ABL Digital India Cross-Asset Weekly

Trend, Correlation & Macro Report | week ending 2026-07-31

30 instruments across equities, sectors, FX, commodities, rates & REITs | 106 weeks

REGIME: Risk-on

EXECUTIVE SUMMARY

India sits firmly in a Risk-on regime this week (Markov posterior 0.89), with the Nifty 50 up 1.0%, breadth constructive at 58% above the 10-week average, and India VIX subdued at 12.7 (34th percentile) — a market that is calm and grinding higher rather than euphoric. The single most important development is the collapse in crude, down 7.1% on the week and 11% over three months to 7,994 on MCX, which is doing quiet but powerful work for India by relieving the oil-import bill, supporting the rupee (USDINR firmer at 95.9, -0.7%), and reinforcing an already benign inflation backdrop (CPI 3.5%, core 3.7%) that lets the RBI hold its neutral 5.25% repo. The key risk is not internal but external and single-factored: PC1 explains 66% of equity variance, so a market this concentrated will move together if the global rates or dollar backdrop turns, and the Nifty's tightening negative link to the US 10Y (DCC/13-week correlation running -0.63) means an upside surprise in US yields would hit broadly. Net read: the domestic macro-and-crude tailwind is real and worth leaning into, but it is riding on top of a market that offers little internal diversification and remains hostage to the global rates channel.

For research and information only; not investment advice. Verify all data before use.

Executive Dashboard

India cross-asset state and the week's key readings.

REGIME	NIFTY 1W	SECTOR BREADTH	INDIA VIX
Risk-on	+1.0%	58% up	12.7

KEY CROSS-ASSET READINGS (level | 1w | 1m | 3m)

Nifty 50	23,995.9	+1.0%	-1.1%	-0.0%
Bank	57,087.2	+0.7%	-1.5%	+4.1%
IT	29,441.9	+2.3%	+7.3%	+0.3%
USDINR	95.9	-0.7%	+0.4%	+1.1%
DXY	101.3	-0.2%	+0.4%	+3.1%
US 10Y	4.7	+0.0	+0.2	+0.3
India VIX	12.7	-1.4	+0.9	-5.8
Gold	143,940.0	+0.6%	+0.2%	-5.4%
Crude	7,994.0	-7.1%	+13.0%	-11.3%
Copper	1,326.8	+0.5%	+4.6%	+1.4%
Embassy REIT	438.0	+0.0%	-2.0%	+3.1%

India Cross-Asset Analysis

Executive Summary

India sits firmly in a Risk-on regime this week (Markov posterior 0.89), with the Nifty 50 up 1.0%, breadth constructive at 58% above the 10-week average, and India VIX subdued at 12.7 (34th percentile) — a market that is calm and grinding higher rather than euphoric. The single most important development is the collapse in crude, down 7.1% on the week and 11% over three months to 7,994 on MCX, which is doing quiet but powerful work for India by relieving the oil-import bill, supporting the rupee (USDINR firmer at 95.9, -0.7%), and reinforcing an already benign inflation backdrop (CPI 3.5%, core 3.7%) that lets the RBI hold its neutral 5.25% repo. The key risk is not internal but external and single-factored: PC1 explains 66% of equity variance, so a market this concentrated will move together if the global rates or dollar backdrop turns, and the Nifty's tightening negative link to the US 10Y (DCC/13-week correlation running -0.63) means an upside surprise in US yields would hit broadly. Net read: the domestic macro-and-crude tailwind is real and worth leaning into, but it is riding on top of a market that offers little internal diversification and remains hostage to the global rates channel.

Regime & Market State

The regime signal is unambiguous — an 0.893 posterior probability of Risk-on against zero probability of Risk-off, with only a 0.107 residual in Neutral — and the market internals corroborate rather than contradict it. Breadth at 58% above the 10-week moving average is solidly positive without being stretched, and India VIX at 12.7, down 1.4 points on the week and sitting in just the 34th percentile of its history, tells you options markets are pricing complacency, not fear. The one dissonant note in the rule-based read is the Nifty printing below its 40-week average even as it rises 1.0% on the week; that is the signature of a market recovering from a prior drawdown rather than one extending an established uptrend, so the regime is best characterized as early-cycle risk appetite reasserting itself. For an investor, the implication is that this is an environment to be constructively positioned but not to confuse low volatility with low risk — a VIX in the 34th percentile is cheap insurance, and the gap between spot and the 40-week line means the trend is not yet your ally.

