be slower than previously anticipated. Safe-haven demand strengthened later in the month, with prices rising beyond \$5400, as tensions escalated following the conflict involving the United States and Iran, prompting investors to move toward defensive assets such as gold.





Silver

Silver largely tracked gold's price movement through February, though with slightly sharper volatility as compared to gold. **The metal had surged to record levels in January, briefly crossing the psychologically important \$100/oz mark, before correcting to below \$80/oz as speculative positions unwound.**

During February, prices largely moved in line with gold, with volatility somewhat sharper given higher speculative participation in silver. Coin and bar demand has strengthened in recent months, while global ETP holdings remain elevated at around 1.31 billion ounces. During this period, continued tightness in the physical market has further supported price momentum.

In India, some structural changes are also noteworthy. SEBI now allows equity mutual funds to allocate up to 35% of their non-core portfolio to alternative assets, including silver, which can potentially boost institutional demand. Additionally, from April 1, 2026, gold and silver ETFs will be valued using domestic exchange spot prices instead of the LBMA benchmark. The RBI has also permitted banks to accept silver as loan collateral, formally recognising it within India's credit system. These changes can support silver demand and improve price stability and transparency.



Commodity In-house View

Crude Oil

Oil prices have recently moved higher, crossing \$84/bbl, as geopolitical tensions escalated following U.S. strikes on Iran. The conflict has raised concerns around the Strait of Hormuz, a critical global oil chokepoint through which a large share of the world's crude shipments pass. Any disruption in this route could affect global supply chains, which is why markets have reacted quickly by pricing in a geopolitical risk premium.

Beyond the conflict, the underlying supply-demand balance still points to a relatively well-supplied market. Global production capacity remains strong and inventories are comfortable. Russian oil flows remain a complex area due to continued Western scrutiny and sanctions, limiting accessibility for some buyers. Additional supply could also emerge from Venezuela after United States authorities recently allowed U.S.-incorporated companies to export Venezuelan crude. This could also gradually support global supply in the coming months.

Overall, the structural dynamics of the oil market remain broadly unchanged, with supply expected to outpace demand growth in 2026. While geopolitical tensions may keep prices elevated and volatile in the near term as markets closely track developments in the Middle East, the underlying surplus suggests that sustained price spikes are unlikely with prices moving back once tension eases in the middle east.

Gold

Strong investment demand for gold can be expected to persist, largely supported by elevated geopolitical tensions right now. While these tensions may not necessarily last for an extended period, the environment of uncertainty is likely to remain, especially with the Trump administration frequently introducing new policy actions every now and then that keep markets on edge.

At the same time, inflation expectations remain relatively on a higher note, which continues to support gold's role as an inflation hedge. Monetary policy dynamics also add to the uncertainty, with a relatively hawkish leadership at the Fed expected to operate alongside a dovish government stance. Hence, volatility is the only certainty in an uncertain backdrop, warranting caution on part of investors.

