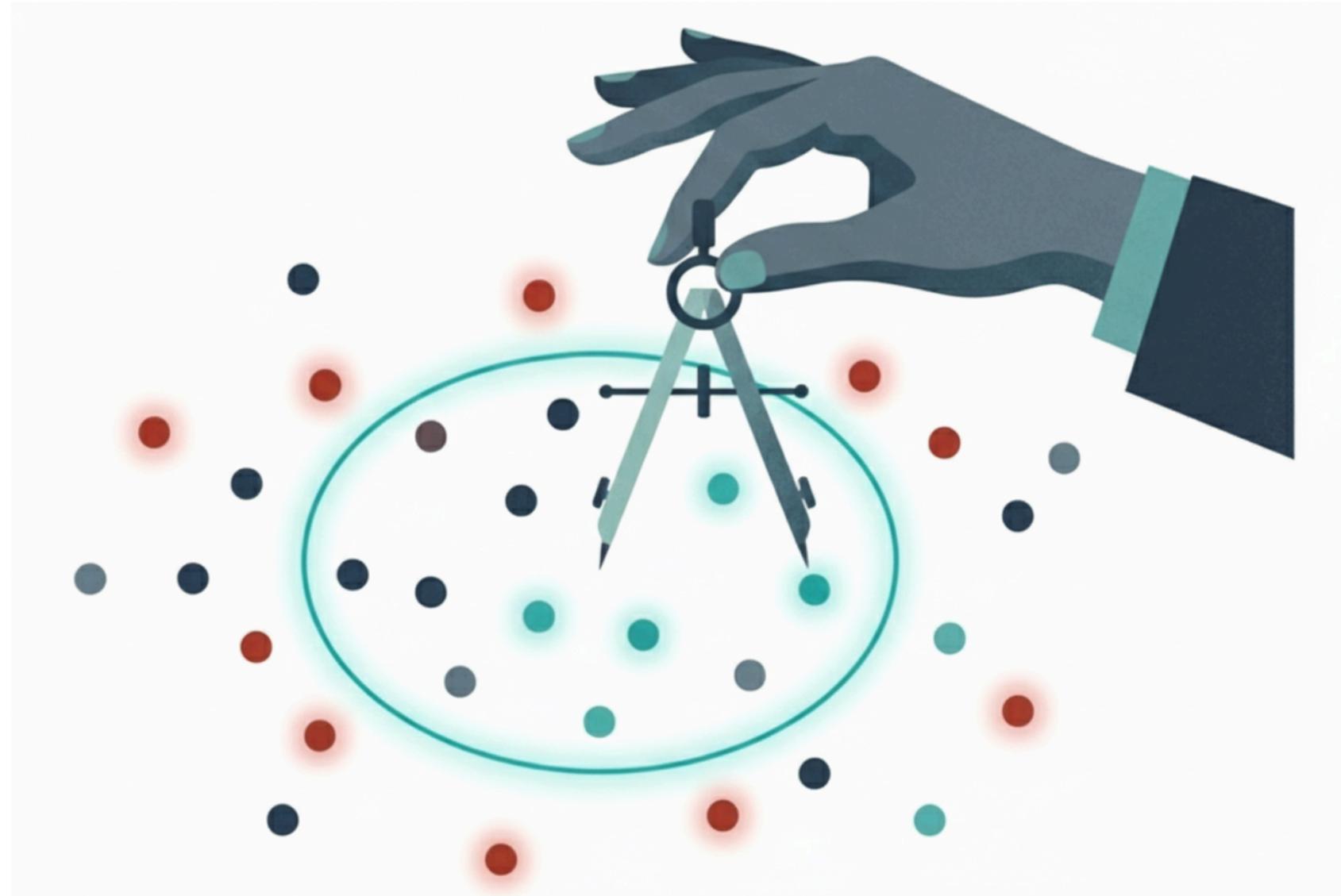


# India's largest company is not the largest weight in the Nifty 50!



Read about **index construction nuances** that need to be considered for effective portfolio risk understanding on **slide 6** of our Feb'26 Monthly Market Review.

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# MONTHLY MARKET REVIEW

February 2026

“Buy at the point of  
maximum pessimism;  
sell at the point of  
maximum optimism.”  
– Sir John Templeton





# INDEX

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- India - Macroeconomic Data
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- Global Equity Markets
- Asset Class returns summary

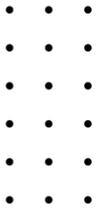
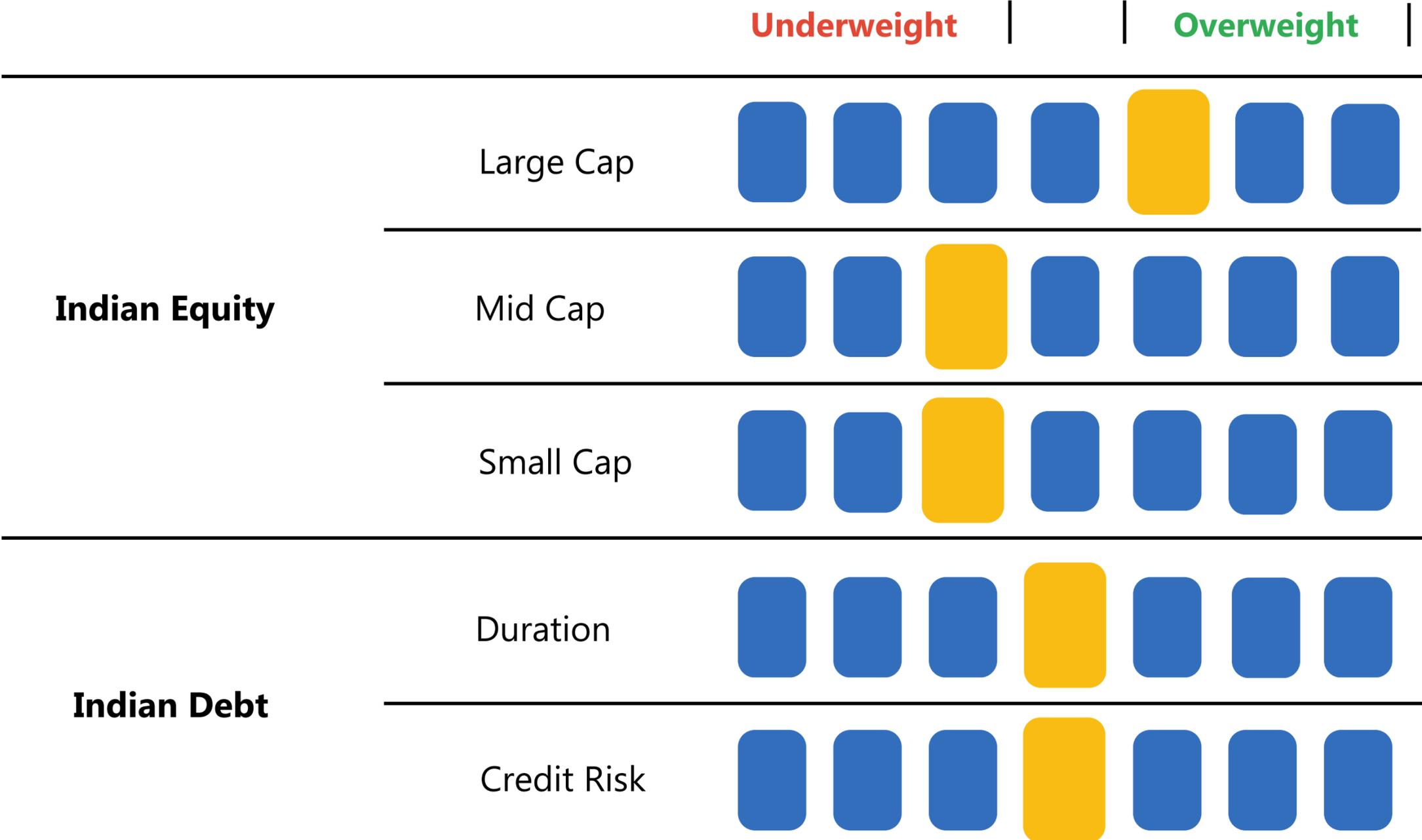