Sector Rotation

The weekly leadership is defensive-and-cyclical mixed rather than a clean cyclical thrust: Media (+2.8%), IT (+2.3%) and Auto (+2.0%) lead, while Financial Services (-2.9%), Realty (-1.8%) and Energy (-1.1%) lag. The more informative signal is in the divergence between one-week moves and three-month trends. Pharma (+1.6% week, +12% quarter) and Realty (-1.8% week but +14% quarter) are the structural winners — Realty's weekly pullback against a powerful three-month run looks like consolidation in a leader, not a break, and its sensitivity to rates (Realty~US 10Y at -0.34 on 13 weeks) means it stands to benefit further if global yields stay contained. Energy's weakness (-1.1% week, -5% quarter) is the direct equity expression of the crude decline and should be read as coherent, not idiosyncratic. IT's +2.3% week against a flat three-month base is worth watching: with IT~USDINR at -0.31, a firmer rupee is a mild headwind to the sector's translated earnings, so this week's bounce is more likely a global-tech beta move than a rupee story. The actionable takeaway is that the rotation rewards rate-sensitive and quality-defensive exposure (Pharma, Realty) over the financials complex, where both the broad Bank basket's muted +0.7% and Fin Services' -2.9% signal the market is not yet willing to pay up for rate-cycle-sensitive lenders.

Cross-Asset Correlation Structure

This is where the note turns cautionary. The DCC-GARCH conditional correlations tell you diversification is only partially working. The Nifty's conditional correlation with India VIX is -0.61 with very high persistence (0.82) — that negative volatility linkage is structural and durable, which is simply the mechanical statement that equity and fear move opposite and offers no real diversification benefit. Against crude, the conditional correlation is a mild -0.17 with moderate persistence (0.60), and against USDINR -0.38 but with very low persistence (0.19), meaning the rupee hedge is real right now but unstable and not something to rely on across regimes. The deeper problem is concentration: PCA shows PC1 absorbing 66% of all equity and sector variance, with the highest loadings on Infra, Nifty 50 and Nifty 500 — in other words, the index and its cyclical core essentially are the single factor. For an investor this means intra-equity diversification is largely illusory; owning more Indian sectors mostly buys you more of the same beta. The lowest PC1 loadings — IT, FMCG and Pharma — are therefore the genuine diversifiers within the equity sleeve, and their lower co-movement is exactly why a barbell of the market factor plus these lower-beta, idiosyncratic sectors is the more defensible construction in a 66%-single-factor tape.

Currency, Rates & the Oil-INR Channel

The central transmission chain for India ran decisively in the country's favor this week. Crude fell 7.1% on the week and 11% over the quarter; because India imports the bulk of its oil, that decline compresses the import bill, eases the current-account and imported-inflation pressures, and shows up directly in a firmer rupee, with USDINR at 95.9 (-0.7% week, +1% over three months) helped further by a softer dollar (DXY 101.3, -3% over the quarter). That firmer, lower-inflation setup is what underwrites the RBI's ability to sit at a neutral 5.25% repo with CPI at 3.5% and core at 3.7% — the crude → INR → inflation → rates chain is currently a tailwind at every link. Two caveats temper how much an investor should extrapolate. First, the Nifty~crude relationship is not simple: the 52-week correlation is -0.39 but the 13-week has decayed to -0.22 and the DCC conditional is only -0.17, so falling oil is a macro positive for India but not a mechanical up-signal for the index. Second, the sharper live sensitivity is to US rates — Nifty~US 10Y has tightened to -0.63 on 13 weeks and Bank~US 10Y to a striking -0.75 — so the rupee-and-oil comfort is real but the equity market's dominant external lever remains the US 10Y at 4.7%. The practical implication: the domestic disinflation story supports duration and rate-sensitive equities, but that trade lives or dies on global yields, not on Indian fundamentals alone.

Macro Pulse

The hard data describe an economy in a genuine sweet spot. Growth momentum is firm — Manufacturing PMI at 54.2, Services PMI at a strong 57.3, IIP up 5.1% YoY, and RBI's FY27 real GDP projection at 6.6% — while GST collections at Rs 1.95 lakh crore, up 13.9% YoY, confirm the expansion is showing up in real revenue rather than just survey sentiment. Critically, this growth is running alongside, not against, disinflation: CPI at 3.5% with core at 3.7% sits comfortably below the RBI's target midpoint, which is the rare combination that gives the central bank optionality to cut if global conditions wobble without being forced to. Forex reserves ex-gold at USD 571 bn provide a substantial external buffer, reinforcing the rupee's resilience discussed above. For an investor the message is that the macro backdrop is not the source of near-term risk — growth is solid, inflation is contained, the fiscal signal from GST is healthy, and the RBI has room. The vulnerability is entirely in the cross-asset and external channels, not in the domestic print.

