

Market Outlook

Feb 2026

Macro Risks Moderate,
Earnings Take Center Stage



Index

1 **Outlook Summary**

2 **Global Macro & Markets**

3 **India Macro Update**

4 **Equity Market Outlook**

5 **Fixed Income Outlook**

Outlook Summary

Equity View

Large Cap

Key events addressed; Earnings to remain under focus; Stagger into equities

- Nifty ended in the red in Jan-26 losing 3.1%, marginally outperforming broader indices (Nifty 500: -3.3%).
- FIIs remained net sellers, while DILs absorbed the supply.
- However, markets saw a sharp reversal in early Feb buoyed by the breakthrough US-India interim trade deal and the subsequent reduction in reciprocal tariff.
- Valuations normalized to averages (Nifty 50 trades @~20.5x 1yr forward)

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Indian Equities	Large Cap	Nifty 50	25,320	Positive

💡 Quick Overview

- Expect Nifty 50 Index to deliver EPS of 1,300 for FY27 (13% growth over FY26) and 1,475 for FY28 (13.5% growth over FY27).
- Stagger investments over next 2 months.

Mid & Small Cap

Broader markets to make a comeback

- Broader markets saw consolidation; Nifty Midcap 100 was down by 3.4% while Smallcap 250 corrected by 5.5%.
- Broader market valuations softened but still on the higher side, however supported by positive earnings growth.
- Neutral on Mid & Small Caps with selective allocation to this space.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Indian Equities	Mid and Small Cap	Nifty Midcap 100	58,432	Neutral

💡 Quick Overview

- Nifty Midcap 100 Index valuation premium has come off over the past year and now trades at ~21% premium to its long period averages. Nifty Smallcap 250 Index too now trades at reasonable premiums to its averages.
- Consider phased investments over next 3 months to 4 months period, limiting allocation to 25% for mid and 15% for small caps.

Fixed Income View

RBI Holds Rates in Feb - Re-iterates commitment to Liquidity Support

- Neutral Policy stance, reflecting balanced approach to the evolving domestic growth-inflation dynamics and ongoing geopolitical uncertainties.
- Inflation forecast mean reverting to 4% suggests RBI might want to be a lot more data dependent going forward before resorting to incremental rate action.
- External volatility will continue to shape market expectations, prefer a dynamic and continuously reassessed approach to debt investments.
- Higher borrowings to weigh on market sentiment and keep pressure on yields which is negative for duration play.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Fixed Income	G-Sec	10-year G-Sec	6.73%	Positive on 2y-5y maturity funds and high yield strategies
	AAA Corporate	3y AAA	7.20%	
	AA Corporate	3y AA	8.08%	
	A Corporate	3y A	9.09%	

💡 Quick Overview

- ~45% in 2yr – 5yr AAA/AA accrual strategies, ~20% in dynamic/long-duration, ~35% in high-yield assets (A rated and below).
- Credit environment stable; spreads remain attractive.

Global Equities View

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Global Equities	US	S&P 500	6,939	Neutral
	Europe	MSCI Europe	2,759	Negative
	China	Shanghai Composite	4,118	Neutral

USA

- Rich valuations on Tech, narrow market rally and open trade risk are key reasons for caution. Concentrated earnings growth could favour broader markets, specifically US Small caps.

Europe

- Lack of earnings, rich valuations and strong Euro is a headwind for exports.

China

- Continue to remain neutral given sharp rise in valuations and 20%+ 1yr returns; Prefer Global EMs

Commodities View

Precious Metal

- Gold gained 14% in Jan-26 while silver rallied 43%, driven by a 'perfect storm' of escalating US-Iran tensions and safe-haven buying amid a 43day US government shutdown.
- This parabolic rally hit a wall by month-end as the nomination of a hawkish Federal Reserve Chair triggered a sharp dollar rebound and forced a historic deleveraging event.
- Slower growth and lower rates could support moderate gains; a deeper downturn could drive stronger upside.
- Faster U.S. growth and reduced geopolitical risk could strengthen the dollar and pressure gold lower.
- Precious metals remain a key portfolio diversifier and stabilizer amid ongoing market volatility and can be allocated up to 10% of the portfolio.
- Reinvesting existing gains into gold MLDs offers an attractive hedge opportunity.

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Precious Metal	Gold	LBMA USD	4,982	Neutral
	Silver	LBMA USD	103	Neutral

Commodities View

Crude

- Brent hovered around \$63-64/bbl in Nov and early Dec.
- Rising supply and easing seasonal demand to drive inventory buildup and price decline.
- EIA projects: ~\$60/bbl in Q1CY26 and ~\$56/bbl in 2026.
- As per EIA, as global oil production increases supply, oil prices continue to remain under pressure

Asset Class	Sub-category	Index	Closing Level	InCred Outlook
Commodities	Crude	Brent Crude (US\$/bbl)	70.7	Negative



EM, Gold, and Silver Lead the January Pack

Emerging Markets outperformed Indian markets; Nasdaq underperformed in the U.S; Russell 2000 outperformed