# Snapshot



- **Asset Class Views** – Maintain an overweight bias to Indian large-cap equities on improved valuation comfort, remain selective in mid and small caps, and stay cautious on extending duration as the easing cycle nears its end.
- **Nifty 50 construction snapshot** – Nifty 50 construction is driven by free-float market capitalisation, creating structural sector tilts—especially toward financials—that materially shape passive portfolio risk.
- **Indian Equity Market** – Indian equities traded in a risk-off, range-bound environment, influenced by global uncertainty, FPI outflows and budget-related caution, with domestic liquidity limiting downside.
- **Indian Equity Market (Sectoral)** – Cyclical such as metals and PSU banks led on balance-sheet strength and policy support, while defensives lagged on valuation and demand pressures.
- **Indian Equity Market (Valuation)** – Valuations have normalised across large caps, while select mid and small caps still price in optimism, increasing the importance of bottom-up stock selection.
- **India – Debt Markets** – Bond yields trended higher on heavy central and state borrowing, with RBI liquidity measures containing volatility but not reversing the supply-driven pressure.
- **India – Macroeconomic Data** – Growth remains resilient with improved fiscal metrics and benign inflation, though consumption is uneven and business confidence has softened despite ongoing expansion.
- **US – Equity Market** – US markets continue to exhibit narrow leadership, elevated valuations and increasing rotation, shifting the focus from broad index exposure to earnings-driven stock selection.
- **US – Key Macroeconomic Updates** – Inflation is moderating gradually, but stickiness in food and services and hotter producer prices keep the Federal Reserve data-dependent and cautious.
- **US – Debt Market & Global Commodities** – US yields remain volatile with limited scope for further decline, while gold and silver rallied on uncertainty and rate expectations, with silver showing heightened volatility risk.
- **Global Equity Markets** – Global equities remained mixed and range-bound, supported by macro stability but capped by geopolitical risks, policy uncertainty and thin liquidity.
- **Asset Class Returns Summary** – Commodities, particularly silver and gold, outperformed, debt delivered relative stability, while Indian and US equities underperformed over the period and remain weak on a YTD basis.

# Asset Class Views



# “India’s largest company is not the largest weight in the Nifty 50.”

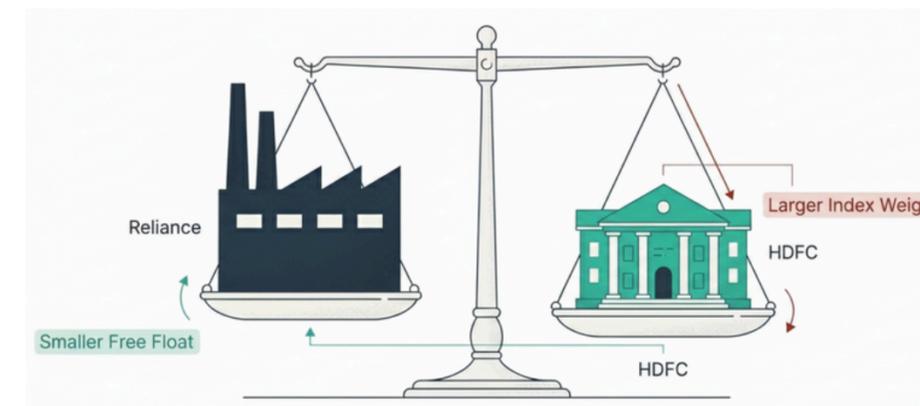


## Index Characteristics:

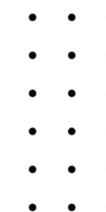
Methodology	Free Float Market Capitalization
No. of Constituents	51
Launch Date	April 22, 1996
Base Date	November 03, 1995
Base Value	1000
Calculation Frequency	Real-Time
Index Rebalancing	Semi-Annually

## Top index constituents:

Company's Name	Weight(%)
HDFC Bank Ltd.	12.30
ICICI Bank Ltd.	8.38
Reliance Industries Ltd.	8.16
Infosys Ltd.	4.98
Bharti Airtel Ltd.	4.75



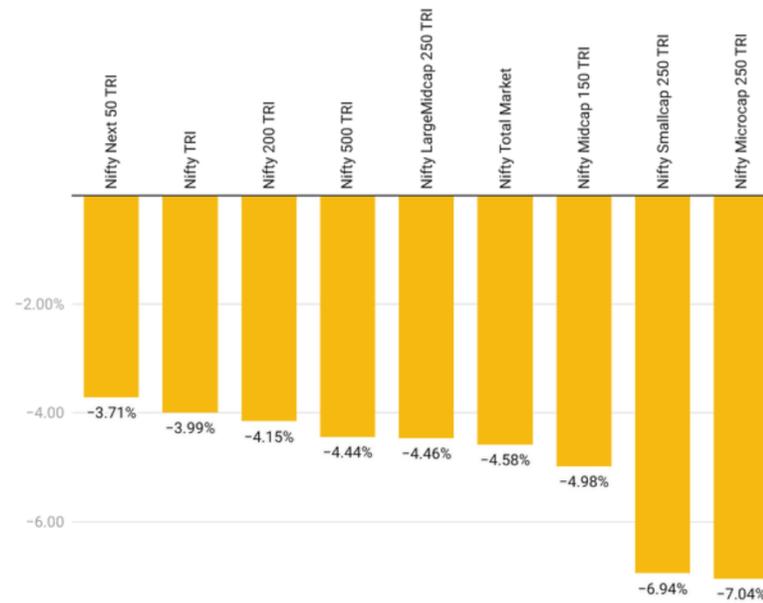
- The Nifty 50 is constructed using a free-float market capitalisation methodology, meaning index weights are determined only by shares available for public trading, not total company size.
- Promoter, government, and other strategic holdings are excluded from the calculation, which can materially reduce the effective index weight of companies with high promoter ownership.
- Large private-sector banks such as HDFC Bank have a significantly higher free float, resulting in a larger index weight than Reliance Industries despite Reliance being India’s largest listed company by headline market capitalisation.
- Passive Nifty 50 exposure embeds an inherent and persistent overweight to financials, driven by ownership structure rather than valuation, fundamentals, or active conviction.
- Effective wealth management goes beyond security selection — it requires identifying and managing structural risks embedded in index construction, ownership patterns, and portfolio aggregation.



