

ABL Digital India Cross-Asset Weekly

Trend, Correlation & Macro Report | week ending 2026-10-09

46 instruments across equities, sectors, FX, commodities, rates & REITs | 615 weeks



REGIME: Risk-on

EXECUTIVE SUMMARY

The model regime reads Risk-on with 0.806 posterior probability, but almost nothing underneath it agrees, and the composite risk-appetite scorecard at **-0.34 (Neutral)** is the number to trade off, not the regime label. Nifty is 0.6% higher on the week yet sits below its 40-week average (nifty_trend -1.13), sector breadth above the 10-week MA is literally **0%** (sector_breadth -0.67), and PC1 absorbs **81%** of equity/sector variance — this is a thin, index-led tape, not a broad advance. Lean defensive-to-neutral on India equity: favour Pharma (+18% 26-week relative strength, the only sector with genuine momentum) and add IT on valuation, which the best-fit cheap model flags at **-16.7%** versus rupee and US tech (z -1.76, R² 0.42); fade Banks, which screen **+4.7% rich** on a 0.94-R² model while 3-month performance is -6% and Bank~US 10Y correlation has tightened to **-0.68**.

Three things matter this week. Crude fell **2.4%** to 8702 on MCX, which is the single most helpful development for India through the oil→INR→CPI→rates chain, and it is why USDINR held flat at **96.3** and CPI sits at 3.5% with 3.7% core. Second, the external-conditions composite is **-0.66 (Headwind)**, driven by US 10Y at **5.3%** (low_us_rates -1.95) and still-elevated oil over three months (+14%, low_oil -1.57) — the world is not helping, so avoid paying up for rate-sensitive beta. Third, average pairwise conditional correlation across assets is just **+0.05** (vs +0.06 a year ago): diversification is working, so cross-asset hedges and gold are cheap insurance rather than dead weight.

The biggest risk is that US 10Y pushes above 5.5% while crude reverses, forcing USDINR through 97 and compressing bank valuations further; that would turn the Nifty's sub-40-week drift into a trend break. Watch India VIX, now **14.8** (68th percentile, risk premium +4.7): a move above 18 with breadth still at 0% confirms the bearish read, while breadth recovering above 50% with crude holding below 8700 would validate re-engaging risk.

Executive Dashboard

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

REGIME Risk-on	NIFTY 1W +0.6%	SECTOR BREADTH 33% up	INDIA VIX 14.8
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KEY CROSS-ASSET READINGS (level | 1w | 1m | 3m)

Nifty 50	22,555.8	+0.6%	-3.6%	-6.8%
Bank	54,714.1	+0.5%	-3.3%	-5.7%
IT	28,301.7	-0.0%	-2.1%	+1.0%
USDINR	96.3	-0.0%	+0.8%	+1.0%
DXY	102.2	+0.2%	+3.1%	+1.2%
US 10Y	5.3	+0.0	+0.3	+0.8
India VIX	14.8	+0.3	+2.5	+2.5
Gold	146,895.0	-0.7%	-3.7%	+3.6%
Crude	8,702.0	-2.4%	-11.4%	+14.3%
Copper	1,410.8	+0.8%	+2.6%	+7.5%
Embassy REIT	428.7	+0.0%	-2.4%	-4.7%

INDIA CROSS-ASSET SCORECARD

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

DOMESTIC RISK APPETITE

Neutral

score -0.34

risk-off (-1.5)

(+1.5) risk-on



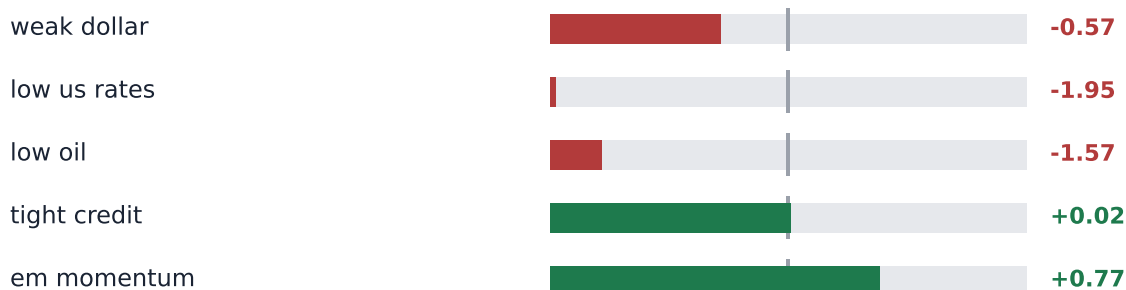
EXTERNAL CONDITIONS (global backdrop)

Headwind backdrop

score -0.66

headwind (-1.5)

(+1.5) supportive



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 · 2026-10-09

TOP GAINERS

NatGas	+2.9%
JPYINR	+2.5%
EM Equity	+1.5%
Copper	+0.8%
Nasdaq	+0.8%
Zinc	+0.7%
Sensex	+0.7%
Nifty 50	+0.6%

TOP DECLINERS

Crude	-2.4%
Pharma	-0.7%
Gold	-0.7%
Brent	-0.5%
EURUSD	-0.4%
EURINR	-0.3%
USDINR	-0.0%
MSCI India	-0.0%

KEY LEVELS — week-over-week

Nifty 50	22,555.8	+0.6%	US 10Y	5.3	+0.0
Bank	54,714.1	+0.5%	US HY OAS	3.1	+0.0
IT	28,301.7	-0.0%	Gold	146,895.0	-0.7%
USDINR	96.3	-0.0%	Crude	8,702.0	-2.4%
India VIX	14.8	+0.3	S&P 500	7,762.6	+0.5%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R-	->	Risk-on
Risk appetite	prior: -0.09	->	-0.34
External backdrop	prior: -0.55	->	-0.66
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 assigns 0.806 to Risk-on against 0.13 Risk-off and 0.064 Neutral, which on its face is a clean invitation to add beta. The rule-based cross-check refuses to co-sign it: Nifty is below its 40-week average, 0% of sectors are above their 10-week moving average, and India VIX at 14.8 sits in the 68th percentile — elevated, not complacent. The reconciliation matters. Markov regimes are estimated on return and volatility dynamics over 615 weeks; a market that is drifting sideways with low realised volatility can look statistically like Risk-on even when the trend and participation have deteriorated. That is exactly the configuration here, and it is why the composite risk-appetite score of -0.34 lands in Neutral rather than following the regime.

The components explain where the damage is. Nifty_trend at -1.13 is the heaviest negative and the most informative: price below the 40-week average is the cleanest single statement that the medium-term uptrend is not intact. Sector_breadth at -0.67 reinforces it — 33% of sectors were up on the week but none is above its 10-week MA, so even the up-week was shallow. Low_concentration at -0.41 says the advance is narrow and index-driven. Against those, india_vix contributes a modest +0.23 because 14.8 is not a stressed level in absolute terms, credit_hy is flat at +0.02, and risk_over_haven is marginally negative at -0.08, with gold at 146,895 up 4% over three months quietly outperforming equity.

For positioning, treat the regime label as a statement that tail-risk of a disorderly selloff is low, not as a green light for broad beta. The index can grind higher on a handful of large-cap names while most of the market does nothing — which is what 81% PC1 concentration describes. Size equity exposure to the -0.34 scorecard, not the 0.806 posterior, and require breadth confirmation before upgrading.

Global Backdrop & External Conditions

The external-conditions composite at -0.66 classifies the global environment as a headwind, and the component breakdown identifies the two culprits precisely. Low_us_rates at -1.95 is the worst reading in the entire briefing: the US 10-year at 5.3% is unchanged on the week but up a full point over three months, and that is the dominant external constraint on Indian valuations. High US yields raise the

India Cross-Asset Analysis (cont.)

global discount rate, compress the carry advantage of Indian debt, and pressure portfolio flows. The second drag is low_oil at -1.57, which reflects the three-month picture rather than the week — crude is up 14% over three months even after falling 2.4% this week, and for a net oil importer that cumulative move is the one that feeds the import bill and the inflation path.

Weak_dollar at -0.57 adds a third negative: DXY at 102.2 is up 0.2% on the week and 1% over three months, firm enough to keep pressure on EM currencies. Tight_credit is neutral at +0.02, so global credit markets are not signalling stress — important, because a widening credit backdrop alongside these rate levels would be a materially different and worse configuration. The one positive is em_momentum at +0.77, the only component pulling in India's favour, indicating EM equity as an asset class has been holding up. Copper up 8% over three months is consistent with that: global industrial demand is not collapsing.

The investor implication is directional. India's domestic macro is strong — Mfg PMI 54.2, Services PMI 57.3, IIP +5.1%, GST up 13.9% YoY, FY27 GDP projected at 6.6% — but the external channel is subtracting from it. When the backdrop is a headwind and the domestic picture is a tailwind, the market typically trades the external variable, because that is what moves the marginal foreign allocator. Do not expect domestic macro strength to overcome a 5.3% US 10-year; expect it to limit the downside instead.

Sector Rotation & Momentum

The rotation picture is unusually simple and unusually weak. Pharma is the only sector with meaningful 26-week relative strength at +18%, despite being down 0.7% this week and up only 2% over three months — the relative strength is earned against sectors that have done worse, not through absolute acceleration. Bank is at -2% on 26-week relative strength with a 0.5% weekly gain and a -6% three-month decline. IT is the laggard at -9%, flat on the week and up 1% over three months. With 0% of sectors above their 10-week moving average, there is no sector in a confirmed uptrend. That is the defining fact of the current tape.

Bank's -6% three-month drawdown is not idiosyncratic; it is the rates channel working as expected. The Bank~US 10Y correlation has tightened from -0.43 over 52 weeks to -0.68 over 13 weeks, meaning bank prices are now substantially a derivative of the US long end. With the 10Y at 5.3% and up a point over three months, banks have been doing exactly what that relationship predicts. Until the US long end stabilises or falls, bank underperformance has a live driver, and the fair-value model reinforces caution — banks screen 4.7% rich on an R^2 of 0.94, the highest-confidence fit in the briefing.

