

EBONY RESEARCH – MONTHLY MARKET UPDATE
JANUARY 2026

Stocks are pieces of paper with stories attached to them - Martin T. Sosnoff

Table 1: Global Growth Projections by IMF (WEO = World Economic Outlook) – January 2026

	Year over Year					
	Estimate		Projections		Difference from October 2025 WEO Projections 1/	
	2024	2025	2026	2027	2026	2027
World Output	3.3	3.3	3.3	3.2	0.2	0.0
Advanced Economies	1.8	1.7	1.8	1.7	0.2	0.0
United States	2.8	2.1	2.4	2.0	0.3	-0.1
Euro Area 3/	0.9	1.4	1.3	1.4	0.1	0.0
Germany	-0.5	0.2	1.1	1.5	0.2	0.0
France	1.1	0.8	1.0	1.2	0.1	0.0
Italy	0.7	0.5	0.7	0.7	-0.1	0.1
Spain	3.5	2.9	2.3	1.9	0.3	0.2
Japan	-0.2	1.1	0.7	0.6	0.1	0.0
United Kingdom	1.1	1.4	1.3	1.5	0.0	0.0
Canada	2.0	1.6	1.6	1.9	0.1	0.0
Other Advanced Economies 4/	2.3	1.8	2.0	2.1	0.0	0.0
Emerging Market and Developing Economies	4.3	4.4	4.2	4.1	0.2	-0.1
Emerging and Developing Asia	5.3	5.4	5.0	4.8	0.3	0.0
China	5.0	5.0	4.5	4.0	0.3	-0.2
India 5/	6.5	7.3	6.4	6.4	0.2	0.0
Emerging and Developing Europe	3.5	2.0	2.3	2.4	0.1	0.0
Russia	4.3	0.6	0.8	1.0	-0.2	-0.1
Latin America and the Caribbean	2.4	2.4	2.2	2.7	-0.1	0.1
Brazil	3.4	2.5	1.6	2.3	-0.3	0.1
Mexico	1.4	0.6	1.5	2.1	0.0	0.1
Middle East and Central Asia	2.7	3.7	3.9	4.0	0.1	0.2
Saudi Arabia	2.6	4.3	4.5	3.6	0.5	0.4
Sub-Saharan Africa	4.1	4.4	4.6	4.6	0.2	0.1
Nigeria	4.1	4.2	4.4	4.1	0.2	0.1
South Africa	0.5	1.3	1.4	1.5	0.2	0.0

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during October 21–November 18, 2025. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. "..." indicates that data are not available or not applicable. WEO = *World Economic Outlook*.

1/ Difference based on rounded figures for the current and October 2025 WEO forecasts. Countries for which forecasts have been updated relative to October 2025 WEO forecasts account for approximately 90 % of world GDP measured at purchasing-power-parity weights.

2/ For World Output (Emerging Market and Developing Economies), the quarterly estimates and projections account for approximately 90 % (80 %) of annual world (emerging market and developing economies) output at purchasing-power-parity weights.

3/ Quarterly GDP growth forecasts for euro area are based on six economies (France, Germany, Ireland, Italy, the Netherlands, and Spain) which account for approximately 85 % of euro area GDP.

4/ Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries. The projection for 2027 Q4 over Q4 GDP growth accounts for approximately 44 % of group output at purchasing-power-parity weights.

5/ For India, data and projections are presented on a fiscal year (FY) basis, with FY 2024/25 (starting in April 2024) shown in the 2024 column. India's growth projections are 6.3 % for 2026 and 6.5 % for 2027 based on calendar year.

6/ Indonesia, Malaysia, Philippines, Singapore, Thailand. ASEAN = Association of Southeast Asian Nations.

7/ Simple average of growth rates for export and import volumes (goods and services).

8/ Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average assumed price of oil in US dollars a barrel, based on futures markets (as of November 20, 2025), is \$62.13 for 2026 and \$62.17 for 2027.

9/ Excludes Venezuela.

10/ The assumed inflation rate for the euro area is 1.9 % for 2026 and 2.0 % for 2027, that for Japan is 2.3 % for 2026 and 2.1 % for 2027, and that for the United States is 2.4 % for 2026 and 2.2 % for 2027.

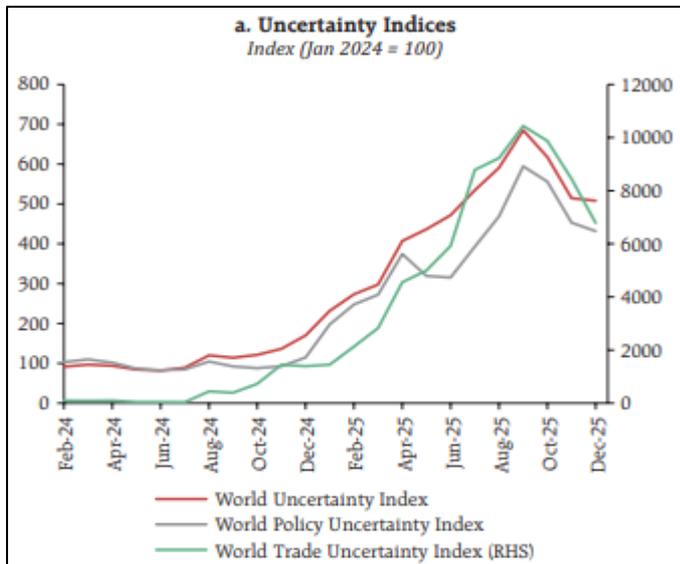
Table 2: Global Composite PMI Eased, Export Orders Contracted in December

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
PMI Composite	52.6	51.8	51.5	52.1	50.8	51.2	51.7	52.5	52.9	52.5	53.0	52.7	52.0
PMI Manufacturing	49.6	50.1	50.6	50.3	49.8	49.5	50.4	49.7	50.9	50.7	50.9	50.5	50.4
PMI Services	53.8	52.2	51.5	52.7	50.8	52	51.8	53.5	53.3	52.9	53.5	53.2	52.4
PMI Export Orders	48.7	49.6	49.7	50.1	47.5	48.0	49.1	48.5	48.9	49.7	48.6	50.0	49.2
PMI Export Orders: Manufacturing	48.2	49.4	49.6	50.1	47.3	48.0	49.2	48.2	48.7	49.5	48.3	49.9	49.1
PMI Export Orders: Services	50.3	50.2	50.2	50.1	48.2	47.9	48.7	49.4	49.3	50.2	49.4	50.2	49.6

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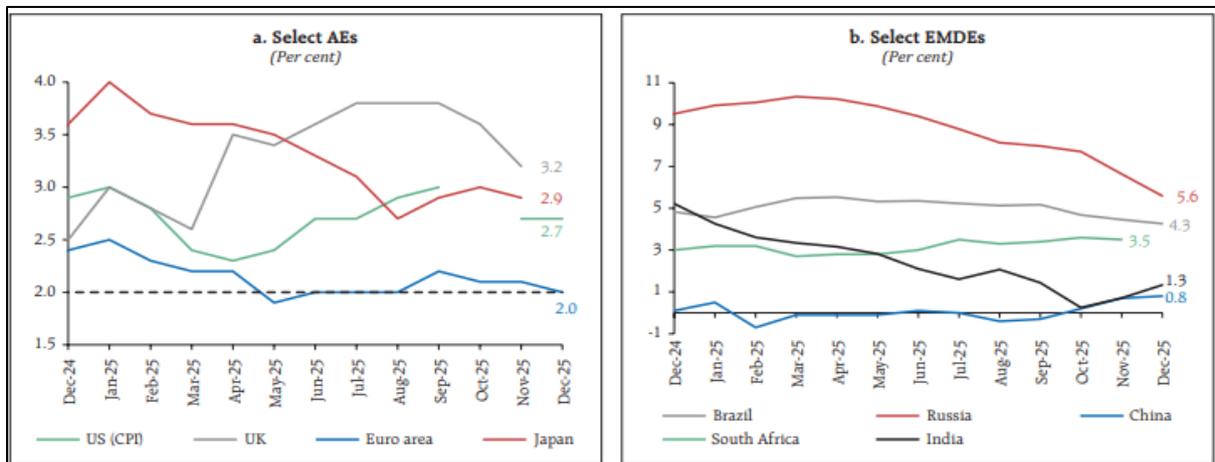
Notes: 1. The Purchasing Managers’ Index (PMI), a diffusion index, captures the change in each variable compared to the prior month, noting whether each has risen/improved, fallen/deteriorated or remained unchanged. A PMI value >50 denote expansion; <50 denote contraction; and =50 denote ‘no change’. 2. Heat map is applied on data from April 2023 onwards. The map is colour coded—red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series. Source: S&P Global.

Chart 1: World Uncertainty Indices



Source: World Uncertainty Index (WUI) database, Bloomberg

Chart 2: Inflation in Advanced and Emerging Economies



Source: Bloomberg and OECD, Note: US CPI data is not available for October 2025 due to the US Government shutdown.