# Indian - Equity Market

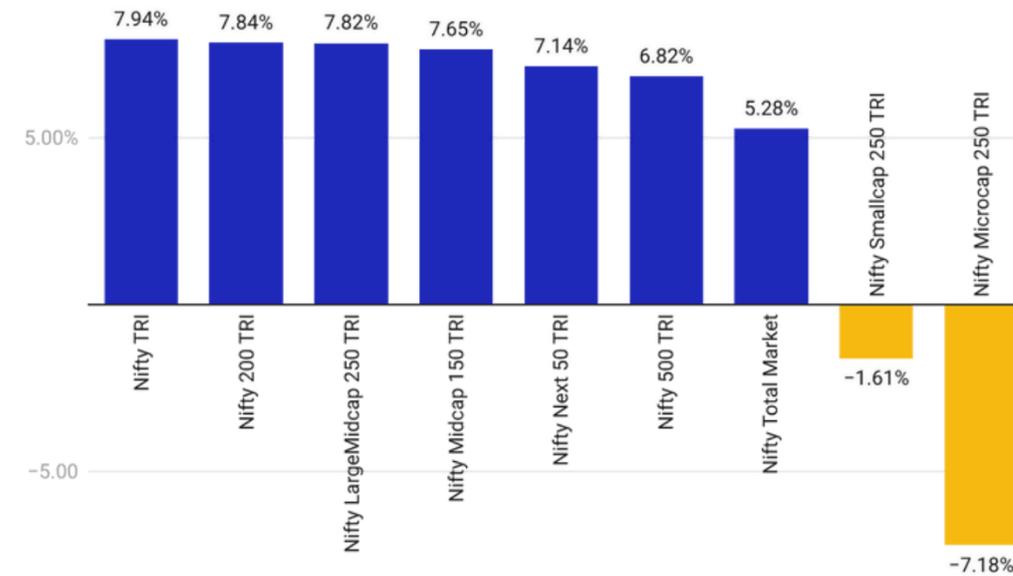


## 1 Month Returns



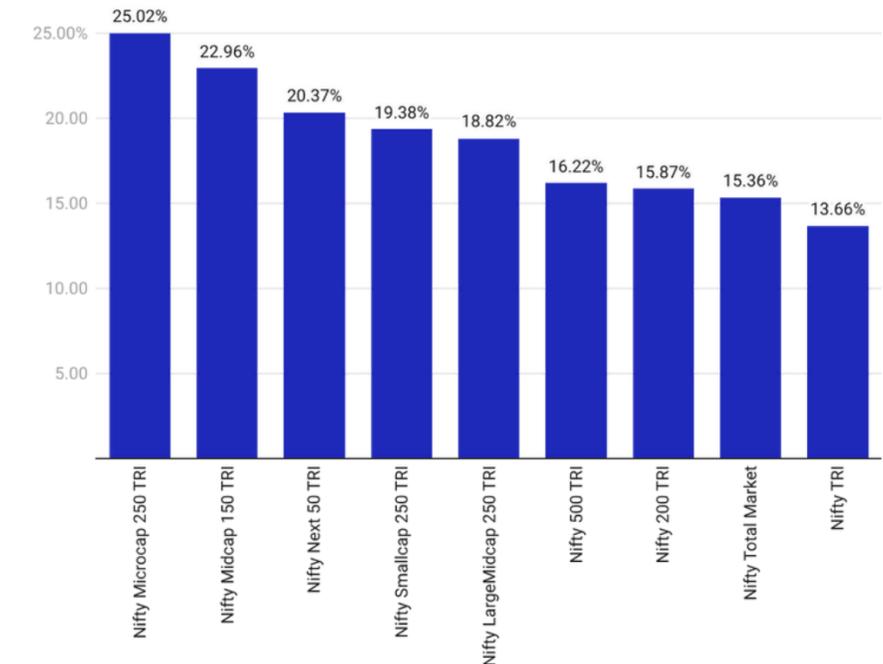
1-Month returns are absolute returns for the period 01 January 2026 to 02 February 2026.  
Source: NGEN • Created with Datawrapper

## 1 Year Returns



CAGR Returns (31 Jan 2025 – 02 Feb 2026)  
Source: NGEN • Created with Datawrapper

## 3 Year Returns



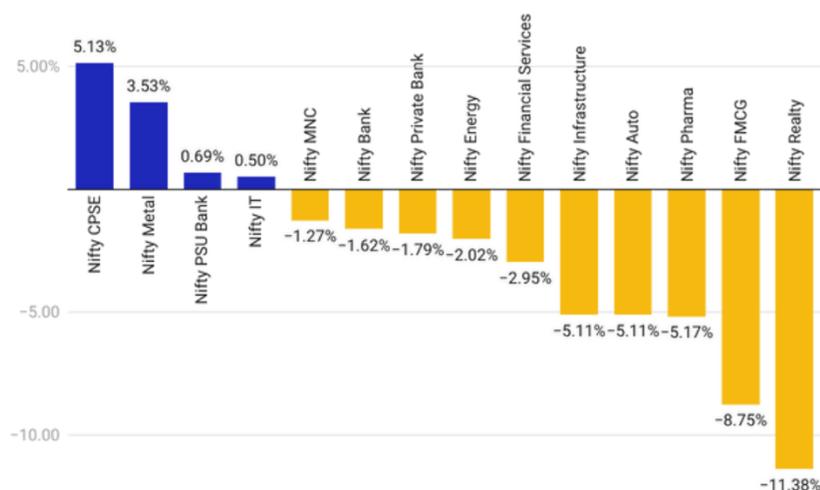
CAGR (31 Jan 2023 – 02 Feb 2026)  
Source: NGEN • Created with Datawrapper

- Global jitters set the tone early: Markets started January on a cautious footing as concerns around potential US tariff actions resurfaced, triggering risk aversion and prompting investors to trim exposure, particularly in higher-beta segments.
- India–Europe engagement offered brief support: Mid-month sentiment stabilised on the back of the India–Europe strategic deal, with optimism around defence, manufacturing and long-term cooperation providing selective sectoral support.
- Budget positioning dominated market behaviour: As the month progressed, investors turned increasingly cautious ahead of the Union Budget 2026, focusing on expectations of infrastructure-led growth and fiscal discipline rather than near-term consumption triggers.
- Risk-off mood prevailed through the month: Overall, January reflected a wait-and-watch environment, with global cues and policy anticipation outweighing stock-specific factors, setting the stage for clearer sectoral trends only after policy clarity emerged in February.

# Indian - Equity Market (Sectoral)

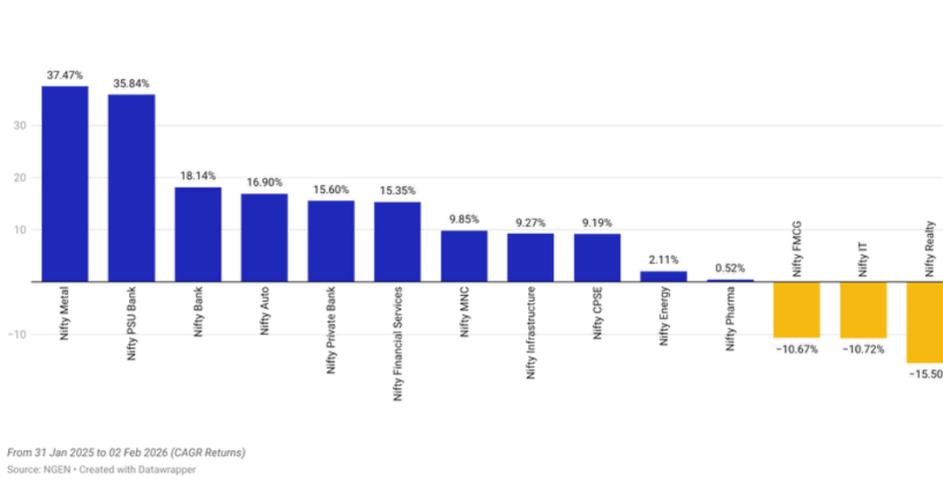


## 1 Month Returns



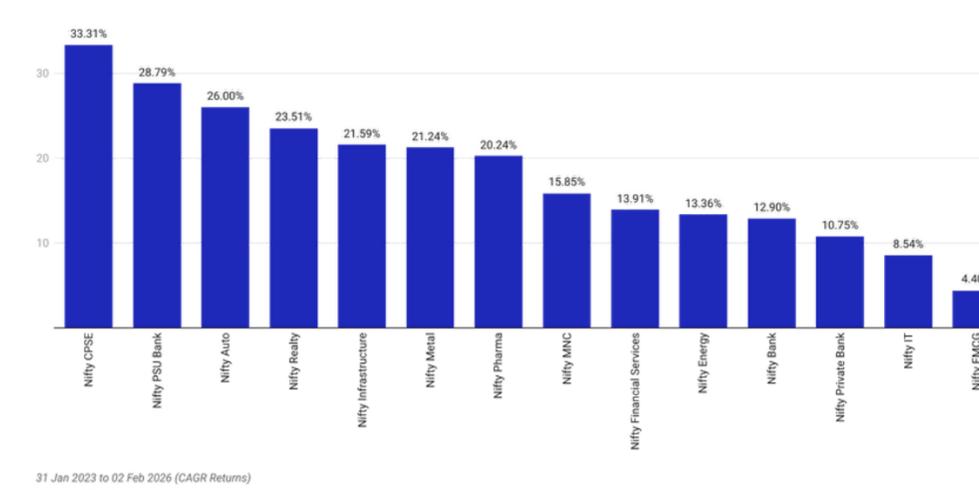
From 31st Dec to 02 Feb 2026 (Absolute Returns)  
Source: NGEN • Created with Datawrapper

## 1 Year Returns



From 31 Jan 2025 to 02 Feb 2026 (CAGR Returns)  
Source: NGEN • Created with Datawrapper

## 3 Year Returns



31 Jan 2023 to 02 Feb 2026 (CAGR Returns)  
Source: NGEN • Created with Datawrapper

### On Metal

- Firm steel, aluminium and copper prices supported earnings visibility for large metal producers.
- Continued focus on domestic infra, defence manufacturing and PSU capex kept demand expectations strong.
- Investors rotated into cyclicals like metals from expensive defensives and crowded tech trades.