IT is the more interesting case. Its 26-week relative strength is the weakest at -9%, but the fair-value model shows it 16.7% cheap. IT~USDINR correlation has strengthened to -0.41 over 13 weeks from -0.28 over 52 weeks, and with the rupee flat at 96.3 and no depreciation tailwind, the sector has lost its usual currency support. A stabilising rupee removes the translation benefit but also removes the volatility; the dislocation is in the price, not the fundamentals. Pharma remains the momentum holding, IT the valuation holding, Bank the funded side of the trade.

Factor Structure & Systemic Risk

PCA across the equity and sector complex puts 81% of variance into PC1, and the loadings make the structure explicit: the highest loadings are Nifty 100, Nifty 200 and Nifty 500 — the broad indices moving together — while the lowest are IT, Pharma and Bank. Read plainly, this means the Indian equity market is currently one trade. Index-level moves explain nearly everything, and the three major sectors contribute the residual differentiation. For an investor, that caps what sector selection can achieve. In a market with 81% single-factor concentration, a long-short sector book is working against a very thin spread of idiosyncratic return, and a long-only book is simply holding market beta regardless of what the sector weights say.

The broader 38-instrument factor decomposition tells a slightly more usable story. PC1 (Risk, Nifty) is 34%, PC2 is US rates via the 10Y inverse at 13%, PC3 is global risk via the S&P inverse at 10%, and PC4 is US rates again at 6%. That US rates appear twice, in PC2 and PC4, totalling 19% of cross-asset

India Cross-Asset Analysis (cont.)

variance, confirms the rates channel as the second independent driver of this market after risk itself. Hedging a rates shock is therefore a genuinely distinct exposure from hedging an equity drawdown.

The systemic gauge is the one clearly constructive reading. Average pairwise conditional correlation from the multivariate DCC across eight assets is +0.05, essentially unchanged from +0.06 a year ago, with persistence of 0.8953. Diversification is working. Cross-asset portfolios are getting real risk reduction, which is not the case in a stress regime where this number runs toward +0.4 or higher. The high persistence means the reading is slow-moving and reliable in the near term, but also that a shift upward, once it begins, would be durable rather than noise. A move in this average toward +0.20 would be the clearest early warning that the diversification benefit is eroding and position sizing needs to be cut.

Cross-Asset Correlation & Lead-Lag

The Granger network identifies Crude, India VIX, US 10Y and Gold as net leaders, with EM Equity, Bank, USDINR and the S&P 500 as followers. That is an externally-driven tape. Indian assets — specifically Bank and the rupee — are on the receiving end of the causal structure, not the transmitting end. Practically, it means watching domestic prints to anticipate the Indian market is the wrong order of operations; crude and the US long end move first, and Indian equity and FX respond.

The lead-lag correlations into Nifty quantify how much of this is contemporaneous versus predictive. India VIX is -0.55 contemporaneous but only -0.23 at a one-week lag; DXY is -0.31 contemporaneous and -0.02 lagged; USDINR -0.34 contemporaneous and -0.01 lagged. For these three, essentially all the information is same-week — they are confirming variables, not forecasting ones, and trying to trade Nifty off last week's dollar move has no edge. Crude is the exception that matters: -0.19 contemporaneous and **-0.25 at a one-week lag**, the only relationship where predictive content exceeds the same-week signal. This is the oil-import channel operating with a transmission delay, and it is the single most useful forward-looking relationship in the briefing. US 10Y is -0.01 contemporaneous and -0.06 lagged, so despite dominating the factor structure and the external scorecard, its weekly timing signal is negligible — it operates on level and trend, not weekly change.

The DCC conditional correlations add persistence context. Nifty~India VIX sits at -0.63 with persistence 0.2249 — strong but unstable, so the inverse relationship can break down quickly. Nifty~USDINR is -0.35 with persistence 0.3391. Nifty~Crude is only -0.21 now but carries persistence of 0.6079, by far the most stable of the three. The crude relationship is weaker in magnitude but far more reliable through time, which strengthens the case for treating oil as the structural variable in the India view rather than a passing input.

Relative Value & Fair Value

Only one spread is stretched beyond the $|z| > 1.5$ threshold, and it is the one worth acting on with qualification. IT versus the rupee and US tech is 16.7% cheap at $z = -1.76$, on an R^2 of 0.42. The z-score is the most extreme dislocation in the set, but the model explains only 42% of the variance, so more than half of IT's behaviour is unexplained by the rupee and US tech together. Treat this as a genuine signal with wide error bars: the direction is credible and the magnitude is probably overstated. Size it as a moderate position, not a conviction trade, and expect a slow mean-reversion rather than a snap.

The highest-confidence model points the other way and should carry proportionally more weight. Banks versus Nifty and US rates screen 4.7% rich at $z = +1.13$ on an R^2 of 0.94. That fit is exceptional — the model captures nearly all of bank price behaviour from index level and US rates alone — so the 4.7% premium is a reliable reading even though the z-score falls short of the stretched threshold. Combined with Bank's -6% three-month performance and its -0.68 correlation to the US 10Y, the message is that banks are not yet cheap after the selloff. They are still trading above what rates justify.

The remaining three models are well-fit but fairly valued and carry no trade. Nifty versus global rates, dollar and oil is 0.7% cheap at $z = -0.25$ on R^2 0.59 — the index is close to what the global backdrop supports, which argues against the view that the market is dislocated. The rupee versus dollar, oil and

India Cross-Asset Analysis (cont.)

US rates is 0.4% rich at $z +0.17$ on R^2 0.73, a strong fit showing USDINR at 96.3 is essentially exactly where the external drivers put it. There is no hidden rupee cheapness to harvest and no obvious overvaluation to fade. Gold versus US real yields and the dollar is 0.9% cheap at $z -0.05$ on R^2 0.56 — fairly valued despite a 4% three-month gain. The overall conclusion is that this market is not mispriced in aggregate; the dislocations are sector-level, with IT cheap on a weak model and Banks rich on a strong one.

Currency, Rates & the Oil-INR Channel

The oil-to-rupee-to-inflation-to-rates chain is the spine of the India view, and this week it loosened at the first link. Crude fell 2.4% to 8702 on MCX, and USDINR was unchanged at 96.3. That non-move in the rupee despite a firmer dollar (DXY +0.2% to 102.2) is the chain working in India's favour: lower crude reduces the oil import bill, which reduces structural dollar demand, which offsets dollar strength on the rupee. The fair-value model confirms the rupee is at equilibrium given the dollar, oil and US rates, 0.4% rich on R^2 0.73.

The three-month picture is less benign and is what the external scorecard is penalising. Crude is up 14% over three months even after this week's decline, and low_oil at -1.57 reflects that cumulative pressure. USDINR is up 1% over the same window. The inflation pass-through has not yet shown: CPI is 3.5% with core at 3.7%, comfortably within the RBI's band, but that print is dated April 2026 and predates most of the crude move. Fuel and transport pass-through typically runs one to two quarters, so the April comfort is not evidence that the current crude level is benign for the inflation path.

This is what constrains the RBI. The repo rate is 5.25% on a neutral stance as of the July MPC, with the India 10Y G-sec at 6.76% and explicitly sensitive to crude and US yields. With forex reserves ex-gold at USD 588 billion, the RBI has substantial capacity to defend the rupee, but defending it tightens domestic liquidity. The practical read is that a neutral MPC with contained headline CPI but a rising crude base is unlikely to cut, and the market should not price easing as support for rate-sensitive sectors. The Nifty~USDINR correlation has strengthened from -0.36 over 52 weeks to -0.50 over 13 weeks, and Nifty~Crude is -0.41 over 52 weeks, so both links are live. A sustained crude decline below the current 8702 would be the cleanest bullish catalyst available to Indian equity, working through the rupee and the rates path simultaneously. A renewed crude rally is the corresponding threat, and the one-week lag correlation of -0.25 means it would show up in the Nifty with a delay rather than immediately.

Volatility, Tail Risk & What to Watch

India VIX at 14.8 is up 0.3 on the week and 3 points over three months, sitting at the 60th percentile over five years and the 68th on the rule-based read. The volatility risk premium is +4.7 and positive, meaning implied volatility exceeds recent realised — options are priced above the delivered move. That makes systematic protection buying expensive on a carry basis, and favours financing hedges through spreads or collars rather than outright long volatility. India-minus-US VIX at -0.5 is the more notable number: Indian implied volatility is trading slightly below US implied volatility, which is unusual for an EM market and suggests Indian options are not pricing much country-specific risk. Given the external headwind score of -0.66 and 0% sector breadth, that pricing looks optimistic, and it makes targeted downside protection relatively good value even with the premium positive.

Tail risk is contained but asymmetric across assets. Nifty expected shortfall at the 5% level is -4.0% with the index in a 14% drawdown. Gold's ES5 is -6.7% with an 11% drawdown — gold carries more tail risk than the index here, worth noting for anyone treating the 4% three-month gain as a safe-haven allocation. The Nifty~Gold correlation has risen from +0.13 over 52 weeks to +0.30 over 13 weeks, so gold's diversification value against Indian equity has weakened precisely when it would be most wanted.

The signals that would confirm or change this view are specific. Confirming the cautious stance: India VIX above 18 while sector breadth remains at 0% above the 10-week MA; US 10Y above 5.5%; crude reversing above 9,200 on MCX; USDINR breaking 97; or the MV-DCC average pairwise correlation rising from +0.05 toward +0.20, which would mean diversification is failing and position sizes need cutting. Changing it to constructive: Nifty reclaiming and holding its 40-week average, which would lift nifty_trend from

India Cross-Asset Analysis (cont.)

-1.13 and is the single most important swing factor in the scorecard; sector breadth above the 10-week MA recovering past 50%; crude sustaining below 8,500 with USDINR holding under 96; US 10Y falling below 5.0%; or the Banks fair-value premium compressing from +4.7% toward zero on the 0.94- R^2 model, which would remove the main valuation objection to the largest index sector. The next CPI print is the key scheduled data point, since the current 3.5% reading dates to April and predates the crude move that the rates path now depends on. Weekly predictive skill across these models is modest, so treat each as a probability shift rather than a forecast.



