

MONTHLY MARKET OUTLOOK:

» India's Economic Snapshot:

India's FY27 Union Budget: Growth Outlook, Fiscal Strategy, and Market Implications:

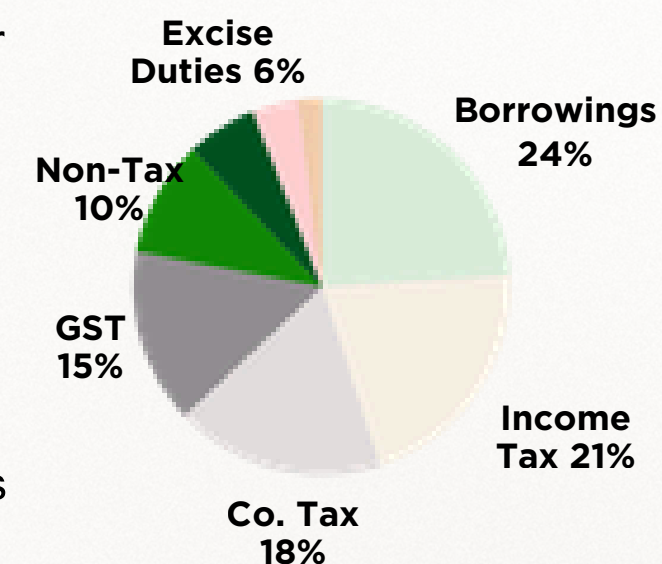
India FY27 Union Budget: Key Takeaways:

India's FY27 Union Budget pegs nominal GDP growth at ~10% and sets gross market borrowings at **₹17.2 trillion**—higher than market expectations. To bolster non-tax revenues, the government has sharply raised its divestment target to ₹800 billion, compared with **₹340 billion** in the previous year.

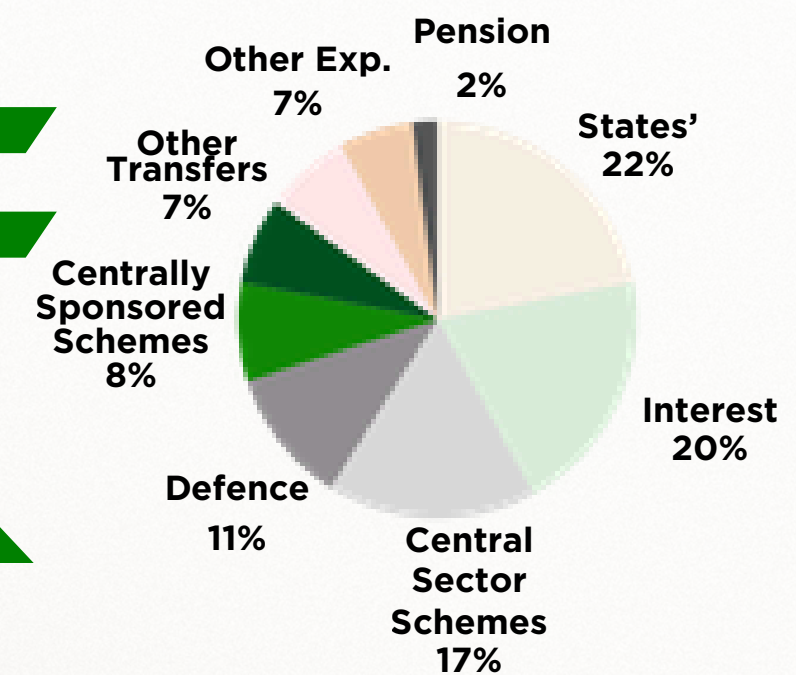
The budget builds on trends seen in the FY26 revised estimates, where tax revenues undershot budgeted levels by ~6%, a gap more than offset by robust non-tax revenues at ~114.5% of budget estimates.

Key structural measures include simplification of tax laws, fresh policy initiatives aimed at sunrise sectors, and steps to curb excessive speculation in capital markets. Overall, the budget reflects a balance between supporting growth, managing fiscal pressures, and strengthening the quality of revenues.

Rupee Comes from



Rupee Goes to



» Government Schemes: Capex Push Across Manufacturing, Logistics & Strategic Sectors:

India announced a series of targeted initiatives to strengthen manufacturing depth, infrastructure, and strategic supply chains:

- Allocation for the Electronics Components Manufacturing Scheme raised to **₹400 billion** (from ₹229 billion earlier).
- **₹100 billion** earmarked each for the SME Growth Fund, Biopharma Shakti (over five years), and a Container Manufacturing Scheme.
- Launch of **ISM 2.0**, with enhanced support for semiconductor manufacturing and the development of dedicated corridors for mining, R&D, and manufacturing of rare earths.
- Establishment of three chemical parks under a cluster-based, plug-and-play model.
- Announcement of seven high-speed rail corridors connecting major cities, alongside one new Dedicated Freight Corridor.
- Monetisation of surplus real estate assets of public sector enterprises through the creation of dedicated REITs.

