ABL Digital India Cross-Asset Weekly

Trend, Correlation & Macro Report | week ending 2026-09-04

62 instruments across equities, sectors, FX, commodities, rates & REITs | 610 weeks

REGIME: Risk-on

EXECUTIVE SUMMARY

The regime model puts India in Risk-on with 0.683 posterior confidence, and the risk-appetite composite at +0.39 agrees, but the internals argue for a selective rather than wholesale risk-on posture. Credit is doing the heavy lifting (credit_hy +1.25), volatility is cheap (india_vix +0.80, VIX 11.2 at the 12th percentile of five years), and risk assets are beating havens (+0.86) — but the Nifty trend component is outright negative at -0.67, with the index sitting below its 40-week average and flat on the week. Lean long, but through the momentum leaders rather than the index: Pharma (+18% 26w RS), Realty (+15%), Media and Metal (+12% each) versus faded FMCG (-10%), Services (-7%) and the PSU/financials complex. Favour IT, which screens 10.2% cheap on a rupee-and-US-tech model, and fade Banks, which are 6.9% rich on a 0.94-R^2 fit.

Three things matter this week. Crude rose 2.1% in MCX terms to 8149 and sits at the top of the Granger causal chain into USDINR, EM equity and the Nifty — that is the live threat to a 3.5% CPI print and the RBI's neutral 5.25% stance. The US 10Y at 4.8% is the single worst external component (low_us_rates -1.54), and Banks correlate -0.54 to it over 13 weeks, reinforcing the fade. Auto (+6.4%) and Metal (+6.1%) led a week where breadth was only 50% up, so the rally is narrow.

The biggest risk is a crude-led rupee break. USDINR at 95.2 firming through 96, crude extending above 8400, or India VIX clearing 14 would invalidate the risk-on lean; the Nifty reclaiming its 40-week average with breadth above 70% would confirm it.

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	**-0.0%**	**50% up**	**11.2**

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

Nifty 50	24,080.4	-0.0%	-2.0%	+3.1%
Bank	58,024.9	+0.9%	+0.5%	+6.5%
IT	31,191.4	+3.2%	-1.1%	+7.5%
USDINR	95.2	-0.3%	-0.1%	+0.2%
DXY	99.4	+0.3%	-0.2%	-0.6%
US 10Y	4.8	+0.1	+0.1	+0.2
India VIX	11.2	+0.1	-1.0	-4.6
Gold	154,289.0	-1.3%	-0.4%	+4.2%
Crude	8,149.0	+2.1%	+2.8%	-6.6%
Copper	1,382.6	+0.0%	+0.5%	+5.3%
Embassy REIT	437.2	+0.0%	-0.9%	+2.1%

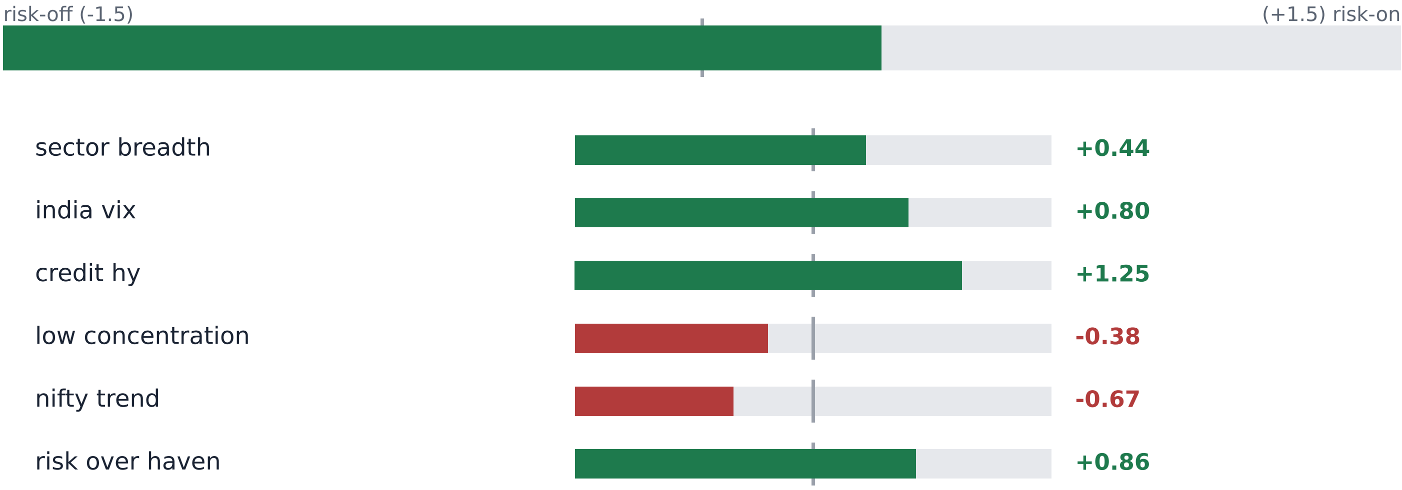
INDIA CROSS-ASSET SCORECARD

Domestic risk appetite and the external (global) backdrop that drives India

DOMESTIC RISK APPETITE

Risk-on

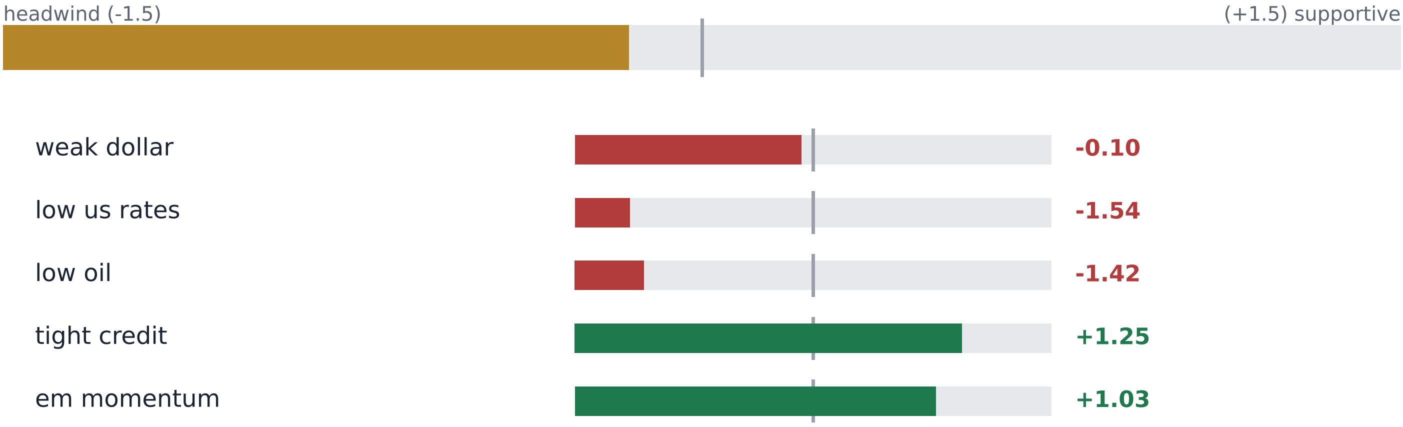
score +0.39



EXTERNAL CONDITIONS (global backdrop)

Neutral backdrop

score -0.16



Each component is a 10-year z-score, sign-aligned so higher = risk-on / more supportive; the headline is their average. External conditions read the dollar, US rates, oil, global credit and EM risk — India's key channels.

WHAT CHANGED THIS WEEK

Week-over-week moves and how the market-state readings shifted · 2026-09-04

TOP GAINERS

Auto	+6.4%
Metal	+6.1%
IT	+3.2%
Midcap 100	+2.9%
PSU Bank	+2.7%
Media	+2.4%
Crude	+2.1%
MNC	+1.6%

TOP DECLINERS

FMCG	-5.6%
Energy	-3.4%
PSE	-2.4%
Fin Services	-2.3%
Infra	-2.1%
Services	-1.9%
Pvt Bank	-1.8%
Realty	-1.6%

KEY LEVELS — week-over-week

Nifty 50	24,080.4	-0.0%
Bank	58,024.9	+0.9%
IT	31,191.4	+3.2%
USDINR	95.2	-0.3%
India VIX	11.2	+0.1
US 10Y	4.8	+0.1
US HY OAS	2.6	+0.0
Gold	154,289.0	-1.3%
Crude	8,149.0	+2.1%
S&P 500	7,674.6	-0.7%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	**Risk-on**
Risk appetite	prior: +0.23	->	**+0.39**
External backdrop	prior: -0.39	->	**-0.16**
PC1 share	prior: 34	->	**34%**

The fastest orientation: what actually moved and how the headline state shifted since last week. USDINR/VIX/rate/spread increases are shown as adverse (red).

India Cross-Asset Analysis

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Regime, Scorecard & Market State

The Markov-switching model assigns 0.683 to Risk-on against 0.294 Risk-off and a negligible 0.023 Neutral — a decisive but not overwhelming reading, and one worth interrogating because the rule-based cross-check is split. Two of its three legs support risk-on: sector breadth at 67% above the 10-week moving average, and India VIX at 11.2, the 12th percentile of the last five years. The third leg dissents. The Nifty is trading below its 40-week average and closed the week at -0.0%, which is what drives the nifty_trend component of the risk-appetite composite to -0.67, the most negative input in the scorecard.

That tension is the whole story of the current market state. The composite reads +0.39 and classifies Risk-on, but it gets there on breadth (+0.44), suppressed volatility (+0.80), high-yield credit (+1.25) and risk-over-haven performance (+0.86), while the index itself is not trending. In practice this is a market where participation is broad and the cost of carrying risk is low, but the aggregate is going nowhere — the definition of a rotation regime rather than a directional one. The low_concentration component at -0.38 says the same thing from another angle: leadership is concentrated enough to be a mild negative, so the breadth reading should not be read as a healthy all-boats-rising tape.

For positioning, the implication is that index-level beta is the least attractive expression of the risk-on call. The scorecard is telling you that the reward is in dispersion — sector and factor selection — not in the Nifty itself. The macro tiles back this up rather than contradict it: manufacturing PMI 54.2, services PMI 57.3, IIP +5.1% YoY, GST collections at Rs 1.95 lakh crore up 13.9% YoY, and FY27 real GDP projected at 6.6%. The domestic cycle is intact. What is missing is not growth but index-level trend confirmation, and the honest read is that a 0.683 posterior with a failing trend leg is a lean, not a conviction call. Weekly predictive skill here is modest; treat the regime as a tilt to size around, not a signal to press.

Global Backdrop & External Conditions

The external-conditions score is -0.16, which the model classifies as Neutral, and the composition of that number is more informative than the headline. Two components are badly negative: low_us_rates at -1.54 and low_oil at -1.42. The US 10-year sits at 4.8%, up 0.1 on the week and unchanged over three months, so the drag is not a fresh deterioration but a persistent level that keeps global discount rates elevated. Crude in MCX terms rose 2.1% on the week to 8149 even though it remains 7% below its three-month level. Offsetting these, tight_credit registers +1.25 — global credit spreads are behaving, which is historically the most reliable early-warning channel and the one currently showing no stress — and em_momentum is +1.03, meaning India sits inside a supportive emerging-market complex. The dollar contributes a marginal -0.10, with DXY at 99.4, up 0.3% on the week but down 1% over three months.