### On Realty

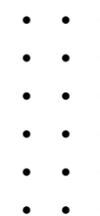
- Realty had outperformed in prior months, leading to consolidation.
- Caution ahead of global and domestic rate cues weighed on rate-sensitive sectors.
- Investors preferred sectors with clearer near-term earnings visibility.

### On Banking

- January saw a clear bifurcation within the banking space — with private banks underperforming due to broad risk-off sentiment and market technicals, while PSU banks outperformed, supported by improving fundamentals and valuation support. The negative monthly returns in the private bank index reflect this sentiment-led drift rather than any specific credit or governance issue.

### On FMCG

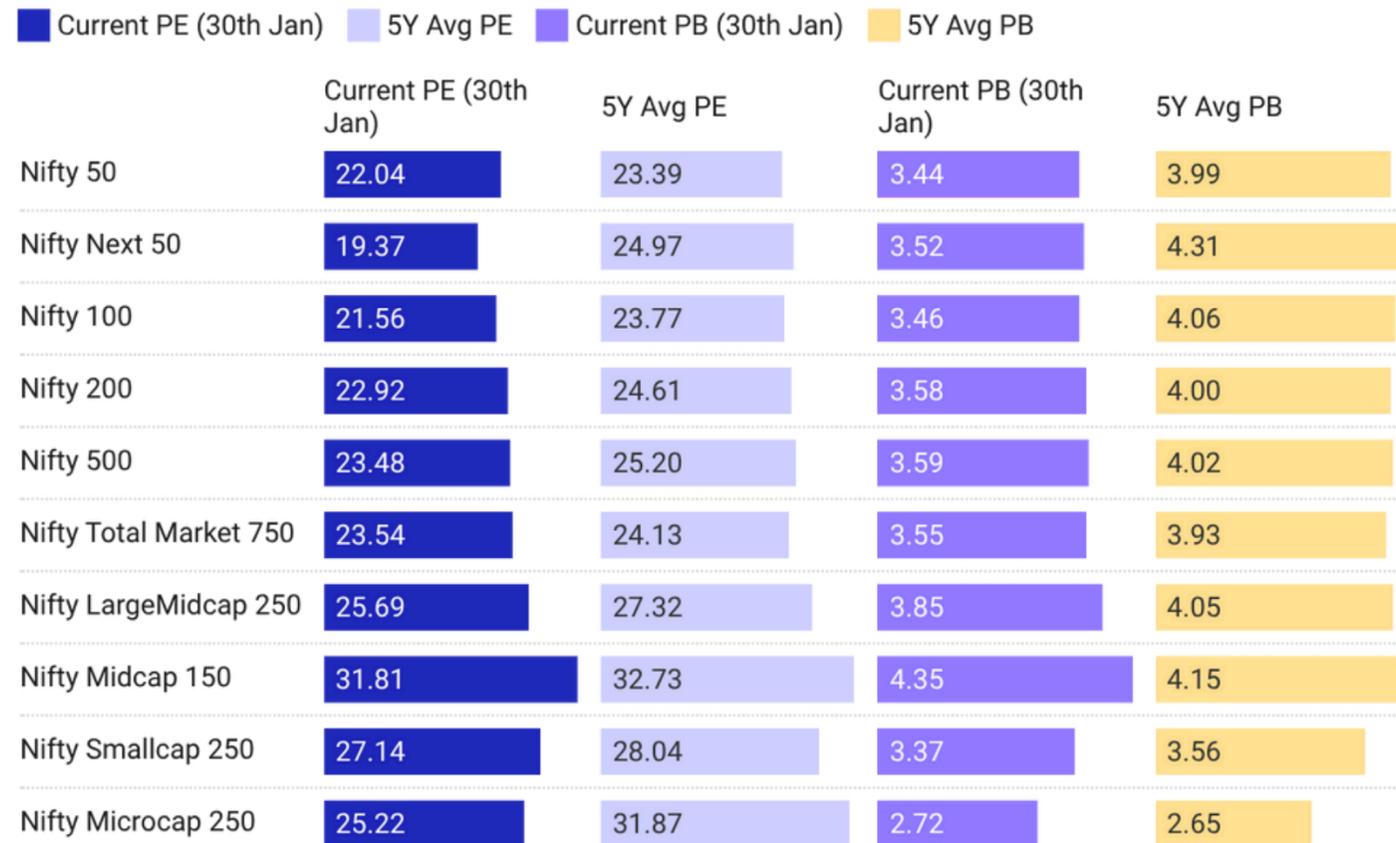
- FMCG valuations remained elevated compared to cyclicals, limiting fresh inflows.
- Urban demand stayed patchy, while rural recovery was gradual.
- Weak performance in select large FMCG stocks pulled down the broader index.
- Investors shifted away from defensives toward cyclicals during the month.



# Indian Equity Market (Valuation)



## Valuation - Broader Market Indices

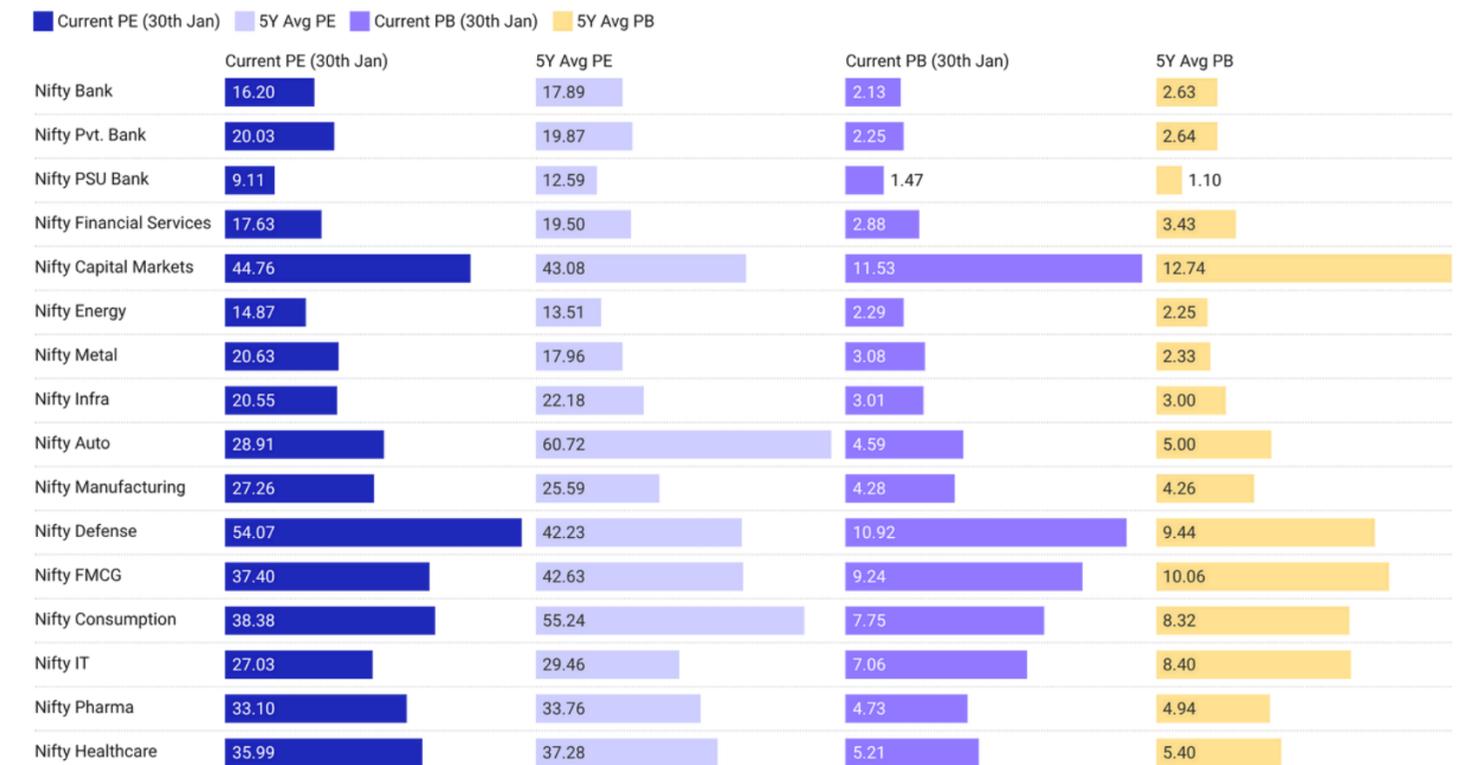


Data taken on 3rd Feb

Source: <https://trendlyne.com/> • Created with Datawrapper

- Most headline and broader indices are trading close to or slightly below their 5-year average valuations, indicating that the excess froth seen earlier in the cycle has meaningfully cooled.
- Largecaps and large-midcaps look fairly valued, while midcaps and smallcaps, despite the correction, are still not uniformly cheap but far more reasonable than a year ago.
- Microcaps stand out as relatively attractive on PE, reflecting sharper corrections and earnings catch-up.

