



# Alpha Strategist – Feb'26

## “Convergence of Catalysts”

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# Summary



- The US Federal Open Market Committee (FOMC) has maintained a status quo, keeping interest rates steady as the US economy continues to show stable growth with upward revisions to GDP projections.
  - Technology sector faces a structural challenge following Anthropic's announcement of its "agentic" AI model, which automates tasks end-to-end. This event triggered a sharp correction in the Nifty IT index, as investors re-evaluated companies whose value is tied to routine manpower.
  - For India, 2025 was a year of consolidation with divergent returns across market caps, FII outflows, INR weakness and tariff uncertainty, but many of these headwinds are now easing.
  - The India–EU FTA and India–US interim trade agreement materially improve medium term export visibility across manufacturing, textiles, pharma, engineering and related supply chains. This development has led to stability returning back to INR.
  - The Union Budget reinforced continuity; prioritising capital expenditure, fiscal discipline, and structural productivity over short-term populism.
  - Earnings are beginning to show early signs of recovery after a period of normalization. Corporate commentary and reported numbers suggest that the profit cycle may be stabilising and heading for a recovery
  - Together, these developments over the last one month represent **Convergence of Catalysts** (policy tailwinds, global integration, fiscal clarity, and improving corporate performance) and could lead to a constructive view on Equities.
  - Within this environment, the most direct beneficiaries of trade gains, manufacturing push and sectoral reforms are concentrated in the mid and small cap space, particularly in Engineering & Chemicals, digital/technology and healthcare sub segments where growth is structurally higher.
  - Recent corrections and market breadth compression in these segments, despite relatively steady index levels, have improved medium term entry points and argue for selective, staggered participation rather than aggressive risk taking.
  - **Equity view – Neutral ; Portfolio Allocation: 50% allocation to Large Caps/Hybrid, 10% to Global and 40% allocation to Mid and Small Caps**
  - Deployment Strategy: Lump-sum investments in Hybrid funds at current levels; For Pure equity-oriented staggered over 2-3 months
  - In Fixed Income, continue to prefer accrual strategies across the credit spectrum – both direct & managed and income generating assets
  - We maintain neutral view on Gold from asset allocation perspective.
- Infinite Possibilities. Enduring Relationships.

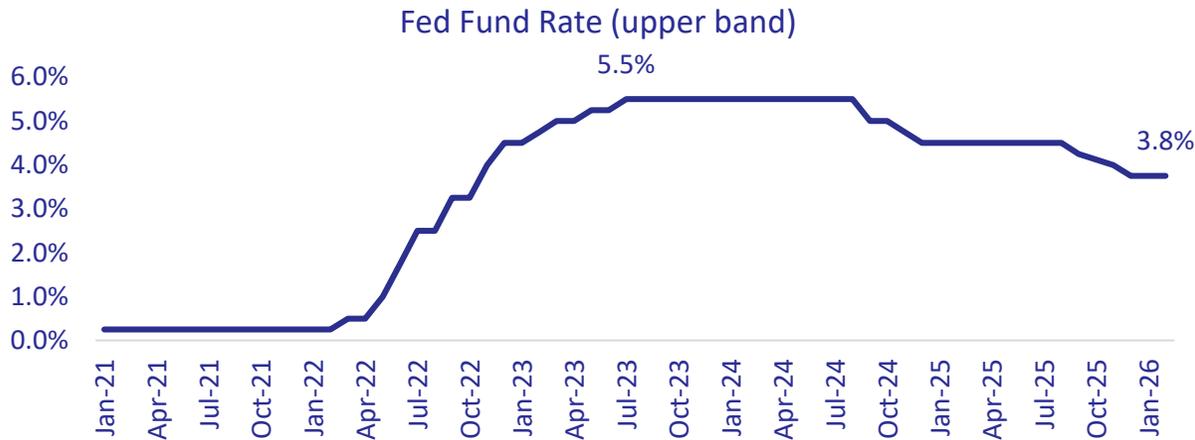


# Highlights

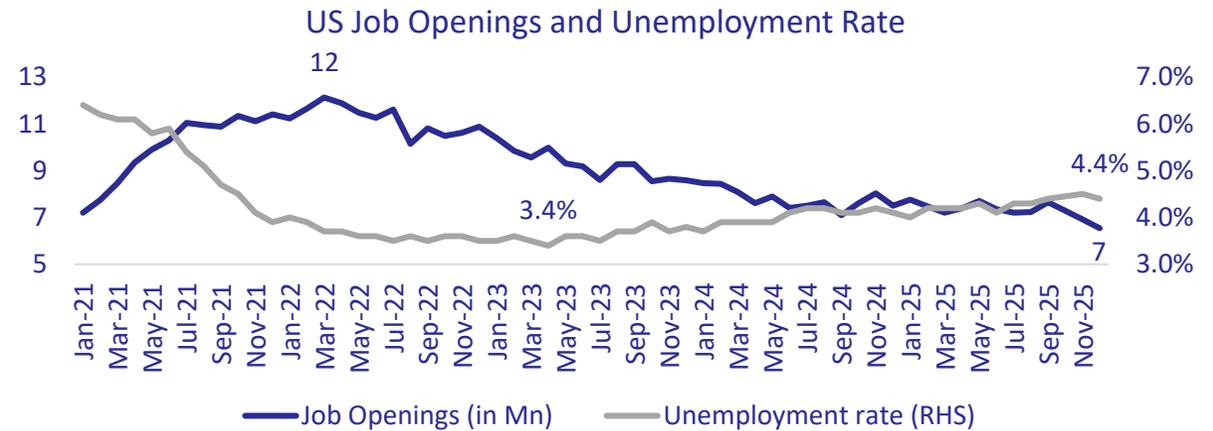
# FOMC – Status Quo | US Economy Stable Growth



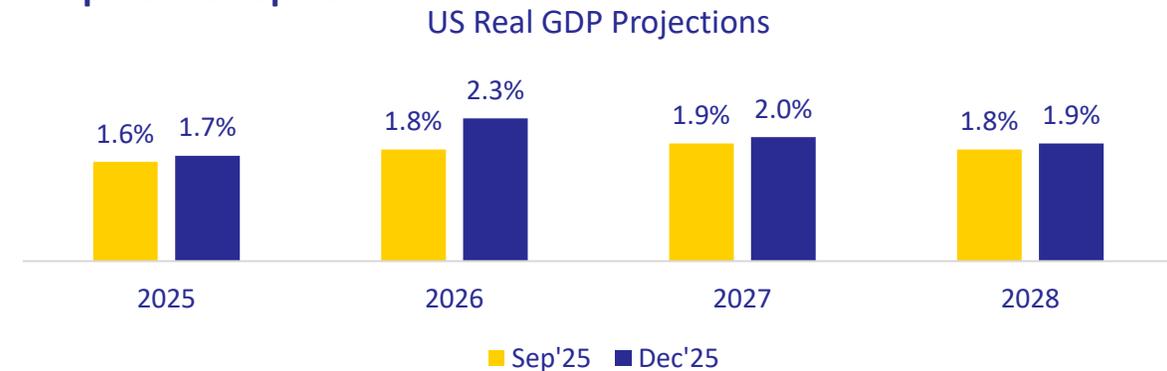
**FOMC has decided to maintain status quo keeping the target range unchanged at 3.5%-3.75%**



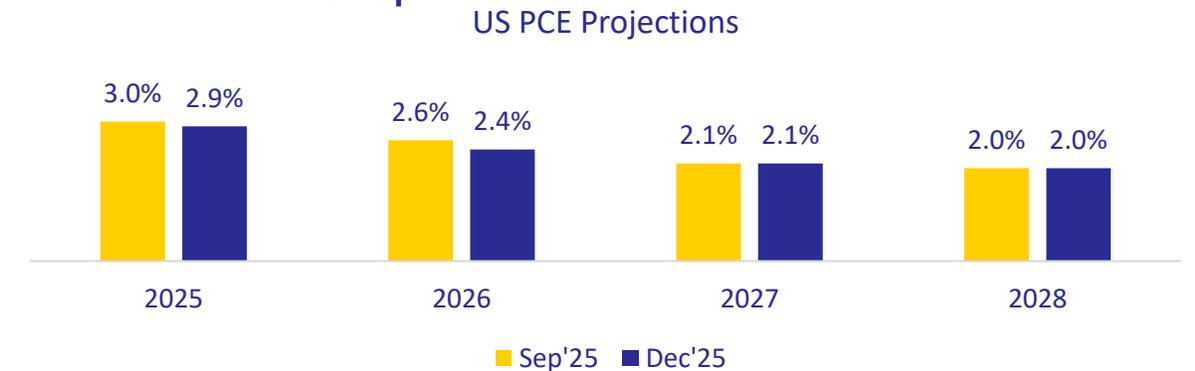
**Job Openings are at all-time low in last 5 years, Unemployment rate is inching up. Jan Non Farm payrolls shows uptick in employment.**



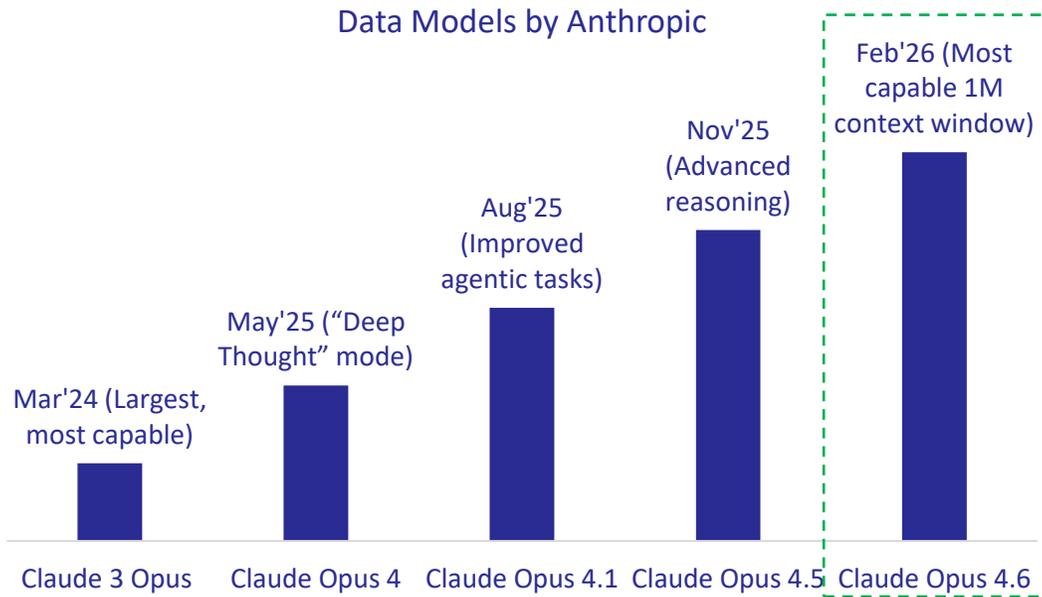
**Dec'25 projections for real GDP growth have been revised upwards compared to Sep'25**



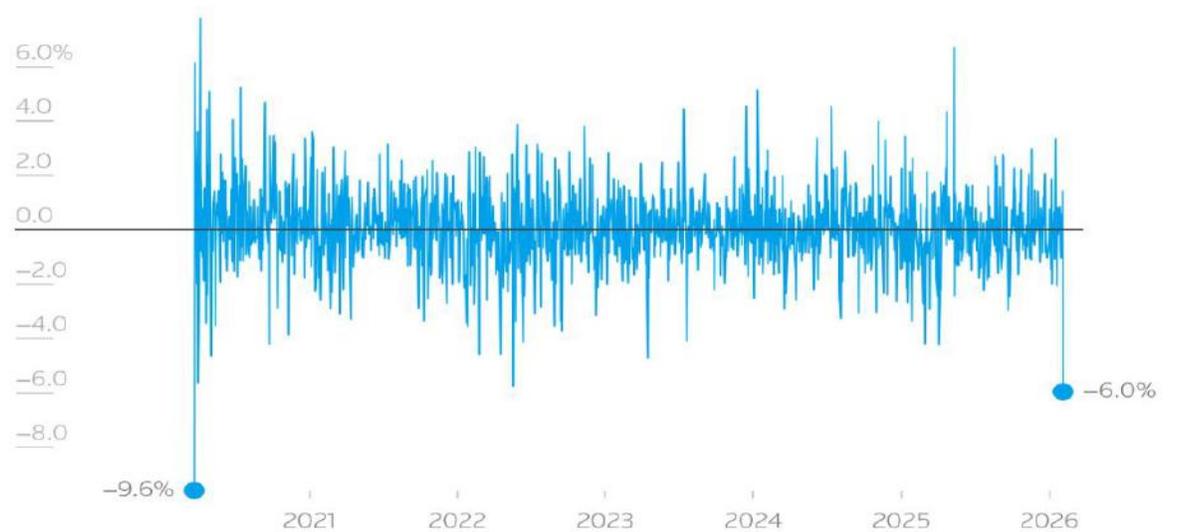
**PCE inflation is trending downwards, still elevated above 2% and runs the risk tariff-related upside**



# Anthropic AI: Announcement & Impact

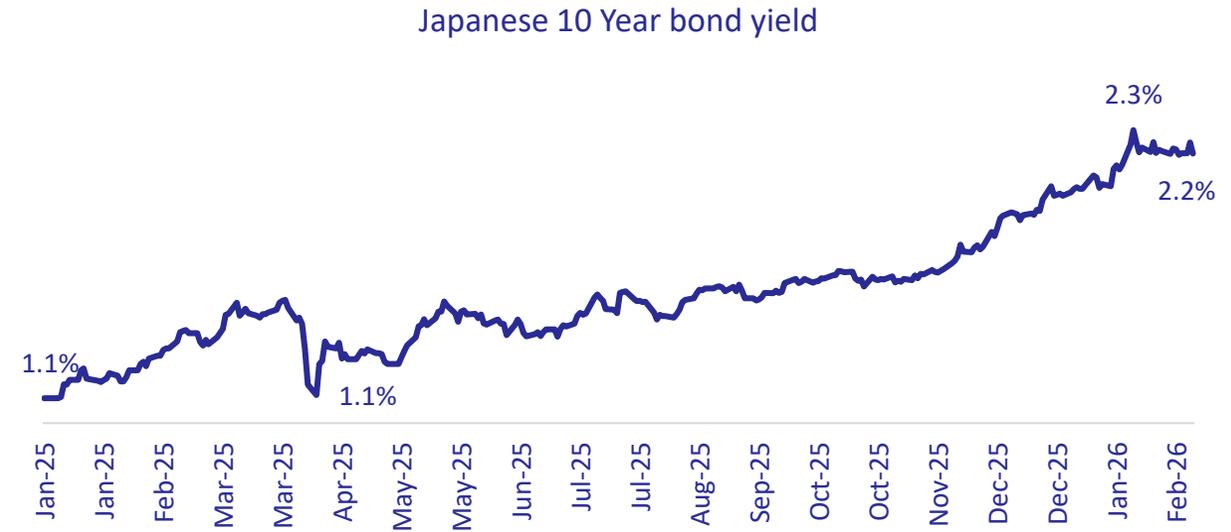
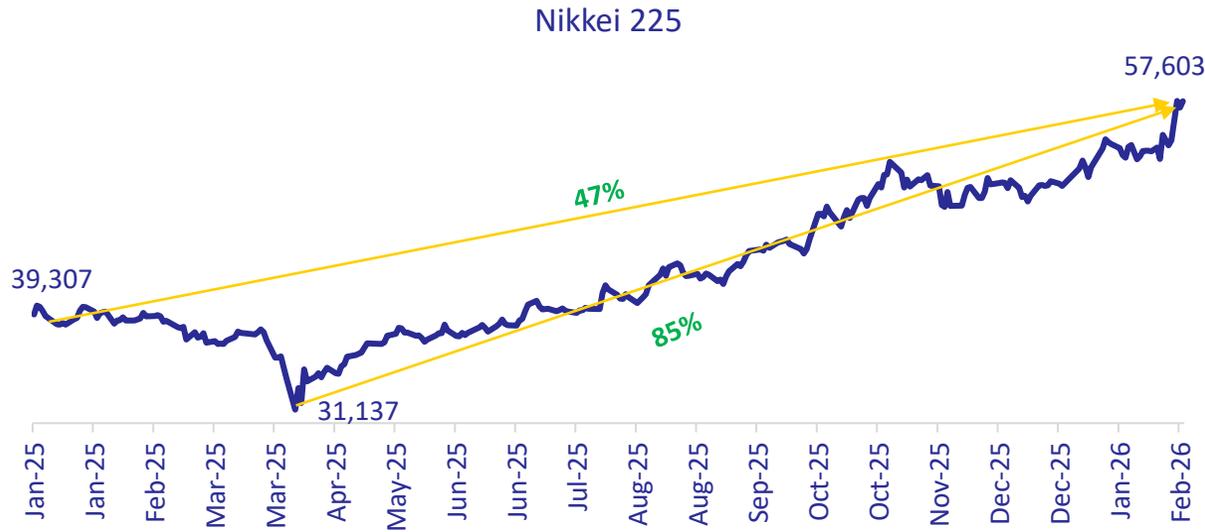


Nifty IT Index faced the biggest percentage drop in last six years (Daily % change)



- Anthropic's Claude Opus 4.6 launched on 5<sup>th</sup> Feb 2026 with autonomous Agent Teams that can replace entire software workflows.
- Within 48 hours of its launch it triggered a "SaaSocalypse" – a \$285 bn global software wipeout in 48 hours, with Nifty IT Index crashing ~6.0% in a day, 2<sup>nd</sup> biggest crash after Covid-19. The Nifty IT index has crashed by more than 9% in the last seven days.