Key Risks & What to Watch

The dominant risk is the mismatch between a benign domestic story and a market that is both concentrated and externally tethered: with 66% of variance in a single factor and the Nifty~US 10Y conditional correlation at -0.63, a renewed rise in US yields would transmit broadly and hit the financials complex hardest (Bank~US 10Y -0.75), overwhelming the domestic crude tailwind. The secondary risk is that this week's supports reverse — a crude rebound would run the oil-INR-inflation chain backward, and the low-persistence (0.19) rupee correlation warns that the currency hedge could break faster than expected. On lead-lag, honesty requires flagging that weekly predictive skill is modest, not decisive: the strongest one-week-lagged signal into the Nifty is crude at just -0.23, and India VIX's lagged correlation is essentially zero (+0.02), so these relationships shape probabilities, not certainties, and should not be traded as timing signals. Concretely, the view stays constructive as long as: crude remains soft (below ~8,000 MCX), USDINR holds near or below 96, US 10Y stays anchored around 4.7% or lower, India VIX stays under ~15, and breadth holds above 50% over the 10-week average. It should be reconsidered if the US 10Y breaks meaningfully higher, VIX pushes out of its 34th-percentile complacency toward the 60th, crude reverses more than a few percent, or Financial Services weakness (this week -2.9%) broadens into the Bank basket — any of which would signal the external rates channel has begun to override India's favorable domestic setup.

