ABL Digital India Cross-Asset Weekly

Trend, Correlation & Macro Report | week ending 2026-08-28

62 instruments across equities, sectors, FX, commodities, rates & REITs | 609 weeks

REGIME: Risk-on

EXECUTIVE SUMMARY

The regime model reads Risk-on with a 65.5% posterior, but the composite risk-appetite scorecard sits at just +0.23 — Neutral — and the gap between them is the note's central message: this is a low-volatility, low-conviction tape, not a trending bull market. Lean modestly risk-on, but express it through cyclicals and momentum rather than index beta. Favoured: Metal (+7.6% on the week), Auto (+7.4%/+12% 3m), Media (+5.4%/+16% 26w RS), Realty (+16% 3m, +17% RS) and IT on valuation (fair-value cheap −11.0%). Faded: banks and financials — Pvt Bank −3.5%, Fin Services −2.8%, Bank −0.4% on the week, with Banks-vs-Nifty-and-US-rates rich +5.7% on a 0.94 R^2 model, the single most trustworthy dislocation in the book. Also fade FMCG (−2.5% week, −7% RS) and Energy (−2.4%, −6% 3m).

Three developments matter this week. Crude fell 2.8% to 8129 (−12% over 3m), which is the cleanest positive for India: the oil→INR→CPI→rates chain is easing, and with CPI at 3.5% and repo at 5.25% neutral, it argues for owning oil-sensitive consumption cyclicals like Auto. India VIX at 11.5 (17th percentile, 5y) with a +7.2 volatility risk premium means downside protection is cheap in absolute terms — buy it rather than sell it here. And Nifty sits below its 40-week average (nifty_trend −0.89) despite the Risk-on posterior — breadth at 56% above 10w MA is the thin thread holding the constructive read together.

The biggest risk is that this is late-cycle complacency, not a base. Watch three levels: India VIX above roughly 15 (breaking the 17th-percentile regime), USDINR through 96.5 from 95.7, and US 10Y back above 4.85% from 4.70% — any two together would flip the risk-appetite composite negative and validate cutting cyclical exposure. Weekly skill here is modest; treat all of this as tilts, not conviction.

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	-0.1%	44% up	11.5

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

Nifty 50	24,219.1	-0.1%	-0.7%	+2.9%
Bank	57,525.9	-0.4%	+0.5%	+6.1%
IT	30,596.9	+0.2%	-0.4%	+5.2%
USDINR	95.7	+0.0%	+0.4%	+0.8%
DXY	98.9	+0.1%	-0.9%	+0.0%
US 10Y	4.7	-0.0	-0.0	+0.2
India VIX	11.5	+0.3	-0.2	-4.7
Gold	164,298.0	+1.1%	+14.9%	+6.5%
Crude	8,129.0	-2.8%	+14.3%	-12.0%
Copper	1,390.0	+0.3%	+1.2%	+1.6%
Embassy REIT	436.1	+0.0%	-0.4%	+2.1%

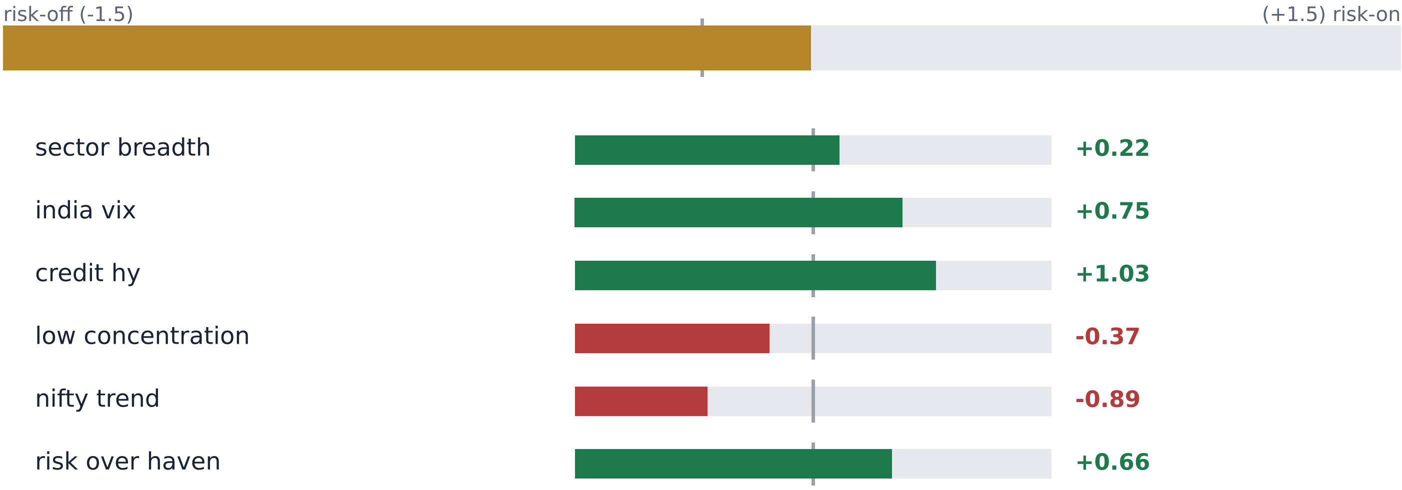
INDIA CROSS-ASSET SCORECARD

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

DOMESTIC RISK APPETITE

Neutral

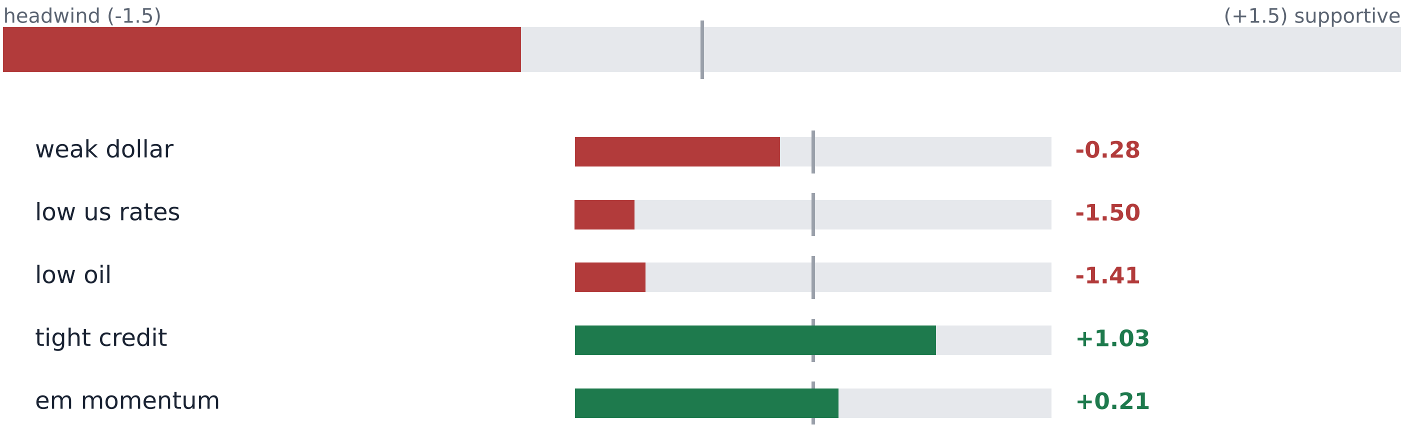
score +0.23



EXTERNAL CONDITIONS (global backdrop)

Headwind backdrop

score -0.39



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 · 2026-08-28

TOP GAINERS

Metal	+7.6%
Auto	+7.4%
Media	+5.4%
Consumer Dur	+2.6%
Midcap 100	+2.2%
MNC	+2.1%
PSU Bank	+1.9%
Zinc	+1.3%

TOP DECLINERS

Pvt Bank	-3.5%
Fin Services	-2.8%
Crude	-2.8%
FMCG	-2.5%
Brent	-2.4%
Energy	-2.4%
Hang Seng	-1.9%
Services	-1.9%

KEY LEVELS — week-over-week

Nifty 50	24,219.1	-0.1%	US 10Y	4.7	-0.0
Bank	57,525.9	-0.4%	US HY OAS	2.7	+0.0
IT	30,596.9	+0.2%	Gold	164,298.0	+1.1%
USDINR	95.7	+0.0%	Crude	8,129.0	-2.8%
India VIX	11.5	+0.3	S&P 500	7,659.3	-0.2%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	**Risk-on**
Risk appetite	prior: +0.40	->	**+0.23**
External backdrop	prior: -0.31	->	**-0.39**
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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Three developments matter this week. Crude fell 2.8% to 8129 (−12% over 3m), which is the cleanest positive for India: the oil→INR→CPI→rates chain is easing, and with CPI at 3.5% and repo at 5.25% neutral, it argues for owning oil-sensitive consumption cyclicals like Auto. India VIX at 11.5 (17th percentile, 5y) with a +7.2 volatility risk premium means downside protection is cheap in absolute terms — buy it rather than sell it here. And Nifty sits below its 40-week average (nifty_trend −0.89) despite the Risk-on posterior — breadth at 56% above 10w MA is the thin thread holding the constructive read together.

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Regime, Scorecard & Market State

The Markov-switching model assigns 65.5% to Risk-on, 32.4% to Risk-off and a negligible 2.1% to Neutral — a majority, but not a dominant one. A one-in-three probability of Risk-off is not a rounding error, and the rule-based cross-check tells you exactly where that residual probability comes from: Nifty is trading *below* its 40-week average even as the regime prints Risk-on. That is an unusual pairing and it deserves to be taken literally rather than explained away.

The risk-appetite composite decomposes the tension. At +0.23 it lands squarely in Neutral, and the components pull in opposite directions with real force. On the constructive side: credit_hy at +1.03 is the strongest single reading in the scorecard — high-yield spreads are behaving, which historically is the last thing to break before an equity drawdown and the first thing to warn. India VIX at +0.75 and risk_over_haven at +0.66 add to that, with sector_breadth at a modest +0.22. On the destructive side: nifty_trend at −0.89 is a large negative, confirming the sub-40-week price structure, and low_concentration at −0.37 flags that the market's gains are narrower than a healthy advance would produce.

The reconciliation is this: credit and volatility markets are pricing calm, but price trend and breadth quality are not confirming. A Risk-on regime built on cheap volatility and tight spreads while the index sits below trend is a *permissive* environment, not a *propulsive* one. Nifty was −0.1% on the week with 44% of sectors up but 56% above their 10-week average — a flat tape with respectable underlying participation. For an investor, that argues for owning the strong sectors rather than the index, and for keeping gross exposure moderate: the regime gives you permission to be long, the trend component tells you not to press it.