# Japan – Equity Index and Yields at All time High!



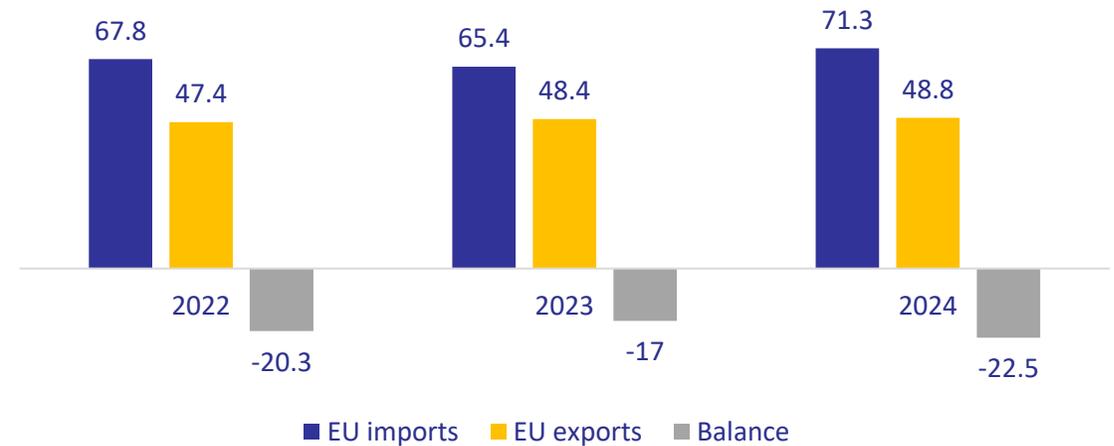
- Japan's Liberal Democratic Party (LDP) secured a landslide victory granting them a strong mandate for pro-growth reforms.
- Yields have surged by 1.2 ppt since Jan'25 influenced by fiscal stimulus, rising inflation and BoJ normalisation.
- Nikkei's performance has been robust rising ~47% since the start of 2025 and ~12% in YTD 2026 driven by economic recovery, tech surges and post election stability.
- Markets anticipate higher fiscal spending and possible tax cuts → higher borrowing needs → bond prices fall, yields rise. Expansionary fiscal stance can weaken the Yen.

# India-EU sign Free Trade Agreement

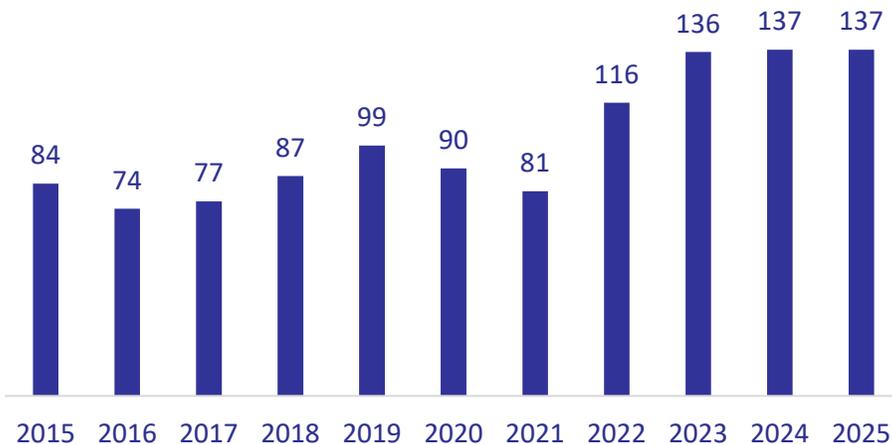
Size of India and EU economies



EU Runs a trade deficit with India (EUR Billion)



EXIM Trade with EU (\$Bn)



EU accounted for 22% of India's exports in FY25 and 13% of India's imports, India accounted for 2.4% of the EU's total trade in goods in 2024

### EU Offer to India:

- India has gained preferential access to across 97% of tariff lines
- 70.4% tariff lines covering 90.7% of India's exports will have immediate duty elimination

### India Offer to EU:

- India is offering 92.1% of its tariff lines which covers 97.5% of the EU exports
- 49.6% of tariff lines will have immediate duty elimination

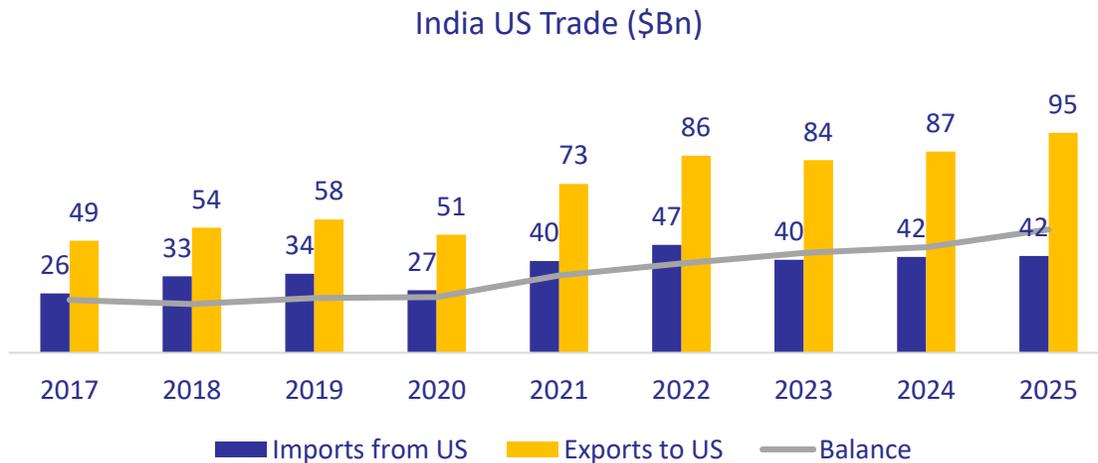
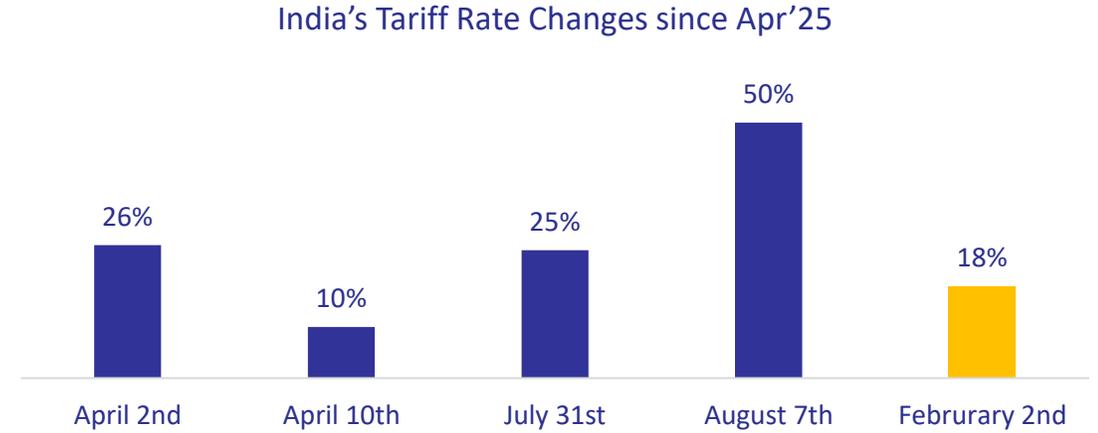
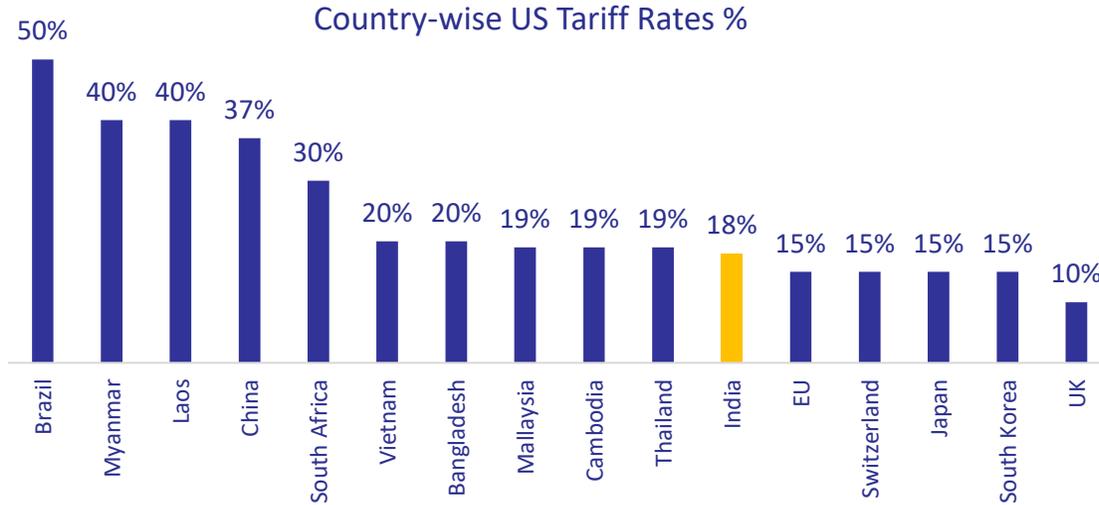
FTA projected to generate **Real Value Added gains of ~0.13% of GDP** for India, with bilateral trade surging by 41–65%

# India-EU Deal : Sectoral Beneficiaries

Sector	Pre-deal EU duty	Post-deal outcome	EU Imports / Market Size	India Total Exports / % of EU exports
<b>Textiles &amp; clothing</b>	Up to 12.0%	Zero duty access	\$127.43bn	\$7.36bn / 5.8%
<b>Leather &amp; footwear</b>	Up to 17.0%	Zero duty	\$38.22bn	\$2.51bn / 6.6%
<b>Gems &amp; jewellery</b>	Up to 4.0%	Preferential access, Zero duty	\$45.16bn	\$2.67bn / 5.9%
<b>Chemicals</b>	Up to 12.8%	Zero duty	\$309.17bn	\$16.97bn / 5.5%
<b>Medical instruments / appliances / supplies</b>	Up to 6.7%	Zero duty	\$97.16bn	\$7.86bn / 1.5%
<b>Marine products</b>	Up to 26.0%	Preferential access	\$32.10bn	\$0.914bn / 2.9%
<b>Engineering goods</b>	As high as 22%	Preferential market access	\$1,031.29bn	\$28.59bn / 2.8%
<b>Mines &amp; minerals</b>	Up to 8.0%	Zero duty	\$539.20bn	\$7.86bn / 1.5%
<b>Home décor / wooden crafts / furniture</b>	Up to 10.0%	Lower duties (up to 10.5% referenced)	\$47.42bn	\$0.876bn / 1.9%
<b>Plastics &amp; rubber</b>	Up to 6.5%	Zero duty; preferential access	\$89.94bn	\$2.67bn / 3.0%

- India has an opportunity to gain market share in sectors with zero duties and preferential market access
- Second order beneficiaries include: Capital Goods, IT, OEMs, Defence, Metals

# US-India announce Interim Trade Agreement



- US to lower reciprocal tariffs on India's exports from 25% to 18%. (Additional punitive tariff for Russian Oil purchase also becomes 0%)
- India has agreed to buy \$500Bn worth of US goods across energy, technology and agriculture over 5 years

# India-US Deal : Sectoral/Category Beneficiaries

## Key Sectoral Impacts

Sector	New Tariff Rates	Impact on India	US Imports Value Approx. (\$Bn)
Generic Pharmaceuticals	0%	Positive	100
Gems and Jewellery (major product categories including diamonds, platinum and coins)	0%	Positive	29
Smartphones	0%	Positive	40
Agri (Spices, Tea, Coffee)	0%	Positive	1
Aircraft Parts	0%	Positive	16
Gems and Jewellery (Rest)	18%	Positive	61
Textiles (General)	18%	Positive	113
Leather and Footwear	18%	Positive	42
Home Décor	18%	Positive	52
Machinery and Parts (Excluding Aircraft Parts)	18%	Positive	477
U.S. Tech (GPUs/Hardware)	-	Neutral	42
Agri (Maize and Feed)	Lowered	Negative	3
U.S. Tree Nuts (Walnuts)	Phased Reduction	Negative	2
Energy (Oil and Gas)	Reciprocal	Negative	-

## India Imports from US (FY25)

Goods Category	Imports (\$ Bn)	Pre-deal weighted average tariff rates
Petroleum	10	~4%
Metals and Minerals	6	~9-10%
Electronics	6	~8-10%
Chemicals	4	~9-10%
Transport Equipments	3	~20-22%
Agriculture Products	2	~35-40%

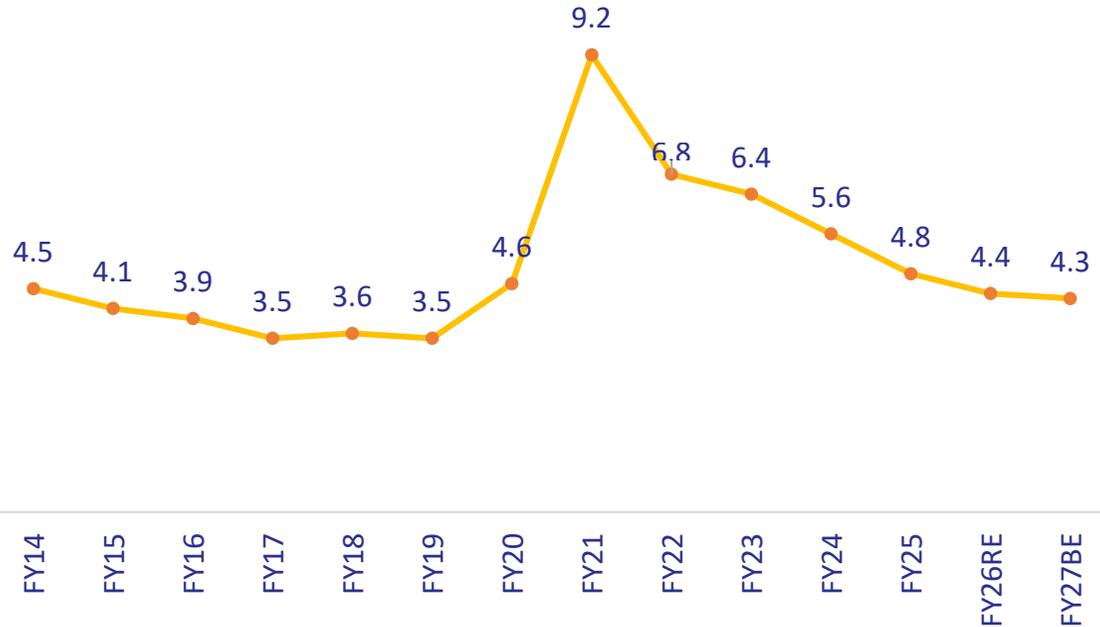
## India Exports to US (FY25)

Goods Category	Export(\$ Bn)	Share in total goods export (%)	Pre-deal tariff rates
Textiles	25	5.7	50%
Electronics	15	3.4	0%
Pharma	11	2.5	0%
Gems/Jewellery	10	2.3	50%
Machinery	8	1.8	25%-50%
Agriculture	6	1.4	50%

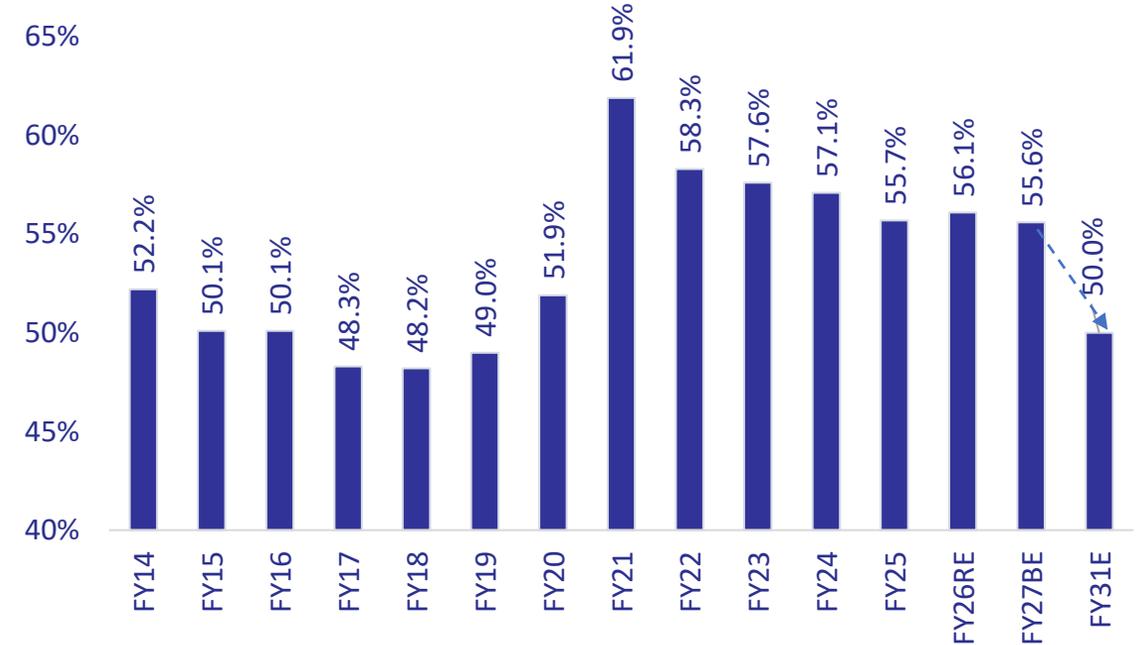
- Out of total ~86Bn Indian Exports to US, exports worth \$44 billion will face 0% tariffs, \$30 Billion to face 18% and around \$12 Billion remains unchanged
- Competitive tariff rate of 18% on \$900 bn worth of global imports of the U.S.
- Zero duty for India on \$150 bn worth of global imports of the U.S.

