ABL Digital India Cross-Asset Weekly

Trend, Correlation & Macro Report | week ending 2026-09-18

62 instruments across equities, sectors, FX, commodities, rates & REITs | 612 weeks

REGIME: Risk-on

EXECUTIVE SUMMARY

The Markov model puts a 0.69 posterior on Risk-on, but the composite risk-appetite scorecard reads only +0.28 (Neutral), and that gap is the whole story this week. Under the surface the market is being carried by credit (+1.11), a benign India VIX at 12.3 (28th–34th percentile, +0.63) and 56% of sectors above their 10w MA (+0.67), while price trend itself is negative (nifty_trend -0.40, Nifty below its 40w average) and concentration is elevated (-0.38, PC1 at 74% of sector variance). That combination argues for participating rather than pressing: stay long, but lean toward what the 26w momentum and fair-value work both support — Realty (+21%), Pharma (+18%) and Energy (+19%) as leaders, IT as the cheap contrarian add (-15.3% below fair value, z -1.62, R^2 0.43), and Banks as the fade (+6.3% rich, z +1.50, on a 0.94 R^2 fit that deserves real weight). FMCG (-6%), PSU Bank (-5%) and Services (-4%) stay underweight.

Three developments matter. Crude at 9,855 is up 3.4% on the week and 48% over three months; that single line drives the external-conditions score to -0.41 (Headwind), with low_oil at -2.53 and low_us_rates at -1.68 doing all the damage. For a net oil importer this is the live threat to the CPI-at-3.5% cushion that currently lets the RBI sit at 5.25%. Second, US 10Y at 5.0% with Bank~US 10Y correlation tightening to -0.66 over 13 weeks tells you the rate channel, not domestic credit, is what will break the bank trade. Third, average pairwise conditional correlation is +0.13 versus +0.15 a year ago — diversification is still working, which is what makes the single-name and sector tilts above worth expressing rather than hedging away.

The biggest risk is that crude keeps running and pulls USDINR through 96.5 from 95.5. That would import inflation, push the India 10Y above 6.76% wide, and convert the Neutral scorecard into a genuine risk-off read. Watch India VIX above 15, the risk-appetite composite turning negative, and sector breadth dropping under 50% as the confirming trio; the Nifty reclaiming its 40w average with breadth above 65% would flip it the other way.

Executive Dashboard

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

REGIME	NIFTY 1W	SECTOR BREADTH	INDIA VIX
Risk-on	+0.0%	0% up	12.3

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

Nifty 50	23,398.1	+0.0%	-3.5%	-2.6%
Bank	56,606.6	+0.0%	-2.0%	-1.9%
IT	28,921.5	+0.0%	-5.3%	+5.4%
USDINR	95.5	-0.0%	-0.2%	+1.3%
DXY	99.5	+0.4%	+0.7%	-1.3%
US 10Y	5.0	-0.0	+0.2	+0.5
India VIX	12.3	+0.0	+1.1	-0.7
Gold	150,718.0	-1.4%	-5.6%	+6.7%
Crude	9,855.0	+3.4%	+24.8%	+47.8%
Copper	1,358.2	-1.5%	-1.7%	+11.0%
Embassy REIT	439.1	+0.0%	+0.7%	+3.1%

INDIA CROSS-ASSET SCORECARD

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

DOMESTIC RISK APPETITE

Neutral

score +0.28

risk-off (-1.5) — (+1.5) risk-on

sector breadth	+0.67
india vix	+0.63
credit hy	+1.11
low concentration	-0.38
nifty trend	-0.40
risk over haven	+0.07

EXTERNAL CONDITIONS (global backdrop)

Headwind backdrop

score -0.41

headwind (-1.5) — (+1.5) supportive

weak dollar	-0.10
low us rates	-1.68
low oil	-2.53
tight credit	+1.11
em momentum	+1.16

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 · 2026-09-18

TOP GAINERS

Crude	+3.4%
NatGas	+3.0%
Brent	+2.4%
USDJPY	+0.6%
Hang Seng	+0.5%
DXY	+0.4%
Midcap 50	+0.0%
Midcap 100	+0.0%

TOP DECLINERS

EM Equity	-2.4%
Copper	-1.5%
Gold	-1.4%
Silver	-1.3%
Zinc	-1.2%
JPYINR	-0.8%
EURINR	-0.5%
GBPINR	-0.5%

KEY LEVELS — week-over-week

Nifty 50	23,398.1	**+0.0%**
Bank	56,606.6	**+0.0%**
IT	28,921.5	**+0.0%**
USDINR	95.5	-0.0%
India VIX	12.3	+0.0
US 10Y	5.0	-0.0
US HY OAS	2.6	+0.0
Gold	150,718.0	-1.4%
Crude	9,855.0	+3.4%
S&P 500	7,630.4	-0.3%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	**Risk-on**
Risk appetite	prior: +0.39	->	**+0.28**
External backdrop	prior: -0.24	->	**-0.41**
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 statistical regime and the composite disagree in a specific, informative way. Markov-switching assigns 0.69 to Risk-on against 0.261 Risk-off and 0.049 Neutral — a clear but not overwhelming posterior, and one that leans on the volatility and breadth structure of returns rather than on price level. The rule-based read is blunter: Nifty is *below* its 40-week average, breadth is a middling 56% above the 10w MA, and India VIX sits at 12.3, the 34th percentile on the rule-based screen and the 28th percentile over five years. So the model sees risk-on conditions; the tape sees a market that has not yet reclaimed its own trend.

The risk-appetite composite at +0.28 splits the difference and is best read component by component. Credit is the strongest contributor at +1.11 — high-yield spreads are not signalling stress, and credit is usually the earliest honest witness in a turn, so its absence of deterioration is genuinely supportive. India VIX contributes +0.63 and breadth +0.67, both consistent with the Markov read. Against that, nifty_trend at -0.40 and low_concentration at -0.38 are the two drags, and they are related: a market below its 40w average that is also unusually concentrated is one where the index is being held together by a narrow set of large-cap beta rather than by broad participation. risk_over_haven at +0.07 is effectively neutral, which matters — investors are not paying up for risk over safety, they are simply not fleeing it.

The week itself was flat. Nifty 50 0.0%, every sector 0.0% on the week, breadth 0% up. That is a briefing artefact of a non-trading or stale-print week rather than a signal, so weight this week's reads on the 3-month and 26-week columns, where the dispersion is real: Realty +18%, Pharma +8%, Pvt Bank +7%, Auto +6%, IT +5% against PSU Bank -5%, FMCG -4%, Commodities -3%. The practical conclusion is a Risk-on regime that should be traded at reduced conviction. Current drawdown on the Nifty is -11% with a 5% expected shortfall of -4.0%; Midcap 100 carries a -5.4% ES5 against only a -1% drawdown, meaning the mid-cap complex has more downside to give than its recent price action implies.

Global Backdrop & External Conditions

The external-conditions score is -0.41, a headwind backdrop, and the composition is more lopsided than the headline. Two components are deeply negative — low_oil at -2.53 and low_us_rates at -1.68 — and two are strongly positive, tight_credit at +1.11 and em_momentum at +1.16, with weak_dollar a near-neutral -0.10. The world is not uniformly hostile to India; it is hostile in exactly the two channels India is most exposed to.

Crude at 9,855 on MCX, up 48% over three months, is the dominant term. For a net oil importer this is a direct tax on the terms of trade: it widens the current account, pressures the rupee, feeds into transport and fuel CPI with a lag of roughly one to two quarters, and narrows the room the RBI currently has at a 5.25% repo. The -2.53 reading is not a marginal drag; it is the single worst component across both scorecards. US 10Y at 5.0% compounds it. High global risk-free rates raise the discount rate on Indian duration-sensitive assets, tighten dollar funding, and — as the correlation section shows — bear directly on bank valuations.

The offsets are real but weaker. Credit conditions at +1.11 mean global risk appetite has not cracked, and EM momentum at +1.16 says India is not fighting an asset-class-wide outflow. DXY at 99.5 is up 0.4% on the week but down 1% over three months; a dollar that is flat-to-softer is one less thing pressing on the rupee. Net, treat the global backdrop as a constraint on how much beta to own rather than a reason to be short. It caps upside and raises the cost of being wrong, but it is not generating the correlated stress that would justify de-risking outright.

Sector Rotation & Momentum

The 26-week relative strength table is where this market's actual information sits, given the flat week. Realty leads at +21%, Energy +19%, Pharma +18%, Media +13%, Metal +8%. The laggards are FMCG -6%, PSU Bank -5%, Services -4%, IT -1%, Fin Services +0%.

Read against the macro, this rotation is coherent rather than random. Energy's +19% is the mirror image of crude's 48% three-month run — it is the domestic hedge against the same shock that damages the index-level terms of trade, which is why an oil-importing market can still have oil beneficiaries leading. Realty's +21% is the outlier worth scrutinising: it is running despite the Realty~US 10Y correlation of -0.23, and with real house prices at an index of 161.9 and a 5.25% repo, it is being driven by domestic rate expectations and volumes rather than by the global rate backdrop. That makes it the most vulnerable leader if the crude-to-rates chain tightens, because its rate sensitivity is currently being ignored rather than absent. Pharma's +18% is the cleanest holding: it is defensive, it is a dollar earner, and it carries one of the *lowest* PC1 loadings, so it provides genuine diversification against the dominant risk factor rather than levered exposure to it.