U.S. Equities - Much of the optimism appears priced in

Global equities began 2026 with positive returns in January, supported by U.S. dollar weakness and strong performance in emerging markets. Despite a backdrop of heightened geopolitical risks, risk assets demonstrated resilience as economic momentum remained intact. Gold performed strongly throughout much of the month, reflecting risk hedging demand, even as it experienced a sharp sell-off at month-end. In fixed income markets, U.S. yields finished January higher, with most of the moves concentrated in shorter maturities.

U.S. equities rallied through January and finished the month with solid gains. The S&P 500 rose 1.5% on the back of a strong late-month rally, and during intraday trading on 28 January 2026, the index surpassed 7,000 points for the first time ever, a milestone reached just 14 months after first crossing 6,000. This record-setting move was driven by continued enthusiasm about artificial intelligence, strong earnings reports from major technology companies, and expectations that the Federal Reserve may continue to ease monetary policy. At its January meeting, the Fed decided to leave its benchmark rate unchanged, but markets continued to price in expected rate cuts later in the year.

On the less positive side, U.S. stocks' gains remained narrowly concentrated, and volatility spiked at points during the month, including a sharp one-day sell-off prompted by renewed tariff threats. Investor concerns about the Fed's future independence also weighed on sentiment, along with some signs of slowing economic activity, including a softening in consumer spending and early indications of deterioration in manufacturing output.

January's market narrative was shaped not only by macro data but also by headline-driven geopolitical shocks. In early January, **U.S. special forces captured Venezuelan President Nicolas Maduro on accusations of narcoterrorism** — a development that initially pushed oil prices higher as investors weighed the potential for global supply disruptions. Later in the month, broader geopolitical turbulence — including high-profile political proposals such as **President Trump's stated desire for the U.S. to acquire Greenland** — contributed to episodic market tension before some threats eased following diplomatic engagement.

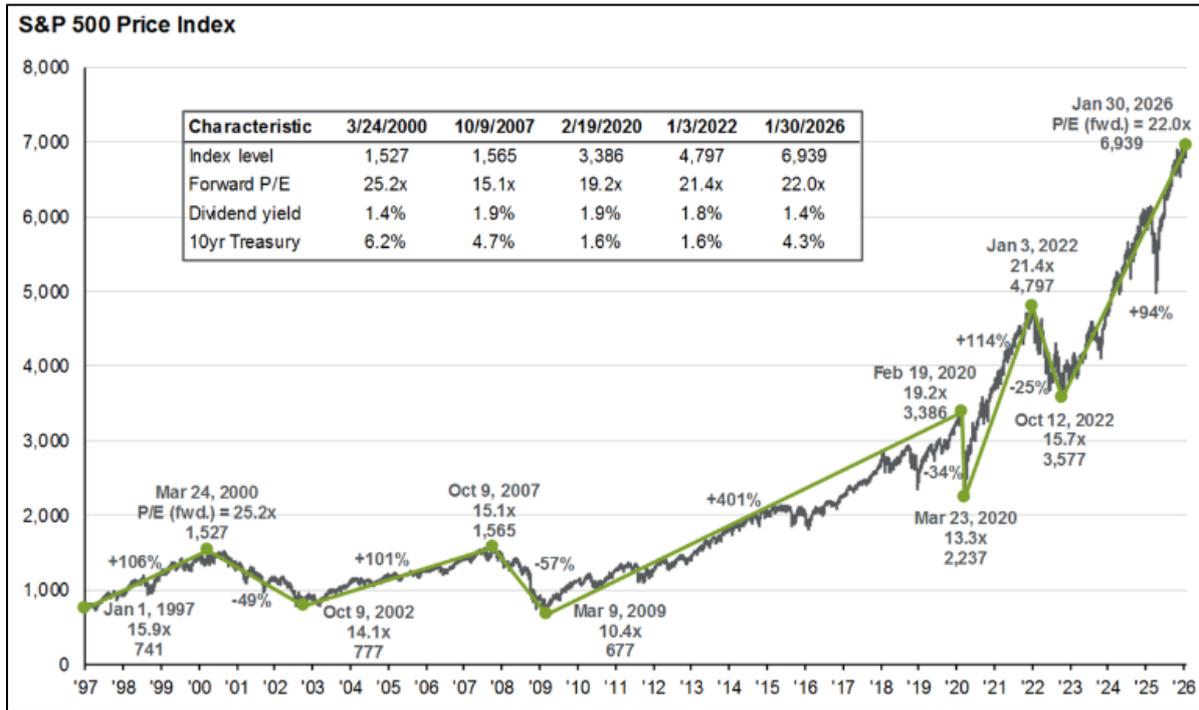
Looking beyond headlines, U.S. small cap stocks and emerging markets led asset class returns in January, signaling investor preference for domestic-oriented and higher beta exposures as markets recalibrated. Economic data continued to bolster risk assets: job growth remained positive, retail sales outperformed forecasts, and inflation metrics stayed within manageable ranges — factors that collectively supported equity valuations and broad investor confidence.

From a fundamental perspective, earnings continue to be the central driver for sustained equity performance in 2026. Corporate profitability is projected to grow at a healthy pace, with earnings expansion expected to broaden across sectors beyond the largest technology names. While valuations in major U.S. indices remain elevated relative to long-term averages, this reflects anticipation of durable profit growth rather than outright speculative froth. As such, future returns are likely to be driven primarily by earnings delivery, with less reliance on expansion in valuation multiples alone.

Geopolitical developments and policy uncertainty — particularly around monetary policy direction, trade relations, and global risk events — are likely to sustain elevated levels of volatility throughout the year. Episodes such as tariff threats, central bank leadership changes, and external geopolitical shocks serve as reminders that markets may frequently test risk tolerances, even when the underlying economic backdrop remains constructive.

Looking ahead, total returns for U.S. equities in 2026 are expected to be moderate rather than runaway, supported by earnings growth and stable macro conditions. However, a more volatile path is anticipated, with greater dispersion across sectors and styles than observed in recent years. In this environment, maintaining a diversified portfolio with a disciplined focus on quality, valuation, and risk management remains essential for navigating markets effectively.

Chart 3: S&P 500 Index Valuation relative to last 30 years



Source: JPMorgan

Table 3: Global Heat Map

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Jan '26
Japan TOPIX 12.1%	UK FTSE All-Share 16.8%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	MSCI EM 34.4%	MSCI EM 8.9%
MSCI Europe ex-UK 9.1%	US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	MSCI Asia ex-Japan 33.0%	MSCI Asia ex-Japan 8.2%
US S&P 500 1.4%	MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	Japan TOPIX 25.5%	Japan TOPIX 4.6%
UK FTSE All-Share 1.0%	MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	UK FTSE All-Share 24.0%	UK FTSE All-Share 3.1%
MSCI Asia ex-Japan -8.9%	MSCI Europe ex-UK 3.2%	MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	MSCI Europe ex-UK 20.1%	MSCI Europe ex-UK 2.4%
MSCI EM -14.6%	Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	US S&P 500 17.9%	US S&P 500 1.5%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 January 2026.

U.S. Bonds – Likely easing by the federal reserve in 2026 however it will be a case of pause, cut, pause

We expect 2026 to remain constructive for U.S. bonds, although returns may be more moderate compared to the strong outcomes seen last year. With yields already lower, the scope for further declines and corresponding price gains is more limited. A resilient U.S. economy is also likely to reduce the need for aggressive Federal Reserve rate cuts.

We anticipate a continued steepening of the yield curve. After three rate cuts in 2025, the Fed is expected to deliver only one or two additional cuts this year. This could put mild downward pressure on short and medium term yields, while the 10-year Treasury yield is likely to remain near ~4%, supported by sticky inflation, higher Treasury issuance to finance fiscal deficits, and elevated global yields.

But even the best laid plans can go awry when circumstances change. The year has already started off with a bout of volatility and there are plenty of potential catalysts for more. Consequently, we have compiled a list of what could go wrong and what it would mean for bond markets.

Inflation Trends

Inflation has eased from its 2022 peaks but progress has slowed. Headline CPI has broadly remained in the 2-3.5% range over the past year, while core inflation has moderated only gradually. Our base case is that inflation will remain somewhat above the Fed's 2% target in the near term, supported by a resilient economy. However, risks exist on both sides—either renewed price pressures or faster-than-expected cooling.

Labor Market Dynamics

Labor market signals are mixed. While unemployment recently edged lower, job creation has slowed, with payroll growth soft on a three-month average basis. A meaningful slowdown in employment could reduce inflationary pressures and prompt additional Fed easing, which would likely support bond prices. Conversely, supportive financial conditions and fiscal stimulus could sustain consumer demand and keep inflation firmer. Tariffs also continue to place selective upward pressure on goods prices. Surveys indicate that price sensitivity remains a concern among businesses and consumers.

Growth Risks

Despite earlier fears, the aggressive rate hikes of 2022–2023 did not trigger a recession. However, growth remains uneven across sectors and income groups, often described as a “K-shaped” recovery.

Should growth slow more materially, additional Fed rate cuts could follow, leading to lower yields across the curve. In such an environment, high-quality fixed income could benefit from price appreciation.