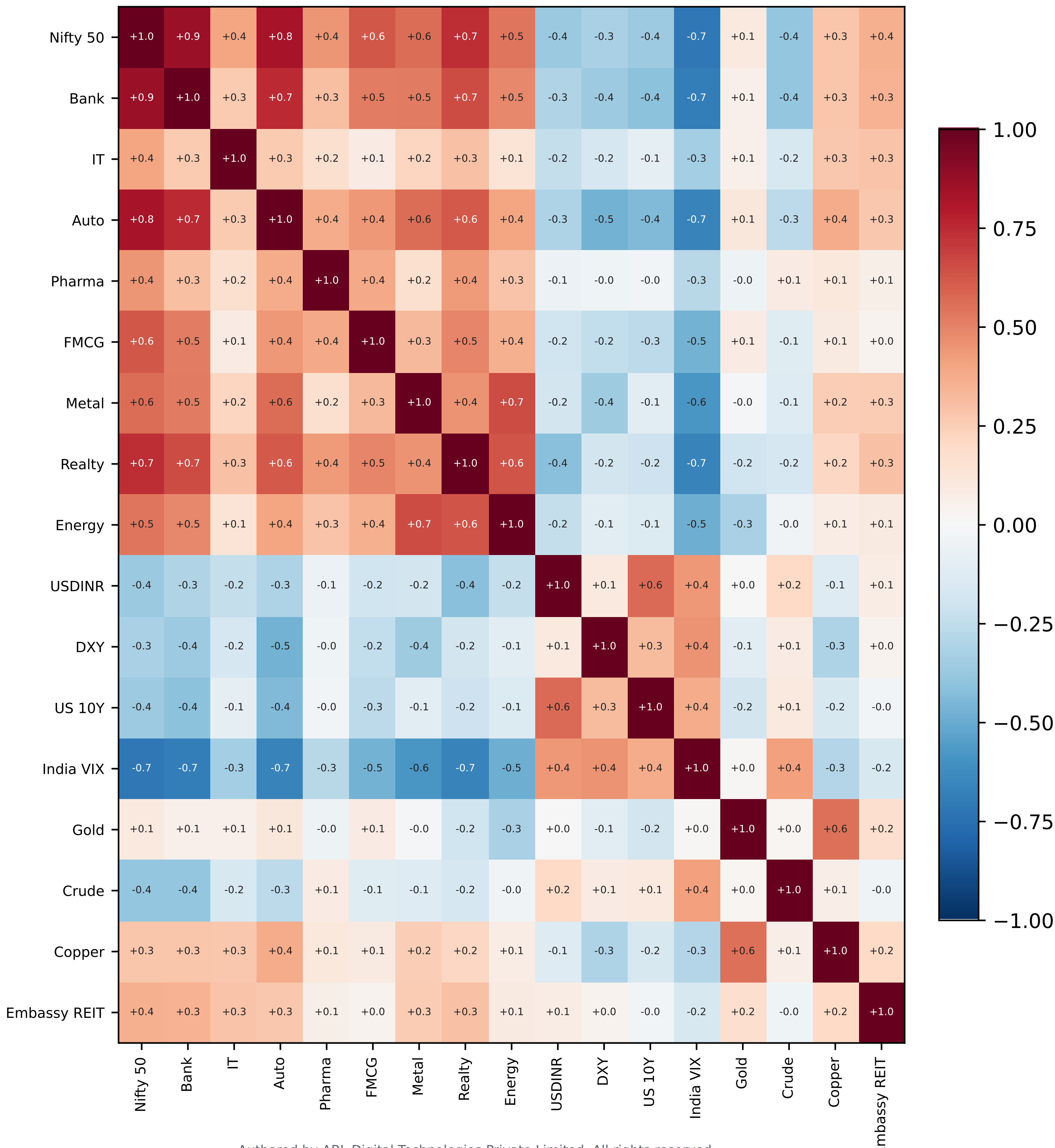
Weekly Returns Heatmap

Price return (%) by instrument over 1w / 1m / 3m. Commodities priced in MCX (INR, Kite).

	1w %	1m %	3m %
Nifty 500	+1.0	-0.6	+2.1
Sensex	+1.0	-1.2	-0.1
Nifty 50	+1.0	-1.1	-0.0
Media	+2.8	+3.4	+7.4
IT	+2.3	+7.3	+0.3
Auto	+2.0	+2.5	+6.7
FMCG	+1.7	-1.1	-3.0
Pharma	+1.6	+0.8	+11.5
Bank	+0.7	-1.5	+4.1
Metal	+0.3	-1.0	-2.8
PSU Bank	-0.2	-0.5	-1.4
Infra	-0.8	-1.8	-1.2
Energy	-1.1	-0.9	-4.8
Realty	-1.8	+1.2	+13.7
Fin Services	-2.9	-2.8	+1.8
DXY	-0.2	+0.4	+3.1
EURINR	-0.4	+0.1	-1.7
USDINR	-0.7	+0.4	+1.1
Silver	+0.9	+0.3	-11.5
Gold	+0.6	+0.2	-5.4
Copper	+0.5	+4.6	+1.4
Zinc	+0.2	+4.3	+11.0
Aluminium	-0.2	+1.5	-7.4
NatGas	-4.8	-14.3	+2.1
Crude	-7.1	+13.0	-11.3
Embassy REIT	+0.0	-2.0	+3.1
Brookfield REIT	+0.0	+0.6	+4.0
Nexus REIT	+0.0	+2.0	+7.1