As of 31st Jan 2026	Current Level	Point-to-Point (%)				Calendar Year (%)						
		1 Month	3 Months	6 Months	1 Year	2026 YTD	2025	2024	2023	2022	2021	2020
Global Indices												
S&P 500	6,939	1.4	1.4	9.5	14.9	1.4	18.0	23.3	24.2	-19.4	26.9	16.3
S&P 500 Equal-Weight	8,018	3.3	5.3	7.8	9.2	3.3	12.9	10.9	11.6	-13.1	27.5	10.5
Nasdaq	23,462	0.9	-1.1	11.1	19.5	0.9	21.5	28.6	43.4	-33.1	21.4	43.6
Russell 2000	2,614	5.3	5.4	18.2	14.3	5.3	17.2	10.0	15.1	-21.6	13.7	18.4
MSCI Emerging Markets	1,528	8.8	9.0	22.9	39.8	8.8	42.1	5.1	7.0	-22.4	-4.6	15.8
Shanghai Composite	4,118	3.8	4.1	15.2	26.7	3.8	22.9	12.7	-3.7	-15.1	4.8	13.9
Indian Indices												
Nifty 50	25,321	-3.1	-1.6	2.2	7.7	-3.1	7.1	8.8	20.0	4.3	24.1	14.9
Nifty 500	23,080	-3.3	-2.7	0.7	6.9	-3.3	3.1	15.2	25.8	3.0	30.2	16.7
Nifty MidCap 100	58,432	-3.4	-2.3	1.8	8.8	-3.4	2.2	23.9	46.6	3.5	46.1	21.9
Nifty SmallCap 250	15,763	-5.5	-9.0	-8.1	-0.6	-5.5	-11.2	26.4	48.1	-3.6	61.9	25.1
Other Assets (levels)												
Brent Crude	70.7	61	65	73	77	61	75	77	86	78	52	66
Gold	4,982	4,368	4,012	3,299	2,812	4,368	2,609	2,078	1,814	1,806	1,888	1,515
Silver	103	72	49	36	32	72	29	24	24	23	26	18
Dollar index	97	98	100	100	108	98	108	101	104	96	90	96
USD/INR	92	90	89	88	87	90	86	83	83	74	73	71
Credit/ Yields (%)												
India 10 year G-sec	6.7	6.6	6.5	6.4	6.7	6.6	6.8	7.2	7.3	6.5	5.9	6.6
US 10 year G-sec	4.2	4.2	4.1	4.4	4.5	4.2	4.6	3.9	3.9	1.5	0.9	1.9

Broad-based weakness in Indian equities

Large Cap Equities were in line with Mid Caps in Jan-2026; Small Caps see underperformance.

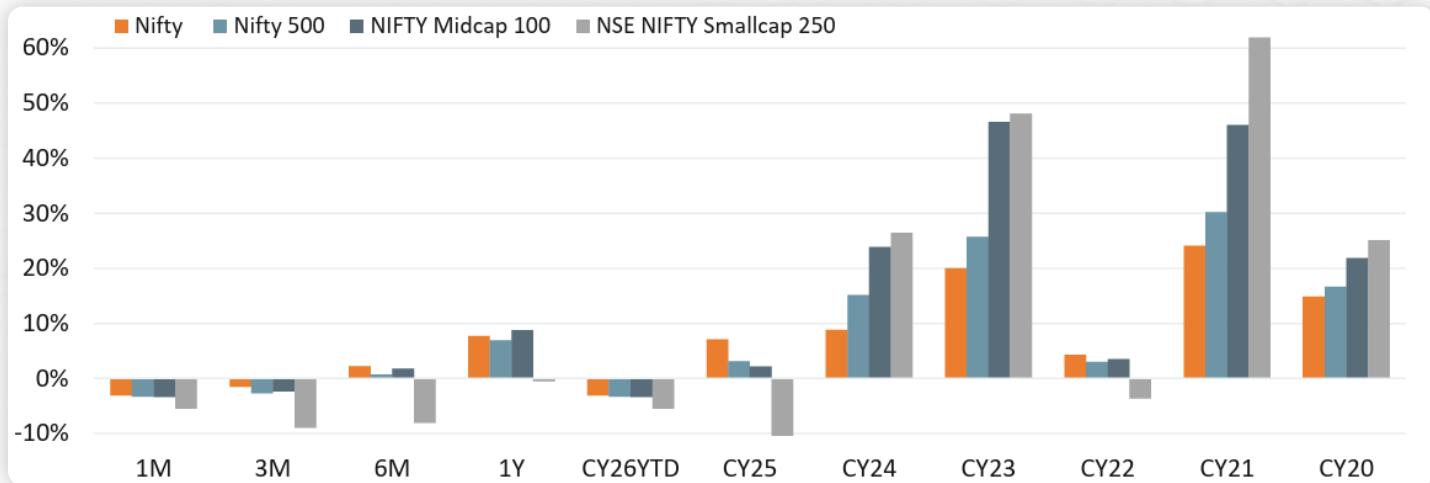


Figure 1.