Netting these out, the world is neither tailwind nor headwind for India — it is a backdrop that is holding, supported by credit and EM flows, held back by rates and oil. That balance is fragile in one specific direction. Both negative components sit on the same side of India's core macro vulnerability: crude raises the import bill and pressures the rupee, and high US yields compress the rate differential that supports the rupee from the other side. If either deteriorates further, the external score does not drift toward neutral-negative, it accelerates, because the two channels reinforce each other through the currency. Conversely, the credit and EM-momentum contributions are the buffer, and they are precisely the components that would erode first in a genuine global risk-off.

The practical read for an investor is to treat the global setup as permission to hold domestic risk, not as an argument to add to it. Forex reserves excluding gold at USD 566 billion give the RBI meaningful capacity to smooth the currency, which matters because it means a crude shock would likely show up first in rates and equity multiples rather than in a disorderly rupee move.

Sector Rotation & Momentum

The one-week table shows a genuine rotation, not a broad advance. Auto led at +6.4% and Metal at +6.1%, followed by IT +3.2%, PSU Bank +2.7% and Media +2.4%. Against that, FMCG fell 5.6%, Energy 3.4%, PSE 2.4%, Fin Services 2.3%, Infra 2.1%, Services 1.9%, Private Bank 1.8% and Realty 1.6%. With only 50% of sectors up on the week while 67% sit above their 10-week average, the message is that the medium-term uptrend in participation is intact but the weekly tape is being redistributed rather than lifted.

The 26-week relative-strength ranking gives the more durable signal, and it is worth weighting more heavily than a single week. Pharma leads at +18%, then Realty +15%, Media +12%, Metal +12% and MNC +9%. The laggards are FMCG at -10%, Services -7%, PSE -5%, PSU Bank -5% and Fin Services -4%. Note how little the weekly and 26-week lists agree: PSU Bank was a weekly winner and is a six-month laggard; Realty was a weekly loser and is the second-strongest six-month performer with +14% over three months. The tradeable interpretation is that the weekly moves in Auto, Metal and PSU Bank carry mean-reversion risk, while Pharma and Realty have the trend behind them.

FMCG deserves separate attention because its weakness is unusually clean. Down 5.6% on the week and 10% over three months, and the worst 26-week relative performer, it is behaving as the funding source for the entire rotation. That is consistent with a risk-on regime — defensives get sold to fund cyclicals — and it means an FMCG stabilisation would be an early tell that the risk-on lean is losing energy. Energy at -3.4% on the week and -7% over three months is the more curious reading given crude rose 2.1%; the Energy-to-crude correlation is essentially nil at -0.06, so the sector is not functioning as a crude hedge for an India portfolio, and investors should not treat it as one.

Factor Structure & Systemic Risk

Concentration is high. PC1 explains 74% of equity and sector variance, with the highest loadings on Nifty 100, Nifty 200 and Nifty 500 — that is, the first principal component is simply the market. The lowest loadings are IT, Pharma and FMCG, which are therefore the only genuine sources of idiosyncratic return inside the equity complex. At 74%, roughly three-quarters of what happens to any Indian equity position is a bet on direction, not on selection. That is a warning against believing a diversified basket of sectors provides real diversification: it does not, unless it is deliberately weighted toward the low-PC1 names.

The wider 38-instrument factor decomposition is more encouraging and tells a different story. PC1 (Risk, proxied by the Nifty) explains 34%, PC2 (US rates, inverse) 13%, PC3 (global risk, S&P, inverse) 10%, and PC4 (US rates again) 6%. Across the full cross-asset set there is one dominant risk factor but it is not overwhelming, and US rates show up twice in the top four — 19% of combined cross-asset variance is a rates factor. That is a quantitative statement of what the external-conditions score said qualitatively: the US 10-year at 4.8% is not background noise for an Indian portfolio, it is the second-largest systematic driver after direction itself.

The systemic co-movement gauge argues that diversification is currently working, and improving. Average pairwise conditional correlation from the multivariate DCC across ten assets is +0.13 now, down from +0.15 a year ago. That is a low absolute level and a falling one, so cross-asset hedges are behaving as intended and there is no evidence of the correlation convergence that precedes systemic stress. The caveat is the persistence parameter of 0.9285: correlation shocks in this system decay slowly, so if co-movement does begin rising, it will stay elevated for an extended period rather than snapping back. Low correlation today is real, but it is not a cheap option — it is a state that, once lost, would take months to recover.

Cross-Asset Correlation & Lead-Lag

The Granger network is unambiguous about direction of influence: the net leaders are crude, India VIX, US 10Y and gold, and the net followers are USDINR, EM equity, Bank and the Nifty 50. Indian equities and the rupee are at the receiving end of the causal chain. Nothing in the domestic equity complex is driving the tape — it is being driven by the oil price, the volatility surface, and the US rate curve. For an investor, that reframes what to monitor: watching the Nifty for a signal about the Nifty is watching the output, not the input.

The lead-lag correlations into the Nifty give the specifics. India VIX is the strongest contemporaneous relationship at -0.55, decaying to -0.22 at one week's lag, which is expected for a volatility measure — it moves with the index rather than ahead of it. Crude is the interesting one: contemporaneous -0.19 but strengthening to -0.24 at a one-week lag. That is a genuine predictive lead, and it is negative, meaning last week's 2.1% crude rally is a modest headwind to the coming week's Nifty. USDINR shows -0.34 contemporaneous collapsing to -0.01 at a lag, and DXY -0.31 to -0.01: the currency channel is same-week, not leading. The US 10Y shows essentially nothing at either horizon (-0.00 / -0.06), which is worth stating plainly — rates matter structurally, as PC2 and PC4 showed, but not as a weekly timing tool.

The DCC conditional correlations refine the picture with their persistence parameters. Nifty-to-VIX is -0.54 with low persistence of 0.2329, so that relationship reprices quickly and should be re-read each week. Nifty-to-USDINR is -0.31 with persistence 0.338, similarly fast-moving. Nifty-to-crude is only -0.17 now, but with persistence 0.649 — the highest of the three — meaning the crude relationship is slow to change and the current mild negative reading is likely to persist rather than mean-revert. The 52-week and 13-week static correlations corroborate the stability: Nifty-crude -0.38/-0.30, Nifty-VIX -0.72/-0.70, Nifty-USDINR -0.37/-0.37.

One relationship has shifted meaningfully and deserves flagging. Bank versus US 10Y has moved from -0.41 over 52 weeks to -0.54 over 13 weeks — banks have become materially more rate-sensitive recently. With the US 10-year at 4.8% and the low_us_rates component at -1.54, that intensifying sensitivity is a reason to be cautious on the banking complex independent of the valuation argument below. Gold versus USDINR has also flipped, from -0.02 over 52 weeks to +0.26 over 13 weeks, so gold is no longer providing the rupee hedge it did over the longer window.

Relative Value & Fair Value

The fair-value models should be trusted in proportion to their fit, and on that basis there is one signal that stands out. Banks versus the Nifty and US rates screens 6.9% rich with a z-score of +1.65 on an R^2 of 0.94. That is the only stretched spread in the set on the $|z| > 1.5$ threshold, and it comes from the best-fitting model in the briefing — a 0.94 R^2 means the relationship explains nearly all of the historical variation, so the residual is meaningful rather than noise. Combined with the intensifying Bank-to-US-10Y correlation at -0.54 over 13 weeks and PSU Bank's -5% and Fin Services' -4% 26-week relative strength, the case for reducing financials exposure is the most internally consistent conclusion the briefing supports.

India Cross-Asset Analysis (cont.)

The IT signal points the other way but demands more caution. IT versus the rupee and US tech reads 10.2% cheap at z -1.06 on an R^2 of 0.44. The dislocation is large in percentage terms, but a 0.44 fit means over half the variation is unexplained, and the z-score has not reached the 1.5 threshold. Discount this accordingly: it is a supporting argument for an IT overweight, not a standalone one. It does gain corroboration elsewhere — IT is among the lowest PC1 loadings, so it offers real idiosyncratic exposure, and it rose 3.2% on the week with 8% over three months. The rupee link is favourable too: IT-to-USDINR correlation is -0.28 over 52 weeks and -0.25 over 13 weeks, so IT earnings tend to benefit when the rupee weakens, which makes an IT position a partial hedge against the crude-to-rupee channel that is the main risk to this note's view.

The remaining three models are not actionable. The Nifty versus global rates, dollar and oil reads 1.6% rich at z +0.60 on a 0.54 R^2 — a decent fit, but a residual well inside normal range that says the index is fairly valued against its global drivers, not stretched. Gold versus US real yields and the dollar is 7.1% rich but at z +0.36 on R^2 0.55; the percentage looks large while the z-score says the model's residuals are simply wide, so the rich reading is not statistically distinguishable from fair. The rupee versus dollar, oil and US rates is 0.1% rich at z +0.03 on the second-best fit in the set at R^2 0.70, and that near-perfect neutrality is genuinely useful information: on a well-specified model, the rupee at 95.2 is exactly where crude, the dollar and US rates say it should be. There is no valuation cushion in the currency, and no valuation warning either.

Currency, Rates & the Oil-INR Channel

The transmission chain runs crude to rupee to inflation to rates, and every link is currently quiet but loaded. Crude rose 2.1% on the week to 8149 in MCX terms while remaining 7% below its three-month level, and the rupee actually firmed 0.3% to 95.2, unchanged over three months. That divergence is the point of tension: the rupee did not respond to the crude move, and the fair-value model says it is sitting at 0.1% rich on a 0.70 R^2 fit, so there is no accumulated cheapness to absorb a further oil rally.

The macro tiles show the chain has not yet transmitted. CPI is 3.5% year-on-year with core at 3.7%, comfortably inside the RBI's tolerance, and the MPC has held the repo at 5.25% with a neutral stance as of July. The India 10-year G-sec sits at 6.76%, with the briefing explicitly noting it responds positively to crude and US yields. So the domestic rate complex is currently benign, but its two identified sensitivities are the same two components dragging the external-conditions score to -0.16. A sustained crude advance would push the import bill, pressure the rupee, feed into headline CPI with the usual multi-month lag, and remove the RBI's room to remain neutral. None of that is imminent at 3.5% CPI, but it is the mechanism through which a commodity move becomes an equity de-rating.

The Granger network confirms this is not theoretical. Crude leads USDINR directly, and USDINR is a net follower alongside the Nifty and banks. The transmission is empirical, not just narrative. The mitigants are real: forex reserves excluding gold at USD 566 billion, crude still 7% below its three-month level, and a currency that has been flat for a quarter. But two of the historical rupee hedges are impaired. Gold-to-USDINR has moved from -0.02 to +0.26 over the recent window, so gold no longer offsets rupee weakness the way the longer history suggests, and the Energy sector's -0.06 correlation to crude means the domestic energy complex is not a crude proxy either. The cleanest available expressions of the crude-rupee risk inside an India equity book are an IT overweight, given its -0.25 recent correlation to USDINR, and reduced exposure to rate-sensitive financials.

Volatility, Tail Risk & What to Watch

India VIX at 11.2 sits at the 12th percentile of the last five years, up marginally 0.1 on the week and down 5 points over three months. The volatility risk premium is +9.1 and positive, meaning implied volatility continues to trade above subsequent realised — a structural condition that rewards selling volatility but says nothing about whether the current level is a floor. India VIX minus US VIX is -3.2, so Indian implied volatility is trading below US implied volatility, which is unusual for an emerging market and reflects the domestic macro calm shown in the PMI and CPI tiles. The practical implication is that portfolio protection is cheap in absolute and relative terms. With the regime posterior at 0.683

rather than 0.9, the trend component of the risk-appetite score negative, and the crude-rupee chain loaded, hedging a risk-on lean at these levels is inexpensive insurance rather than a drag on returns.