PART I

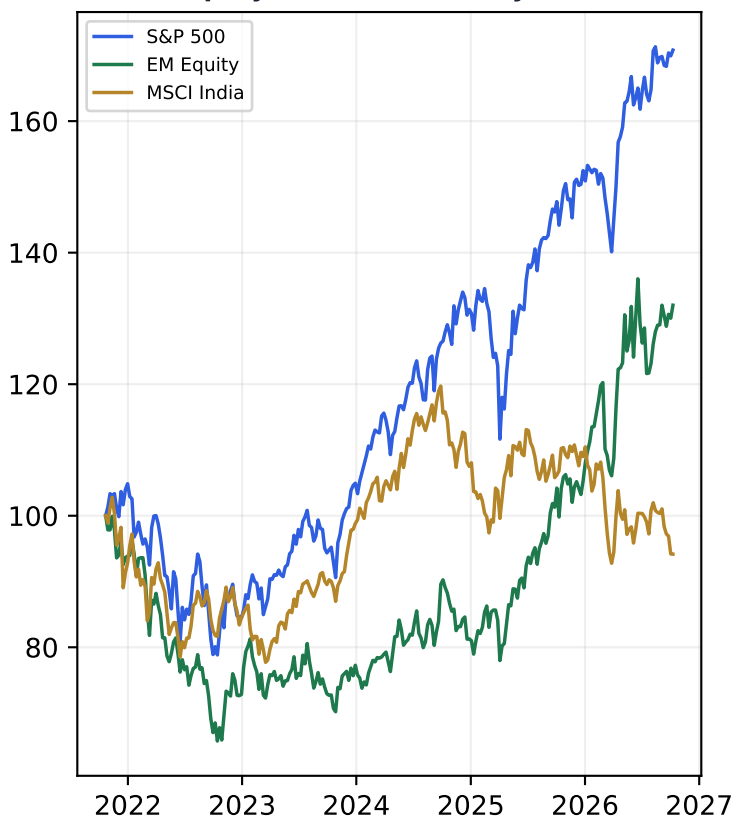
Global Backdrop & Macro

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

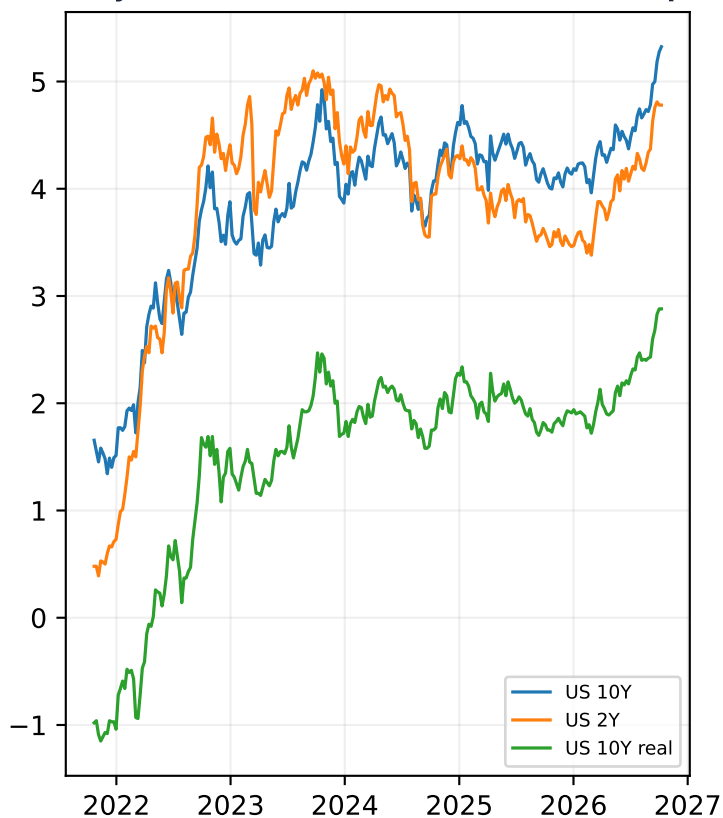
- Global equity, US yields & credit spreads, dollar & Fed balance sheet
- India macro prints (repo/CPI/GST/PMI/IIP) and FII/DII flows

Global Backdrop & Rates

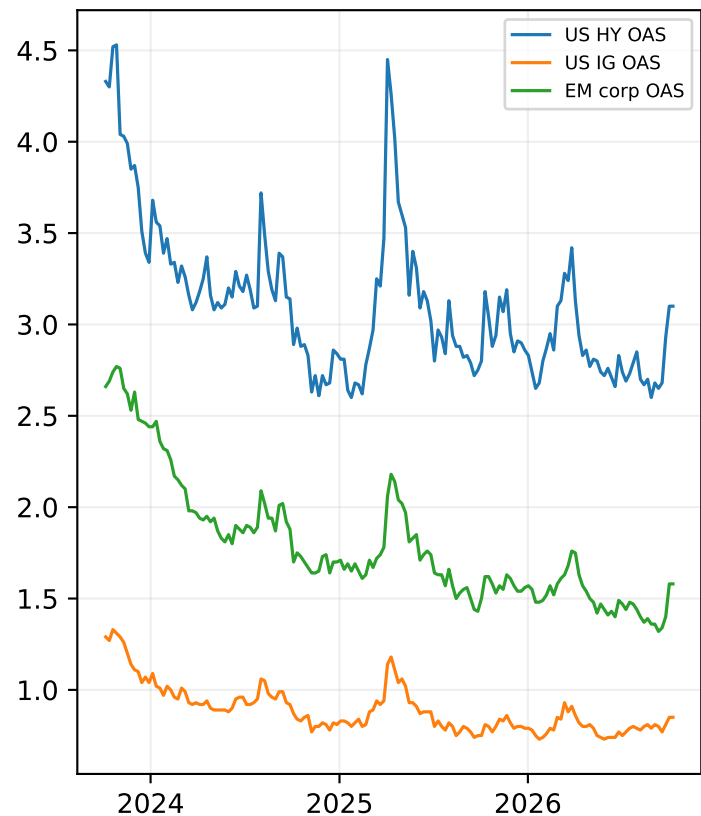
Global equity (indexed=100, 5y)



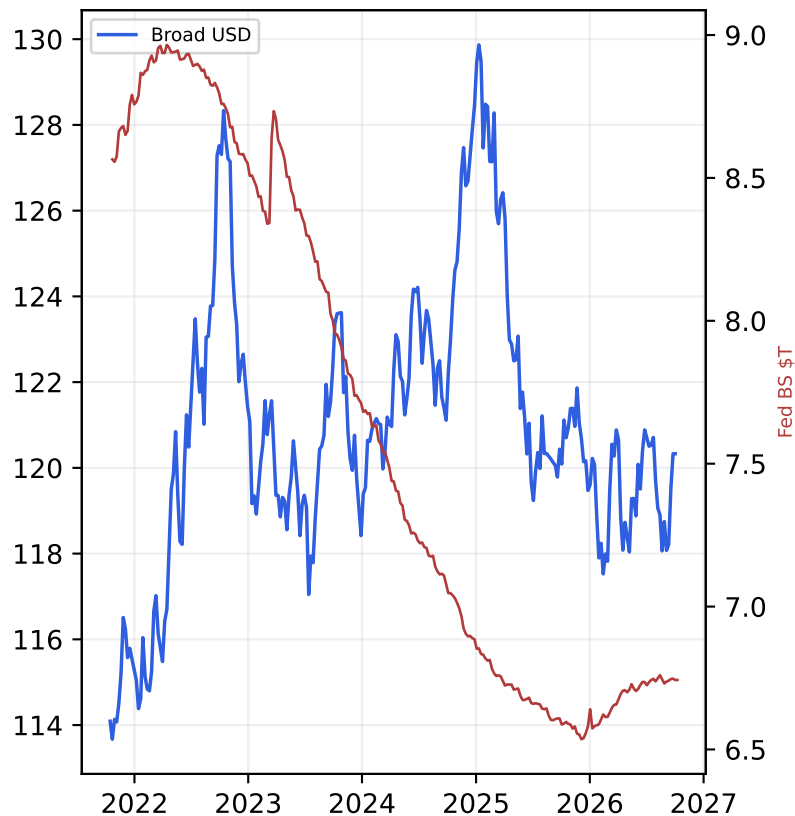
US yields (%) — India's external cost of capital



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 5,182 cr, FII net Rs -4,699 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

