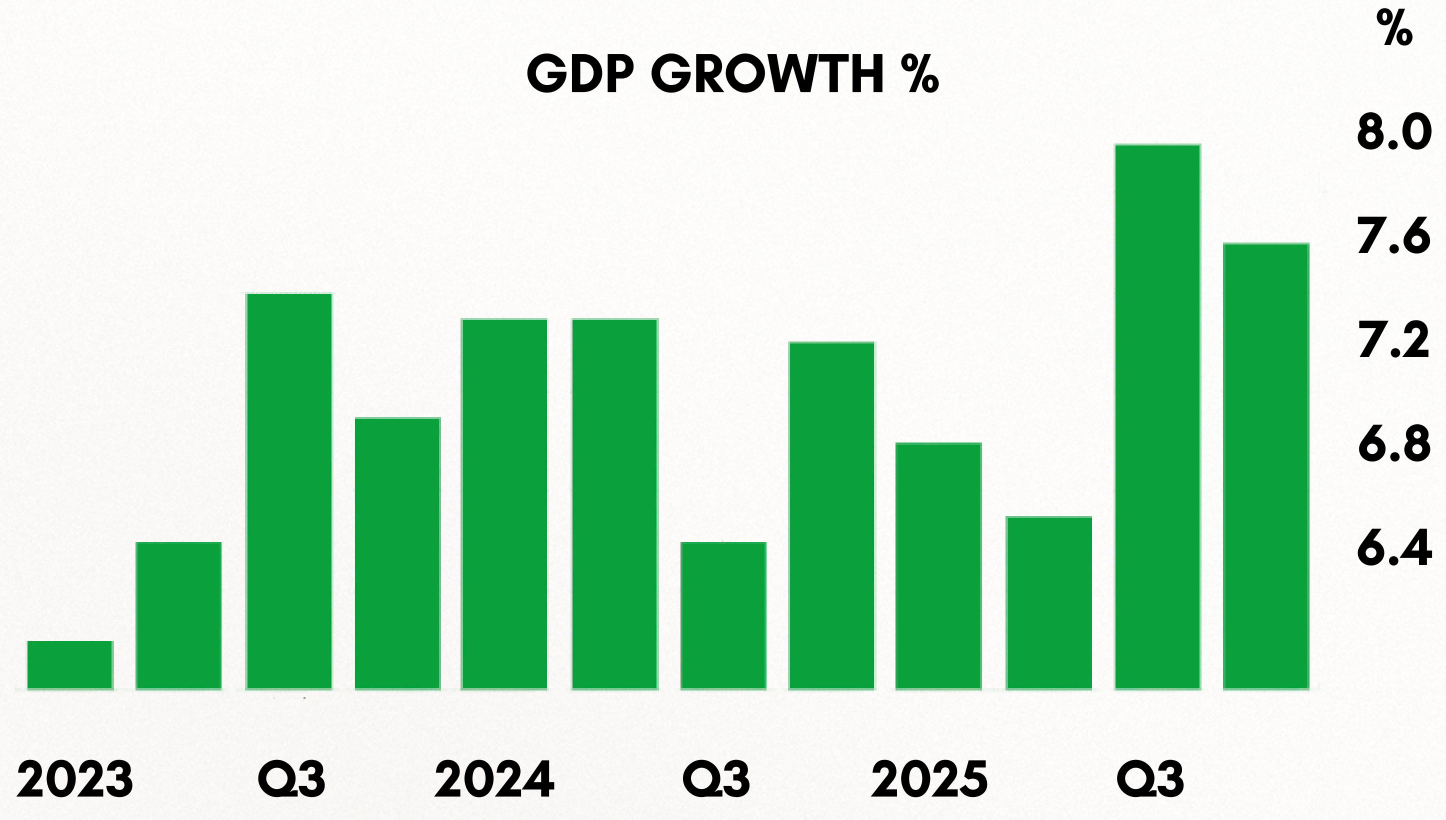
MONTHLY MARKET OUTLOOK:

India's Economic Snapshot:

India Maintains Strong Growth Momentum as GDP Outlook Improves:

India's growth momentum remains resilient, reinforcing its position as the fastest-growing major economy. The latest data shows that GDP expanded by **7.8%** in Q3 FY26 (Oct-Dec), supported by strong performance in manufacturing and services, along with steady domestic consumption and government capital expenditure. Under the revised GDP series with a 2022-23 base year, the government has raised the FY26 growth estimate to 7.6%, up from the earlier projection of **7.4%**, reflecting stronger-than-expected economic activity during the year. Looking ahead, the outlook for FY27 has also been upgraded to 7.0-7.4% from the earlier **6.8-7.2%** range, indicating continued momentum despite global uncertainties. The revisions are backed by robust high-frequency indicators, improving investment activity, and policy stability. With manufacturing expansion, infrastructure spending, and services growth continuing to drive the economy, India is likely to sustain multi-year growth above 7%, providing a constructive macro backdrop for corporate earnings and long-term capital markets.



