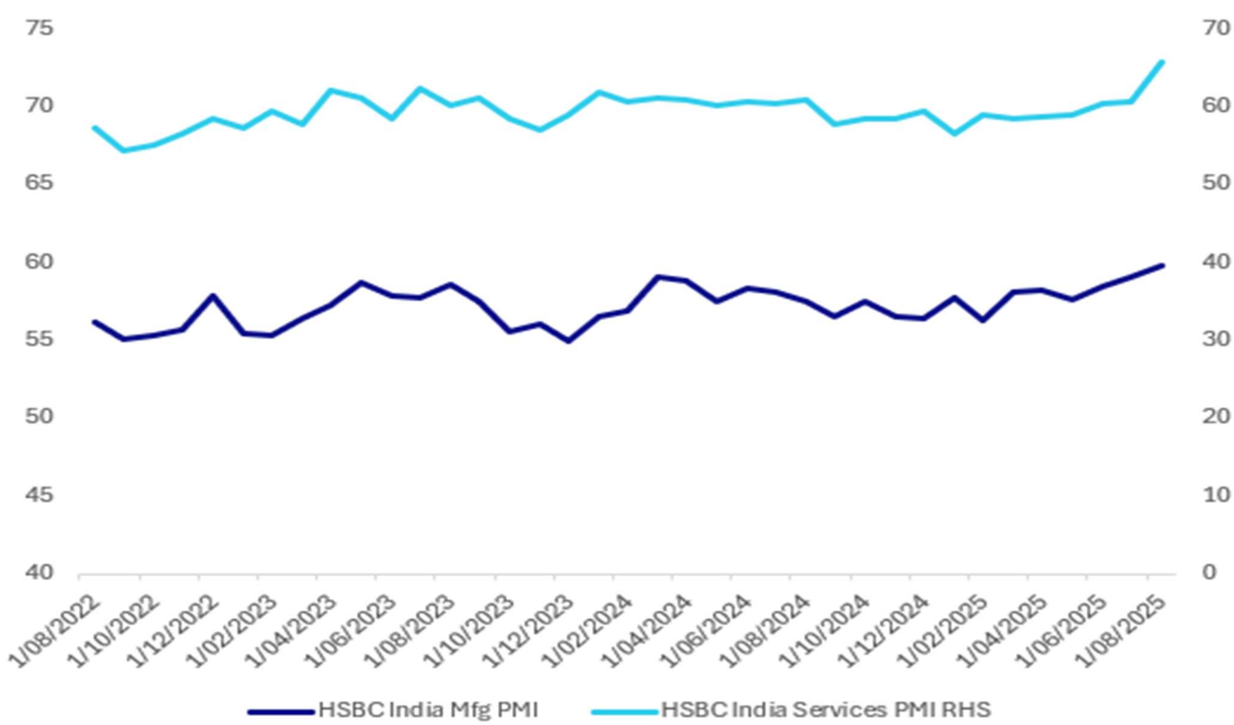
The Macro, Valuation, Sentiment and Technical Lens

Macro: The key takeaway from last's weeks data was India's inflation is set to remain low in the near term with CPI and exports remain unaffected by any ramping up of tariff threats by the US and EU. For some key domestic investors, the move below 2.00% for CPI is trigger for further rate cuts and the markets have moved accordingly over recent weeks. September exports rose +6.8% from 6.7% in August, much stronger than the 3-Year average. The unemployment rate did tick up to 5.2% (from 5.1%) however. FX Reserves were down US$3bn unsurprisingly as Rupee weakness has continued and the RBI has remained vigilant.

For the week ahead PMIs are released and should continue the ongoing theme of strength. India's PMIs lead their regional peers and remain very strong by historical comparisons. Any moderation would be largely overlooked given their relative strength. Other (second tier) data release is the India Eight Core Industries Overall Growth which measures the output of industrial establishments in the following industries: mining and quarrying, manufacturing and public utilities (electricity, gas and water supply). Production is based on the volume of the output.

Fig 1: India PMI Mfg & PMI Services



Source: Bloomberg Finance LP / MNI

Business Address – MNI Market News, 3rd Floor, 1 Great Tower Street, London, EC3R 5AA

Valuations: The NIFTY 50 P/E at 22.9x remains consistent with valuations over the last 3-Years. The forecast for the remainder of the year is for a very modest increase before a modest fall in 2026. The issue is the rupee, which given the rhetoric from the US on trade and Russian oil, has borne the brunt of the pain, reaching all time lows last week of 88.79 before settling back to just below 88. The IGB 10-Yr has consolidated around 6.50% and traded in a 15bps range since mid-August.