## Valuation - Sectoral



Data taken on 3rd Feb 2026

Source: <https://trendlyne.com/> • Created with Datawrapper

- Nifty Bank and Nifty PSU Bank appear fairly valued to mildly attractive versus their 5-year average PE.
- Private banks are broadly in line with long-term averages, while PSU banks continue to trade at a discount on PE, despite improved balance sheets.
- Manufacturing and Defence remain clearly above their long-term valuation averages, reflecting strong order books, policy support and sustained investor optimism.
- Metals have seen valuation expansion, partly driven by the recent rally in underlying commodities and global cues.
- With sharp moves in coal and precious metals prices, this space has moved away from deep-value territory and is now more cycle-sensitive.

# India - Debt Markets



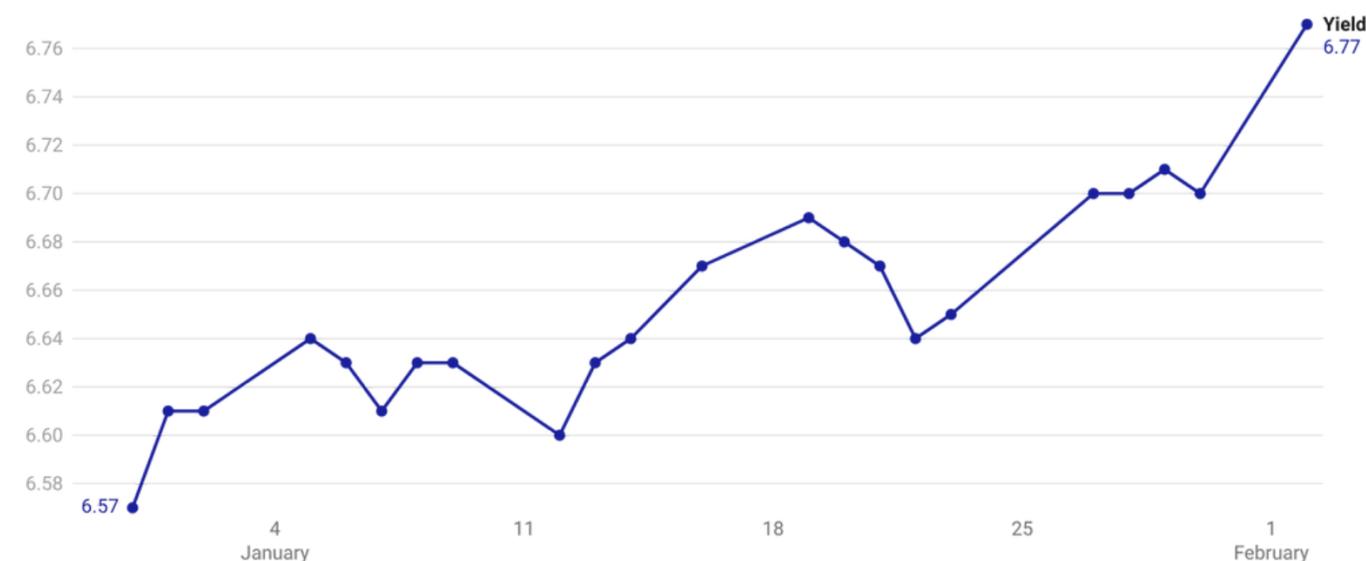
## Debt Market Indicators:

Instrument	01-Feb-26	1 Week Ago	1 Month Ago	6 Months Ago
Call Rate	5.49%	5.39%	5.35%	5.46%
5 Year G-Sec	6.37%	6.42%	6.32%	6.10%
10 Year G-Sec	6.70%	6.67%	6.61%	6.37%
1 Year AAA Corporate Bond	7.07%	7.11%	7.07%	6.85%
3 Year AAA Corporate Bond	7.12%	7.09%	7.00%	6.82%
5 Year AAA Corporate Bond	7.17%	7.16%	7.07%	6.97%

Source: [https://www.kotakmf.com/daily\\_newsletter](https://www.kotakmf.com/daily_newsletter) • Created with Datawrapper

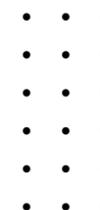
- The 10-year G-Sec yield started January around 6.57% and moved up to the 6.70–6.77% range by month-end, marking a gradual but clear rise through the month. As yields climbed, bond prices moved lower, reflecting sustained pressure on the debt market.
- Heavy borrowing plans were the primary driver of this move. States are projected to raise nearly ₹5 lakh crore between Jan–Mar 2026, while combined central and state borrowing for the quarter is estimated at around ₹8 lakh crore, keeping investors cautious and demand subdued.
- Weekly government bond auctions added to the supply overhang, triggering intermittent sell-offs, especially amid tight system liquidity and year-end balance-sheet constraints for banks and institutional investors.

## 10 Year G-Sec Movement:



Source: Ngen • Created with Datawrapper

- RBI's interventions helped contain volatility but did not reverse the trend. Open market operations, including ₹50,000 crore of bond purchases and an advance in the debt-purchase schedule, led to brief mid-month pullbacks in yields, though the relief proved temporary.
- Supply concerns intensified toward the end of the month, as markets also began factoring in the government's larger borrowing roadmap and RBI's limited room for further rate cuts, keeping yields biased upward going into February.



# India - Macroeconomic Data



## Data snapshot:

Decription	Data (Unit)
Inflation rate (%)	1.33
Interest rate – policy rate (%)	5.25
Unemployment rate (%)	4.8
GDP annual growth rate (%)	8.2
Government debt to GDP (% of GDP)	81.92
Current account to GDP (% of GDP)	-0.6
Current account (USD million)	-12,292
Gold reserves (tonnes)	880.18
Manufacturing PMI (points)	55.4

Source: NGEN, News Sources

## Excerpt of consumption indicators:

Consumption/Demand	Units	Change								12 Month Avg		12 Month Avg		Absolute								Units
		Dec'24/Nov'24	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	as of Dec'25	as of Dec'24	as of Dec'25	as of Dec'24	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25		
Personal Loans	% chg, YoY	13.4		12.8	14.0	11.7	11.8	11.9	12.1	12.0	20.4	61.3	55.0		64.9	64.6	62.5	62.1	61.6	61.5	INR Tr	
Retail Payments	% chg, YoY	9.3		23.6	5.8	17.3	9.8	12.0	13.4	13.5	19.1	83.8	74.4		89.3	89.3	86.1	81.1	84.0	79.6	INR Tr	
Non-Oil Imports	% chg, YoY	6.2	9.6	1.1	32.8	25.7	-13.6	9.6	-1.6	9.1	7.3	48	44	49.1	48.5	61.3	55.1	48.7	49.3	40.3	USD Bn	
Passenger cars sales (ex UVs)	% chg, YoY	14.3	22.5	16.3	12.6	10.4	-1.0	3.2	-10.3	2.6	-12.3	119	116	122	127	136	118	106	112	101	000 no's	
Passenger cars sales (incl UVs)	% chg, YoY	11.2	29.4	18.6	17.1	6.2	-7.7	1.0	-6.1	6.1	4.9	367	346	399	405	453	369	317	335	309	000 no's	
POL Consumption	% chg, YoY	2.0	5.3	2.8	-1.5	7.0	4.8	-4.4	0.5	0.9	4.1	20.2	20.0	21.7	21.2	20.0	18.6	19.1	19.4	20.0	Mn Tonnes	
Two wheelers	% chg, YoY	-8.8	39.4	21.2	2.1	6.7	7.1	8.7	-3.4	6.0	15.0	1672	1629	1541	1944	2211	2161	1834	1567	1560	000' no's	
Consumer Price Inflation	% chg, YoY	5.2	1.3	0.7	0.3	1.4	2.1	1.6	2.1	2.2	5.0	2.2	5.0	0.8	0.8	1.3	1.7	1.9	2.2	2.7	3MMA	
Core CPI (ex food and fuel)	% chg, YoY	3.6	4.5	4.2	4.3	4.3	4.1	4.2	4.4	4.2	3.4	4.2	3.4	4.3	4.3	4.2	4.2	4.2	4.3	4.3	3MMA	