Corporate India Taps Global Markets; ECB Proposals Hit FY26 High:

Indian corporates are increasingly tapping global capital markets to fund expansion and capital expenditure. According to the latest Reserve Bank of India (RBI) data, Indian companies filed proposals to raise around **USD 4.43 billion** through External Commercial Borrowings (ECBs) and Foreign Currency Convertible Bonds (FCCBs) in December 2025, marking the highest monthly level in FY26. Of the total proposed borrowings, USD 3.12 billion was under the automatic route while **USD 1.31 billion** required regulatory approval, highlighting strong corporate demand for overseas funding. Major borrowers included Power Finance Corporation, InterGlobe Aviation (IndiGo), EXIM Bank, Aditya Birla Capital, Indian Oil Corporation, and Indian Railway Finance Corporation, with funds largely earmarked for infrastructure financing, capital goods imports, refinancing, and on-lending activities. The surge in foreign borrowing indicates improving corporate confidence and investment activity, while also reflecting companies' efforts to access relatively competitive global funding sources. This trend suggests that the private capex cycle in India may gradually strengthen, supporting economic growth in the coming quarters.

India's Trade Deficit Widens to Three-Month High in January 2026:

India's external sector showed some pressure at the start of 2026, with the trade deficit widening to a three-month high of **USD 34.7 billion** in January 2026. Merchandise exports remained largely flat year-on-year at **USD 36.5 billion**, reflecting continued weakness in global demand and slower growth in key export markets. Meanwhile, imports rose sharply by **19.2%** YoY to USD 71.2 billion, primarily driven by a surge in gold and silver imports, along with steady demand for crude oil and electronic goods. The increase in precious metal imports is largely seasonal and linked to domestic consumption and inventory buildup. While the wider deficit may put some short-term pressure on the current account, India's strong services exports, healthy forex reserves, and resilient capital inflows are expected to provide stability to the external sector going forward.

Outbound FDI Sees Mild Dip Amid Fluctuations in Global Expansion:

India's outward investment activity moderated slightly at the start of 2026. According to Reserve Bank of India data, India's outbound foreign direct investment (FDI) stood at around USD 3.4 billion in January 2026, down from **USD 4.1 billion** in December 2025. The decline reflects a modest slowdown in overseas acquisitions, equity investments, and loans extended by Indian companies to their foreign subsidiaries. Outbound FDI typically fluctuates month-to-month depending on the timing of large corporate transactions and overseas expansion plans. Despite the dip, Indian firms continue to actively invest abroad in sectors such as technology, financial services, pharmaceuticals, and manufacturing, highlighting their growing global footprint. The sustained level of outward investment underscores the increasing competitiveness and internationalization of Indian corporates, even as domestic investment opportunities remain strong.

Labour Market Remains Resilient Despite Mild Rise in Unemployment:

India's labour market remained broadly stable at the start of 2026, though it witnessed a marginal uptick in unemployment. According to data from the Centre for Monitoring Indian Economy (CMIE), India's unemployment rate rose slightly to **5.0%** in January 2026, compared with 4.8% in December 2025. The increase was primarily driven by a modest rise in labour force participation as more individuals entered the job market after the year-end period. Rural employment conditions remained relatively steady, supported by agricultural activity and government-led infrastructure spending, while urban employment saw minor fluctuations due to changes in hiring across services and manufacturing sectors.

Despite the marginal increase, the unemployment rate remains relatively low by historical standards, indicating that India's labour market continues to benefit from steady economic growth and improving business activity. Expanding sectors such as construction, services, and manufacturing are expected to continue generating employment opportunities, particularly as private investment and infrastructure projects gain momentum. Overall, the data suggests that while short-term volatility in employment may persist, underlying labour market conditions remain resilient and supportive of India's broader economic growth outlook.