On the laggard side, the distinction between PSU Bank at -5% and Pvt Bank at +7% over three months is the one to respect — this is not a banking-sector problem, it is a public-sector-banking problem, and the fair-value model says the *aggregate* bank complex is rich. IT at -1% on momentum but -15.3% cheap on fair value is the classic value-versus-momentum standoff; the rupee at 95.5, up 1% over three months, is a tailwind for IT earnings even as IT~USDINR correlation has run to -0.41 over 13 weeks. Adding to IT here is a fundamental call against a still-negative trend, and should be sized accordingly.

Factor Structure & Systemic Risk

Concentration is high, and it should temper position sizing. Within the equity and sector complex, PC1 explains 74% of variance — three quarters of everything that happens to Indian sectors is one common risk factor. The highest loadings are Nifty 100, Nifty 200 and Nifty 500, confirming that PC1 is simply broad-market beta; the lowest are IT, Pharma and FMCG, which is the useful part. Those three are the only places in the complex where a sector view expresses something other than a levered index view. Pharma leading momentum *and* loading low on PC1 is the most attractive combination in the table.

Across the wider 38-instrument cross-asset set, the picture is more diversified: PC1 Risk (Nifty) at

34%, PC2 and PC3 both inverse global-risk factors at 13% and 10%, and PC4 US rates at 6%. So roughly 63% of cross-asset variance is captured by four factors, with a single dominant risk factor — high, but not so high that the cross-asset opportunity set has collapsed into one trade.

The multivariate DCC gauge is the genuinely good news. Average pairwise conditional correlation across the 10-asset set is +0.13 now against +0.15 a year ago. Diversification is working, marginally better than a year ago, and at an absolute level that is low. The persistence parameter of 0.9285 is the caveat: correlation shocks, when they arrive, decay slowly, so a move up from +0.13 would not be a one-week event. The practical implication is that portfolio construction is currently doing useful work — hedges hedge, uncorrelated sleeves stay uncorrelated — and that this is the condition to monitor, not to assume. Rising average conditional correlation is the earliest quantitative signature of a regime break, and it would show up here before it showed up in the risk-appetite composite.

Cross-Asset Correlation & Lead-Lag

The Granger network is unusually clean about causality. Net leaders are Crude, India VIX, US 10Y and Gold; net followers are EM Equity, USDINR, Bank and Nifty 50. Indian equities and the rupee are, statistically, the downstream end of this system. The tape is being driven by the global commodity and rate complex, not by domestic flows, and that has a direct consequence for how to interpret good local news: strong GST at Rs 1.95 lakh cr (+13.9% YoY), Services PMI at 57.3, Manufacturing PMI at 54.2 and IIP at +5.1% are supportive of earnings but are not what sets the weekly direction.

The lead-lag correlations into Nifty quantify it. India VIX is the strongest contemporaneous signal at -0.55, decaying to -0.22 at a one-week lag — volatility moves with the index more than it predicts it. Crude is weaker contemporaneously at -0.19 but *strengthens* to -0.25 at one week's lag, and that inversion is the single most useful predictive relationship in the table: crude's damage to Indian equities arrives with a delay. With crude up 3.4% this week, that argues the drag has not yet fully expressed itself in the index. DXY at -0.31 contemporaneous and USDINR at -0.33 both collapse to -0.01 at a lag, meaning the currency channel transmits same-week and then is done.

The DCC conditional correlations refine this further. Nifty~Crude sits at -0.31 with persistence 0.6385 — the highest persistence of the three, so the crude-equity link is the stickiest and least likely to mean-revert away. Nifty~India VIX at -0.60 with persistence 0.2267 is strong but unstable. Nifty~USDINR at -0.36 with persistence 0.3348 sits in between. One relationship deserves specific attention: Bank~US 10Y has tightened from -0.44 over 52 weeks to -0.66 over 13 weeks. The banking sector's sensitivity to global rates has increased materially in the recent window, which means the rich bank valuation flagged in fair value is exposed to precisely the channel that is currently scoring -1.68 on the external scorecard. Nifty~Gold has also moved, from +0.14 to +0.36 — gold is behaving less like a haven and more like a co-moving real asset, which reduces its value as an equity hedge here.

Relative Value & Fair Value

Trust these signals in proportion to their fit, and the ranking is unambiguous.

The Banks-versus-Nifty-and-US-rates model is the one to act on: R^2 0.94, and it puts banks at +6.3% rich with a z-score of +1.50, right at the stretched threshold. A 0.94 fit means the model explains almost all the variation in relative bank pricing, so a 1.5-sigma dislocation is a real signal, not noise. Combine it with the -0.66 13-week Bank~US 10Y correlation and the case for trimming bank exposure — particularly against the Nifty — is the highest-conviction relative-value expression in the briefing.

The rupee model, at R^2 0.71, says INR is 2.2% cheap against dollar, oil and US rates with z -0.93. Meaningful fit, but sub-1.5 z, so this is context rather than a trade: the rupee is somewhat undervalued *given* how bad oil and US rates already are. The corollary matters more than the trade — if crude keeps rising, that cheapness gets used up quickly rather than providing a cushion.

IT is the interesting case and the one to size with care. It screens -15.3% cheap at z -1.62, past the stretched threshold, but R^2 is only 0.43. Less than half the variation in IT's relative pricing is explained by the rupee and US tech, so more than half of that 15.3% gap could be something the model does not capture — a genuine change in earnings quality, client budgets, or AI-driven disruption of the services model. Treat the IT signal as a legitimate contrarian idea with real fundamental support from the rupee at 95.5, but explicitly discount it relative to the bank signal. It warrants a starter position, not a full-weight one.

The remaining two are non-events. Nifty at +0.8% rich, z +0.30, R^2 0.55 — the index is at fair value on a decent fit, which is itself worth knowing: there is no valuation cushion and no valuation opportunity at the index level. Gold at -3.7% cheap, z -0.20, R^2 0.55, is likewise unstretched, and with Nifty~Gold correlation at +0.36 over 13 weeks, gold is not currently earning its keep as a diversifier.

Currency, Rates & the Oil-INR Channel

This is the chain that determines whether the Neutral scorecard resolves up or down. Crude at 9,855 is up 3.4% on the week and 48% over three months. India imports roughly the overwhelming majority of its crude, so that move flows directly into the import bill, widening the trade deficit and creating persistent demand for dollars. USDINR at 95.5 is flat on the week and 1% weaker over three months — the rupee has absorbed the oil move so far with remarkable calm, helped by forex reserves ex-gold at USD 588 bn and a DXY that is 1% lower over three months. The fair-value model says INR is 2.2% cheap, which means it is not the rupee that has been stretched; it is the shock that has not yet been passed through.

The next link is inflation. CPI is 3.5% YoY with core at 3.7%, comfortably inside target, and that print is from April 2026 — it substantially predates the crude move. Fuel and transport pass-through typically arrives over one to two quarters, so the 48% crude rise has largely not yet appeared in the data the RBI is looking at. That is the key asymmetry in the macro tiles: the comfort in the inflation print is backward-looking, while the pressure on it is already in the price of oil.

The rates link is where it becomes actionable. The RBI held at 5.25% in July with a neutral stance, and the India 10Y G-sec is at 6.76%, with the briefing explicitly noting it is being pushed higher by crude and US yields. A 151bp spread over a US 10Y at 5.0% is thin by historical standards for an EM sovereign, which limits how much further Indian duration can rally and leaves it exposed if either leg moves. Should crude pass through to CPI, the sequence is a G-sec yield above 6.76%, a repo that stops being cuttable and starts being defendable, and equity multiple compression concentrated in the rate-sensitive complex — which, given Bank~US 10Y at -0.66 and Realty's momentum leadership, is precisely where consensus positioning currently sits.

The counter-case is that gold at 150,718 fell 1.4% on the week despite the crude move, and gold is a net Granger leader. A leader that is easing is not consistent with an imminent inflation panic. Take that as evidence the chain is loaded but not yet firing.

Volatility, Tail Risk & What to Watch

India VIX at 12.3 is unchanged on the week, down 1 point over three months, and sits at the 28th percentile over five years — cheap by any recent standard. The variance risk premium is +6.4 and positive, meaning implied has been running well above subsequent realised, so systematic volatility selling has been paid. India VIX minus US VIX at -3.6 is the number that should give pause: Indian implied volatility is trading *below* US implied volatility, in a market whose dominant external drivers (crude at -2.53, US rates at -1.68) are both scoring badly, and whose statistical structure says it is a follower of those drivers. The cheapness of Indian volatility is not a reflection of Indian safety; it is a reflection of Indian complacency about an imported shock that arrives on a lag.

The practical consequence is that hedging is inexpensive relative to the identified risk. With Nifty ES5 at -4.0% against a current drawdown of -11%, and Midcap 100 ES5 at -5.4% against a drawdown of only -1%, the tail is fatter in mid-caps and the protection is cheaper in the index. Gold's ES5 of -6.7% with a -9% current drawdown, combined with its +0.36 correlation to the Nifty over 13 weeks, means gold is currently offering equity-like downside without haven-like protection.

India Cross-Asset Analysis (cont.)