# Union Budget FY27: Prudent Fiscal Management through Calibrated Approach

Trend in Fiscal Deficit as % of GDP



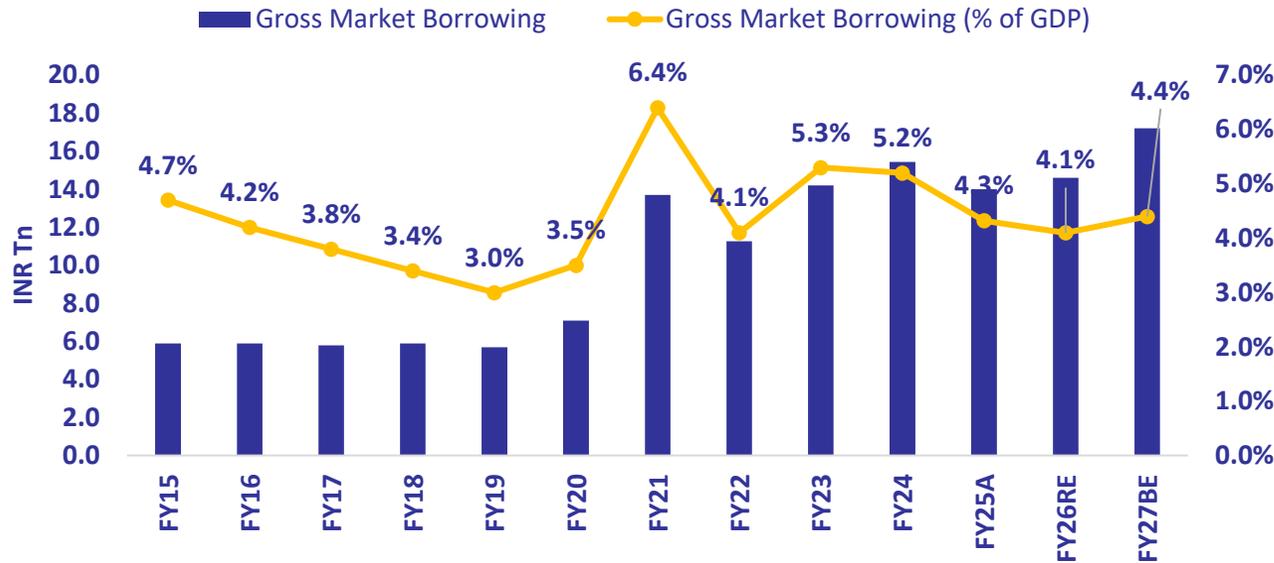
Trend in Central Govt Debt/GDP Ratio



- FY27 Fiscal deficit is budgeted at 4.3% of GDP - fiscal deficit serving as the operational lever to achieve debt sustainability
- Starting FY27 through FY31, the Government has reiterated its commitment to steady fiscal consolidation, with the explicit objective of ensuring that Central Government debt follows a declining trajectory over the medium term
- The medium-term target is to reduce the Centre's debt-to-GDP ratio to 50 ± 1% by FY31E

# Union Budget FY27: Supply Surprise May Weigh on Market Sentiment

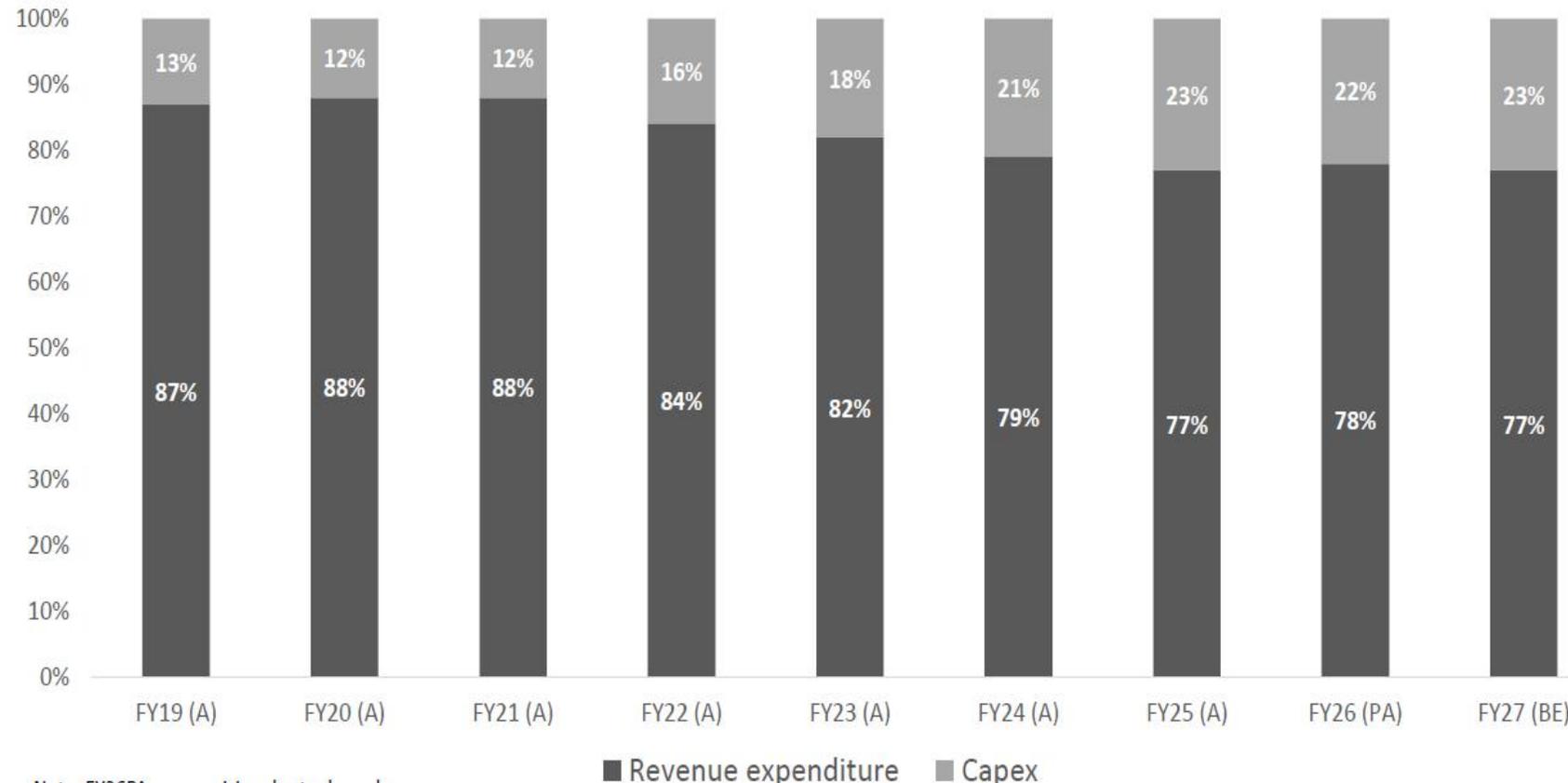
Trend in Gross Market Borrowing (INR Tn)



Borrowing Break-up (INR Lakh Cr)	FY25A	FY26RE	FY27BE
Gross Dated borrowing	14.01	14.61	17.20
Repayment	-2.38	-3.28	-5.47
Net Dated Borrowing	11.63	11.33	11.73

- In BE 2026-27, the Central Government has estimated the gross and net borrowings at INR 17.20 Lakh Cr (4.4 % of GDP) and INR 11.73 Lakh Cr (3.0 % of GDP), respectively, compared to RE 2025-26 of gross and net borrowings at INR 14.61 Lakh Cr and INR 11.33 Lakh Cr respectively
- While FY27 gross market borrowing rises sharply to INR 17.2 Lakh Cr, net borrowing is largely unchanged at INR 11.7 Lakh Cr —indicating that the increase is driven by large maturities exceeding INR 5 trillion over the next few years

# Union Budget FY27: Quality of Expenditure Improving



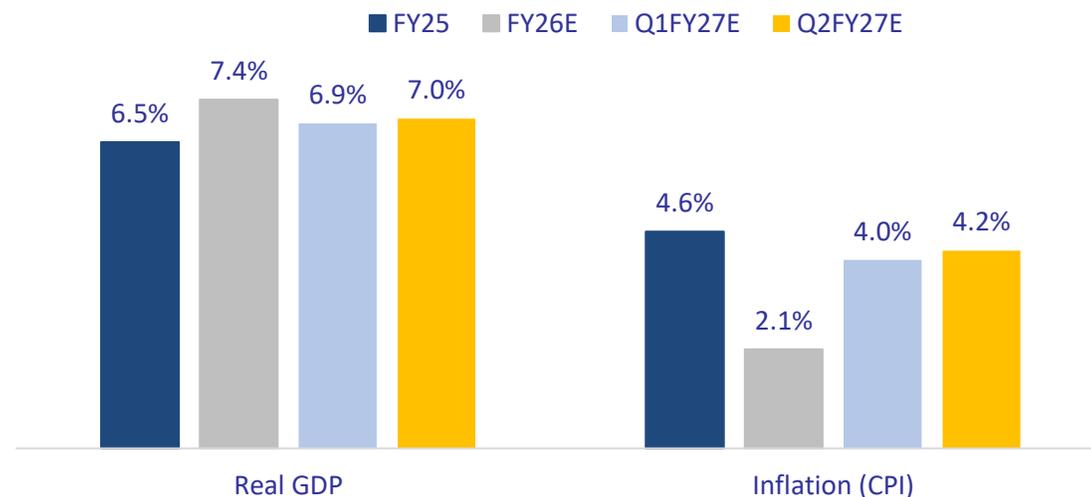
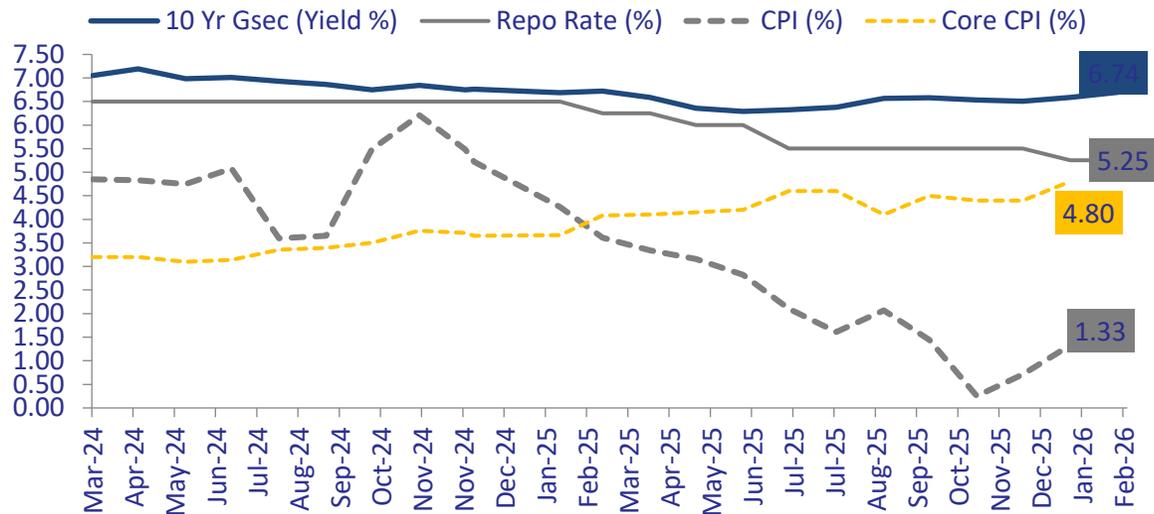
- In terms of break-up of the expenditure carried out by the government, the proportion of Capital expenditure has seen a gradual uptick over the past few years and is expected to continue at FY25 levels of 23% going forward

# Union Budget FY27: Allocation Across Sectors

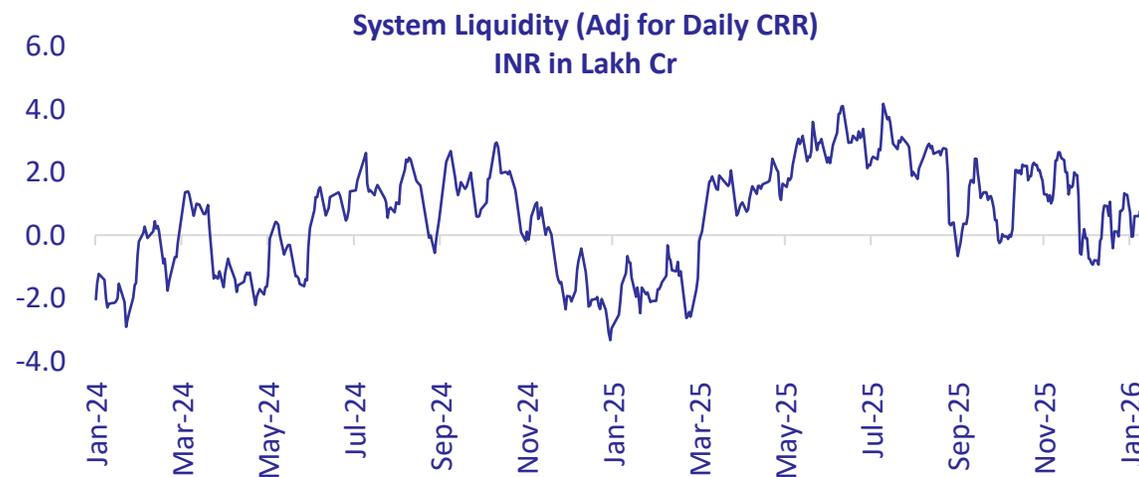
Sector	RE 2025-26 (₹'000 crs)	BE 2026-27 (₹'000 crs)	Abs. Change (%)
Agriculture	123.1	130.6	6.1%
Defence	535.6	621.5	16.0%
Road Transport	294.2	342.1	16.3%
Railways	277.8	317.0	14.1%
Rural Development	197.0	205.3	4.2%
Home Affairs	198.1	219.6	10.9%
Education	136.2	151.0	10.9%
Power	39.9	48.5	21.7%
Health & Welfare	109.8	116.0	5.7%
Housing & Urban Affairs	80.4	96.8	20.4%
Communications	79.1	90.5	14.4%
Commerce & Industry	12.0	15.6	30.3%
Social Justice & Empowerment	13.7	15.0	9.9%
Scientific Departments	21.2	24.5	15.6%
Space	13.2	15.0	13.6%
Dept. of Revenue	12.8	14.0	9.8%

- **FY27 Union Budget reaffirms a capex-led growth approach**, with sharper allocation increases for defence, transport & highways, railways, urban development and energy – signaling sustained focus on productivity- and multiplier-intensive sectors.
- Social and human-capital spends (agriculture, education, health, rural development) rise steadily but modestly, **reflecting continuity and fiscal discipline rather than a consumption-driven stimulus**.
- **Allocation differentials across ministries highlight clear prioritization toward capital-intensive and strategic areas, reinforcing an investment-led, structurally anchored growth model.**

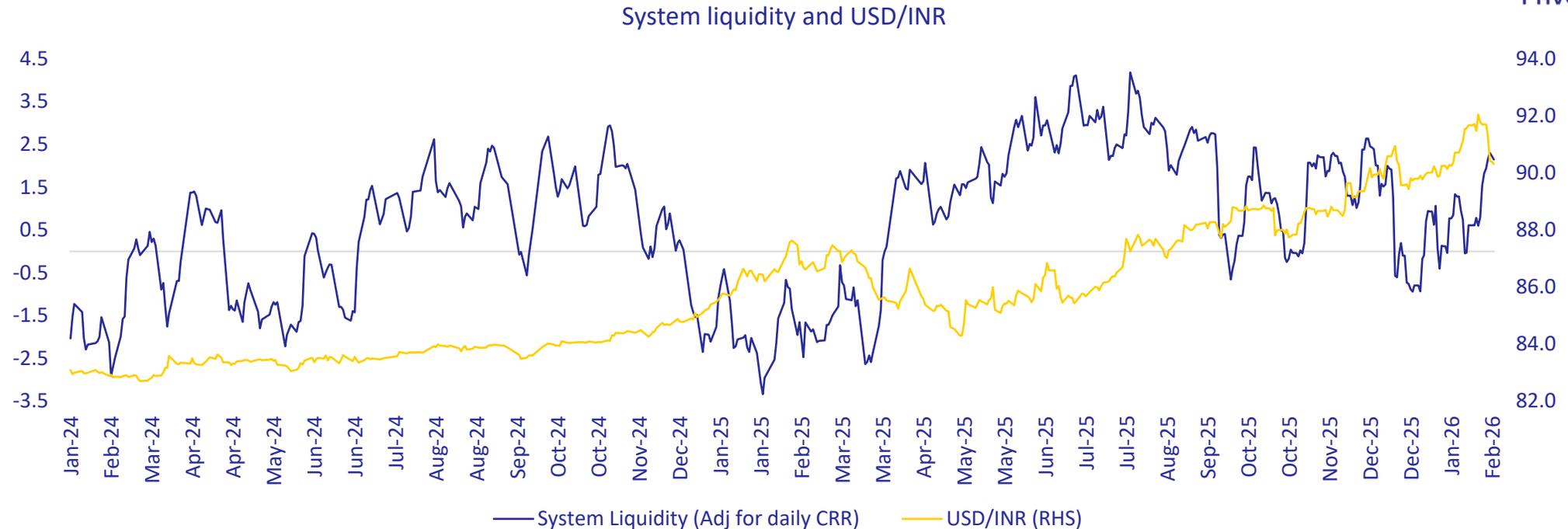
# RBI Paused Rates With Neutral Stance Focus on Pre-Emptive Liquidity Management



- After the cumulative easing, RBI is now prioritising transmission and financial stability, while keeping optionality open for future action depending on inflation/growth outcomes post release of the new statistical series
- Modest inflation firming (notably via metals) alongside a better growth impulse into early FY27
- Liquidity operations will be pre-emptive, enable monetary policy transmission, no explicit forward commitment on OMO purchases,



# Assessment of INR vs. USD and Liquidity implications

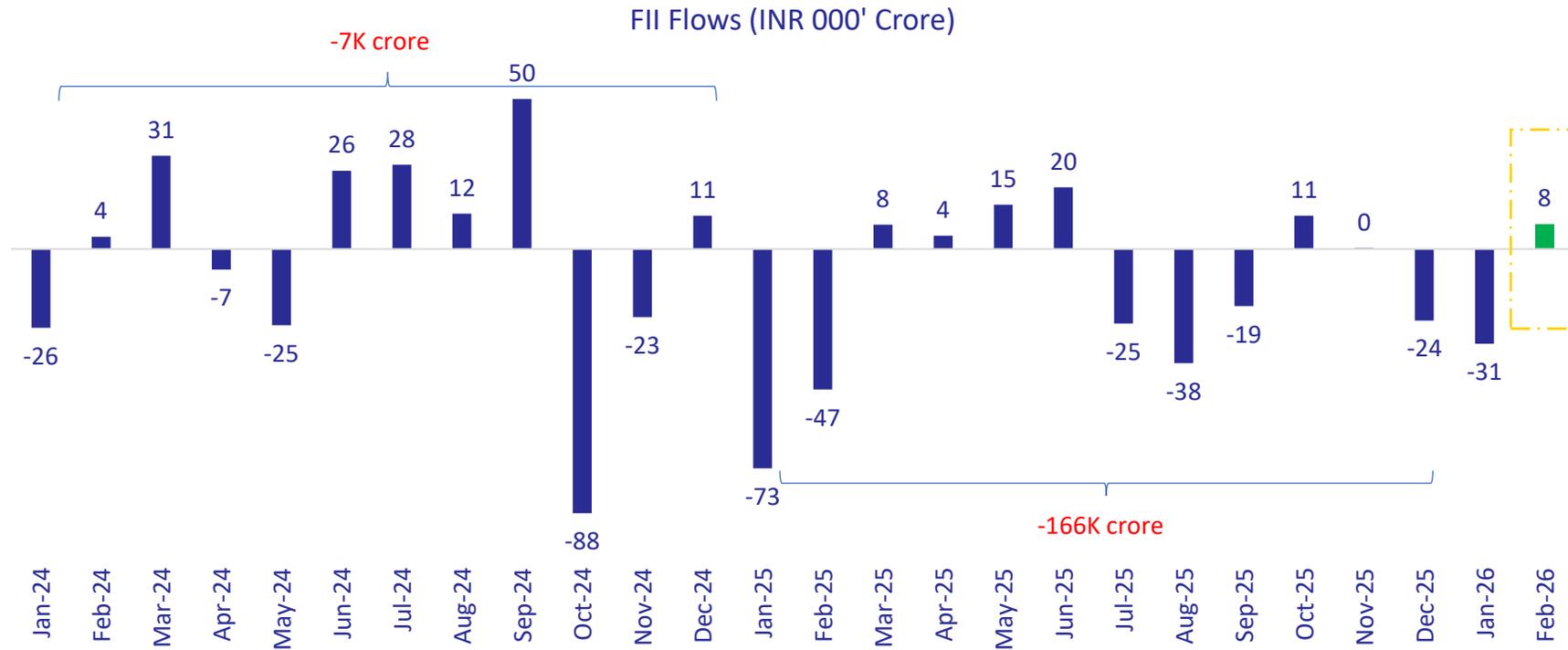


- The INR depreciated ~6.5% against USD in 2025 (from ~83 to ~90), hitting record lows amid FII outflows and tariffs, reaching ~92 levels during early 2026. However it seems to have stabilised in the range of 90-91 post announcement of deal with US.
- INR Stabilization could reduce RBI interventions, easing liquidity conditions.
- As per the Economic Survey 2026, rupee underperformed in 2025 and it is trading below the levels suggested by economic fundamentals. A weaker rupee does not hurt for now as it helps soften the impact of higher US tariffs on Indian exports.