Sectoral Indices	Point-to-Point (%)				Calendar Year (%)						
	1 Month	3 Month	6 Month	1 Year	2026 YTD	2025	2024	2023	2022	2021	2020
NSE Financials	-1.0	0.7	2.6	17.7	-1.0	16.2	9.4	13.2	9.5	14.0	4.5
Nifty Bank	0.0	3.2	6.5	20.2	0.0	17.2	5.3	12.3	21.2	13.5	-2.8
BSE Capital Goods	-0.7	-5.3	-2.3	3.3	-0.7	-1.6	21.8	66.9	16.0	53.4	10.6
NSE Infrastructure	-4.8	-4.3	1.0	9.6	-4.8	8.1	15.9	39.1	6.1	35.6	12.2
NSE IT	0.4	6.5	7.7	-10.8	0.4	-12.2	22.0	24.1	-26.0	59.6	54.9
Nifty India Defence PR	5.6	0.6	5.2	28.0	5.6	26.0	55.5	89.2	-	-	-
NSE Auto	-5.1	-0.2	13.1	17.0	-5.1	17.2	22.6	47.6	15.3	19.0	11.5
NSE FMCG	-7.7	-8.9	-8.2	-9.7	-7.7	-9.8	-0.3	29.0	17.5	10.0	13.5
Nifty Healthcare PR	-5.1	-5.4	-6.6	0.8	-5.1	-7.1	40.6	32.9	-10.8	18.3	-

Figure 2.

- In Jan-26, Nifty 50 Index outperformed the Mid & Small Cap indices by 0.3% and 2.4%, respectively.
- Defense, IT and Banks have been outperformers in Jan-26.
- FMCG, Auto and Healthcare have underperformed.

Global Macro & Markets

Global Macro

Fed Holds Steady as Inflation Cooling Boosts Confidence

	Quarterly GDP Sept-25 SA qoq (%)	Inflation Dec-25 yoy (%)	Current Policy Rate Dec-25/ Jan-26	10Y bond yield 9-Feb-26
US 	4.4%	2.7%	3.50% - 3.75%	4.25%
Europe 	0.2%	2.0%	2.00%	2.84%
Japan 	0.6%	2.4%	0.75%	2.29%

USA

- Fed kept interest rates steady in the Jan-26 meet, at 3.50% - 3.75%, but as per Fed Dot plot we expect just one more rate cut in 2026.
- The Committee views the current policy stance as appropriate to balance growth and inflation objectives.
- According to the FOMC's post-meeting statement, available indicators suggest that economic activity has been "expanding at a solid pace".
- Fed Chair Powell said the decline in prices is helping the central bank gain confidence, allowing it to consider cutting back on restrictive policy over time.

Europe

- ECB kept its key interest rate unchanged at 2% at its February meeting, for the fifth consecutive meeting.
- ECB commented that while inflation trajectory and wider economic conditions did not warrant a move, but the outlook was unpredictable, owing particularly to ongoing global trade policy uncertainty and geopolitical tensions.
- ECB President Lagarde added that the bank will remain data-dependent, taking a "meeting-by-meeting" approach and avoiding any pre-commitment to a specific rate path.

Japan

- BOJ held rates steady at 0.75% in January, after raising it to the highest level in 30 years in December, ahead of the snap elections to be held in February.
- It was however noted that BOJ must raise interest rates in a timely fashion to prevent underlying inflation from surpassing its 2% target.
- BOJ's GDP forecasts were upgraded to 1% for fiscal year 2026, from 0.7%.

India Macro Outlook

India Macro Outlook

Credit growth has started picking-up; GST boost seen in PV sales; Trade deficit has widened

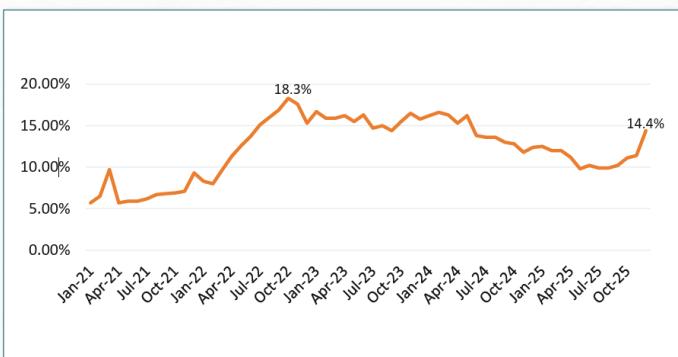


Figure 3. - Non-Bank Food Credit Growth (y-o-y)

