ABL Digital India Cross-Asset Weekly

Trend, Correlation & Macro Report | week ending 2026-09-11

62 instruments across equities, sectors, FX, commodities, rates & REITs | 611 weeks

REGIME: Risk-on

EXECUTIVE SUMMARY

Stay constructively positioned but lean defensive-quality rather than beta. The Markov model calls Risk-on at only 0.53 posterior against 0.436 Risk-off — effectively a coin flip — and the risk-appetite composite sits at +0.39, carried almost entirely by cheap volatility (india_vix +0.81), tight high-yield credit (credit_hy +1.12) and risk-over-haven +1.08, while the two components that reflect the actual Indian tape are negative: nifty_trend -0.26 (Nifty below its 40-week average) and low_concentration -0.38. That is a risk-on reading built on financial conditions, not on price. Favour Pharma (+17% 26-week relative strength), Realty (+14%) and Metal (+11%, +5.8% this week), fade FMCG (-6.5% on the week, -11% over 26 weeks), PSE (-9% 3m) and Energy (-7% 3m), and own IT on the fair-value dislocation rather than the tape.

Three developments matter. Crude at 8770 on MCX is +2.2% on the week and +22% over three months — the single most important number in the briefing, because it drives the oil-INR-inflation-rates chain and it is what pushes the external-conditions score to -0.24 (low_oil -1.84, low_us_rates -1.55). IT screens 14.8% cheap versus rupee and US tech at z -1.57 on an R^2 of 0.43 — a genuine dislocation but a mediocre fit, so size it accordingly. Banks screen 6.3% rich at z +1.49 on an R^2 of 0.94; that model deserves real weight, and with Bank~US 10Y correlation at -0.64 over 13 weeks, a 4.8% US 10Y leaves little room.

The biggest risk is that crude keeps running. India VIX at 11.2 (12th percentile) prices almost nothing for it. Watch USDINR 94.5 — a break above 95.5 alongside crude extending, or India VIX clearing 14, would confirm the oil-INR channel is transmitting and argue for cutting beta; Nifty reclaiming its 40-week average with breadth above 50% would do the opposite.

Executive Dashboard

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

REGIME	NIFTY 1W	SECTOR BREADTH	INDIA VIX
Risk-on	**-0.5%**	**22% up**	**11.2**

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

Nifty 50	23,779.2	-0.5%	-2.4%	+0.7%
Bank	57,088.3	-0.5%	-0.7%	+0.5%
IT	29,995.2	-2.3%	-4.3%	+7.9%
USDINR	94.5	+0.0%	-1.0%	-0.7%
DXY	98.9	-0.3%	-0.8%	-0.9%
US 10Y	4.8	+0.0	+0.1	+0.3
India VIX	11.2	+0.5	-0.2	-3.6
Gold	152,870.0	+0.1%	-3.2%	-0.7%
Crude	8,770.0	+2.2%	+6.7%	+21.6%
Copper	1,387.2	+0.6%	+1.1%	+3.7%
Embassy REIT	438.7	+0.0%	-3.1%	+2.2%

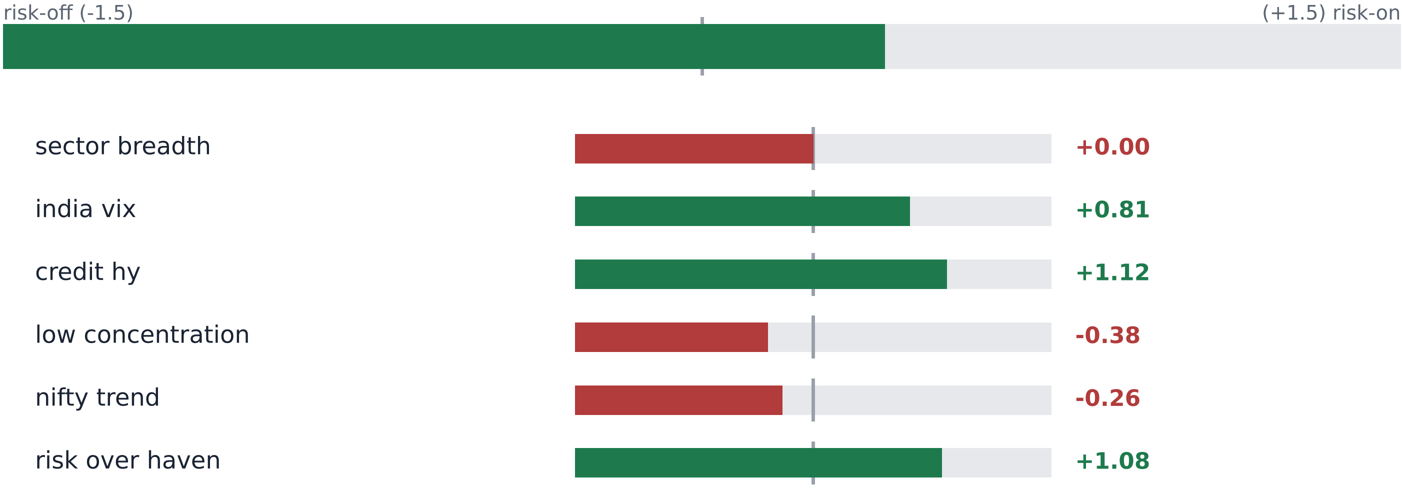
INDIA CROSS-ASSET SCORECARD

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

DOMESTIC RISK APPETITE

Risk-on

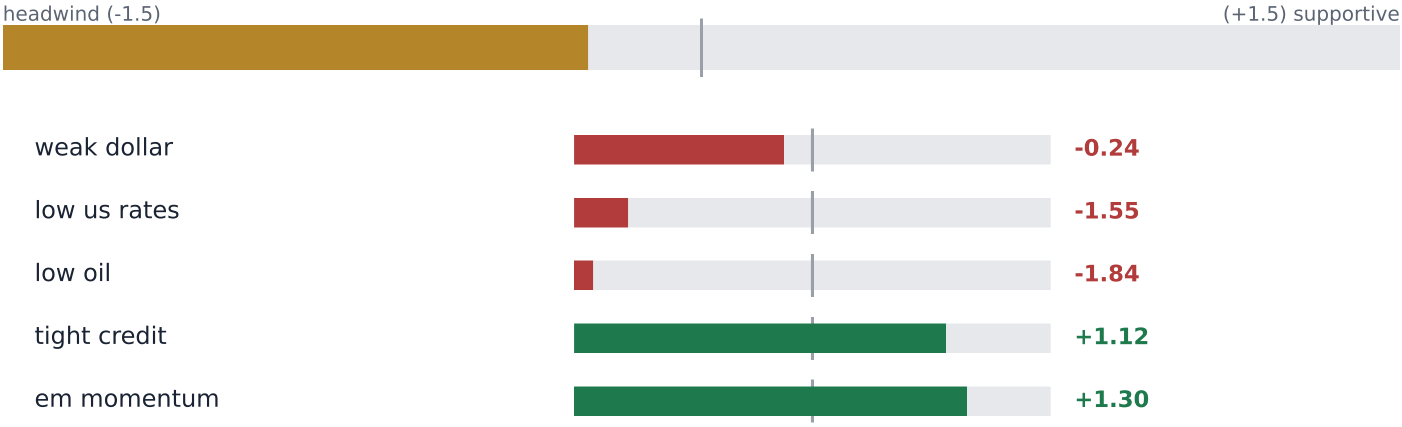
score +0.39



EXTERNAL CONDITIONS (global backdrop)

Neutral backdrop

score -0.24



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 · 2026-09-11

TOP GAINERS

Metal	+5.8%
Silver	+3.1%
Crude	+2.2%
Auto	+2.2%
JPYINR	+1.3%
Pharma	+0.7%
Copper	+0.6%
Aluminium	+0.6%

TOP DECLINERS

FMCG	-6.5%
Fin Services	-3.6%
Energy	-3.3%
Services	-3.2%
Realty	-2.9%
Pvt Bank	-2.7%
PSE	-2.6%
IT	-2.3%

KEY LEVELS — week-over-week

Nifty 50	23,779.2	-0.5%	US 10Y	4.8	+0.0
Bank	57,088.3	-0.5%	US HY OAS	2.6	+0.0
IT	29,995.2	-2.3%	Gold	152,870.0	+0.1%
USDINR	94.5	+0.0%	Crude	8,770.0	+2.2%
India VIX	11.2	+0.5	S&P 500	7,718.6	+0.0%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	**Risk-on**
Risk appetite	prior: +0.39	->	**+0.39**
External backdrop	prior: -0.16	->	**-0.24**
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

Executive Summary

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Regime, Scorecard & Market State

The Markov-switching model nominally sits in Risk-on, but the posterior distribution is the story: 0.53 Risk-on against 0.436 Risk-off, with Neutral almost extinguished at 0.034. There is no meaningful conviction in that split. The model is telling you the week's data is roughly equally consistent with two opposite states, which is a different message from a confident regime call and should be treated as such when sizing.

The rule-based read makes the tension explicit. Nifty is below its 40-week average, only 33% of sectors are above their 10-week moving average, and just 22% of sectors were up on the week — that is a market where two-thirds of the sector complex is in a downtrend and participation is narrow. Against that, India VIX at 11.2 sits in the 12th percentile of the last five years. Cheap volatility and weak breadth together describe complacency more than strength.

The +0.39 risk-appetite composite resolves the same way when decomposed. Its positive contributions are credit_hy +1.12, risk_over_haven +1.08 and india_vix +0.81 — all measures of how risk is being priced, none of them a measure of what Indian equities are actually doing. The components that track the tape drag: nifty_trend -0.26, low_concentration -0.38, sector_breadth exactly 0.00. So the composite is risk-on because credit spreads are tight, volatility is cheap and risk assets are outperforming havens, not because the Nifty is working. For an investor, that argues for staying invested but rotating toward what is demonstrably leading rather than adding index-level beta into a market trading below trend on 33% breadth. The macro underneath is supportive and not the problem: Manufacturing PMI 54.2, Services PMI 57.3, IIP +5.1%, GST collections at Rs 1.95 lakh crore up 13.9% YoY, CPI 3.5% with core at 3.7%, and RBI on hold at 5.25% in a neutral stance. Growth is fine; the risk is not domestic demand.

Global Backdrop & External Conditions

The external-conditions score of -0.24 reads as a neutral backdrop, but the internals are far more polarised than that near-zero headline suggests, and the polarity matters more than the average. The two large negatives are precisely the two channels India is most exposed to: low_oil at -1.84 and low_us_rates at -1.55. Crude is expensive and rising, US 10Y sits at 4.8% having gone nowhere on the week or over three months, and both of those are structural headwinds for an oil-importing economy with an equity market that carries a -0.34 correlation to US 10Y over both 52 and 13 weeks.

