



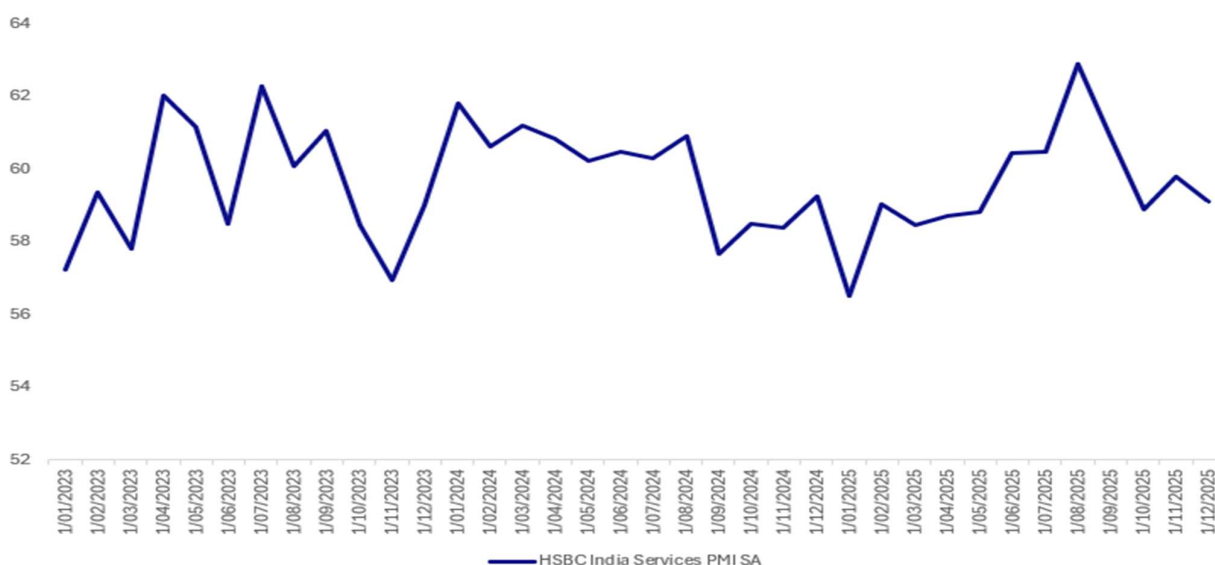
The Macro, Valuation, Sentiment and Technical Lens

Macro: In a slow start to the week, India starts with final PMI services for December. Expected around 59.1, services continue to be very strong for the Indian economy as domestic demand remains robust.

Tomorrow sees the advanced release for the GDP Financial Year estimate. Surveys suggest the estimate will tick up to 7.5% YoY from 6.5% prior. Against a government forecast of 7.3% to 7.6%, this suggests that the market expectations for rates on hold to modestly higher in 2026 for now seem realistic.

Later in the week will see the release of Foreign Exchange Reserves which will be watched closely given the RBI's focus on supporting the weak Rupee.

Fig 1: India PMI Services



source: Bloomberg Finance LP / MNI

Valuations: The NIFTY 50 finished 2025 at 21.59x Price to Earnings. Whilst that remains marginally below the 5-Year high of 23.50x, it is above the full year 2026 forecast of 20.59x. This suggests that from a valuation perspective, any near-term pressures on equities may not come from valuations though with the equity dividend yield at 1.26%, equity valuations relative to bonds look expensive.

The Rupee remains where the full force of the trade war is being felt with declines of -0.38% over the last week, and of -1.6% over the last three months. At 90.19 it is near all-time highs and given there is no decline in FX reserves so far suggests the RBI has not been intervening aggressively at spot. 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 USDINR this week is a continued depreciation bias for the Indian Rupee, with onshore analysts anticipating the pair to trade within a range of 90 to 90.50.