Weekly predictive skill in all of this is modest, and none of these relationships should be treated as deterministic — the strongest predictive lead-lag correlation in the entire briefing is crude at -0.25, which is a real edge and a long way from a forecast. What follows is therefore a monitoring list, not a prediction.

The view deteriorates if crude extends above roughly 10,200 on MCX and USDINR breaks 96.5; if the India 10Y G-sec moves above 6.90% or the US 10Y above 5.25%, which would confirm the rate channel is transmitting; if the MV-DCC average conditional correlation rises from +0.13 toward +0.20, signalling diversification failing with a 0.9285 persistence that means it will not quickly reverse; if India VIX breaks above 15 and the India-minus-US VIX gap closes toward zero; if sector breadth falls below 50% above the 10w MA; or if the risk-appetite composite turns negative, with the credit_hy component at +1.11 being the one to watch — credit rolling over would remove the scorecard's main support.

The view improves if the Nifty reclaims its 40-week average with breadth above 65%, which would resolve the nifty_trend drag of -0.40 and align the tape with the 0.69 Risk-on posterior; if crude retraces below 9,300 on MCX, which would lift the low_oil component off -2.53 and materially improve the -0.41 external score; if PC1's share of sector variance falls from 74% toward the 60s, indicating genuine broadening rather than index-led beta; or if the bank fair-value z-score mean-reverts from +1.50 back toward zero while US 10Y falls, which would close out the highest-conviction relative-value trade in this note on its own terms.

PART I

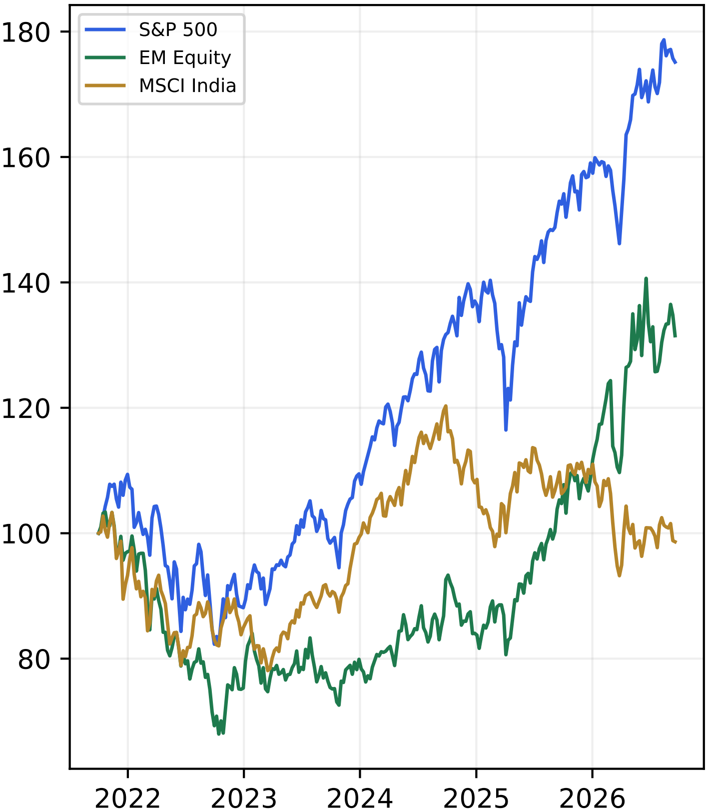
Global Backdrop & Macro

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

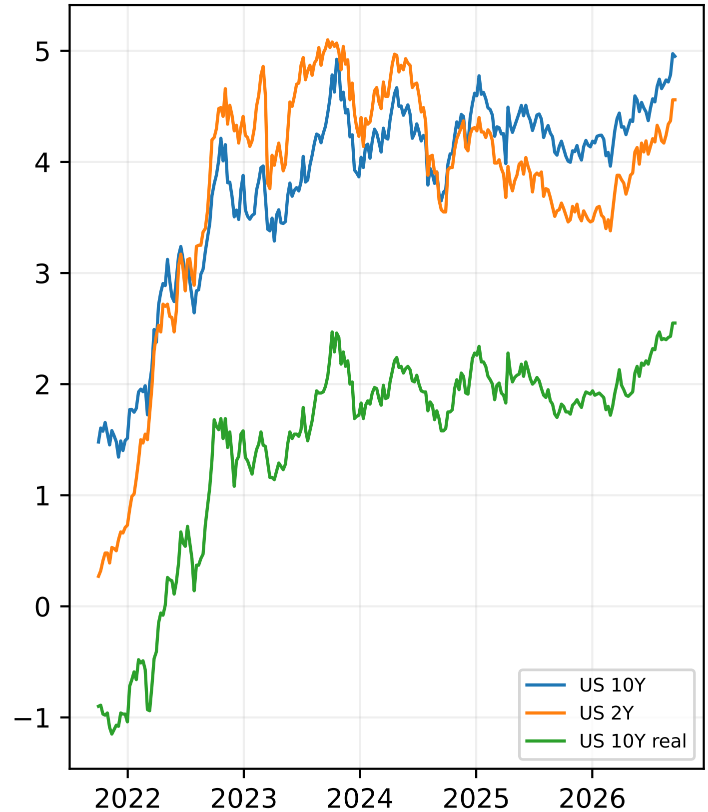
- Global equity, US yields & credit spreads, dollar & Fed balance sheet
- India macro prints (repo/CPI/GST/PMI/IIP) and FII/DII flows

Global Backdrop & Rates

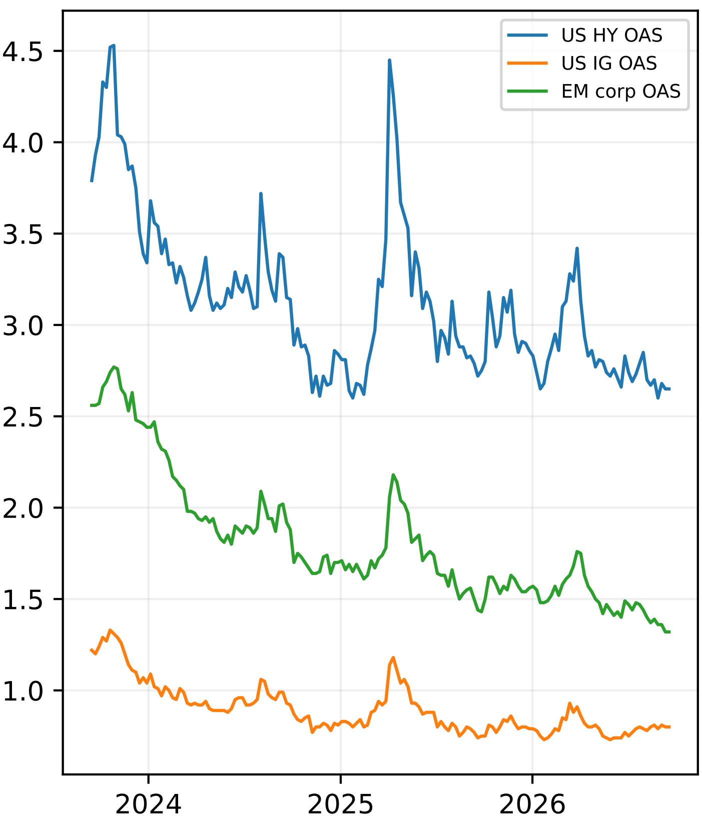
Global equity (indexed=100, 5y)



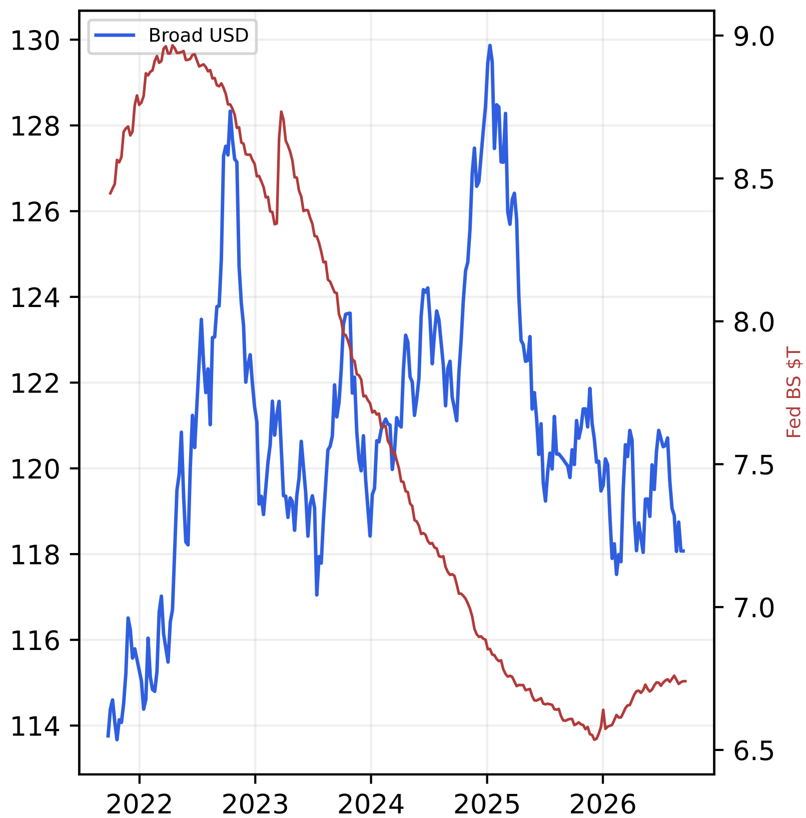
US yields (%) — India's external cost of capital