Source: Bloomberg, Data till 3<sup>rd</sup> Feb 2025

Past performance is not an indication of future performance. The performance related information provided herein is not verified by SEBI

# FII Flows into India: Reducing Uncertainty



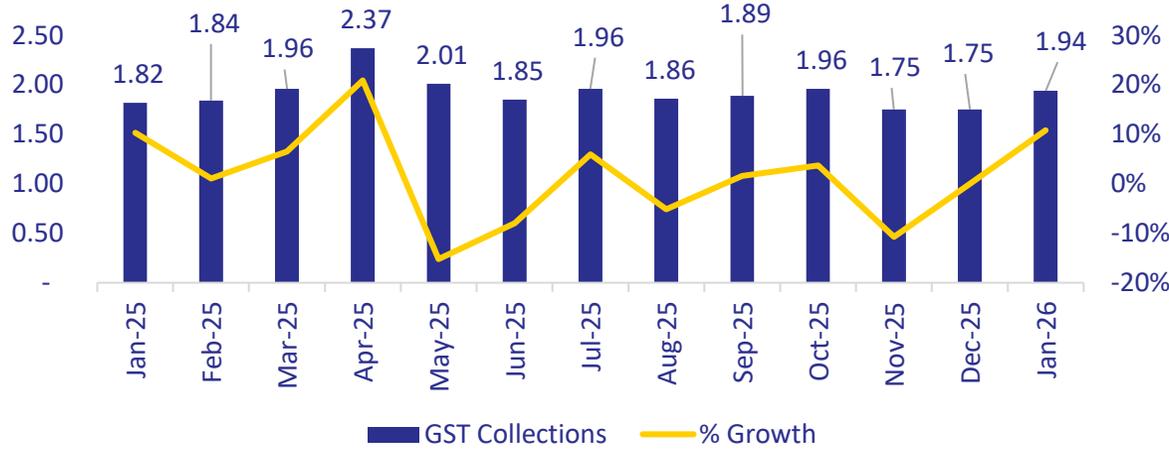
- FII flows into India turned sharply negative in 2025 with record outflows of around INR 1.66 lac crore, driven by high valuations, global shifts toward AI-linked trades and US tariff uncertainties.
- However, early 2026 shows some signs of reversal, particularly post the India-US trade deal announcement triggering FII inflows of INR 7,500 cr+ in a single day

Source: NSDL, Data till 3<sup>rd</sup> Feb 2026

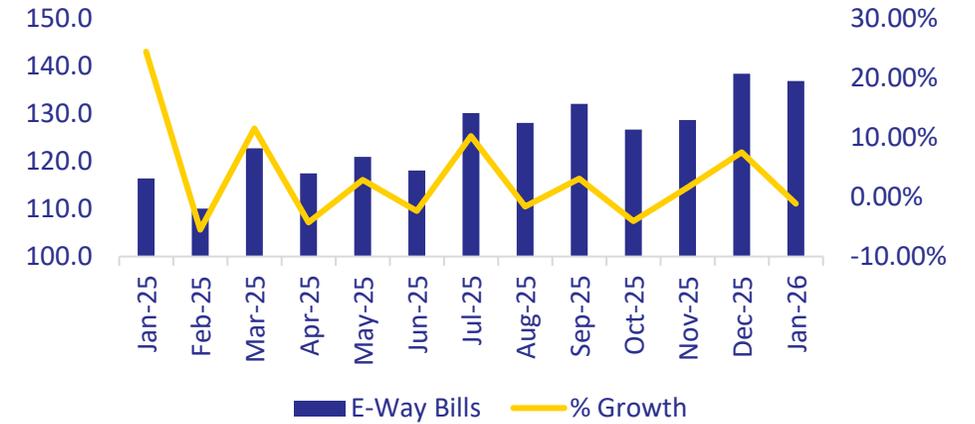
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# High Frequency Indicators

Gross GST Collection Data  
(₹ in lakh crs)



E-Way Bills Generated  
(in million)



Passenger Vehicle Sales Data



Core Index Industries - Growth Trend

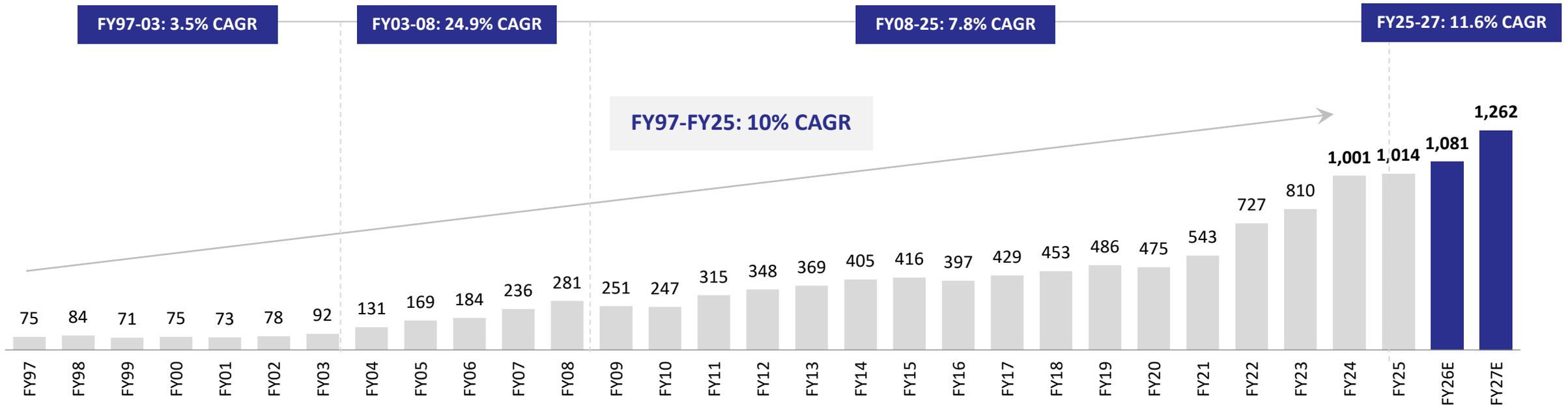


# Key Points from Interim Review of 3QFY26 Earnings



- **Banks:** 3QFY26 has witnessed broadly stable NIMs across private banks, alongside healthy loan growth and continued improvement in asset quality, with credit costs remaining well controlled.
- **NBFCs – Lending:** NBFCs delivered a mixed performance in 3Q across loan growth, with signs of demand revival visible in vehicle finance and unsecured lending; in contrast, housing financiers continued to see muted loan growth due to intense pricing competition from banks.
- **Consumer:** Staple companies clocked a partial recovery in 3Q, particularly after the stability from the GST transition. Rural has been resilient, while urban demand has also started showing a positive trend.
- **Metals:** During 3QFY26, ferrous companies across the board reported in-line operating performance. Ferrous companies across the board saw healthy volume growth of 12% YoY and 6% QoQ, which partially offset the muted NSR.
- **Oil & Gas:** The results indicate mixed performance so far. OMCs continued to post stable results, whereas weakness persisted in the gas space. Reliance Industries posted a soft 3Q, hurt by a weaker performance of Reliance Retail (RRVL).
- **Technology:** The IT services companies (within the MOFSL Universe), despite seasonally weak conditions in 3QFY26, reported better-than-anticipated earnings; the sector witnessed a median revenue growth of 1.7% QoQ CC.

# Nifty 50 – Earnings Growth Outlook



- Nifty EPS expectations: FY26 - to grow by 6.6% to 1081 and FY27 – to grow by 16.7% to 1262.

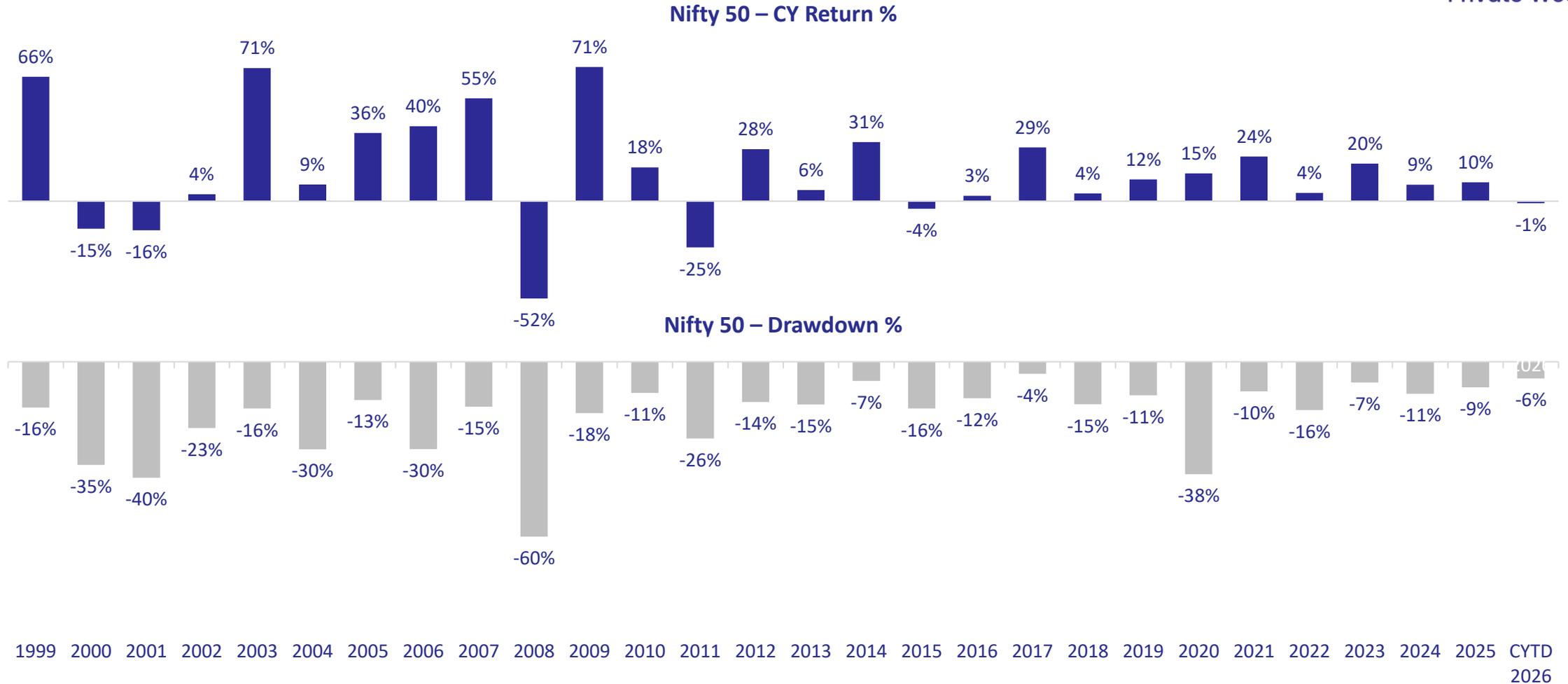
# Returns post the phase of consolidation

Start	End	Return 18M (%)	Next 12M (%)	Next 36M (%)
31-07-2001	31-12-2002	1.92	71.9	159.4
31-08-2001	31-01-2003	-1.13	73.7	188.1
31-10-2001	31-03-2003	0.65	81.1	247.8
31-01-2007	30-06-2008	-1.03	6.2	39.8
31-03-2008	31-08-2009	-1.53	15.9	12.8
30-04-2008	30-09-2009	-1.59	18.6	12.2
28-02-2011	31-07-2012	-1.95	9.8	63.2
30-04-2011	30-09-2012	-0.8	0.6	39.4
31-05-2011	31-10-2012	1.07	12.1	43.5
31-12-2014	31-05-2016	-1.48	17.9	46.1
30-06-2015	30-11-2016	-1.72	24.3	46.6
30-09-2021	28-02-2023	-1.78	27.0	?
31-10-2021	31-03-2023	-1.76	28.6	?
31-08-2024	31-01-2026	-0.3	?	?
<b>Average</b>		-0.8	29.8	81.7
<b>Median</b>		-1.3	18.6	46.1

Source: NSDL, Data till 3<sup>rd</sup> Feb 2026

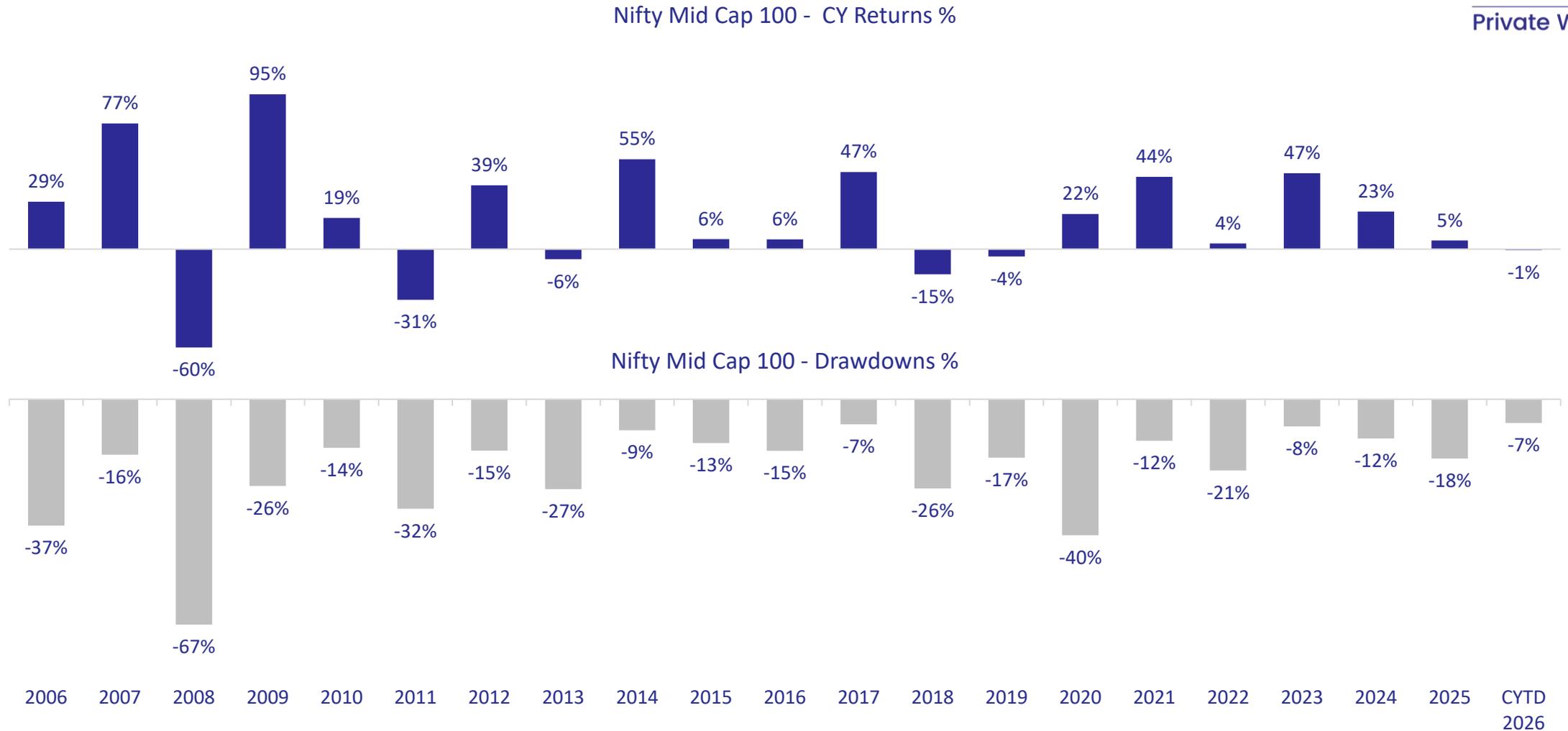
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# Intra-Year Correction – Large Caps



- Out of the 26 years, large-caps ended the year positively in 21 years i.e 84% of the times, despite an average drawdown of ~21%

