



The Macro, Valuation, Sentiment and Technical Lens

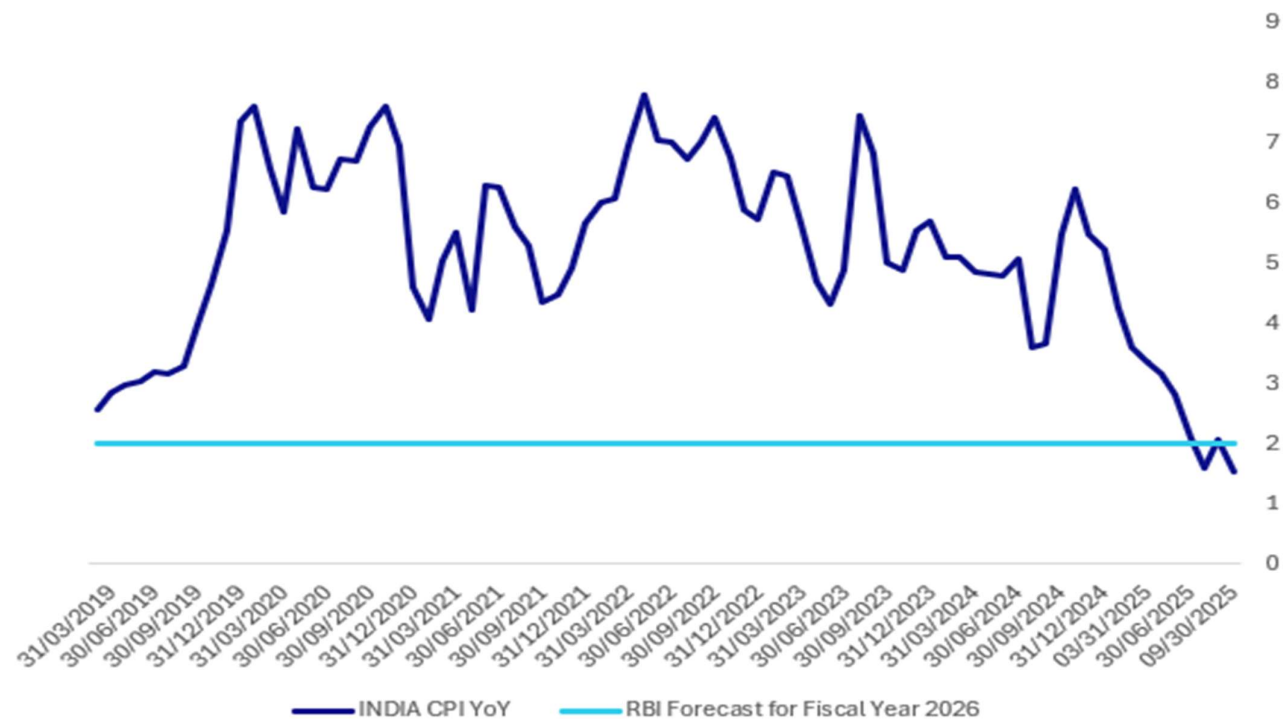
Macro: Last week, the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) announced a 25-basis-point reduction in the policy repo rate to 5.25%. The decision was unanimous, driven by easing inflation and robust economic growth.

Other key outcomes from the meeting include:

- **Repo Rate Cut:** The reduction in the policy repo rate also led to adjustments in other rates, with the Standing Deposit Facility (SDF) rate at 5.0% and the Marginal Standing Facility (MSF) rate and Bank Rate at 5.5%.
- **Monetary Stance:** The MPC maintained a "neutral" monetary stance, indicating flexibility for future rate decisions.
- **GDP Growth Forecast:** The real GDP growth estimate for FY 2025-26 was increased to 7.3%, from 6.8%.
- **Inflation Forecast:** The forecast for CPI inflation for FY 2025-26 was lowered to 2%, from 2.6%.
- **Liquidity Measures:** The RBI also introduced measures to improve liquidity in the banking system, including Open Market Operation (OMO) purchases and a dollar-rupee swap auction of up to INR1.4 tn in December.