Changes at the federal reserve

Kevin Warsh, put forward by President Trump as a potential successor to Jerome Powell, is widely viewed as historically focused on inflation control. During the 2008 crisis, he emphasized inflation risks even as unemployment climbed sharply. Many market participants consider him one of the more hawkish options and question whether his recent support for rate cuts linked to AI-led productivity gains aligns partly with political preferences for lower rates. Some observers also point to possible tensions between his support for shrinking the Fed's balance sheet, which could lift long-term yields, and policy goals aimed at keeping borrowing costs low. If appointed, his term could run to 2030. Additionally, reports of possible legal scrutiny involving the Federal Reserve add another layer of uncertainty by raising concerns about the institution's independence.

Geopolitical Considerations

Policy direction remains fluid amid numerous political developments. Within the U.S., debates continue over healthcare subsidy changes, budget issues, and immigration. Internationally, U.S. actions regarding Venezuela have prompted questions about future foreign policy direction, and tensions involving Iran add to uncertainty.

Although markets have so far absorbed global conflicts without major disruption, the broader effects on oil prices, currency movements, economic growth, and fiscal balances remain unclear.

Bottom Line

While the base case for bonds in 2026 remains stable to moderately positive, investors should expect a more balanced return environment and periods of volatility. High-quality fixed income continues to play an important role in diversification and portfolio stability, particularly amid macro and geopolitical uncertainty.

Chart 4: U.S. 10-year GOI



Source: LSEG, Reuters

Chart 5: U.S. Inflation trend



Source: Bloomberg. Monthly data from /12/31/2015 to 12/31/2025

India – Economic Landscape

Economic Growth

As per the first advance estimates published by the National Statistics Office, India's real GDP is estimated to grow by 7.4 % in FY 2025–26, with nominal GDP growth at 8 %. The services sector remains the primary growth driver, expanding by 9.1 %. Manufacturing and construction have grown by 7 %. Agriculture is estimated to grow at 3.1 %. Except for the agricultural sector, all other sectors recorded higher growth than in the previous year. However, agricultural growth prospects remain supportive due to favourable farming conditions and robust farm output. Foodgrain production reached a record 3,577.32 LMT in 2024–25, with significant increases in rice, wheat, maize, and oilseeds. Procurement and buffer stocks remain adequate, supporting food security.

Consumption and Investment

Domestic demand continues to anchor growth. Private final consumption expenditure (PFCE) is projected to grow by 7 %, accounting for 61.5 % of GDP - the highest level since FY12. Government final consumption expenditure is also estimated to strongly rebound with a YoY growth of 5.2 % in FY26 as against 2.3 % in FY25.

High-frequency indicators, such as UPI transactions, air and rail traffic, e-way bills, etc., reflect sustained momentum in both urban and rural consumption. Investment activity remains strong, with gross fixed capital formation (GFCF) rising by 7.8 % in FY26, higher than the previous year. Further, the share of GFCF has remained stable at around 30 % of GDP for the past three years.

External Sector

India's total exports (merchandise and services) reached USD 825.3 bn in FY25, with continued momentum in FY26. Despite tariffs imposed by the United States, merchandise exports grew by 2.4 % (April–December 2025), while services exports increased by 6.5 %. Merchandise imports for April–December 2025 increased by 5.9 %.

Gross Foreign Direct Investment (FDI) inflows were recorded at USD 81.0 bn in FY25, and the momentum strengthened in FY26 with the highest inflow recorded in the first seven months of any financial year. During these seven months, net FDI flows, after adjusting for repatriations and outbound FDI from India, totalled USD 6.2 bn, compared to USD 3.3 bn in the corresponding period last year. A net portfolio investment outflow of USD 3.9 bn was recorded from April to December 2025. On a yearly basis, the rupee experienced a depreciation of 4.9 % as of 9th January 2026.

The current account deficit declined to 0.8 % of GDP in H1 FY26 from 1.3 % in H1 FY25. Foreign exchange reserves stood at USD 687.2 bn as of 9 January 2025, providing a strong buffer against external shocks, as they cover 92 % of India's external debt (outstanding at the end of September 2025) and 11 months of merchandise imports.

Prices and Inflation

Inflationary pressures have moderated primarily due to lower food prices, with average retail inflation easing to 1.7 % in FY25 (April–December) compared to 4.9 % in the corresponding previous period. The Reserve Bank of India projects annual retail inflation at 2 % for 2025–26, and at around 4 % for H1 FY27, all within the target band.

India's growth outlook remains positive, supported by strong domestic demand, structural reforms, and a stable macroeconomic environment. The country received three sovereign rating upgrades during the year. Inflation outlook remains benign. Continued public investment, deregulation, labour market reforms, human capital investments, tax reforms, digital transformation, and the formalisation of the economy are expected to drive the economy into a higher growth trajectory, as indicated in the Economic Survey. Strong balance sheets in the corporate and financial sectors are also expected to drive a virtuous cycle of growth, fuelled by increased private-sector investment.

Table 4: High Frequency indicator – Industry Growth

Indicator	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
IIP-Headline	3.7	5.2	2.7	3.9	2.6	1.9	1.5	4.3	4.1	4.6	0.5	6.7	
IIP Manufacturing	3.7	5.8	2.8	4.0	3.1	3.2	3.7	6.0	3.8	5.6	2.0	8.0	
IIP capital goods	10.5	10.2	8.2	3.6	14.0	13.3	3.0	6.8	4.5	5.4	2.1	10.4	
PMI Manufacturing	56.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0
PMI Export Order	54.7	58.6	56.3	54.9	57.6	56.9	60.6	57.3	56.1	56.5	54.7	54.1	54.0
PMI Manufacturing: Future Output	62.5	65.1	64.9	64.4	64.6	63.1	62.2	57.6	60.5	64.8	62.3	57.1	56.9
Eight Core Index	5.1	5.1	3.4	4.5	1.0	1.2	2.2	3.7	6.5	3.3	-0.1	2.1	3.7
Electricity generation: Conventional	4.4	-1.3	2.4	4.8	-1.8	-8.2	-6.1	-0.8	1.0	0.8	-10.6	-5.0	4.3
Electricity generation: Renewable	17.9	31.9	12.2	25.2	28.0	18.2	28.7	26.4	22.7	16.4	21.4	22.9	
Automobile Production	1.3	9.4	2.3	6.5	-1.7	5.2	1.2	10.7	8.1	10.8	-2.8	22.3	37.1
Passenger vehicle production	9.2	3.7	4.5	11.2	10.8	5.4	-1.8	0.1	-4.1	16.1	9.8	22.8	23.1
Tractor production	20.9	23.7	-7.8	18.5	20.5	9.1	9.8	11.5	9.4	23.0	13.0	37.5	57.9
Two-wheelers production	-0.6	10.3	1.6	5.6	-4.1	4.7	1.4	12.3	10.0	9.8	-5.6	20.9	39.9
Three-wheelers production	7.6	16.2	6.5	6.0	4.1	16.9	8.6	24.0	15.8	15.9	15.9	55.4	39.6
Crude steel production	8.3	7.4	6.0	8.5	9.3	11.0	12.6	13.8	12.8	13.7	8.9	10.8	5.3
Finished steel production	5.3	6.7	6.7	10.0	6.6	7.0	10.9	13.8	13.8	14.0	7.2	11.8	2.0
Import of capital goods	6.0	15.5	-0.5	8.6	24.5	15.7	3.4	13.3	0.2	12.7	8.6	12.8	13.2

<<Contraction ----- Expansion>>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators (except for PMI). 2. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 3. The heatmap is applied on data from April 2023 to the latest month for which data is available. 4. All PMI values are reported in index form. A PMI value >50 denotes expansion, <50 denotes contraction and =50 denotes 'no change'. In the PMI heatmaps, red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series. Sources: Ministry of Statistics and Programme Implementation (MoSPI); S&P Global; Central Electricity Authority (CEA), Ministry of Power; Society of Indian Automobile Manufacturers (SIAM); Office of Economic Adviser, Gol; Joint Plant Committee; Directorate General of Commercial Intelligence & Statistics; and Tractor and Mechanisation Association.