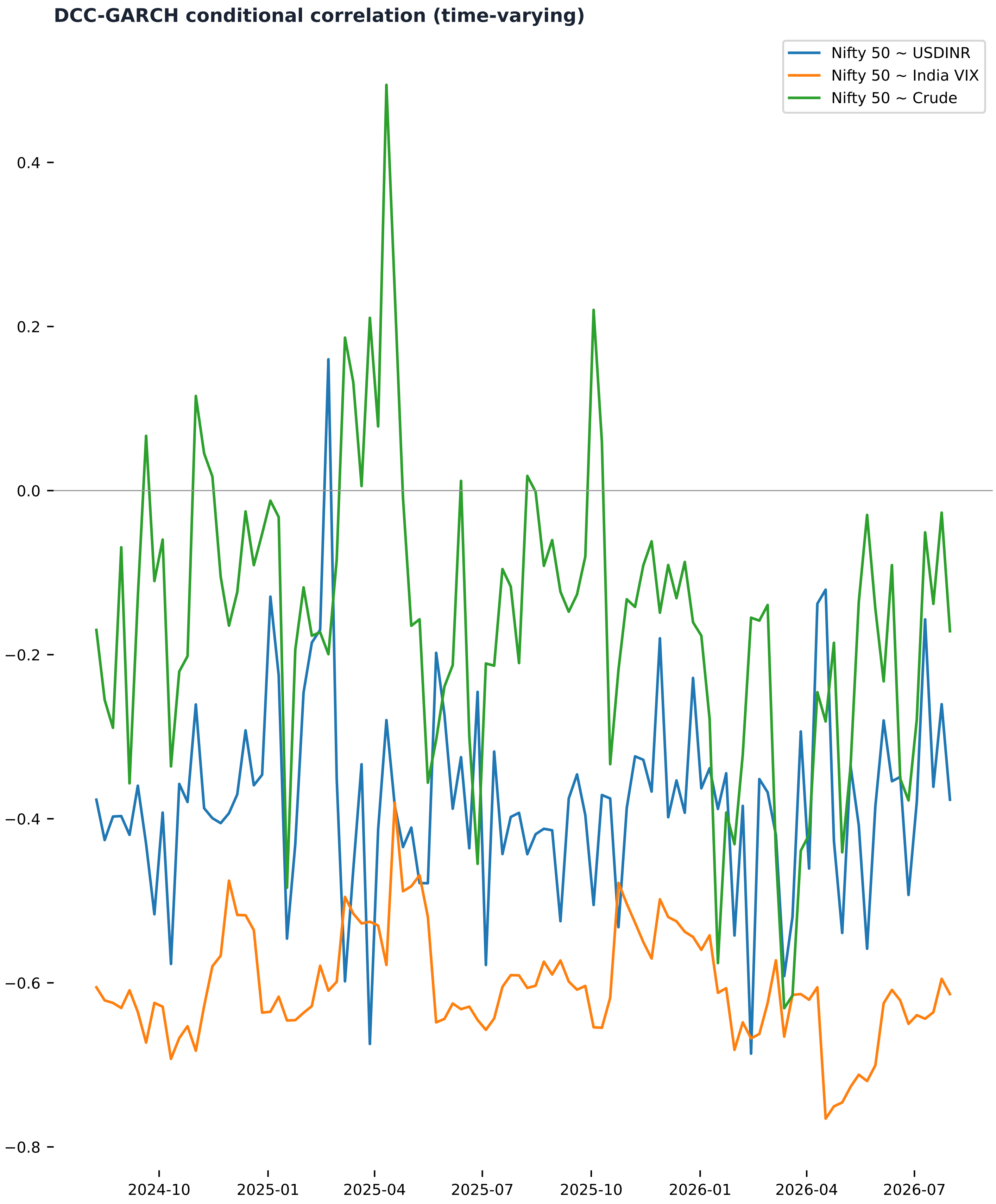
52-Week Cross-Asset Correlation

Correlation of weekly changes (log-returns; diffs for VIX & rates).



Regime & Conditional Correlations