Offsetting them are tight_credit +1.12 and em_momentum +1.30. Global credit is behaving and emerging markets have momentum, which is why the composite nets out near zero rather than deeply negative. Weak_dollar at -0.24 is close to neutral: DXY at 98.9 is down 0.3% on the week and 1% over three months, a modest drift rather than a trend, and with Nifty~DXY at -0.34 that provides only marginal support.

The practical read is that the world is neither a tailwind nor a clean headwind, but the composition is unfavourable in a specific way. The supportive components — credit and EM momentum — are the fastest to reverse and the least India-specific. The negative components — oil and US rates — are slow-moving, structural, and transmit directly into India's terms of trade, inflation path and bond yields. If credit or EM momentum rolls over while crude stays at these levels, the score deteriorates sharply from both ends. That asymmetry is the reason to treat this backdrop as fragile-neutral rather than benign.

Sector Rotation & Momentum

The weekly cross-section is unusually dispersed for a -0.5% index week, and the dispersion is informative. Metal led at +5.8%, Auto +2.2% and Pharma +0.7%; everything else was flat to sharply lower, with FMCG down 6.5%, Fin Services -3.6%, Energy -3.3%, Services -3.2% and Realty -2.9%. A 12-point spread between best and worst in a week where the index barely moved is a rotation, not a drawdown.

On 26-week relative strength the leaders are Pharma +17%, Realty +14%, Metal +11%, Media +10% and Energy +8%; the laggards are FMCG -11%, Services -8%, PSU Bank -7%, Fin Services -5% and PSE -5%. Pharma and Metal appear in both the weekly and the medium-term list, and Metal's +5.8% week alongside Copper +0.6% on the week and +4% over three months makes that leadership look supported by the underlying commodity rather than purely a positioning squeeze. Pharma is the cleanest holding: it leads on 26-week momentum, was positive on the week, is up 9% over three months, and carries one of the lowest PC1 loadings — meaning it delivers that performance with less exposure to the single dominant risk factor.

FMCG is the clearest fade. Down 6.5% on the week and 11% over both three and twenty-six weeks, it is failing as a defensive despite the low PC1 loading that should make it one — a sign the weakness is fundamental rather than beta-driven. Energy is contradictory and warrants caution: +8% on 26-week relative strength but -3.3% on the week and -7% over three months, and with crude up 22% over three months, an energy complex that has fallen 7% in the same window is not passing through the commodity. The Energy~Crude correlation of -0.06 confirms it: this is a regulated-pricing and marketing-margin market, so crude strength is a cost pressure across the economy rather than an energy-sector earnings tailwind. Realty leads on 26 weeks at +14% but fell 2.9% this week, and with US 10Y at 4.8% and India's 10Y G-sec at 6.76%, the rate sensitivity there is real.

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 — the broad market indices, which is the definition of a single dominant directional factor. Across the wider 38-instrument set PC1 accounts for 34%, followed by PC2 as inverse US rates at 13%, PC3 as inverse global risk at 10% and PC4 as US rates again at 6%. Two of the top four factors are US rates. For an Indian investor that is a direct statement that a meaningful share of your portfolio variance is being set in the US Treasury market, not in Mumbai.

What 74% on PC1 means practically is that sector selection within Indian equities buys you less diversification than the sector labels imply — most of what you own moves together on the one risk factor. The exceptions are named in the loadings: IT, Pharma and FMCG carry the lowest PC1 exposure. That is the structural argument for Pharma as a core holding rather than a momentum trade, and it is part of the argument for IT on the fair-value dislocation. Both give you exposure that is genuinely differentiated from the index rather than a leveraged version of it.

The systemic gauge is more reassuring, and is the single most constructive reading in the briefing. Average pairwise conditional correlation from the multivariate DCC across ten assets sits at +0.13 now versus +0.15 a year ago. Cross-asset diversification is working — mildly improved, and at a low absolute level. The persistence of 0.9285 means this state is sticky and will not flip abruptly without a shock, which is genuinely useful: it says the hedges and cross-asset offsets in a portfolio should behave over the coming weeks. Note the distinction, because it drives allocation. Within Indian equities, diversification is poor (PC1 at 74%). Across asset classes, it is working (+0.13). The implication is to take diversification at the asset-class level — rates, gold, currency — and stop expecting it from spreading money across Nifty sectors.

Cross-Asset Correlation & Lead-Lag

The Granger network is unambiguous about who is driving the tape. Net leaders are Crude, India VIX, US 10Y and Gold; net followers are EM Equity, Bank, USDINR and Nifty 50. Indian equities and the rupee are on the receiving end of this network, not the transmitting end. Every leader is either a global commodity, a global rate, or a volatility measure — nothing domestic leads. That reframes what should be monitored: the useful early-warning signals for the Nifty are crude, US 10Y and India VIX, and by the time the Nifty and the rupee move, the information is already in those prices.

The lead-lag correlations into the Nifty quantify it. India VIX runs -0.55 contemporaneous but decays to -0.22 at a one-week lag, so volatility is largely same-week information. Crude is the opposite and more useful: -0.19 contemporaneous but -0.25 at a one-week lag, meaning the crude signal actually strengthens with a week's delay. That is a genuinely predictive relationship and it points in one direction right now — crude up 2.2% this week has not yet fully transmitted. USDINR at -0.33 contemporaneous collapses to -0.01 lagged, and DXY behaves identically (-0.31 to -0.01); currency moves are coincident, not leading.

The DCC conditional correlations add persistence detail that matters for hedging. Nifty~India VIX at -0.54 has low persistence of 0.2351, so the volatility hedge is reliable but its strength is unstable week to week. Nifty~Crude at -0.16 carries high persistence of 0.6479 — a weaker relationship but a durable one, which is the more actionable fact: the crude drag on Indian equities is a state that persists rather than a spike that mean-reverts. Nifty~USDINR sits at -0.23 with 0.3349 persistence. Note also that Bank~US 10Y has tightened from -0.42 over 52 weeks to -0.64 over 13 weeks. Banks have become materially more rate-sensitive, which compounds the fair-value warning on the sector below.

Relative Value & Fair Value

Two spreads are stretched beyond $|z| > 1.5$, and they deserve very different treatment because their fits differ enormously.

The one to trust is Banks versus Nifty and US rates: 6.3% rich at z +1.49 on an R^2 of 0.94. That model explains 94% of the variation, so the residual is close to a clean signal rather than noise. Banks screening rich is corroborated independently by the correlation data — Bank~US 10Y has tightened to -0.64 over thirteen weeks with US 10Y stuck at 4.8% — and by the tape, with Private Bank down 2.7% and Financial Services down 3.6% on the week while PSU Bank sits at -7% on 26-week relative strength. Three independent readings agree. This is the highest-conviction relative-value call in the briefing and argues for trimming bank and financials exposure rather than buying the weakness.

The one to discount is IT versus rupee and US tech: 14.8% cheap at z -1.57 but on an R^2 of only 0.43. That model leaves 57% of the variation unexplained, so a large share of that apparent 14.8% discount may simply be model error rather than opportunity. The direction is worth acting on — IT fell 2.3% on the week yet is up 8% over three months, carries a low PC1 loading, and IT~USDINR has weakened from -0.27 to -0.13, meaning the usual rupee tailwind is transmitting less than it used to. Treat this as a moderate-sized position justified by the cheapness plus the factor diversification, not as a high-conviction valuation trade. The weak fit is the reason to halve the size you would otherwise take.

The remaining three models are well-fitted but currently say nothing. Nifty versus global rates, dollar and oil is 0.6% rich at z +0.22 on R^2 0.54 — the index is at fair value, which usefully rules out a valuation-driven case in either direction. Gold versus US real yield and dollar is 0.8% cheap at z -0.04

on R^2 0.55, essentially exactly fair. The rupee versus dollar, oil and US rates is 1.8% cheap at z -0.74 on a strong R^2 of 0.70 — mildly cheap and not stretched, but that model has real explanatory power and is the one to watch as crude moves, because it is the mechanism by which oil strength gets repriced into the currency.

Currency, Rates & the Oil-INR Channel

This is where the week's most important number sits. Crude at 8770 on MCX is up 2.2% on the week and 22% over three months. India imports the large majority of its crude, so that move is a direct terms-of-trade deterioration that works through a specific chain: a higher import bill widens the current account, which pressures the rupee, which imports inflation, which constrains the RBI, which lifts G-sec yields, which compresses equity valuations — with banks and rate-sensitives hit first.

What is striking is how little of that chain has transmitted so far. USDINR is unchanged on the week at 94.5 and is actually 1% stronger over three months despite crude's 22% rise. Forex reserves ex-gold at USD 588 billion give the RBI ample capacity to smooth, and the fair-value model has the rupee only 1.8% cheap at z -0.74 on R^2 0.70 — mildly cheap, not stretched. A softer dollar has helped, with DXY down 1% over three months. The result is a currency that has absorbed a large crude shock without moving, which is either resilience or a coiled spring, and the lagged crude-into-Nifty correlation of -0.25 argues for treating it as at least partly the latter.

The inflation and rate side has not transmitted either, but the prints are stale. CPI at 3.5% with core at 3.7% is an April reading; a 22% crude move over three months is not in it. The RBI held at 5.25% in July with a neutral stance, and the India 10Y G-sec at 6.76% is explicitly flagged as sensitive to crude and US yields. With US 10Y at 4.8% and unchanged, there is no external relief coming for Indian bond yields. The spread of roughly 196 basis points over Treasuries is not wide by historical standards for a market facing an oil shock.

For positioning this means avoiding duration-sensitive and rate-sensitive exposure. It sharpens the case against banks, which the fair-value model already flags as 6.3% rich on a 0.94 R^2 and which have grown more rate-sensitive at -0.64. It tempers enthusiasm for Realty despite its +14% 26-week leadership. And it favours exporters and rupee-hedged earnings — part of the IT case — alongside Metal, which benefits from the commodity complex rather than suffering from it.

Volatility, Tail Risk & What to Watch

India VIX at 11.2 is in the 12th percentile of five years, up just 0.5 points on the week and down 4 over three months. Volatility is close to as cheap as it has been, and given the crude backdrop, the two-thirds of sectors below their 10-week average and the near-even Markov posterior, that is complacency rather than calm. The variance risk premium at +8.8 confirms implied volatility sits well above realised, and India VIX minus US VIX at -3.2 means Indian volatility is priced below American volatility — an unusual configuration for the market with the larger oil exposure. The practical conclusion is that protection is inexpensive here in absolute terms, and cheaper than the risk profile warrants.