» FY27 Capital Expenditure: Growth Momentum with Sectoral Rebalancing:

Capital Expenditure: FY27 Budgeted Allocation

- India's total capital expenditure for FY27 (BE) is budgeted at **₹12.2 trillion**, marking a **12%** increase over **FY26 RE** and **9%** over FY26 BE, underscoring the government's continued emphasis on public capex-led growth.
- High-growth allocations are concentrated in strategic and future-facing sectors, led by Defence (+17%), Ministry of Communications (**+95%**), **Steel (+23%)**, **MNRE (+19%)**, and **Power (+18%)**.
- In contrast, lower growth is budgeted for more mature infrastructure segments, including Roads (+8%), Railways (+11%), Ministry of Petroleum & Natural Gas (+2%), and Housing & Urban Affairs (+7%), indicating a selective and targeted capex approach.

► Taxation Reforms: Boost to Corporate Competitiveness and Global Financial Services:

Taxation: Key Policy Changes

The government announced targeted tax measures aimed at improving competitiveness and easing compliance:

- The Minimum Alternate Tax (MAT) rate has been reduced to **14% from 15%**; however, MAT credit will not be available under the old tax regime.
- The tax holiday for businesses in GIFT City has been extended to **20 years**, strengthening its appeal as an international financial and services hub.
- The TCS rate on overseas tour programme packages, as well as on education and medical remittances under the Liberalised Remittance Scheme (LRS), has been reduced to **2%**.

► Capital Markets: Higher STT, Buyback Tax Shift, and Greater Foreign Participation:

Capital Markets:

India announced several measures impacting trading activity, taxation, and foreign participation in equity markets:

- Securities Transaction Tax (STT) has been increased on futures to **0.05% (from 0.02%)** and on options premium to **0.15% (from 0.10%)**. FY26E STT collections are estimated at **₹636 billion, with ₹480 billion** collected until January 2026, of which approximately **37%** is from F&O trading.
- Buyback taxation has been shifted to the capital gains framework for all shareholders, simplifying treatment and aligning it with market-linked taxation.
- Persons Resident Outside India (PROI) investing through the Portfolio Investment Scheme (PIS) are now permitted to invest in listed Indian companies with the individual limit raised to 10% and the aggregate limit increased to **24%**, supporting deeper foreign participation.

➤ **RBI Injects Over ₹2 Trillion Liquidity to Support Growth & Financial Stability**

The Reserve Bank of India has stepped up liquidity support with a calibrated package totaling over **₹2.15–₹3 trillion** to address persistent tightness in the banking system and support financial stability as FY26 progresses. This includes a 90-day **Variable Rate Repo (VRR)** auction of ₹25,000 crore, open market purchases of Government of India securities aggregating **₹1 trillion** in February (in two ₹50,000 crore tranches), and a \$10 billion (\approx ₹83,000–₹90,000 cr) USD/INR buy-sell swap with a three-year tenor, all aimed at injecting both short-term and durable liquidity. These measures follow earlier large-scale OMO operations totaling up to **₹2 trillion** announced in late December and a series of forex swaps to release rupee liquidity amid tightening conditions and elevated money market rates. The combined operations are intended to ease systemic liquidity pressures, support smoother credit transmission, anchor bond yields, and help maintain orderly market functioning without altering the policy rate, thereby providing a supportive backdrop for credit growth, bond markets, and risk assets generally.

➤ **India's Flash PMI Increased to 59.5 in January; Private Sector Records Improvement:**

In January 2026, India's PMI indicators showed that the country's private sector continued to expand at a solid pace, with business activity strengthening across both manufacturing and services. The HSBC Flash India Composite PMI rose to about **59.5** in January, up from **57.8 in December 2025**, signaling robust overall growth in output and new orders at the start of the year. In detail, the manufacturing PMI improved to roughly 55.4, indicating healthier factory activity and order books, while the services PMI climbed to around 58.5, reflecting strong demand and sustained expansion in the services-driven parts of the economy. These readings point to continued resilience in domestic demand supporting business activity, even as global conditions remain mixed.

▶ **India's Crude Oil Import Bill Eases Further in January 2026:**

India's crude oil import bill moderated further in January 2026, supported by softer global benchmark prices despite steady import volumes. Preliminary trade data indicates crude imports of around **21-22 million tonnes (MT)** during the month, while the import bill remained broadly lower on a year-on-year basis due to improved price dynamics compared to early 2025 levels.