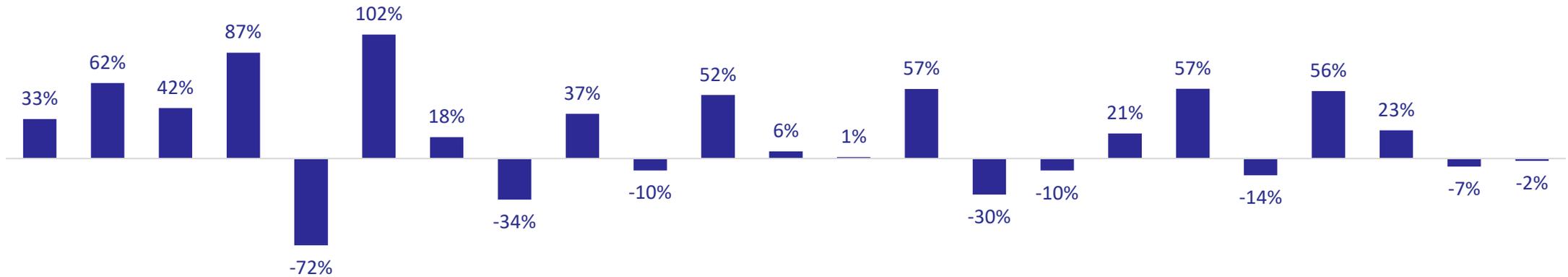
# Intra-Year Correction – Mid Caps



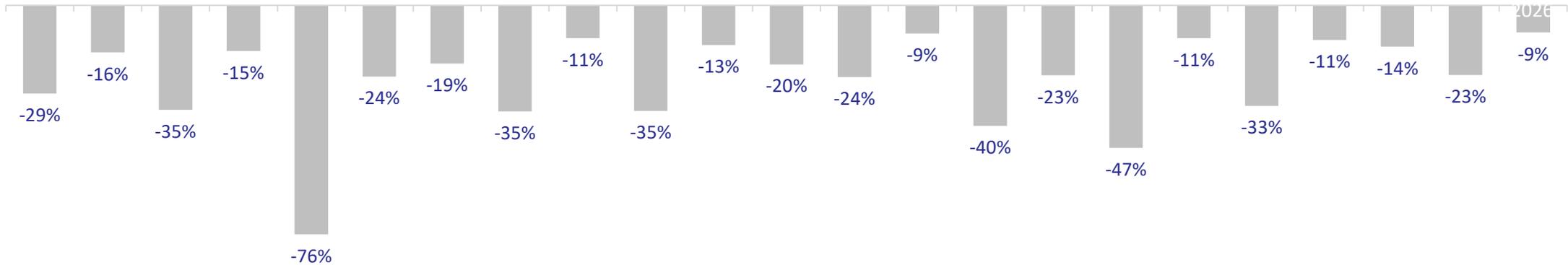
- Out of the 20 years, mid-caps ended the year positively in 15 years i.e 75% of the time, despite an average drawdown of 22%

# Intra-Year Correction – Small Caps

**Nifty Small Cap 100 - CY Returns %**

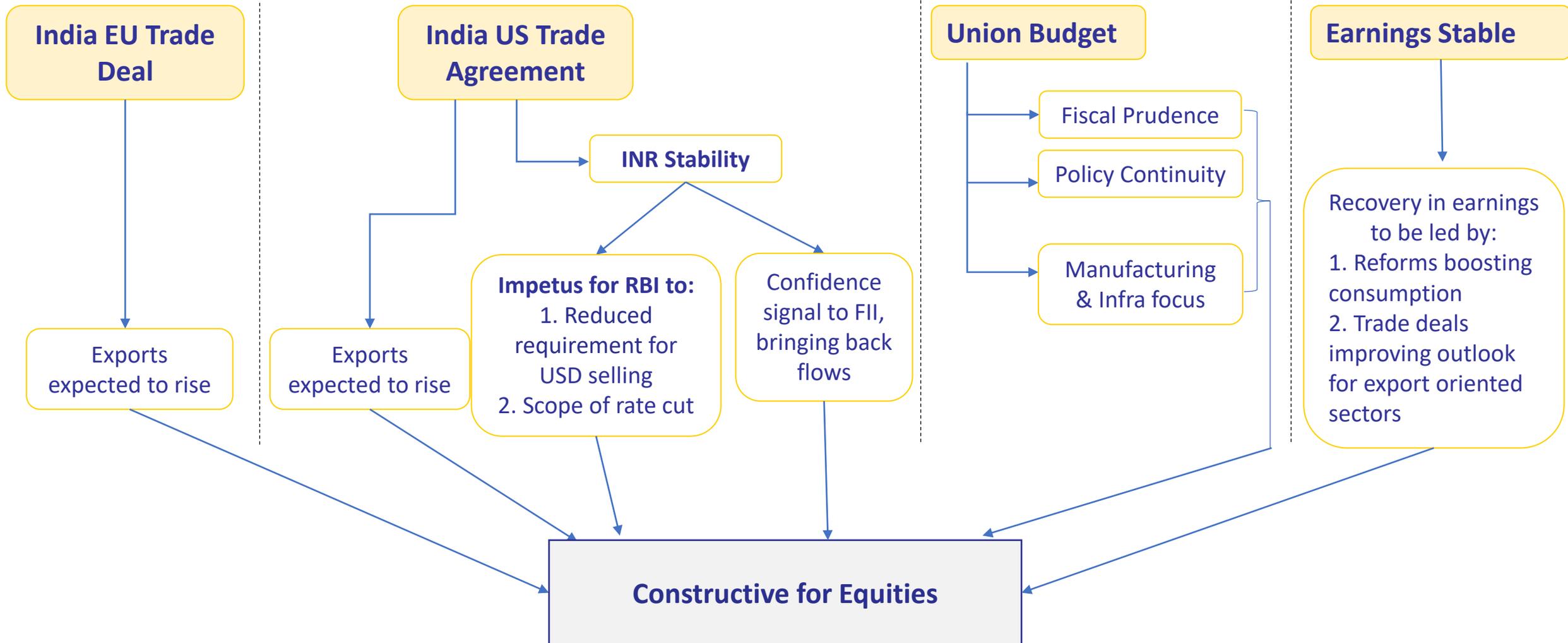


**Nifty Small Cap 100 - Drawdowns %**



- Out of the 22 years, small-caps ended the year positively in 15 years i.e 68% of the times, despite an average drawdown of 26%

# Convergence of Catalysts

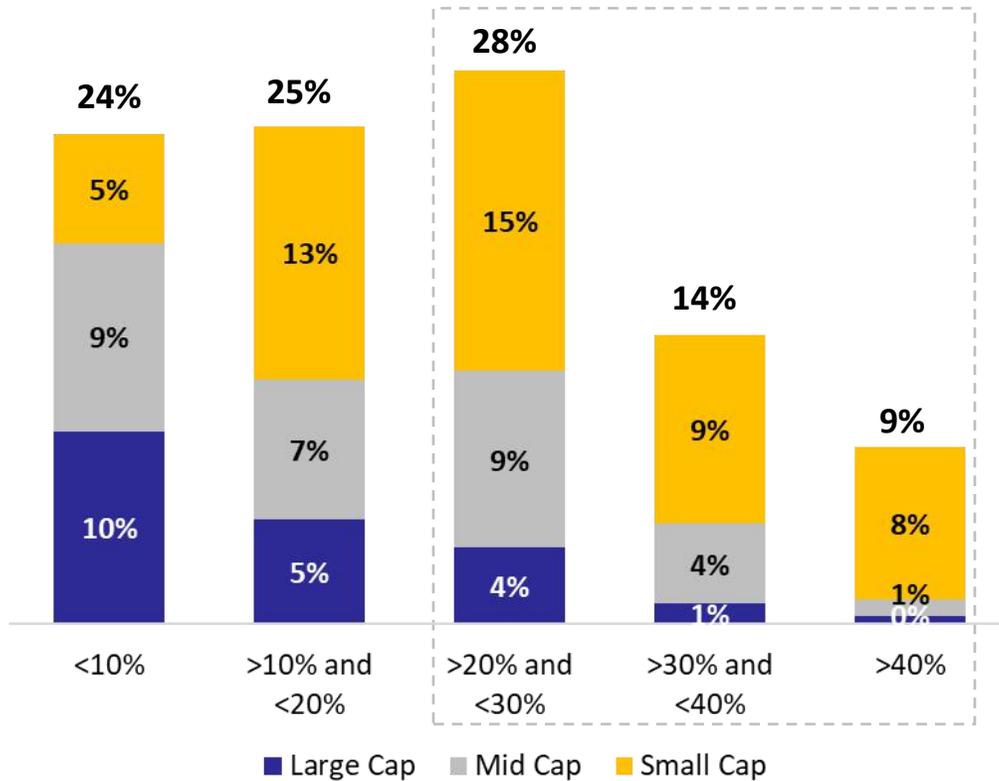




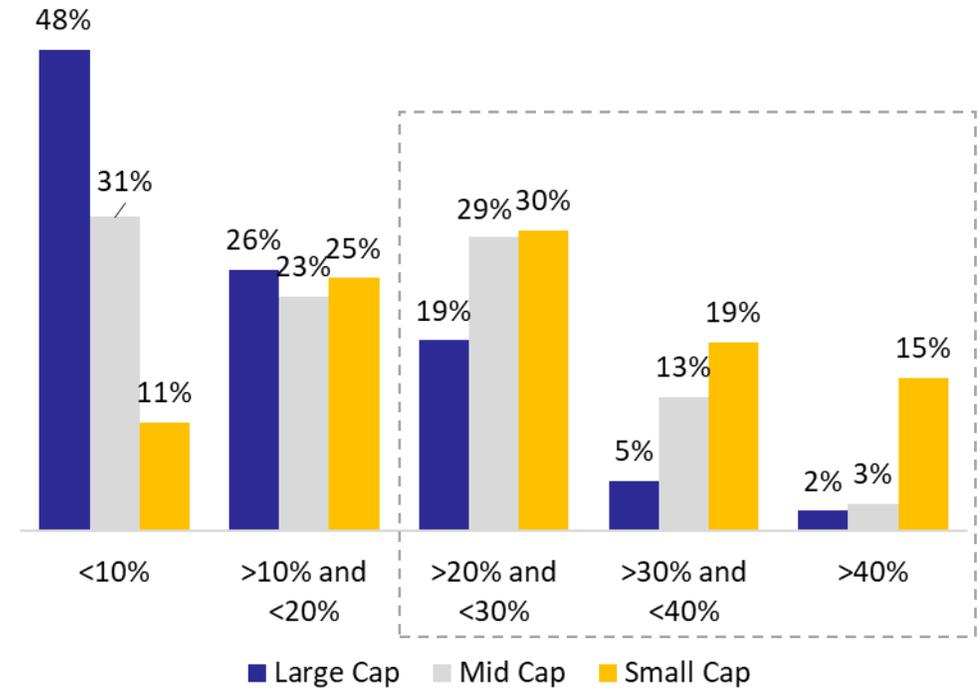
# Equity

# Extent of Correction from 52W High – Nifty 500

% of Nifty 500 Stocks, Fall from 52W High



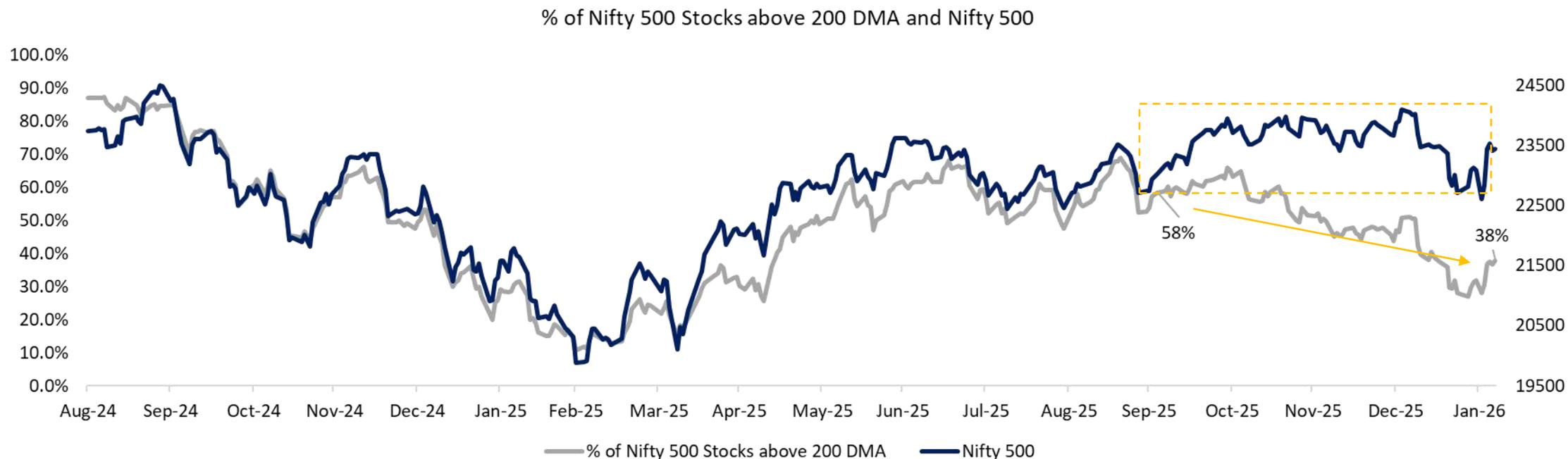
Market Cap Wise - Allocation %



Of the Nifty 500 stocks that have corrected more than 20% from their 52-week highs, **5% are large caps, 14% are mid caps, and 31% are small caps.**

**26% of large-cap stocks** have corrected more than 20% from their 52-week highs, with the proportion rising to **45% for mid caps and 64% for small caps**, highlighting a favourable entry point in SMIDs.

# Extent of Correction compared to DMA – Nifty 500

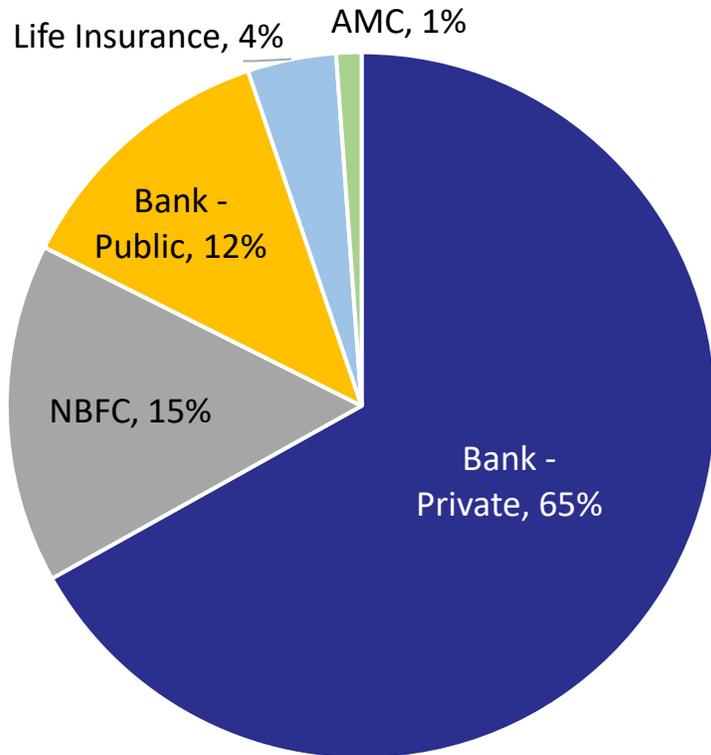


- Since Sep-24, Nifty 500 prices and market breadth (stocks above 200-DMA) largely moved in tandem; however, a divergence has emerged from Sep-25 onwards.
- **Breadth has weakened sharply, with stocks above 200-DMA falling from ~58% to ~38%** despite a range-bound index signalling a stealth correction, largely concentrated in mid and small caps.

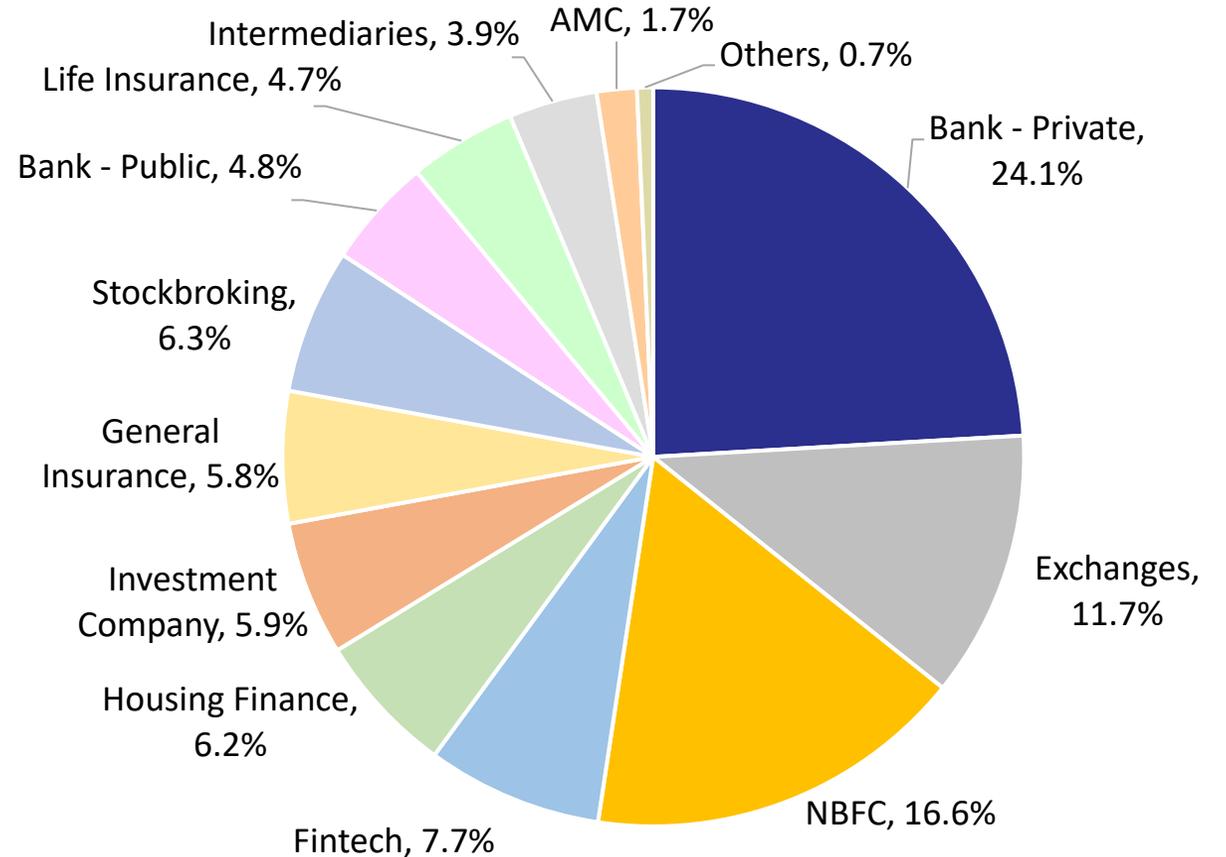
# Financials: Composition of sectors across Market Caps

The charts below show how divergent the composition is between the large caps and mid/small caps.