Table 5: High Frequency indicator – Economic activity

Indicator	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
GST E-way bills	17.6	23.1	14.7	20.2	23.4	18.9	19.3	25.8	22.4	21.0	8.2	27.6	23.5
GST revenue	-0.2	12.3	9.1	9.9	12.6	16.4	6.2	7.5	6.5	9.1	4.6	3.6	6.1
Toll collection	9.8	14.8	18.7	11.9	16.6	16.4	15.5	14.8	16.1	13.8	4.6	2.9	0.4
Electricity demand	5.1	1.3	2.4	5.7	2.8	-4.8	-2.3	2.6	3.8	3.5	-5.8	-0.6	6.5
Petroleum consumption	2.0	3.0	-5.2	-3.1	0.2	1.1	0.5	-4.4	4.8	7.0	-1.5	2.8	5.3
Of which													
Petrol	11.1	6.7	5.0	5.7	5.0	9.2	6.8	5.9	5.5	8.0	7.4	2.6	7.1
Diesel	5.9	4.2	-1.3	0.9	4.2	2.1	1.5	2.4	1.2	6.5	-0.3	4.7	5.0
Aviation Turbine Fuel	8.7	9.4	4.2	5.7	3.9	4.4	3.3	-2.3	-2.9	-0.8	2.1	5.4	0.3
Digital payments - Volume	33.1	33.0	26.7	30.8	30.0	29.2	28.3	30.9	31.1	28.1	21.5	30.2	23.7
Digital payments - Value	19.6	18.6	9.5	17.3	18.4	12.6	17.4	16.6	5.3	13.4	8.8	14.7	15.4

<<Contraction ----- Expansion>>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators. 2. The heatmap is applied on data from April 2023 to the latest month for which data is available. Digital Payments data for December 2025 are provisional. 3. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 4. The data on toll collections for December 2025 growth rate is calculated by aggregating daily data. Sources: Goods and Services Tax Network (GSTN); RBI; Central Electricity Authority (CEA); National Payments Corporation of India (NPCI); and Ministry of Petroleum and Natural Gas, Gol.

Table 6: High Frequency indicator – High Frequency Indicators - Demand Condition

	Indicator	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Urban demand	Domestic air passenger traffic	10.8	14.1	12.1	9.9	9.7	2.6	3.7	-2.5	-0.5	-2.5	3.5	7.0	-3.6
	Retail passenger vehicle sales	0.1	15.5	-10.3	6.3	1.6	-3.1	2.5	-0.8	0.9	5.8	10.7	19.7	26.6
Rural demand	Retail automobile Sales	-12.5	6.6	-7.2	-0.7	2.9	5.4	4.8	-4.3	2.8	5.2	40.5	2.1	14.6
	Retail tractor sales	25.8	5.2	-14.5	-5.7	7.6	2.8	8.7	11.0	30.1	3.6	14.2	56.5	15.8
	Retail two-wheeler sales	-17.6	4.2	-6.3	-1.8	2.3	7.3	4.7	-6.5	2.2	6.5	51.8	-3.1	9.5

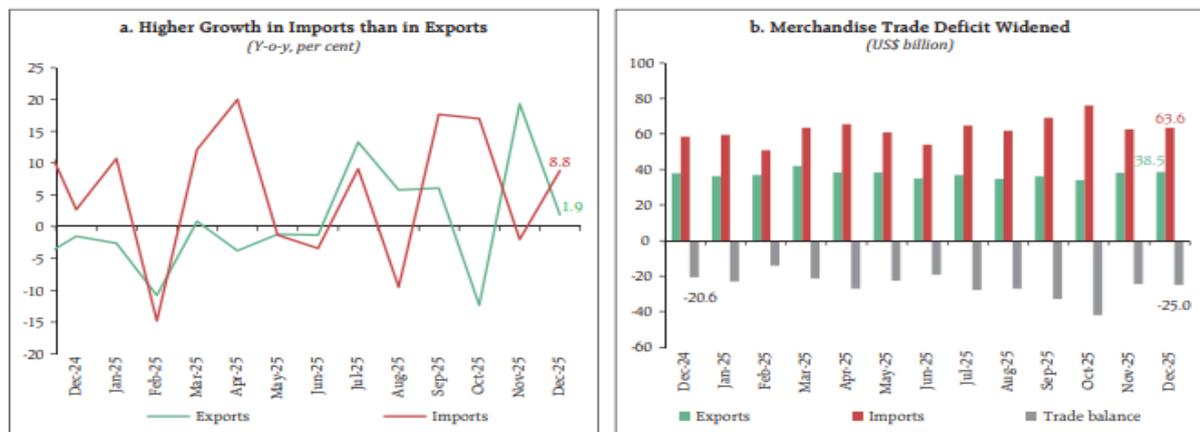
<< Contraction ----- Expansion >>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators. 2. The heatmap is applied on data from April 2023 to the latest month for which data is available. 3. The heatmap translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 4. The data on domestic air passenger traffic for December 2025 growth rate is calculated by aggregating daily data. 5. Data for retail automobile sales consists of sales of two wheelers, three wheelers, passenger vehicles, tractors and commercial vehicles. Sources: Airports Authority of India; Federation of Automobile Dealers Associations (FADA); and Ministry of Rural Development, GoI.

Chart 7: India’s merchandise trade

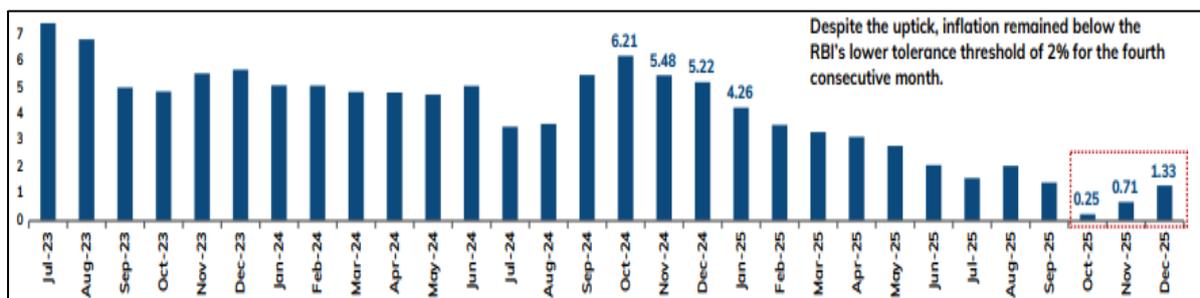
The merchandise trade deficit during April-December 2025 was at US\$ 248.3 bn as against US\$ 223.9 bn during April-December 2024. The merchandise trade deficit widened to US\$ 25.0 bn in December 2025 from US\$ 20.6 bn in December 2024. Merchandise exports stood at US\$ 38.5 bn in December 2025 [increase of 1.9% yoy and merchandise imports stood at US\$ 63.6 bn in December 2025, expansion of 8.8% yoy.

Chart 6: Import-Export and trade deficit



Source: RBI monthly bulletin

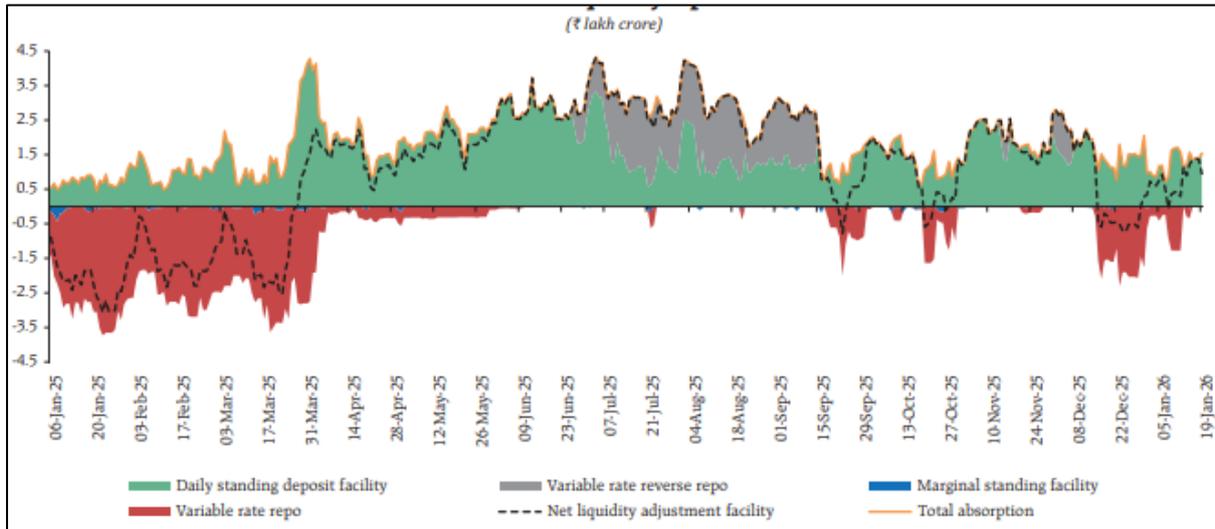
Chart 7: Inflation



Source: ICICI MF, RBI

Chart 8: Liquidity Operations

The banking system’s liquidity transitioned from surplus to deficit during the second half of December, due to a buildup in government cash balances resulting from advance tax and GST-related payments. To assuage the transient liquidity tightness, RBI conducted variable rate repo (VRR) auctions. RBI also announced fresh open market operations (OMOs) comprising purchase auctions amounting to ₹2 lakh crore and 3-year USD/INR Buy/Sell Swap auction of USD 10 bn. From end-December to January (up to 19th), system liquidity again turned into surplus as a result of faster government spending and RBI’s durable liquidity operations.