India’s Industrial Activity Moderates but Growth Momentum Continues:

India’s industrial activity showed signs of moderation at the start of 2026. According to data released by the Ministry of Statistics and Programme Implementation, India’s Index of Industrial Production (IIP) grew **4.8%** year-on-year in January 2026, slowing from **8.0%** growth recorded in December 2025. The deceleration was largely driven by softer output in the manufacturing and mining sectors, although electricity generation remained relatively stable. While the moderation reflects some normalization after a strong December print, industrial production continues to expand at a healthy pace supported by improving domestic demand, infrastructure spending, and government capital expenditure. Overall, the trend suggests that India’s industrial sector remains on a steady growth path, though month-to-month volatility may persist due to base effects and fluctuations in manufacturing output.

Sector	Jan’25	Feb’25	Mar’25	Apr’25	May’25	Jun’25	Jul’25	Aug’25	Sep’25	Oct’25	Nov’25	Dec’25	Jan’26
Manufacturing	5.8	2.8	3.0	3.1	3.2	3.7	6.0	3.8	5.6	1.8	8.5	8.4	4.8
Mining	4.4	1.6	0.4	-0.2	-0.1	-8.7	-7.2	6.6	-0.4	-1.8	5.8	6.9	4.3
Electricity	2.4	3.6	6.3	1.7	-4.7	-1.2	3.7	4.1	3.1	-6.93	-1.5	6.3	5.1

Strong GST Revenues Reflect Resilient Domestic Demand FEB26:

India's indirect tax collections continued to show steady growth, reflecting resilient economic activity and improved tax compliance. According to data released by the Ministry of Finance (India), net GST collections for February 2026 stood at around **₹1.6 trillion**, registering a 7.9% year-on-year increase. The growth in collections indicates sustained momentum in consumption and business transactions across sectors. During the month, GST refunds rose by **10.2% YoY** to about **₹226 billion,** reflecting faster processing of refunds and higher export-related claims.

While refunds have increased, overall net collections remain robust, highlighting the continued efficiency of the Goods and Services Tax (GST) framework in improving tax compliance and widening the tax base. The steady growth in GST revenues also points to healthy formalization of the economy and stable domestic demand, providing the government with stronger fiscal capacity to support infrastructure spending and development initiatives in the coming months.

"Gas, Geopolitics & Supply Shock: India's LPG Market Under Pressure:

India is facing emerging pressure in its LPG supply chain amid rising global energy disruptions and strong domestic demand. India consumes about 29–30 million tonnes of LPG annually, with nearly **60%** of the requirement met through imports, making the country highly sensitive to global price and supply shocks. Recent geopolitical tensions in the Middle East — particularly disruptions around the Strait of Hormuz — have tightened global LPG and shipping markets, pushing up freight and cargo costs. Since a large share of India's LPG imports comes from Gulf suppliers such as Qatar, Saudi Arabia, and the United Arab Emirates, any disruption in the region directly affects supply availability and prices.

Domestic demand has also remained strong, supported by the government's Pradhan Mantri Ujjwala Yojana, under which more than 96 million LPG connections have been distributed to households. With India consuming roughly **1.2–1.3 million** tonnes of LPG every month, tighter imports and higher freight costs could put pressure on supply logistics and subsidy outlays. While public sector oil marketing companies such as **Indian Oil Corporation, Bharat Petroleum, and Hindustan Petroleum maintain strategic inventories and diversified sourcing, prolonged global supply disruptions could lead to higher import bills and potential volatility in domestic LPG pricing.

CAPEX UPDATE

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

- Govt approves **₹3.6 tn** defence spending plan, Proposal includes **114** Rafale fighter jets and Boeing P-8I surveillance aircraft.
- Defence Acquisition Board clears ₹1 tn deal for 60 IAF transport aircrafts Ministry signs ₹50.8 bn deal for advanced helicopter & missiles.
- Cabinet approves **3.3 km** Ahmedabad Metro extention with cost of ~₹10.7 bn.
- Cabinet enhances Powergrid's equity delegation limit to ₹75 bn per subsidiary from ₹50 bn.
- Govt launches NMP 2.0, targets **₹16.7 tn** asset monetization between FY26-FY30.
- Govt approves export of upto 2.5 mt of wheat, 0.5 mt of wheat products Lifts ban on wheat exports after 3 yrs.
- Govt approves ₹185.1 bn railway multitracking projects across Delhi, Haryana, Maharashtra & Karnataka.