Credit spreads (%)



US dollar & Fed balance sheet



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 1,968 cr, FII net Rs -931 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

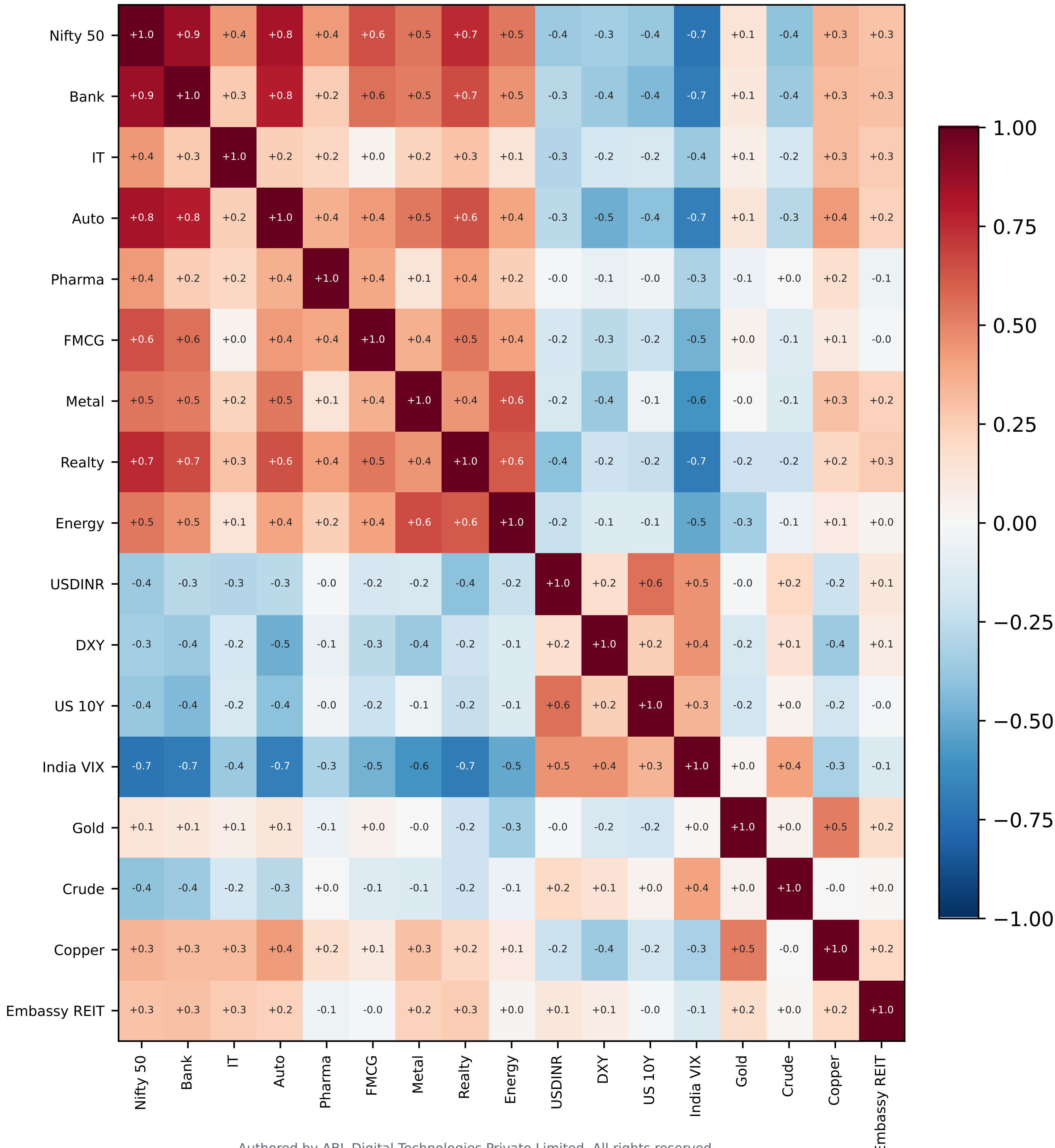
Weekly Returns Heatmap

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

	1w %	1m %	3m %
Nifty 50	+0.0	-3.5	-2.6
Sensex	+0.0	-3.6	-2.6
Nifty 500	+0.0	-2.8	-1.2
Nifty 100	+0.0	-3.3	-2.2
Nifty 200	+0.0	-3.2	-1.8
Nifty Next 50	+0.0	-2.6	-0.4
Midcap 50	+0.0	-2.1	+1.1
Midcap 100	+0.0	+1.0	+5.1
Midcap 150	+0.0	-2.4	-0.5
Smallcap 250	+0.0	-0.4	+3.5
Bank	+0.0	-2.0	-1.9
Fin Services	+0.0	+0.5	+2.9
Pvt Bank	+0.0	+0.7	+6.7
PSU Bank	+0.0	-2.9	-4.9
IT	+0.0	-5.3	+5.4
Auto	+0.0	+0.5	+5.6
Pharma	+0.0	+0.7	+8.5
FMCG	+0.0	-1.4	-4.0
Metal	+0.0	-0.1	-2.4
Realty	+0.0	+11.2	+18.1
Energy	+0.0	-0.9	-1.6
Infra	+0.0	-0.9	+1.5
Media	+0.0	+0.8	+5.8
Consumer Dur	+0.0	+1.0	+3.2
PSE	+0.0	-0.2	-6.2
MNC	+0.0	-0.1	+2.6
Services	+0.0	+2.4	+3.2
Commodities Idx	+0.0	-0.2	-2.7
DXY	+0.4	+0.7	-1.3
Broad USD	+0.0	-0.7	-1.2
USDINR	-0.0	-0.2	+1.3
GBPINR	-0.5	-1.4	+3.1
EURINR	-0.5	-1.4	+1.8
JPYINR	-0.8	+2.5	+5.5
Crude	+3.4	+24.8	+47.8
NatGas	+3.0	+2.1	-8.1
Brent	+2.4	+13.5	+32.9
Aluminium	-0.2	+0.3	+5.1
Zinc	-1.2	-5.6	+16.9
Silver	-1.3	-3.3	+8.8
Gold	-1.4	-5.6	+6.7
Copper	-1.5	-1.7	+11.0
Embassy REIT	+0.0	+0.7	+3.1
Brookfield REIT	+0.0	-2.1	+4.2
Nexus REIT	+0.0	+0.1	+7.3
USDJPY	+0.6	-2.9	-4.3
Hang Seng	+0.5	-4.2	+4.1
Fed Balance Sheet	+0.0	-0.1	+0.1
China	-0.1	-0.5	-5.0
MSCI India	-0.2	-2.3	-2.2
S&P 500	-0.3	-0.6	+1.7
Nasdaq	-0.4	+0.2	-1.1
EURUSD	-0.5	-1.2	+0.6
EM Equity	-2.4	-1.4	-6.5

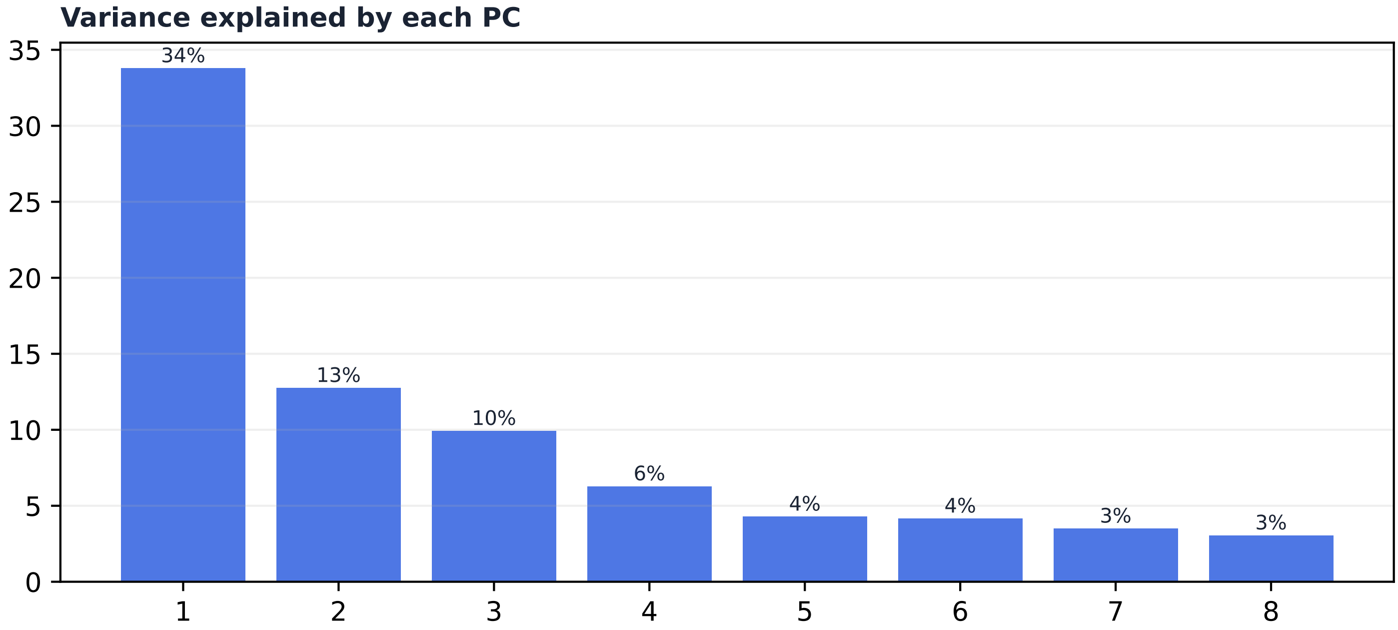
52-Week Cross-Asset Correlation

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 +0.93

+ 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, USDINR -0.11, US HY OAS -0.11, US IG OAS -0.11