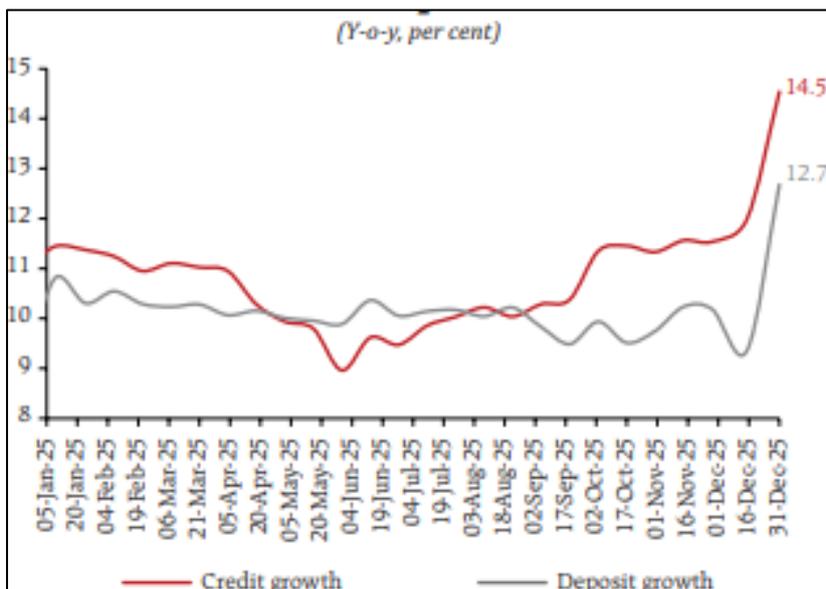
Source: RBI

Foreign exchange reserves

As on 9 January 2026, 2026, India’s foreign exchange reserves stood at USD 687 bn, providing a robust import cover of more than 11 months.

Trends of Scheduled Commercial Banks

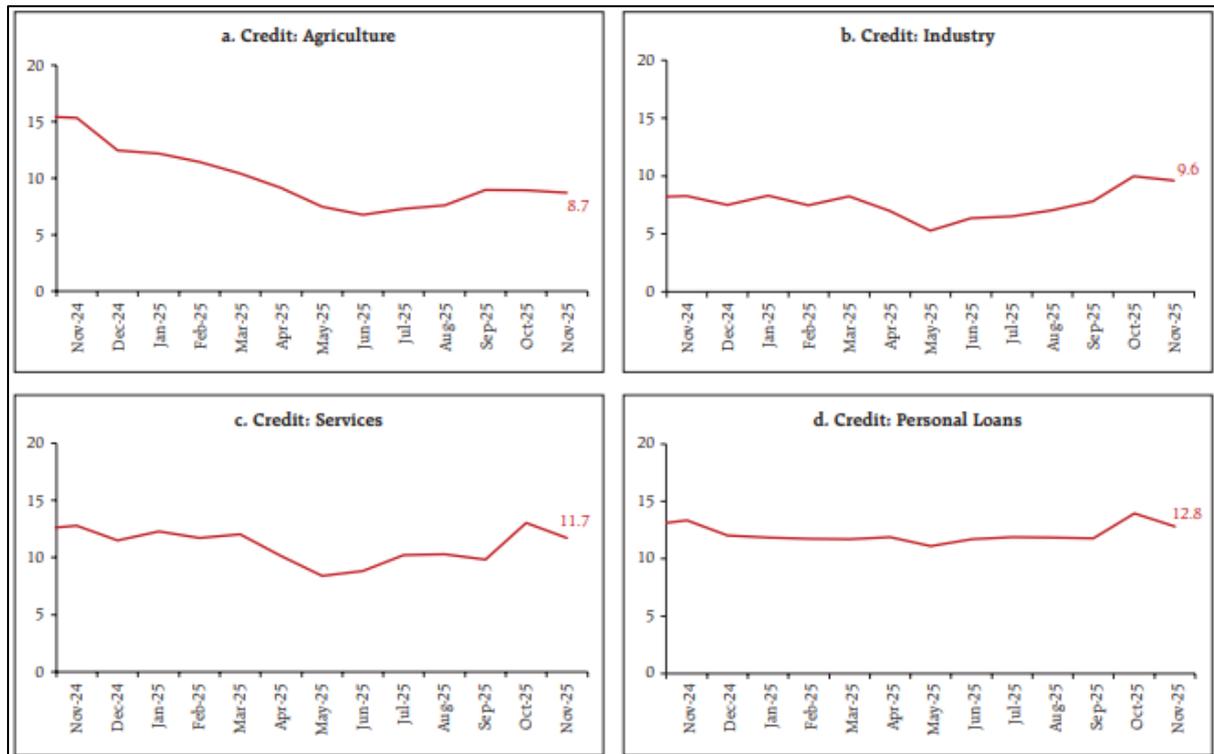
Chart 9: Credit and Deposit growth of SCBs YOY



Source: RBI bulletin

SCBs' credit and deposit growth stood at 14.5% yoy and 12.7% yoy, respectively, as on December 31, 2025, up from 11.5% yoy and 10.2% yoy, respectively, as on November 28, 2025.

Chart 10: Credit growth across sectors YOY



Source: RBI

Table 7: Outstanding Credit to the Commercial Sector

<i>(₹ lakh crore; Figures in parentheses are y-o-y percentage changes)</i>				
Source	At End-March		As on December 31	
	2024	2025	2024	2025 P
A. Non-Food Bank Credit	164.09	182.07	176.87	202.35
	(20.2)	(11.0)	(11.1)	(14.4)
B. Non-Bank Sources (B1+B2)	77.56	88.85	82.14	95.58
	(4.2)	(14.6)	(11.7)	(16.4)
B1. Domestic Sources	56.59	66.37	60.21	71.62
	(4.9)	(17.3)	(14.8)	(18.9)
B2. Foreign Sources	20.97	22.48	21.93	23.96
	(2.4)	(7.2)	(4.2)	(9.2)
C. Total Credit (A+B)	241.65	270.93	259.01	297.93
	(14.5)	(12.1)	(11.3)	(15.0)

P: Provisional.

Notes: 1. Figures in the columns might not add up to the total due to rounding off of numbers. 2. Data on non-bank sources excludes issuances of equities and hybrid instruments under domestic sources and foreign direct investment in equities under foreign sources. 3. Flows based on outstanding data may not tally with the flows provided in Table IV.2a due to: (a) Merger of HDFC Limited with HDFC Bank on July 1, 2023; (b) Conversion of some Housing Finance Companies into NonBanking Financial Companies; and (c) Valuation effect in case of foreign sources. 4. For detailed notes and data, please refer to Current Statistics Table No: 18(b). Sources: RBI; SEBI; AIFIs; and RBI staff estimates

India Equities: Earnings Season and Path ahead

India's equity markets are poised for 2026 growth, anchored by Union Budget 2026-27's fiscal prudence, elevated capex, and defence push, complemented by trade deals and valuation normalization. These elements craft a stable but range bound outlook for Indian Equities.

Union Budget 2026-27 Comprehensive Overview

The Union Budget 2026-27, unveiled on February 1, 2026, by Finance Minister Nirmala Sitharaman, emphasizes three Kartavyas—accelerating growth, inclusive development, and fiscal stability amid India's pursuit of Viksit Bharat status. Fiscal deficit targets 4.3% of GDP for FY27 (down from 4.4% revised FY26), reflecting disciplined consolidation with revenue growth offsetting expenditure pressures; this trajectory, supports lower borrowing costs and FII inflows, historically lifting equities. Total receipts (excluding borrowings) estimated at ₹32.7 lakh crore, buoyed by tax buoyancy and divestments, enable this without compromising growth imperatives.

Public capex rises ~9% YoY to ₹12.2 lakh crore from FY26 BE (up from ₹11.21 lakh crore FY26), the highest among ministries at 14.67% of total outlay, crowding in private investment via infra multipliers roads, railways, urban projects, and green energy poised to drive capex cycle beneficiaries like industrials and materials. Defence receives a record ₹7.85 lakh crore (15%+ YoY hike from FY26 BE ₹6.81 lakh crore), equating ~2% GDP and prioritizing modernization post-Operation Sindoor; capital outlay jumps 24% to ₹2.19 lakh crore (75% domestic sourcing at ₹1.39 lakh crore for fighters, subs, drones), fostering self-reliance amid geopolitics.

Sectoral allocations reinforce manufacturing resurgence: PLI extensions for electronics, semis (₹40,000 crore), SMEs (₹10,000 crore credit), and toll manufacturing tax exemptions for 5 years on capital goods imports in bonded zones slash costs, enhancing competitiveness in exports and EVs. Agriculture gets enhanced support via fisheries in 500 reservoirs, coconut/cashew schemes, AI farm advisory (Bharat-VISTAAR), stabilizing rural demand for FMCG/auto ancillaries. Rural/MSME focus includes SHE-Marts for women, Divyang schemes, mental health infra (NIMHANS-2), and Purvodaya for eastern growth, broadening consumption base.

US-India trade deal

The deal announced on February 2, 2026, following discussions between President Trump and Prime Minister Modi, represents a significant de-escalation in bilateral trade tensions and a major positive catalyst for Indian exports and market sentiment.