The tail metrics are moderate but the drawdown context matters. Nifty 5% expected shortfall is -4.0% against a current drawdown of -10%, so the index has already given back a great deal and the modelled tail from here is contained. Midcap 100 carries a larger ES5 of -5.4% but sits at no drawdown at all — the higher-beta segment has not participated in the pain and therefore has the most to give back if the leaders roll over. That argues for taking risk reduction from midcaps rather than from large-cap holdings. Gold's ES5 of -6.7% on an -8% drawdown, combined with a fair value that is essentially neutral at z -0.04, makes it a fair-value hedge rather than a bargain.

A closing caveat on all of this: weekly predictive skill is modest. The regime posterior itself is 0.53 versus 0.436, which is close to no information, and R^2 values from 0.43 to 0.94 mean the confidence attached to any signal should scale with its fit. Nothing here should be read as a forecast.

India Cross-Asset Analysis (cont.)

Specific signals that would confirm this view: crude extending above 9000 on MCX while USDINR breaks 95.5, which would show the oil-INR channel finally transmitting; India VIX clearing 14 from the current 11.2, ending the complacency; Bank and Financial Services continuing to underperform, validating the 0.94 R^2 rich signal; the MV-DCC average conditional correlation rising from +0.13 toward +0.20, which would mean cross-asset diversification is failing and the last constructive pillar has gone; the Markov posterior tipping below 0.50 into Risk-off.

Signals that would change it: Nifty reclaiming its 40-week average with sector breadth moving above 50% from the current 33%, which would turn nifty_trend and sector_breadth positive and put the +0.39 risk-appetite composite on genuine footing; crude retreating below 8000, which would lift the low_oil component from -1.84 and relieve the whole chain; US 10Y falling decisively below 4.5%, which would lift low_us_rates from -1.55 and specifically rehabilitate banks and Realty; the IT fair-value gap closing toward zero from -14.8%, which would take that position off the table; and the credit_hy and em_momentum components, currently the sole support at +1.12 and +1.30, deteriorating — that would remove what is holding the external score at -0.24 rather than well below it.

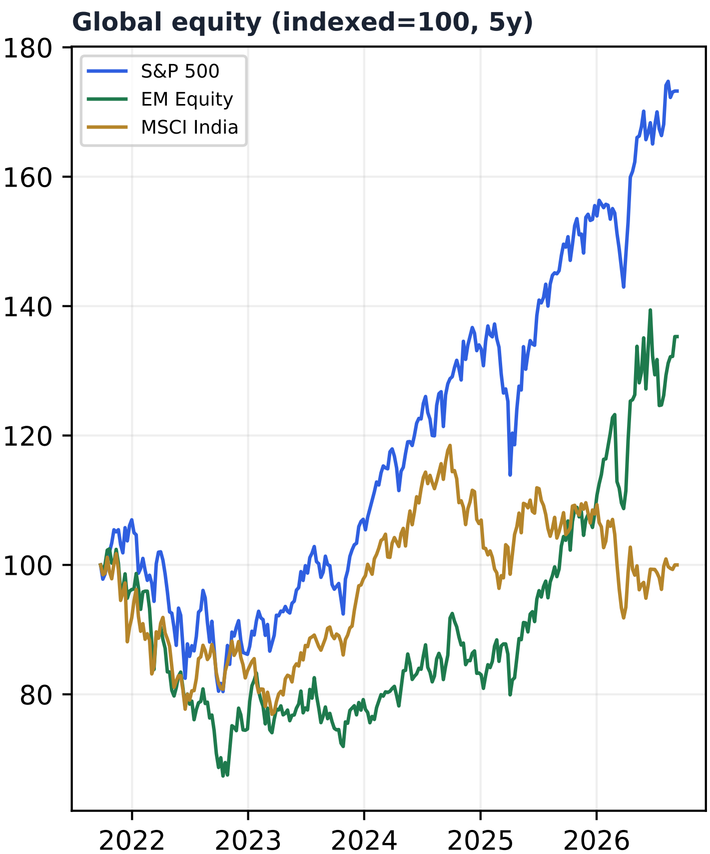
PART I

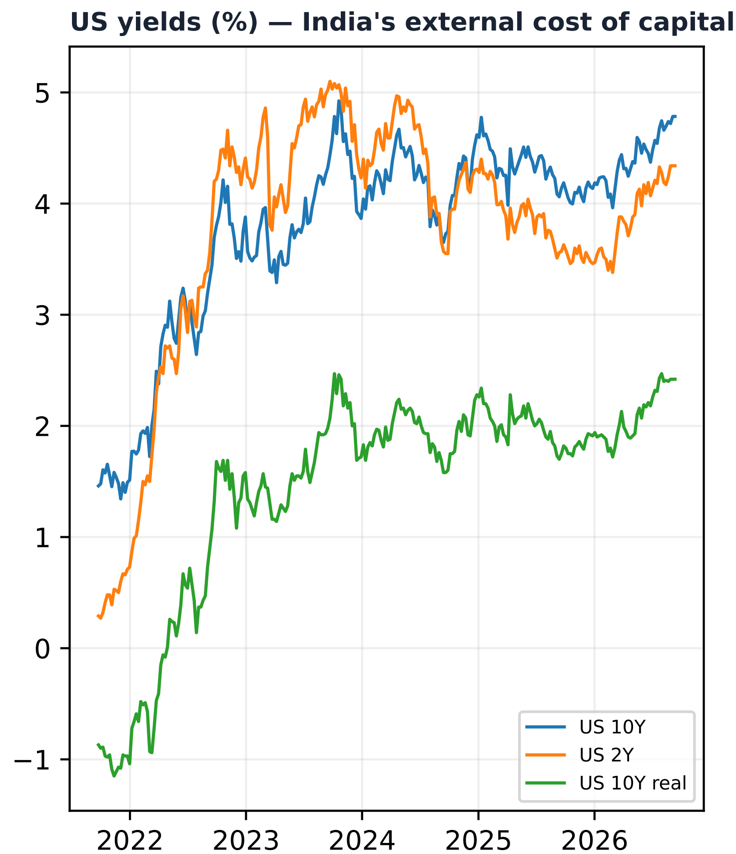
Global Backdrop & Macro

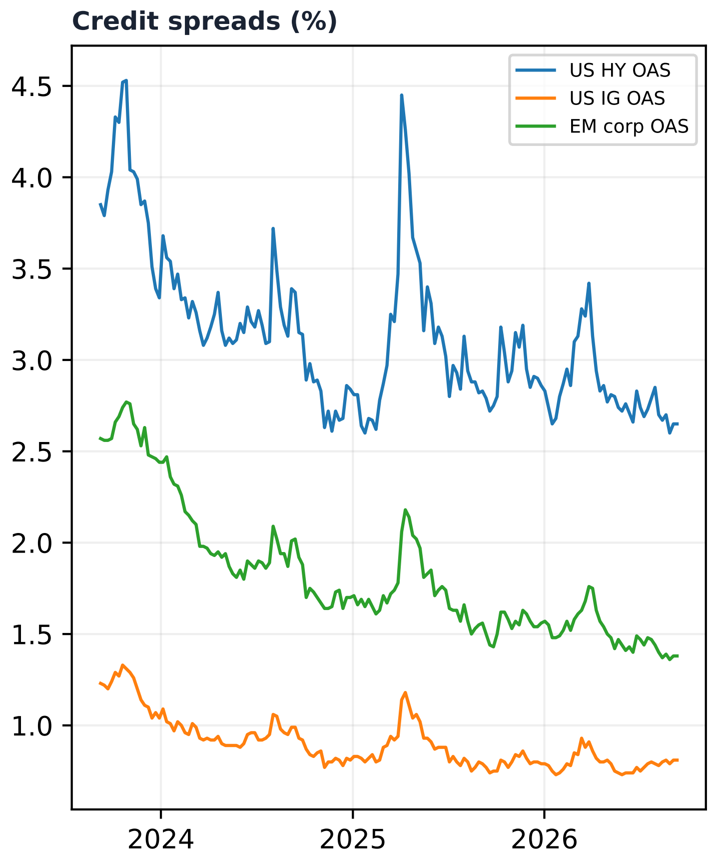
The external forces that drive India — global equity risk, US yields, credit, the dollar and the domestic macro pulse.

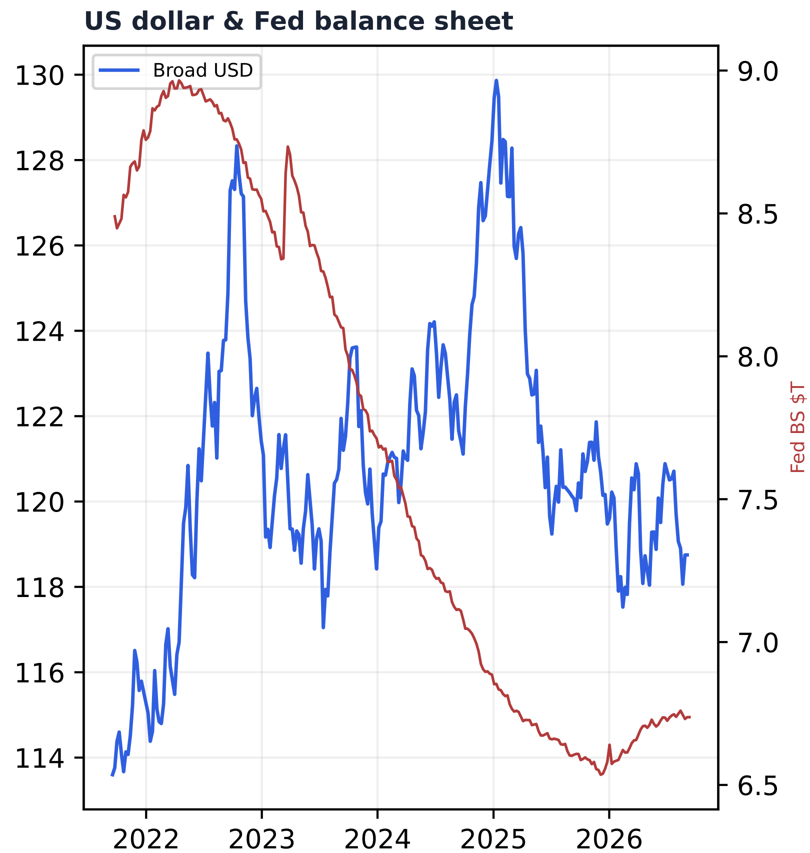
- Global equity, US yields & credit spreads, dollar & Fed balance sheet
- India macro prints (repo/CPI/GST/PMI/IIP) and FII/DII flows

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 567 cr, FII net Rs 280 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 588 bn**	2026-07
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