YTDA= Year to Date Average, Avg= Average  
FY24 Avg: Average considered for the same period in FY24 as for FY25

(Source: TATHYA by DSP Mutual Fund, Jan21, 2026)

- Fiscal metrics improved meaningfully, with the April–December deficit at 54.5% of the full-year target, aided by strong tax collections and controlled expenditure, keeping the government on track for the 4.4% of GDP deficit goal.
- External buffers strengthened, as forex reserves hit a record \$709.4 billion, largely on higher gold prices, providing resilience against global volatility
- Inflation remains benign despite a pickup, with CPI rising to 1.33% YoY in December from 0.71% in November, still well within the RBI's 2–6% comfort band. The moderation in underlying price pressures keeps the door open for a final rate cut in February, though it remains a close call amid upcoming data revisions.
- Manufacturing activity improved but sentiment weakened. The Manufacturing PMI rose to 55.4 in January 2026 from 55.0 in December, supported by strong domestic demand, higher output, and inventory build-up. However, business confidence fell to a 3.5-year low, with firms cautious on the outlook despite current expansion.
- Services continue to drive growth momentum. The Services PMI climbed to 59.3 in January, led by faster output growth, strong domestic demand, and a pickup in foreign orders across Asia, Europe, and the Middle East. Employment remained stable, though input cost pressures increased, leading to higher output prices.

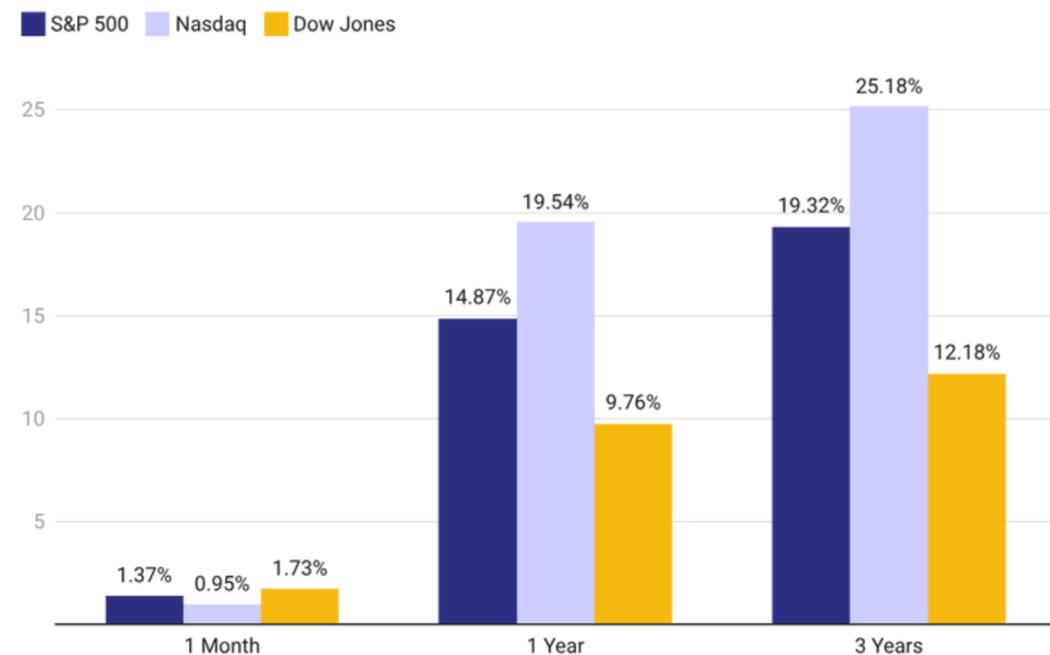
Medium-term growth outlook remains steady, with the Economic Survey projecting 6.8–7.2% growth in FY27, driven by domestic demand and investment, despite global uncertainty.

Growth momentum strengthened as industrial production surged to a 26-month high of 7.8% in December, led by manufacturing, motor vehicles and base metals, supported by festive demand and GST rate cuts.

# US - Equity Market



## Trailing returns:

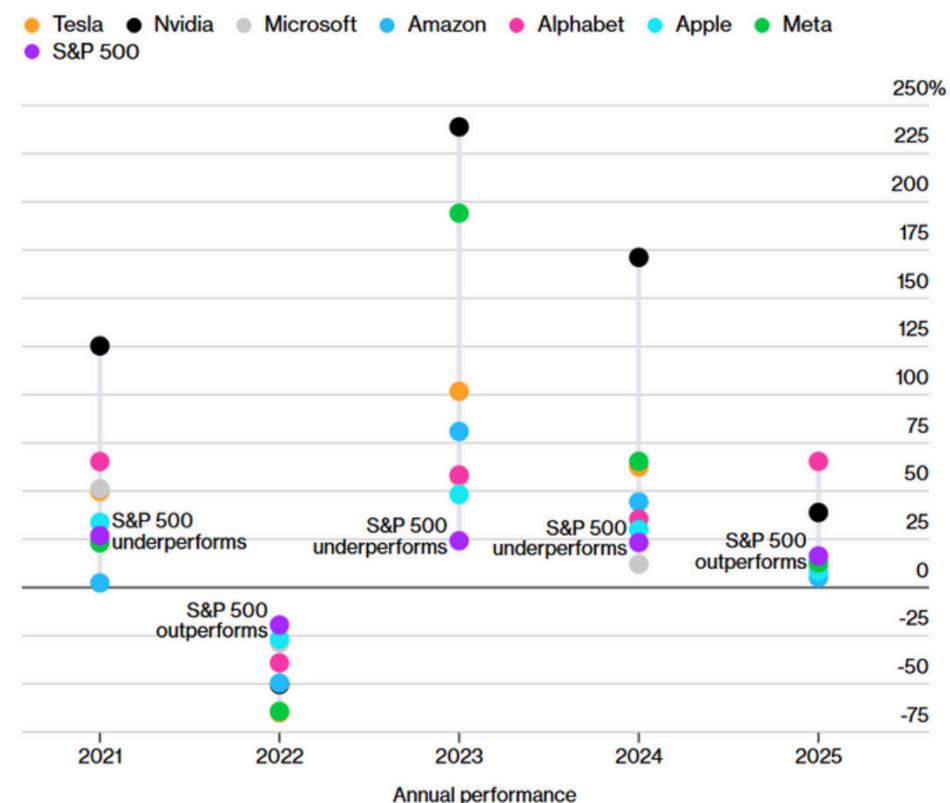


Source: NGEN, 1 Month ( 31-Dec-25 30-Jan-26 ), Absolute Returns for Returns less than 1 year, 1 Year and 3 Year CAGR • Created with Datawrapper

(Source: Ngen. Returns for up to one year are considered absolute, while returns of one year or more are calculated as CAGR.)

- January was volatile, shaped by shifting macro data, policy uncertainty, and rapid leadership rotation.
- Early optimism came from softer-than-expected December employment data, reviving hopes of interest-rate cuts.
- Sentiment turned choppy as concerns emerged around Federal Reserve independence, renewed trade-war rhetoric, and stronger producer inflation.
- Mid-month saw rotation out of richly valued technology stocks into economically sensitive and small-cap names, with market breadth improving.
- By month-end, tariff threats and geopolitical tensions weighed on sentiment, though resilient earnings expectations and selective buying limited downside.