US tariffs on Indian goods have been reduced to **18%** (from an effective ~50%, comprising a 25% reciprocal tariff lowered to 18% and the full removal of an additional 25% punitive tariff previously imposed due to India's Russian oil purchases). This relief is contingent on India continuing to moderate or phase down oil imports from Russia, which have already declined notably (FY26TD down 17% YoY in value and 4% in volume amid US sanctions and diversification efforts).

Per US announcements, India has committed to reducing its tariffs and non-tariff barriers on US goods to **zero** (with some protections retained in agriculture) and stepping up purchases from the US to **over \$500 billion** in areas such as energy, technology, agriculture, coal, defense, aircraft, telecom, and pharmaceuticals (described as a multi-year, gradual commitment without a firm timeline; Indian side has confirmed tariff relief but been more reserved on the full scope of purchase/investment pledges).

The deal removes substantial uncertainty that had weighed on Indian exports to the US (its largest market, ~20% share, ~\$87bn in FY25 goods exports; imports ~\$46bn).

With the tariff cut in place, exports of previously hit goods (textiles, gems & jewelry, engineering goods, leather, chemicals) are expected to rebound sharply to the US, while long-term diversification to RoW continues. This positions India competitively versus China and marginally better than ASEAN peers on tariff access.

The breakthrough offers clear upside to India's current account dynamics. Market implications are strongly positive: the removal of tariff overhang should trigger a relief rally in equities (especially export-oriented sectors), ease pressure on the INR (one of the worst-performing EM Asian currencies YTD due to this factor), and reduce

drags on sentiment, capital flows, and policy transmission (though some outflows stemmed from FDI/PE repatriations).

While the INR could see a smart reversal of losses, the rates market overhang remains partly structural (beyond FX), suggesting any rally may be mild and sticky as the RBI approaches the end of its easing cycle.

Coming to Indian equities, markets are trading at premium valuations, reflecting strong economic momentum but also signaling potential for mean reversion if growth disappoints. With the Nifty 50 trading around 25,600 levels and the Sensex near 83,000, the market has experienced some volatility post the Union Budget presentation, including a sharp intraday drop due to hikes in securities transaction tax (STT) on derivatives. However, structural tailwinds from fiscal discipline, infrastructure spending, and landmark trade deals with the US and Europe are expected to drive higher earnings growth than seen over last few quarters, assuming stable global conditions. Sectors like manufacturing, exports (pharma, IT, textiles), infrastructure, and biopharma stand to benefit most. However, the Indian equity market presents a cautiously optimistic outlook for the year ahead and high valuations warrant selective and staggered investing. Historically, these levels (above 22x) have preceded moderated returns, with the market potentially vulnerable to corrections from global and domestic risks. However, India's GDP growth forecast of around 7% for FY27, driven by domestic consumption and capex, justifies a premium.

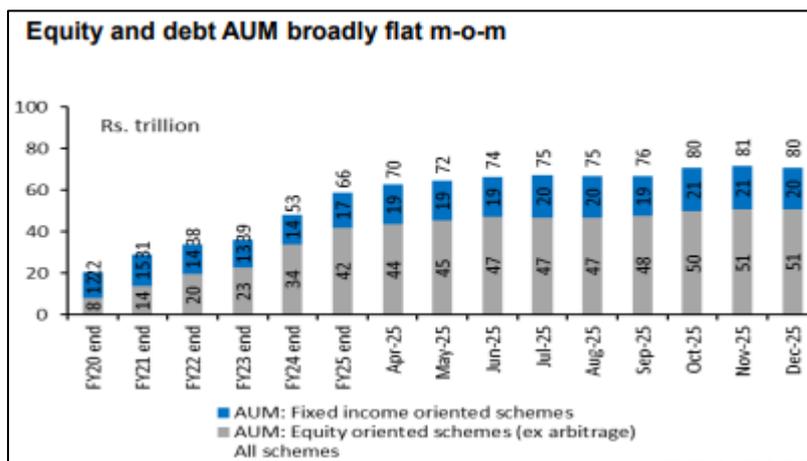
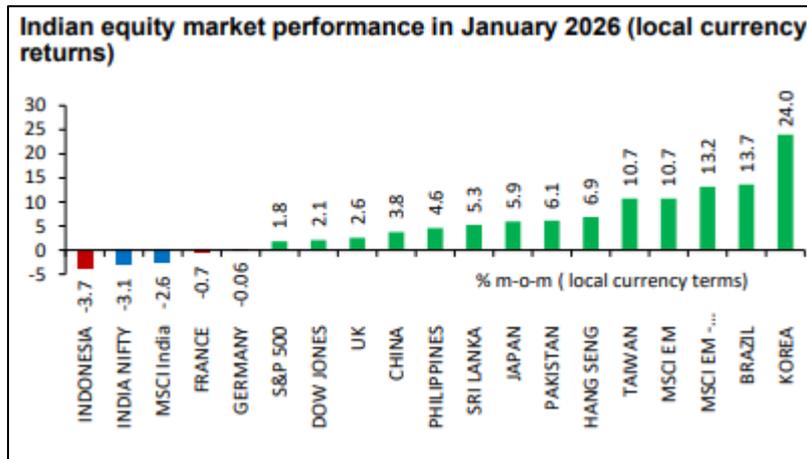
Focus on **structural themes** with strong tailwinds from Budget 2026 capex (₹12.2 lakh crore), trade pacts, and domestic demand revival:

- **Infrastructure & Capital Goods** (e.g., roads, railways, defence, power) - Beneficiaries of sustained government spending.
- **Exports & Manufacturing** (textiles, chemicals, engineering goods, electronics, EMS) - Boosted by US/EU/UK deals and competitive tariffs.
- **Financials & Consumption** (banking, NBFCs, select FMCG/autos) - Early cycle rebound as credit growth and demand revive.
- **Defence, Renewables, and Digital** - Long-term secular plays from indigenisation and green transition.

Stay invested with patience and avoid over-concentration in small/Microcaps despite their potential outperformance. Overall, 2026 favors selective, earnings-led investing in India's multi-year growth runway, with the potential for wealth creation for those who remain committed through cycles.

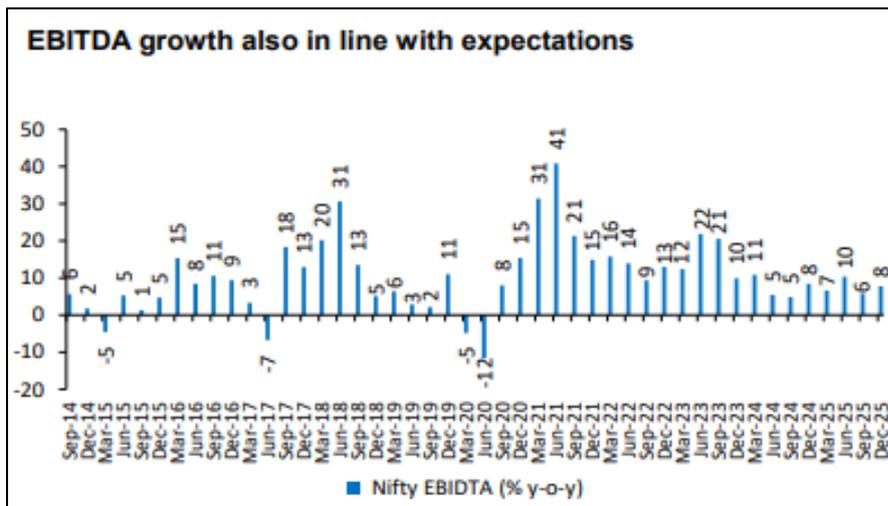
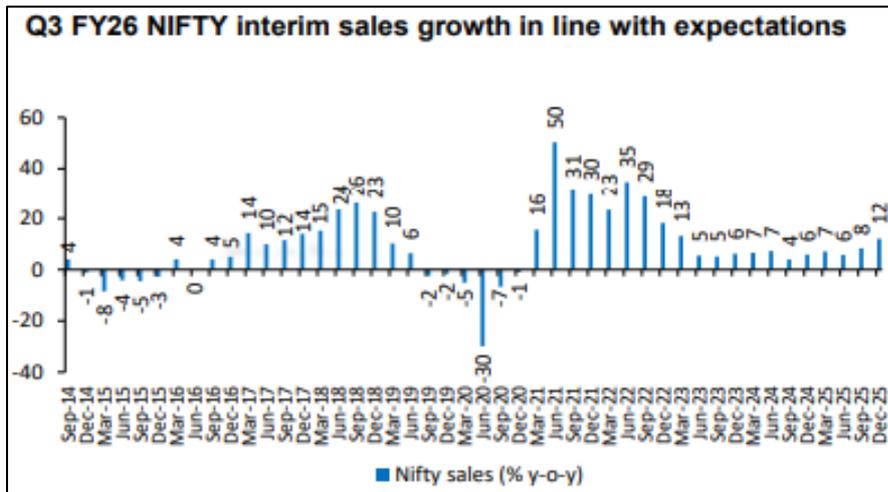
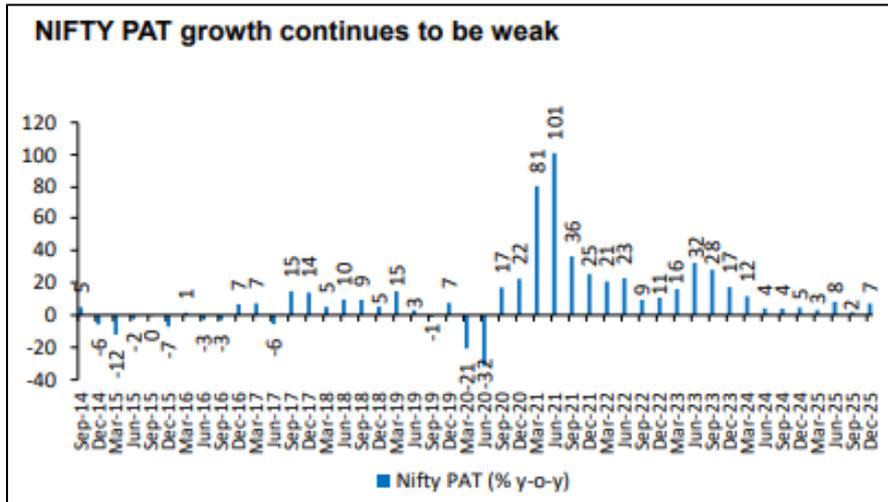
Trends in Indian Equity Market