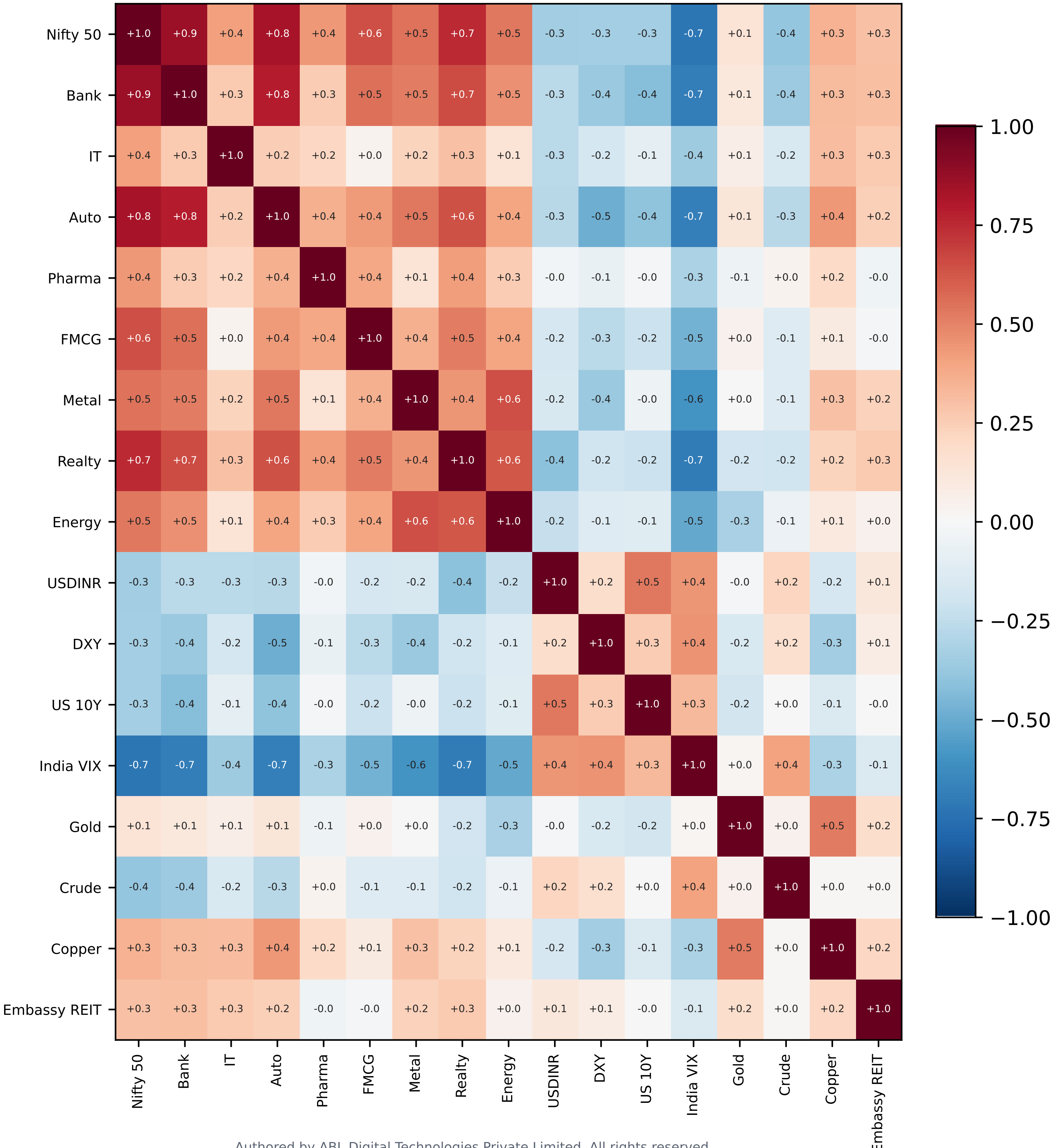
Weekly Returns Heatmap

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

	1w %	1m %	3m %
Midcap 100	+0.6	+1.0	+5.0
Smallcap 250	+0.0	+1.1	+8.2
Nifty Next 50	-0.4	-2.6	+3.7
Midcap 50	-0.4	-1.1	+4.6
Nifty 500	-0.4	-1.9	+2.5
Midcap 150	-0.5	-1.5	+3.6
Nifty 200	-0.5	-2.3	+1.6
Nifty 100	-0.5	-2.4	+1.2
Nifty 50	-0.5	-2.4	+0.7
Sensex	-0.5	-2.4	+0.8
Metal	+5.8	+4.4	+2.5
Auto	+2.2	+2.6	+6.9
Pharma	+0.7	+0.9	+9.4
PSU Bank	+0.5	+0.2	-0.7
Media	-0.1	+0.6	+4.4
Bank	-0.5	-0.7	+0.5
Consumer Dur	-1.2	-2.0	+1.3
Commodities Idx	-1.3	-1.9	-5.2
MNC	-1.4	-2.5	+0.5
Infra	-2.0	-3.0	-2.4
IT	-2.3	-4.3	+7.9
PSE	-2.6	-3.3	-8.9
Pvt Bank	-2.7	-1.7	+5.6
Realty	-2.9	+0.2	+12.5
Services	-3.2	-2.1	+0.6
Energy	-3.3	-3.1	-6.9
Fin Services	-3.6	-3.5	+1.1
FMCG	-6.5	-9.0	-10.7
JPYINR	+1.3	+3.0	+3.2
GBPINR	+0.2	-1.2	+0.2
EURINR	+0.2	-0.3	-0.1
USDINR	+0.0	-1.0	-0.7
Broad USD	+0.0	-0.3	-1.1
DXY	-0.3	-0.8	-0.9
Silver	+3.1	+1.0	-5.0
Crude	+2.2	+6.7	+21.6
Copper	+0.6	+1.1	+3.7
Aluminium	+0.6	+0.3	-2.5
Zinc	+0.3	+5.1	+13.3
Gold	+0.1	-3.2	-0.7
Brent	+0.0	+8.8	+10.2
NatGas	-0.1	+3.5	-5.7
Embassy REIT	+0.0	-3.1	+2.2
Brookfield REIT	+0.0	-1.0	+7.0
Nexus REIT	+0.0	-1.3	+7.4
EURUSD	+0.1	+0.5	+0.5
China	+0.1	+0.1	-2.5
S&P 500	+0.0	-0.9	+3.9
Nasdaq	+0.0	-0.8	+2.4
EM Equity	+0.0	+3.1	+1.2
MSCI India	+0.0	+0.3	+3.3
Fed Balance Sheet	+0.0	-0.3	+0.2
Hang Seng	-0.9	+1.2	+2.8
USDJPY	-1.2	-3.1	-3.6