The tail-risk metrics quantify what is at stake. Nifty 50 expected shortfall at the 5% level is -4.0%, with the index currently 9% below its high. Midcap 100 ES5 is -5.4% from a current drawdown of zero — midcaps are at highs with a wider tail, the least attractive risk-reward pairing in the set, and an argument against chasing the small and mid-cap complex here. Gold ES5 is -6.7% with a current 7% drawdown, and gold fell 1.3% on the week to 154289 while remaining 4% higher over three months; combined with its 7.1% rich fair-value reading and its degraded rupee hedge, gold is not currently earning its place as a portfolio diversifier for an India book.

The signals to monitor are specific. Confirming the risk-on lean: the Nifty reclaiming its 40-week moving average, sector breadth pushing above the current 67% above-10-week reading, FMCG remaining the funding source rather than stabilising, and crude retreating back toward its three-month level. Changing the view: crude extending above roughly 8400 in MCX terms, which would be an 3% further advance and would re-engage the causal chain into the rupee; USDINR breaking through 96 from 95.2, which would confirm the crude pass-through has begun; India VIX clearing 14, which would put it near the middle of its five-year range and mark the end of the cheap-hedge window; and the US 10-year moving decisively above 4.8%, which would deepen the -1.54 rates drag and hit the banking complex hardest given its -0.54 recent sensitivity. Two secondary tells matter: the multivariate DCC average conditional correlation rising from +0.13 back toward the +0.15 of a year ago, which given the 0.9285 persistence would signal a durable loss of diversification, and Pharma or Realty losing their 26-week leadership, which would remove the rotation's engine and leave the index carrying a load its trend component says it cannot.

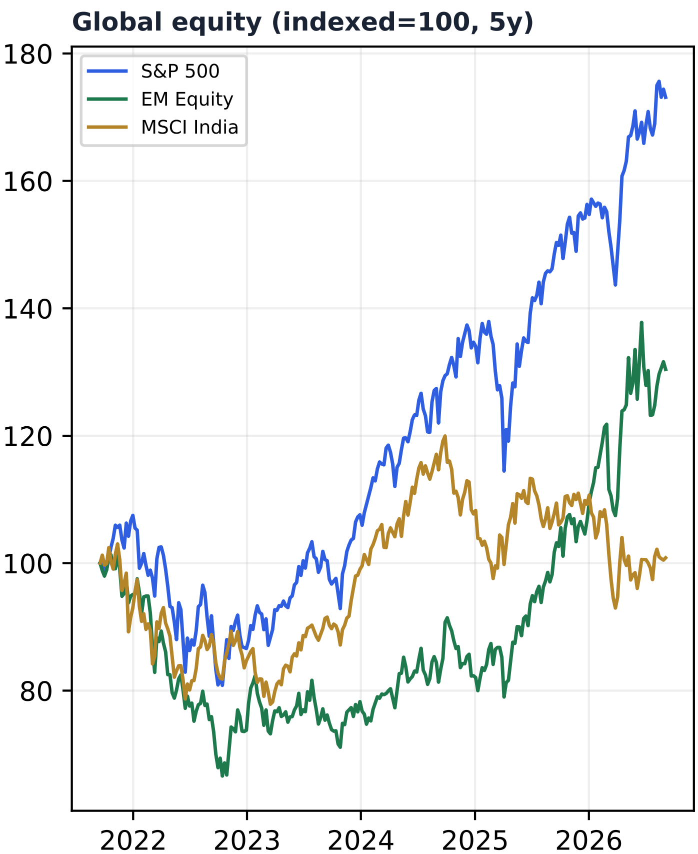
PART I

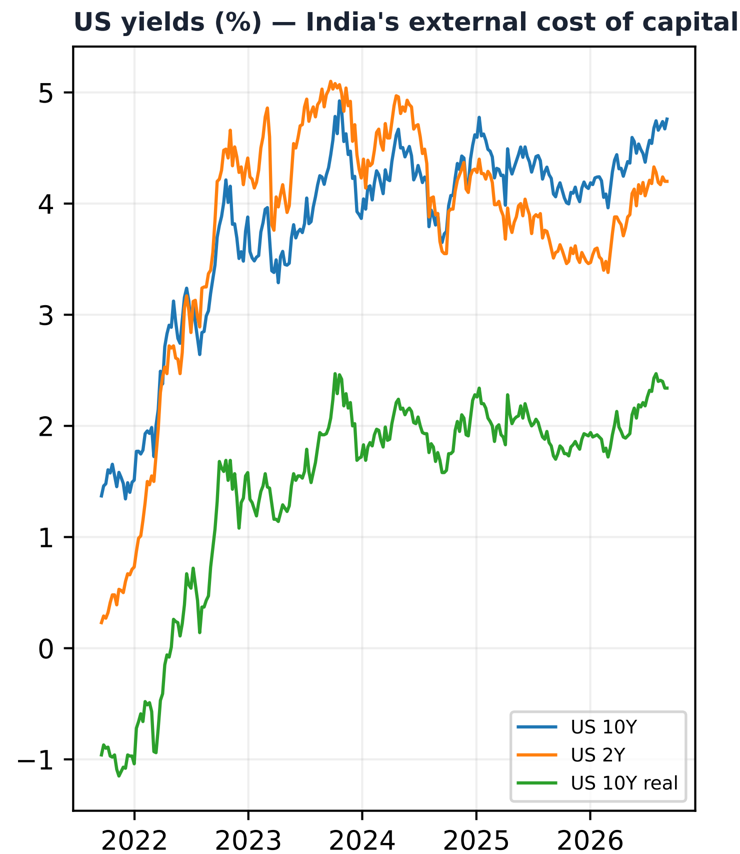
Global Backdrop & Macro

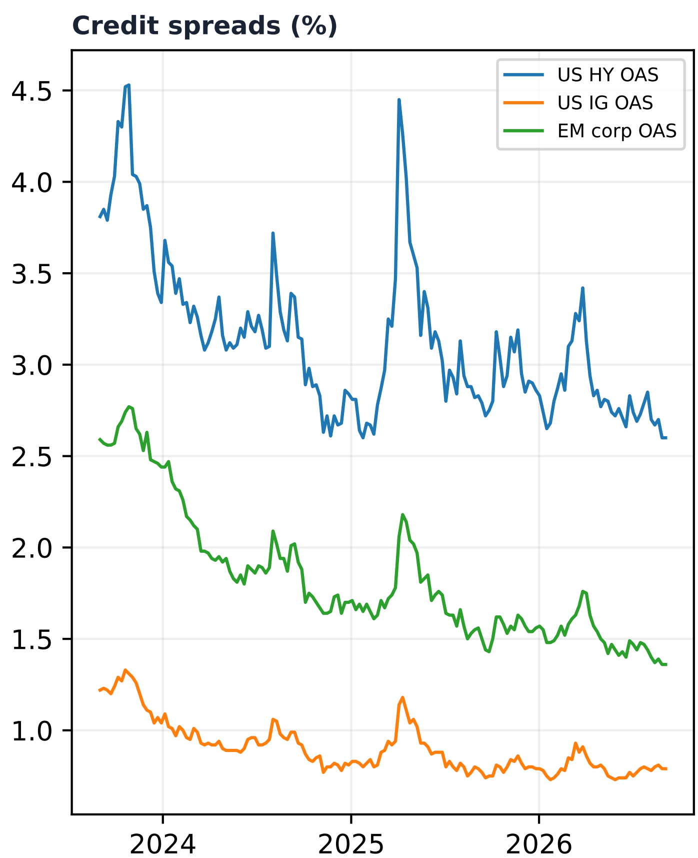
The external forces that drive India — global equity risk, US yields, credit, the dollar and the domestic macro pulse.

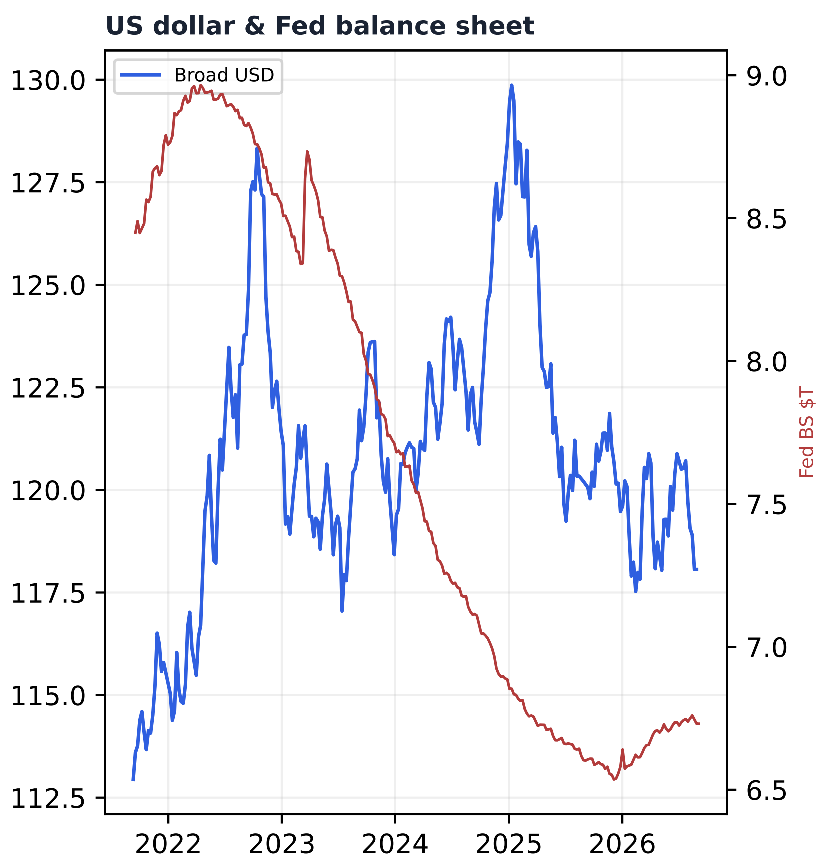
- Global equity, US yields & credit spreads, dollar & Fed balance sheet
- India macro prints (repo/CPI/GST/PMI/IIP) and FII/DII flows

Global Backdrop & Rates









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 4,589 cr, FII net Rs -7,986 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 crude/US-yields)
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 566 bn**	2026-06
Real House Prices (idx)	**161.9**	2026-01 (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.

PART II

Cross-Asset Structure

How Indian and global assets move together — factor structure, systemic co-movement, directional lead-lag and relative value.