Charts 11-12-13: Global and Domestic markets performance, domestic sectors performance and domestic SIP flows



Source: AMFI, NSE India, SBI MF, BSE

Chart 14: Sales, EBITDA and PAT of 26 of 50 Nifty 50 Companies reported so far



Source of charts on this page: Bloomberg, SBIMF

Chart 15: Flattish Earnings growth continues for Nifty 50 basket

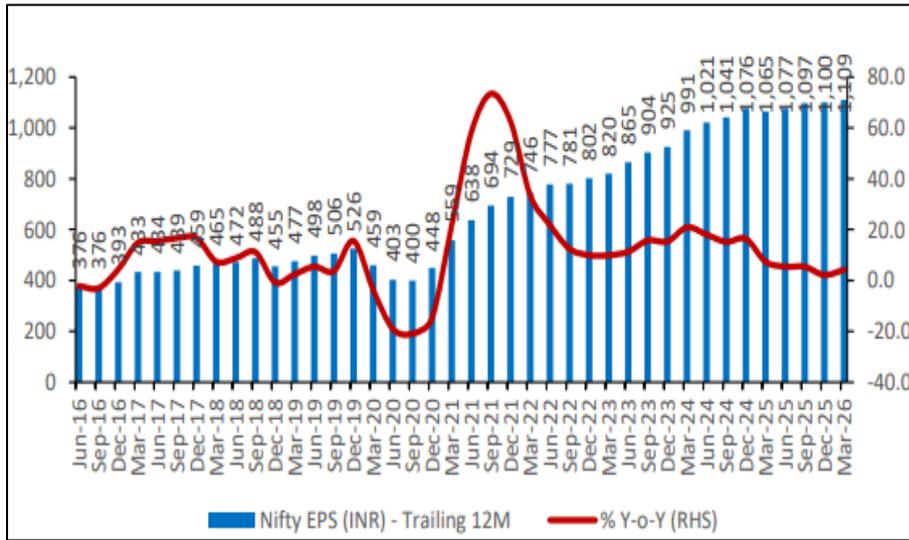
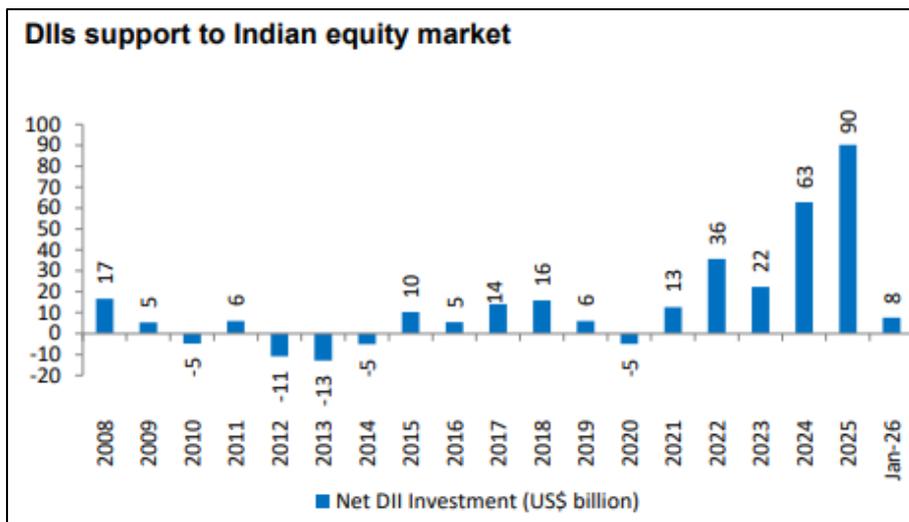


Chart 16: FII trends



Chart 17: DII trends



Source of charts on this page: Bloomberg, SBIMF

Chart 18: Domestic Equity MF flows

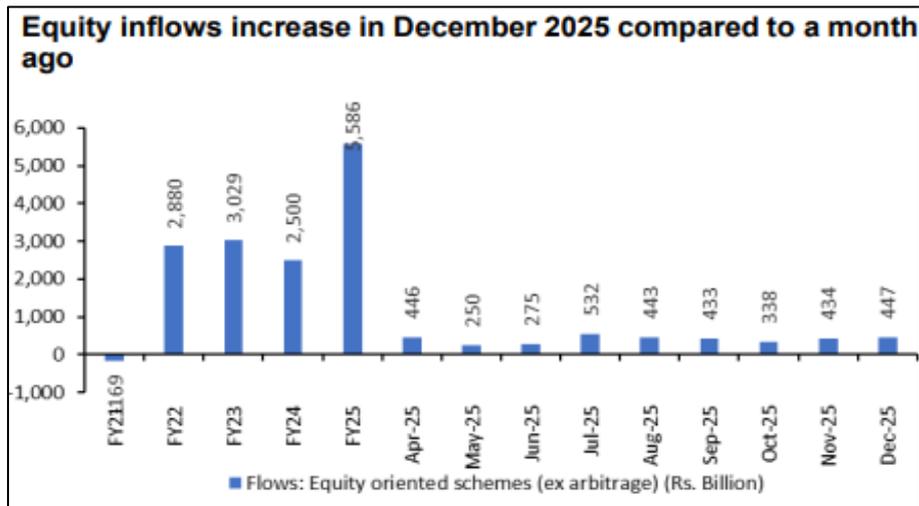


Chart 19: SIP trend

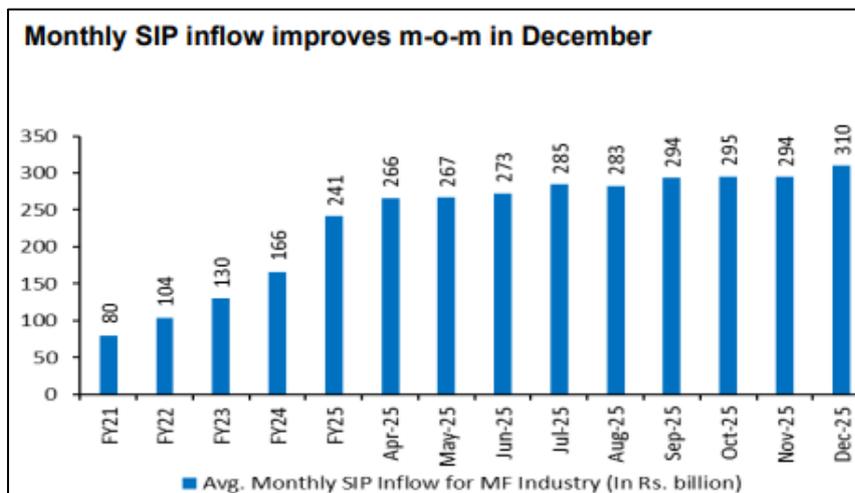
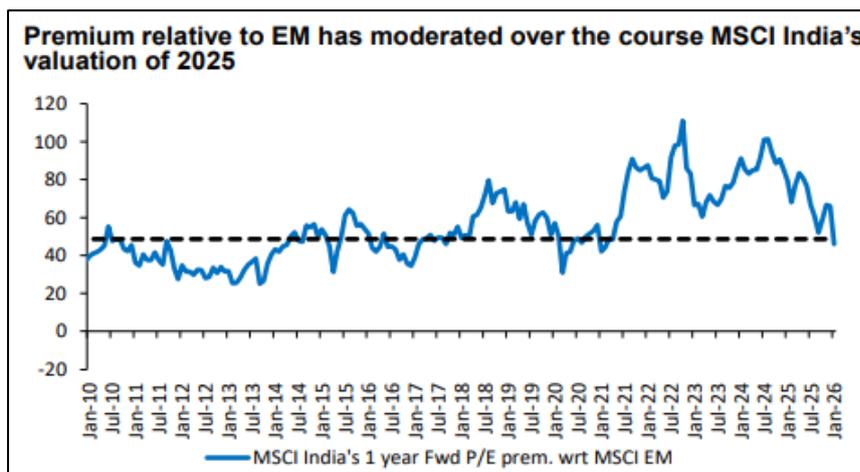


Chart 20: India vs EM



Source of charts on this page: Bloomberg, SBIMF, AMFI

India Bonds: RBI’s major rate cuts are largely behind us

At StatLane, since many months we have advocated reducing portfolio duration and sticking to high quality bonds. Over last few months, INR has come under pressure due to FII outflows, slowed exports and perceived issue with Current account deficit rising. This was further exaggerated due to delay in U.S.-India trade deal. As a result the bond yields have gone up and now, we believe that any further rise in yields will offer attractive entry point to add a bit of duration play in case the 10yr GOI bond yield goes above 6.85-6.90%. Till then we continue to prefer short-duration strategies—focusing on bonds and debt funds with modified duration below 3 years and maintaining overweight exposure to AAA and AA+ rated issuers over lower-quality credits.