52-Week Cross-Asset Correlation

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

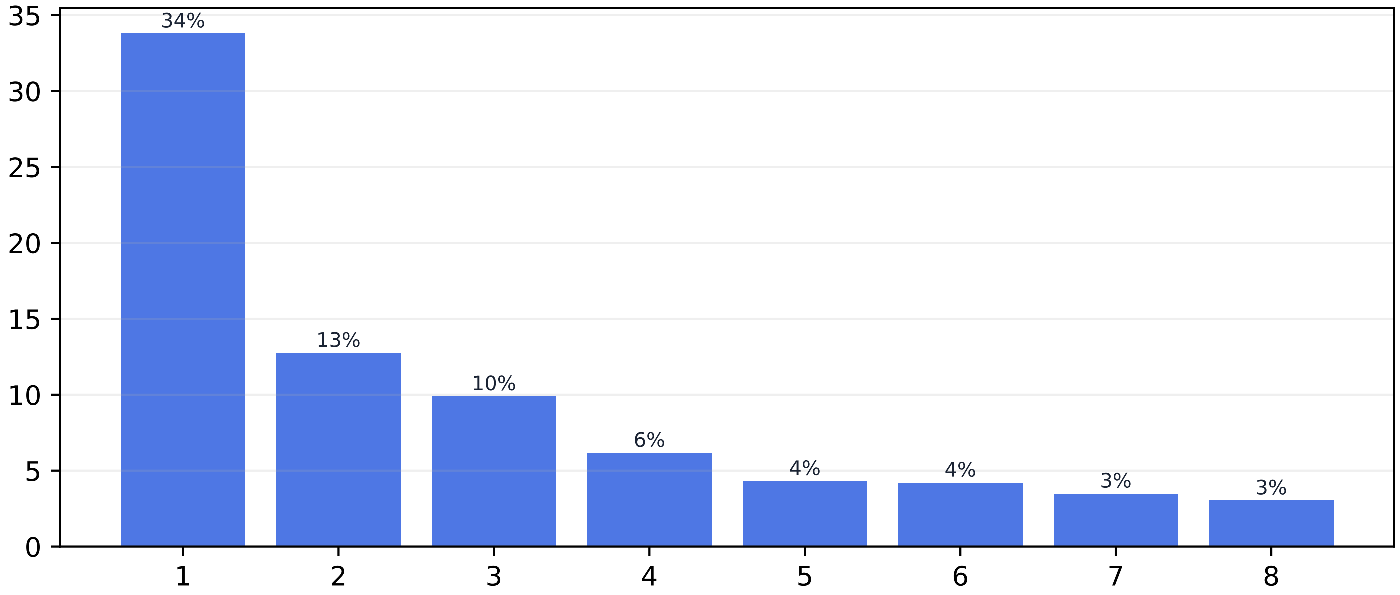


	Nifty 50	Bank	IT	Auto	Pharma	FMCG	Metal	Realty	Energy	USDINR	DXY	US 10Y	India VIX	Gold	Crude	Copper	Embassy REIT
Nifty 50	+1.0	+0.9	+0.4	+0.8	+0.4	+0.6	+0.5	+0.7	+0.5	-0.3	-0.3	-0.3	-0.7	+0.1	-0.4	+0.3	+0.3
Bank	+0.9	+1.0	+0.3	+0.8	+0.3	+0.5	+0.5	+0.7	+0.5	-0.3	-0.4	-0.4	-0.7	+0.1	-0.4	+0.3	+0.3
IT	+0.4	+0.3	+1.0	+0.2	+0.2	+0.0	+0.2	+0.3	+0.1	-0.3	-0.2	-0.1	-0.4	+0.1	-0.2	+0.3	+0.3
Auto	+0.8	+0.8	+0.2	+1.0	+0.4	+0.4	+0.5	+0.6	+0.4	-0.3	-0.5	-0.4	-0.7	+0.1	-0.3	+0.4	+0.2
Pharma	+0.4	+0.3	+0.2	+0.4	+1.0	+0.4	+0.1	+0.4	+0.3	-0.0	-0.1	-0.0	-0.3	-0.1	+0.0	+0.2	-0.0
FMCG	+0.6	+0.5	+0.0	+0.4	+0.4	+1.0	+0.4	+0.5	+0.4	-0.2	-0.3	-0.2	-0.5	+0.0	-0.1	+0.1	-0.0
Metal	+0.5	+0.5	+0.2	+0.5	+0.1	+0.4	+1.0	+0.4	+0.6	-0.2	-0.4	-0.0	-0.6	+0.0	-0.1	+0.3	+0.2
Realty	+0.7	+0.7	+0.3	+0.6	+0.4	+0.5	+0.4	+1.0	+0.6	-0.4	-0.2	-0.2	-0.7	-0.2	-0.2	+0.2	+0.3
Energy	+0.5	+0.5	+0.1	+0.4	+0.3	+0.4	+0.6	+0.6	+1.0	-0.2	-0.1	-0.1	-0.5	-0.3	-0.1	+0.1	+0.0
USDINR	-0.3	-0.3	-0.3	-0.3	-0.0	-0.2	-0.2	-0.4	-0.2	+1.0	+0.2	+0.5	+0.4	-0.0	+0.2	-0.2	+0.1
DXY	-0.3	-0.4	-0.2	-0.5	-0.1	-0.3	-0.4	-0.2	-0.1	+0.2	+1.0	+0.3	+0.4	-0.2	+0.2	-0.3	+0.1
US 10Y	-0.3	-0.4	-0.1	-0.4	-0.0	-0.2	-0.0	-0.2	-0.1	+0.5	+0.3	+1.0	+0.3	-0.2	+0.0	-0.1	-0.0
India VIX	-0.7	-0.7	-0.4	-0.7	-0.3	-0.5	-0.6	-0.7	-0.5	+0.4	+0.4	+0.3	+1.0	+0.0	+0.4	-0.3	-0.1
Gold	+0.1	+0.1	+0.1	+0.1	-0.1	+0.0	+0.0	-0.2	-0.3	-0.0	-0.2	-0.2	+0.0	+1.0	+0.0	+0.5	+0.2
Crude	-0.4	-0.4	-0.2	-0.3	+0.0	-0.1	-0.1	-0.2	-0.1	+0.2	+0.2	+0.0	+0.4	+0.0	+1.0	+0.0	+0.0
Copper	+0.3	+0.3	+0.3	+0.4	+0.2	+0.1	+0.3	+0.2	+0.1	-0.2	-0.3	-0.1	-0.3	+0.5	+0.0	+1.0	+0.2
Embassy REIT	+0.3	+0.3	+0.3	+0.2	-0.0	-0.0	+0.2	+0.3	+0.0	+0.1	+0.1	-0.0	-0.1	+0.2	+0.0	+0.2	+1.0

CROSS-ASSET FACTOR STRUCTURE (PCA)

Independent forces driving the 38 instruments (156 weeks)

Variance explained by each PC



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 +0.26, 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 -0.30

+ DXY +0.40, USDJPY +0.25, US HY OAS +0.13, 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)

6.2% 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

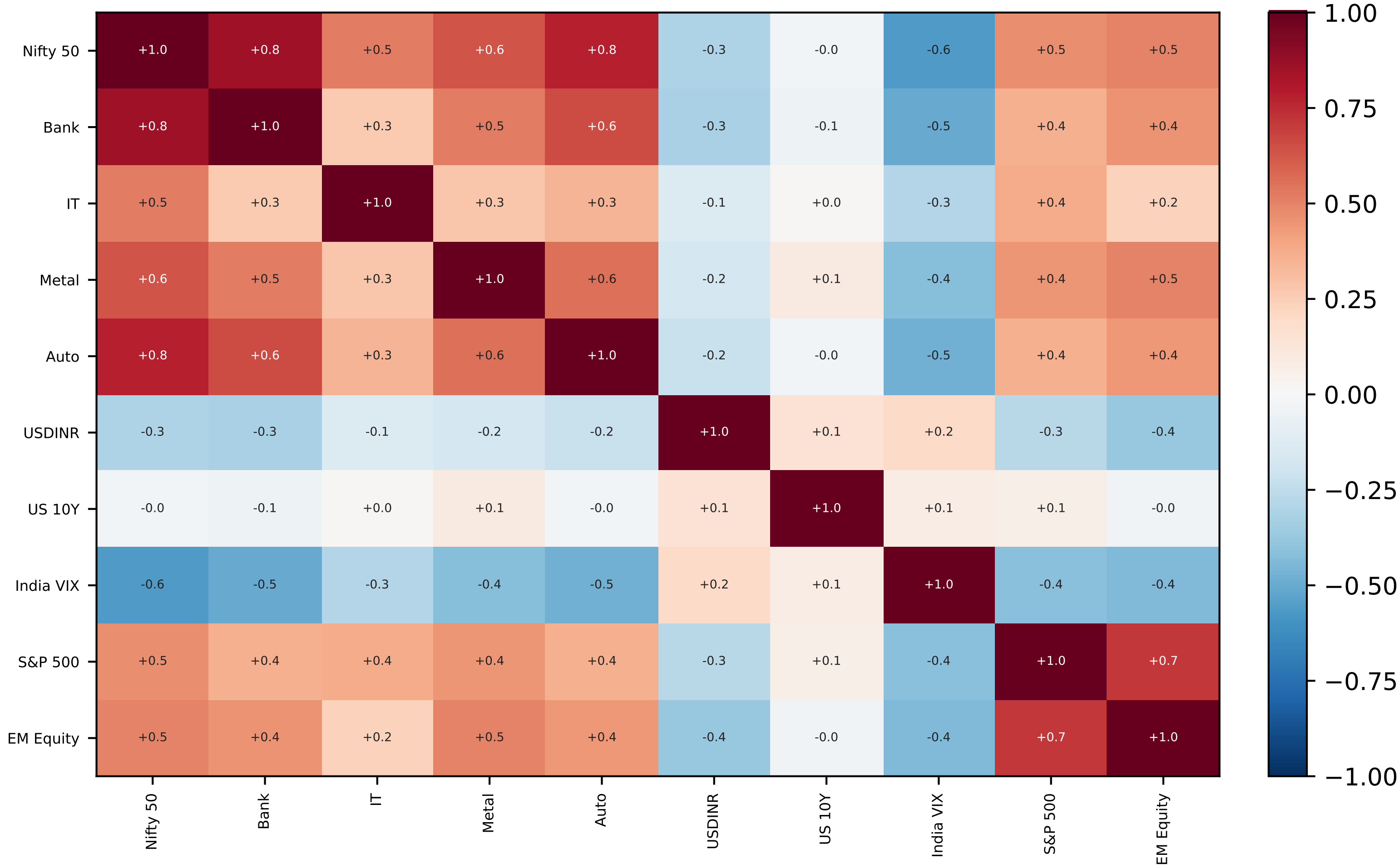
– S&P 500 -0.16, China -0.15, Nasdaq -0.14, DXY -0.14, EM Equity -0.13

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.

Average pairwise conditional correlation (multivariate DCC-GARCH)

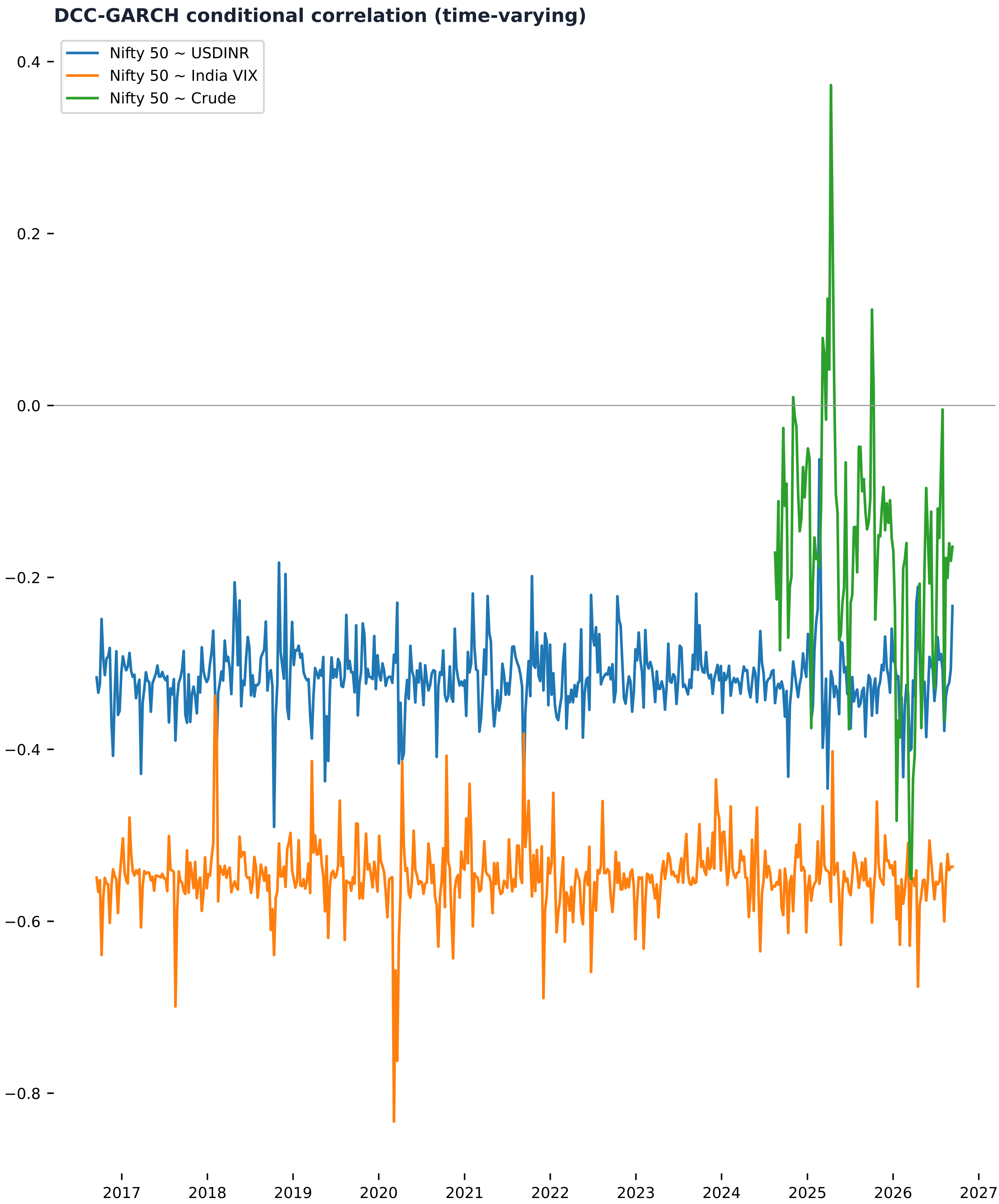
N=10 · persistence 0.9285 · now +0.13 · rising = diversification failing in real time