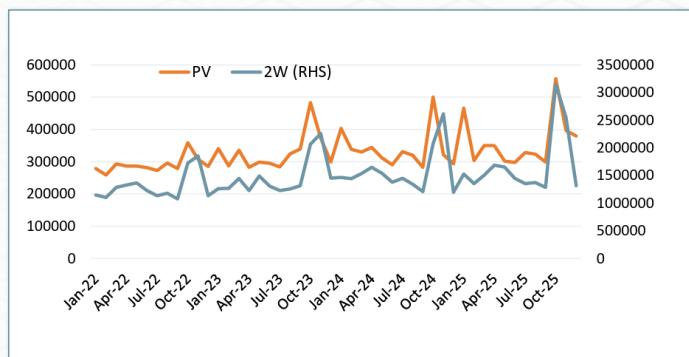


Figure 5. - PV & Two-Wheeler

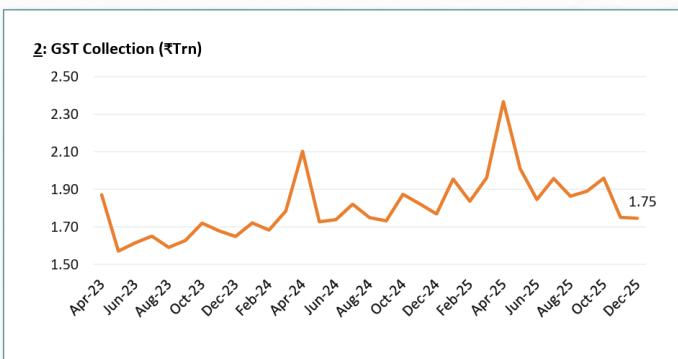


Figure 4. - GST Collection (₹Trn)

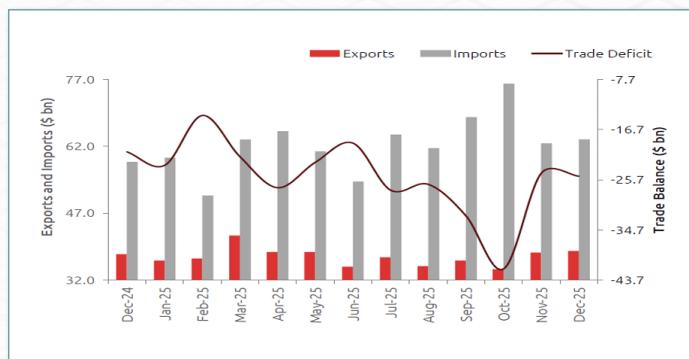


Figure 6. - Export & Import of Goods

Macro resilience is seen with growth pick-up and benign inflation



Figure 7. - GDP Trend (q-o-q)

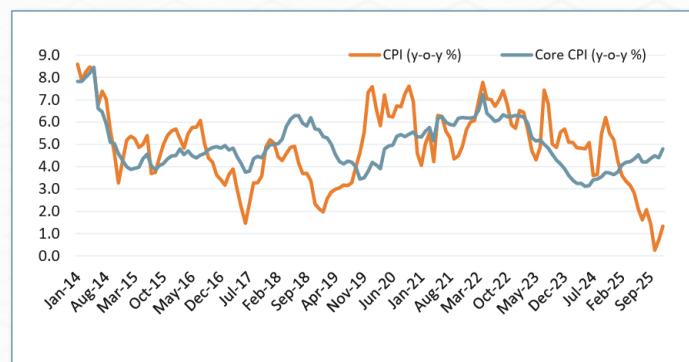


Figure 9. - CPI & Core CPI – line chart

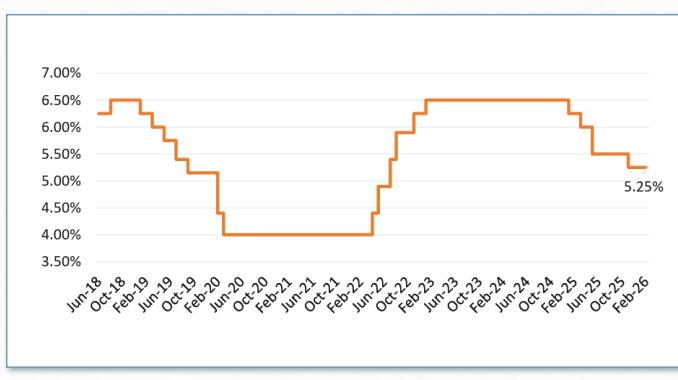


Figure 8. - Policy Rate – line graph

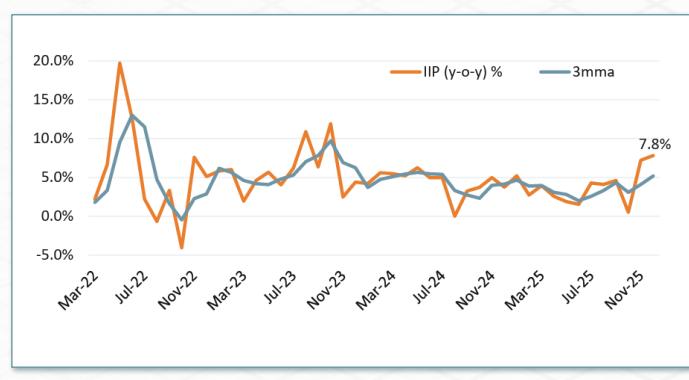


Figure 10. - IIP

Union Budget 2026-27

Sustainable Growth with Fiscal Discipline

A growth-focused, fiscally disciplined budget making India future ready by prioritizing stability, well-directed reforms and emphasis on longterm capacity building

