



The Macro, Valuation, Sentiment and Technical Lens

Macro: Market observers will look ahead to Industrial production as this week's key data release. The post COVID period has seen Industrial Production YoY averaging 4.0% expansion month on month. With US tariffs coming into effect at the end of August, this week's data release could give a sense of the impact they are having. Consensus forecasts are for September Industrial Production to moderate to +2.3%, from 4.00% in August. In May the I/P data started to show the impact of the initial tariff announcements in April, with strong declines thereafter and taking some time to bounce back.

Other key data out this week is the latest on FX reserves. The Rupee has suffered under the weight of tariffs and headlines, down almost 3% over the last six months yet has staged somewhat of a comeback over the last month. FX reserves will provide insight as to whether this is sentiment led or whether it is simply being supported by RBI intervention.

We get the end September Fiscal Deficit YTD to give a snapshot of the government's performance versus target to ascertain what capacity they have for the remainder of the year.

Fig 1: India Industrial Production YoY



Source: Bloomberg Finance LP / MNI

Valuations: The NIFTY 50 P/E at 22.89x 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 two weeks ago. In what appears to be a thawing of relations amidst ongoing talks, it has reversed that significantly down to 87.85. The 10-Yr bond yield has traded around a 6.50-6.60% range since August and likely to hold that range for the week ahead given global leads and the issuance profile.

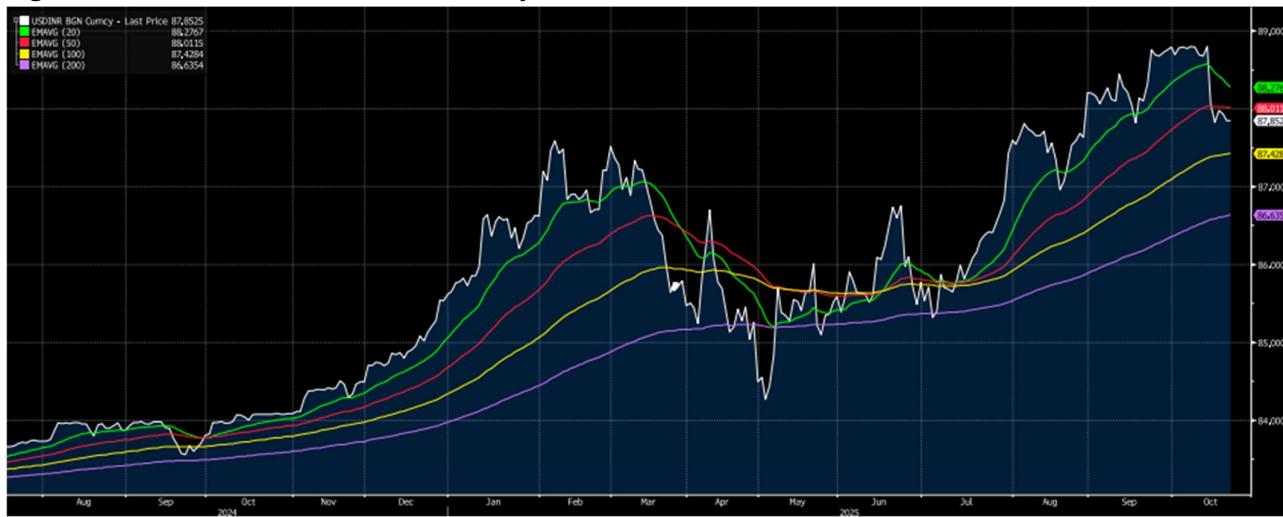
Fig 2: NIFTY 50 Price to Earnings

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	12/31/2021	2021 Y	2022 Y	2023 Y	2024 Y	Current	2025 Y Est	2026 Y Est
Valuation Metrics		12/31/2021	12/31/2022	12/31/2023	12/31/2024	10/26/2025	12/31/2025	12/31/2026
Price/Earnings	27.17	23.13	23.50	22.53	22.89	23.33	20.28	
Price/Earnings before ..	26.57	22.02	23.35	21.49	22.28	22.89	20.65	
Price/Earnings before ..	27.55	22.62	23.23	21.45	22.51			
Price/Book Value	3.54	3.36	3.65	3.52	3.49	3.42	3.08	
EV/Sales	3.41	3.01	2.95	2.85	3.08			
EV/EBIT	19.93	18.50	19.02	18.11	18.85			
EV/EBITDA	15.13	14.59	14.64	15.28	14.79	14.22	13.03	
Dividend Yield	1.20	1.33	1.33	1.30	1.26	1.47	1.49	

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. A resolution of the apparent impasse with the US could improve sentiment with headlines out of India suggesting that India will not accept limits on its trading choices or rush to sign agreements, Trade Minister Piyush Goyal said on Friday, even as a senior government official said a bilateral trade deal with Washington was "very near". The limits on trading choices likely refers to the purchase of Russian oil, though refiners are stating publicly they are reducing their reliance on Russia.

Technicals:

The move in the Rupee last week sees USDINR back below the 50-day EMA for the first time since July. At 87.85, the 100-day EMA below is at 87.42. The NIFTY 14-day Relative Strength Index has entered into Overbought territory in recent days as new highs were put in place.

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

Source: Bloomberg Finance LP / MNI

Fig 4: NIFTY 50 14-day Relative Strength Index

The issuance schedule for government bonds is light this week, dominated by bills. The key issuance details are for the 29th:

- India to Sell 60 Billion Rupees 182-Day Bills
- India to Sell 60 Billion Rupees 364-Day Bills
- India to Sell 70 Billion Rupees 91-Day Bills



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