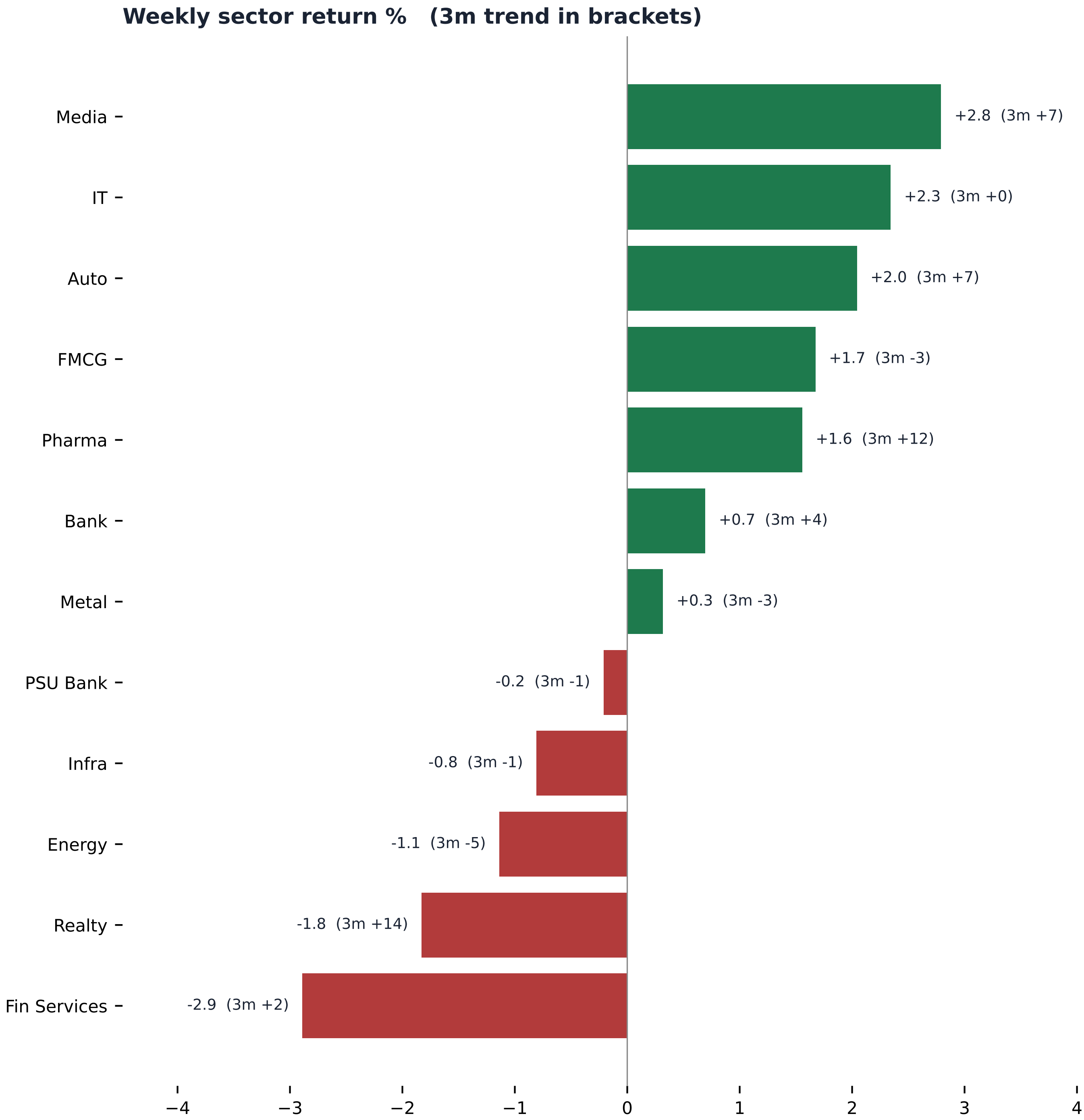
Markov-switching regime: Risk-on (Markov-switching). Smoothed posterior: Risk-off 0.00, Risk-on 0.89, Neutral 0.11