PC2 — Global risk (S&P) (inverse)

12.7% of variance (cum 47%) · marker corr -0.56

+ EM corp OAS +0.37, US HY OAS +0.34, US IG OAS +0.30, US VIX +0.27, JPYINR +0.18
– US 2Y -0.31, Nasdaq -0.26, USDJPY -0.26, S&P 500 -0.26, US 10Y -0.25

PC3 — Global risk (S&P) (inverse)

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

+ DXY +0.41, USDJPY +0.25, US HY OAS +0.12, US VIX +0.12, US IG OAS +0.12
– EURUSD -0.39, GBPINR -0.36, EURINR -0.34, EM Equity -0.22, JPYINR -0.22

PC4 — US rates (10Y)

6.3% of variance (cum 63%) · marker corr +0.65

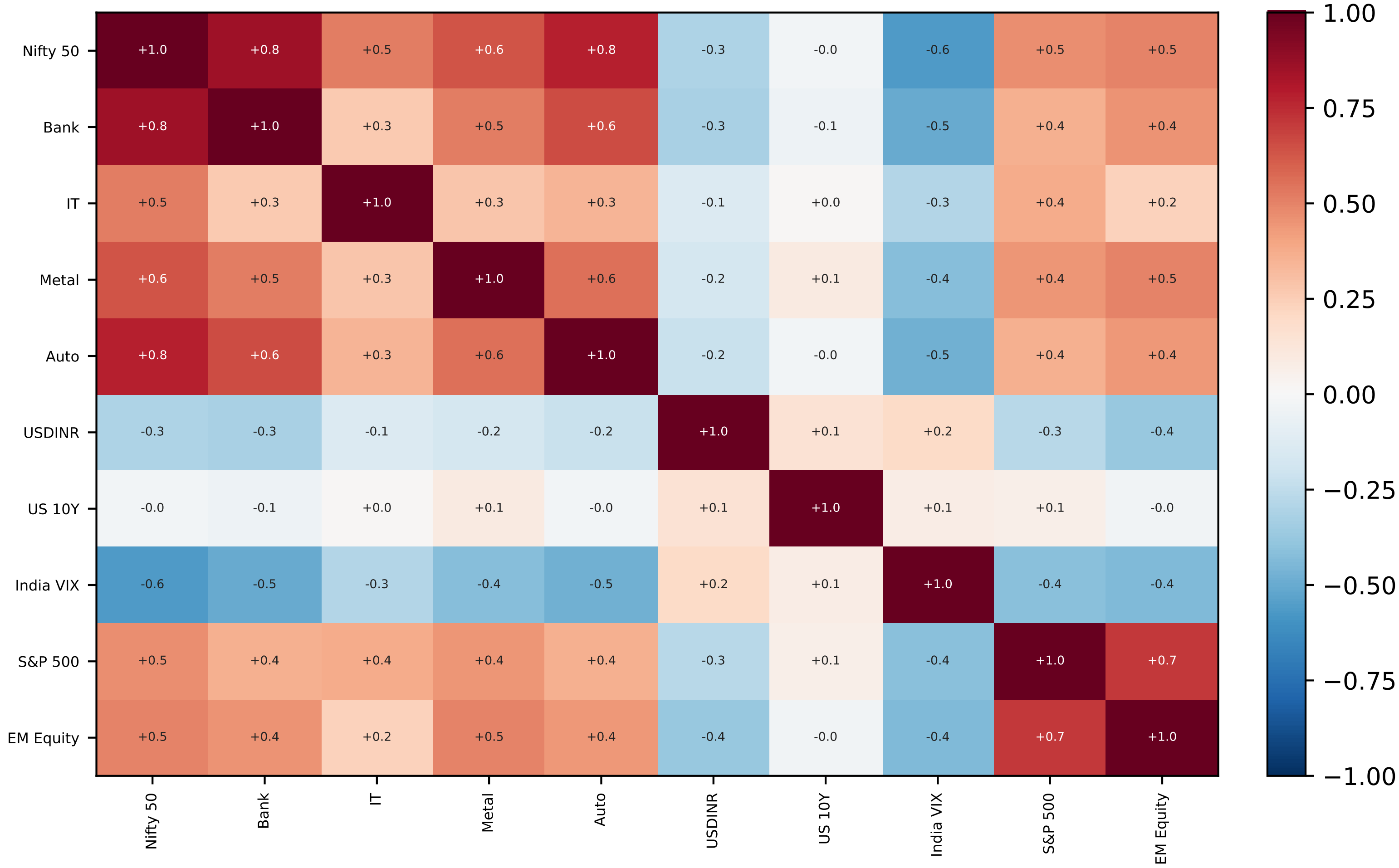
+ US 10Y real +0.43, US 10Y +0.42, US 2Y +0.33, EURINR +0.32, USDINR +0.25
– S&P 500 -0.16, China -0.16, Nasdaq -0.14, EM Equity -0.13, DXY -0.12

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)

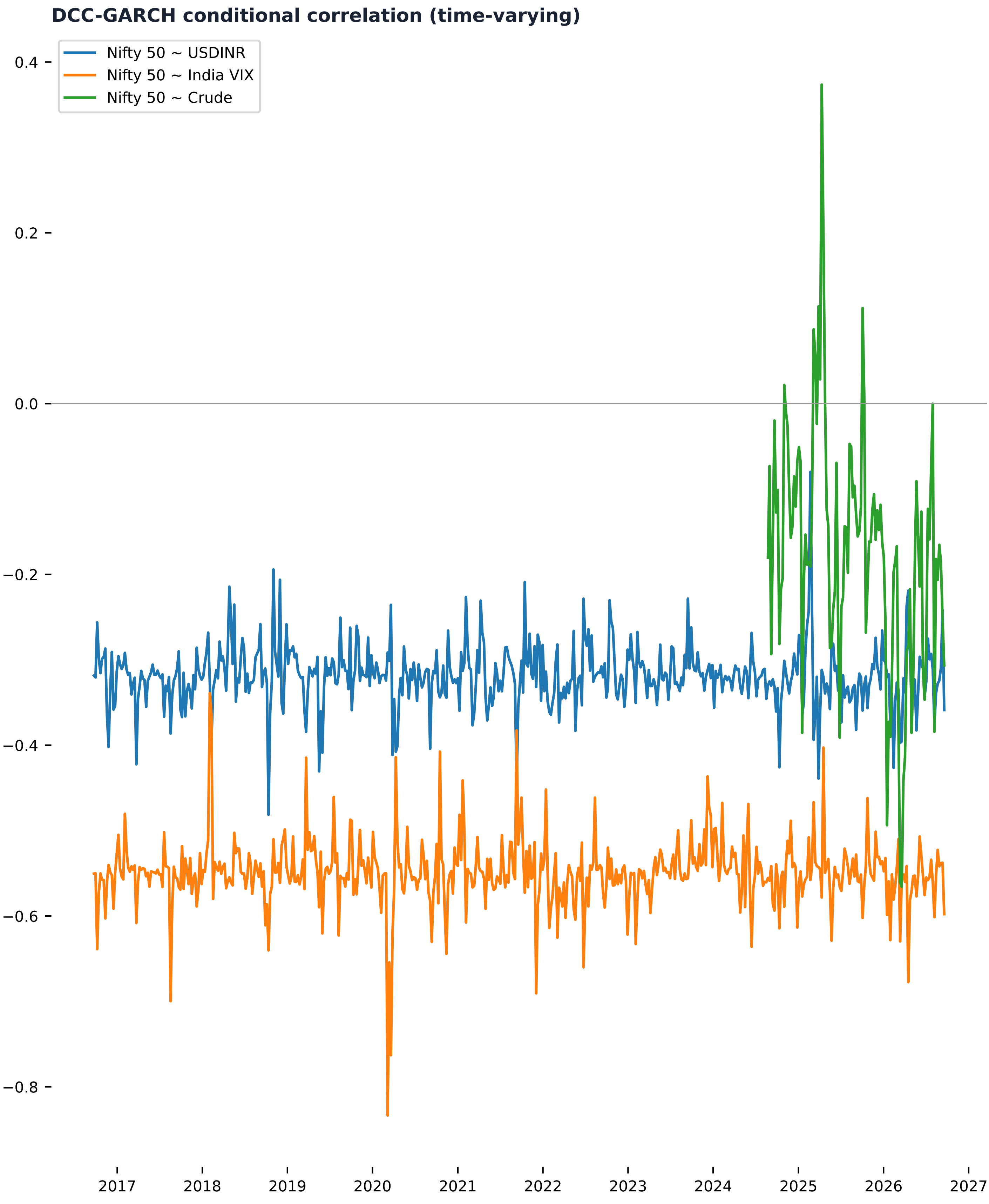
N=10 · persistence 0.9285 · now +0.13 · rising = diversification failing in real time