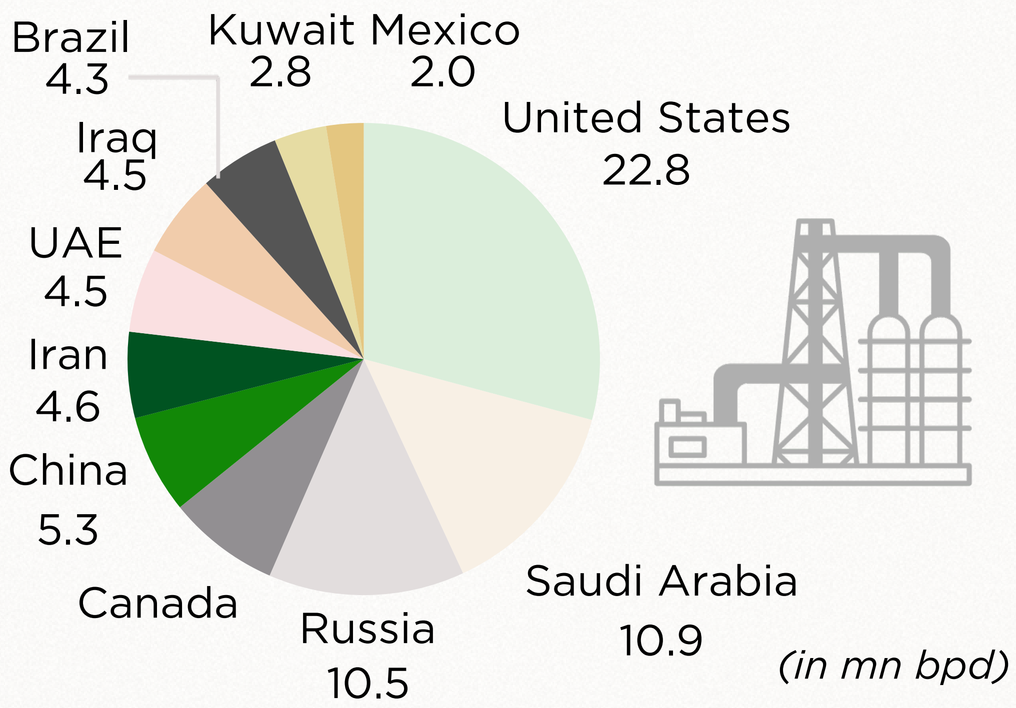
Private Capex in Focus: A Tale of Caution and Strategic Investment:

- L&T partners with Nvidia to build India's largest GW scale AI factory Will use Nvidia GPUs in its **30 MW** Chennai & **40 MW** Mumbai data centre.
- TCS signs OpenAI as its first customer in data centre business for **100 MW** capacity.
- Maruti Suzuki launched its maiden EV eVitara with a battery rental plan .
- Reliance gets USA license to directly purchase Venezuelan oil.
- Novartis to sell its entire **70.7%** stake in Novartis India to PE led consortium for ~$159 mn.