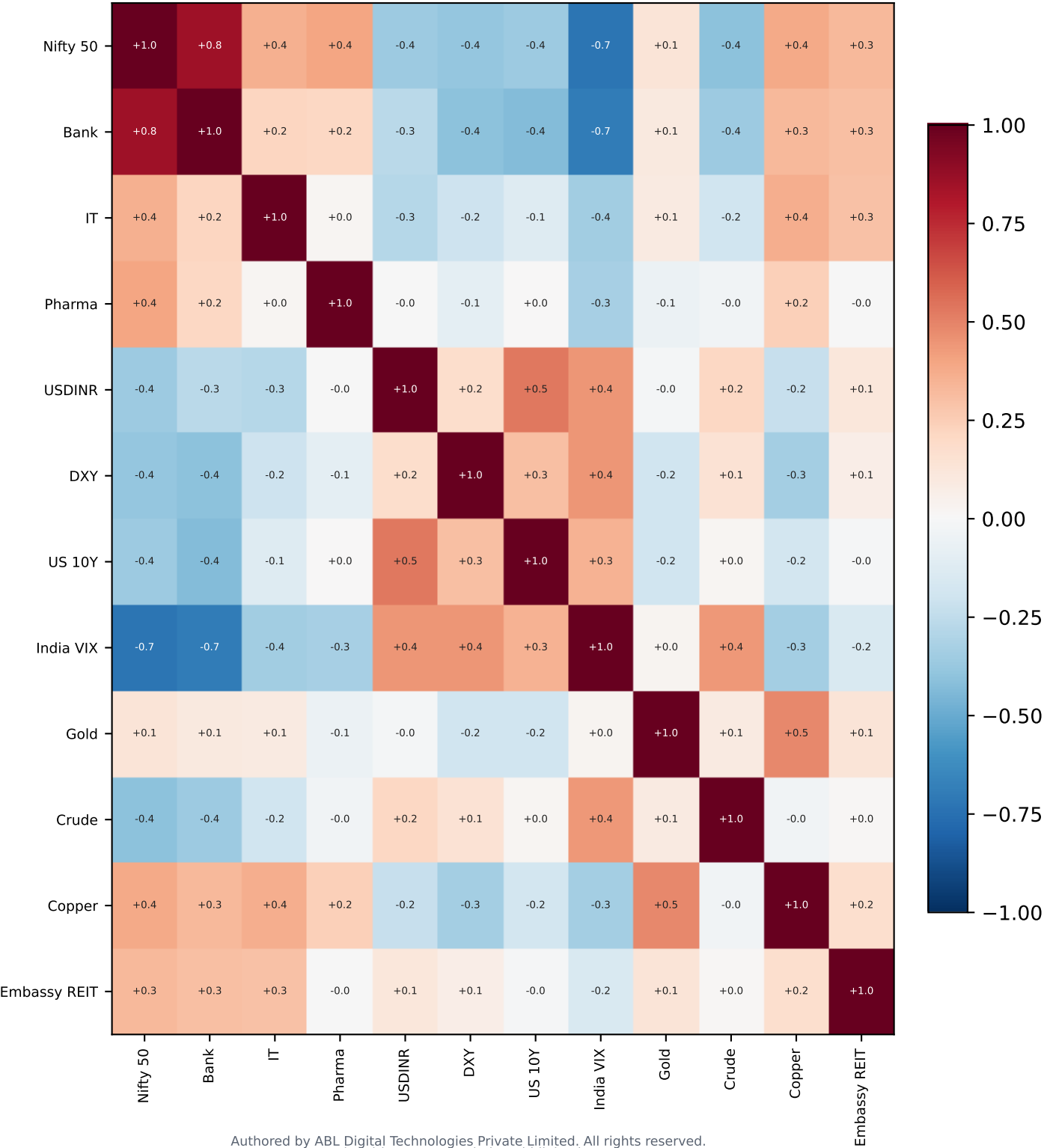
Weekly Returns Heatmap

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

Sensex	+0.7	-3.2	-6.7
Nifty 50	+0.6	-3.6	-6.8
Nifty 200	+0.6	-3.9	-6.3
Nifty 100	+0.5	-3.7	-6.4
Nifty 500	+0.5	-3.9	-5.9
Midcap 150	+0.5	-4.8	-6.1
Midcap 50	+0.4	-5.7	-6.4
Smallcap 250	+0.4	-3.7	-2.6
Nifty Next 50	+0.3	-4.0	-4.4
Bank	+0.5	-3.3	-5.7
IT	-0.0	-2.1	+1.0
Pharma	-0.7	-1.6	+1.7
JPYINR	+2.5	-2.2	+6.9
DXY	+0.2	+3.1	+1.2
GBPINR	+0.1	-1.8	-0.8
Broad USD	+0.0	+1.9	-0.3
USDINR	-0.0	+0.8	+1.0
EURINR	-0.3	-2.7	+2.0
NatGas	+2.9	+6.4	+4.6
Copper	+0.8	+2.6	+7.5
Zinc	+0.7	-1.6	+10.5
Aluminium	+0.6	-3.5	-0.8
Silver	+0.4	-3.4	+2.8
Brent	-0.5	-2.7	+33.9
Gold	-0.7	-3.7	+3.6
Crude	-2.4	-11.4	+14.3
Embassy REIT	+0.0	-2.4	-4.7
Brookfield REIT	+0.0	-1.5	-2.2
Nexus REIT	+0.0	-0.8	+0.6
EM Equity	+1.5	+1.3	+2.7
Nasdaq	+0.8	+4.1	+4.3
S&P 500	+0.5	+1.4	+2.5
Hang Seng	+0.3	-3.1	-0.6
USDJPY	+0.1	+2.9	-2.3
China	+0.0	-1.2	-3.9
Fed Balance Sheet	+0.0	+0.0	+0.1
MSCI India	-0.0	-4.3	-5.7
EURUSD	-0.4	-3.4	-1.8

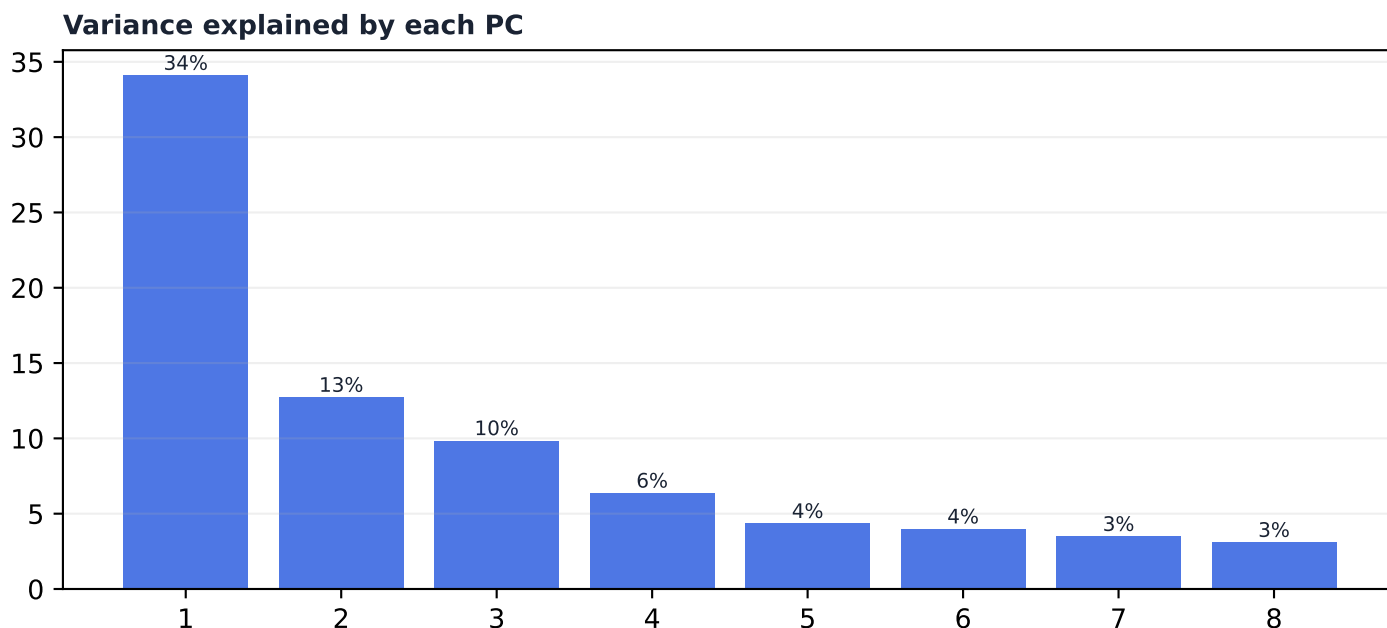
52-Week Cross-Asset Correlation

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)

34.1% 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 +0.25
- India VIX -0.17, US VIX -0.13, US HY OAS -0.11, USDINR -0.11, US 10Y real -0.11

PC2 — US rates (10Y) (inverse)

12.7% of variance (cum 47%) · marker corr -0.58

+ EM corp OAS +0.36, US HY OAS +0.33, US IG OAS +0.30, US VIX +0.27, JPYINR +0.18
- US 2Y -0.31, US 10Y -0.26, USDJPY -0.26, Nasdaq -0.26, S&P 500 -0.25

PC3 — Global risk (S&P) (inverse)

9.8% of variance (cum 57%) · marker corr -0.29

+ 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 -0.34, EM Equity -0.22, JPYINR -0.21

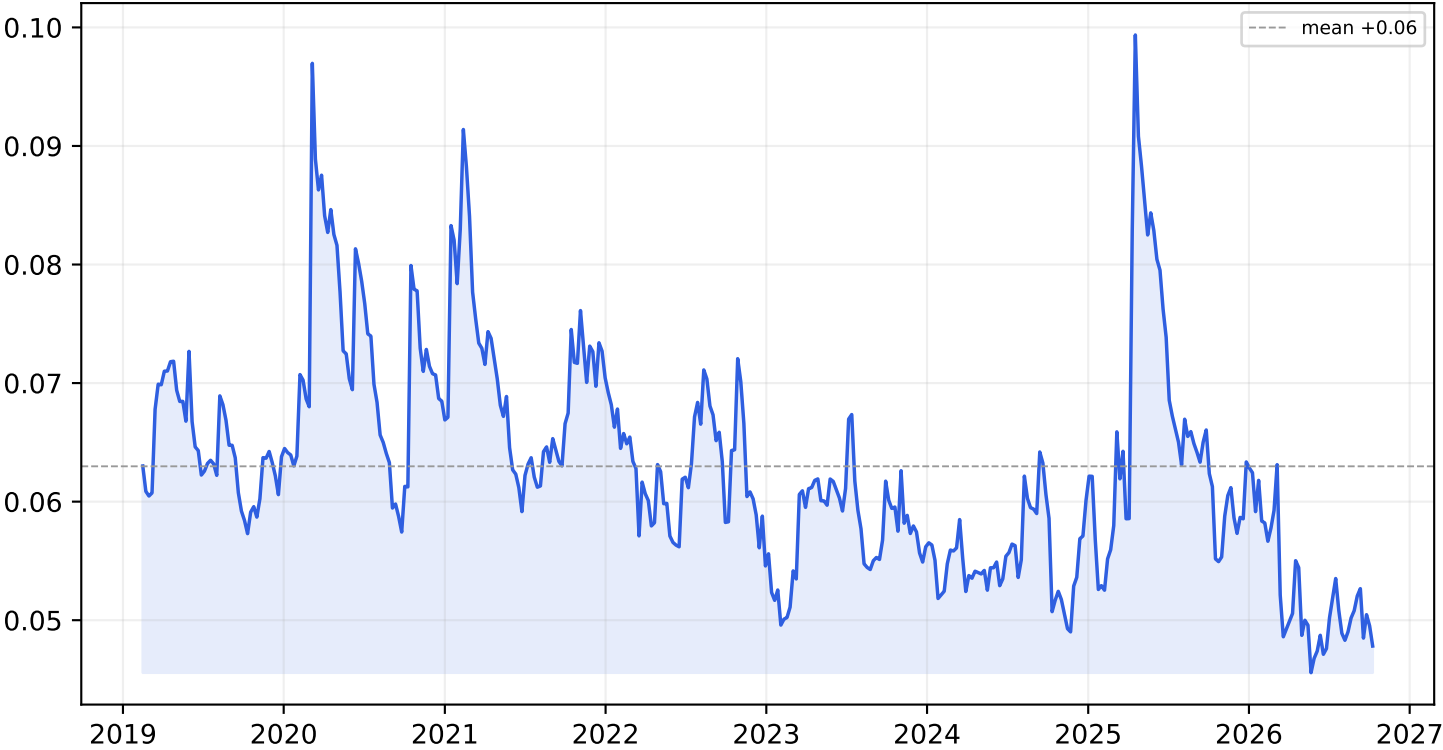
PC4 — US rates (10Y)