Global Backdrop & External Conditions

The external-conditions composite reads −0.39, classified a Headwind backdrop, and the component breakdown is more informative than the headline. Two components are deeply negative — low_us_rates at −1.50 and low_oil at −1.41 — and it is worth being precise about what those mean. These are scored as *conditions that are not helping*: the US 10Y at 4.70% is high, not low, and that is a genuine drag on Indian duration and on rate-sensitive equity. The oil component reads −1.41 despite crude being down 12%

over three months, which tells you the level, not the direction, is still restrictive relative to history.

Against that, tight_credit scores +1.03 — global credit is not stressed, which is the same signal carrying the domestic risk-appetite composite. em_momentum at +0.21 is mildly positive, and weak_dollar at −0.28 is a mild negative, consistent with DXY at 98.9 and going nowhere (+0.1% week, 0% over three months).

The net read for India: the world is a modest headwind, dominated by the level of US rates. This matters because of how it transmits. Nifty's correlation to the US 10Y is −0.35 over 52 weeks and −0.39 over 13 weeks — tightening, not loosening. Bank's correlation to US 10Y is −0.42 over 52 weeks and a striking −0.60 over 13 weeks, the strongest and most rapidly intensifying relationship in the entire correlation set. That is the mechanism by which a static 4.70% US 10Y has been grinding on Indian financials, and it is a direct corroboration of the fade-financials view. Nifty~DXY at −0.36/−0.49 is also tightening. So the global picture is not a crisis — credit is calm, EM momentum is mildly positive — but the rate channel is live and it is currently pointed at exactly the sectors that underperformed this week.

Sector Rotation & Momentum

The weekly move is a clean cyclical rotation. Metal +7.6% and Auto +7.4% led decisively, with Media +5.4%, Consumer Durables +2.6% and MNC +2.1% behind them. The losing side is equally coherent: Pvt Bank −3.5%, Fin Services −2.8%, FMCG −2.5%, Energy −2.4%, Services −1.9% and PSE −1.6%. Financials and defensive staples on one side, industrial and consumer cyclicals on the other.

The three-month and 26-week data confirm this is a trend, not a one-week reversal. Auto is +12% over three months, Realty +16%, Media +10%, Pharma +8%. The 26-week relative-strength leaders — Realty +17%, Media +16%, Pharma +15%, Metal +13%, Energy +9% — overlap substantially with the weekly winners, which is what momentum persistence looks like. The laggard list is where it gets uncomfortable for the consensus: FMCG −7%, Services −7%, PSU Bank −5%, Bank −5%, Fin Services −4%. Financials are not just having a bad week; they have been a bad six months.

Two nuances complicate the simple story. Energy is a 26-week RS leader at +9% but was −2.4% this week and −6% over three months, so its relative strength is stale and decaying — a leader by memory, not by current behaviour. And Metal's +7.6% week sits against copper up only 0.3%, with the Metal~Copper 13-week correlation at −0.52 versus +0.27 over 52 weeks. That sign flip means the metals rally is currently *not* being driven by base-metal prices. It is domestic or flow-driven, and that makes it a lower-quality, more fragile move than the price action alone suggests. Own Metal for the momentum, but size it as a trade rather than a thesis.

Auto is the highest-conviction long here, because it is the sector where momentum and macro agree: +7.4% on the week, +12% over three months, and directly levered to the falling-crude, contained-CPI, neutral-repo backdrop described below.

Factor Structure & Systemic Risk

Concentration is high and it should shape position sizing. Within equities and sectors, PC1 explains 74% of variance — nearly three-quarters of everything that happens in Indian equities is one common risk factor. The highest PC1 loadings are Nifty 100, Nifty 200 and Nifty 500 — that is, the broad-cap indices *are* the factor. The lowest loadings are IT, Pharma and FMCG, which is the actionable part: those three sectors carry the most idiosyncratic, non-beta content and are therefore where stock and sector selection can actually add something that isn't just leveraged index exposure.

Across the wider 38-instrument cross-asset set, the structure is more dispersed: PC1 (Risk, Nifty) at 34%, PC2 (US rates, inverse) at 13%, PC3 (Global risk, S&P, inverse) at 10%, PC4 (US rates) at 6% — roughly 63% in four factors. Note that US rates appear *twice* in the top four, at 13% and 6%. Rates are not a background variable in this market; they are an independent axis of risk with meaningful explanatory power, which reinforces the Bank~US 10Y −0.60 reading above.

India Cross-Asset Analysis (cont.)

Against that concentration, the systemic co-movement gauge is genuinely reassuring. The average pairwise conditional correlation from the multivariate DCC across ten assets is +0.13 now, down from +0.15 a year ago. Diversification is working — cross-asset correlation is low and modestly falling, not rising. Persistence at 0.9285 is high, which means this low-correlation state is sticky and unlikely to reverse abruptly without a shock; it also means that if it *does* start rising, the move will tend to continue rather than mean-revert, so it is worth monitoring rather than assuming.

The synthesis for an investor: within equities, diversifying across sectors buys you far less than it appears, because 74% of the variance is one factor — so equity risk should be managed by reducing gross exposure, not by spreading it around. Across asset classes, however, genuine diversification is available at +0.13 average correlation, and the low-PC1 sectors (IT, Pharma, FMCG) plus non-equity assets are where it lives.

Cross-Asset Correlation & Lead-Lag

The Granger network is unambiguous about the direction of causality. Net leaders are Crude, India VIX, US 10Y and Gold. Net followers are USDINR, EM Equity, Bank and Nifty 50. India is on the receiving end of this network, not the driving end — the tape is being set by global commodity, volatility and rate variables, and Indian equities and the rupee are responding to them.

The lead-lag correlations into Nifty quantify how much of that response is contemporaneous versus predictive. India VIX is −0.55 contemporaneous but only −0.22 at a one-week lag — vol moves *with* the market, so it confirms rather than forecasts. USDINR is −0.34 contemporaneous and −0.01 lagged, DXY −0.31 and −0.01: currency effects are same-week and carry essentially no predictive content into next week. The exception is Crude, at −0.19 contemporaneous and −0.24 at a one-week lag — the only variable in the set whose lagged correlation *exceeds* its contemporaneous one. Crude is the genuine lead indicator for Indian equities, and this is the analytical anchor of the whole note: it means this week's 2.8% crude decline should be read as information about next week, not just as a coincident data point. Modest information — a −0.24 correlation explains under 6% of variance — but real and directionally supportive.

US 10Y is 0.00 contemporaneous and −0.06 lagged into Nifty, which is worth flagging as an apparent contradiction: rates matter enormously at the sector level (Bank at −0.60) but wash out at the index level. That is a rotation signal, not an absence of a signal. Rates are redistributing returns within the market rather than moving the market.

The DCC conditional correlations add a persistence dimension. Nifty~India VIX is −0.54 now with persistence of only 0.2295 — a strong but unstable relationship that can shift quickly. Nifty~USDINR is −0.33 with persistence 0.3446, similarly unstable. Nifty~Crude is −0.19 with persistence 0.651 — the weakest correlation but by far the most durable. The oil-equity link is the one relationship you can rely on to still hold next week, which again points positioning toward the crude channel rather than the currency or vol channel.

Relative Value & Fair Value

Only one cointegrated spread is stretched beyond the $|z| > 1.5$ threshold on a strict reading, and none crosses it decisively — but the fair-value book still contains one dislocation worth acting on and several worth discounting.

The signal that deserves weight is Banks vs Nifty and US rates: rich +5.7% at z +1.37 on an R^2 of 0.94. That fit is exceptional, and a 0.94 R^2 means the model is capturing essentially all of the systematic relationship — the +5.7% residual is very likely a genuine dislocation rather than model error. Combined with Bank's −5% 26-week relative strength, the −0.60 correlation to US 10Y, and Pvt Bank −3.5% / Fin Services −2.8% on the week, this is four independent lines of evidence pointing the same way. Fade banks and financials. This is the highest-conviction relative-value call in the briefing.

IT vs rupee and US tech screens cheap −11.0% at z −1.15 — the largest absolute dislocation in the book —

but the R^2 is only 0.43, and that must be discounted explicitly. A 0.43 fit means well over half the variation in IT's relative performance is unexplained by the rupee and US tech; a −11.0% residual on that model could easily be a fundamental repricing the model cannot see rather than a mispricing. Treat it as a tilt, not a trade: IT is a reasonable underweight-to-neutral upgrade candidate, sized small, with the added attraction that IT is a low-PC1 sector and therefore diversifying. Note also that IT was only +0.2% this week with no momentum support (+5% 3m), so there is no confirmation from price yet.

The remaining residuals are small relative to their z-scores and not actionable. Nifty vs global rates, dollar and oil is rich +1.6% at z +0.61 on R^2 0.54 — a mild caution on index-level valuation that reinforces the "own sectors, not beta" conclusion, but 1.6% is inside the noise. Gold rich +9.7% at z +0.49 on R^2 0.55: the residual is large but the z-score is modest, meaning this model runs wide residuals routinely, so +9.7% is closer to normal than it looks — mild caution on gold after its +6% three-month run, no more. Rupee vs dollar, oil and US rates is rich just +0.8% at z +0.33 on a solid R^2 of 0.70; the rupee is effectively at fair value, which is a genuinely useful piece of information given how much of the India thesis routes through the currency.

Currency, Rates & the Oil-INR Channel

This is where the constructive part of the India view actually lives, and the chain is currently running favourably at every link.

Start with crude. MCX crude at 8129 is −2.8% on the week and −12% over three months. For a large net oil importer, that is a direct improvement in the terms of trade, and it is the input to everything downstream. Crude is also the net Granger leader into USDINR and the only variable with meaningful one-week predictive correlation into Nifty (−0.24), so a falling oil price is information rather than merely a pleasant condition.

Next, the rupee. USDINR at 95.7 is unchanged on the week and only +1% over three months — remarkably stable — and the fair-value model, at a credible R^2 of 0.70, puts it just +0.8% rich, i.e. essentially at fair value with no valuation stress to unwind. Forex reserves ex-gold at USD 566bn provide substantial buffer. The Nifty~USDINR relationship is −0.38/−0.40, so a stable-to-firmer rupee removes a headwind from equities, though as noted the currency channel is contemporaneous with essentially no lagged predictive content.

Then inflation and rates. CPI is 3.5% year-on-year with core at 3.7% — both comfortably inside the RBI's band — and the MPC has repo at 5.25% on a neutral stance. Falling crude with a stable rupee means imported inflation pressure is receding, which preserves the RBI's optionality. The India 10Y G-sec at 6.76% is explicitly flagged as sensitive to crude and US yields; with crude falling and the US 10Y flat at 4.70%, the immediate upward pressure on domestic yields is absent. India VIX minus US VIX at −3.6 says Indian equity volatility is priced *below* US volatility, which is a market vote of confidence in domestic macro stability — consistent with this whole chain.