Lower average Brent crude prices during January helped cushion India's oil import outflow, even as domestic fuel demand remained resilient amid stable transport and industrial activity. Refinery throughput stayed firm, reflecting consistent energy consumption trends.

The softer crude bill provides marginal relief to India's overall import basket and helps contain pressure on the merchandise trade deficit and current account. However, oil price volatility remains a key monitorable, given India's heavy dependence on imported crude for its energy needs.

▶ **India Trade Deficit Moderates in January 2026:**

India's merchandise trade deficit moderated in January 2026 to around **\$22-23 billion**, narrowing from December's **\$25.0 billion**, as export growth picked up while imports eased marginally. Imports were relatively stable at approximately **\$61-62 billion**, supported by continued demand for crude oil, electronics, and capital goods, though lower average global commodity prices helped contain the overall import bill. Non-oil, non-gold imports remained steady, reflecting ongoing industrial and consumption activity. On the export side, shipments improved to around \$39-40 billion, supported by better performance in electronics, pharmaceuticals, engineering goods, and select agricultural products. However, petroleum product exports and some labour-intensive segments continued to face global demand headwinds.

Overall, January's data indicates a slight improvement in the external balance compared to December, driven by firmer export momentum and relatively contained imports. While domestic demand remains resilient, sustained export recovery will be key to further narrowing the trade gap and stabilising the current account position in the coming months.

CAPEX UPDATE

► Public Spending Surge: Centre's Aggressive Capex Fuels Economic Growth:

- Govt. approved wage and pension revisions for employees of PSGICs, NABARD, and RBI, Benefiting over 0.9 mn employees and pensioners, outgo **₹110**.
- Govt. approved **₹260.7 bn** for **1,720 MW** Kamala hydro project in Arunachal.
- Govt. to allocate ₹59.3 bn for coal & lignite exploration over five years from FY27, covering ~1,845 sq km.
- UP approved ₹30 bn semiconductor investments with special incentives across interest, tax, power and employment.
- MP awarded 4 GW thermal projects with ₹600 bn investment, with power supply starting 2030.
- EFC approved ₹80 bn credit guarantee scheme for micro finance institutions, offering banks up to 75% default cover.

► Private Capex in Focus: A Tale of Caution and Strategic Investment:

- TCS to invest **₹3.3 bn** to build a delivery centre in Brazil, with construction to be completed by 2027.
- HPCL plans **₹770 bn** capex by FY28, with about ₹280 bn allocated to renewables, biofuels, EVs and net-zero projects .
- Amber Enterprises and Ascent-K to invest **₹67.9 bn** over **116 acres** near Jewar Airport.
- L&T Realty to invest **₹4.5 bn** for acquiring a land parcel of 1.3 acres in Lower Parel to build a 28-storey office .
- Maruti Suzuki to invest ₹49.6 bn to expand the production capacity by 1 mn units in Gujarat.

► **Venezuela: A Strategic Jackpot:**

Venezuela is a country located on the northern coast of South America, bordered by the Caribbean Sea and the North Atlantic Ocean to the north, with Colombia to the west, Brazil to the south, and Guyana to the east—giving it direct access to major maritime routes linking the Caribbean and Atlantic, including those that connect with the Panama Canal and key global shipping corridors.

Recent Geopolitical Developments

In **January 2026**, the United States carried out a major military intervention in Venezuela that led to the capture and removal of President Nicolás Maduro, significantly reshaping U.S.–Venezuela relations. The move signaled a strategic shift focused on political transition and potential restructuring of Venezuela’s energy sector, with renewed Western engagement expected amid broader geopolitical realignments.



World’s Largest Proven Oil Reserves & Mineral Wealth :

Venezuela sits atop the world’s largest proven crude oil reserves, around **303 billion barrels** (~17 % of global total), mainly in the heavy and extra-heavy crude of the Orinoco Belt, though technical and investment challenges limit production.

Beyond oil, the country is rich in minerals—especially gold, iron ore, bauxite, nickel, coal, and diamonds—largely concentrated in the mineral-rich Guiana Shield/Orinoco Mining Arc, offering significant resource potential if developed.

Economic & Policy Context:

Despite Venezuela’s immense resource wealth, its oil production has remained far below capacity due to decades of mismanagement, underinvestment, corruption, and international sanctions, leaving output at only a fraction of its potential. Ongoing efforts under the interim government and with U.S. engagement aim to reform the hydrocarbons sector and attract foreign capital, but reviving production and broader resource exploitation will take significant time and investment before meaningful increases materialize.