## Large Caps

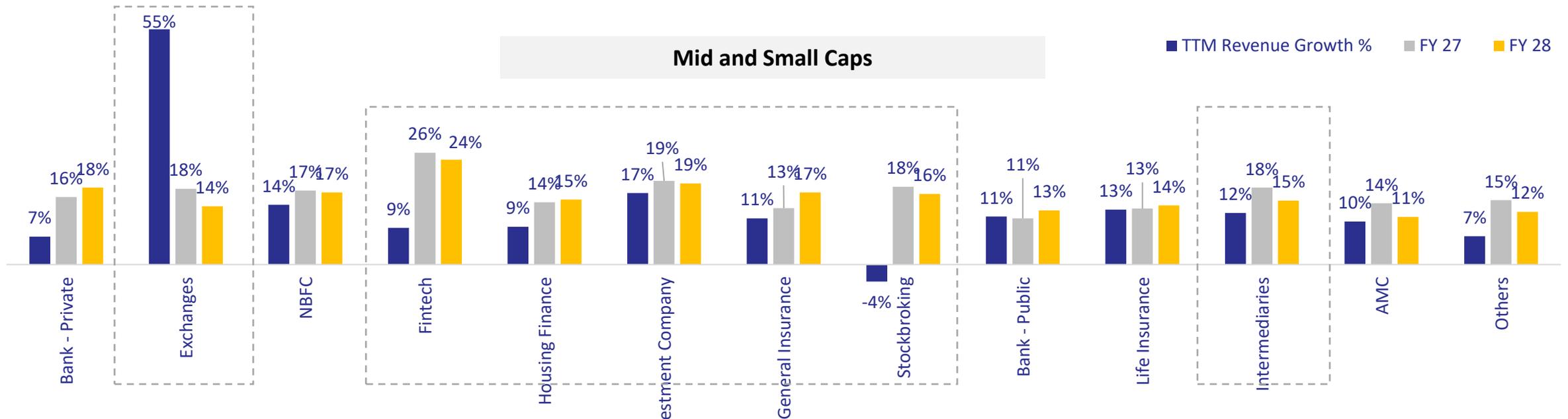
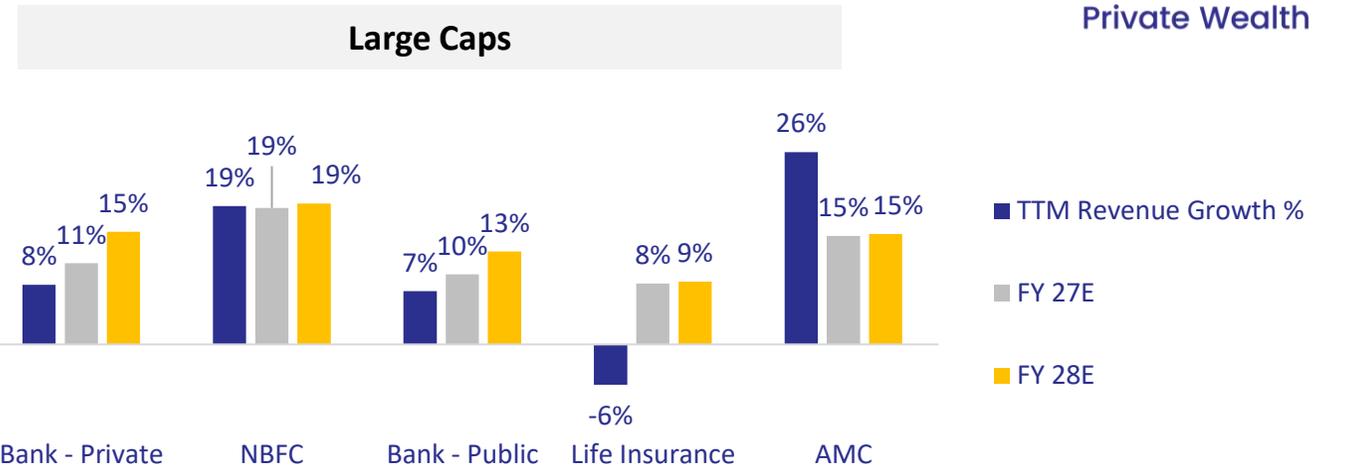


## Mid and Small Caps



# Financials: Revenue growth in sub-sectors across Market Caps

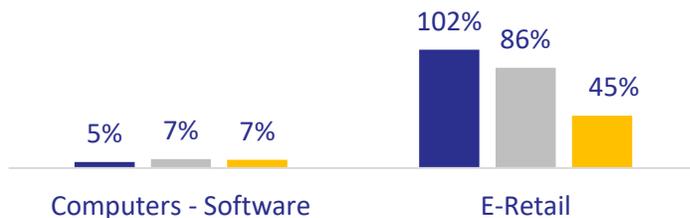
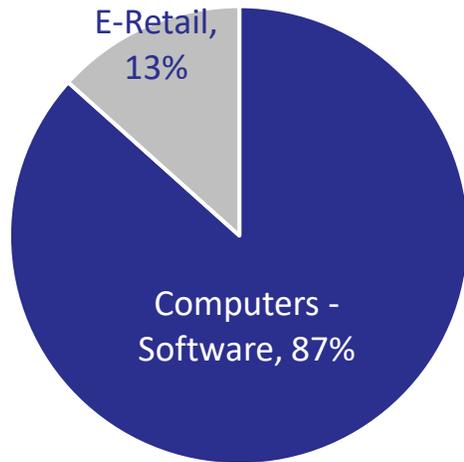
In Financials, many high-growth sub-segments (**fintech, housing finance, investment companies, general insurance, stock broking**) are largely represented in mid and small caps rather than large caps, reinforcing the case for selective SMID exposure.



# Digital – Composition and Revenue Growth across Market caps

In tech, many high-growth sub-segments, as highlighted in the box are largely represented in mid and small caps rather than large caps, reinforcing the case for selective SMID exposure.

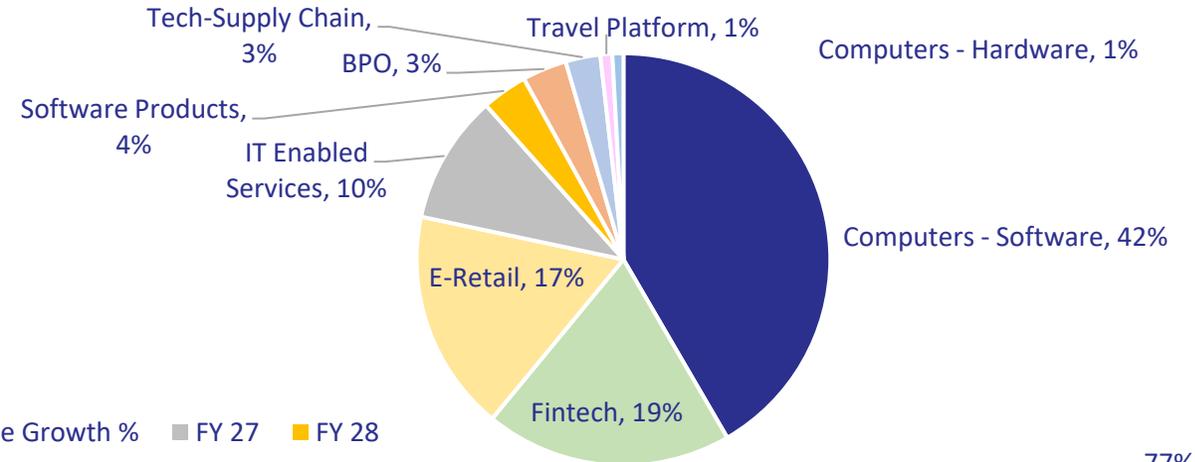
## Large Caps



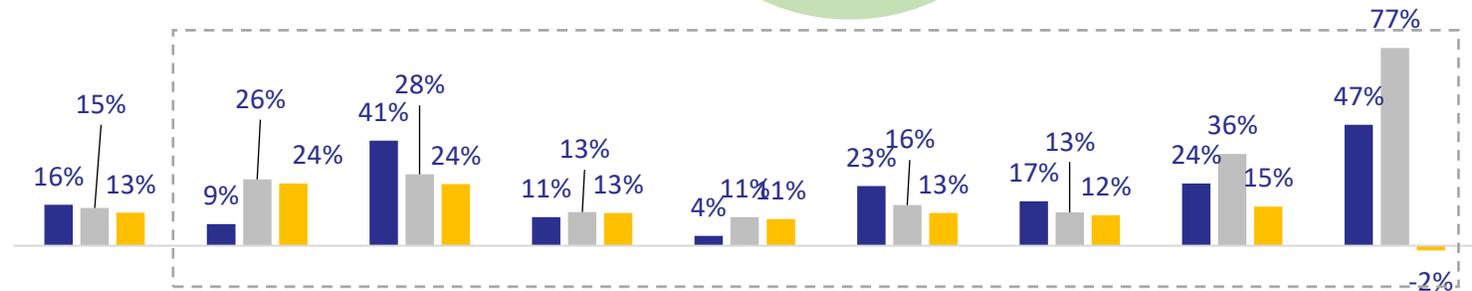
■ TTM Revenue Growth % ■ FY 27 ■ FY 28

Computers – Software	E-Retail
6	1

## Mid and Small Caps



■ TTM Revenue Growth % ■ FY 27 ■ FY 28



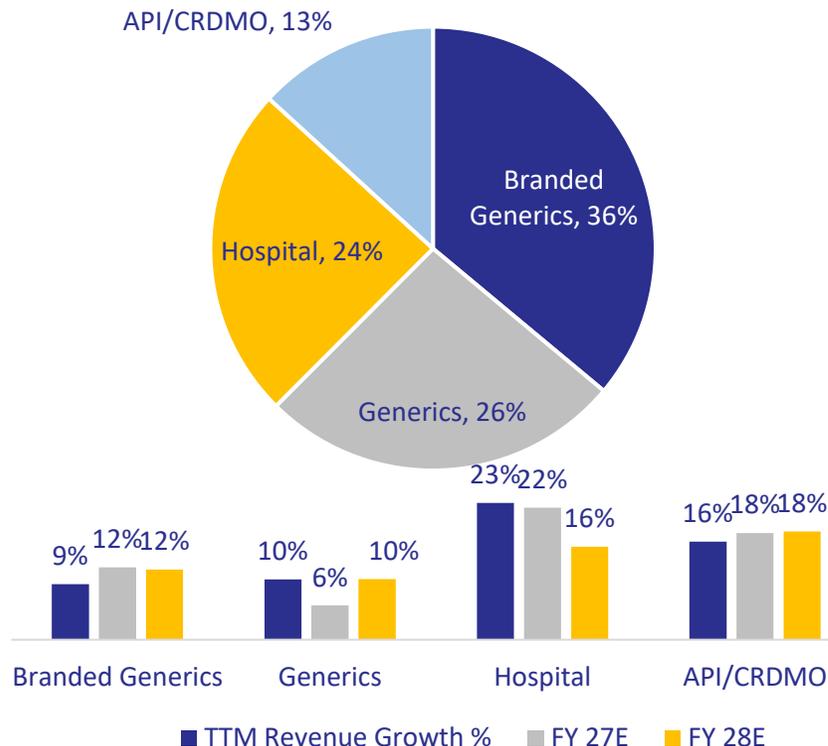
■ TTM Revenue Growth % ■ FY 27 ■ FY 28

Computers – Software	Computers – Hardware	Fintech	E-Retail	IT Enabled Services	Software Products	BPO	Tech-Supply Chain	Travel Platform
13	2	2	6	2	2	1	1	1

# Healthcare – Composition and Revenue Growth across Market caps

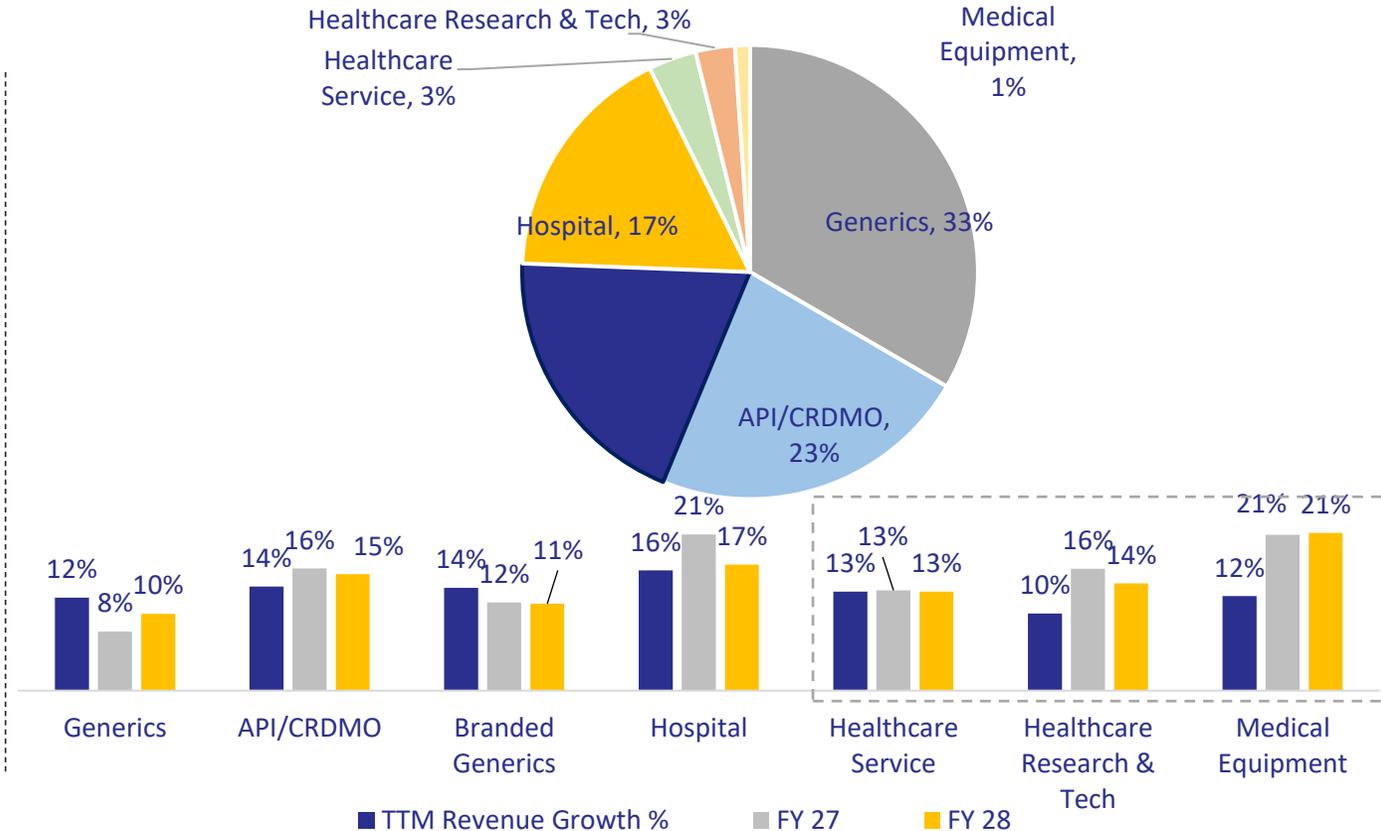
In healthcare, many high-growth sub-segments (**healthcare service, tech and medical equipment**) are largely represented in mid and small caps rather than large caps, reinforcing the case for selective SMID exposure.