Latest conditional-correlation matrix



Regime & Conditional Correlations

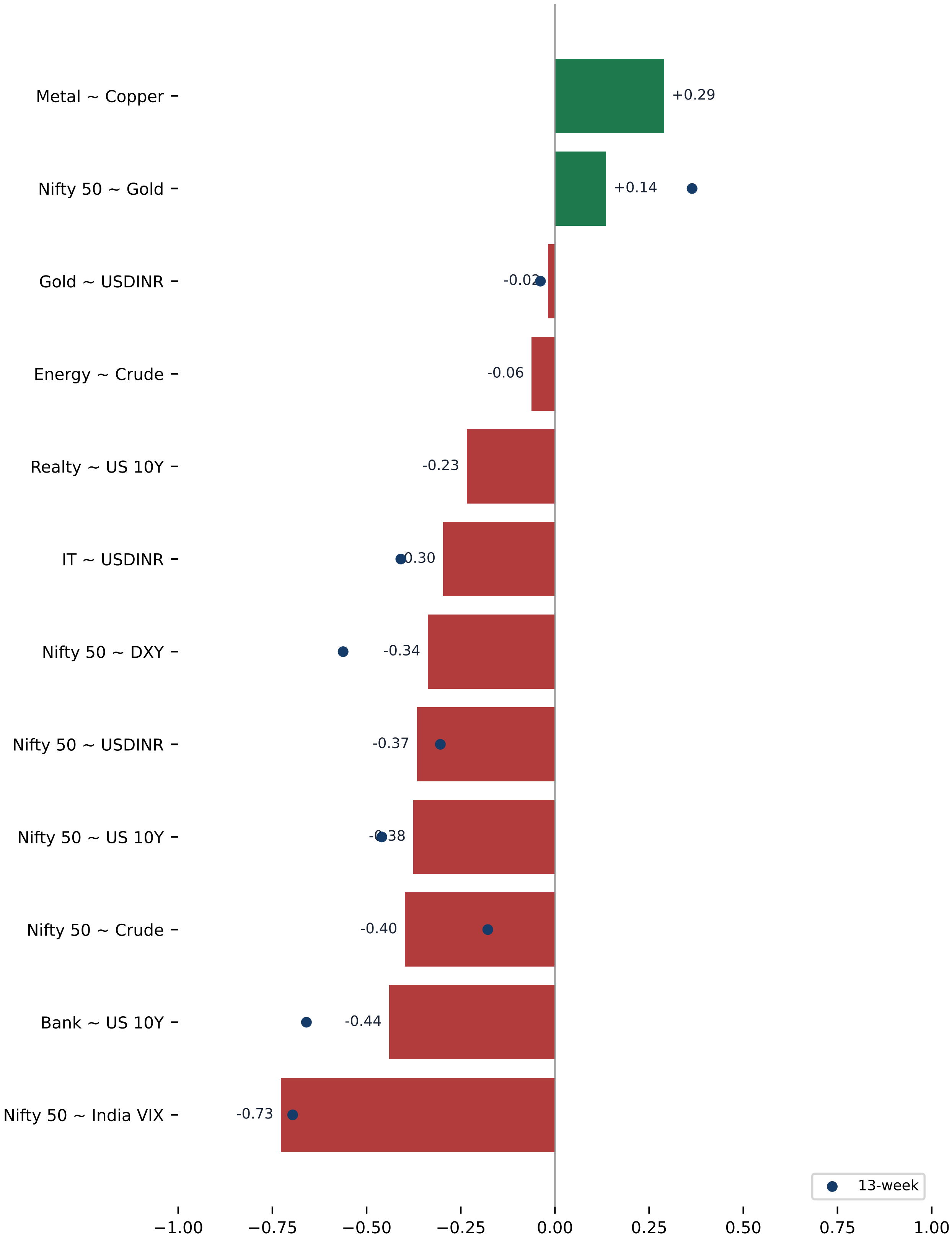
Markov-switching regime: Risk-on (Markov-switching). Smoothed posterior: Risk-on 0.69, Risk-off 0.26, Neutral 0.05



Now: Nifty 50 ~ USDINR -0.36 (persist 0.3348), Nifty 50 ~ India VIX -0.60 (persist 0.2267), Nifty 50 ~ Crude -0.31 (persist 0.6385)

Cross-Asset Relationship Watch-List

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

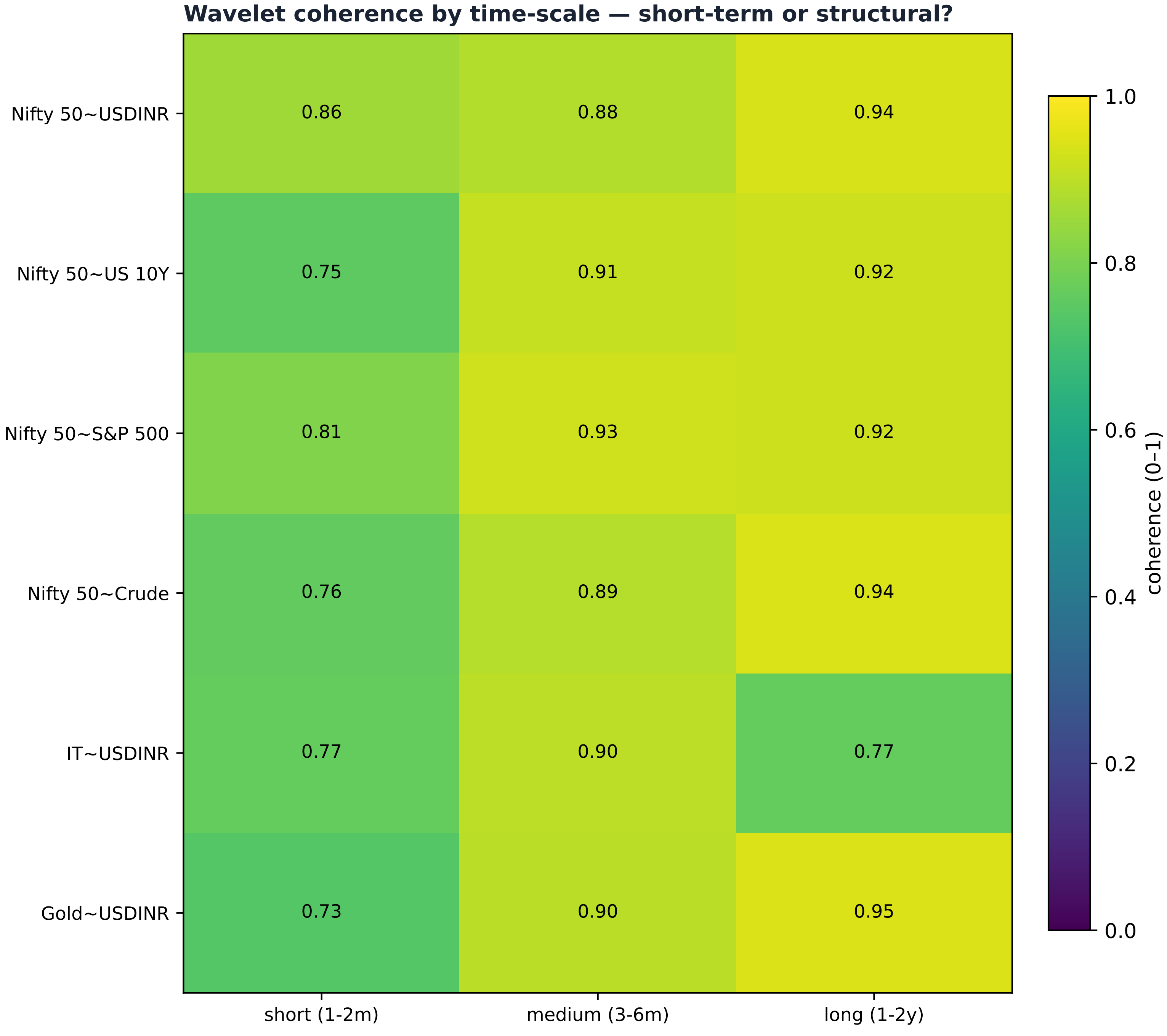


Directional lead-lag — Granger causality network

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, USDINR -0.08, Bank -0.08, Nifty 50 -0.05, S&P 500 -0.04


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)
0.86
0.88
0.94
0.75
0.91
0.92
0.81
0.93
0.92
0.76
0.89
0.94
0.77
0.90
0.77
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
Nifty vs Nifty500	**no**	0.738	1.25	16w	**+3.12**
Largecap vs Midcap	**no**	0.159	1.84	9w	**+3.07**
Nifty vs Sensex	**no**	0.849	0.91	35w	**-2.64**
Nifty vs S&P 500	**no**	0.950	1.22	41w	**+2.63**
Nifty vs EM Equity	**no**	0.941	0.58	94w	**+2.18**
IT vs USDINR	**no**	0.968	-0.01	179w	**+1.99**
Bank vs Fin Services	**no**	0.630	1.00	29w	**+0.93**
Midcap vs Smallcap	**no**	0.463	0.93	18w	**-0.84**
USDINR vs DXY	**no**	0.256	-0.03	18w	**-0.56**
Pvt vs PSU Bank	**no**	0.054	2.78	10w	**-0.50**
Gold vs Silver	**no**	0.476	1.56	9w	**-0.17**
WTI vs Brent	**yes**	0.000	0.81	1w	**-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