RBI Governor Sanjay Malhotra characterized the current economic climate in India as a "rare goldilocks period" of strong growth and low inflation, which allowed for policy easing. These policy changes are anticipated to decrease borrowing costs and support economic activity

The RBI cut its inflation projections and expects inflation to average 2.0% for fiscal 2026, with the rate cut aimed at offsetting prohibitive tariffs on US-bound exports and lifting inflation from a record low. They will get a snapshot this week of how those forecasts are tracking with the release of the November CPI. October's CPI was a new low of +0.25% with the forecast for November a modest increase to +0.70%. The RBI also revised down their fiscal projections for the coming quarters to 0.6% for 4Q25, 2.9% for 1Q26 and 3.9% for 2Q26 — and sees 3Q26 inflation at 4.0%.

Fig 1: India CPI YoY

Source: Bloomberg Finance LP / MNI

Other notable data out this week will be November trade data. Exports collapsed in October by -11.8% driven by the base effect and the impact of US tariffs. Within the release was a strong service sector as services exports grew by 11.9% in October 2025, which helped to offset the overall trade balance to an extent.

Valuations: The NIFTY 50 may not have had the size of the gains of other tech heavy Asian bourses yet has delivered solid gains across 3 and 6 months and largely skipped the significant downdraft during the third week in November to be the best regional performer of the last month. The NIFTY 50 is looking fully priced from a P/E standpoint, near to full year valuations.

The Rupee remains where the full force of the trade war is being felt with declines of -0.017% last week, and of -1.4% over the last month. At 89.99 it is near all-time highs and given there is no decline in FX reserves suggests the RBI had not intervening aggressively. The Reserve Bank of India (RBI) is expected to continue intervening to manage volatility and cap sharp appreciation of the USD, but it is not defending any specific level. The outlook for the USD/INR this week is a continued depreciation bias for the Indian Rupee, with analysts anticipating the pair to trade within a range of 89.80 to 90.50.

Fig 2: NIFTY 50 Price to Earnings

NSE Nifty 50 Index		Compare	<Sec>	Acct	Consolidated	Periodicity	Annuals	Cur	FRC (INR)
1) Key Stats		2) Fundamentals	3) Custom	4) Shared					
11) Highlights		12) Valuation	13) Profitability	14) Leverage & Liquidity	15) Market Data				
12 Months Ending		2021 Y	2022 Y	2023 Y	2024 Y	Current	2025 Y Est	2026 Y Est	
		12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/07/2025	12/31/2025	12/31/2026	
Valuation Metrics									
Price/Earnings		26.28	22.31	23.50	22.53	21.64	21.57	20.42	
Price/Earnings before ...		25.63	21.31	23.35	21.49	22.79	23.28	20.85	
Price/Earnings before ...		26.52	21.82	23.23	21.46	22.79			
Price/Book Value		3.54	3.36	3.65	3.52	3.55	3.38	2.97	
EV/Sales		3.14	2.84	2.95	2.85	3.10			
EV/EBIT		20.44	18.13	19.02	18.11	18.66			
EV/EBITDA		14.27	13.83	14.64	15.28	14.80	14.43	13.09	
Dividend Yield		1.20	1.33	1.33	1.30	1.27	1.45	1.47	

Source: Bloomberg Finance LP / MNI

Sentiment: The equity market performance as indicator for sentiment, remains with moderately positive bias when compared to the returns of regional peers over the last month, and expectations for a trade deal with the US. The rupee weakness is the overhang and is anticipated to feed into inflation at a time when CPI is at lows. In the face of aggressive trade tactics from the US the Indian economy has held up very well, making investors feel quite positive. Local press continues to suggest that a trade deal is inching to completion.

Technical: The losses in the rupee last week sees USDINR reach overbought on the 14-day Relative Strength Index. Each time it has approached overbought in recent months, it has managed to pull back below over several trading sessions subsequent. The NIFTY 50 currently is clear of major technical support and likely to continue to trend lower on profit taking.

Fig 3: USDINR 14-day Relative Strength Index Reaches Overbought with last week's moves



Source: Bloomberg Finance LP / MNI

Unauthorized disclosure, publication, redistribution or further dissemination of this information may result in criminal prosecution or other severe penalties. Any such authorization requires the prior written consent of Market News International. Redistribution of this information, even at the instruction of your employer, may result in personal liability or criminal action unless such redistribution is expressly authorized in writing by Market News International. Violators will be prosecuted. This information has been obtained or derived from sources believed to be reliable, but we make no representation or warranty as to its accuracy or completeness. This is not an offer or solicitation of an offer to buy/sell. Copyright © 2024 Market News International, Inc. All rights reserved.