6.3% of variance (cum 63%) · marker corr +0.62

+ US 10Y real +0.41, US 10Y +0.40, US 2Y +0.32, EURINR +0.32, USDINR +0.26
- S&P 500 -0.17, Nasdaq -0.16, China -0.16, EM Equity -0.14, DXY -0.12

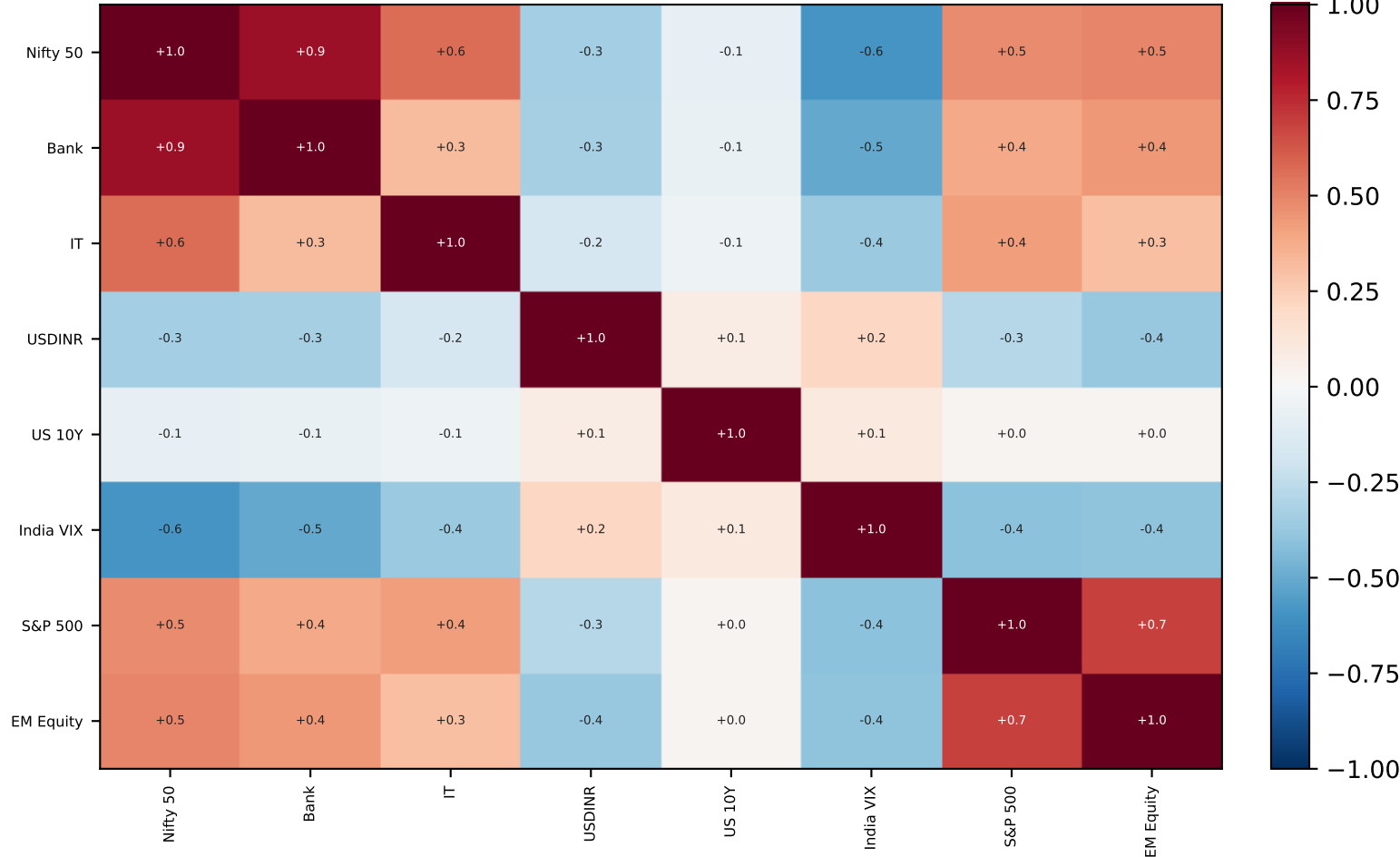
Principal components are the uncorrelated factors explaining the most joint variance. A high PC1 share means one force (usually broad risk) dominates — diversification is thin.

Average pairwise conditional correlation (multivariate DCC-GARCH)



N=8 · persistence 0.8953 · now +0.05 · rising = diversification failing in real time

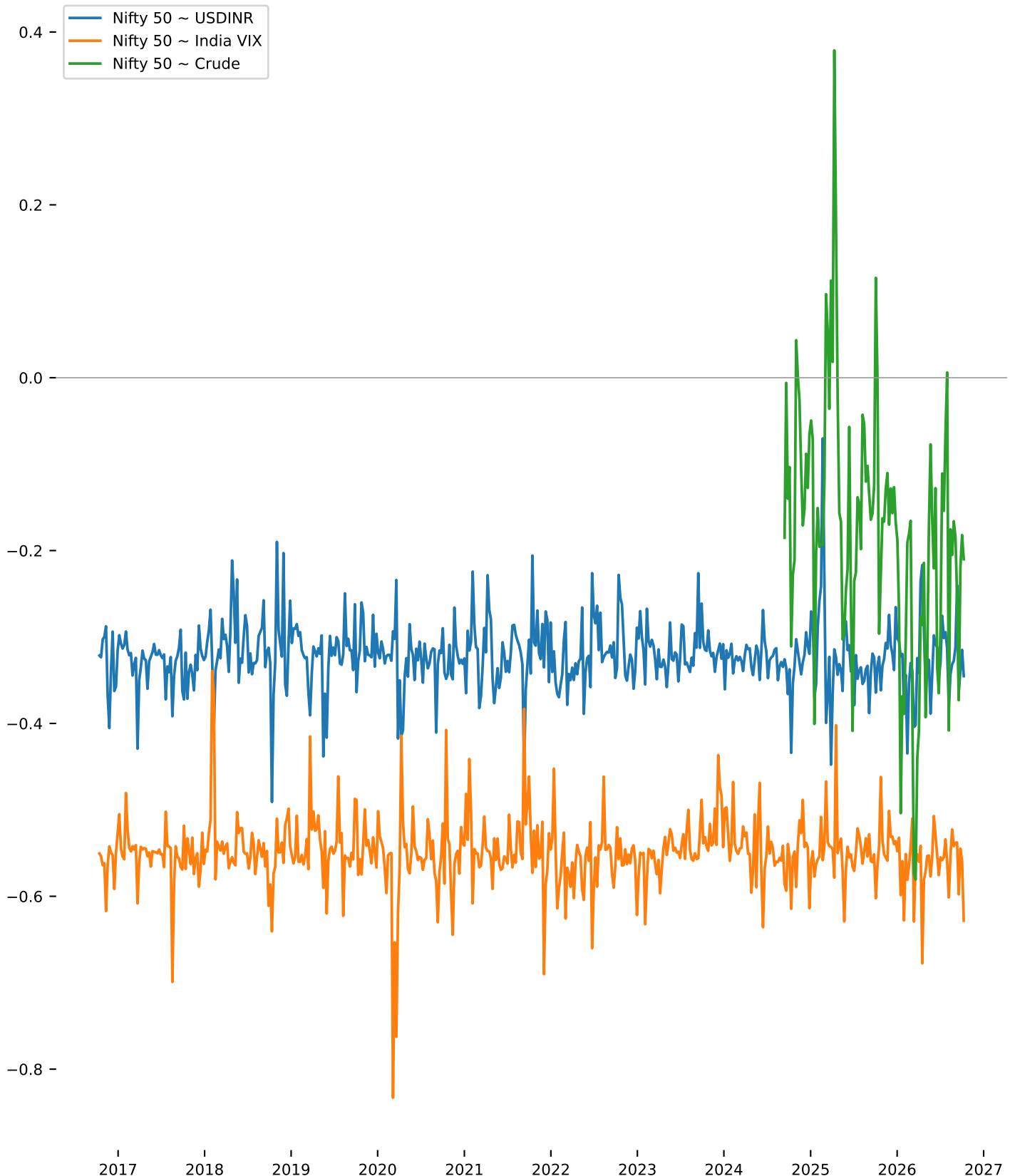
Latest conditional-correlation matrix



Regime & Conditional Correlations

Markov-switching regime: Risk-on (Markov-switching). Smoothed posterior: Risk-on 0.81, Risk-off 0.13, Neutral 0.06