The growth backdrop supports the same conclusion: Manufacturing PMI 54.2, Services PMI 57.3, IIP +5.1%, GST collections at Rs 1.95 lakh crore up 13.9% year-on-year, and FY27 real GDP projected at 6.6%. Nominal activity is strong and broadening.

The investment implication is specific. The oil→INR→CPI→rates chain is currently a *tailwind*, and the assets that monetise it are consumption and industrial cyclicals with input-cost sensitivity — which is precisely why Auto's +7.4%/+12% is more than a momentum artefact. It also explains why Energy is a laggard (−2.4% week, −6% 3m): falling crude that helps the economy hurts the energy complex. The Energy~Crude 13-week correlation of +0.20 confirms the sector still tracks the commodity. Being long the crude-decline theme means being long Auto and Consumer Durables and short Energy, not the reverse.

The caveat is symmetry. This chain runs in both directions with equal force. A crude reversal would push USDINR up, feed imported inflation into a 3.5% CPI, pressure the 6.76% G-sec yield, and remove the support under exactly the cyclicals recommended here. Crude is both the best reason to be long and the cleanest thing to monitor.

Volatility, Tail Risk & What to Watch

India VIX at 11.5 sits in the 16th–17th percentile of its five-year range, up a negligible 0.3 on the week and down 5 points over three months. The volatility risk premium is +7.2 and positive, meaning implied volatility is trading meaningfully above realised — the normal, healthy configuration, and a sign that hedging demand exists rather than having been extinguished. India VIX minus US VIX at −3.6 confirms Indian vol is cheap relative to the US.

The correct reading of this is nuanced. A positive risk premium technically favours selling volatility, but at the 17th percentile the absolute level is so low that the risk-reward is poor: you are collecting a modest premium against a distribution with far more room to expand than to compress. The more useful conclusion is the mirror image — protection is cheap in absolute terms. For an investor holding the cyclical longs recommended above, index-level downside hedges are unusually inexpensive right now, and that is the cleanest way to hold the risk-on tilt without depending on the regime model being right.

Tail metrics are moderate but reveal an important asymmetry in *where* the pain has already been taken. Nifty 50 expected shortfall at 5% is −4.0% with a current drawdown of −8% — the index has already given ground, consistent with trading below its 40-week average. Midcap 100 has a larger ES5 at −5.4% but a current drawdown of 0% — midcaps are at highs with a fatter tail, which is the most dangerous combination in the table and argues against adding midcap beta here. Gold carries the largest tail at ES5 −6.7% with a −1% drawdown, which sits alongside its rich +9.7% fair-value residual and +6% three-month run as a reason to trim rather than add.

Note the internal tension worth holding honestly: India VIX at the 17th percentile says calm, while the Nifty is 8% off its highs and below trend. Low volatility during a drawdown is not the same as low volatility at a high. It can mean the selling has been orderly and is exhausting — the constructive read — or it can mean the market has not yet repriced risk. The Nifty~India VIX DCC persistence of just 0.2295 says this vol regime is *unstable* and can shift quickly. Weekly predictive skill in all of this is modest; the signals here justify tilts and hedges, not conviction.

Signals that would confirm the view. Crude continuing lower from 8129 with USDINR holding at or below 95.7 — that keeps the oil→CPI→rates chain running favourably and validates the Auto, Consumer Durables and Metal longs. Nifty reclaiming its 40-week average, which would flip the nifty_trend component from −0.89 and lift the risk-appetite composite decisively out of Neutral into genuine Risk-on. Sector breadth improving from 56% above the 10-week MA toward 65%+, confirming the advance is broadening rather than narrowing. Banks underperforming further and the +5.7% rich residual compressing toward zero, validating the highest-conviction relative-value call. IT firming from +0.2% weekly with the rupee stable, which would give price confirmation to the −11.0% cheap signal that currently lacks it.

Signals that would change it. India VIX breaking above roughly 15 from 11.5 — that exits the 17th-percentile regime and, given a persistence of only 0.2295, could move fast. USDINR through 96.5, which would break three months of currency stability and reopen the imported-inflation channel. US 10Y above 4.85% from 4.70%, which would intensify the already-tightening Bank~US 10Y −0.60 relationship and pressure the broader index through the two rate factors in the PCA. Crude reversing back above roughly 8600 on MCX, which would invert the entire central chain of this note. High-yield credit deteriorating — credit_hy at +1.03 is the strongest pillar supporting the risk-on regime, and its failure would remove the main thing holding the composite up. And the average MV-DCC pairwise correlation turning up from +0.13 toward last year's +0.15 and beyond — with persistence at 0.9285, that rise would be self-sustaining and would signal cross-asset diversification failing precisely when the 74% PC1 concentration means equity diversification already isn't working.

PART I

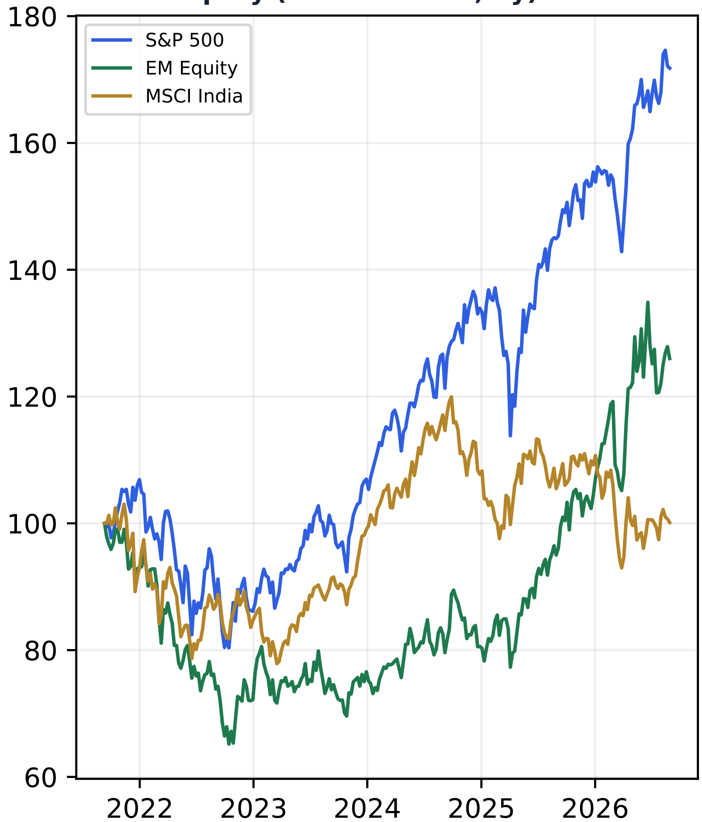
Global Backdrop & Macro

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

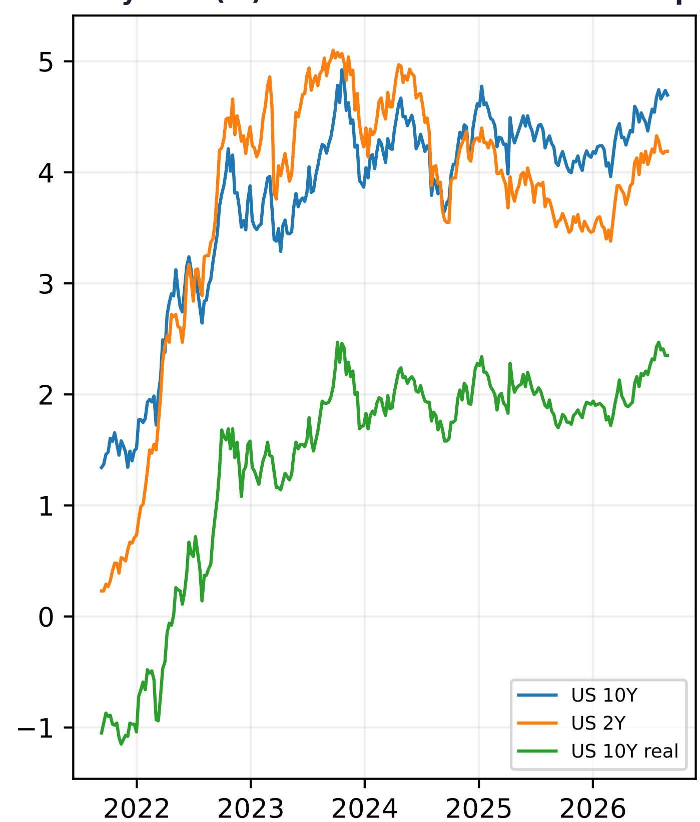
- Global equity, US yields & credit spreads, dollar & Fed balance sheet
- India macro prints (repo/CPI/GST/PMI/IIP) and FII/DII flows

Global Backdrop & Rates

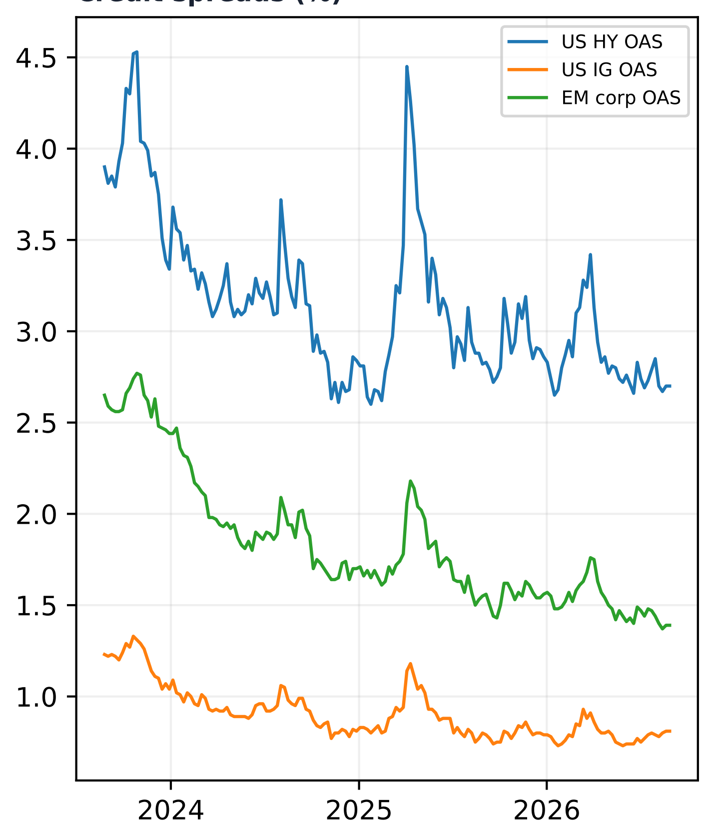
Global equity (indexed=100, 5y)