Budget Math & Key announcements *(figures in Rs lakh crore):*

PARTICULARS	FY26 RE	FY27 BE	GROWTH (Y-O-Y)
GROSS TAX REVENUE	40.78	44.04	8%
DIRECT TAX - TAXES ON INCOME AND CORPORATION TAX	24.21	26.97	11%
CENTRAL GST (EX COMPENSATION CESS)	9.58	10.19	6%
LESS: TRANSFER TO STATES/NCCF/NDRF	14.03	15.37	10%
NET TAX REVENUE	26.75	28.67	7%
NON-TAX REVENUE	6.68	6.66	0%
TOTAL REVENUE RECEIPTS	33.42	35.33	6%
NON-DEBT RECEIPTS	0.64	1.18	85%
DEBT RECEIPTS	15.13	16.63	10%
TOTAL CAPITAL RECEIPTS	15.77	17.81	13%
DIVESTMENT PROCEEDS	0.34	0.80	
GROSS MARKET BORROWINGS	14.61	17.20	18%
NET MARKET BORROWINGS	10.40	11.73	13%
REVENUE EXPENDITURE	38.69	41.25	7%
CAPITAL EXPENDITURE	10.96	12.22	12%
DEFENCE	1.97	2.31	17%
RAILWAYS	2.52	2.78	10%
ROADS & HIGHWAYS	2.72	2.94	8%
OTHERS	3.74	4.19	12%
TOTAL EXPENDITURE	49.65	53.47	8%
FISCAL DEFICIT	15.58	16.96	9%
NOMINAL GDP	357.14	393.00	10%
FISCAL DEFICIT (% OF GDP)	4.4%	4.3%	

6 Budget Components:

- **Sustaining Growth:** Manufacturing focus & ISM 2.0 launch.
- **Services Hub:** Cloud & Allied Health professional focus.
- **Agri Productivity:** Enhancing farmer income via productivity.
- **Foundations:** Infrastructure (Capex) & Energy Security.
- **Care Ecosystem:** Building multiskilled care networks.
- **Trust Governance:** Ease of doing business & Ease of Living.

Tax Implications:

- **STT Hike:** Futures (0.05%) & Options (0.15%).
- **Buybacks:** Now taxed as Capital Gains for investors.
- **LRS/TCS:** Reduced from 5% to 2% for tour/education
- **Sovereign Gold:** Taxable on secondary exit.
- **PROI Cap:** Individual investment raised to 10%.

Flow, Valuations, Earnings

Flows, Valuations, Earnings

DII Inflows Persist, Offsetting FII Outflows in 2026

- FII's net sales were negative in the first month of 2026, to the tune of \$4.0bn and \$0.8bn in equities and debt respectively.
- DIIs & MFs continued to be support the equity markets adding \$3.0bn and \$4.7bn respectively.
- MFs continued to be net sellers at \$0.8bn.
- SIP flows continue to come at all time high levels.

Figure 11. - SIP inflows continue to inch-up; gain 17%oy

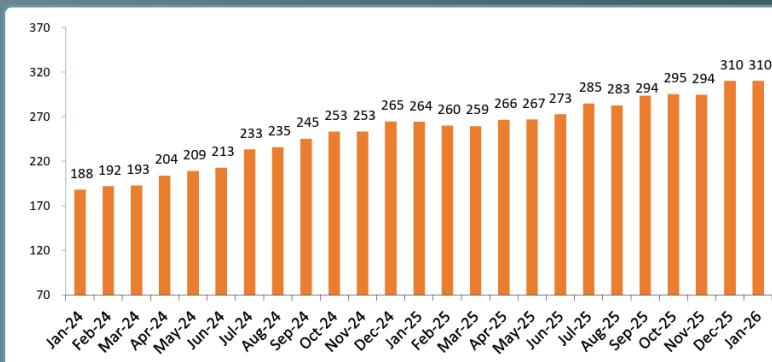


Figure 12. - FII's stay net sellers, DIIs and MFs continue to be net buyers of Equities

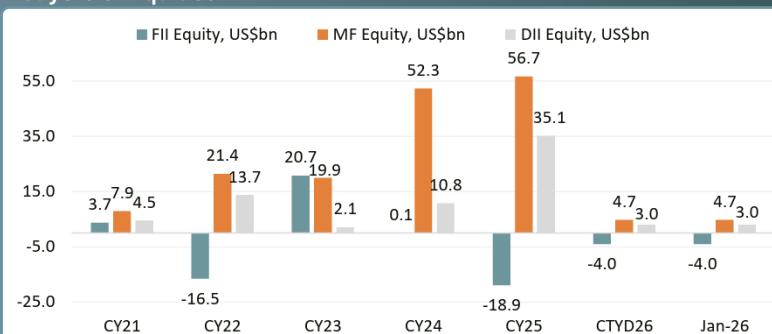
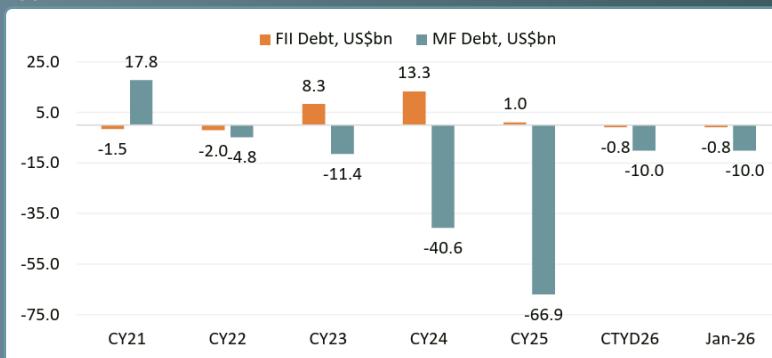