Now: Nifty 50 ~ USDINR -0.38 (persist 0.1889), Nifty 50 ~ India VIX -0.61 (persist 0.8236), Nifty 50 ~ Crude -0.17 (persist 0.5961)

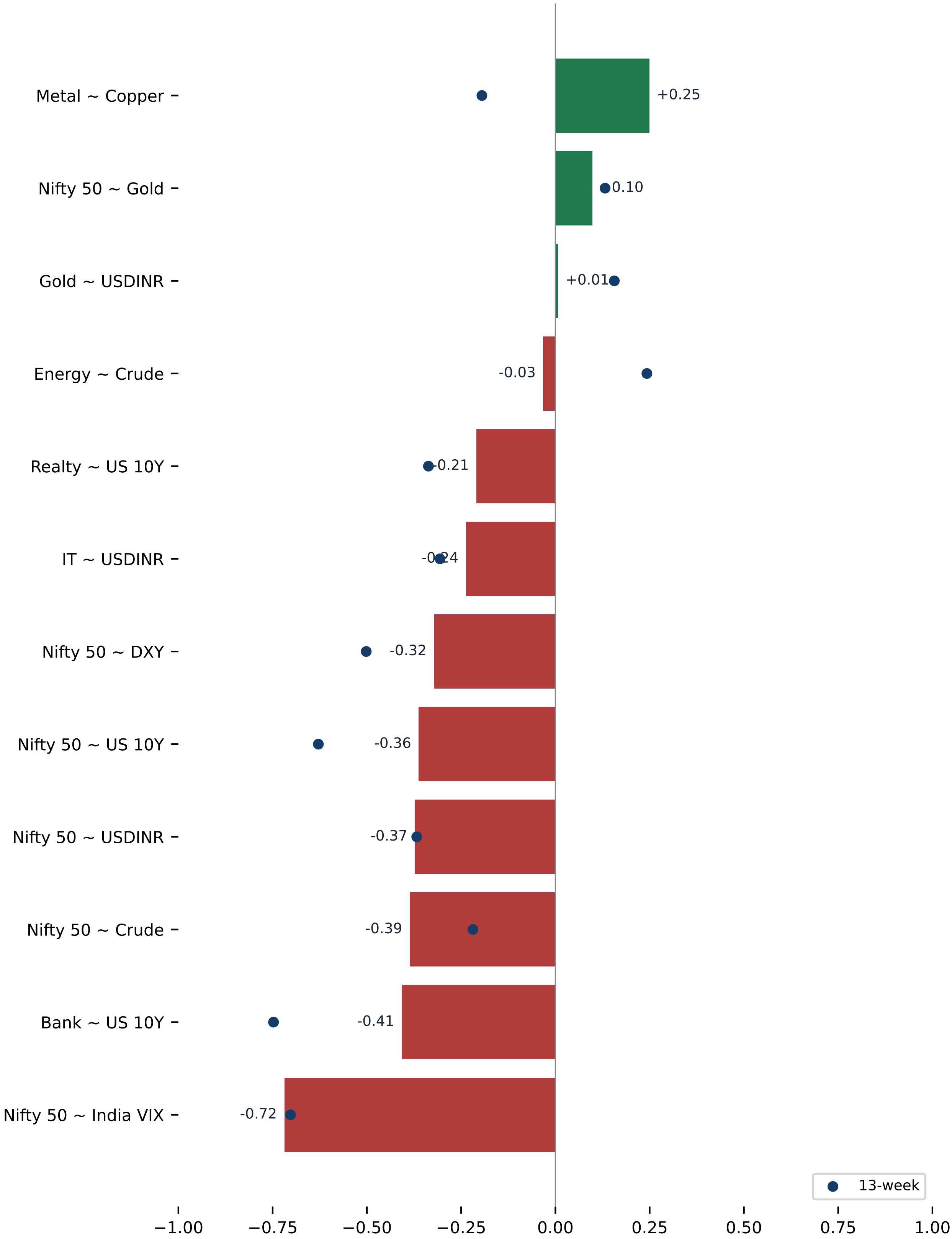
Sector Rotation

NSE sectoral indices, weekly return. Breadth: 58% of sectors up this week; 58% above their 10-week average.