- PCA factor model & multivariate DCC conditional-correlation
- Correlation heatmap, wavelet coherence, Granger causality & cointegration

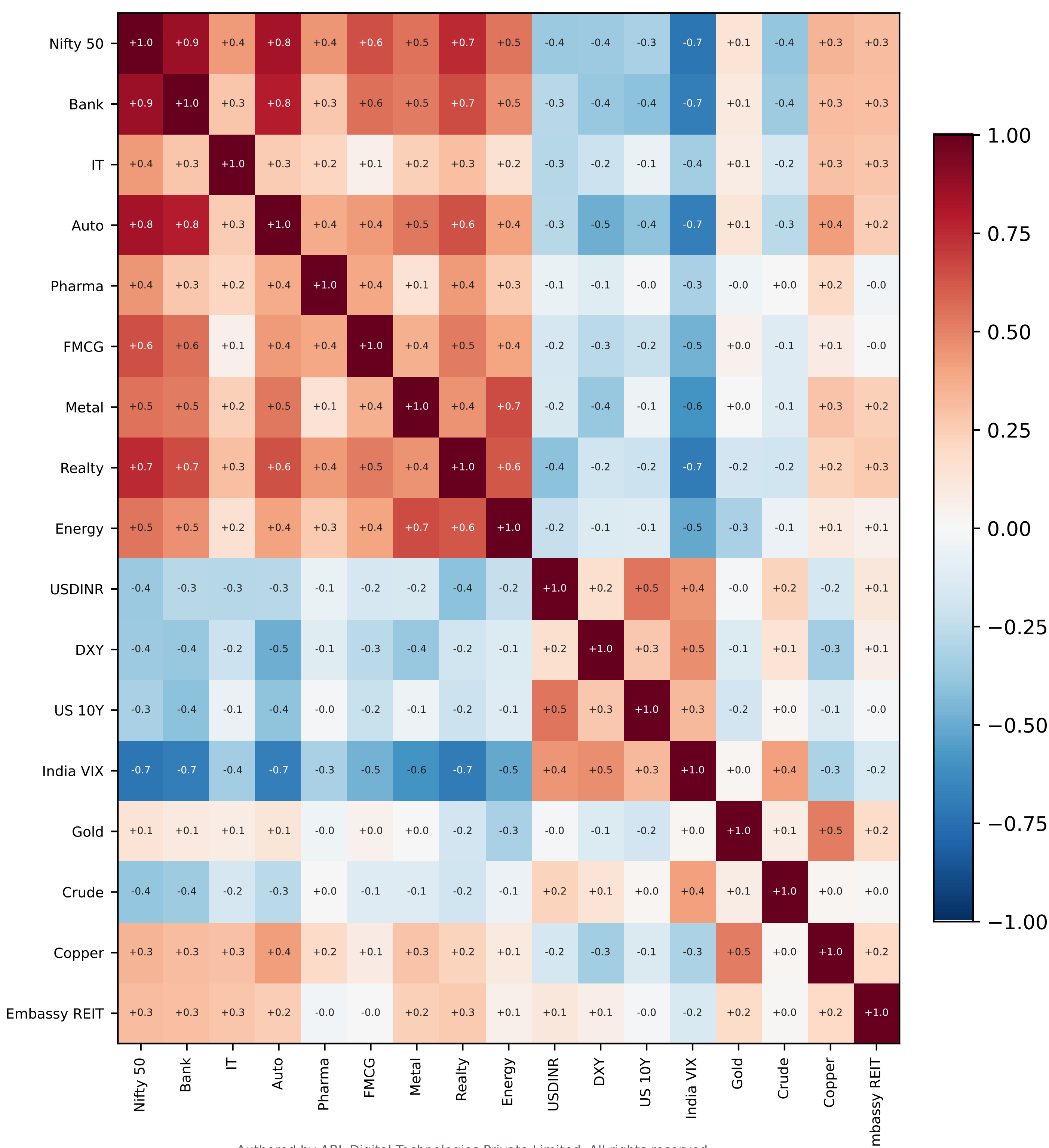
Weekly Returns Heatmap

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

	1w %	1m %	3m %
Midcap 100	+2.9	+3.3	+7.4
Midcap 50	+0.7	+1.8	+7.5
Midcap 150	+0.1	+0.7	+5.8
Sensex	+0.0	-2.0	+3.7
Nifty 50	-0.0	-2.0	+3.1
Nifty 200	-0.1	-1.2	+3.9
Nifty 500	-0.1	-1.1	+4.4
Nifty 100	-0.2	-1.9	+3.4
Smallcap 250	-0.3	+0.1	+7.7
Nifty Next 50	-0.8	-1.3	+5.1
Auto	+6.4	+6.9	+11.3
Metal	+6.1	+4.7	+2.8
IT	+3.2	-1.1	+7.5
PSU Bank	+2.7	+2.4	+1.5
Media	+2.4	+3.0	+7.0
MNC	+1.6	+0.5	+3.6
Pharma	+1.3	+2.4	+12.1
Bank	+0.9	+0.5	+6.5
Consumer Dur	+0.8	+0.1	+3.4
Commodities Idx	-1.4	-2.0	-5.3
Realty	-1.6	+1.5	+13.9
Pvt Bank	-1.8	-0.7	+6.6
Services	-1.9	-0.8	+1.9
Infra	-2.1	-3.1	-2.5
Fin Services	-2.3	-2.2	+2.5
PSE	-2.4	-3.1	-8.7
Energy	-3.4	-3.1	-6.9
FMCG	-5.6	-8.1	-9.9
GBPINR	+1.1	+0.5	+1.4
DXY	+0.3	-0.2	-0.6
EURINR	+0.2	+1.0	+1.2
Broad USD	+0.0	-1.4	-0.7
USDINR	-0.3	-0.1	+0.2
JPYINR	-0.6	-0.9	+0.1
Crude	+2.1	+2.8	-6.6
NatGas	+0.9	+4.0	-8.8
Aluminium	+0.7	-1.8	-6.7
Zinc	+0.4	+10.2	+21.3
Copper	+0.0	+0.5	+5.3
Silver	-1.1	-1.6	-0.6
Brent	-1.1	+5.7	-5.1
Gold	-1.3	-0.4	+4.2
Embassy REIT	+0.0	-0.9	+2.1
Brookfield REIT	+0.0	-0.9	+7.0
Nexus REIT	+0.0	-0.7	+7.5
China	+0.8	+1.2	-1.0
MSCI India	+0.4	-1.3	+5.0
EURUSD	+0.3	+0.5	+0.8
Hang Seng	+0.0	-0.4	+2.4
Fed Balance Sheet	+0.0	-0.3	+0.3
USDJPY	-0.2	+1.2	-0.3
S&P 500	-0.7	-1.1	+3.9
EM Equity	-0.9	+2.1	+3.7
Nasdaq	-0.9	-1.5	+2.3

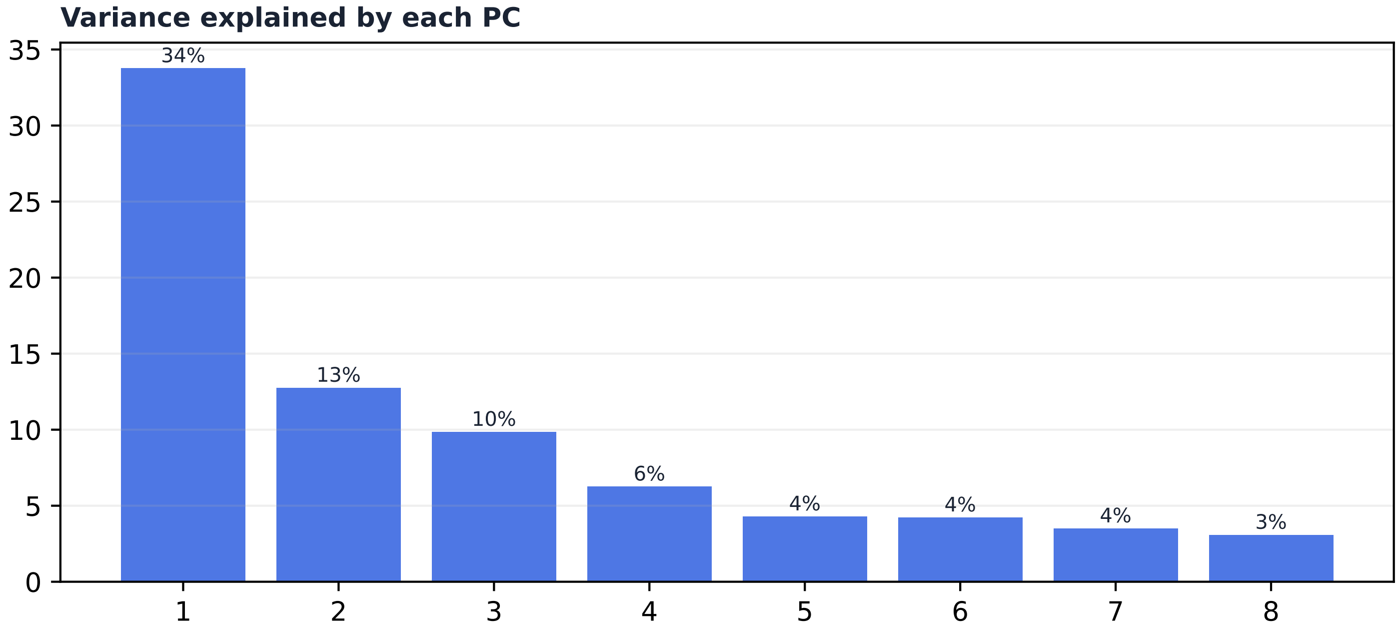
52-Week Cross-Asset Correlation

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



CROSS-ASSET FACTOR STRUCTURE (PCA)

Independent forces driving the 38 instruments (156 weeks)



PC1 — Risk (Nifty)

33.8% of variance (cum 34%) · marker corr +0.92

+ Nifty 200 +0.27, Nifty 500 +0.27, Nifty 100 +0.27, Nifty 50 +0.26, MSCI India +0.26
– India VIX -0.17, US VIX -0.13, US HY OAS -0.11, USDINR -0.11, US IG OAS -0.11

PC2 — US rates (10Y) (inverse)

12.8% of variance (cum 47%) · marker corr -0.56

+ EM corp OAS +0.37, US HY OAS +0.33, US IG OAS +0.30, US VIX +0.27, JPYINR +0.19
– US 2Y -0.31, USDJPY -0.26, US 10Y -0.26, Nasdaq -0.25, S&P 500 -0.25

PC3 — Global risk (S&P) (inverse)