Figure 13. - FII's are marginal buyers while mutual funds continue to sell



Flows, Valuations, Earnings

Most valuations metric have cooled from their Sep-24 peaks

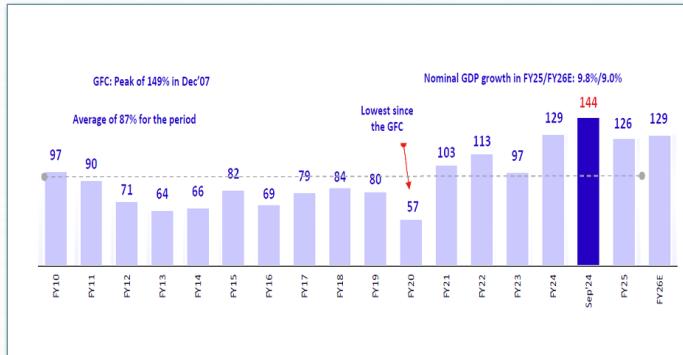


Figure 14. - India's market cap to GDP increases however still down from all time highs

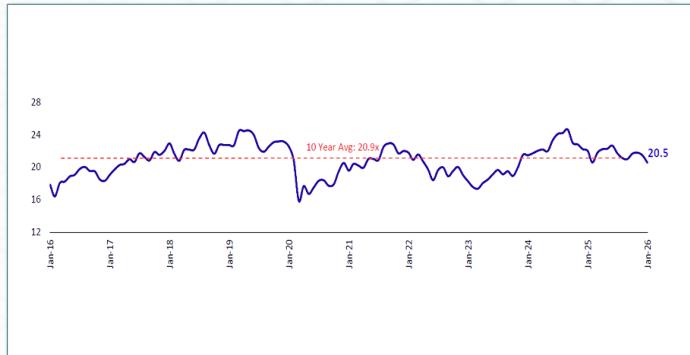


Figure 16. - Nifty valuation marginally below long-term average

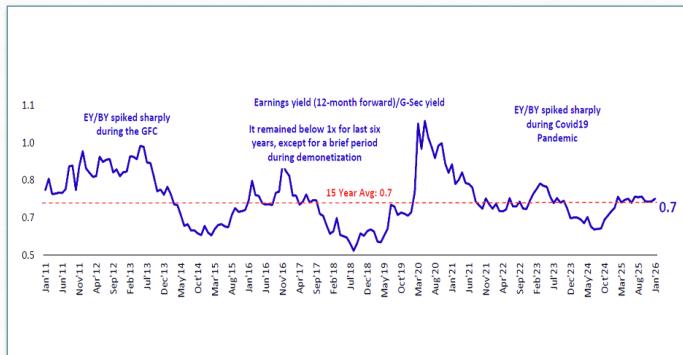


Figure 15. - Earnings yield-to-bond yield marginally above average

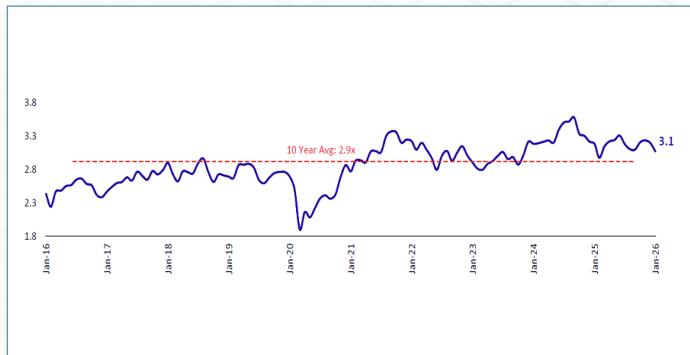


Figure 17. - On P/B basis, Nifty trades at a premium

Equity Macro Outlook

Equity Outlook

Key events addressed; Earnings to remain under focus; Stagger into equities

- Markets started 2026 on a muted note with Nifty is down 3.1%, while mid and small caps down 3.4% and 5.5% respectively.
- Two critical events viz. Union Budget and US – India interim trade agreement have materialized in rapid succession, decisively reshaping the near-term market landscape.
- FPI exposure to India remains light and underweight within the EM basket. With reduced INR hedging pressure and a stabilizing FX feedback loop, India's relative positioning is materially better than a year ago, especially given its recent underperformance versus EM peers.
- Trade agreement improves the probability of renewed FPI inflows, though the scale and persistence will ultimately hinge on global liquidity conditions.
- Meaningful investor interest will require earnings delivery going ahead.
- Existing easy monetary policy being followed by the RBI must continue to provide liquidity.
- In essence, policy continuity and the trade deal are powerful catalysts that break the negative sentiment loop and establish a market floor.
- However, they do not, by themselves, guarantee sustained flows or an immediate upmove without supportive macro and earnings momentum.
- In our view, these developments meaningfully de-risk the downside and create a compelling opportunity to re-allocate towards Indian equities, albeit in a calibrated manner