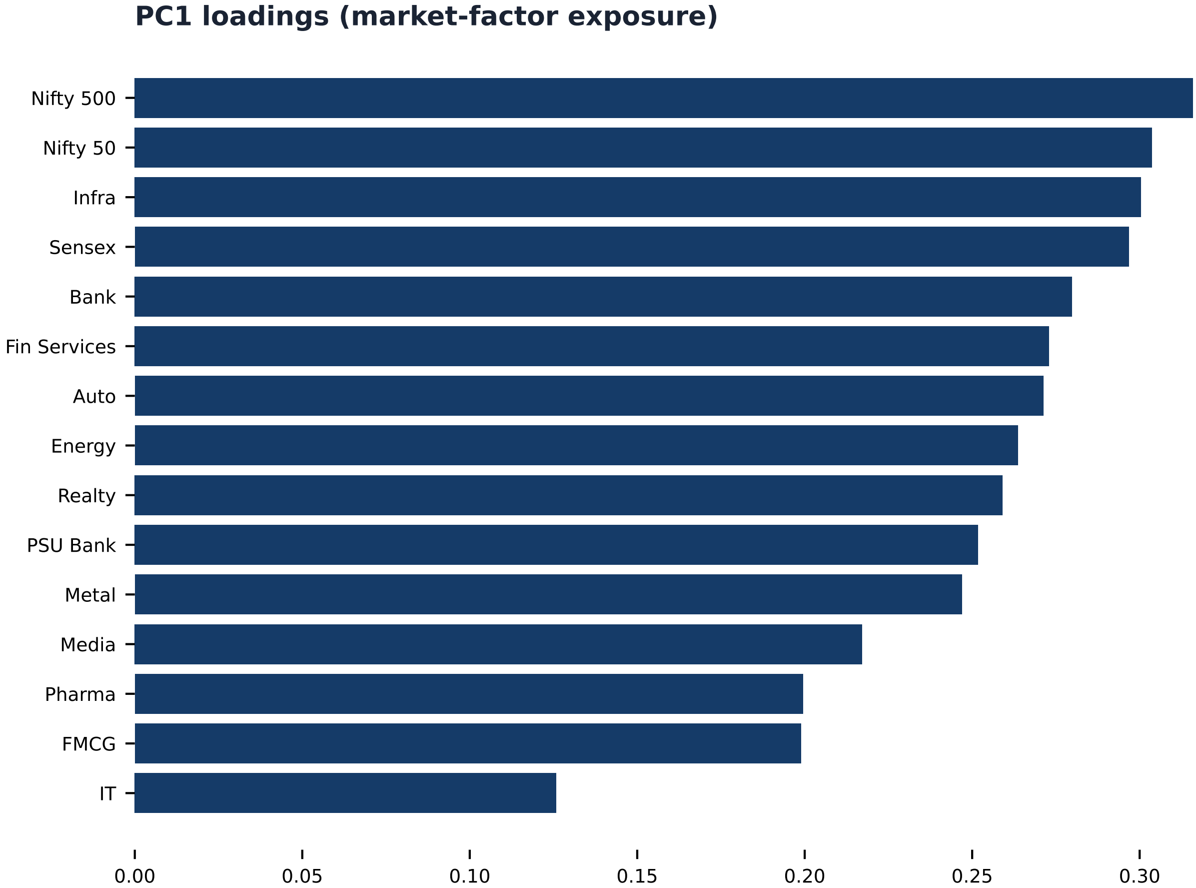
Cross-Asset Relationship Watch-List

India-specific pairs: 52-week correlation of weekly changes (dot = last 13 weeks).



Risk Concentration & Lead-Lag

PCA on equity + sector weekly moves: PC1 explains 66% of variance (PC2 8%). Higher PC1 = more single-factor / less diversificatio



LEAD-LAG INTO NIFTY 50 (weekly; honest — skill is modest)

Leader	Contemp. corr	1-week-lag corr
Crude	-0.19	-0.23
DXY	-0.23	-0.19
US 10Y	-0.22	-0.11
USDINR	-0.35	-0.10
India VIX	-0.64	+0.02

Macro Pulse

Latest India macro prints (release-based figures are the official print with its as-of date; markets are weekly).

FII/DII latest cash flows: DII net Rs 5,454 cr, FII net Rs -3,893 cr

INDICATOR	LATEST	AS OF
RBI Repo Rate	**5.25%**	Jul 2026 (MPC, neutral)
India 10Y G-sec yield	**6.76%**	Jul 2026 (RBI/FBIL; +ve on c
CPI Inflation YoY	**3.5% (core 3.7%)**	Apr 2026
GST Collections	**Rs 1.95 lakh cr (+13.9% YoY)**	Jun 2026
Mfg PMI	**54.2**	Jun 2026
Services PMI	**57.3**	Jun 2026
IIP YoY	**+5.1%**	May 2026
Real GDP growth	**6.6% (FY27 proj.)**	RBI FY2026-27
Forex Reserves (ex-gold)	**USD 571 bn**	2026-05
Real House Prices (idx)	**162.6**	2025-10 (NHB/BIS)
CPI Index (FRED/OECD)	**157.6**	2025-03

Release-based series (repo/CPI/GST/PMI/IIP/GDP) are entered from official releases in config/macro_prints.yaml and refreshed monthly.

Historical Trend - Key Metrics

Key readings from every weekly report, most recent on the right. Cells are colour-coded green (favourable / risk-on), amber (neutral) and red (adverse / risk-off) so the multi-month trend is readable at a glance.

R+ risk-on / favourable   N neutral   R- risk-off / adverse

	02-20	02-27	03-06	03-13	03-20	03-27	04-03	04-10	04-17	04-24	05-01	05-08	05-15	05-22	05-29	06-05	06-12	06-19	06-26	07-03	07-10	07-17	07-24	07-31
Regime	R-	N	N	R-	N	R-	N	R-	R+	R-	R+	R+	R-	R+	N	R-	R+	R+	R-	R+	R-	R-	N	R+
Nifty 1w %	+0.4	-1.5	-2.9	-5.3	-0.2	-1.3	-0.5	+5.9	+1.3	-1.9	+0.4	+0.7	-2.2	+0.3	-0.7	-0.8	+1.1	+1.7	+0.2	+0.9	-0.3	+0.0	-0.4	+1.0
Breadth %	67	42	8	0	50	17	42	100	92	33	75	92	17	50	67	25	67	92	42	75	50	50	58	58
India VIX	14	14	20	23	23	27	26	19	17	20	18	17	19	18	16	16	15	13	13	12	12	13	13	13
USDINR 1w %	+0.2	+0.4	+1.0	+0.7	+1.4	+0.9	-2.1	+0.3	-0.5	+1.8	+0.7	-0.5	+1.6	-0.3	-0.7	-0.1	+0.2	-0.8	-0.0	+1.3	-0.2	+0.4	+0.2	-0.7
Bank 1w %	+1.6	-1.1	-4.5	-7.0	-0.6	-2.2	-1.4	+8.5	+1.2	-0.8	-2.2	+0.8	-2.9	+0.6	+0.3	+0.5	+4.3	+1.5	+0.9	-0.4	+0.2	+0.1	-1.0	+0.7

Each column is one weekly report - read left (older) to right (latest) for the trend over the past months.