## Large Caps



Branded Generics	Generics	Hospital	API/CRDMO
2	2	2	1

## Mid and Small Caps



Generics	API/CRDMO	Branded Generics	Hospital	Healthcare Service	Healthcare Research & Tech	Medical Equipment
11	10	11	7	3	2	1

# Mid & Small Cap Earning Growth Projections

Index	TTM PE	TTM EPS Growth	EPS Growth		Forward PE	
			FY27E	FY28E	FY27	FY28
<b>Nifty -50</b>	22.4	2.8%	16%	15%	19.3	16.8
<b>Nifty Next-50</b>	20.2	24.8%	17%	17%	17.2	14.7
<b>Nifty MidCap-150</b>	32.6	26.1%	23%	21%	26.5	21.9
<b>Nifty Small Cap-250</b>	26.8	15.0%	25%	21%	21.4	17.7
<b>Nifty 500</b>	23.9	8.8%	15%	15%	20.8	18.1

Data as on 9/02/26

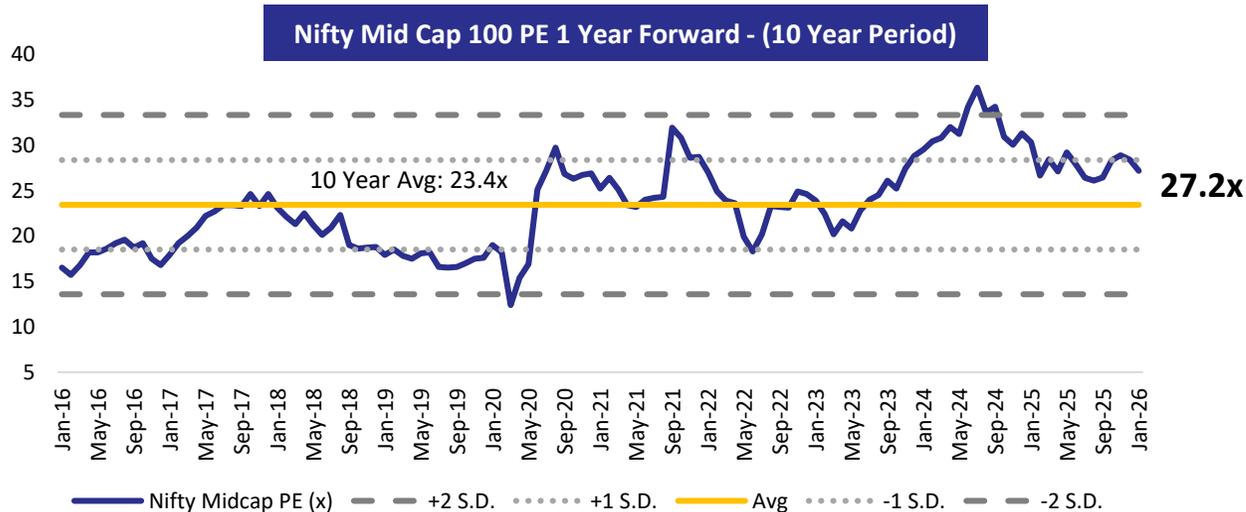
- The EPS growth expected for FY27 and FY28 is highest in Midcap and Small cap amongst other indices

# Market Indices Valuations – Based on Forward Earnings

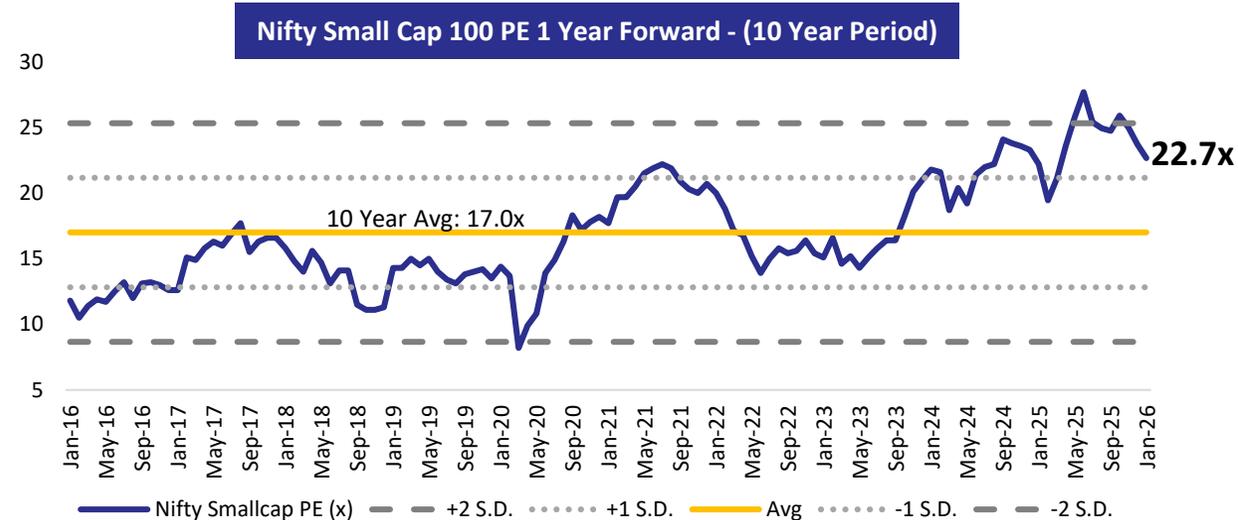


Nifty 50 Forward PE is almost at its long-term average while that of Mid Cap and Small Cap 100 continues to be above its long-term averages, indicating a continued sense of expensive valuations in the market.

Source: Internal Research, MOFSL

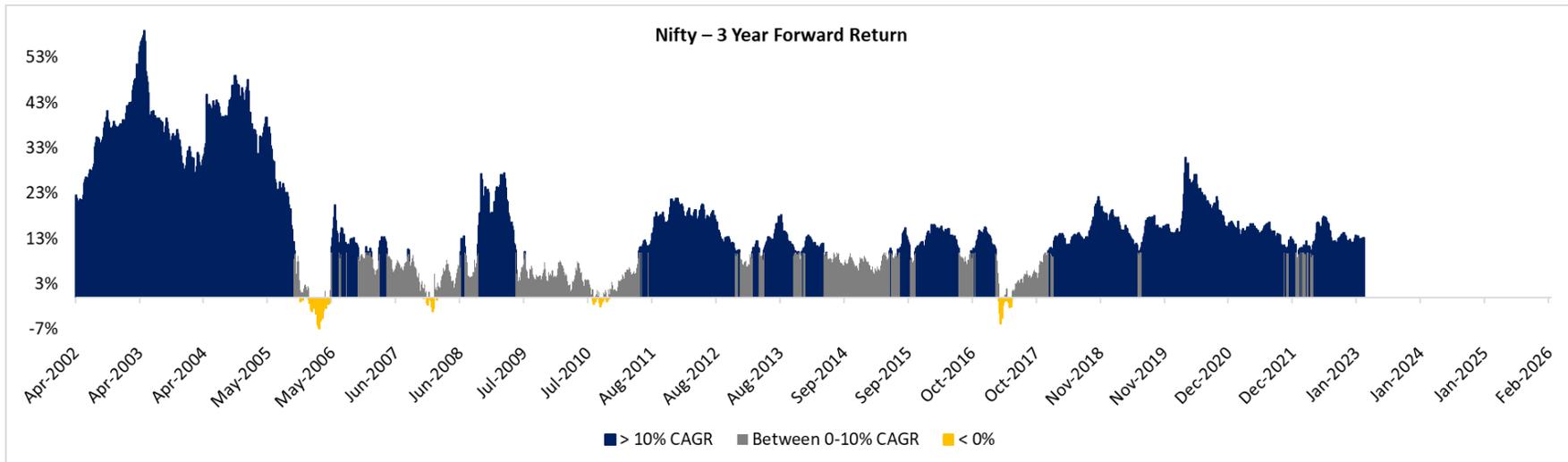


Source: Internal Research, MOFSL, Bloomberg



Source: Internal Research, MOFSL, Bloomberg

# Temperature Gauge Index



Temperature Gauge Index is an equally weighted index of EY-BY and MOVI Index

It incorporates PE Ratio, PB Ratio, Div. Yield and G-sec Yield, and hence is a useful valuation metric.

Data as on 10<sup>th</sup> February'26

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

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# Temperature Gauge Index – Sensitivity Analysis



Temperature Gauge Index - Sensitivity Analysis					
Nifty50/10 Yr Gsec	6.33%	6.53%	6.73%	6.93%	7.13%
24650	108	109	110	111	112
24900	109	110	111	112	113
25150	109	110	111	112	113
25400	109	110	111	112	113
25650	110	111	112	113	114
25900	110	111	<b>112</b>	113	114
26150	110	111	112	113	114
26400	110	112	113	114	115
26650	111	112	113	114	115
26900	111	112	113	114	115
27150	111	113	114	115	116
27400	112	113	114	115	116
27650	112	113	114	115	117

Pink cell Indicates Current Level of Nifty 50 and 10 yr G-sec levels. Data as on 10<sup>th</sup> February'26

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

# 3 Yr Forward Returns Of Nifty At Different Levels Of Temperature Gauge Index

Nifty 50				36M Return CAGR			Time Positive	% Times	
Index in Range		Count in Range	% of count	Min	Max	Average	% Times Positive	6% to 10%	>10%
65	70	60	1%	24%	57%	43%	100.0%	0%	100%
70	75	202	2%	15%	51%	32%	100.0%	0%	100%
75	80	285	3%	14%	45%	37%	100.0%	0%	100%
80	85	168	2%	15%	43%	34%	100.0%	0%	100%
85	90	207	2%	12%	49%	33%	100.0%	0%	100%
90	95	539	6%	2%	47%	27%	100.0%	2%	97%
95	100	832	9%	1%	44%	18%	100.0%	8%	91%
100	105	761	9%	-2%	30%	13%	92.6%	19%	66%
105	110	1045	12%	-4%	22%	10%	66.6%	12%	45%
110	115	2002	23%	-7%	22%	9%	68.0%	26%	30%
115	120	1617	18%	-4%	21%	9%	84.8%	23%	33%
120	125	804	9%	-2%	18%	10%	93.5%	10%	61%
125	130	135	2%	0%	16%	12%	99.3%	4%	80%
130	135	84	1%	-2%	15%	6%	91.7%	0%	36%
135	140	28	0%	-3%	0%	-1%	10.7%	0%	0%

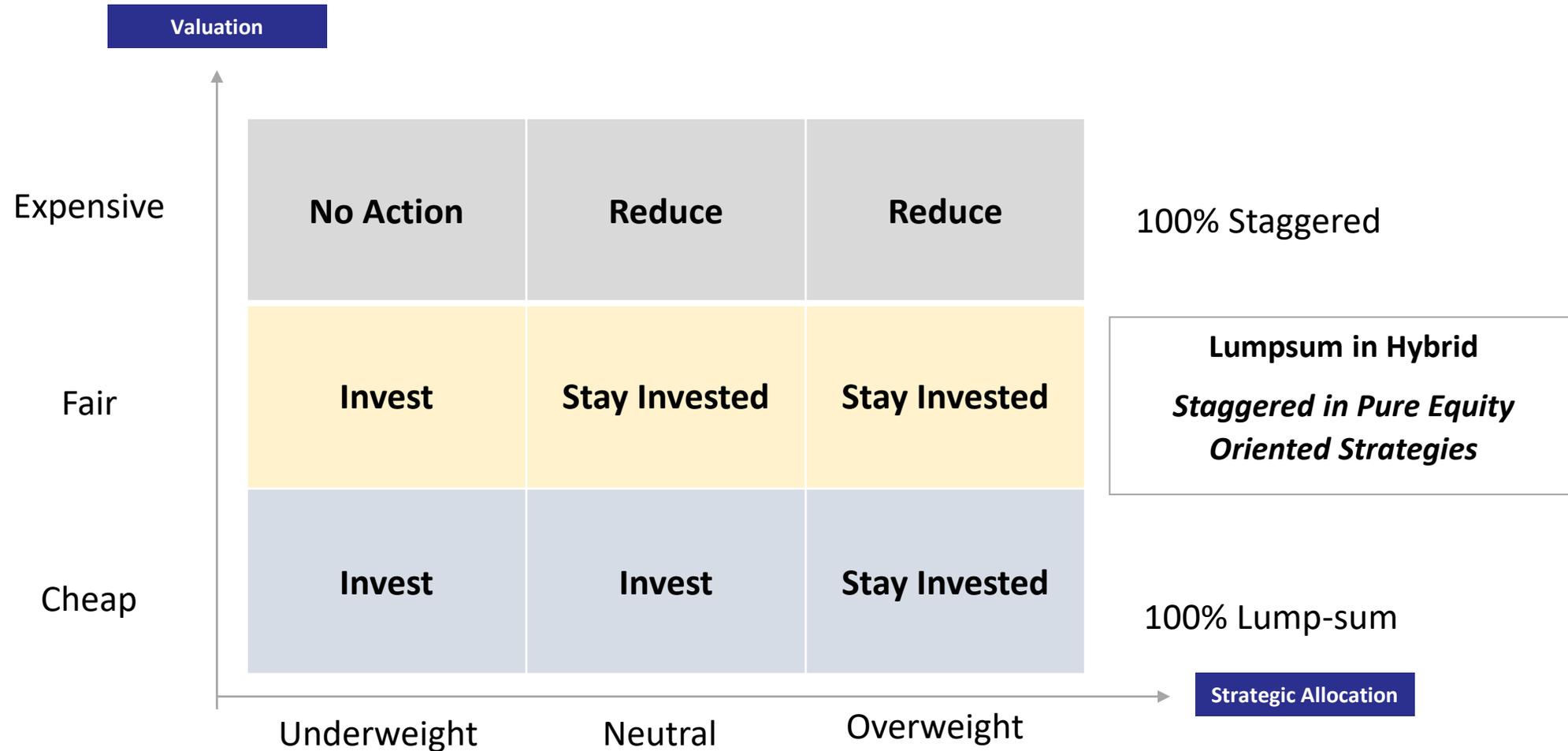
Data as on 10<sup>th</sup> February'26

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

# Equity Allocation & Deployment Grid

Below grid is based on Temperature Gauge Index



Data as on 10<sup>th</sup> February'26

Source: Capital Line, Bloomberg Internal Research

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.



# Equity Portfolio Strategy



- Equity markets have gone through period of correction and consolidation over the last ~18 months due to event led volatility. That phase now appears to be transitioning towards improving earnings growth.
- India's global positioning is improving, with conclusion of India–EU FTA and significant progress on India–US trade deal that enhance long-term export access and supply-chain relevance.
- Trade agreements led INR stabilization should be positive from FII flows perspective as well.
- With consumption already supported last year through higher income tax exemptions and GST reductions, the Budget marks a natural shift from welfare-led measures to execution- and growth-focused policies. Manufacturing incentives, boost for services, logistics improvement and asset monetisation should improve the conditions for sustained profit growth over the long term.
- Corporate earnings are showing early signs of stabilization and recovery after a period of moderation. Trade deals and execution of announcement done in budget should improve visibility of earning growth.
- Together, these factors indicate a favorable alignment of policy, global integration, fiscal direction, and earnings — creating a more constructive backdrop for equities. Further, as recent exuberance in precious metals has cooled, investor attention may again shift towards equity.
- Most of direct beneficiaries of trade gains, manufacturing push and sectoral reforms are concentrated in the mid and small cap space. Further, this segment can provide exposure to the companies in the emerging & high growth sub-sector within a broad sector.
- **Equity view – Neutral ; Portfolio Allocation: 50% allocation to Large Caps/Hybrid, 10% to Global and 40% allocation to Mid and Small Caps**
- Investment Strategy: Lump-sum investments in Hybrid funds at current levels; For Pure equity-oriented strategies, a staggered SIP/STP approach over the next 2-3 months is prudent given the recent rally. Any sharp correction should be used for aggressive deployment.

Disclaimer: The Equity Portfolio Strategy is based on our views and the above information is for reference purposes only and should not be construed to be investment advice under SEBI (Investment Advisers) Regulations, 2013. This document is not a research report as per the SEBI (Research Analysts) Regulations, 2014..

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# Fixed Income

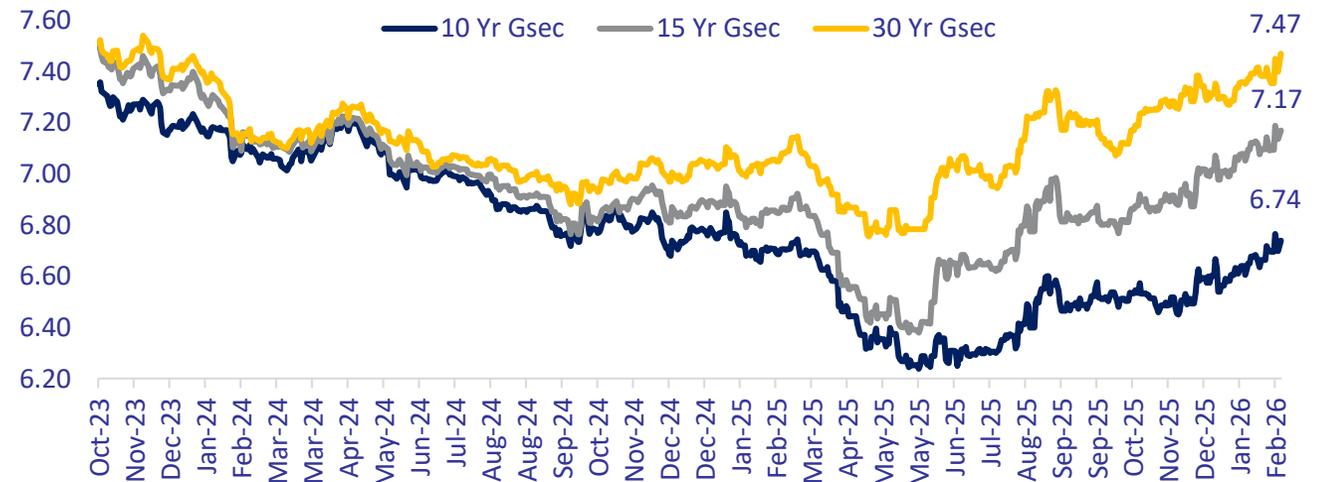
# Yield Curve has Steepened Risk Reward Turning Favourable Towards 10/15 Yr GSec



Movement in G - Sec Yields Across Maturities



Yield Movement (Annualized) in Long Maturity G Secs



- Tactical opportunities in duration may arise over this quarter.
- Elevated term premium offers scope for curve steepness coming down, led by softening of long-term yields, making 10–15Y G-Secs tactically attractive

# Fixed Income View & Portfolio Strategy



- **While the Budget maintains medium-term growth credibility and fiscal discipline**, near-term bond market dynamics remain supply-heavy, warranting caution on duration in near term and preference for carry-led strategies
- **Feb'26 monetary policy is a hold + refine**: RBI has paused rates, kept stance neutral (5:1), nudged CPI and GDP projections upward, and doubled down on pre-emptive liquidity management—but without signalling near-term OMO support, which the market took as modestly negative for G-secs

**We continue to maintain accrual calls across the credit spectrum as the core strategy.**

- **Accrual can be played across the credit spectrum by allocating 45% – 55% of the portfolio** to Performing Credit & Private Credit Strategies, Select InvITs/NCDs for a period of minimum 3-5 years
- **For less than 3 years holding period, one may allocate in relatively liquid fixed income alternative solutions like** Arbitrage Funds (min 3 months holding period), Hybrid SIF Funds (min 2 yr holding period), Conservative Equity Savings funds (min 3 years holding period)

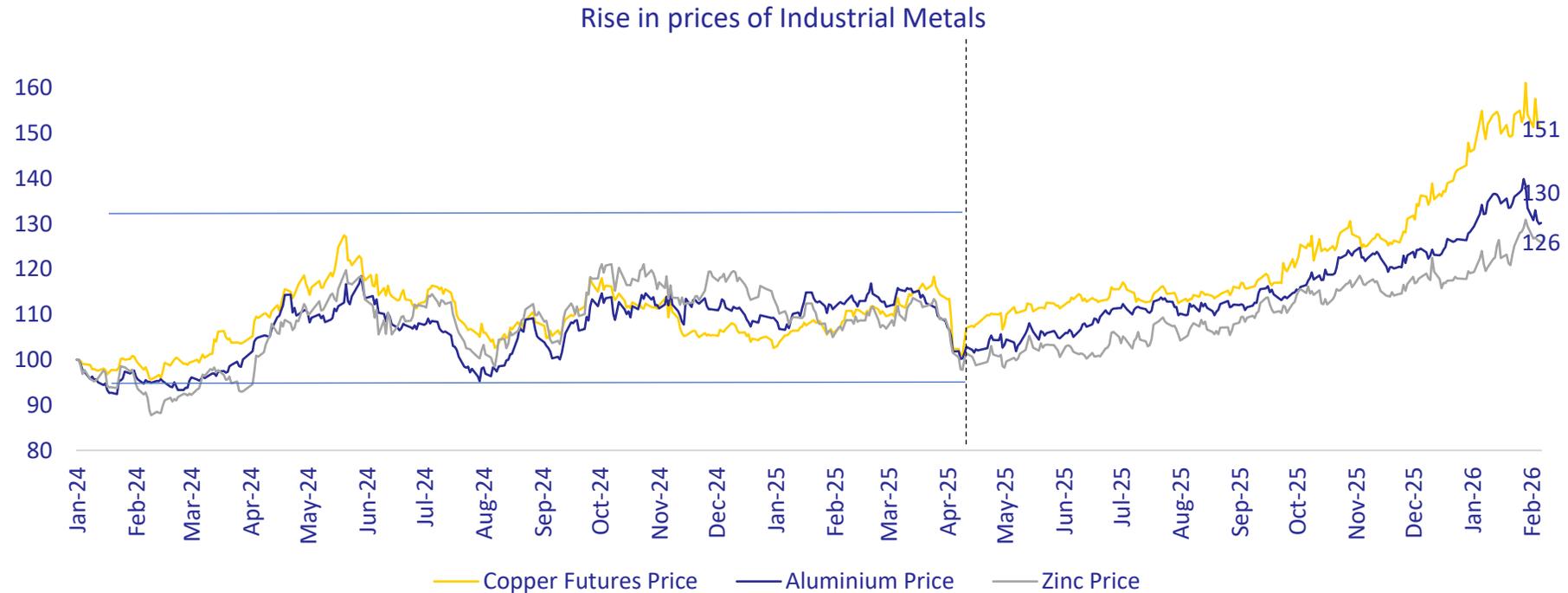
**Tactical allocation to long-duration (10-year/15 Year) G-Secs can also be considered in the range of ~6.8-6.9%/7.1-7.2%**, as that will provide scope for capital appreciation in addition to regular coupon income for investors comfortable with duration risk

Source: RBI, Internal Research. Disclaimer: The Fixed Income View & Portfolio Strategy is based on our views and the above information is for reference purposes only and should not be construed to be investment advice under SEBI (Investment Advisers) Regulations, 2013. This document is not a research report as per the SEBI (Research Analysts) Regulations, 2014.