## Mag 7 relative performance:



Source: Bloomberg

(Source: <https://www.macrotrends.net/2577/sp-500-pe-ratio-price-to-earnings-chart>)

The **dominance** of the **Magnificent 7** is showing signs of **fatigue** after leading the market for much of the past three years.

- In 2025, most of the group underperformed the S&P 500, with gains increasingly concentrated in a few stocks.
- Looking ahead, slowing profit growth and heavy AI-related capital spending are raising questions around return on investment.
- Valuations remain demanding at ~29x forward earnings, even after easing from earlier peaks.
- The trade is no longer “buy the basket” — stock selection within the Magnificent 7 is becoming critical as earnings growth broadens beyond Big Tech.

# US - Key Macroeconomic Updates



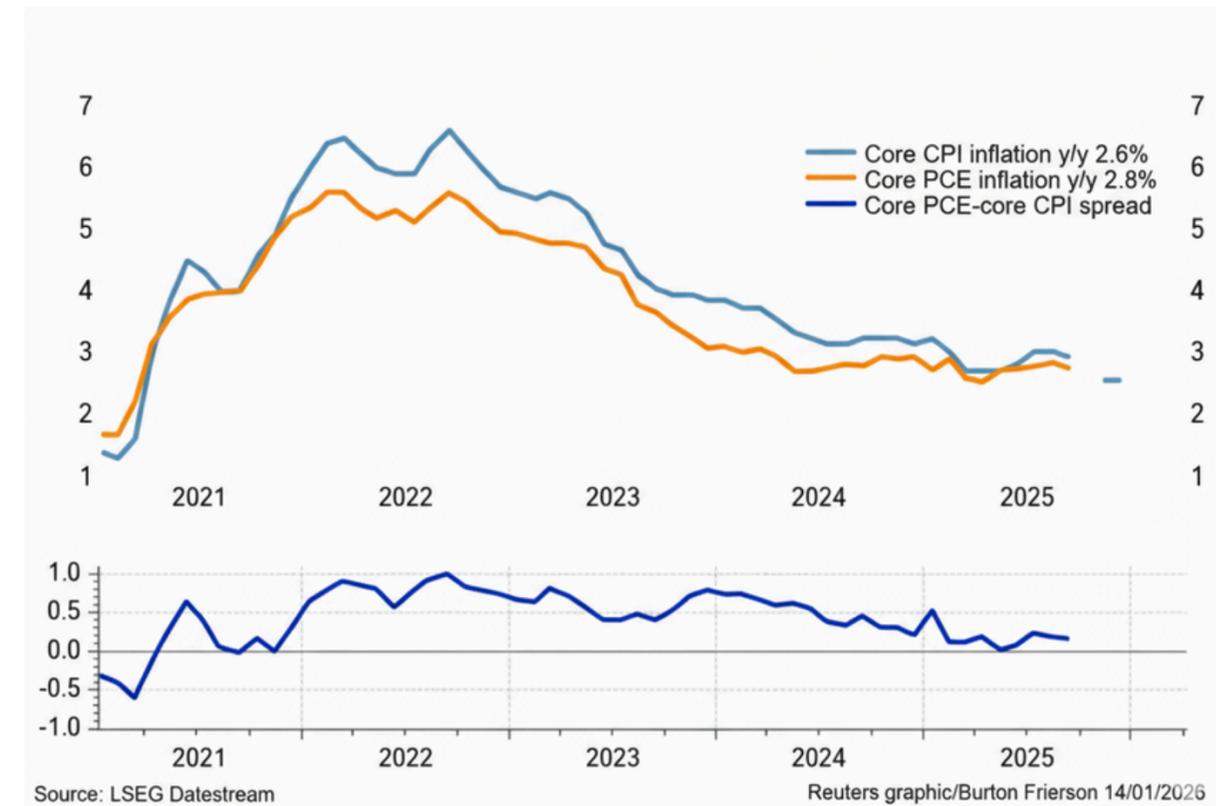
## US Macro Economic Data

Indicator	Value
Inflation Rate (%)	2.70
Interest Rate (%)	3.75
Unemployment Rate (%)	4.40
Consumer Price Index (CPI) (Points)	324.05
Imports (USD Billion)	348.88
Exports (USD Billion)	292.05
Core Consumer Prices (Points)	331.86
Producer Prices (Points)	151.47
Unemployed Persons (Thousand)	7503.00

Source: Various News Sources, Ngen • Created with Datawrapper

(Source: NGEN)

## U.S. Core Inflation: PCE or CPI?



- US CPI rose 2.7% YoY, in line with expectations, indicating no fresh spike in overall inflation.
- Core CPI increased 2.6% YoY, slightly below forecasts, supporting the narrative of easing underlying price pressures.
- Grocery prices jumped 0.7% MoM, the sharpest rise since 2022, pushing food inflation to 3.1% YoY and keeping cost-of-living pressures elevated.
- Producer prices rose 0.5% MoM, well above estimates, signalling rising cost pressures at the producer level.
- After delivering three rate cuts toward the end of 2025, the US Federal Reserve paused, citing solid economic activity and a stabilising labour market.
- The Fed focuses on PCE inflation, which adjusts for how consumers actually spend money, unlike CPI which uses a fixed basket of goods and services.
- PCE could look hotter than CPI this time. Economists expect December PCE inflation to come in higher than CPI, potentially around 2.8–2.9% YoY, making upcoming data crucial for future rate decisions.

# US - Debt Market & Global Commodities



## Global Commodities:

Commodity	Price (30-Jan-26)	Price (31-Dec-25)	1 Month Difference
Gold (INR/10 gm)	164,389	132,640	23.94%
Gold (\$/oz)	4,864	4,314	12.75%
Silver (INR/1 kg)	333,292	229,452	45.26%
Silver (\$/oz)	85	71	18.75%
Brent Crude (\$/bbl)	74	63	17.37%
Crude Oil (INR/1 bbl)	6,016	5,212	15.43%
NYMEX Crude (\$/bbl)	64	57	12.49%
Natural Gas (INR/1 mmbtu)	360	357	0.84%
Aluminium (INR/1 kg)	321	296	8.46%
Copper (INR/1 kg)	1,284	1,197	7.30%
Nickel (INR/1 kg)	1,672	1,494	11.96%
Lead (INR/1 kg)	197	190	3.73%
Zinc (INR/1 kg)	333	310	7.36%
Mentha Oil (INR/1 kg)	1,059	1,106	-4.22%