9.9% of variance (cum 56%) · marker corr -0.29

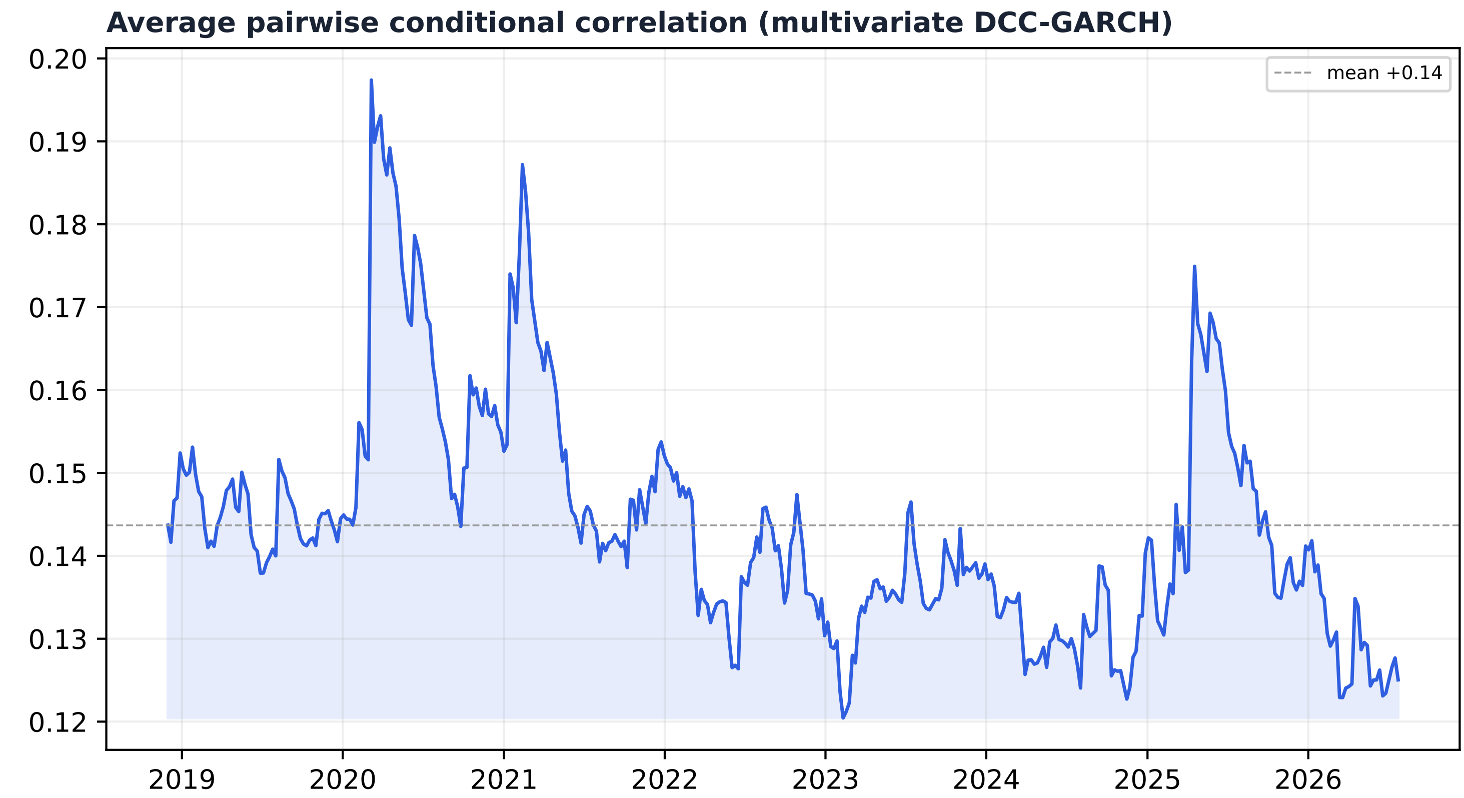
+ DXY +0.40, USDJPY +0.25, US HY OAS +0.12, US VIX +0.12, US IG OAS +0.12
– EURUSD -0.39, GBPINR -0.36, EURINR -0.33, EM Equity -0.22, JPYINR -0.21

PC4 — US rates (10Y)

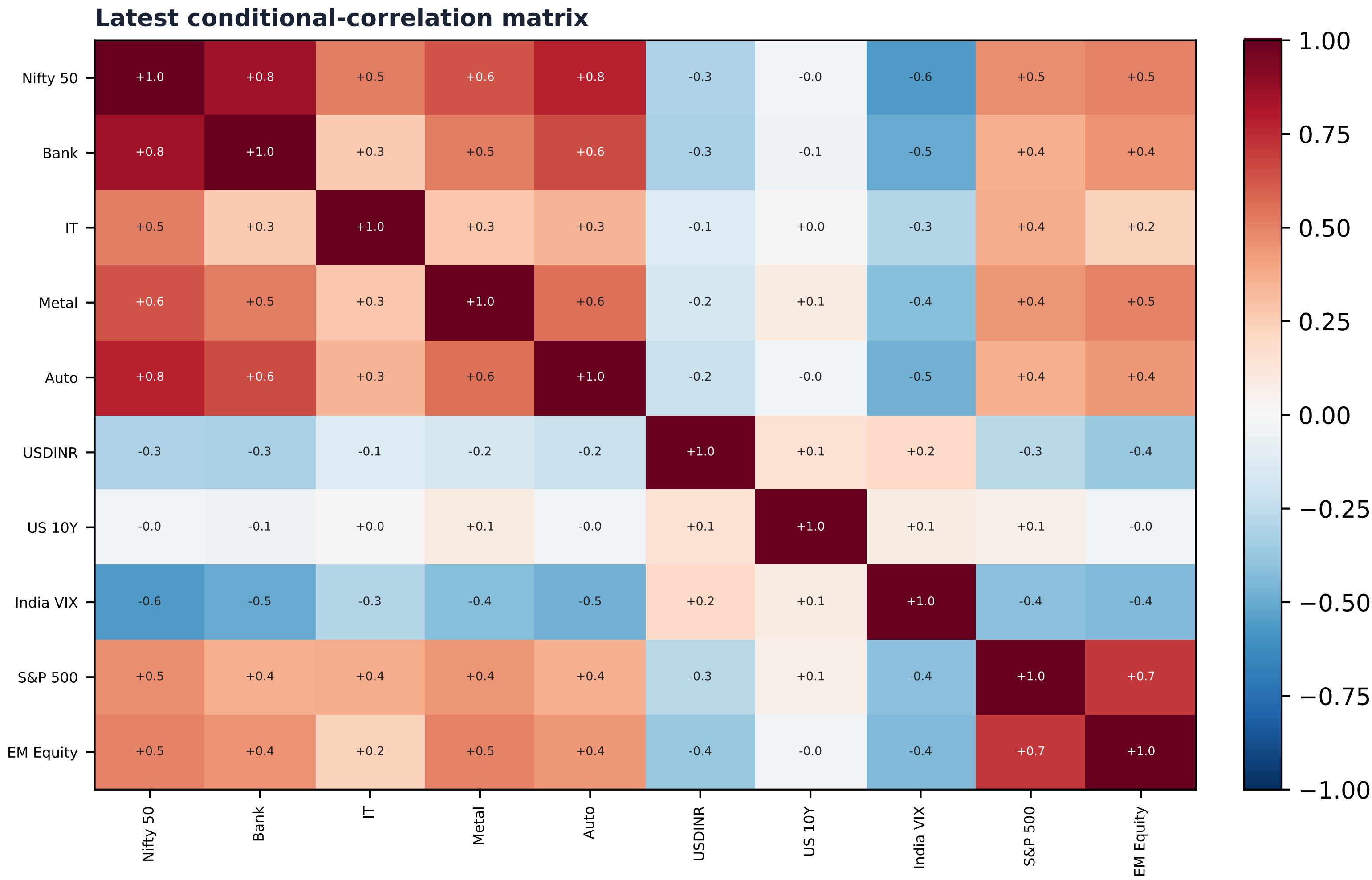
6.3% of variance (cum 63%) · marker corr +0.64

+ US 10Y real +0.43, US 10Y +0.42, EURINR +0.33, US 2Y +0.33, USDINR +0.24
– S&P 500 -0.16, China -0.15, Nasdaq -0.14, EM Equity -0.13, DXY -0.13

Principal components are the uncorrelated factors explaining the most joint variance. A high PC1 share means one force (usually broad risk) dominates — diversification is thin.

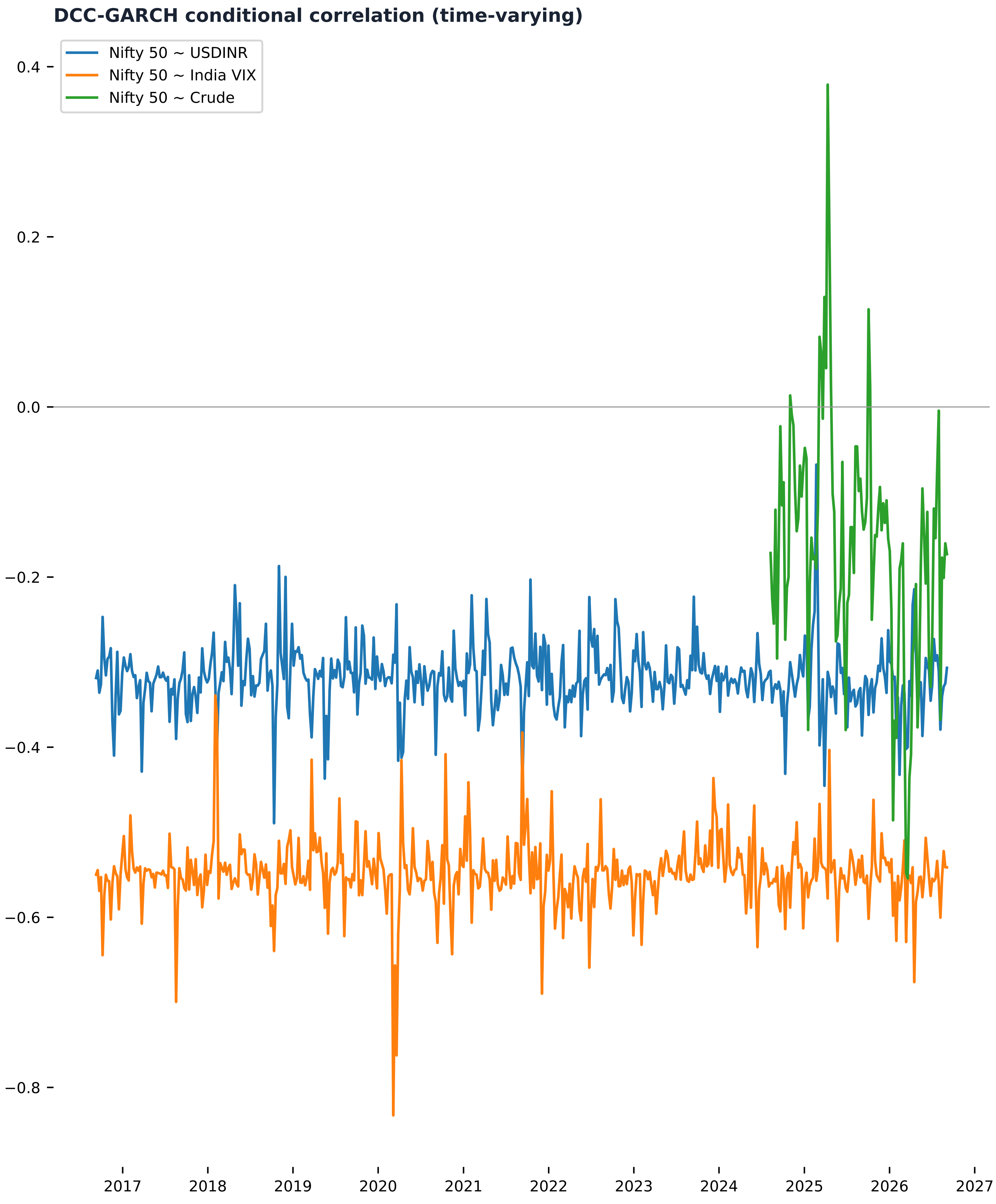


N=10 · persistence 0.9285 · now +0.13 · rising = diversification failing in real time