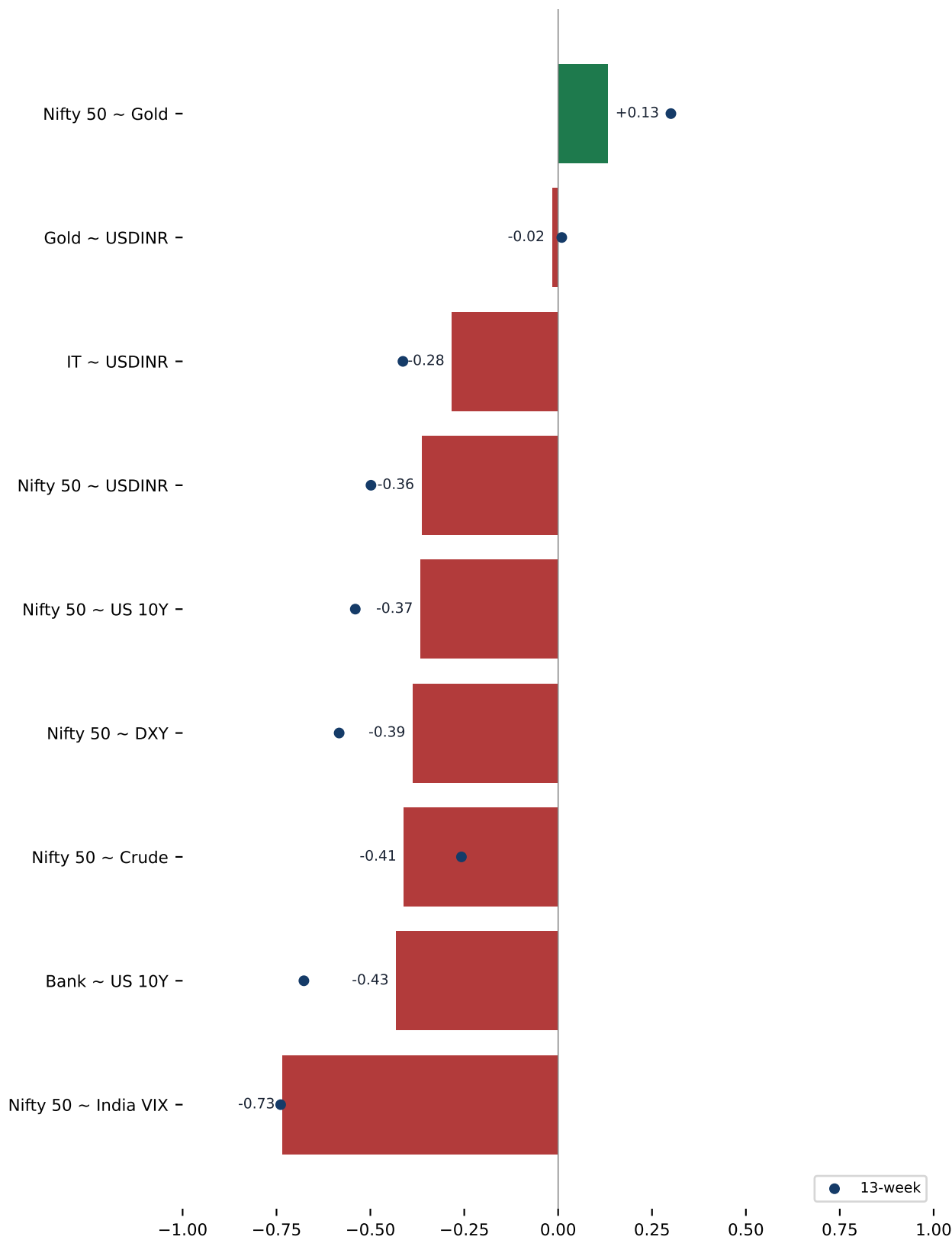
DCC-GARCH conditional correlation (time-varying)



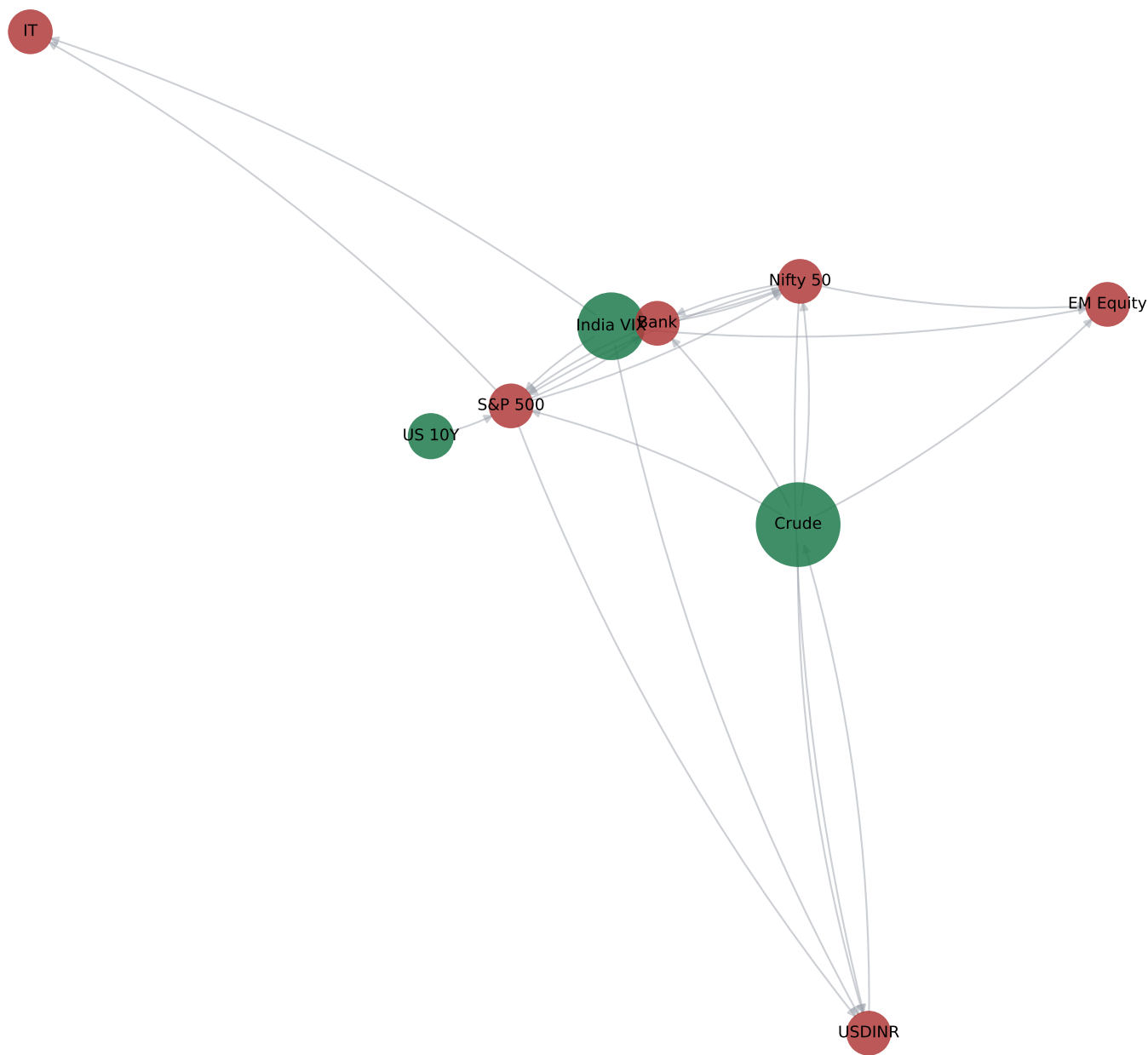
Now: Nifty 50 ~ USDINR -0.35 (persist 0.3391), Nifty 50 ~ India VIX -0.63 (persist 0.2249), Nifty 50 ~ Crude -0.21 (persist 0.6079)

Cross-Asset Relationship Watch-List

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



Directional lead-lag — Granger causality network

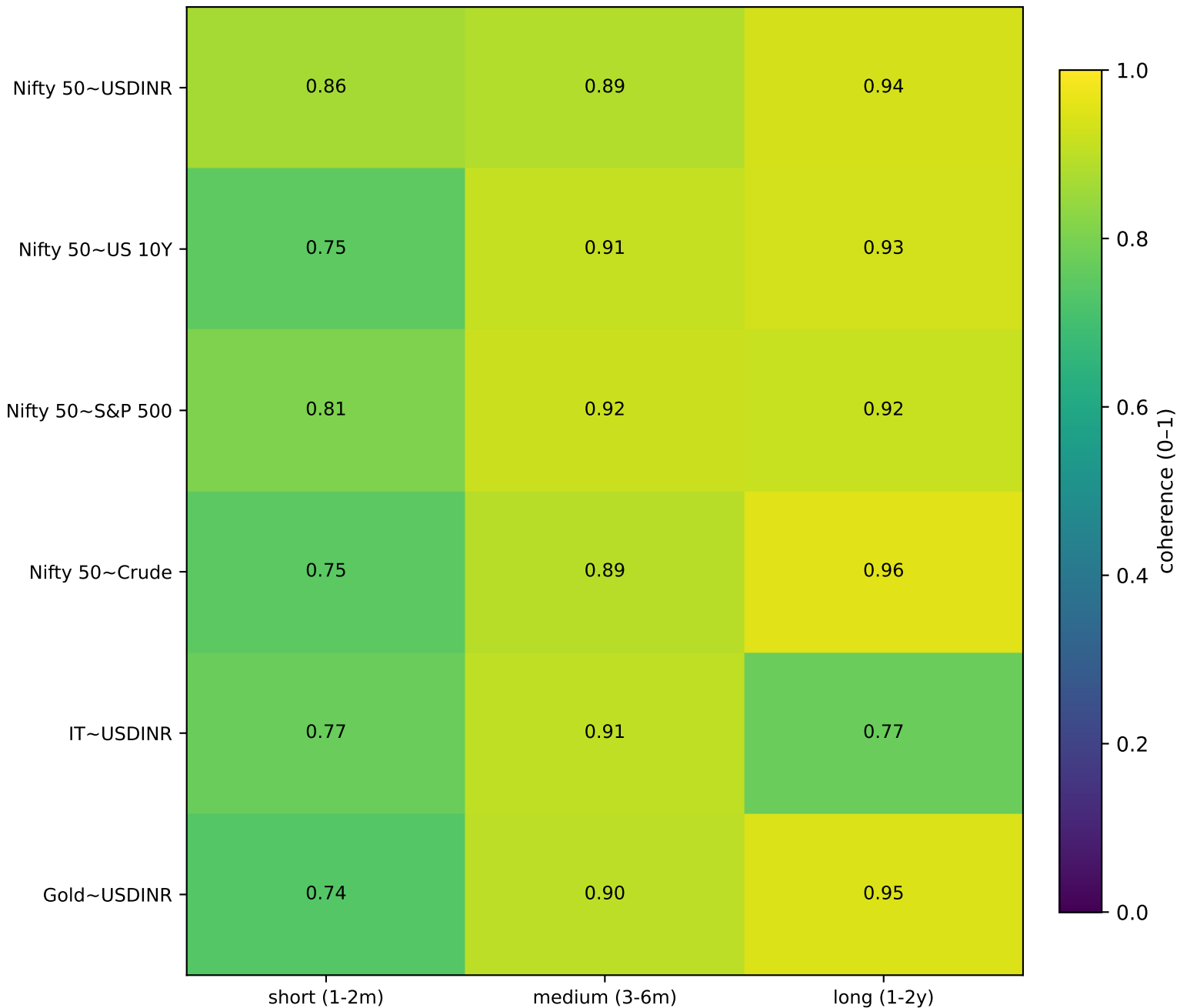


arrow = X Granger-causes Y (p<0.05); green/large = net information EXPORTER (leader)