Latest conditional-correlation matrix



Regime & Conditional Correlations

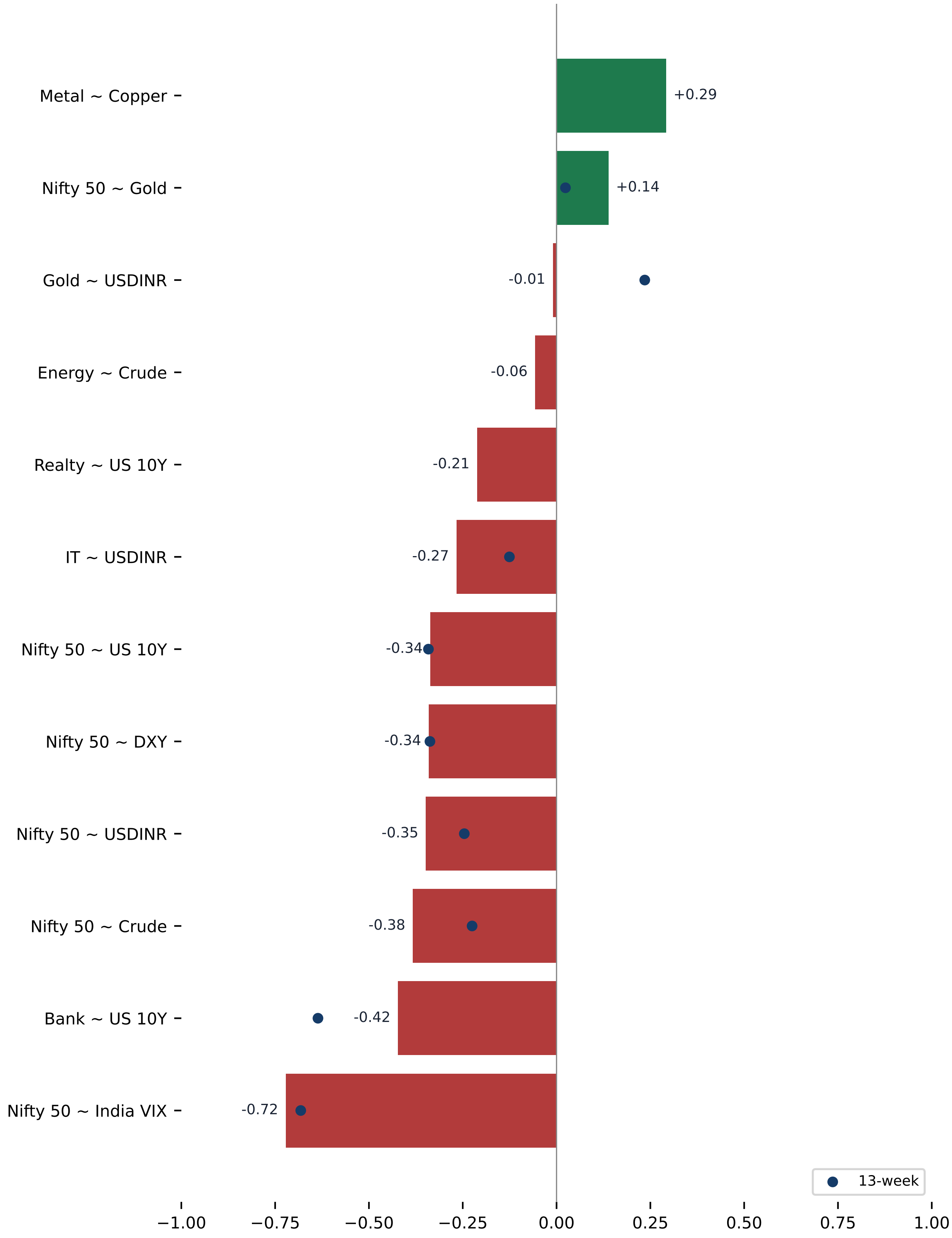
Markov-switching regime: Risk-on (Markov-switching). Smoothed posterior: Risk-on 0.53, Risk-off 0.44, Neutral 0.03



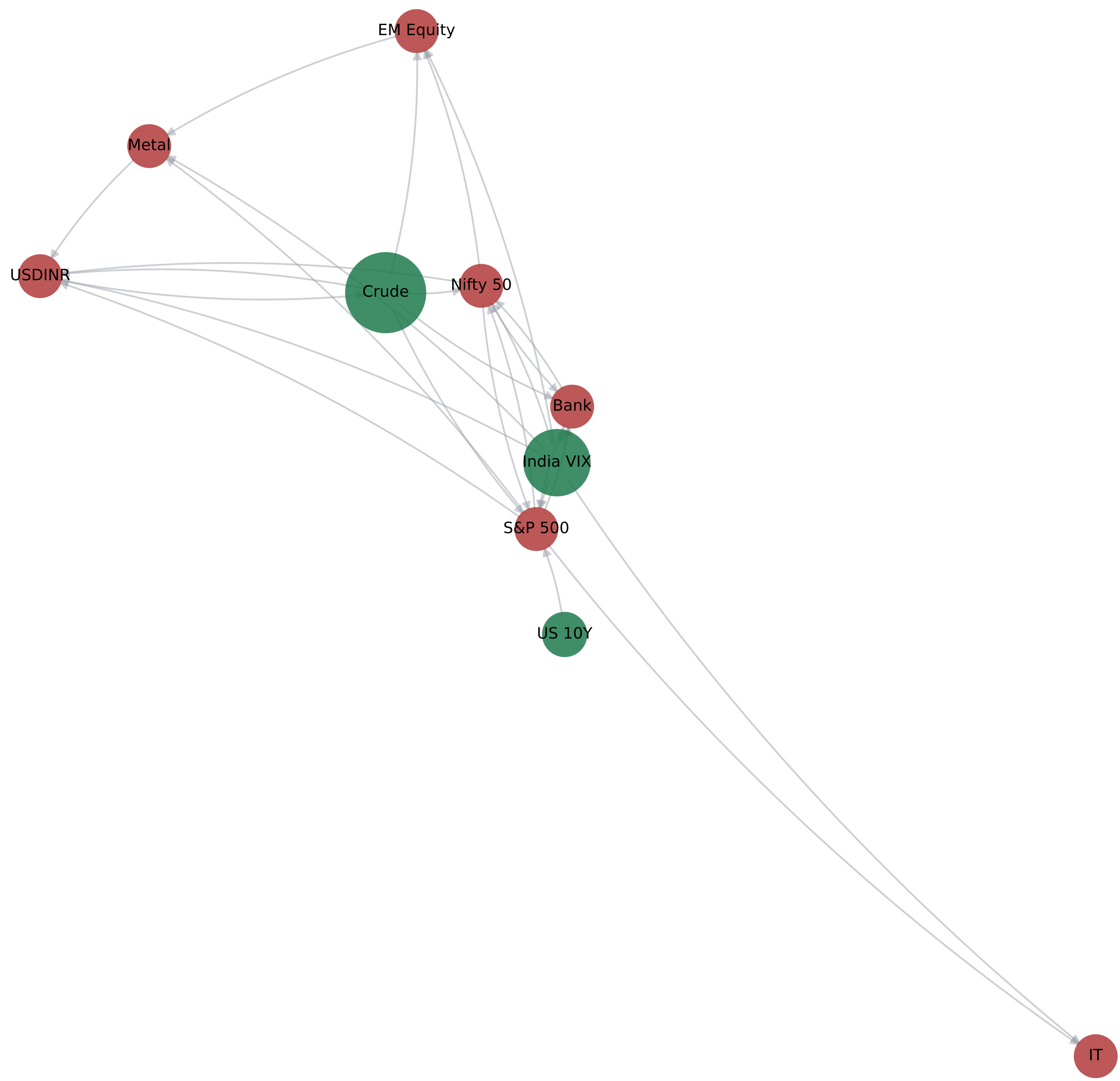
Now: Nifty 50 ~ USDINR -0.23 (persist 0.3349), Nifty 50 ~ India VIX -0.54 (persist 0.2351), Nifty 50 ~ Crude -0.16 (persist 0.6479)

Cross-Asset Relationship Watch-List

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



Directional lead-lag — Granger causality network

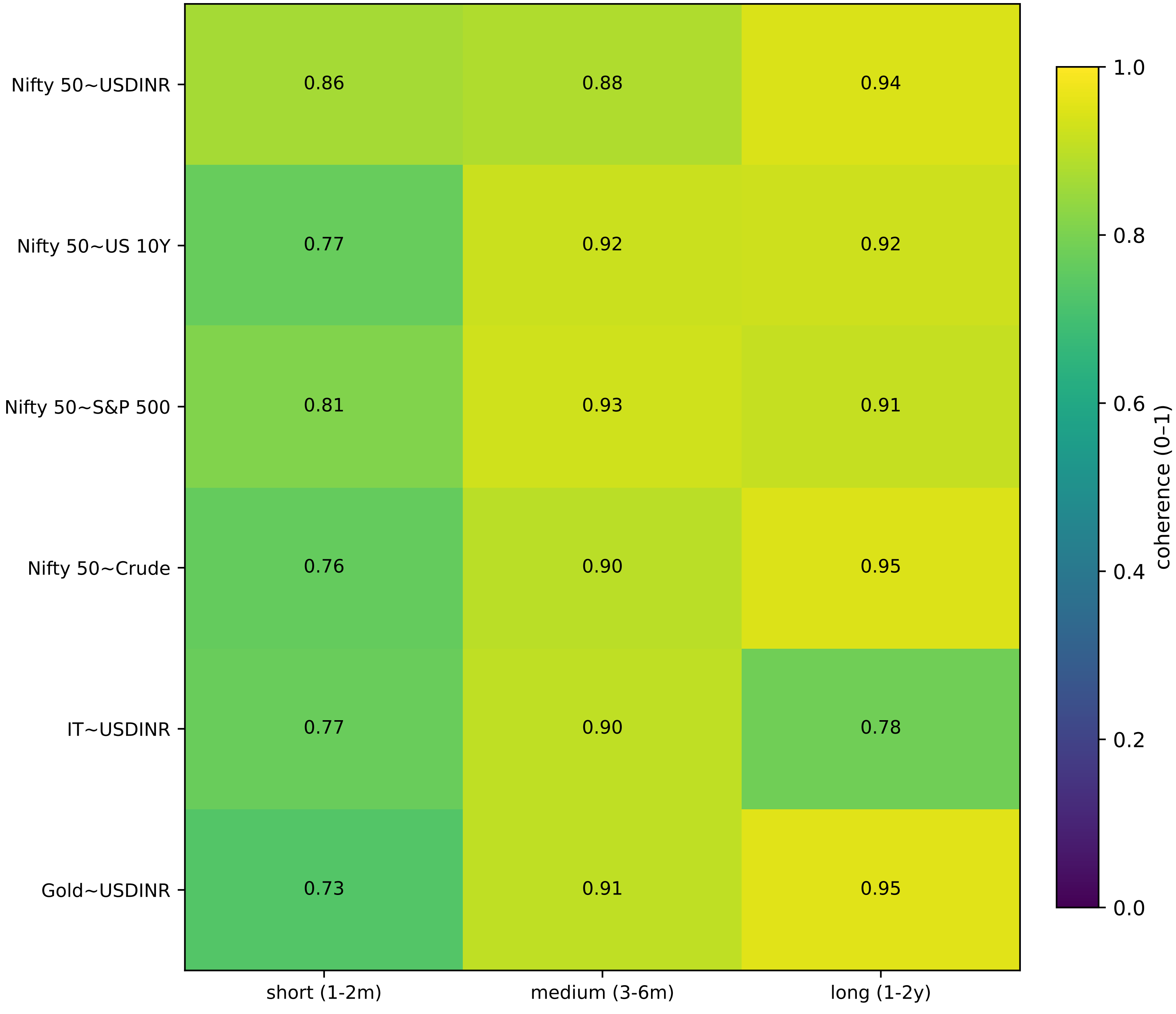


arrow = X Granger-causes Y ($p<0.05$); green/large = net information EXPORTER (leader)