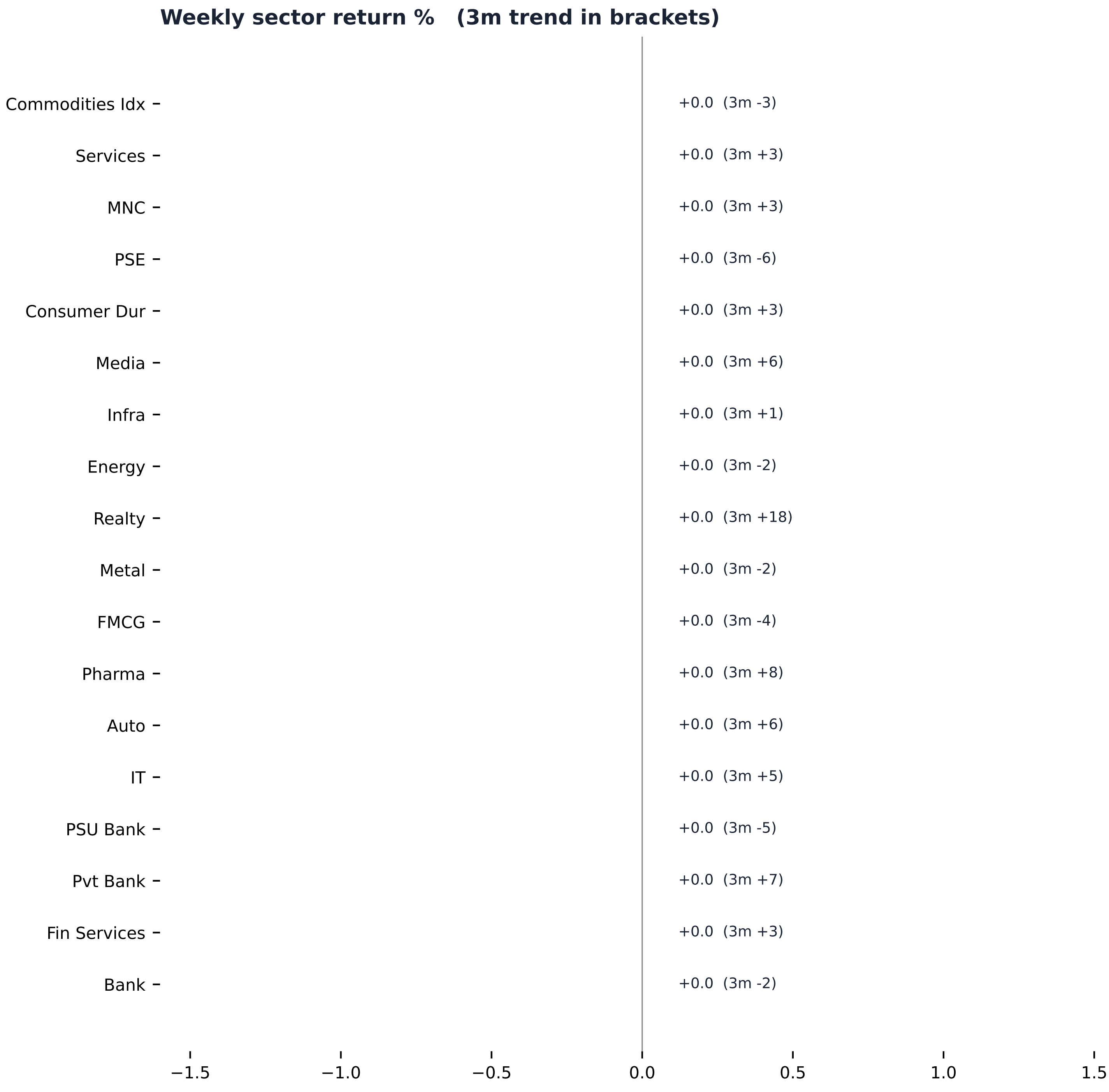
Sectors, Momentum & Fair Value

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: 0% of sectors up this week; 56% 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%	+1%	-8%	**-0.50**	-4%	-11%
Midcap 100	+5%	+9%	+8%	**+1.00**	+4%	-1%
Smallcap 250	+4%	+24%	+5%	**+0.50**	+9%	-1%
Bank	-2%	+6%	+2%	**+0.00**	-1%	-7%
IT	+5%	-1%	-21%	**-0.50**	-8%	-26%
Auto	+6%	+1%	+14%	**+1.00**	+1%	-6%
Pharma	+8%	+18%	+17%	**+1.00**	+11%	-2%
FMCG	-4%	-6%	-11%	**-1.00**	-5%	-14%
Metal	-2%	+8%	+32%	**+0.00**	+5%	-7%
Realty	+18%	+21%	-3%	**+0.50**	+11%	-3%
Energy	-2%	+19%	+11%	**+0.00**	+6%	-4%
Gold	+7%	+5%	+34%	**+0.50**	-0%	-9%

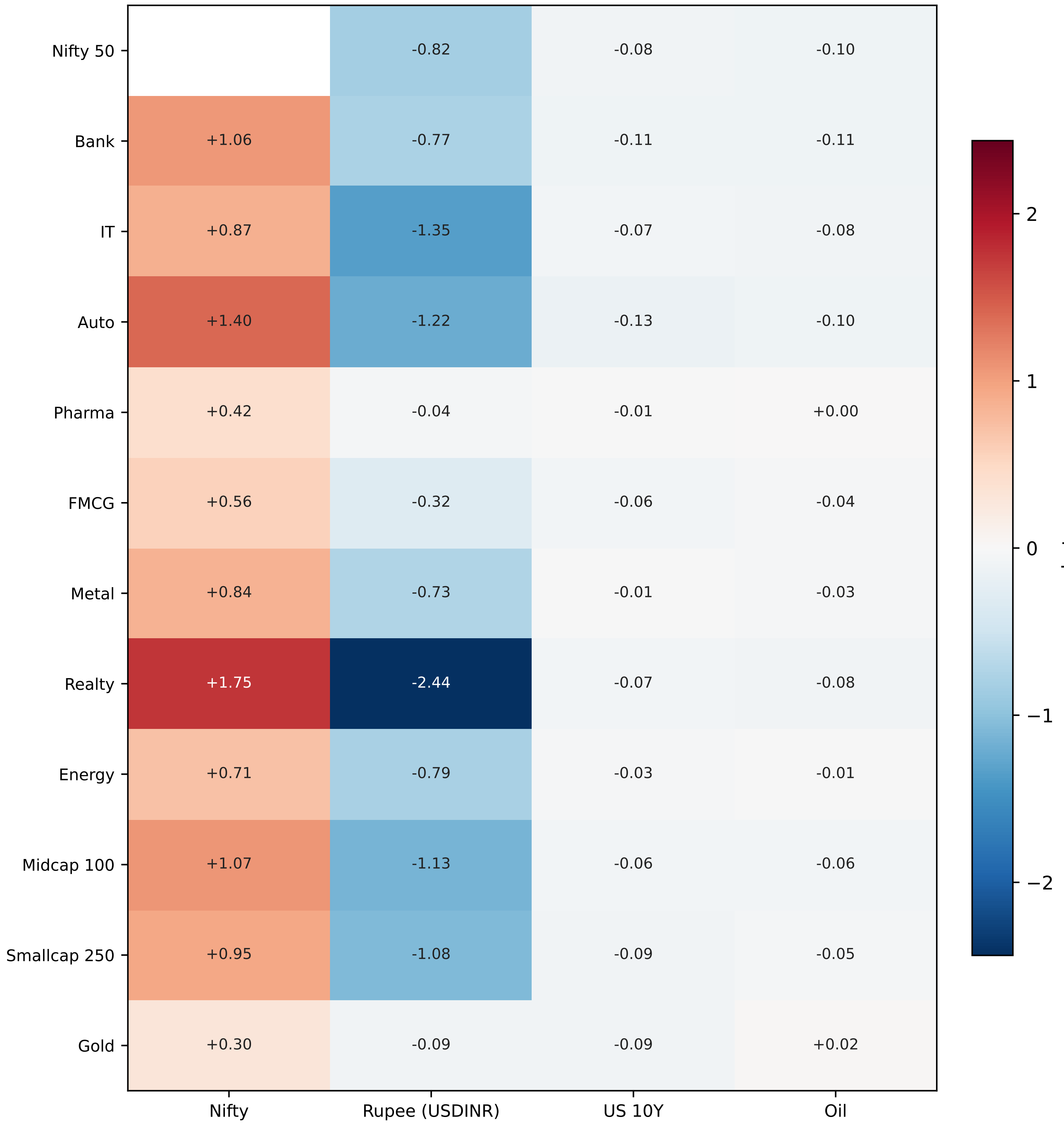
Sector 26-week relative strength:

LEADERS: Realty +21%, Energy +19%, Pharma +18%, Media +13%, Metal +8%, MNC +8%

LAGGARDS: FMCG -6%, PSU Bank -5%, Services -4%, IT -1%, Fin Services +0%, Auto +1%