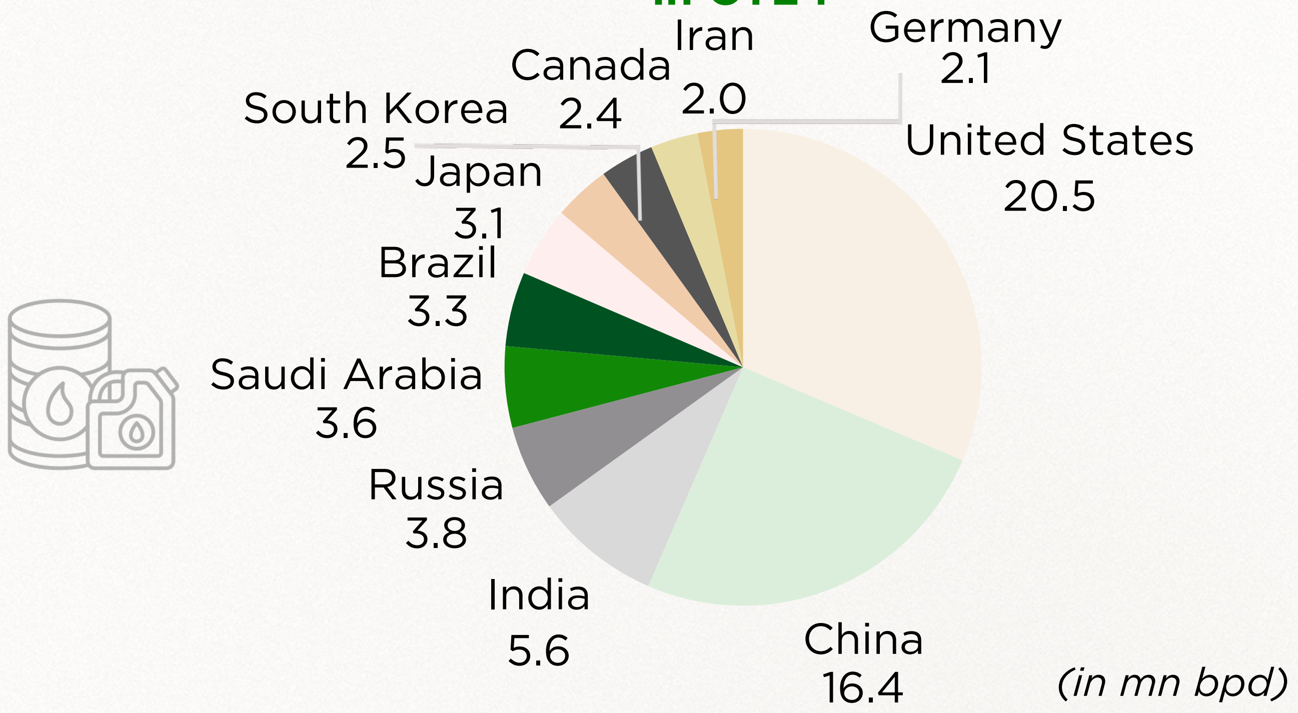
“Fire in the Gulf: Oil, War & Global Fallout – The Iran Chapter”

Rising geopolitical tensions in the Middle East have triggered significant volatility in global energy markets. On 28 February 2026, the United States and Israel launched coordinated strikes on Iran, prompting retaliatory attacks and disruptions across the Gulf region. The situation led to the closure of the Strait of Hormuz, a critical maritime choke point through which nearly **20%** of global oil supply passes. As a result, Brent crude prices surged above USD 93 per barrel, rising almost **29%** within a few days amid fears of supply shortages. Several supply disruptions have compounded the shock: Iraq cut around **1.5 million barrels per day (bpd)** due to export disruptions, while operations in Iraqi Kurdistan halted about 200,000 bpd of production. Meanwhile, Saudi Aramco shut its 550,000 bpd Ras Tanura refinery, and the Fujairah Oil Hub in the United Arab Emirates reported a major fire following drone debris, affecting one of the region’s largest storage and bunkering facilities. According to Kayrros, Gulf Cooperation Council producers collectively hold about 350 million barrels of onshore storage capacity, with inventories near Core Sector Growth: Weakness in crude oil (-5.8%) & natural gas (-5%) capped gains in cement (+10.7%) & steel (+9.9% as of March 1, which could provide some short-term buffer. However, if disruptions persist and production cuts exceed 3 million bpd, global oil markets could remain tight, increasing inflationary risks and adding uncertainty to the global economic outlook.

Total Crude Production - 103.3 mn bpd in CY24



Total Crude Consumption - 102.6 mn bpd in CY24



LNG

Escalating geopolitical tensions in the Middle East have also triggered sharp volatility in global gas markets. Asian spot LNG prices surged to around USD 25.4/MMBtu, more than doubling within a week, while European natural gas prices jumped over **70%** amid fears of supply disruptions. The spike follows reports that QatarEnergy temporarily suspended LNG output at the Ras Laffan complex and Mesaieed Industrial City, key facilities that support Qatar's LNG exports, which account for roughly 20% of global LNG supply. Shipping markets have also tightened significantly, with Atlantic LNG tanker charter rates surging above **USD 200,000 per day**, nearly doubling within a day due to rising demand for vessels and uncertainty over shipping routes. At the same time, Norway—Europe's largest gas supplier—is already operating near full production capacity, limiting its ability to increase exports further. The combination of supply disruptions, shipping constraints, and limited spare capacity has significantly tightened global gas markets, raising concerns about energy costs and inflationary pressures if disruptions persist.