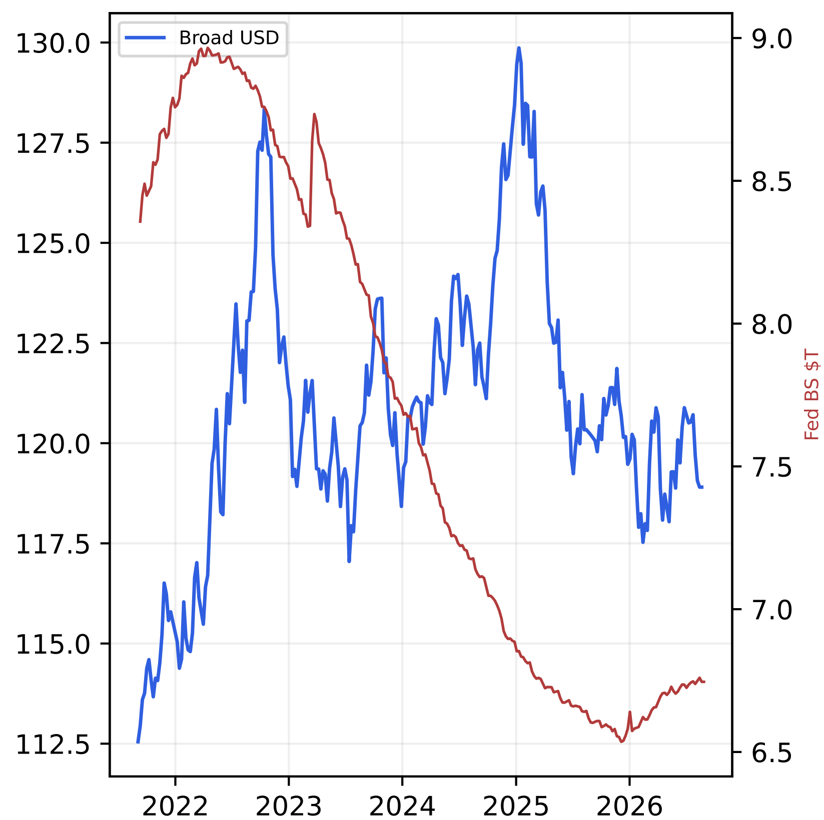
US yields (%) — India's external cost of capital



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 2,493 cr, FII net Rs 1,182 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

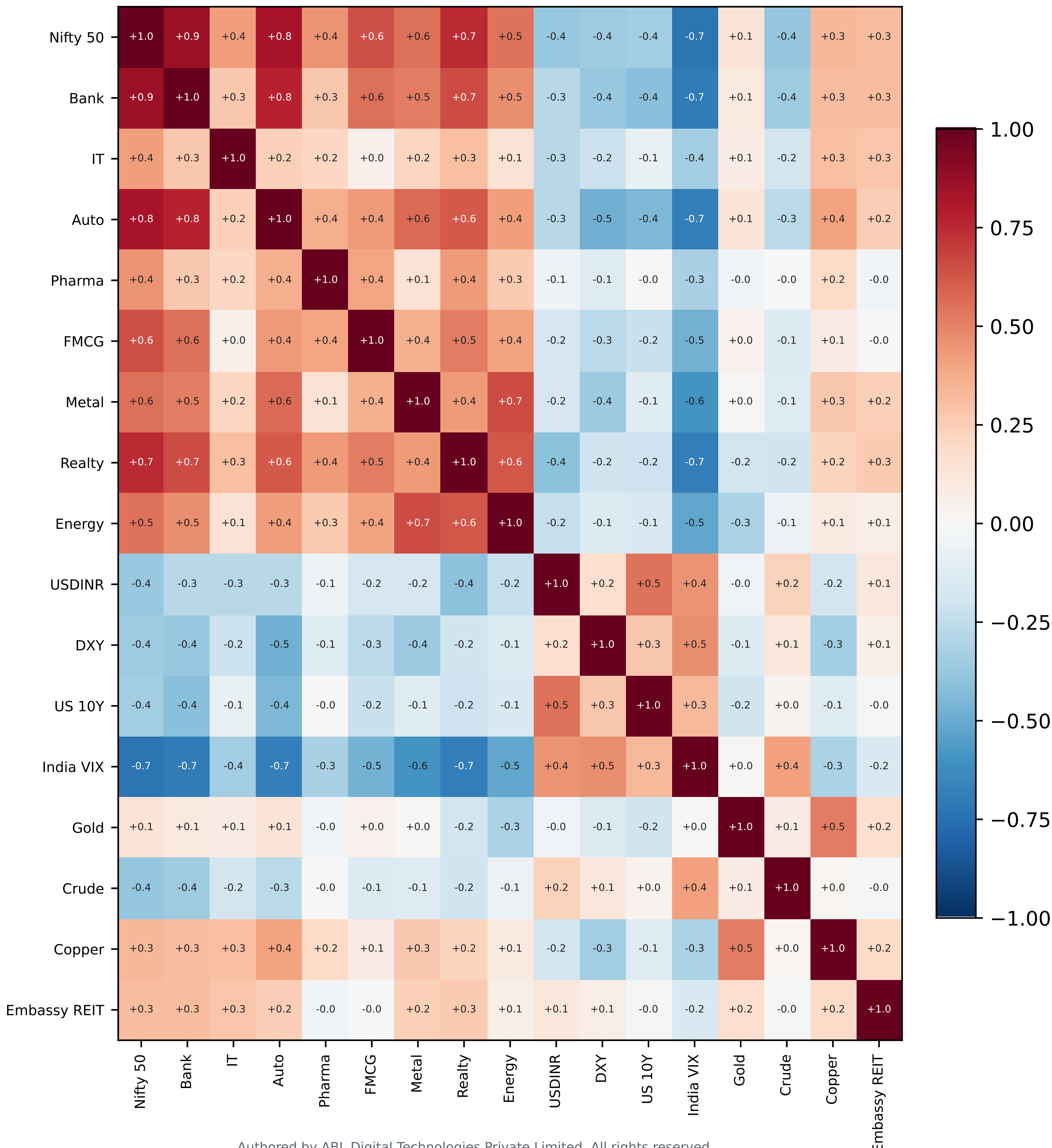
Weekly Returns Heatmap

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

	1w %	1m %	3m %
Midcap 100	+2.2	+2.6	+6.7
Midcap 150	+0.1	+1.2	+3.8
Midcap 50	+0.1	+1.2	+4.8
Nifty Next 50	+0.0	+0.5	+4.1
Nifty 200	-0.1	-0.1	+3.2
Nifty 500	-0.1	+0.2	+3.8
Nifty 100	-0.1	-0.5	+3.1
Nifty 50	-0.1	-0.7	+2.9
Smallcap 250	-0.2	+2.5	+8.1
Sensex	-0.2	-0.9	+3.5
Metal	+7.6	+6.2	+4.3
Auto	+7.4	+7.8	+12.3
Media	+5.4	+6.0	+10.1
Consumer Dur	+2.6	+1.8	+5.2
MNC	+2.1	+0.9	+4.0
PSU Bank	+1.9	+1.6	+0.7
IT	+0.2	-0.4	+5.2
Commodities Idx	+0.2	-0.4	-3.8
Pharma	-0.1	-0.7	+8.2
Realty	-0.2	+3.0	+15.6
Infra	-0.4	-1.4	-0.8
Bank	-0.4	+0.5	+6.1
PSE	-1.6	-2.3	-8.0
Services	-1.9	-0.7	+2.0
Energy	-2.4	-2.2	-6.0
FMCG	-2.5	-5.1	-6.9
Fin Services	-2.8	-2.7	+2.0
Pvt Bank	-3.5	-2.5	+4.6
DXY	+0.1	-0.9	+0.0
USDINR	+0.0	+0.4	+0.8
GBPINR	+0.0	+1.5	+2.6
Broad USD	+0.0	-1.5	-0.3
EURINR	-0.0	+1.6	+0.9
JPYINR	-0.1	-0.7	+0.7
Zinc	+1.3	+5.3	+10.6
Gold	+1.1	+14.9	+6.5
NatGas	+0.7	+3.9	-14.0
Copper	+0.3	+1.2	+1.6
Silver	+0.0	+8.4	-6.2
Aluminium	-0.2	+0.3	-11.6
Brent	-2.4	+2.2	+0.0
Crude	-2.8	+14.3	-12.0
Embassy REIT	+0.0	-0.4	+2.1
Brookfield REIT	+0.0	+0.3	+7.4
Nexus REIT	+0.0	-0.0	+7.5
USDJPY	+0.1	+1.1	-0.1
Fed Balance Sheet	+0.0	+0.1	+0.6
EURUSD	-0.1	+1.2	+0.1
S&P 500	-0.2	+2.3	+1.0
Nasdaq	-0.4	+2.8	-3.3
MSCI India	-0.6	-0.9	+1.6
China	-0.6	+1.3	-4.6
EM Equity	-1.5	+3.2	-3.6
Hang Seng	-1.9	-1.4	+1.3

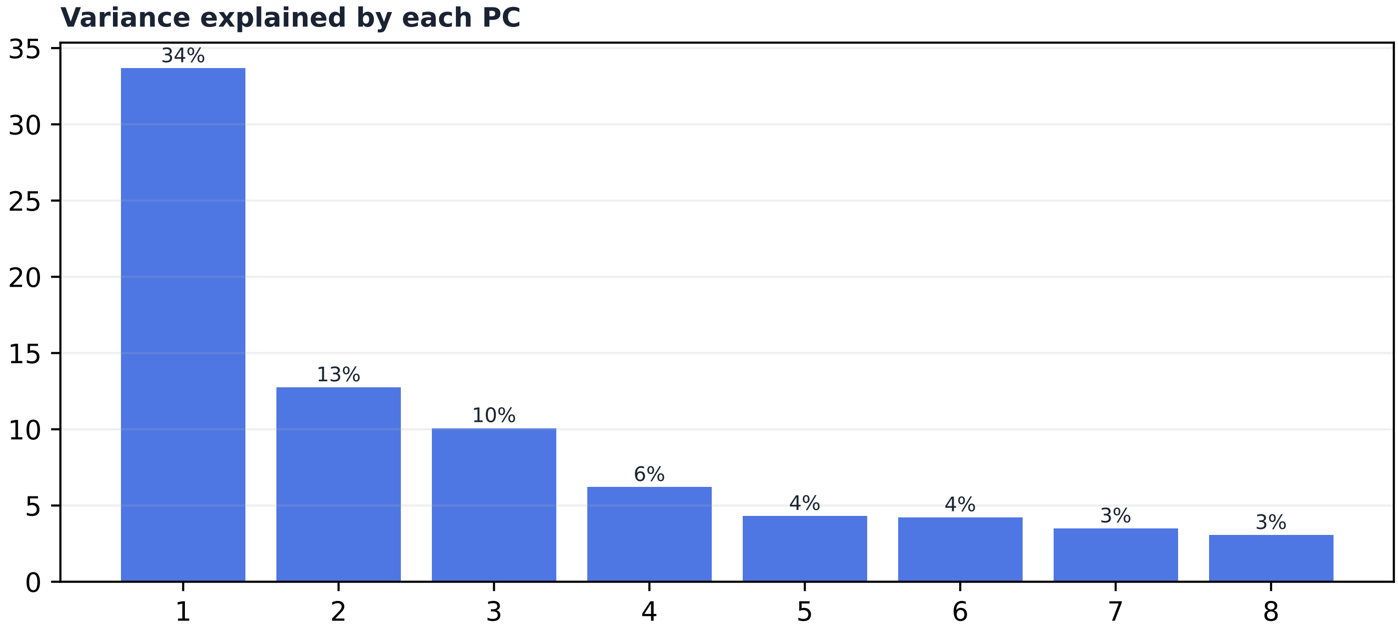
52-Week Cross-Asset Correlation

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)