LEADERS: Crude +0.23, India VIX +0.13, US 10Y +0.01, Gold +0.00, IT -0.01

FOLLOWERS: EM Equity -0.08, Bank -0.08, USDINR -0.08, Nifty 50 -0.05, S&P 500 -0.04

Wavelet coherence by time-scale — short-term or structural?



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	0.218	1.85	10w	+3.10
Nifty vs Nifty500	no	0.631	1.24	14w	+2.82
Nifty vs S&P 500	no	0.940	1.22	38w	+2.60
Nifty vs EM Equity	no	0.960	0.57	127w	+2.39
Nifty vs Sensex	no	0.783	0.91	29w	-2.37
IT vs USDINR	no	0.946	-0.01	128w	+1.85
USDINR vs DXY	no	0.246	-0.01	18w	-0.76
Bank vs Fin Services	no	0.455	1.01	24w	-0.50
WTI vs Brent	yes	0.000	0.81	1w	-0.35
Midcap vs Smallcap	no	0.432	0.93	17w	+0.29
Pvt vs PSU Bank	no	0.055	2.78	10w	+0.12
Gold vs Silver	no	0.521	1.55	10w	-0.08

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

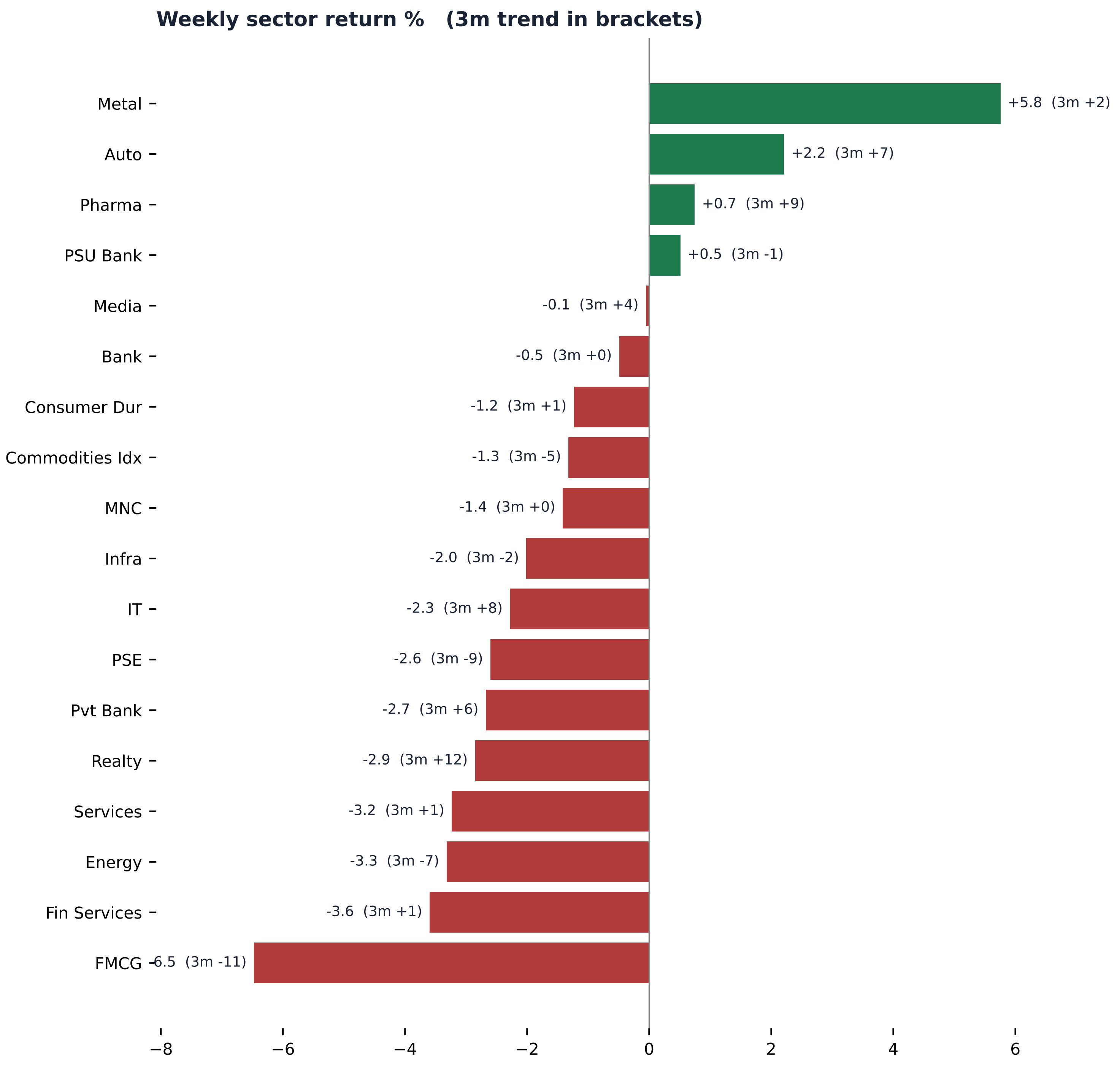
Sectors, Momentum & Fair Value

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: 22% of sectors up this week; 33% above their 10-week average.



MOMENTUM & TREND

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

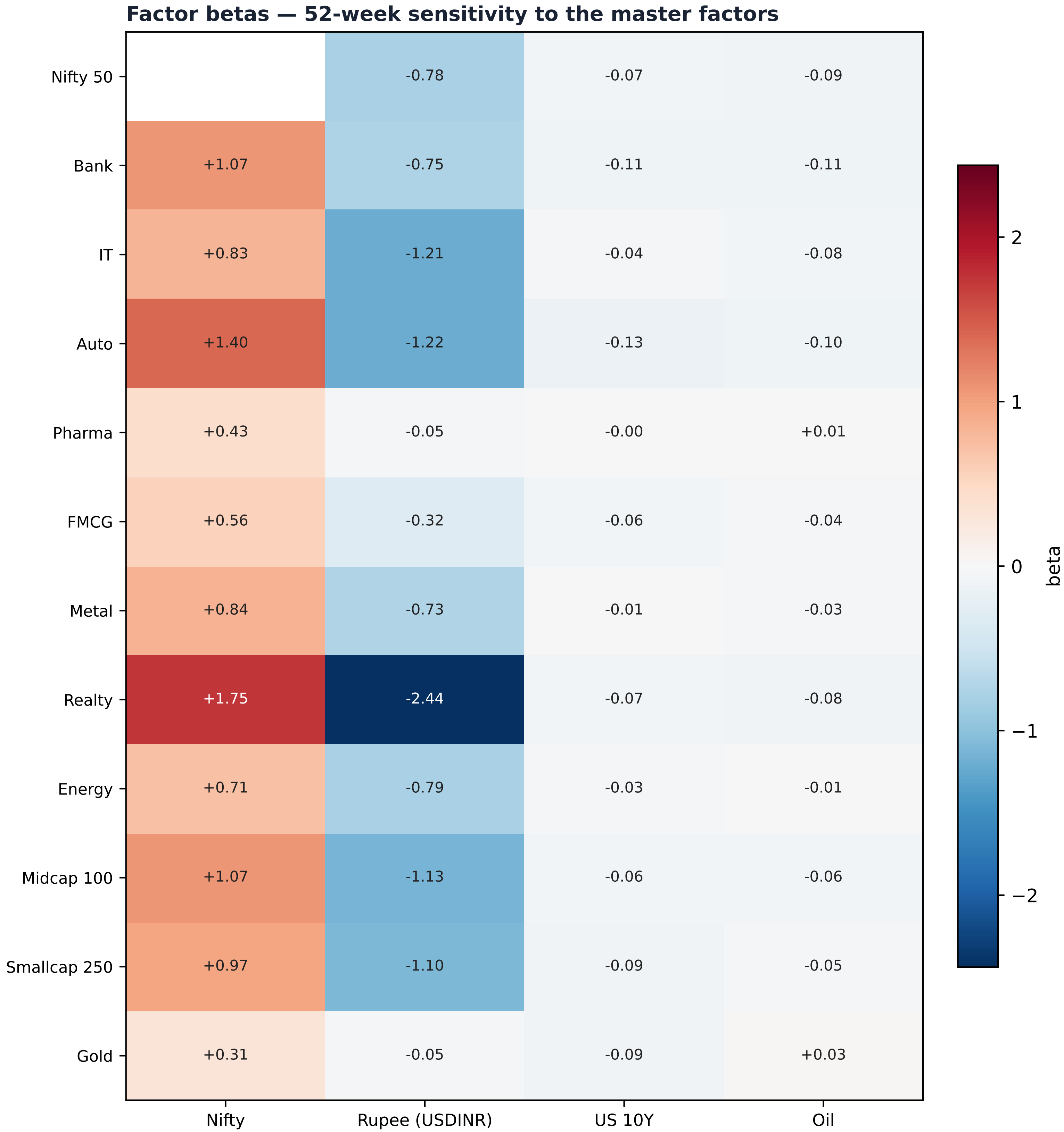
Instrument	13w	26w	52w	Score	vs40wMA	<52wHi
Nifty 50	+1%	+3%	-5%	**+0.00**	-3%	-10%
Midcap 100	+5%	+7%	+11%	**+1.00**	+5%	-0%
Smallcap 250	+8%	+24%	+8%	**+1.00**	+10%	-0%
Bank	+0%	+6%	+4%	**+0.50**	-0%	-7%
IT	+8%	+3%	-17%	**+0.00**	-5%	-23%
Auto	+7%	+4%	+18%	**+1.00**	+3%	-4%
Pharma	+9%	+17%	+19%	**+1.00**	+12%	-1%
FMCG	-11%	-11%	-19%	**-1.00**	-11%	-19%
Metal	+2%	+11%	+45%	**+1.00**	+11%	-2%
Realty	+12%	+14%	-0%	**+0.50**	+8%	-6%
Energy	-7%	+8%	+9%	**+0.00**	+2%	-7%
Gold	-1%	-0%	+39%	**-0.50**	+1%	-8%

