ORIM®

Monthly Newsletter

February 2026

January 2026 Performance				
Nifty 50	BSE Sensex	Mid Cap	Small Cap	Gold (₹/10g)
25,320.65	**82,269.78**	**55,401.25**	**17,603.40**	**1,69,000**
▼ 3.16%	▼ 3.46%	▼ 4.52%	▼ 3.44%	▲ 4.30%

Market Recap — January 2026

Indian equity markets ended January 2026 in negative territory across the board, with the Nifty 50 declining 3.16% to close at 25,320.65 and the BSE Sensex falling 3.46% to 82,269.78. Broader markets fared worse: the Nifty Midcap 100 declined 4.52% and the Nifty Smallcap 100 fell 3.44%, signalling that the correction was broad-based rather than confined to large-caps. The sole outperformer was Gold, which surged ~4.3% on the MCX to ₹1,69,000/10g as Trump's tariff policy and Middle East tensions escalated.

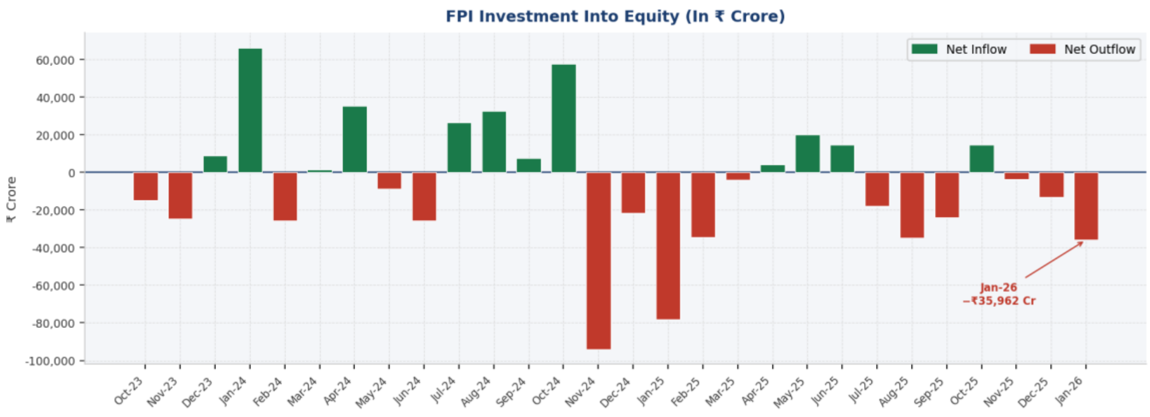
The month was defined by one landmark event: the conclusion of the India-EU Free Trade Agreement on January 27 — described by European Commission President Ursula von der Leyen as the "mother of all deals." The FTA opens up tariff-free access to a $20 trillion EU market across automobiles, textiles, machinery, pharma, and agricultural goods, with Indian tariffs on EU cars cut from 110% to 10-15% over seven years and EU tariffs on Indian apparel and leather slashed to zero.

Despite the FTA tailwind, Indian equities faced continued FPI selling pressure as global risk aversion and US tariff uncertainty dominated sentiment. FPIs withdrew ₹35,962 crore from Indian equities in January — the third consecutive month of significant outflows. A US bipartisan bill proposing tariffs of up to 500% on countries buying Russian oil added to the uncertainty, with India a likely target. Auto (-5.1%) was the worst-performing sector on weak rural demand and the threat of US tariffs, while Pharma (+3.9%) and Healthcare (+2.8%) led the gainers on the FTA's pharma chapter and defensive positioning.

Global Market Overview

Global markets were mixed in January 2026. The US Federal Reserve held rates at 3.50-3.75% at its January 27-28 meeting, keeping the higher-for-longer baseline intact even as core PCE moderated to 2.6%. The S&P 500 ended the month roughly flat as strength in financials and energy offset weakness in mega-cap tech. European equities outperformed, with the Euro Stoxx 50 gaining ~3.2% on the back of the India-EU FTA conclusion and ECB rate cut expectations.

Brent crude traded in the $74-78/barrel range through January, supported by OPEC+ production discipline and rising Middle East geopolitical premium. Gold was the standout asset, rallying ~5% globally to $2,940/oz as central bank buying continued and US dollar weakened modestly. US 10-year Treasury yields fluctuated in the 4.45-4.65% range, maintaining pressure on EM capital flows. Bitcoin and risk assets broadly underperformed as Trump's tariff threats kept markets on edge through the inauguration period.