33.7% 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)

12.7% of variance (cum 46%) · 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)

10.1% of variance (cum 56%) · marker corr -0.31

+ DXY +0.40, USDJPY +0.25, US HY OAS +0.13, US VIX +0.12, US IG OAS +0.12
– EURUSD -0.38, GBPINR -0.36, EURINR -0.32, EM Equity -0.22, JPYINR -0.20

PC4 — US rates (10Y)

6.2% of variance (cum 63%) · marker corr +0.63

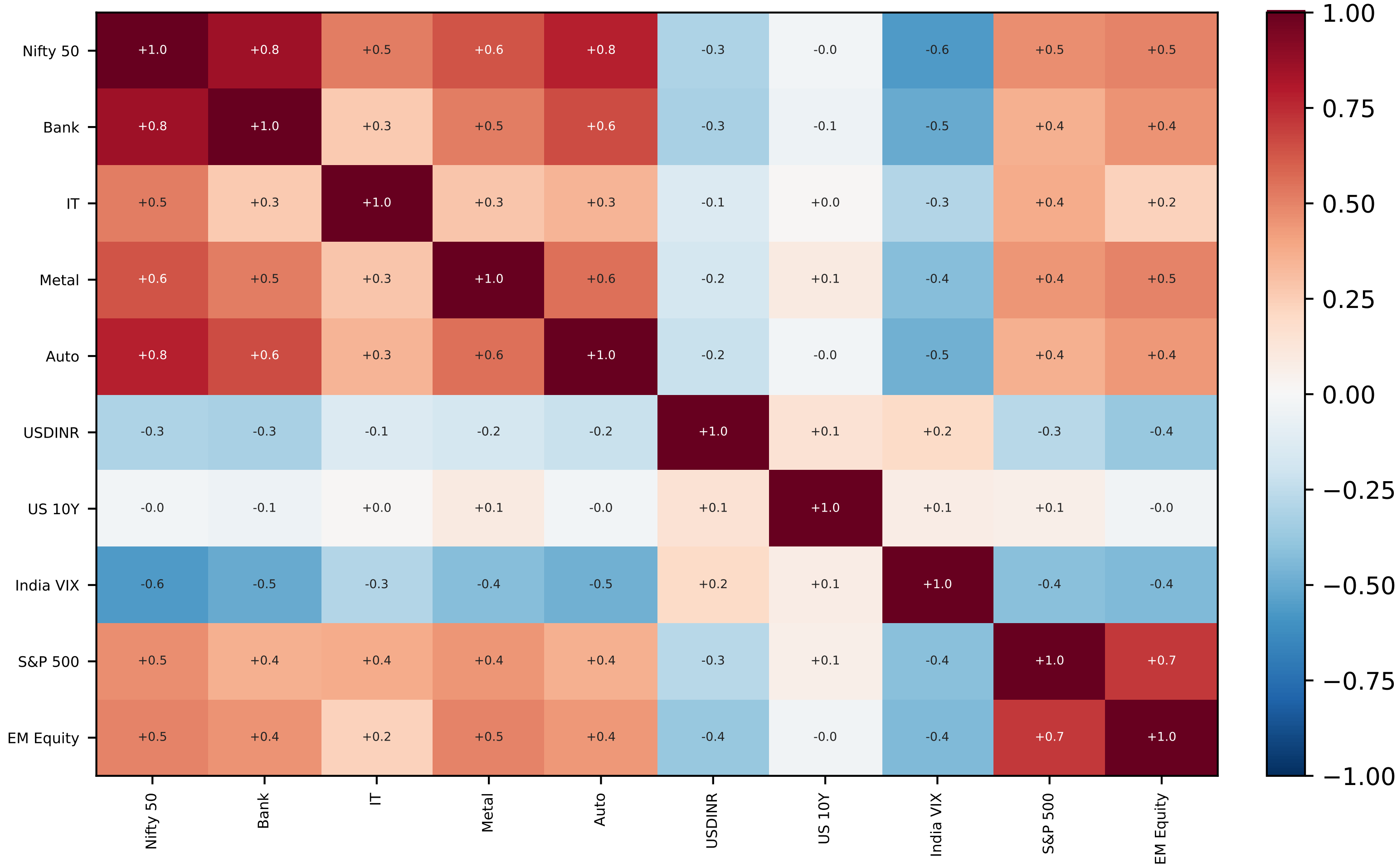
+ US 10Y real +0.42, US 10Y +0.41, EURINR +0.35, US 2Y +0.32, USDINR +0.25
– S&P 500 -0.16, DXY -0.14, China -0.14, Nasdaq -0.14, EM Equity -0.13

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)

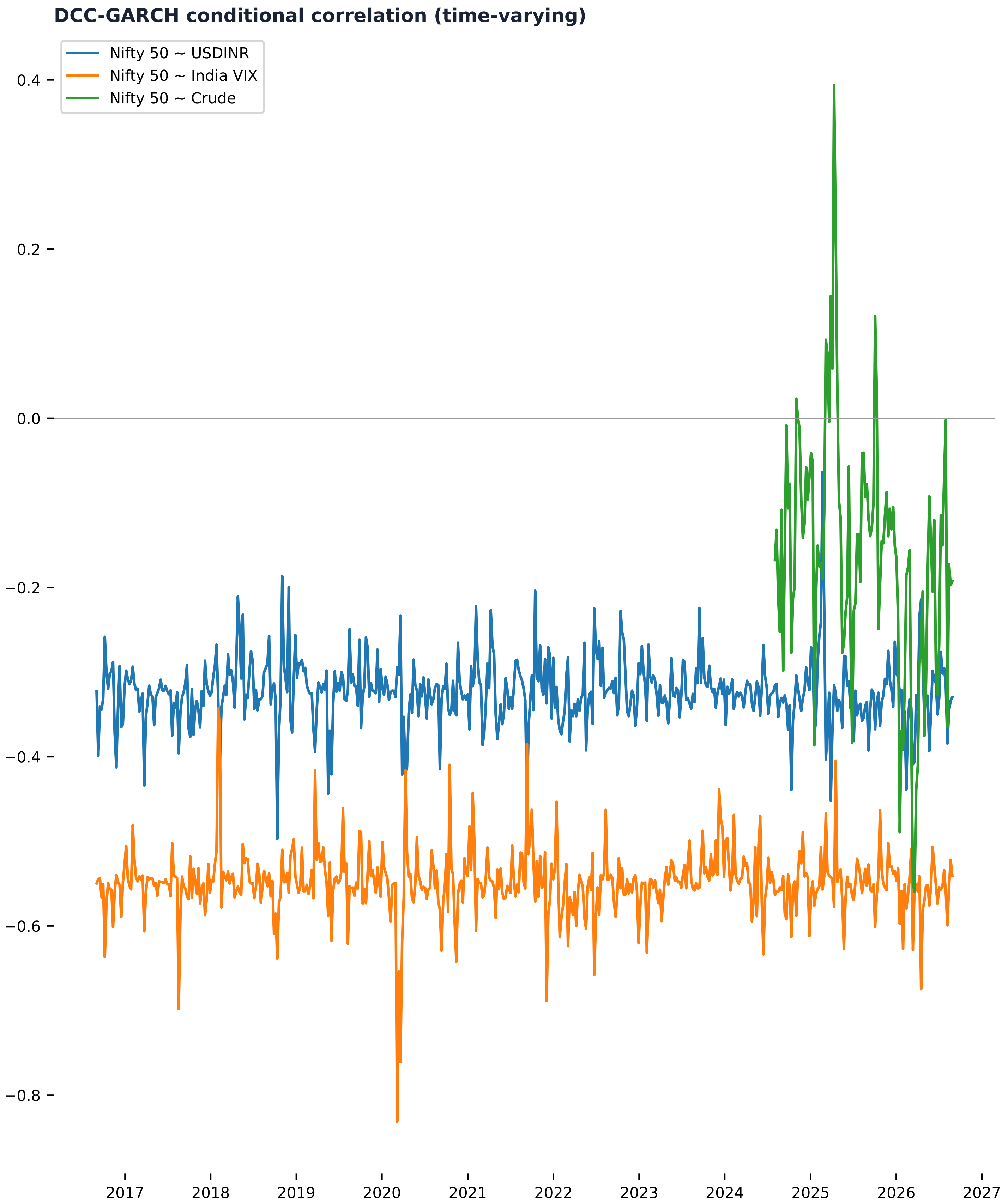
N=10 · persistence 0.9285 · now +0.13 · rising = diversification failing in real time