SHIPPING

Attacks on energy infrastructure in the Persian Gulf have significantly disrupted global oil shipping. Reports indicate that more than 10 oil tankers were damaged, raising security concerns and reducing tanker availability. As a result, Middle East-China supertanker earnings surged above USD **500,000** per day as transit through the Strait of Hormuz slowed. Insurance costs for vessels passing through the region have also spiked sharply, with war-risk premiums rising nearly **12 times** to around **3%** of a vessel's value. With only 6-12 spot supertankers currently available, shipping capacity is struggling to meet the region's ˜15 million barrels per day crude export demand, adding further pressure to global oil markets.

GLOBAL MARKET OUTLOOK:

Geopolitics, Tariffs & Cooling Growth: A Turbulent Global Backdrop, US ECONOMY:

Global markets are navigating a period of heightened geopolitical and economic uncertainty. Tensions in the Middle East escalated sharply as Iran launched strikes across several Gulf nations including Qatar, Bahrain, Kuwait, United Arab Emirates, Saudi Arabia and Oman, while Hezbollah opened another front from Lebanon against Israel, raising concerns of a broader regional conflict and risks to global energy supplies. At the same time, European countries such as Germany and Spain indicated they may not support U.S. military intervention, highlighting divisions among Western allies.

On the policy front, the U.S. Supreme Court struck down sweeping presidential tariffs, potentially triggering billions of dollars in refunds to importers. Meanwhile, Donald Trump announced a **10%** blanket tariff under Section **122**, with the option to raise it to **15%** for up to 150 days, adding uncertainty to global trade flows. Economic indicators in the United States also point to a moderation in growth momentum. U.S. GDP growth slowed to 1.4% in Q4, a sharp decline from 4.4% in Q3, reflecting weaker consumer spending and slower business investment. However, the labor market remains relatively resilient, with unemployment hovering near historic lows and wage growth still supportive of consumption. In addition, the U.S. Department of Energy approved a record $26.5 billion loan to Southern Company aimed at strengthening grid reliability and lowering power costs, which could reduce interest expenses by more than $300 million annually. Together, these developments highlight a global backdrop shaped by geopolitical tensions, evolving trade policies, and a gradual cooling of economic growth in the U.S.

China Targets Sub-5% Growth as Stimulus Meets Structural Slowdown:

China's economic outlook for 2026 reflects a more cautious growth environment as policymakers balance stimulus with financial stability. The government has set a GDP growth target of **4.5%–5%** for FY2026, marking the first time in more than four decades that the official target is below 5%, highlighting the structural slowdown in the economy. At the same time, China has set a CPI inflation target of **2%** for 2026, after inflation remained close to zero in 2025, signaling persistent weak domestic demand and deflationary pressures.

To support consumption, authorities announced targeted stimulus measures, including 250 billion yuan of funding from ultra-long government bonds to encourage car scrappage and replacement, home appliance upgrades, and purchases of digital and smart products—though this allocation is lower than the 300 billion yuan provided in the previous year. In addition, the government has launched a 100 billion yuan consumption support fund, combining interest subsidies, guarantees, and risk-compensation mechanisms to stimulate spending. At the same time, policymakers are tightening financial discipline by enforcing stricter restrictions on new hidden debt by local governments and limiting local subsidy programs, reflecting efforts to control fiscal risks while gradually stabilizing growth.