Regime & Conditional Correlations

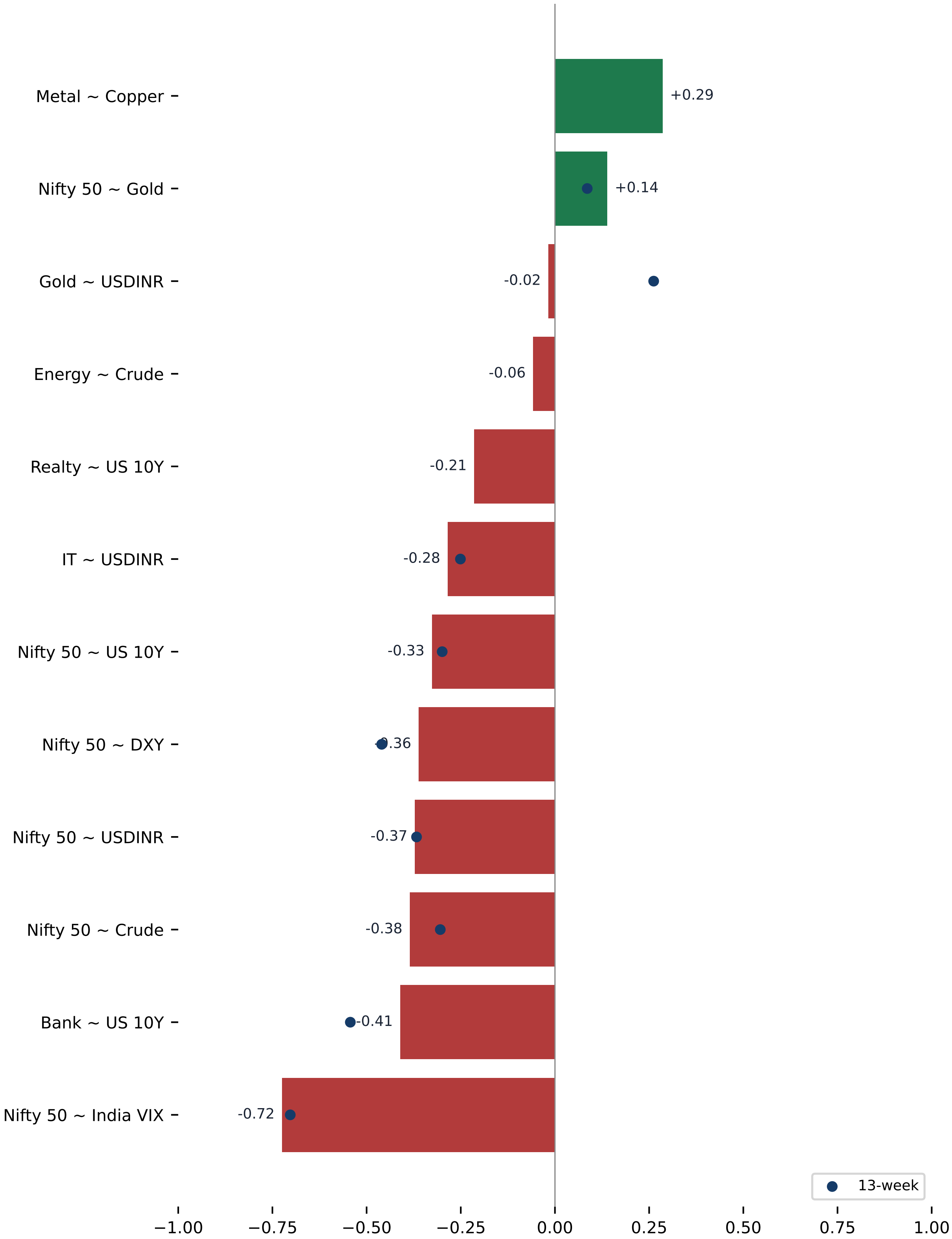
Markov-switching regime: Risk-on (Markov-switching). Smoothed posterior: Risk-on 0.68, Risk-off 0.29, Neutral 0.02



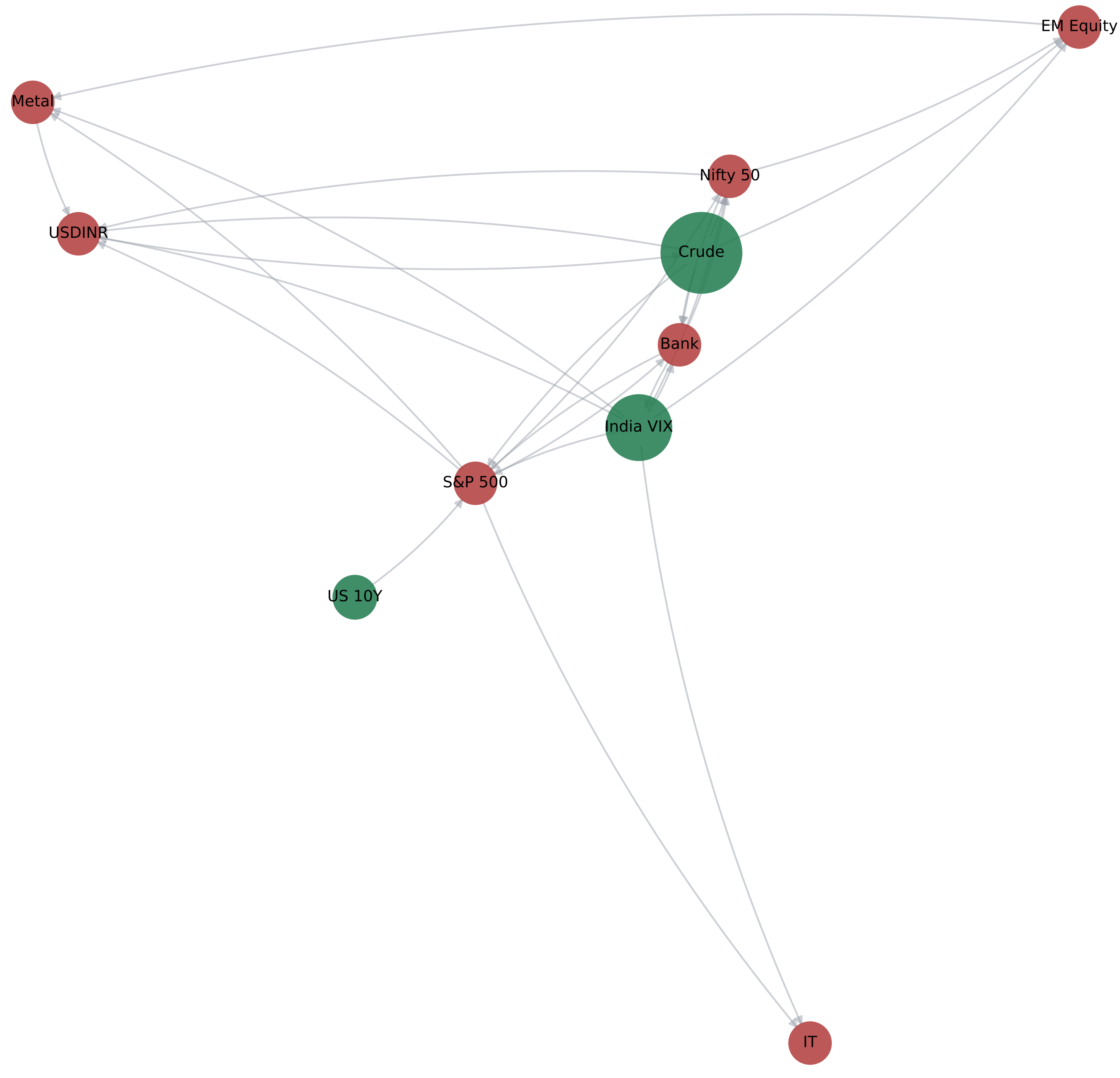
Now: Nifty 50 ~ USDINR -0.31 (persist 0.338), Nifty 50 ~ India VIX -0.54 (persist 0.2329), Nifty 50 ~ Crude -0.17 (persist 0.649)

Cross-Asset Relationship Watch-List

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



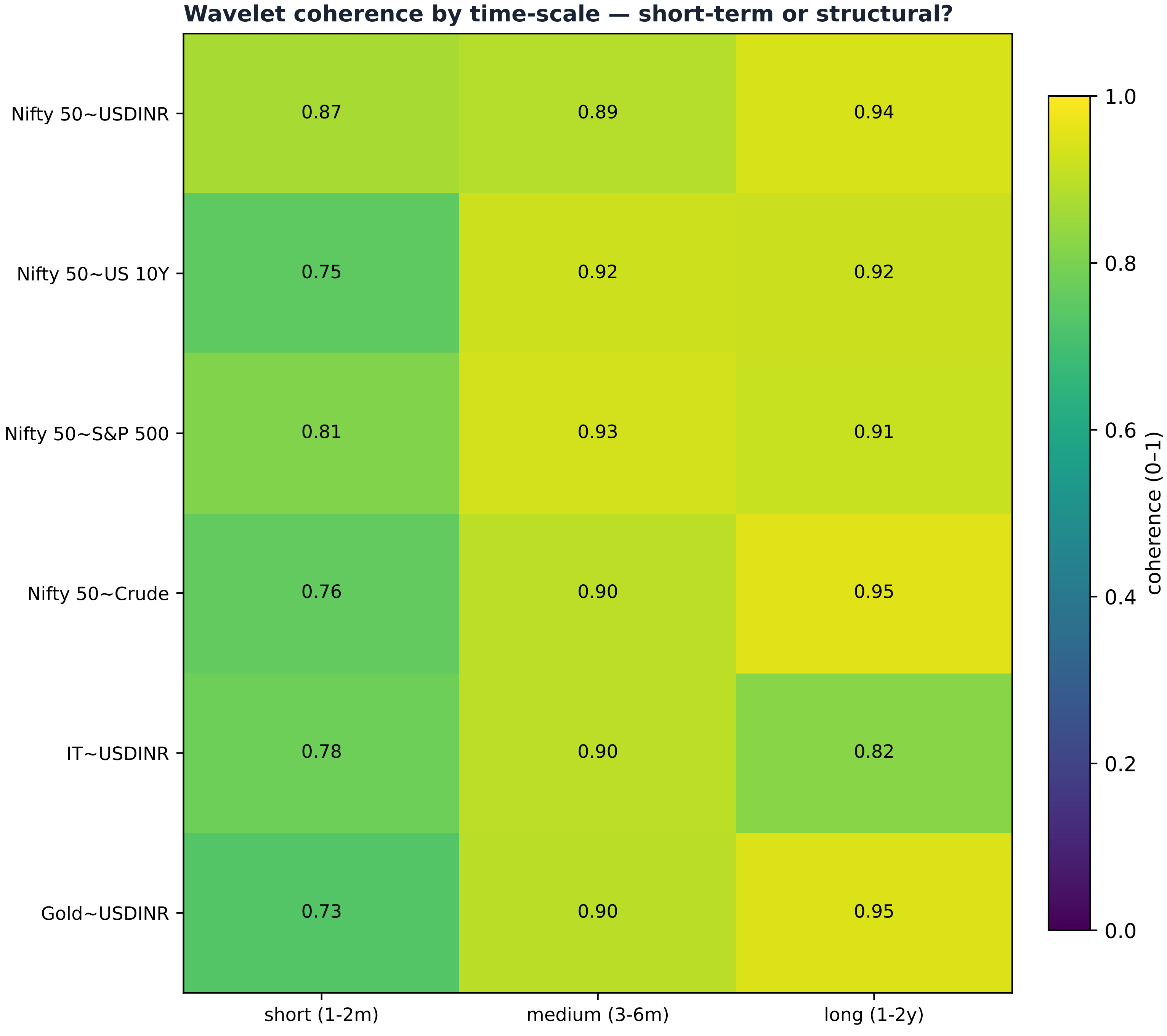
Directional lead-lag — Granger causality network



arrow = X Granger-causes Y (p<0.05); green/large = net information EXPORTER (leader)