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

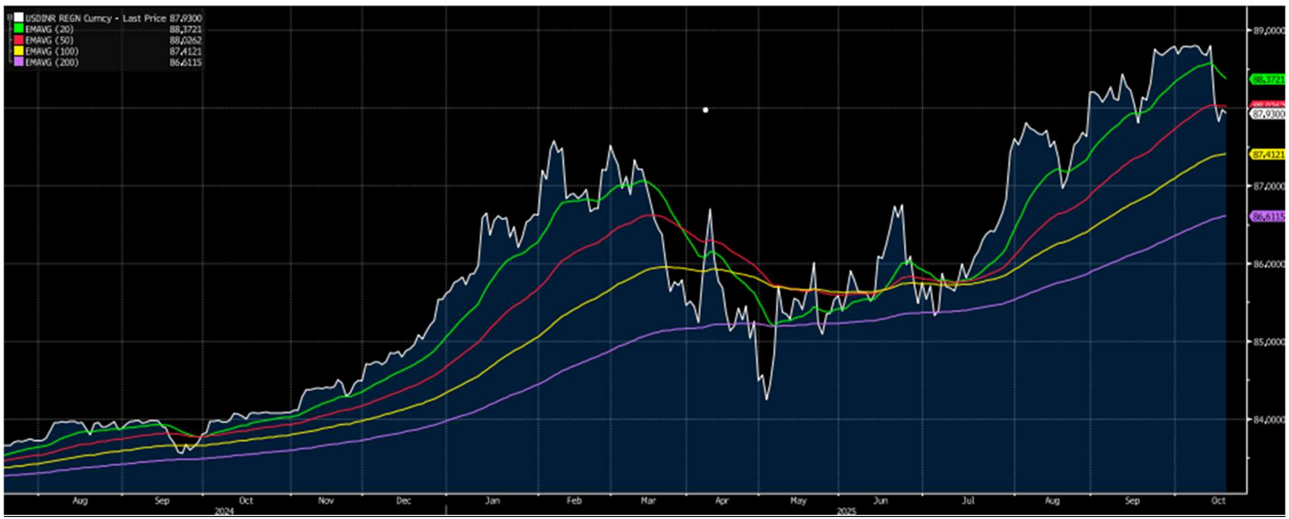
	2021 Y	2022 Y	2023 Y	2024 Y	Current	2025 Y Est	2026 Y Est
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	10/20/2025	12/31/2025	12/31/2026
Valuation Metrics							
Price/Earnings	27.17	23.13	23.50	22.53	22.93	23.38	20.30
Price/Earnings before …	26.57	22.02	23.35	21.49	22.30	22.98	20.65
Price/Earnings before …	27.55	22.62	23.23	21.45	22.43		
Price/Book Value	3.54	3.36	3.65	3.52	3.49	3.43	3.09
EV/Sales	3.41	3.01	2.95	2.85	3.08		
EV/EBIT	19.93	18.50	19.02	18.11	18.89		
EV/EBITDA	15.13	14.59	14.64	15.28	14.82	14.23	13.02
Dividend Yield	1.20	1.33	1.33	1.30	1.26	1.47	1.48

Sentiment: The equity market performance as indicator for sentiment, remains with a weakening bias and when compared to the positive returns of regional peers over the last month, has underperformed. Part of this however is that the NIFTY 50 has inched up to record highs and is reaching into being overbought. The imposition of further US tariffs for buying Russian oil and the subsequent move closer to China and Russia suggests this trend could continue. A resolution of the apparent impasse with the US could improve sentiment, though with P/Es where they are, it may be difficult to see the NIFTY 50 significantly higher from here. The issue is the Rupee which has lost ground by 3.1%, the worst performer of its closest regional peers and has required considerably intervention from the RBI. The focus on India's Russian oil reliance and US imposed tariffs has hit the currency hardest. Commentary from recent discussions in Washington was that whilst some progress has been made, the two countries remain apart on any deal.

Technicals:

The Rupee had traded above all major moving averages for some time but has staged a minor fightback amidst a softening USD, given the outlook for rates. USDIDR has tracked back below the 50-day EMA and is consolidating at these levels. The IGB 2-Yr has maintained its 20-25bps yield premium over the base rate and at present out swaps model has now priced in a cut over the next 2 months (next RBI meeting December 5). The MIPR function on BBG has currently priced in -43bps of cuts over the next 12 months.

Fig 3: USDINR vs 20, 50, 100 and 200-day EMA



Source: Bloomberg Finance LP / MNI