Source: Aditya Birla Mutual Fund Daily Update • Created with Datawrapper

## US rates:



Source: Investing.com • Created with Datawrapper

US 10 Year Bond Yield - January



Source: Investing.com • Created with Datawrapper

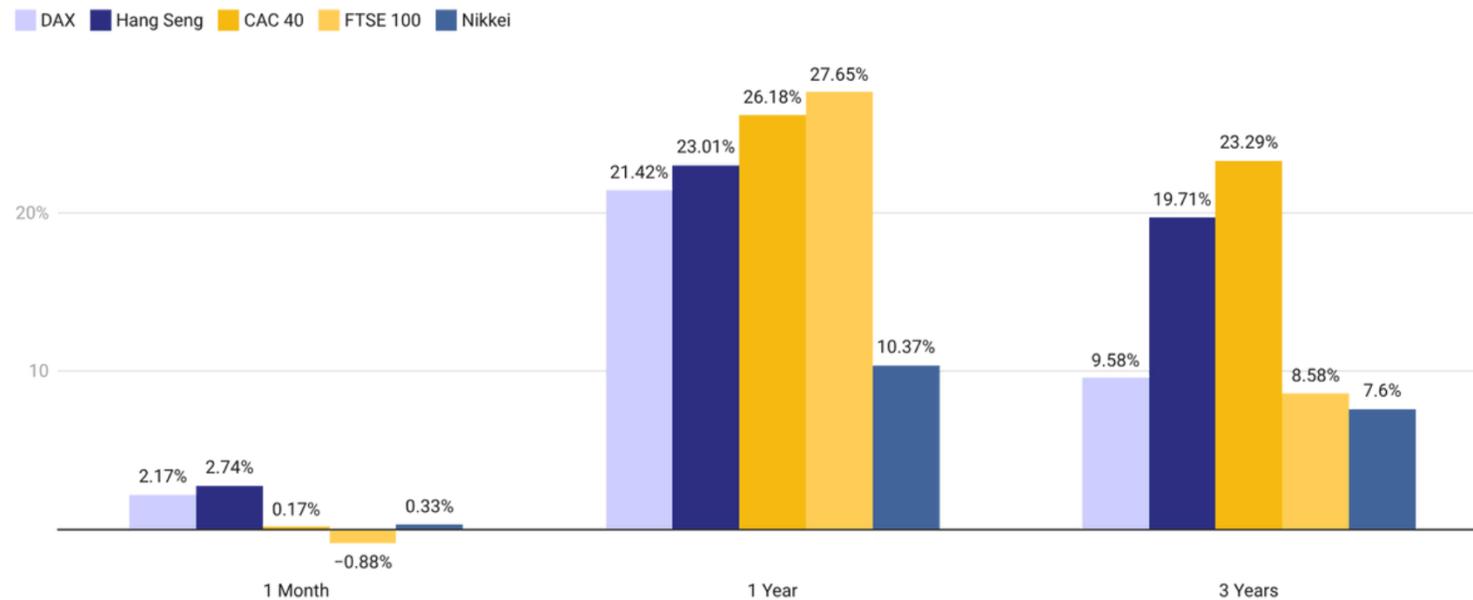
- The 10-year U.S. Treasury entered 2026 after a strong rally, leaving less room for further yield compression and setting the stage for consolidation.
- January 2026 saw yields edge higher and remain volatile, reflecting a shift from a “rates coming down” narrative to a more data-dependent macro environment.
- Inflation progress slowed at the margin, with pockets of stickiness in services and food prices reducing expectations of rapid policy easing.
- The Federal Reserve kept rates unchanged in January, signalling patience and reinforcing market pricing for a slower, more gradual rate-cut cycle.
- Resilient U.S. growth and labour market data supported the view that the economy can tolerate higher-for-longer rates, limiting downside for long-end yields.

- Gold and silver posted strong gains over the one-month period, supported by global uncertainty, shifting interest-rate expectations and safe-haven demand.
- Silver significantly outperformed gold, reflecting its higher volatility and stronger sensitivity to industrial demand and speculative positioning. The sharp rise in prices came after an already strong run, suggesting momentum rather than a structural shift in fundamentals. Such rapid moves increase the risk of short-term volatility, especially in silver.

# Global Equity Markets

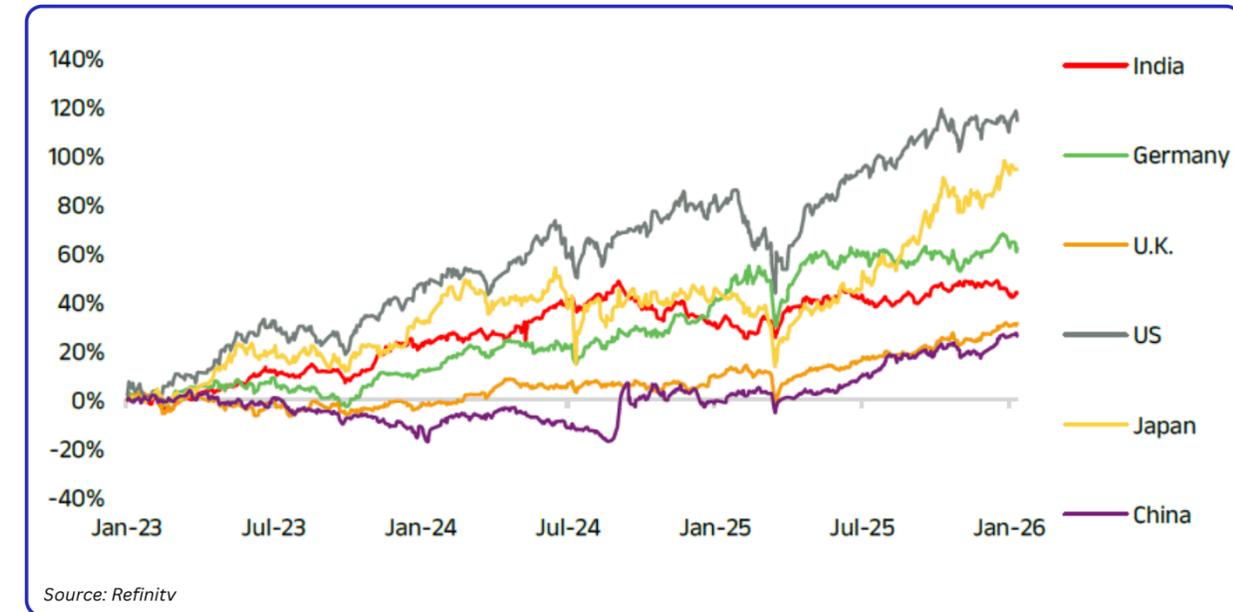


## Global Indices



1 Month Return(31 Dec 2025 – 30 Jan 2026), 1 Year Return(31 Jan 2025 – 30 Jan 2026), 3 Year Return(31 Jan 2023 – 30 Jan 2026)  
Source: NGEN • Created with Datawrapper

## Comparative 3-year absolute performance of global indices:



Source: Refinitiv

(Source: Aditya Birla Mutual Fund Daily Report - 2<sup>nd</sup> Feb)

## Europe:

- European equities saw mixed performance in January, with sentiment largely driven by geopolitical developments.
- Early-month gains were supported by positive corporate updates, easing rate expectations, and spillover optimism from U.S. macro data.
- Upside was capped by uncertainty around U.S.–Europe trade relations, tariff threats, and political developments, including French budget negotiations.
- Sentiment turned cautious later in the month amid renewed geopolitical noise, though losses remained contained.
- Some easing of trade fears and supportive economic data helped prevent a deeper correction.
- Overall, European markets reflected a balance between improving fundamentals and persistent political risk.

## Asia:

- Asian equity markets ended January mixed but relatively resilient, despite global macro and policy uncertainty.
- Early gains were driven by global risk-on sentiment, strength in Japanese and Hong Kong equities, and selective rallies in technology, mining, and AI-linked stocks.
- Japan led mid-month momentum, before sentiment softened on domestic political developments and renewed global trade concerns.
- Broader Asian markets reacted to shifting U.S. policy signals, tariff headlines, and geopolitical uncertainty.
- Easing fears of a U.S. government shutdown toward month-end helped offset some of the pressure.
- Investors remained selective, focusing on domestic growth drivers rather than broader global macro noise.

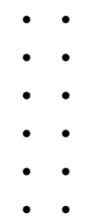
# Asset Class Returns Snapshot



2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
7.73	17.30	41.29	7.70	31.49	45.80	31.60	14.4	26.91	25.02	162.38%	19.42%
1.38	14.21%	37.65	8.24	24.60	28.20	28.71	10.80	26.29	22.93	72.30%	9.86%
0.22	11.96	21.83	-1.10	20.30	18.40	3.89	4.25	14.90	20.69	27.77%	6.85%
-3.92%	10.10%	6.20	-2.14	13.04	17.89	-4.10	3.13	7.96	17.57	16.39%	1.37%
-6.60%	5.12	3.15	4.38	10.54	14.02	-8.00	12.55	7.20	16.24	7.25%	-0.04%
-7.50	4.30	0.50	10.54	8.97	0.29	11.83	18.11	10.46	9.95	7.24%	-3.43%

Silver (Domestic Price)	China Equity ( Hang Seng)	Gold (Domestic Price)	G-Sec (CCIL Bond Index)	India Equity (Nifty 500 TRI)	US Equity (S&P 500)
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Sources:  
[https://www.edelweissmf.com/Files/Insights/viewpoint/Edelweiss\\_Mutual\\_Fund\\_-\\_TEMPO\\_-\\_July\\_09072025\\_063616\\_PM.pdf](https://www.edelweissmf.com/Files/Insights/viewpoint/Edelweiss_Mutual_Fund_-_TEMPO_-_July_09072025_063616_PM.pdf)  
 Source: NGEN, <https://bullions.co.in/location/mumbai/>  
 Data as on 31st Jan 2026



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