As reiterated in the past we prefer fixed income like hybrid mutual fund products like arbitrage funds, debt FOF, which can offer better tax efficiency and diversification compared to pure fixed income allocations. Investors should align such decisions with their individual risk profile and investment objectives.

Chart 21: Repo rate across cycles

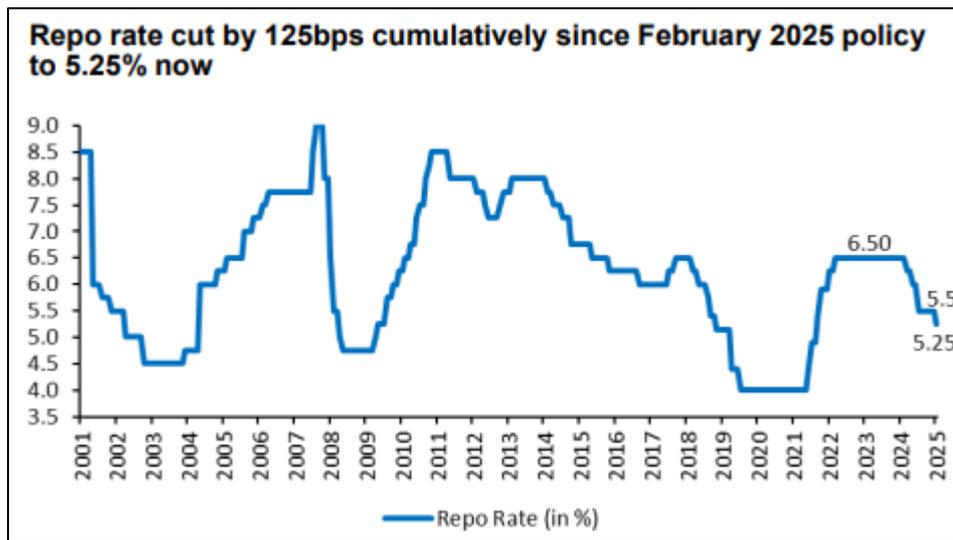


Table 8: Yield movement

Longer and shorter term yields rise m-o-m

	2024 end	Nov-25	Dec-25	Jan-26	m-o-m (in bps)
Repo rate	6.50	5.50	5.25	5.25	0
1 Yr T-Bill	6.69	5.53	5.54	5.74	20
3M T-Bill	6.55	5.36	5.26	5.50	24
3 year GSec	6.72	5.52	5.54	5.60	6
5 year GSec	6.72	5.77	5.76	5.83	7
10 year GSec	6.79	6.51	6.59	6.69	10
3M CD Yield	7.28	5.86	5.88	7.23	135
12M CD Yield	7.60	6.37	6.56	7.10	54
3Yr AAA Corp bond	7.58	6.78	7.00	7.21	21
5Yr AAA Corp bond	7.46	6.92	7.10	7.28	18
10Yr AAA Corp bond	7.24	7.22	7.30	7.41	11
1 Yr IRS	6.51	5.46	5.45	5.55	10
5 Yr IRS	6.20	5.76	5.92	6.16	24
Overnight MIBOR Rate	7.15	5.59	5.67	5.53	-14
10 year SDL	7.15	7.18	7.30	7.49	19
INR/USD	85.61	89.46	89.88	91.99	-2.3 ^A
Crude oil Indian Basket**	73.34	64.31	62.20	62.84	1.0 ^A

Source: SBI MF

Market Data

India Index Performance % 31 Jan 26	1M	3M	1Yr	3Yr
Nifty 50	-3.0	-1.45	9.0	14.1
Nifty Next 50	-2.2	-2.8	8.4	21.0
Nifty 200	-3.0	-1.8	9.0	16.4
Nifty 500	-3.3	2.6	8.0	16.7
Nifty Midcap 150	-3.5	-2.4	8.9	23.6
Nifty Smallcap 250	-5.5	-8.9	0.01	20.1
Nifty Microcap 250	-5.7	-10.5	-6.0	25.7
Nifty Total Market	-3.4	-2.9	7.4	17.0
Thematic/Sectoral Index				
Nifty Auto	-5.1	-0.2	18.1	27.2
Nifty Bank	0.1	3.2	21.2	14.6
Nifty Chemicals	-4.2	-4.6	1.5	8.1
Nifty FMCG	-7.7	-8.7	-7.9	6.7
Nifty IT	0.9	7.1	-8.7	10.9
Nifty Metal	5.9	11.5	41.7	23.0
Nifty Oil & Gas	-3.6	-1.6	12.6	16.8
Nifty Pharma	-4.4	-2.1	2.0	21.6
Nifty PSU Bank	5.8	10.3	43.8	32.0
Nifty Realty	-10.8	-17.4	-14.7	24.3

Source: NSE India, StatLane Research, Index = Total Return Index, Performance over 1 year is CAGR

India Index Data 31 Jan 26	P/E	P/B	Dividend Yield (%)
Nifty 50	22.0	3.4	1.3
Nifty Next 50	19.4	3.5	1.4
Nifty 200	22.9	3.6	1.2
Nifty 500	23.5	3.6	1.2
Nifty Midcap 150	31.8	4.4	0.8
Nifty Smallcap 250	27.1	3.4	0.8
Nifty Microcap 250	25.2	2.7	0.8
Thematic/Sectoral Index			
Nifty Auto	28.9	4.6	1.2
Nifty Bank	16.2	2.1	1.0
Nifty Chemicals	37.3	4.1	0.6
Nifty Consumer Durables	57.2	10.8	0.4
Nifty Financial Services Ex-Bank	23.7	4.4	0.8
Nifty FMCG	37.4	9.2	2.2
Nifty IT	27.0	7.1	2.8
Nifty Metal	20.6	3.1	1.6
Nifty Oil & Gas	10.5	1.6	2.7
Nifty Pharma	33.1	4.7	0.7
Nifty PSU Bank	9.1	1.5	2.1
Nifty Realty	35.7	3.8	0.4

Source: NSE India, StatLane Research

Global Index Performance (%) 31 Jan 26	1M	3M	12M
S&P 500	1.5	1.8	16.4
Dow Jones Industrial Average	1.7	2.8	9.8
S&P Europe 350	4.6	10.5	33.6
S&P Asia 50	14.3	15.0	66.1
S&P EM BMI	7.2	7.1	32.9

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

U.S. Smart Beta Index Performance (%) 31 Jan 26	1M	3M	12M
S&P 500 Momentum	0.5	-1.3	20.9
S&P 500 Equal Weight	3.4	5.8	11.3
S&P 500 Growth	0.5	-0.6	19.6
S&P 500 Value	2.5	4.6	12.8
S&P 500 Low Volatility	3.3	5.0	5.6

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

India Fixed Income Indices			Index Return %	
As of 31 Jan 26	Yield (%)	MD (Yrs)	1M	1Y
Nifty 5Y SDL Index	7.23	4.46	0.39	6.15
Nifty 3Y SDL Index	6.78	2.83	0.18	6.48
NIFTY 10 yr Benchmark G-Sec	6.81	7.17	-0.12	5.66
NIFTY Corporate Bond Index	7.55	2.18	-0.05	6.82
NIFTY Banking and PSU Debt Index	7.28	2.61	-0.10	6.77
NIFTY Low Duration Debt Index	7.42	0.63	0.26	6.93
NIFTY Short Duration Debt Index	7.18	1.66	0.09	7.01
NIFTY Credit Risk Bond Index	8.86	1.75	0.15	7.08
NIFTY Long Duration Debt Index	7.45	8.77	-0.56	1.84
NIFTY Short Duration G-Sec Index	6.07	2.58	0.20	7.21
NIFTY Long Duration G-Sec Index	7.41	11.49	-0.13	2.44

Source: NSE India, StatLane Research, MD=Macaulay Duration

Commodities	30 Jan 26	Month ago
Oil (Brent D)	73.5	63.9
Gold (D)	4864	4346

Source: StatLane Research

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