# Commodities

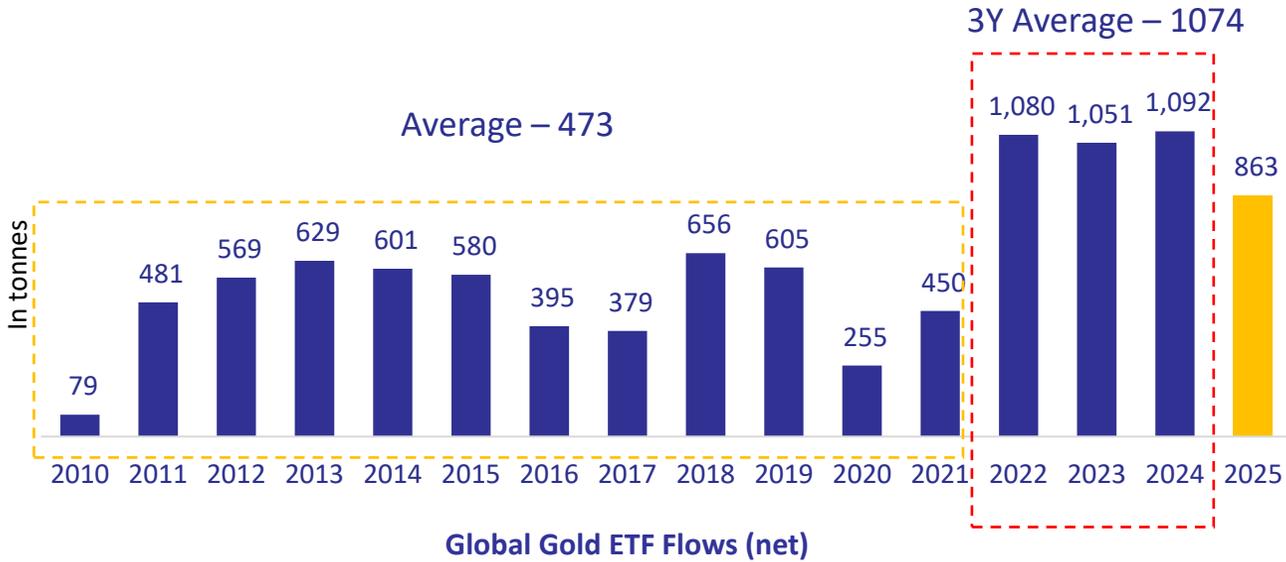
# Industrial Metals – Upcycle in 2025



- The price surge has caught steam after the “Liberation Day” tariffs.
- These gains in commodities stem from a confluence of supply disruptions, geopolitical trade policies (notably US tariffs) and surging structural demand tied to the energy transition and AI infrastructure.
- Weak USD driving commodity prices where demand/supply equation is favorable this can lead to inflation firming up in 2026

# Gold Demand Rotation: Central Banks to ETFs

Central Bank Gold Purchases Fell 19.7% from last 3 Year Average



- Central bank gold buying moderated to 863 tonnes in 2025, 19.7 % below the last three-year average and down from 1,092 tonnes in 2024, signaling a step-back after three exceptionally strong years.
- At the same time, Global gold ETFs continued attracting fresh inflows pushing the collective holdings to all-time highs.
- While ETF inflows are currently supporting prices, the softer central bank buying and easing geopolitical tension reduces the visibility of sustained momentum in gold prices from here.



# Gold & Silver Sell-off: What Changed?



The decline has been driven by three key factors:

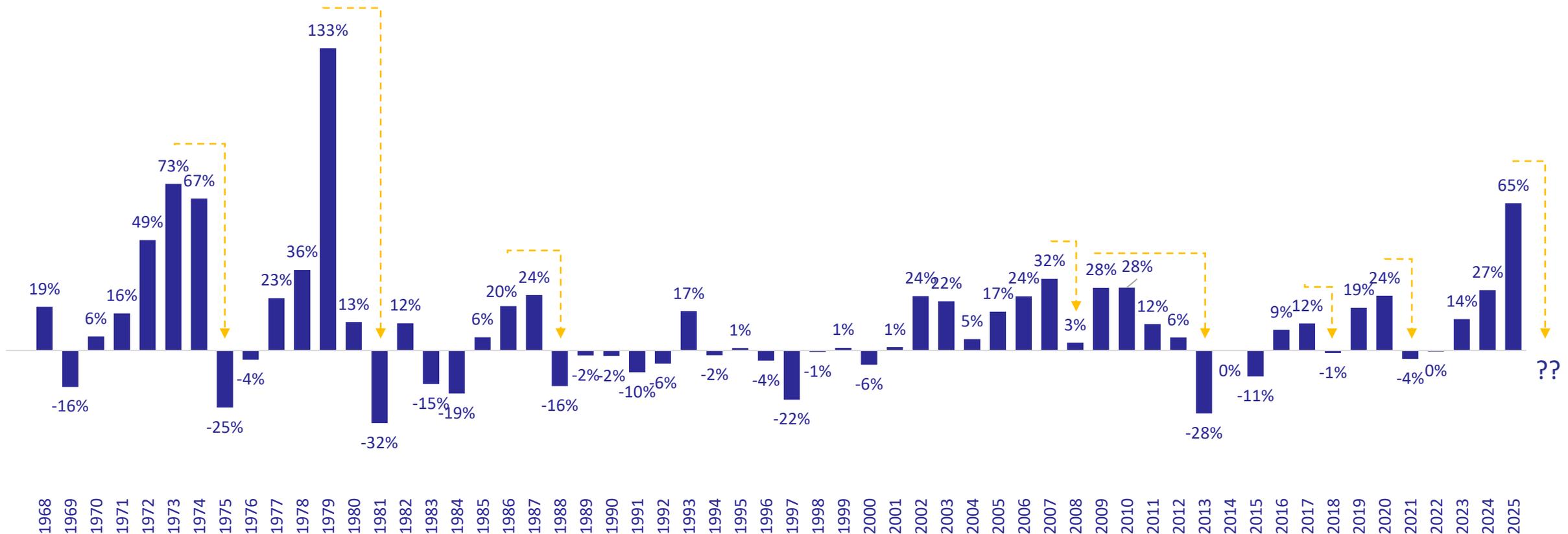
- **Hawkish Fed leadership signal:** Announcement of Mr. Kevin Warsh as next Fed Chair raised concerns of a more restrictive monetary policy stance.
- **Derivative margin hikes:** Exchanges raised margin requirements by 8% in gold and 15% in silver, triggering leveraged position unwinds.
- **Overheated positioning:** Elevated and crowded speculative positions, especially in silver left prices vulnerable to a correction.

Source: Sundaram Alternates

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

# Gold: Drawdowns Post Excessive Returns

CY Returns - Gold - LBMA (USD/oz t)

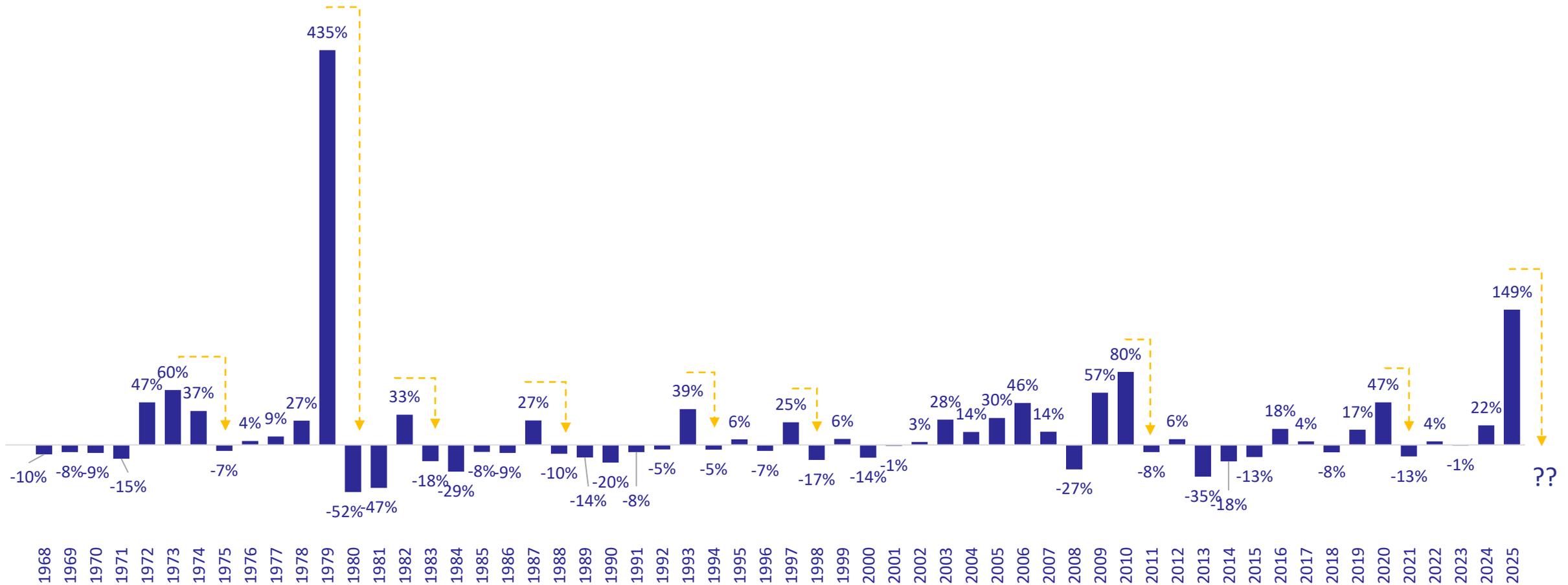


- Every excessive period of returns, is followed by moderation i.e. either negative or low single digit returns.

Source: Internal Research

# Silver: Drawdowns Post Excessive Returns

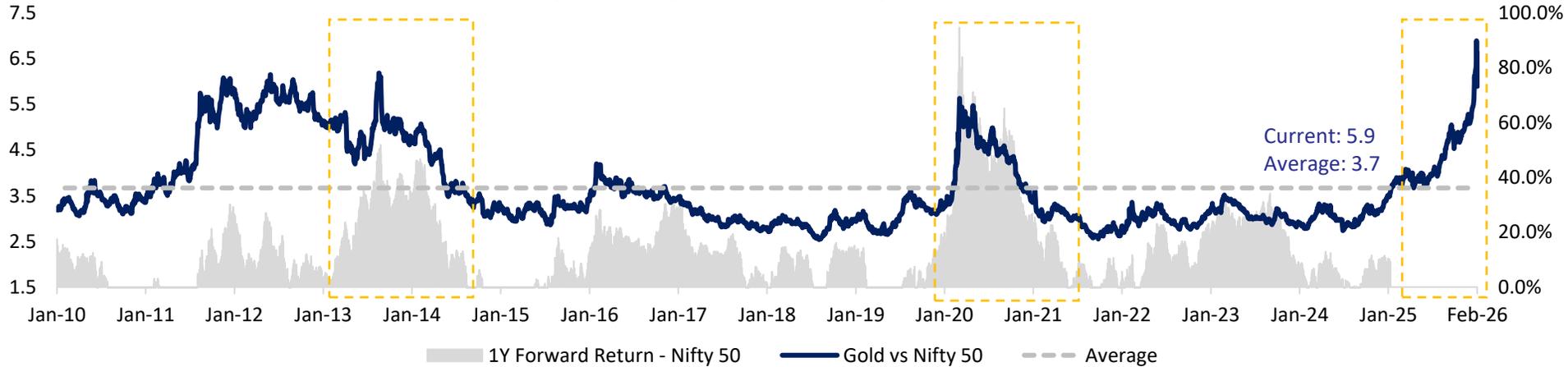
CY Returns - Silver - LBMA (USD/oz t)



- Every excessive period of returns, is followed by moderation i.e. either negative or low single digit returns.

# MCX Gold Spot vs Nifty 50 – Ratio & 1Y Forward Returns

MCX Gold Spot vs Nifty 50 Ratio with Nifty 50 - 1Y Forward Return



Every instance of a spike in the ratio results in a higher Nifty 50 return over the next 1 year.

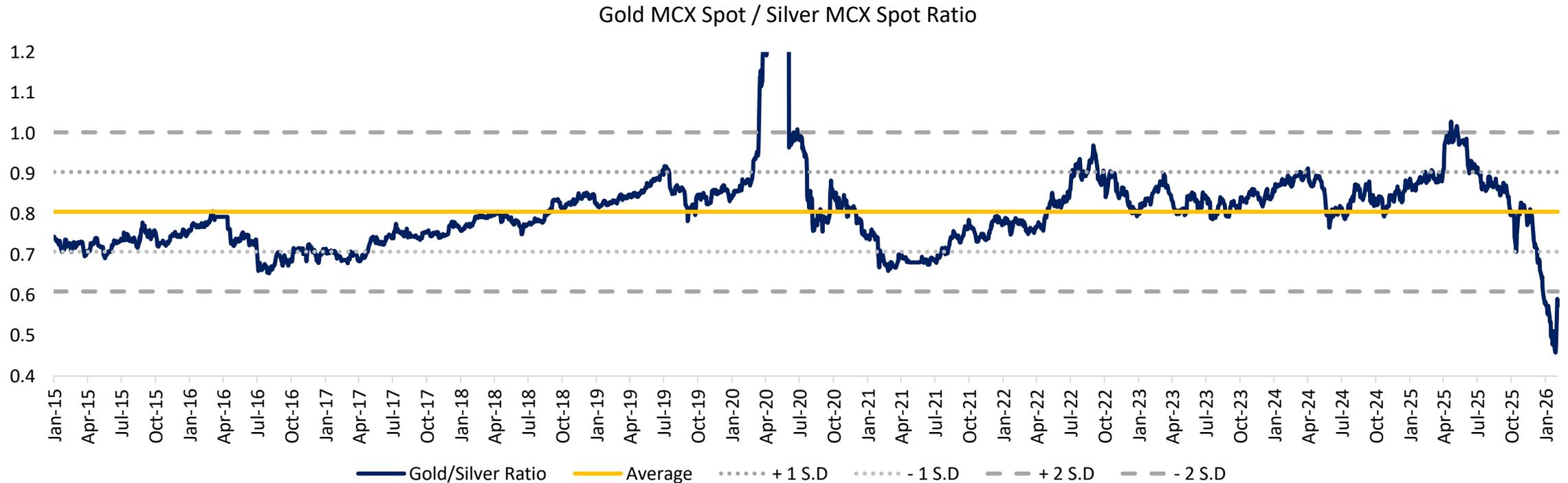
Currently, the ratio has reached at an ATH levels of the last 15 years, indicating an unfavourable risk-reward for investment in gold.

MCX Gold Spot vs Nifty 50			1Y Forward Return – Nifty 50 (Absolute %)							1Y Forward Return – MCX Gold (Absolute %)							
Ratio Bands	Count in Range	% Times	Min	Max	Average	% times				Min	Max	Average	% times				
						<0%	0% - 10%	10% - 20%	>20%				<0%	0% - 10%	10% - 20%	>20%	
	3.0	962	26%	-31%	34%	4%	26%	43%	28%	4%	0%	64%	20%	0%	33%	26%	42%
3.0	4.0	1869	50%	-25%	43%	9%	21%	28%	30%	20%	-14%	117%	17%	21%	20%	19%	40%
4.0	5.0	413	11%	-13%	78%	31%	12%	4%	9%	76%	-17%	36%	0%	62%	21%	5%	12%
5.0	6.0	490	13%	-2%	95%	19%	1%	42%	25%	32%	-18%	22%	0%	54%	28%	17%	1%
6.0		16	0%	7%	52%	27%	0%	13%	31%	56%	-16%	13%	-2%	56%	13%	31%	0%
		<b>3750</b>	<b>100%</b>														

Data Period – 1<sup>st</sup> Jan 2010 to 3<sup>rd</sup> Feb 2026. Traded days considered.

**Current band has been highlighted in grey.**

# Gold/Silver Ratio – Unfavourable Risk-Reward



- The Gold–Silver ratio moving to around –2 SD indicates that silver has significantly outperformed gold relative to its historical norm, placing the ratio in an oversold zone.
- This supports a case for either **trimming incremental silver exposure or gradually increasing gold exposure only till the “strategic asset allocation” of the portfolios**, as relative returns are more likely to normalise over the medium term.

Source: Internal Research, MCX.

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**Thank You**