GLOBAL MARKET OUTLOOK:

» U.S. Economy Shows Moderate Growth Amid Sticky Inflation

The U.S. economy continues to show moderate resilience as it moves into 2026, supported by steady consumer spending, business investment, and ongoing technology and AI-driven productivity gains. January's jobs report showed payrolls rose by about 130,000, and the unemployment rate edged down to **~4.3 %**, suggesting continued labour market stability even as broader employment growth has been revised lower for 2025. While job gains were concentrated in sectors like health care and construction, broader labour demand remains uneven, with overall hiring still softer than in previous years.

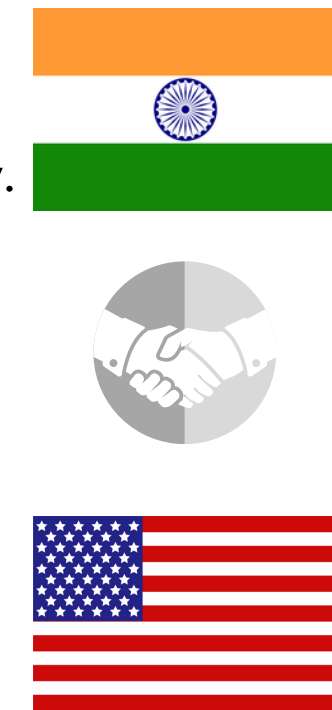
Inflation pressures remain above the Federal Reserve's **2 % target**, with headline CPI holding around **~2.7 %**, and core price pressures still persistent, particularly in services and shelter categories.

At its January meeting, the Federal Reserve held interest rates unchanged in the **3.50-3.75 %** range, underscoring a data-dependent stance as policymakers balance slowing labour market dynamics against stickier inflation. Markets have pushed expectations for further rate cuts into mid-to-late 2026, reflecting caution given the mix of stronger jobs data and persistent price pressures.

Overall, while slower growth, elevated inflation, and a cautious Fed outlook could support a relatively stronger dollar and tighter global liquidity conditions—potentially weighing on emerging markets like India through higher import costs and periodic capital outflows—stable U.S. expansion still underpins demand for goods and services, including tech-related exports, and helps moderate global cost pressures.

➤ **India–U.S. Trade Ties Deepen Amid Tariff Easing and Strategic Commitments**

The United States remains India’s largest export destination, accounting for over **20%** of India’s total exports, with bilateral trade reaching approximately \$131.8 billion in CY2025, reflecting strong trade linkages across goods, services, and technology. In a recent policy shift, the U.S. has indicated a reduction in tariffs on certain Indian exports to **18% from 25%**, alongside the removal of the earlier 25% penal levy linked to Russian oil imports, subject to specific compliance and trade conditions. This marks a constructive step toward easing trade frictions and strengthening economic ties. On the strategic front, India has outlined plans to purchase up to **\$500 billion** worth of U.S. goods over the next five years, covering both existing project pipelines and new areas such as data centres, energy partnerships, defence equipment, and advanced technology collaboration. Overall, these developments signal deeper economic integration between the two countries, with potential positive spillovers for trade flows, investment, and sectoral cooperation going forward.



➤ **India EU FTA - Mother of all deals:**



India emerged as the EU’s 9th-largest trading partner in goods in 2024, underscoring its growing importance in Europe’s external trade landscape. Conversely, the European Union was India’s largest goods trading partner in FY2024-25, reflecting strong two-way commercial engagement. The EU is also India’s second-largest goods export destination, accounting for 17.9% of India’s CY2024 exports (approximately \$75.9 billion)—nearly comparable to India’s export share to the U.S. On the import side, India imported about **\$60.9 billion** worth of goods from the EU, representing **8.2%** of its total imports. The trade relationship is diversified across sectors including machinery, chemicals, pharmaceuticals, automobiles, textiles, and engineering goods, making the EU a critical partner in India’s global trade strategy.

▶ INDIA ECONOMIC DATA

Economic Indicator	DEC'25	NOV'25	DEC'24
WPI inflation (in%)	0.8	-0.3	2.6
CPI inflation (in%)	1.3	0.7	5.1
Trade Deficit (in bn\$)	25	24.5	20.6



Core growth was led by cement (+13.5%) and steel (+6.9%), electricity (5.3%), but dragged by crude oil (-5.6%), natural gas (-4.4%)

Economic Indicator	JAN'26	DEC'25	JAN'24	MoM	YoY
GST Collection (in ₹tn)	1.9	1.7	1.8	1.00%	6.20%
AVG USD INR	90.7	90	86	0.80%	5.20%
Forex Reserves (\$ bn)	709.4	696.6	630.6	1.80%	12.50%