1: Nifty December 2026 target range based on adjusted EPS expectations

	-1SD	10 Year Average	+1SD
Nifty 1-year forward PE	18.6	20.3	22.0
Nifty 50 EPS expectations in FY28		1,475	
Nifty range at end of 2026	27,435	29,942	32,450

💡 Key Takeaways

- Expect Nifty 50 Index to deliver EPS growth of 13% over FY27-FY28.
- Positive on frontline equities while changing stance to neutral on broader markets on expected stronger earnings pick-up and valuation premiums shrinking.

Equity Allocation Strategy

💡 Points to consider for equity portfolio management

- 1) SMID segment continues to trade at a premium relative to Large Cap stocks, and to its respective long period average valuations (while the premium has significantly reduced). But a positive earnings growth view prompts us to change our stance.
- 2) We hold out neutral stance in Mid & Small caps and suggest selective allocation to this space. Our preference for Large Caps reflects in suggesting 60% of equity portfolio towards this segment and balance towards broader markets.
- 3) Deploy over 2 months in Large Cap strategies and extend the stagger from 3 months – 4 months for any mid and small cap allocation.
- 4) Alternative investment solutions such as MLD ideas can be actively considered offering principal protection and accelerated participation.

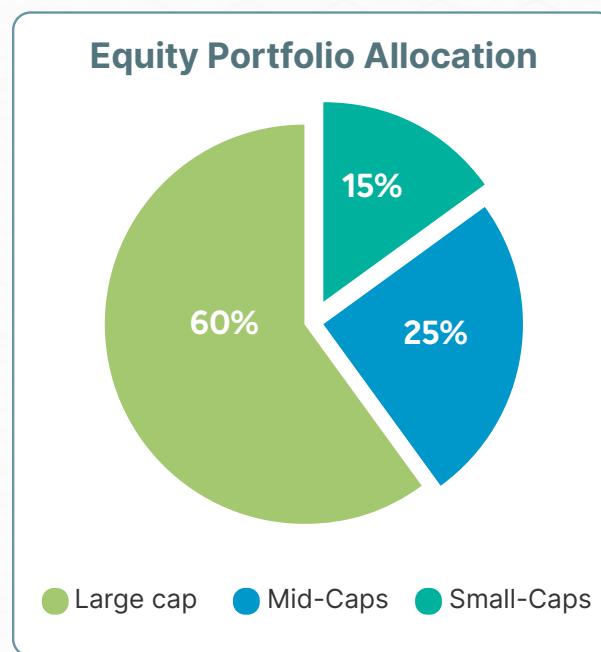


Figure 18.

Category	InCred Outlook
Large Cap	Positive
Mid and Small Cap	Neutral

Fixed Income Outlook

Fixed Income Outlook

Defensive positioning in portfolios to help; Credit Spreads attractive

- G-sec yields have moved up by 25bps since Dec MPC and trade closer to 6.73%.
- Neutral policy stance, multiple Bond auctions at higher cut-off yields and expectations of higher CPI in Q1FY27 is weighing on market participants.
- AAA bond yields have seen hardening across segments.
- 3yr Spreads in the AA / A rated segment continue to remain attractive.
- Short-term yields have remained steady amid the ongoing phased CRR reductions and supportive liquidity conditions in the system.

Figure 19. - Issuers with credit rating "A" offers higher credit spreads

3-year tenor	03-Feb-26	Dec-25	Dec-24	Dec-23	Dec-22
G sec	5.99	5.92	6.72	7.09	7.04
Credit Spreads (bp)					
AAA over G sec	121	75	81	56	71
AA over AAA	88	94	76	67	57
A over AA	101	125	184	134	191

Figure 20. - 10yr G-Sec yields back to pre-rate cut level; Short term remains anchored



Figure 21. - AAA curve has shifted ~50bps in 1yr-5yr segment; by ~30bps in long duration in 1m



Fixed Income Outlook and Allocation Strategy

Outlook

- MPC in its February meeting, kept rates unchanged at 5.25%.
- Policy stance remains unchanged at “neutral”, reflecting a balanced approach in response to the evolving domestic growth-inflation dynamics and ongoing geopolitical uncertainties.
- Inflation forecast mean reverting to 4% basis RBI forecasts suggests RBI might want to be a lot more data dependent going forward before resorting to incremental rate action.
- External volatility will continue to shape market expectations, and we prefer a dynamic and continuously reassessed approach to debt investments.
- Higher borrowings will weigh in on market sentiment and will keep pressure on yields which in our view is negative for duration play.
- Credit environment continues to remain stable, and credit spreads remain attractive.