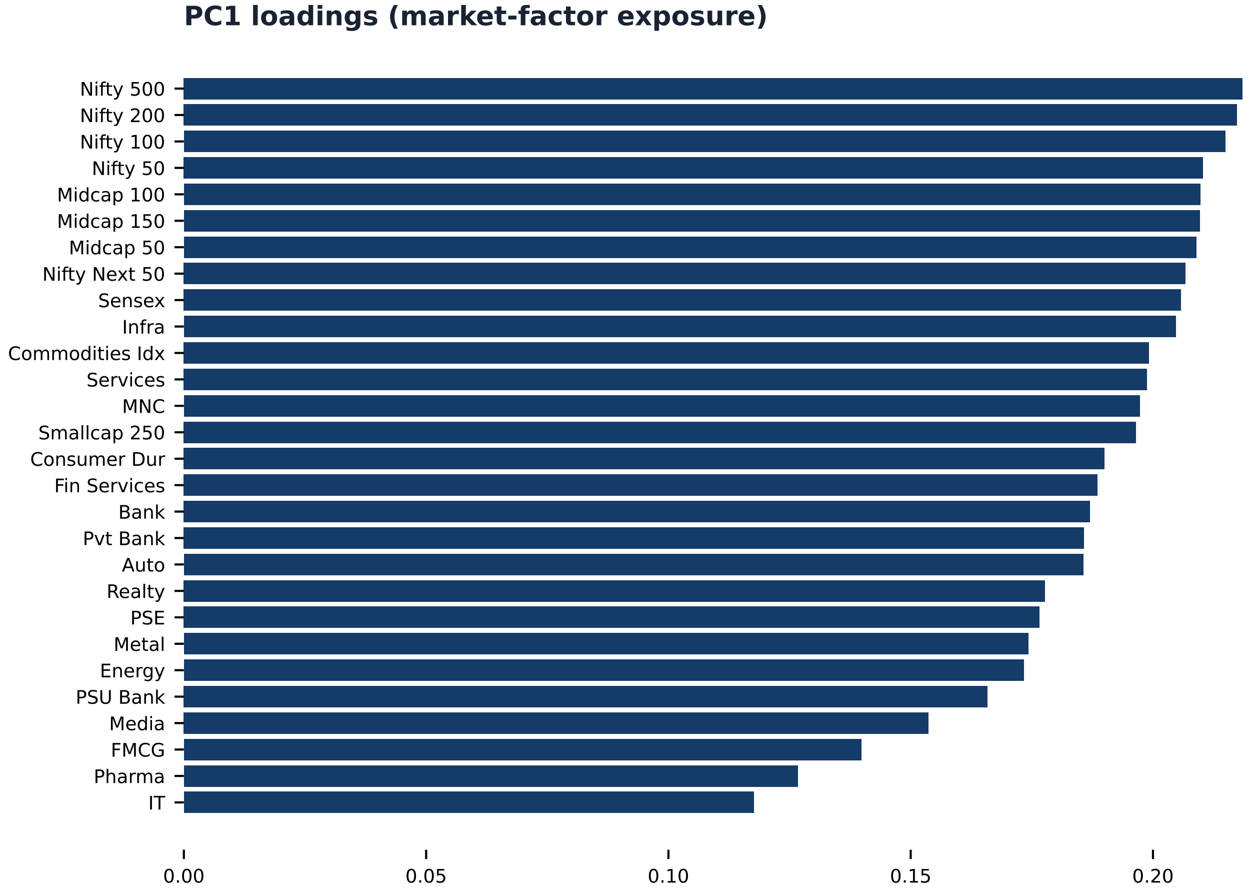
Score = mean sign of the 4/13/26/52-week returns (+1 = uptrend across all horizons). 'Golden' vs 'death' = 10w vs 40w MA cross.

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	-0.25
India VIX	-0.55	-0.22
US 10Y	-0.01	-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 -1.62

actual 28921.50 · model-fair 34151.99 · gap -15.3% · R^2 0.43

Banks vs Nifty & US rates

RICH z +1.50

actual 56606.55 · model-fair 53246.75 · gap +6.3% · R^2 0.94

Rupee vs dollar, oil & US rates

cheap z -0.93

actual 95.54 · model-fair 97.72 · gap -2.2% · R^2 0.71

Nifty vs global rates, dollar & oil

RICH z +0.30

actual 23398.10 · model-fair 23214.39 · gap +0.8% · R^2 0.55

Gold vs US real yield & dollar

cheap z -0.20

actual 150718.00 · model-fair 156468.07 · gap -3.7% · 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

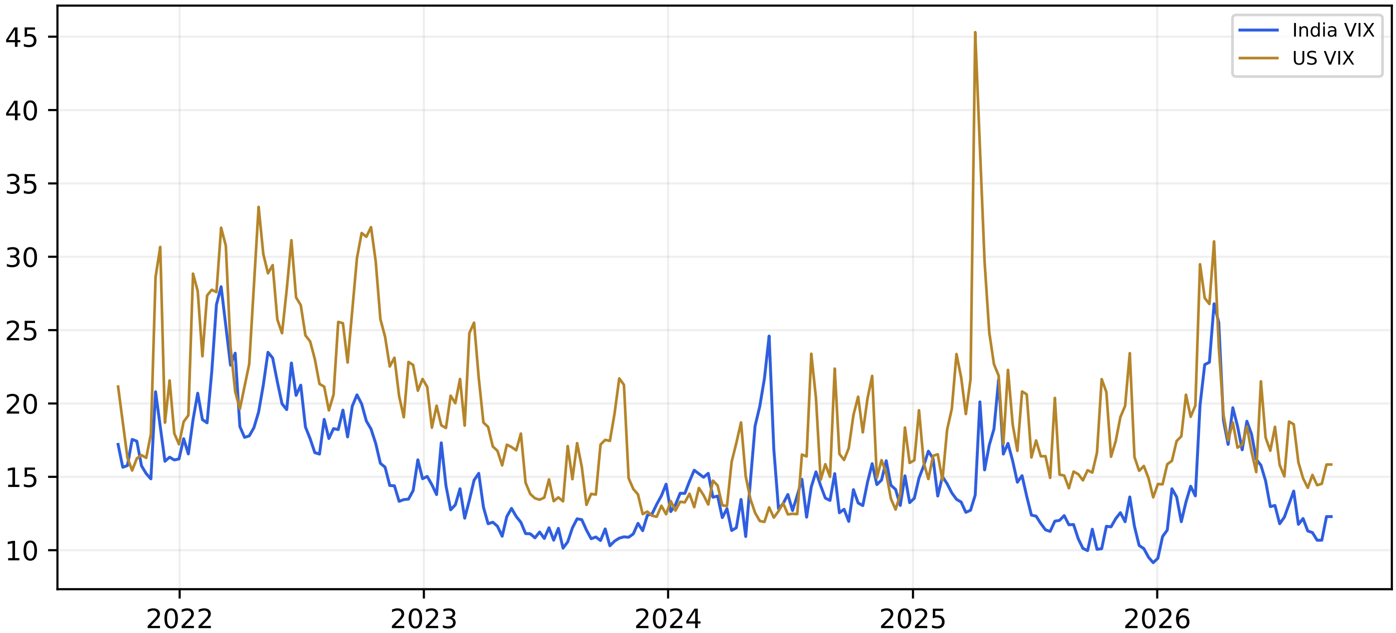
The volatility complex and downside risk.

- 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)

+6.4 pts

India VIX 12.3 − realised 5.9

positive (implied > realised, carry cushion)

FEAR CONTEXT

India VIX 28th %ile of 5y

India−US VIX -3.6

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%	-11%	-0.3	+0.5
Midcap 100	-4.4%	-5.4%	12%	-21%	-1%	-0.4	+0.7
Smallcap 250	-4.8%	-6.6%	15%	-25%	-1%	-0.5	+1.4
Bank	-3.9%	-5.0%	11%	-19%	-7%	-0.1	+0.9
IT	-6.3%	-7.8%	17%	-41%	-37%	-0.6	+0.6
Metal	-5.6%	-7.9%	17%	-32%	-7%	-0.4	+1.0
Realty	-6.3%	-8.5%	18%	-41%	-19%	+0.2	+1.5
Gold	-4.5%	-6.7%	16%	-15%	-9%	-0.5	+1.6
Crude	-9.0%	-13.8%	30%	-36%	-3%	-0.2	+1.0
USDINR	-1.0%	-1.3%	3%	-3%	-1%	-0.1	+1.5

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

	04-10	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	09-18
Regime	R-	R+	R-	R+	R+	R-	R+	N	R-	R+	R+	R-	R+	R-	R-	N	R+	N	R+	R+	R+	R+	R+	R+
Risk appetite																		+0.51	+0.50	+0.40	+0.23	+0.39	+0.39	+0.28
External backdrop																		-0.28	-0.31	-0.31	-0.39	-0.16	-0.24	-0.41
Nifty 1w %	+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	+0.0
Breadth %	100	92	33	75	92	17	50	67	25	67	92	42	75	50	50	58	58	72	56	50	44	50	22	0
PC1 share																		33	34	34	34	34	34	34
India VIX	19	17	20	18	17	19	18	16	16	15	13	13	12	12	13	13	13	12	12	11	12	11	11	12
USDINR 1w %	+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	-0.0
Bank 1w %	+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	+0.0

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