Latest conditional-correlation matrix



Regime & Conditional Correlations

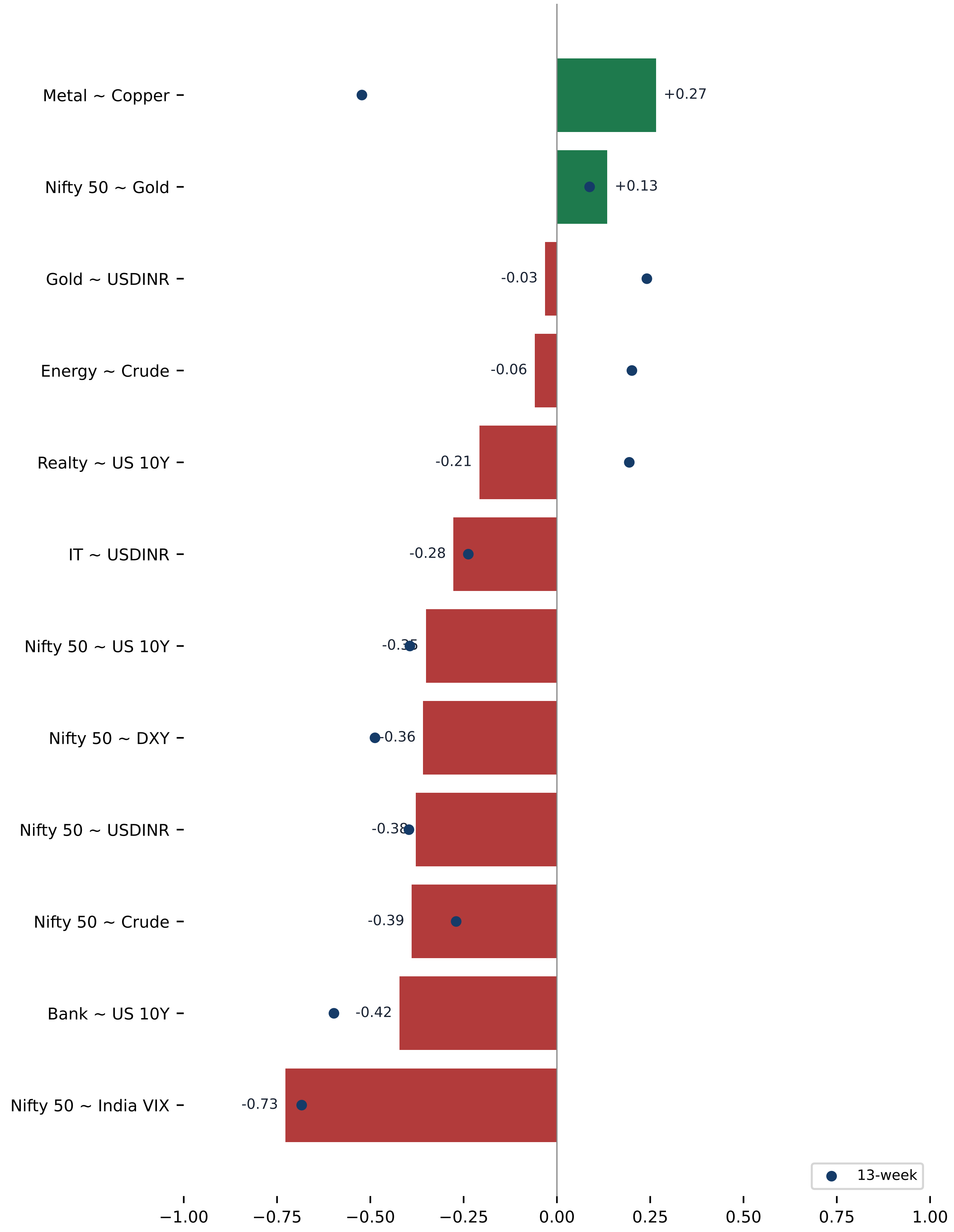
Markov-switching regime: Risk-on (Markov-switching). Smoothed posterior: Risk-on 0.66, Risk-off 0.32, Neutral 0.02



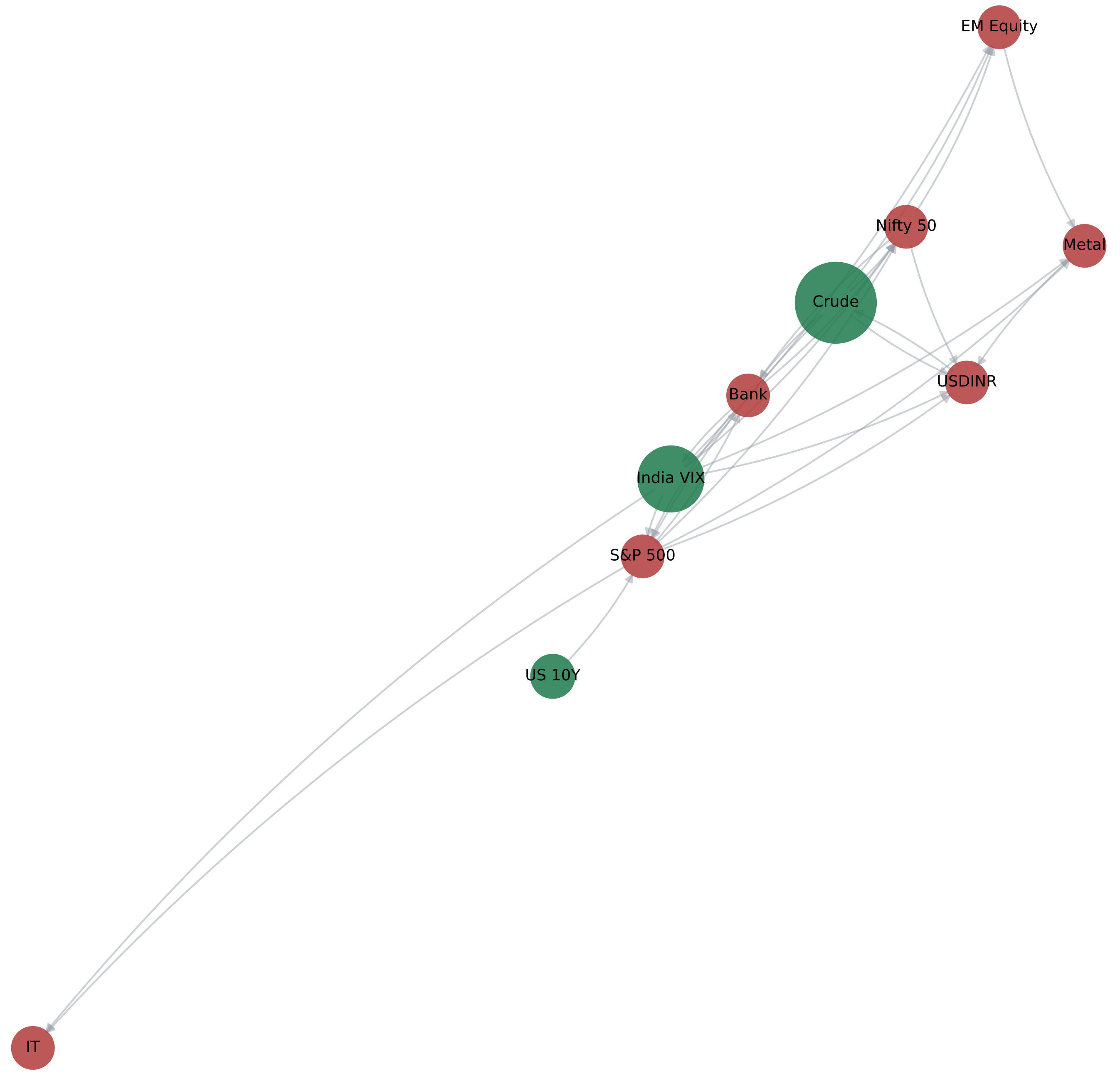
Now: Nifty 50 ~ USDINR -0.33 (persist 0.3446), Nifty 50 ~ India VIX -0.54 (persist 0.2295), Nifty 50 ~ Crude -0.19 (persist 0.651)

Cross-Asset Relationship Watch-List

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



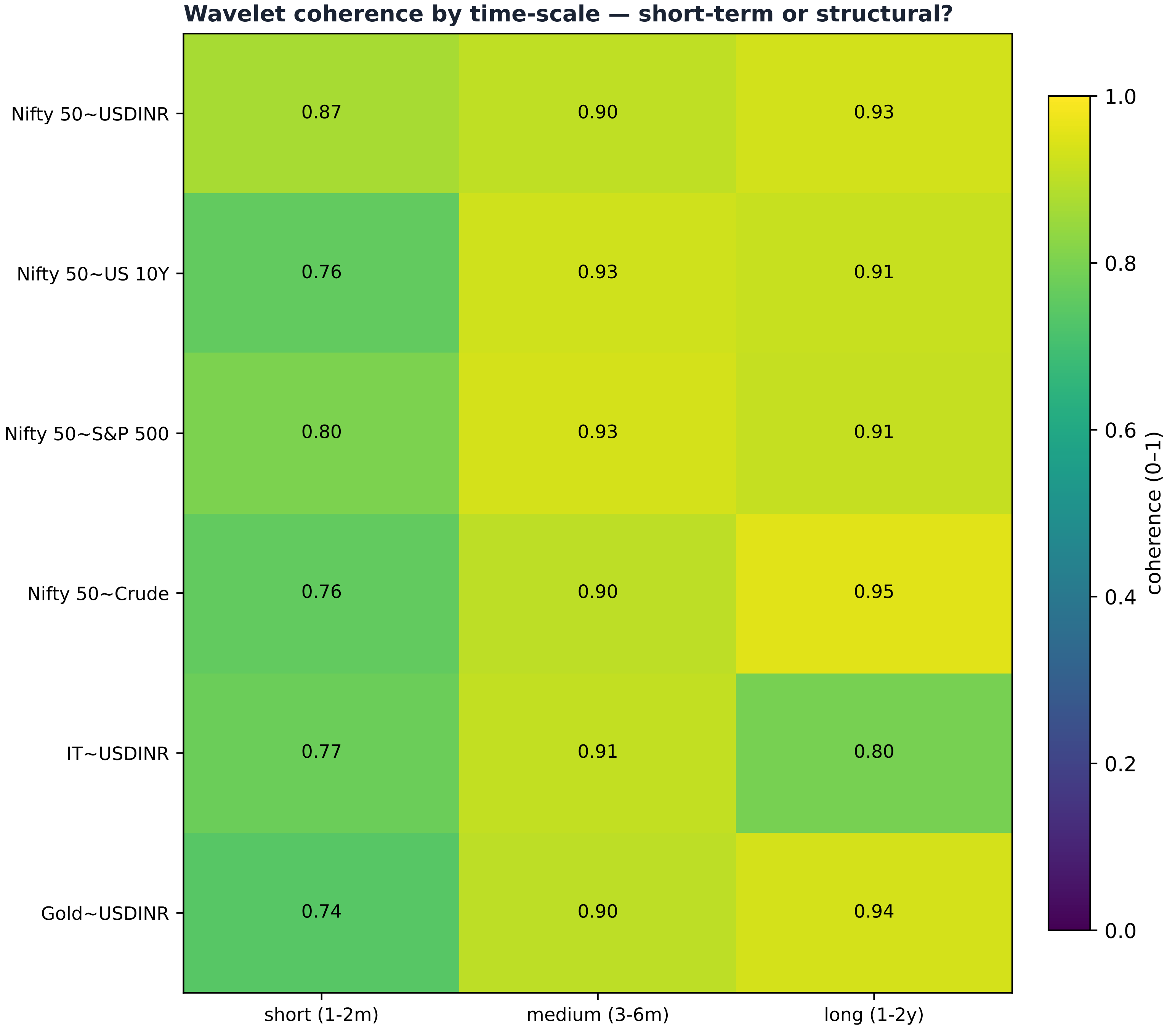
Directional lead-lag — Granger causality network