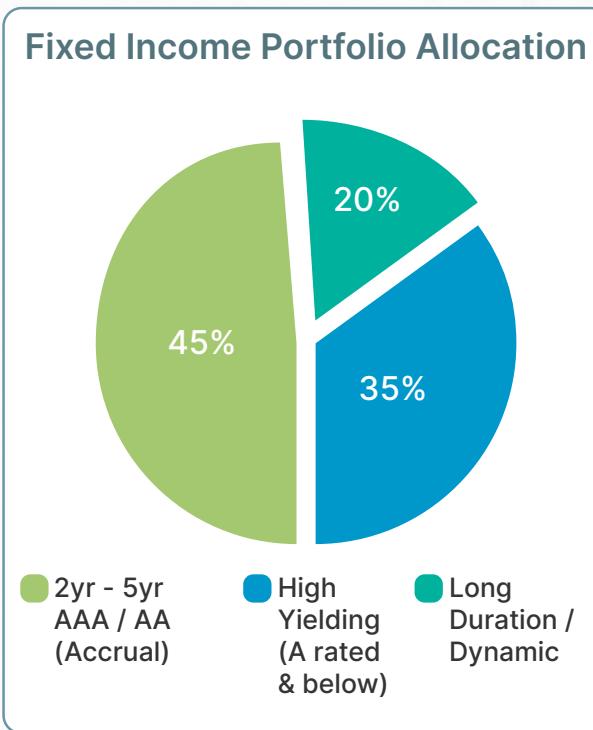


Figure 22.

Category	Outlook
Fixed Income	Positive on <3 yrs maturity accrual funds and high yield strategies

Disclaimer

InCred Wealth and Investment Services Private Limited ("InCred Wealth"), is engaged in the business of distribution of third party financial products or acts as a referral agent of third party financial products and services ("Investment Products"). InCred Wealth may earn fees, commissions from the manufacturers of Investment Products.

InCred Wealth does NOT provide investment advisory services in any manner or form. InCred Wealth is AMFI registered Mutual Fund Distributor & SIF Distributor.

InCred Wealth may discuss with you ("Client/investor") about investment products that are in line with your risk profile rating as maintained with us. Investment products are referred/distributed by InCred Wealth on a non discretionary and non participation basis. Such discussion would be a service without any consideration by InCred Wealth to the Investor and the final investment decision shall always exclusively remain with the investor. Clients/ Investors should independently evaluate the investment, risks and carry out the required due diligence prior to making any investment decision. Investment products are subject to market risks and are not guaranteed by InCred Wealth. Investment products are subject to investment risks, including the possible loss of the principal amount invested. Past performance is not indicative of future results, investments are subject to market risks which may result in appreciation or depreciation. There is no assurance or guarantee that the objectives of investment will be achieved. The risks associated with the Investment products are mentioned in the product documentation supplied by the manufacturer of the products. Please read the relevant disclosure documents or Term Sheet or investment agreement or offer documents or prospectus or scheme information document as applicable carefully before investing. Information and opinions contained in this report/presentation have been obtained from sources believed to be reliable, but no representation or warranty, expressed or implied, is made that such information is accurate or complete. This document has been prepared in good faith and provided to you by InCred Wealth for informational purposes only, is intended for your use only and may not be quoted, circulated or otherwise referred to without InCred Wealth's expressed consent. This document is not a research report or a research recommendation and does not constitute a personal recommendation. The information and opinions are not and should not be construed as an offer or solicitation to buy or sell any securities or make any investments. The financial instrument discussed, and opinions expressed in this presentation/note may not be suitable for all investors, who must make their own investment decisions, based on their own investment objective, financial positions and respective needs. This presentation /note should not be taken in substitution for the exercise of independent judgement by any recipient. The recipient should independently evaluate the investment, risks and carry out the required due diligence. The client is solely responsible for consulting his/her/its own independent advisors as to the legal, tax, accounting and related matters concerning investments and nothing in this document or in any communication shall constitute such legal, tax or accounting advice. As a condition for providing this information, the client agrees that InCred Wealth makes no representation and shall have no liability in any way arising to them or any other entity for any loss or damage, direct or indirect, arising from the use of this information. All third party trademarks (including logos and icons) referenced here are for illustration purposes only and remain the property of their respective owners and constitute neither an endorsement nor a recommendation of those organizations/owners and not intended to imply, directly or indirectly, that those organizations endorse or have any affiliation with InCred Wealth.

InCred Wealth and Investment Services Private Limited

A Mutual Fund distributor & SIF distributor registered with AMFI.

Registered Office and Corporate Office Address: Unit No 1203, 12th Floor, B Wing, The Capital, C 70, B Block, BKC, Bandra (E), Mumbai 400051; Phone: +91 22 68446100;

website: www.incredwealth.com ; CIN: U67190MH2020PTC350270.