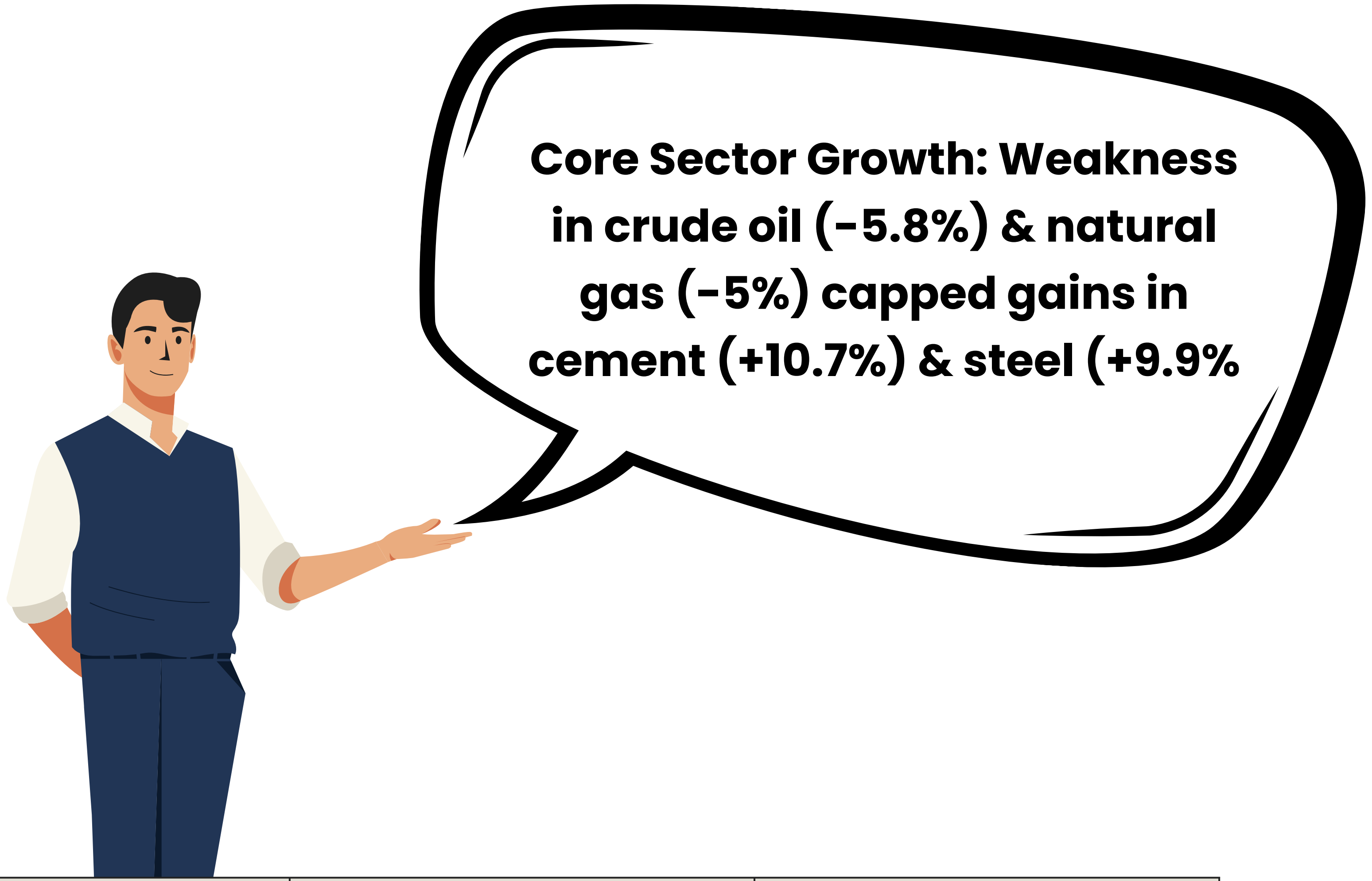
EU Targets Russia's Shadow Fleet as It Pushes Industrial Revival

The European Union has proposed its 20th sanctions package against Russia, targeting the country's oil "**shadow fleet**"—a network of tankers used to transport crude while bypassing existing sanctions and price caps. The measures also extend restrictions to key strategic sectors including aluminium, steel, cement, wind turbines, and electric vehicles, reflecting Europe's effort to tighten economic pressure while protecting critical supply chains.

At the same time, the EU has unveiled the Industry Accelerator Act, aimed at strengthening industrial competitiveness and increasing manufacturing's share to **20%** of GDP by 2035. The initiative focuses on accelerating investment and production in strategic industries such as clean energy technologies and advanced manufacturing. Meanwhile, Italy has introduced a €3 billion energy decree to ease electricity costs by reimbursing gas-fired power plants for carbon permit charges, effectively lowering power bills for households and businesses. These measures highlight Europe's dual strategy of maintaining pressure on Russia while supporting domestic industry and energy affordability.

INDIA ECONOMIC DATA

Economic Indicator	JAN'25	DEC'25	JAN'25
WPI inflation (in%)	1.8	0.8	2.6
CPI inflation (in%)	2.8	1.3	4.3
Trade Deficit (in bn$)	34.7	25	23.4



Economic Indicator	FEB'26	JAN'26	FEB'25	MoM	YoY
GST Collection (in ₹tn)	1.8	1.9	1.7	-5.10%	8.10%
AVG USD INR	90.8	90.7	87	0.00%	4.40%
Forex Reserves ($ bn)	728.5	723.8	638.7	0.70%	12.50%