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
0.90
0.93
0.76
0.93
0.91
0.80
0.93
0.91
0.76
0.90
0.95
0.77
0.91
0.80
0.74
0.90
0.94
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**	0.155	1.85	9w	**+2.73**
Nifty vs Nifty500	**no**	0.507	1.24	12w	**+2.53**
Nifty vs Sensex	**no**	0.791	0.91	29w	**-2.52**
Nifty vs S&P 500	**no**	0.905	1.20	31w	**+2.39**
Nifty vs EM Equity	**no**	0.896	0.54	66w	**+2.11**
IT vs USDINR	**no**	0.967	-0.01	180w	**+2.09**
USDINR vs DXY	**no**	0.252	0.02	19w	**-0.81**
Gold vs Silver	**no**	0.478	1.54	10w	**-0.78**
Bank vs Fin Services	**no**	0.454	1.01	24w	**-0.47**
Pvt vs PSU Bank	**no**	0.054	2.78	10w	**+0.40**
Midcap vs Smallcap	**no**	0.443	0.93	17w	**-0.25**
WTI vs Brent	**yes**	0.000	0.82	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

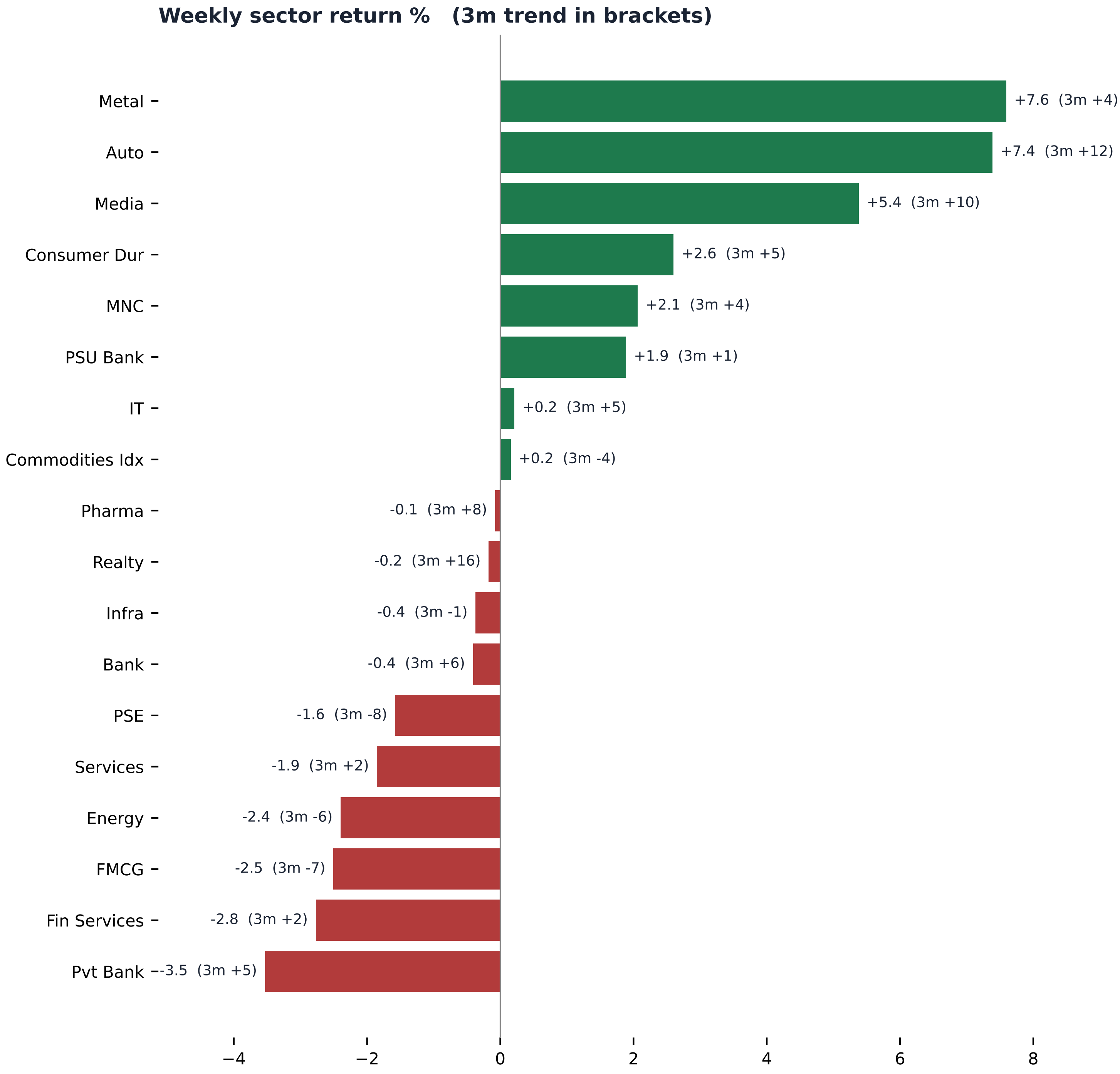
Sectors, Momentum & Fair Value

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: 44% 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

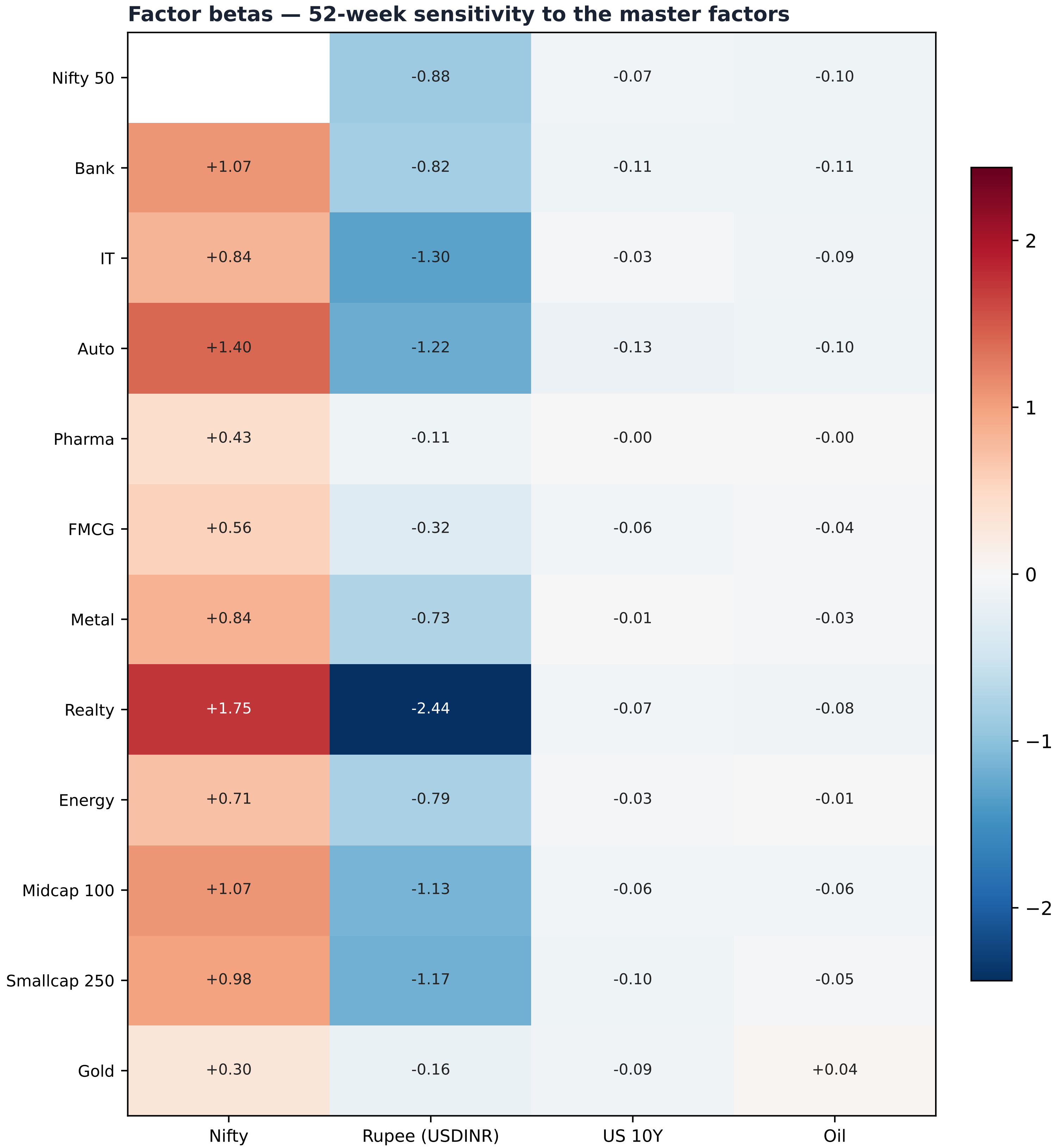
Instrument	13w	26w	52w	Score	vs40wMA	<52wHi
Nifty 50	+3%	-4%	-1%	**-0.50**	-1%	-8%
Midcap 100	+7%	+9%	+13%	**+1.00**	+7%	0%
Smallcap 250	+8%	+16%	+11%	**+1.00**	+10%	-0%
Bank	+6%	-5%	+7%	**+0.50**	+0%	-6%
IT	+5%	-0%	-13%	**-0.50**	-4%	-22%
Auto	+12%	+9%	+24%	**+1.00**	+8%	0%
Pharma	+8%	+15%	+21%	**+0.50**	+11%	-1%
FMCG	-7%	-7%	-15%	**-1.00**	-7%	-16%
Metal	+4%	+13%	+47%	**+1.00**	+12%	-0%
Realty	+16%	+17%	+2%	**+1.00**	+11%	-3%
Energy	-6%	+9%	+10%	**+0.00**	+3%	-6%
Gold	+6%	+2%	+53%	**+1.00**	+10%	-1%

Sector 26-week relative strength:

LEADERS: Realty +17%, Media +16%, Pharma +15%, Metal +13%, Energy +9%, MNC +9%

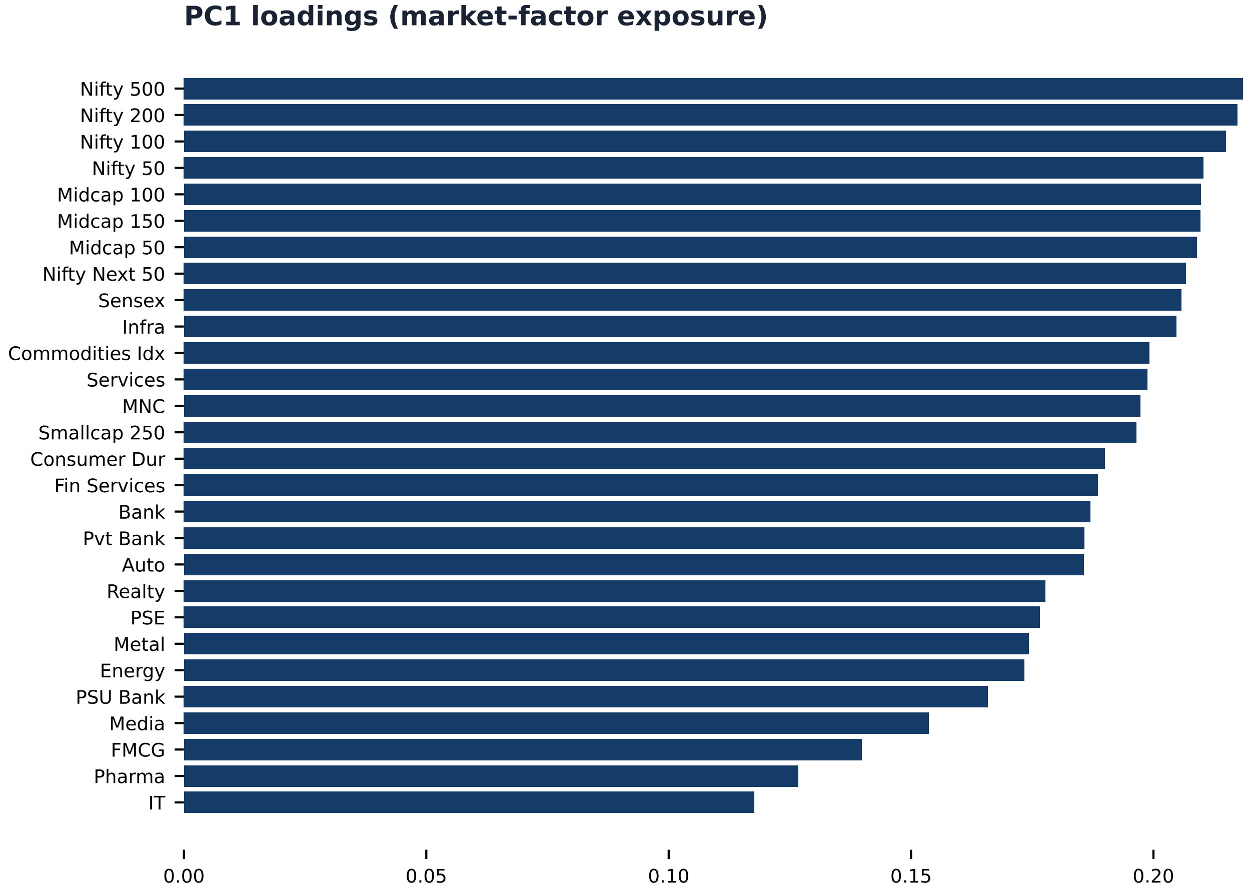
LAGGARDS: FMCG -7%, Services -7%, PSU Bank -5%, Bank -5%, Fin Services -4%, PSE -4%

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
-0.88
-0.07
-0.10
Bank
+1.07
-0.82
-0.11
-0.11
IT
+0.84
-1.30
-0.03
-0.09
Auto
+1.40
-1.22
-0.13
-0.10
Pharma
+0.43
-0.11
-0.00
-0.00
FMCG
+0.56
-0.32
-0.06
-0.04
Metal
+0.84
-0.73
-0.01
-0.03
Realty
+1.75
-2.44
-0.07
-0.08
Energy
+0.71
-0.79
-0.03
-0.01
Midcap 100
+1.07
-1.13
-0.06
-0.06
Smallcap 250
+0.98
-1.17
-0.10
-0.05
Gold
+0.30
-0.16
-0.09
+0.04
Nifty
Rupee (USDINR)
US 10Y
Oil
2
1
0
−1
−2
beta

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 +1.37

actual 57525.95 · model-fair 54427.37 · gap +5.7% · R^2 0.94

IT vs rupee & US tech

cheap z -1.15

actual 30596.90 · model-fair 34379.19 · gap -11.0% · R^2 0.43

Nifty vs global rates, dollar & oil

RICH z +0.61

actual 24219.05 · model-fair 23826.94 · gap +1.6% · R^2 0.54

Gold vs US real yield & dollar

RICH z +0.49

actual 164298.00 · model-fair 149783.31 · gap +9.7% · R^2 0.55

Rupee vs dollar, oil & US rates

RICH z +0.33

actual 95.74 · model-fair 94.97 · gap +0.8% · 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

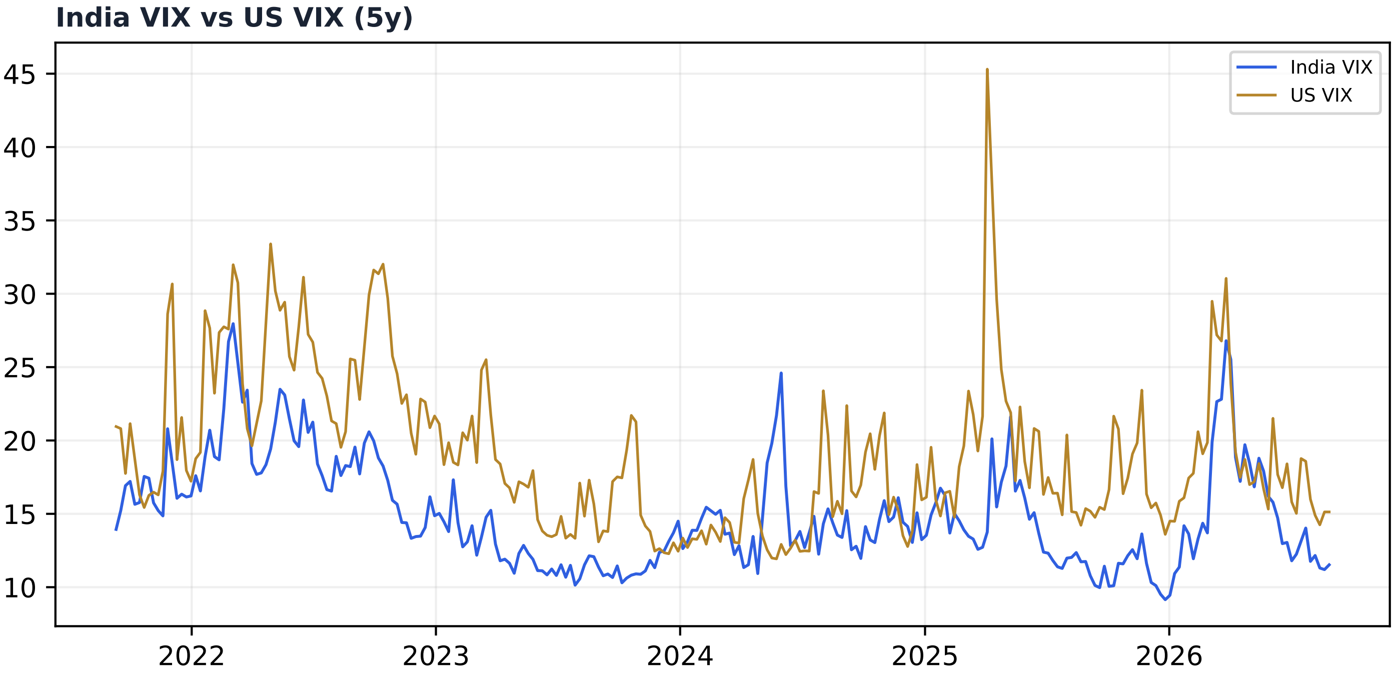
Volatility & Risk

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



VOL RISK PREMIUM (India)

+7.2 pts

India VIX 11.5 − realised 4.3

positive (implied > realised, carry cushion)

FEAR CONTEXT

India VIX 17th %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%	-8%	-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%	-6%	-0.1	+0.9
IT	-6.3%	-7.8%	17%	-41%	-33%	-0.6	+0.7
Metal	-5.6%	-7.9%	17%	-32%	-0%	-0.4	+1.0
Realty	-6.3%	-8.5%	18%	-41%	-19%	+0.2	+1.5
Gold	-4.3%	-6.7%	17%	-15%	-1%	-0.6	+1.8
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

	03-20	03-27	04-03	04-10	04-17	04-24	05-01	05-08	05-15	05-22	05-29	06-05
Regime	N	R-	N	R-	R+	R-	R+	R+	R-	R+	N	R-
Risk appetite												
External backdrop												
Nifty 1w %	-0.2	-1.3	-0.5	+5.9	+1.3	-1.9	+0.4	+0.7	-2.2	+0.3	-0.7	-0.8
Breadth %	50	17	42	100	92	33	75	92	17	50	67	25
PC1 share												
India VIX	23	27	26	19	17	20	18	17	19	18	16	16
USDINR 1w %	+1.4	+0.9	-2.1	+0.3	-0.5	+1.8	+0.7	-0.5	+1.6	-0.3	-0.7	-0.1
Bank 1w %	-0.6	-2.2	-1.4	+8.5	+1.2	-0.8	-2.2	+0.8	-2.9	+0.6	+0.3	+0.5

	06-12	06-19	06-26	07-03	07-10	07-17	07-24	07-31	08-07	08-14	08-21	08-28
Regime	R+	R+	R-	R+	R-	R-	N	R+	N	R+	R+	R+
Risk appetite									+0.51	+0.50	+0.40	+0.23
External backdrop									-0.28	-0.31	-0.31	-0.39
Nifty 1w %	+1.1	+1.7	+0.2	+0.9	-0.3	+0.0	-0.4	+1.0	+1.0	+0.1	-0.3	-0.1
Breadth %	67	92	42	75	50	50	58	58	72	56	50	44
PC1 share									33	34	34	34
India VIX	15	13	13	12	12	13	13	13	12	12	11	12
USDINR 1w %	+0.2	-0.8	-0.0	+1.3	-0.2	+0.4	+0.2	-0.7	-0.2	+0.1	+0.2	+0.0
Bank 1w %	+4.3	+1.5	+0.9	-0.4	+0.2	+0.1	-1.0	+0.7	+1.4	-0.1	+0.0	-0.4

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