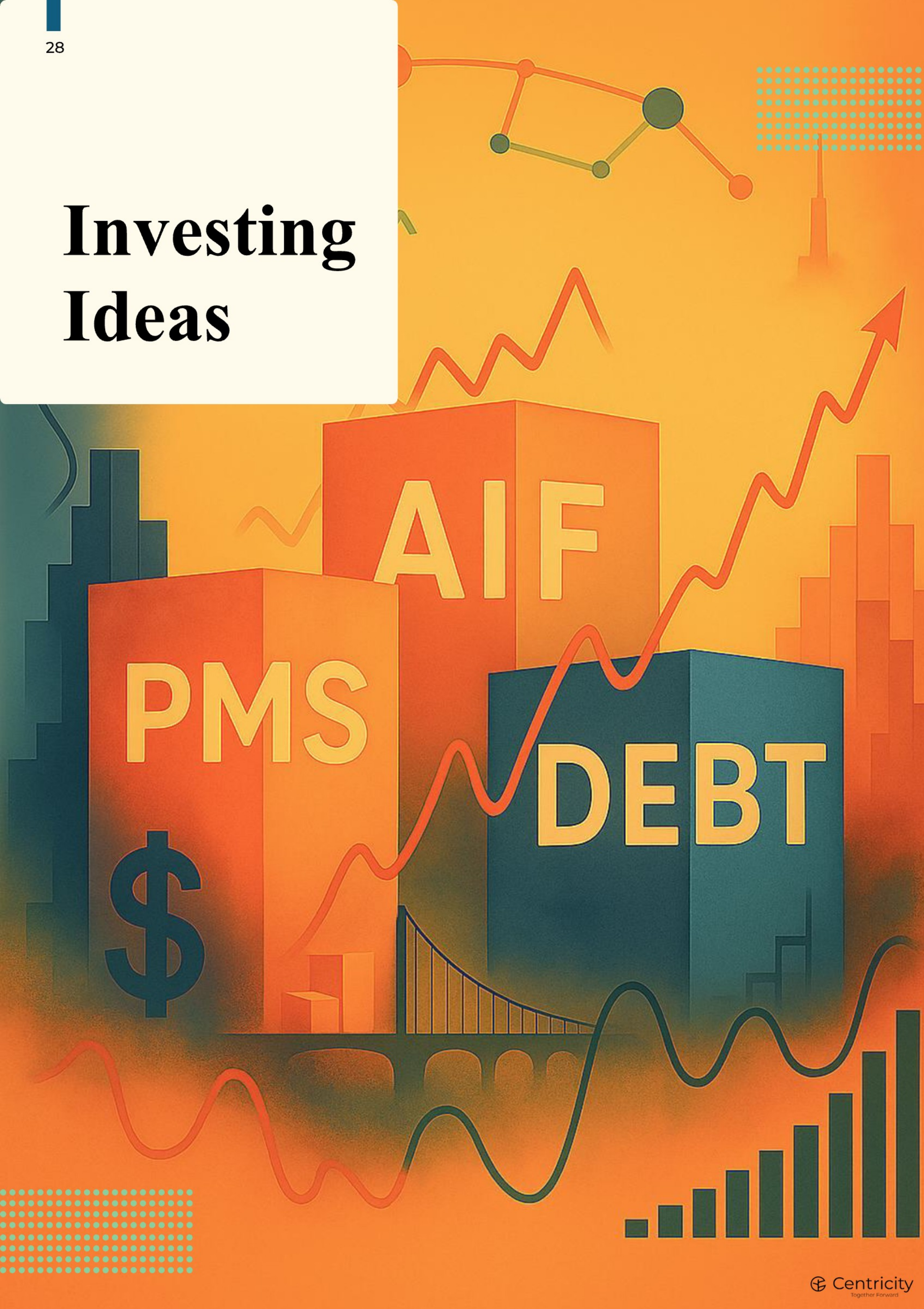
Silver

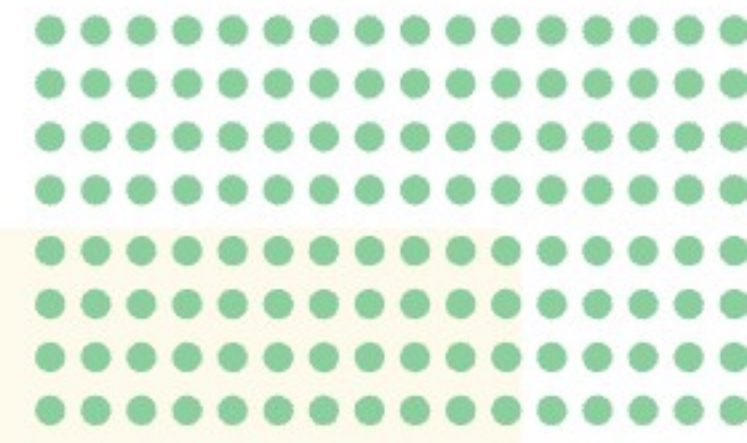
The global silver market is expected to record a sixth consecutive annual supply deficit in 2026, highlighting the structural tightness in the market. However, market already have priced in much of this structural tightness theme that has been ongoing for a while.

The prices now seem to be tracing gold price movements, though with slightly sharper volatility than structural deficit narrative alone. The metal has been more reactive to headlines around falling exchange inventories and occasional increases in margin requirements on futures exchanges. In recent weeks, prices have been trading mostly in the range of \$80-85/oz, with some spikes triggered by geopolitical developments such as tensions between the United States and Iran. If current geopolitical conflicts persist, industrial demand could face some pressure and fall slightly more than the already anticipated (~2% for 2026).

Volatility continues to be a key feature of the market, largely driven by speculative activity, though it appears somewhat lower than in earlier phases of the rally. Prices have corrected from the January high of around \$116/oz to about \$84-85/oz currently, but some speculative froth may still need to be flushed out.

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	Bandhan Large & Mid Cap Fund	Managed by Manish Gunwani, this fund strategically blends the stability of large-cap stocks with the growth potential of mid-caps, while selectively adding small-cap exposure to enhance returns. With a 3-year CAGR of 22%, it has consistently outperformed both its benchmark (18%) and the category average (17%).	>3 years	14-16%
	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 experience across market cycles positions the fund well to navigate current market complexities, delivering an impressive ~25% return over the past 5 years.	>3 years	17-19%
	AIF-Listed Equity	Emkay Emerging Stars Fund VII	The fund blends the Golden Decade Portfolio strategy with select pre-IPO opportunities, allocating 70% to listed equities and 30% to high-quality unlisted companies. It is managed by Manish Sonthalia, Director & CIO at Emkay Investment Managers, who brings 30+ years of experience and previously served as Executive Director & CIO at Motilal Oswal Asset Management Company Ltd., managing assets of around ₹6,500 crore.	> 3 years	17-19%

Category	Sub Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Equity	AIF-Listed Equity	Alchemy Long Term Ventures Fund 3	The fund invests across listed (small to micro-cap) and unlisted companies with a long-term, growth-oriented approach. It focuses on emerging structural themes such as Data Centres & AI, Defence, Semiconductors, Green Energy, and Biotech, targeting opportunities driving India's next phase of economic growth. The earlier series has delivered an impressive ~20% CAGR since inception.	> 3 years	19-21%
	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-Debt	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	Neo Treasury Plus Fund	Delivering ~12–13% gross returns with minimal credit and liquidity risk, the fund combines fixed income, corporate events, and hedged option spreads to offer a low-volatility treasury solution that outperforms traditional arbitrage and fixed deposit products, ideal for short-term deployment.	9-12 months	11-12%

Category	Sub Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Debt	AIF-Debt	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%
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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