Source: NSDL

➢ India-EU FTA — Key Highlights

- Conclusion: Signed January 27, 2026 in New Delhi after 9 years of negotiations. Ursula von der Leyen called it the "mother of all deals" — the EU's largest-ever FTA by trade value.
- Coverage: India agrees to eliminate or reduce tariffs on 96.6% of EU goods exports. Automobiles: India's tariff on EU cars reduces from 110% to 10-15% over seven years. EU tariffs on Indian textiles, apparel, and leather goods cut to zero.
- Beneficiaries (India): Textiles & apparel (Welspun, KPR Mill, Trident, Gokaldas), leather, gems & jewellery, marine products, pharma generics (Sun Pharma, Cipla, Dr. Reddy's), and IT services exporters with EU exposure.
- Beneficiaries (EU exports to India): German auto (Mercedes, BMW, Audi), Italian fashion and luxury, French spirits and dairy, machinery and electrical equipment (tariffs cut from 44% to 20%).
- Pharma chapter: Mutual recognition of GMP standards, simplified registration. Removes a key non-tariff barrier and is a major win for Indian generics exporters targeting the EU market.
- Tariff context: This is directly relevant given US-imposed 50% tariffs on Indian goods earlier. The EU FTA provides a critical alternative export channel and de-risks India's overdependence on the US.
- Implementation: Provisional application possible before full ratification — similar to the EU-Mercosur pathway — which could bring forward benefits for select sectors as early as 2H 2026.

➢ FPI Activity — January 2026

- FPIs withdrew ₹35,962 crore from Indian equities in January 2026 — the third consecutive month of outflows, taking cumulative FY26 (April 2025 to January 2026) FPI equity net outflows to approximately ₹96,974 crore.
- The only sector to attract meaningful FPI buying in January was Metals, on commodity exposure amid global risk-off positioning. FPI equity AUM fell to a 16-month low. IT, Auto, Consumer Durables, and Financial Services bore the brunt of the selling.
- DIIs absorbed the FPI selling, with monthly SIP flows holding near ₹31,000 crore — cushioning what would otherwise have been a much sharper correction. The DII-FPI tussle has now defined four consecutive months of trading.
- FPI debt flows were a relative positive: despite equity outflows, FPIs were net buyers in the Indian government bond market in January. The RBI MPC (February 5-7) is expected to assess the new CPI base year (2024=100) and Budget impact before any rate decision.

➢ WPI

➢ CPI

Source: MoSPI, DPIIT

- CPI inflation for January 2026 rose to 2.75% YoY (new base 2024=100) — a sharp recovery from the 0.25% Oct-25 low. The new CPI series uses a 358-item basket with food's weight reduced, structurally lowering volatility from vegetable price swings.
- Wholesale Price Index (WPI) inflation rose to 1.81% YoY in January 2026 — a 10-month high — up sharply from 0.83% in December. The acceleration was driven by manufactured products and fuel & power, suggesting input cost pressures are returning at the producer level.
- The combined CPI-WPI move signals that the disinflation phase is largely complete. Both prints remain comfortably within the RBI's 2-6% tolerance band, but the trajectory is now clearly upward, removing some of the urgency for rate cuts in early CY2026.
- For corporates: moderate WPI is constructive for input cost management for FMCG and consumer companies — it allows pricing power without margin compression. The RBI MPC (February 5-7) will assess the new CPI base and the upcoming Union Budget before any policy move.

Market Performance Snapshot: January 30, 2026

Script Name	Jan-26 Close	30D %
Top 5 Nifty 50 Gainers		
HINDALCO	669.30	+5.2%
TATASTEEL	144.10	+4.8%
SUNPHARMA	1,812.50	+4.1%
HDFCBANK	1,834.50	+3.6%
CIPLA	1,529.00	+3.2%
Top 5 Nifty 50 Losers		
M&M	2,740.00	-7.8%
TATAMOTORS	716.40	-6.5%
MARUTI	11,890.00	-5.9%
WIPRO	292.50	-5.2%
TECHM	1,570.00	-4.8%

Index	Jan-26	30D %
NIFTY PHARMA	21,950.0	+3.9%
NIFTY HEALTHCARE	13,920.0	+2.8%
NIFTY METAL	8,920.0	+1.8%
NIFTY PSU BANK	6,210.0	+0.6%
NIFTY OIL & GAS	10,960.0	-0.5%
NIFTY BANK	51,030.0	-1.0%
NIFTY FIN. SVCS.	23,460.0	-1.8%
NIFTY REALTY	830.0	-2.2%
NIFTY CHEMICALS	27,560.0	-2.6%
NIFTY IT	33,450.0	-3.1%
NIFTY FMCG	51,810.0	-3.5%
NIFTY CONSUMER D.	36,100.0	-3.8%
NIFTY MEDIA	1,385.0	-4.2%
NIFTY AUTO	22,180.0	-5.1%

Source: NSE, ICICI Direct Research

Rolling Monthly Index Returns (%)

Particular	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Nifty 50	-6.0%	6.0%	4.3%	1.7%	3.1%	-3.5%	-1.4%	0.8%	4.5%	-0.5%	-0.3%	-3.2%
Nifty Midcap 50	-9.9%	7.4%	5.2%	4.5%	5.3%	-2.3%	-3.1%	1.5%	6.7%	-1.2%	-1.6%	-4.5%
Nifty Smallcap 50	-12.0%	8.5%	3.0%	7.8%	7.3%	-2.3%	-4.7%	1.6%	5.3%	-1.8%	-2.3%	-3.4%
Nifty 500	-8.1%	7.0%	3.8%	3.5%	3.6%	-3.0%	-2.0%	1.2%	4.3%	-0.8%	-0.9%	-3.6%

Source: NSE / niftyindices.com