Sector 26-week relative strength:

LEADERS: Pharma +17%, Realty +14%, Metal +11%, Media +10%, Energy +8%, Bank +6%

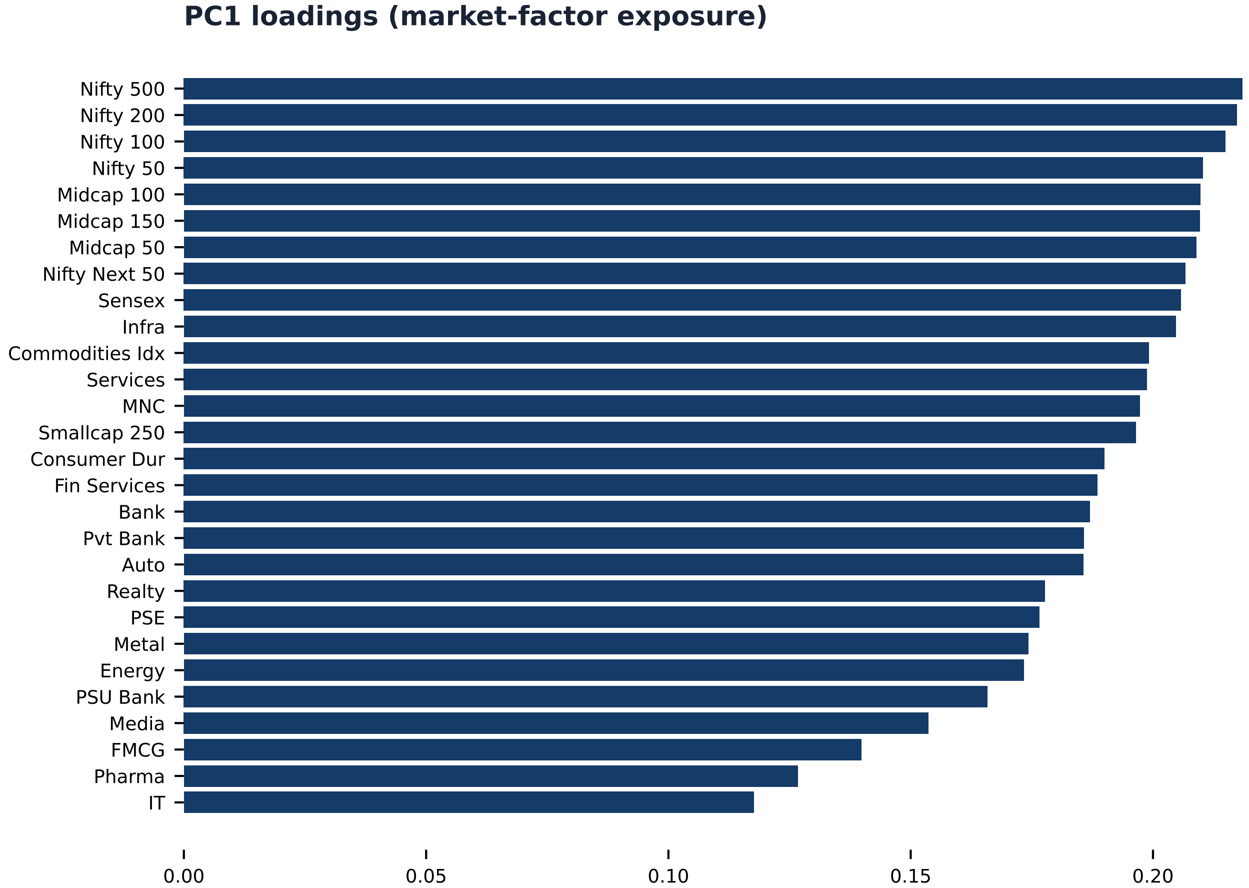
LAGGARDS: FMCG -11%, Services -8%, PSU Bank -7%, Fin Services -5%, PSE -5%, Pvt Bank -3%

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
Nifty 50
Bank
IT
Auto
Pharma
FMCG
Metal
Realty
Energy
Midcap 100
Smallcap 250
Gold
Nifty
Rupee (USDINR)
US 10Y
Oil
-0.78
-0.07
-0.09
+1.07
-0.75
-0.11
-0.11
+0.83
-1.21
-0.04
-0.08
+1.40
-1.22
-0.13
-0.10
+0.43
-0.05
-0.00
+0.01
+0.56
-0.32
-0.06
-0.04
+0.84
-0.73
-0.01
-0.03
+1.75
-2.44
-0.07
-0.08
+0.71
-0.79
-0.03
-0.01
+1.07
-1.13
-0.06
-0.06
+0.97
-1.10
-0.09
-0.05
+0.31
-0.05
-0.09
+0.03
beta
2
1
0
−1
−2

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	-0.25
India VIX	-0.55	-0.22
US 10Y	-0.00	-0.06
DXY	-0.31	-0.01
USDINR	-0.33	-0.01

FAIR VALUE — RICH / CHEAP vs DRIVERS

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

IT vs rupee & US tech

cheap z -1.57

actual 29995.20 · model-fair 35192.40 · gap -14.8% · R^2 0.43

Banks vs Nifty & US rates

RICH z +1.49

actual 57088.30 · model-fair 53729.83 · gap +6.3% · R^2 0.94

Rupee vs dollar, oil & US rates

cheap z -0.74

actual 94.47 · model-fair 96.18 · gap -1.8% · R^2 0.70

Nifty vs global rates, dollar & oil

RICH z +0.22

actual 23779.15 · model-fair 23643.33 · gap +0.6% · R^2 0.54

Gold vs US real yield & dollar

cheap z -0.04

actual 152870.00 · model-fair 154139.95 · gap -0.8% · R^2 0.55

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

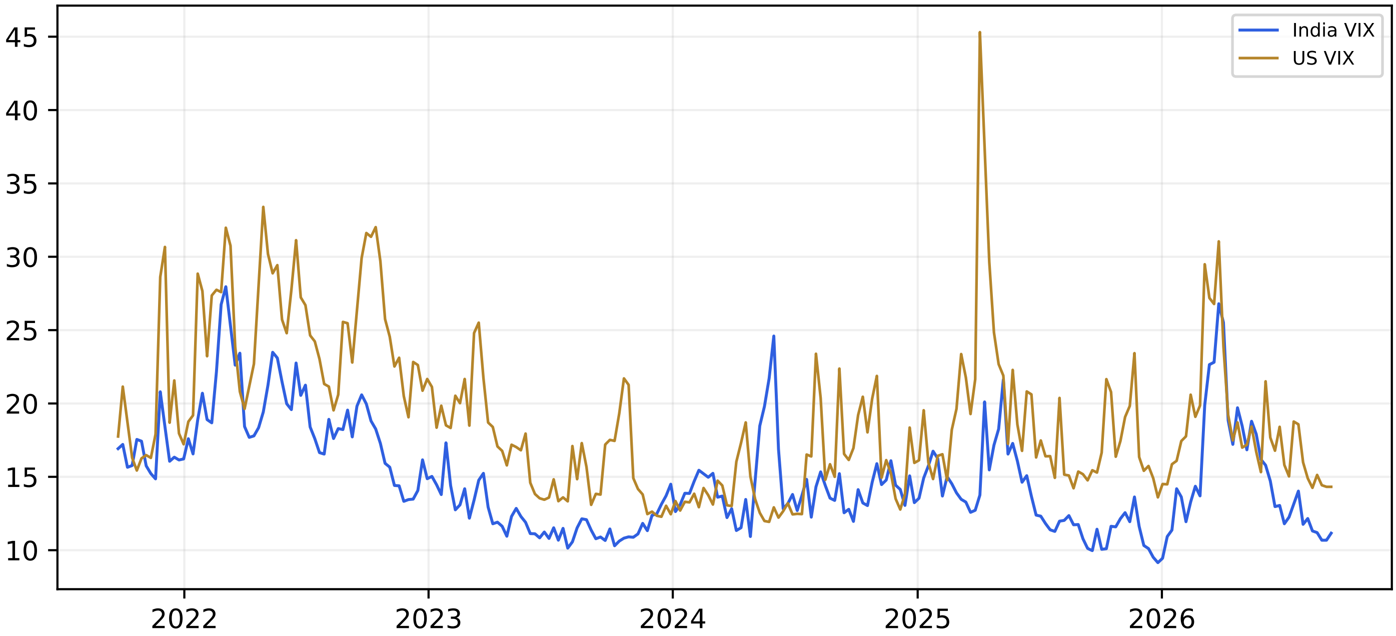
The volatility complex and downside risk.

- 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)

+8.8 pts

India VIX 11.2 − realised 2.3

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%	-10%	-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%	-0%	-0.5	+1.4
Bank	-3.9%	-5.0%	11%	-19%	-7%	-0.1	+0.9
IT	-6.3%	-7.8%	17%	-41%	-35%	-0.6	+0.6
Metal	-5.6%	-7.9%	17%	-32%	-2%	-0.4	+1.0
Realty	-6.3%	-8.5%	18%	-41%	-21%	+0.2	+1.5
Gold	-4.5%	-6.7%	17%	-15%	-8%	-0.5	+1.6
Crude	-9.0%	-13.8%	30%	-36%	-13%	-0.1	+1.0
USDINR	-1.0%	-1.3%	3%	-3%	-2%	-0.1	+1.6

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

	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	09-11
Regime	N	R-	R+	R-	R+	R+	R-	R+	N	R-	R+	R+	R-	R+	R-	R-	N	R+	N	R+	R+	R+	R+	R+
Risk appetite																			+0.51	+0.50	+0.40	+0.23	+0.39	+0.39
External backdrop																			-0.28	-0.31	-0.31	-0.39	-0.16	-0.24
Nifty 1w %	-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	-0.5
Breadth %	42	100	92	33	75	92	17	50	67	25	67	92	42	75	50	50	58	58	72	56	50	44	50	22
PC1 share																			33	34	34	34	34	34
India VIX	26	19	17	20	18	17	19	18	16	16	15	13	13	12	12	13	13	13	12	12	11	12	11	11
USDINR 1w %	-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	+0.0
Bank 1w %	-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	-0.5

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