LEADERS: Crude +0.24, India VIX +0.13, US 10Y +0.01, Gold +0.00, IT -0.01

FOLLOWERS: USDINR -0.09, EM Equity -0.08, Bank -0.08, Nifty 50 -0.05, S&P 500 -0.03


Wavelet coherence by time-scale — short-term or structural?
Nifty 50~USDINR
Nifty 50~US 10Y
Nifty 50~S&P 500
Nifty 50~Crude
IT~USDINR
Gold~USDINR
short (1-2m)
medium (3-6m)
long (1-2y)
0.87
0.89
0.94
0.75
0.92
0.92
0.81
0.93
0.91
0.76
0.90
0.95
0.78
0.90
0.82
0.73
0.90
0.95
coherence (0–1)
0.0
0.2
0.4
0.6
0.8
1.0

STATISTICAL RELATIVE VALUE (cointegration)

Mean-reverting India spreads and how stretched each is now

Pair	Coint?	p-val	Hedge	Half-life	Spread z
Largecap vs Midcap	**no**	0.215	1.85	10w	**+3.09**
Nifty vs Nifty500	**no**	0.570	1.24	13w	**+2.71**
Nifty vs Sensex	**no**	0.794	0.91	30w	**-2.48**
Nifty vs S&P 500	**no**	0.922	1.21	33w	**+2.43**
Nifty vs EM Equity	**no**	0.932	0.56	84w	**+2.20**
IT vs USDINR	**no**	0.954	-0.01	145w	**+1.98**
WTI vs Brent	**yes**	0.000	0.82	1w	**-0.88**
USDINR vs DXY	**no**	0.256	0.00	18w	**-0.65**
Bank vs Fin Services	**no**	0.459	1.01	23w	**-0.59**
Midcap vs Smallcap	**no**	0.449	0.93	18w	**-0.41**
Gold vs Silver	**no**	0.530	1.54	10w	**-0.39**
Pvt vs PSU Bank	**no**	0.055	2.78	10w	**+0.09**

Low p-value = the spread is statistically mean-reverting. Half-life = weeks to close half a dislocation. |z|>2 (red) flags a historically wide gap. Pairs shown NOT cointegrated: the long-run link has broken — the z is informational only.

PART III

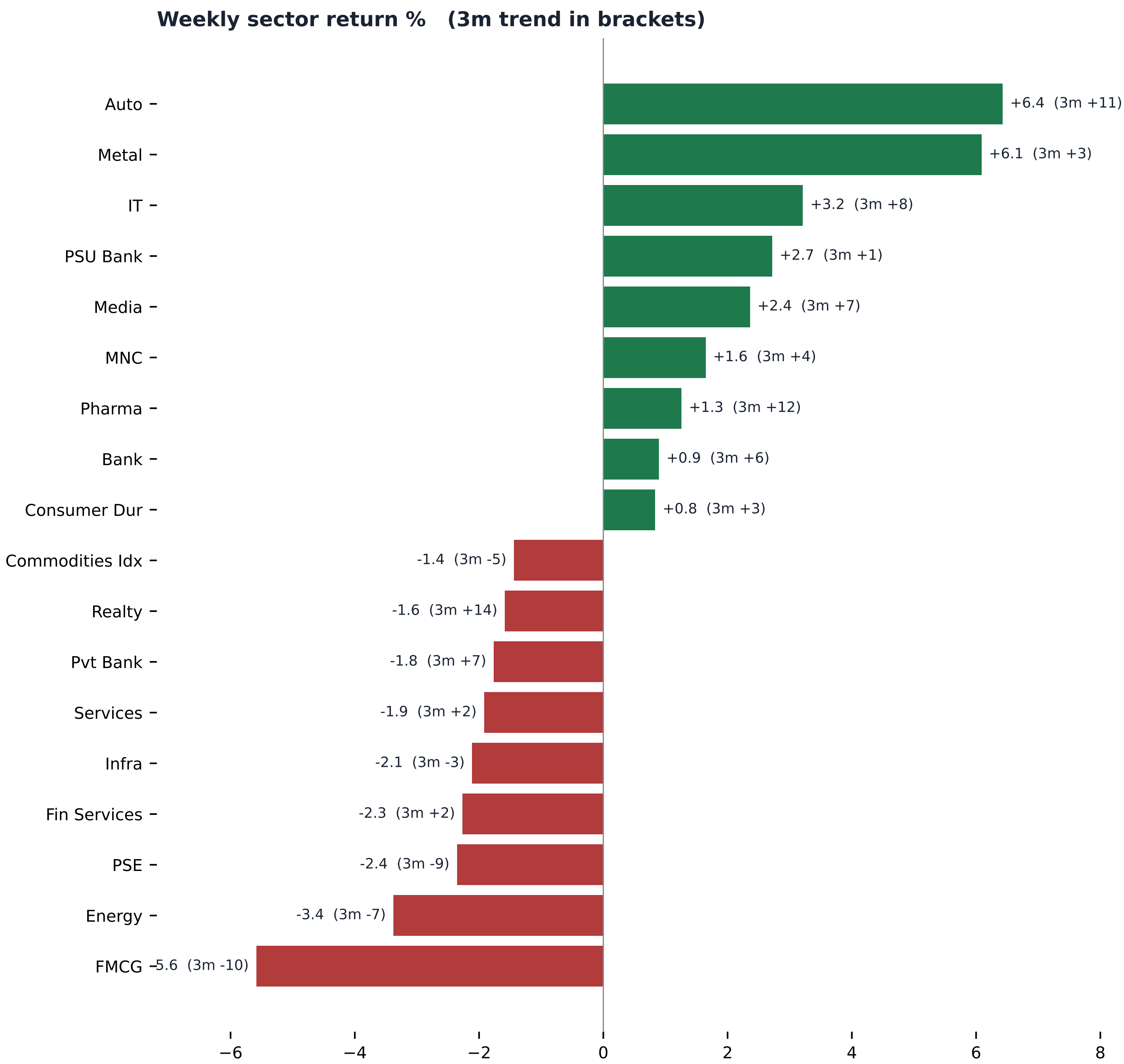
Sectors, Momentum & Fair Value

Where the money is rotating and what is rich or cheap versus its drivers.

- Sector rotation, momentum & trend battery, factor-beta attribution
- Fair-value residual models (rich/cheap vs economic drivers)

Sector Rotation

NSE sectoral indices, weekly return. Breadth: 50% of sectors up this week; 67% above their 10-week average.



MOMENTUM & TREND

Time-series momentum, trend state and distance below the 52-week high

Instrument	13w	26w	52w	Score	vs40wMA	<52wHi
Nifty 50	+3%	-2%	-3%	**-0.50**	-2%	-9%
Midcap 100	+7%	+10%	+13%	**+1.00**	+7%	0%
Smallcap 250	+8%	+19%	+9%	**+1.00**	+10%	-0%
Bank	+6%	+0%	+7%	**+1.00**	+1%	-5%
IT	+8%	+3%	-10%	**+0.00**	-2%	-20%
Auto	+11%	+8%	+23%	**+1.00**	+7%	0%
Pharma	+12%	+18%	+24%	**+1.00**	+14%	0%
FMCG	-10%	-10%	-18%	**-1.00**	-10%	-19%
Metal	+3%	+12%	+45%	**+1.00**	+11%	-2%
Realty	+14%	+15%	+1%	**+1.00**	+9%	-5%
Energy	-7%	+8%	+9%	**+0.00**	+2%	-7%
Gold	+4%	-5%	+42%	**+0.00**	+3%	-7%

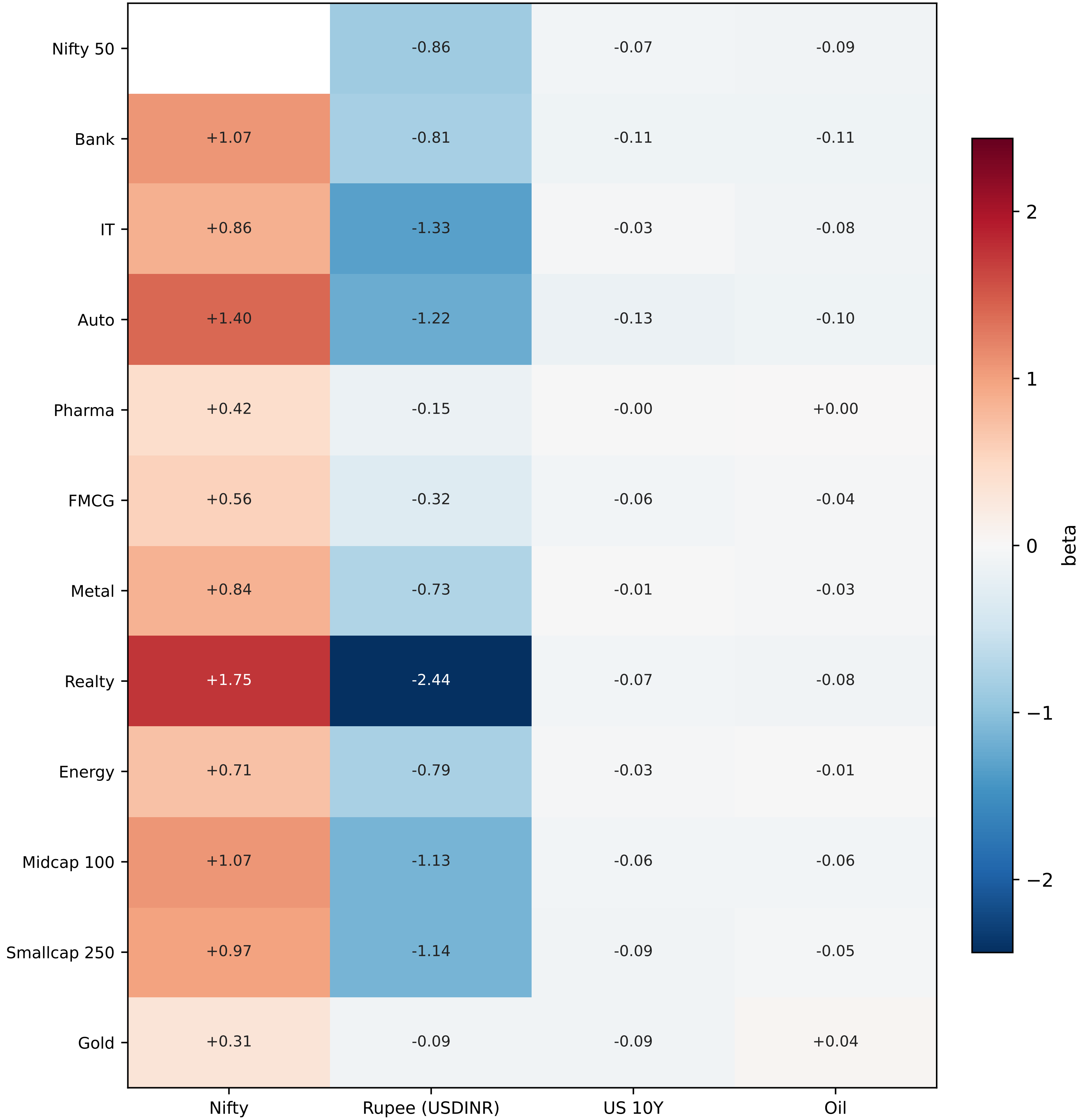
Sector 26-week relative strength:

LEADERS: Pharma +18%, Realty +15%, Media +12%, Metal +12%, MNC +9%, Energy +8%

LAGGARDS: FMCG -10%, Services -7%, PSE -5%, PSU Bank -5%, Fin Services -4%, Pvt Bank -2%