Fig 2: NIFTY 50 Price to Earnings

NSE Nifty 50 Index		Compare	Acct	Consolidated	Periodicity	Annuals	Cur	FRC (INR)
1) Key Stats		2) Fundamentals	3) Custom	4) Shared				
1) Highlights		12) Valuation	13) Profitability	14) Leverage & Liquidity	15) Market Data			
12 Months Ending		2022 Y 12/31/2022	2023 Y 12/31/2023	2024 Y 12/31/2024	2025 Y 12/31/2025	Current 01/04/2026	2026 Y Est 12/31/2026	2027 Y Est 12/31/2027
Valuation Metrics								
Price/Earnings		22.35	23.50	22.52	21.59	21.76	20.59	18.00
Price/Earnings before ...		21.28	23.35	21.49	22.74	22.92	21.05	18.45
Price/Earnings before ...		21.79	23.23	21.45	22.74	22.92		
Price/Book Value		3.36	3.65	3.52	3.55	3.57	3.21	2.87
EV/Sales		2.84	2.95	2.85	3.10	3.12		
EV/EBIT		18.13	19.02	18.11	18.63	18.76		
EV/EBITDA		13.81	14.64	15.28	14.78	14.87	13.30	11.98
Dividend Yield		1.33	1.33	1.30	1.27	1.26	1.49	1.65

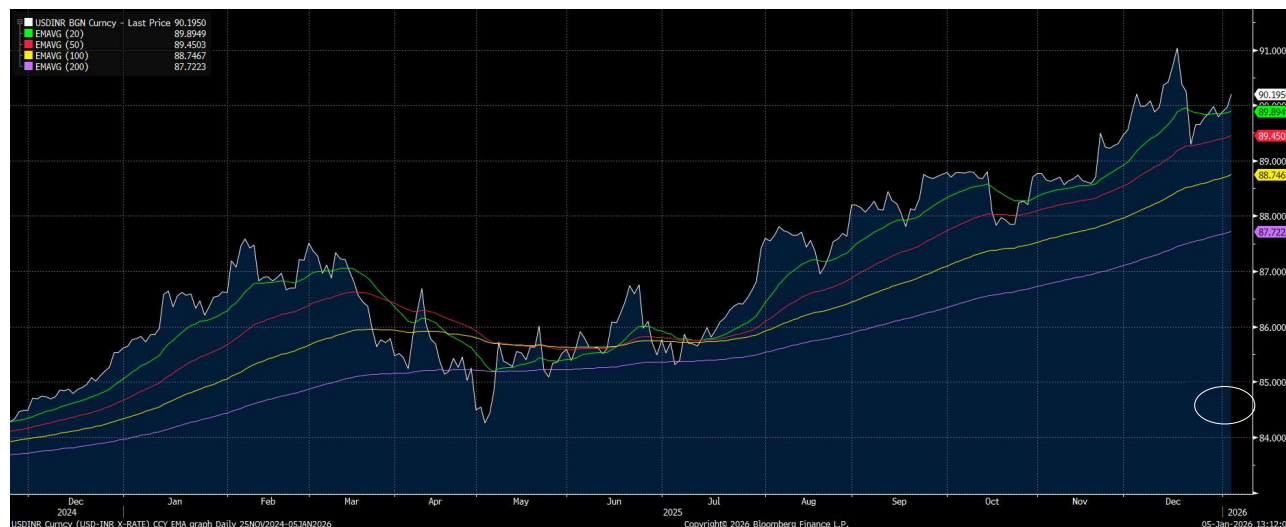
Source: Bloomberg Finance LP / MNI

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 though with signs that economic data may begin to decline from here, it will be a serious test to sentiment.

Technical: The losses in the rupee in recent weeks sees USDINR back above all major moving averages, having failed to hold below the 20-day EMA of 89.89.

The NIFTY 50 sits above all major moving averages. It dipped briefly below the 20-day EMA into year end but was unable to sustain that, gradually moving higher with gains into year end.

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



Source: Bloomberg Finance LP / MNI

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