LEADERS: Crude +0.24, India VIX +0.12, US 10Y +0.01, Gold +0.00, IT -0.01

FOLLOWERS: EM Equity -0.10, Bank -0.08, USDINR -0.08, S&P 500 -0.06, Nifty 50 -0.05

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
Nifty vs Nifty500	no	0.754	1.25	19w	+3.17
Nifty vs S&P 500	no	0.978	1.23	73w	+3.05
Nifty vs EM Equity	no	0.968	0.61	160w	+2.50
Nifty vs Sensex	no	0.840	0.91	35w	-2.41
IT vs USDINR	no	0.968	-0.02	286w	+2.03
WTI vs Brent	yes	0.000	0.82	1w	+0.77
USDINR vs DXY	no	0.156	-0.05	16w	+0.21
Gold vs Silver	no	0.450	1.58	9w	-0.03

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

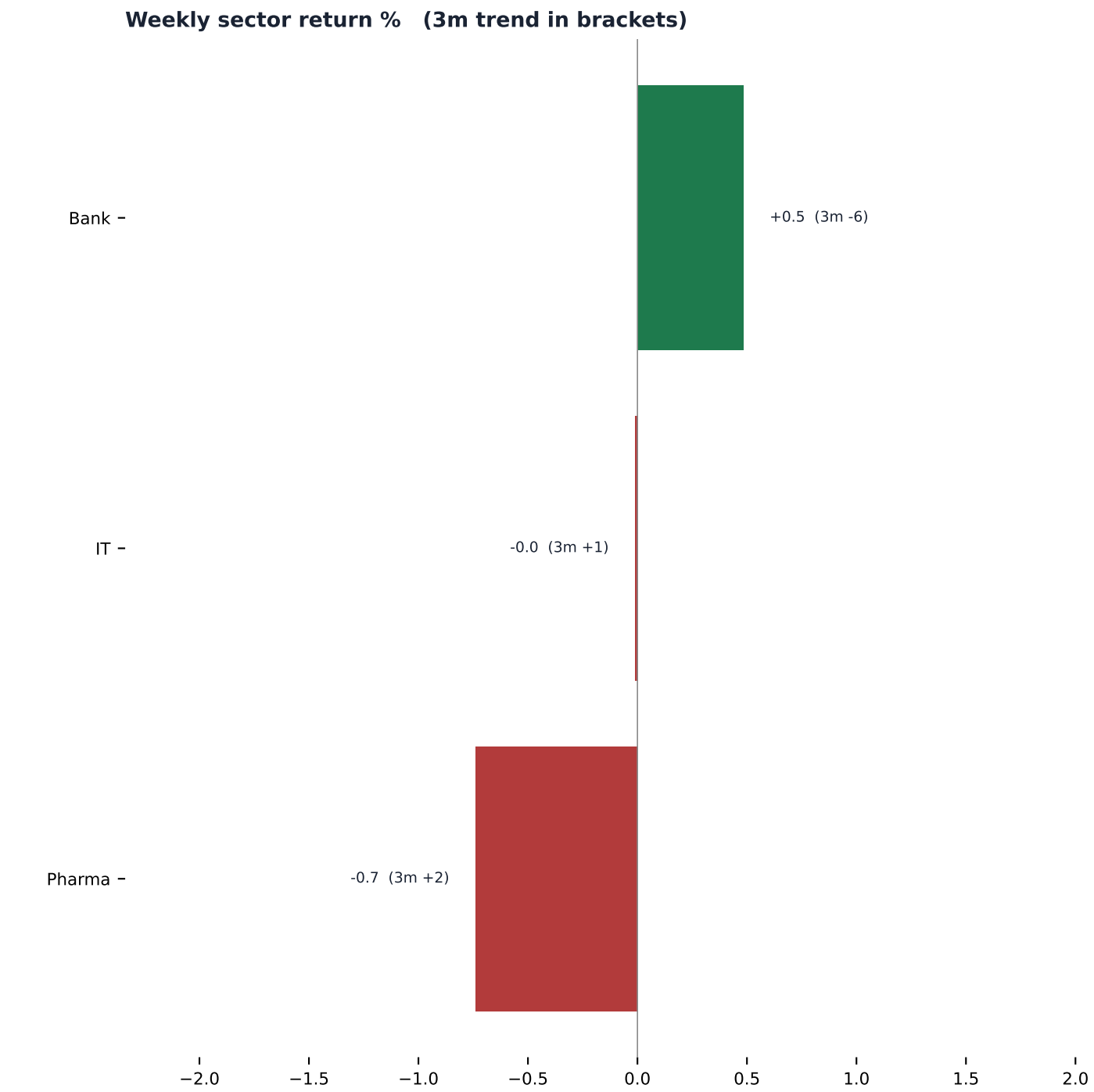
Sectors, Momentum & Fair Value

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: 33% of sectors up this week; 0% 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	-7%	-6%	-11%	-1.00	-6%	-14%
Smallcap 250	-3%	+12%	+3%	+0.00	+4%	-5%
Bank	-6%	-2%	-3%	-1.00	-4%	-11%
IT	+1%	-9%	-21%	-0.50	-7%	-28%
Pharma	+2%	+18%	+18%	+0.50	+8%	-3%
Gold	+4%	-5%	+15%	+0.00	-3%	-11%

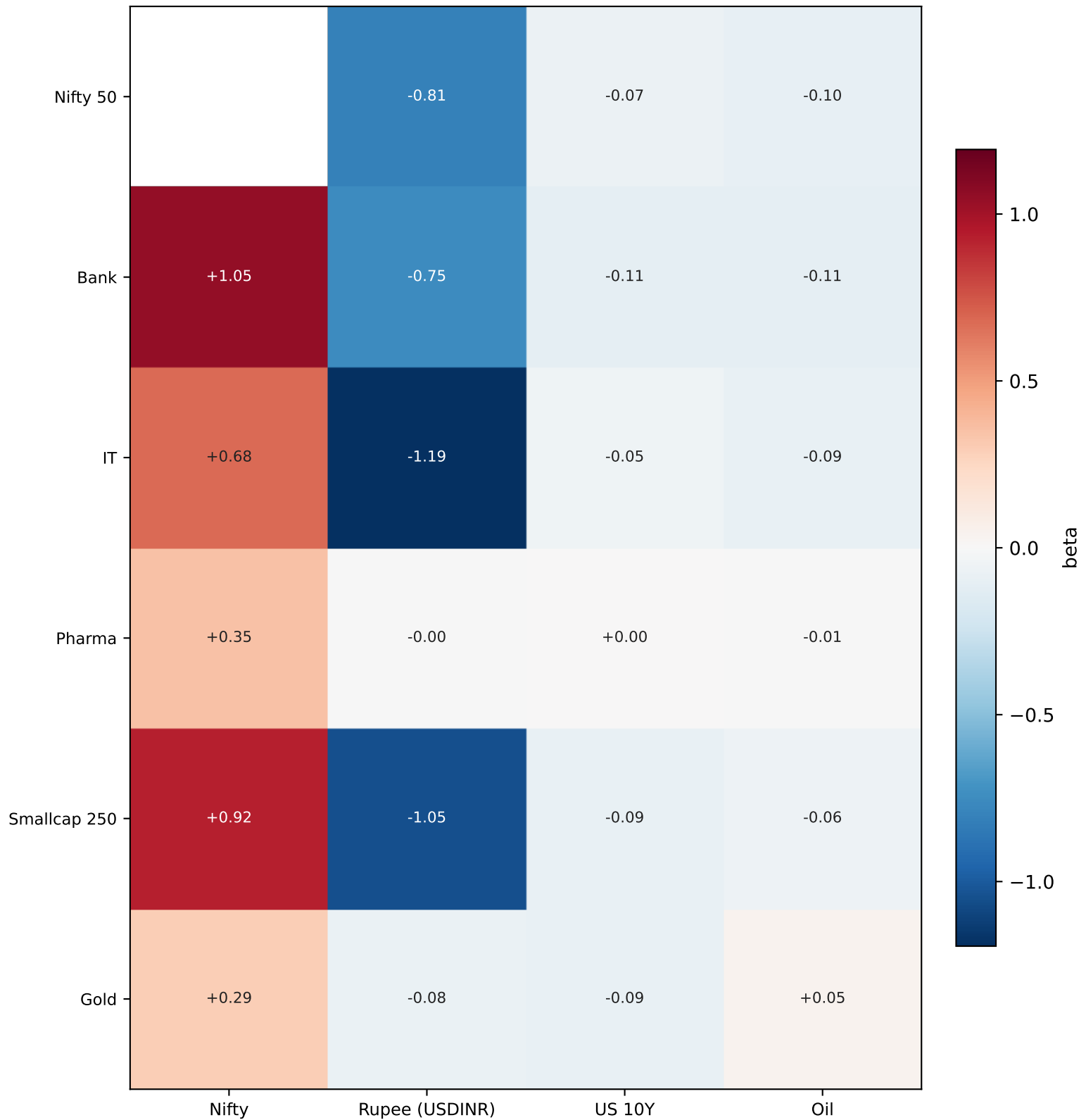
Sector 26-week relative strength:

LEADERS: Pharma +18%, Bank -2%, IT -9%

LAGGARDS: IT -9%, Bank -2%, Pharma +18%

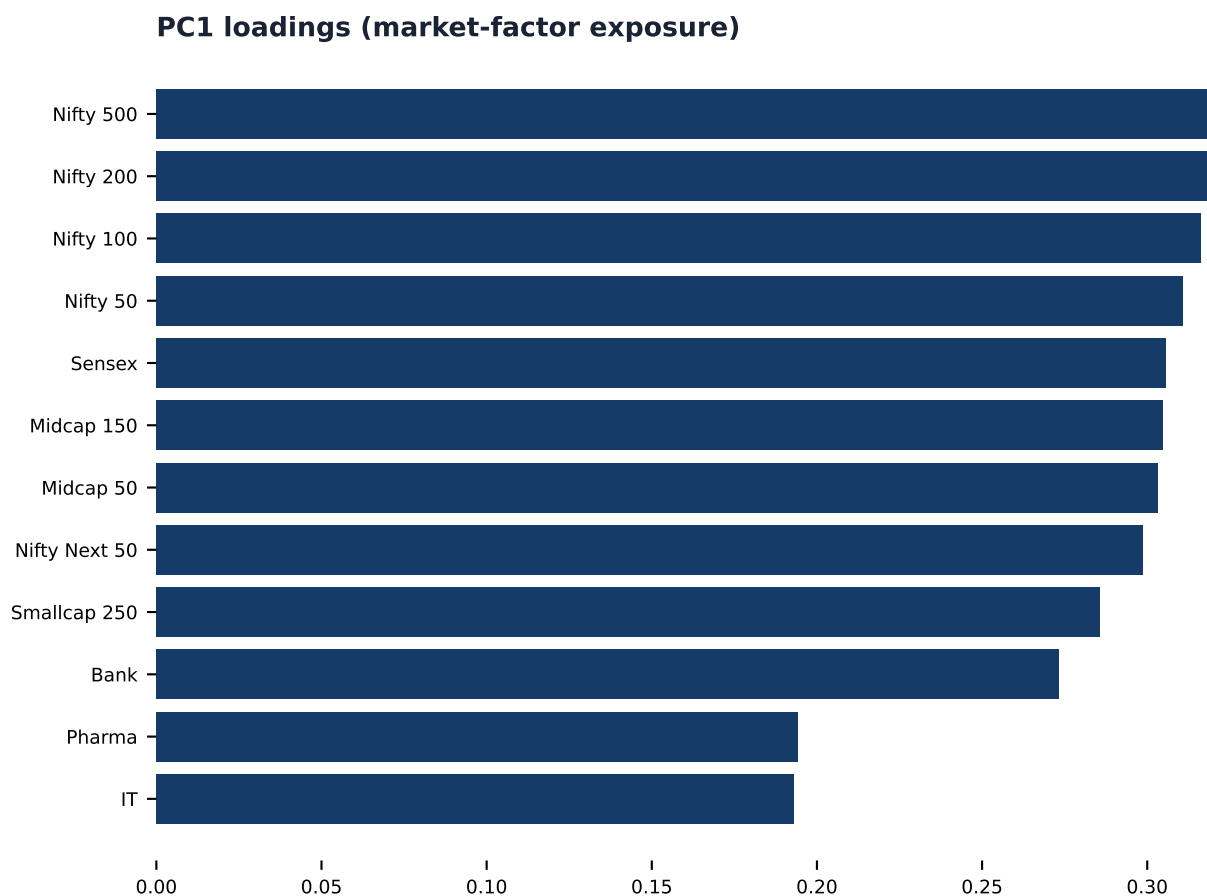
Score = mean sign of the 4/13/26/52-week returns (+1 = uptrend across all horizons). 'Golden' vs 'death' = 10w vs 40w MA cross.

Factor betas — 52-week sensitivity to the master factors



Risk Concentration & Lead-Lag

PCA on equity + sector weekly moves: PC1 explains 81% of variance (PC2 7%). 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	-0.23
US 10Y	-0.01	-0.06
DXY	-0.31	-0.02
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

IT vs rupee & US tech

cheap z -1.76

actual 28301.65 · model-fair 33963.77 · gap -16.7% · R^2 0.42



Banks vs Nifty & US rates

RICH z +1.13

actual 54714.10 · model-fair 52234.64 · gap +4.7% · R^2 0.94



Nifty vs global rates, dollar & oil

cheap z -0.25

actual 22555.75 · model-fair 22704.11 · gap -0.7% · R^2 0.59



Rupee vs dollar, oil & US rates

RICH z +0.17

actual 96.28 · model-fair 95.88 · gap +0.4% · R^2 0.73



Gold vs US real yield & dollar

cheap z -0.05

actual 146895.00 · model-fair 148209.08 · gap -0.9% · R^2 0.56



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

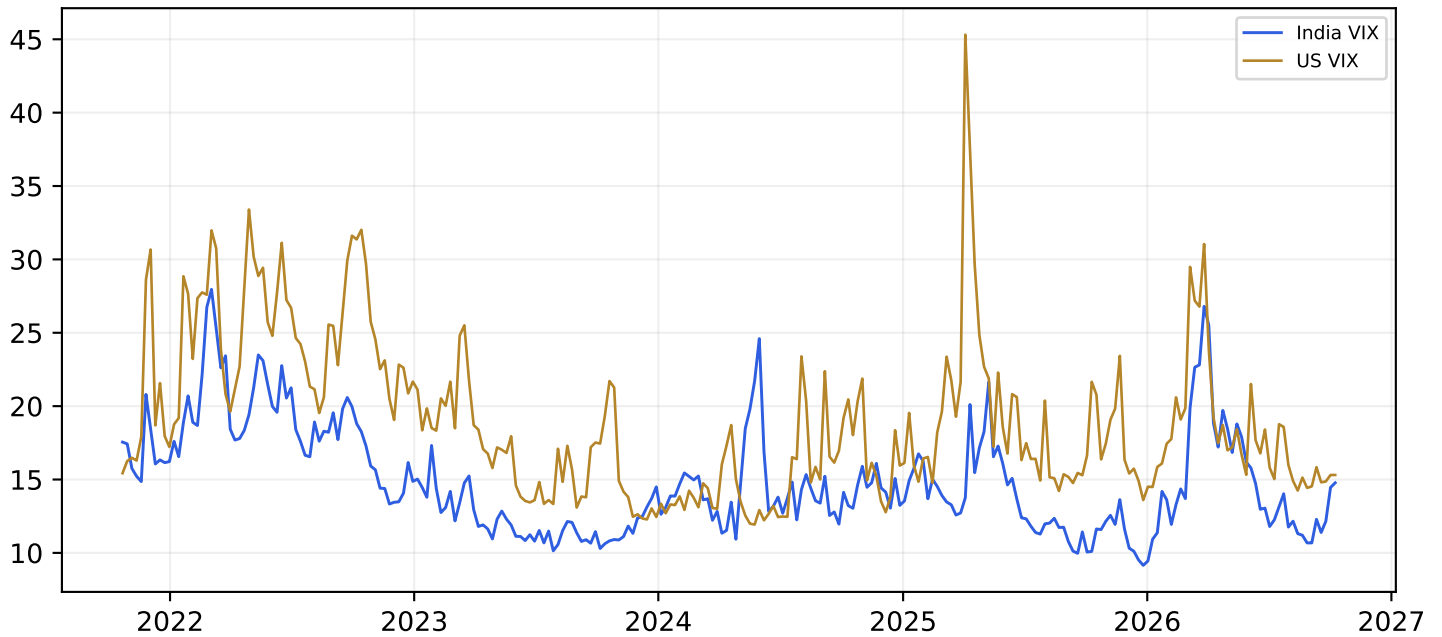
The volatility complex and downside risk.

- 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)

+4.7 pts

India VIX 14.8 – realised 10.1
positive (implied > realised, carry cushion)

FEAR CONTEXT

India VIX 60th %ile of 5y

India–US VIX -0.5

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	-2.9%	-4.0%	9%	-16%	-14%	-0.3	+0.5
Smallcap 250	-4.8%	-6.6%	15%	-25%	-5%	-0.5	+1.3
Bank	-3.9%	-5.0%	11%	-19%	-11%	-0.1	+1.0
IT	-6.0%	-7.7%	17%	-41%	-38%	-0.6	+0.7
Gold	-4.5%	-6.7%	16%	-15%	-11%	-0.5	+1.4
Crude	-10.2%	-14.0%	31%	-36%	-14%	-0.2	+1.0
USDINR	-1.0%	-1.3%	3%	-3%	-0%	-0.1	+1.6

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

Bank 0.64 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.

	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	09-25	10-02	10-09
Regime	R+	R+	R-	R+	N	R-	R+	R+	R-	R+	R-	R-	N	R+	N	R+	R+	R+	R+	R+	R+	R+	R-	R+
Risk appetite															+0.51	+0.50	+0.40	+0.23	+0.39	+0.39	+0.28	+0.10	-0.09	-0.34
External backdrop															-0.28	-0.31	-0.31	-0.39	-0.16	-0.24	-0.41	-0.24	-0.55	-0.66
Nifty 1w %	+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	+0.3	-1.6	+0.6
Breadth %	75	92	17	50	67	25	67	92	42	75	50	50	58	58	72	56	50	44	50	22	0	67	0	33
PC1 share															33	34	34	34	34	34	34	34	34	34
India VIX	18	17	19	18	16	16	15	13	13	12	12	13	13	13	12	12	11	12	11	11	12	11	14	15
USDINR 1w %	+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	-0.1	+0.2	-0.0
Bank 1w %	-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	+0.2	-2.0	+0.5

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