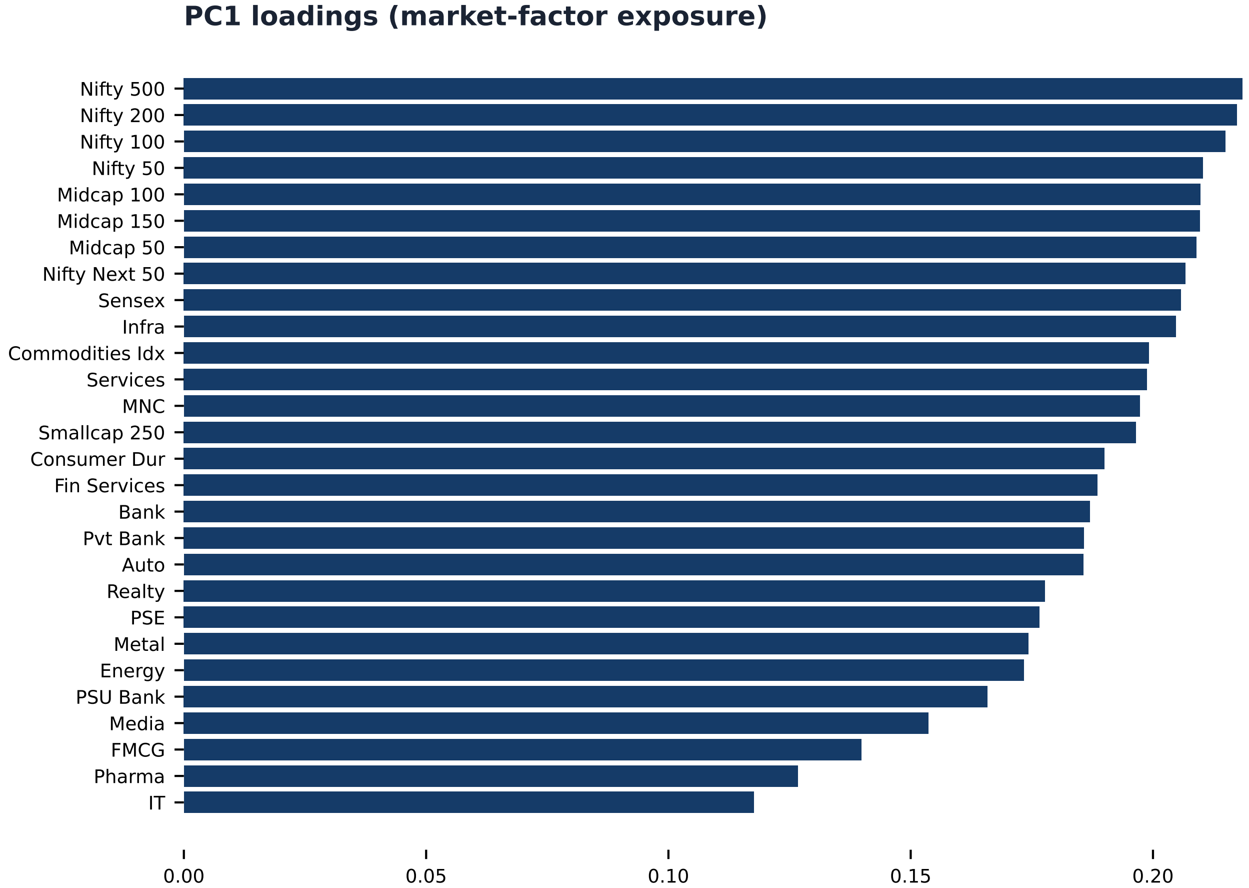
Score = mean sign of the 4/13/26/52-week returns (+1 = uptrend across all horizons). 'Golden' vs 'death' = 10w vs 40w MA cross.

Factor betas — 52-week sensitivity to the master factors



Risk Concentration & Lead-Lag

PCA on equity + sector weekly moves: PC1 explains 74% of variance (PC2 6%). Higher PC1 = more single-factor.



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

Leader	Contemp. corr	1-week-lag corr
Crude	-0.19	-0.24
India VIX	-0.55	-0.22
US 10Y	-0.00	-0.06
DXY	-0.31	-0.01
USDINR	-0.34	-0.01

FAIR VALUE — RICH / CHEAP vs DRIVERS

Each asset regressed on its economic drivers; the residual is the rich/cheap signal

Banks vs Nifty & US rates

RICH z +1.65

actual 58024.95 · model-fair 54274.06 · gap +6.9% · R^2 0.94

IT vs rupee & US tech

cheap z -1.06

actual 31191.45 · model-fair 34742.88 · gap -10.2% · R^2 0.44

Nifty vs global rates, dollar & oil

RICH z +0.60

actual 24080.40 · model-fair 23699.09 · gap +1.6% · R^2 0.54

Gold vs US real yield & dollar

RICH z +0.36

actual 154289.00 · model-fair 144018.34 · gap +7.1% · R^2 0.55

Rupee vs dollar, oil & US rates

RICH z +0.03

actual 95.15 · model-fair 95.08 · gap +0.1% · R^2 0.70

Model-fair value is what the drivers justify; the gap is how far actual sits from it. |z|>1.5 flags a stretched dislocation. Trust in proportion to R^2 — a low-R^2 model is a weak anchor, stated honestly.

PART IV

Volatility & Risk

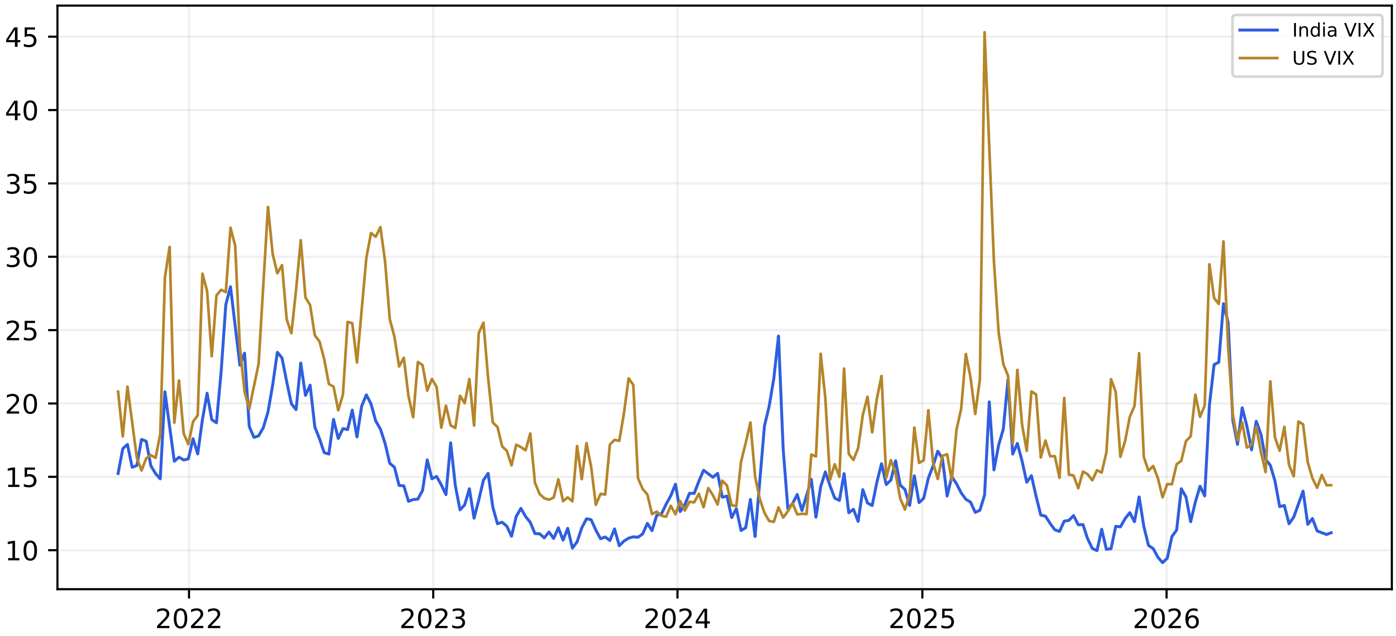
The volatility complex and downside risk.

- India VIX in context, the volatility risk premium, India-vs-US fear
- Tail risk: VaR / expected shortfall, drawdowns, tail dependence

VOLATILITY

India VIX in context, the volatility risk premium, and India-vs-US fear

India VIX vs US VIX (5y)



VOL RISK PREMIUM (India)

+9.1 pts

India VIX 11.2 − realised 2.1

positive (implied > realised, carry cushion)

FEAR CONTEXT

India VIX 12th %ile of 5y

India−US VIX -3.2

India calmer than US (global-led risk)

A positive vol-risk premium (implied > realised) is the usual carry cushion; negative flags realised stress. India VIX above US VIX = a domestic risk premium; below = globally-led risk.

TAIL RISK

Downside: 5% VaR / expected shortfall, drawdowns and fat-tailedness (5-year weekly)

Instrument	VaR5	ES5	DnVol	MaxDD	CurDD	Skew	Kurt
Nifty 50	-2.8%	-4.0%	9%	-17%	-9%	-0.3	+0.5
Midcap 100	-4.4%	-5.4%	12%	-21%	0%	-0.4	+0.7
Smallcap 250	-4.8%	-6.6%	15%	-25%	-1%	-0.5	+1.4
Bank	-3.9%	-5.0%	11%	-19%	-5%	-0.1	+0.9
IT	-6.3%	-7.8%	17%	-41%	-32%	-0.6	+0.6
Metal	-5.6%	-7.9%	17%	-32%	-2%	-0.4	+1.0
Realty	-6.3%	-8.5%	18%	-41%	-20%	+0.2	+1.5
Gold	-4.3%	-6.7%	16%	-15%	-7%	-0.5	+1.7
Crude	-9.0%	-13.8%	30%	-36%	-20%	-0.1	+1.1
USDINR	-0.9%	-1.3%	3%	-3%	-1%	-0.1	+1.7

Lower-tail dependence WITH the Nifty (P both crash together):

Midcap 100 0.67   Bank 0.66   IT 0.38   Gold 0.09   USDINR 0.04

VaR5 = the typical bad-week loss (5% quantile); ES5 = the average loss BEYOND it. Lower-tail dependence near 1 = crashes together; near 0 = a genuine diversifier when it matters.

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

	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	08-07	08-14	08-21	08-28	09-04
Regime	R-	N	R-	R+	R-	R+	R+	R-	R+	N	R-	R+	R+	R-	R+	R-	R-	N	R+	N	R+	R+	R+	R+
Risk appetite																				+0.51	+0.50	+0.40	+0.23	+0.39
External backdrop																				-0.28	-0.31	-0.31	-0.39	-0.16
Nifty 1w %	-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	+1.0	+0.1	-0.3	-0.1	-0.0
Breadth %	17	42	100	92	33	75	92	17	50	67	25	67	92	42	75	50	50	58	58	72	56	50	44	50
PC1 share																				33	34	34	34	34
India VIX	27	26	19	17	20	18	17	19	18	16	16	15	13	13	12	12	13	13	13	12	12	11	12	11
USDINR 1w %	+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	-0.2	+0.1	+0.2	+0.0	-0.3
Bank 1w %	-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	+1.4	-0.1	+0.0	-0.4	+0.9

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