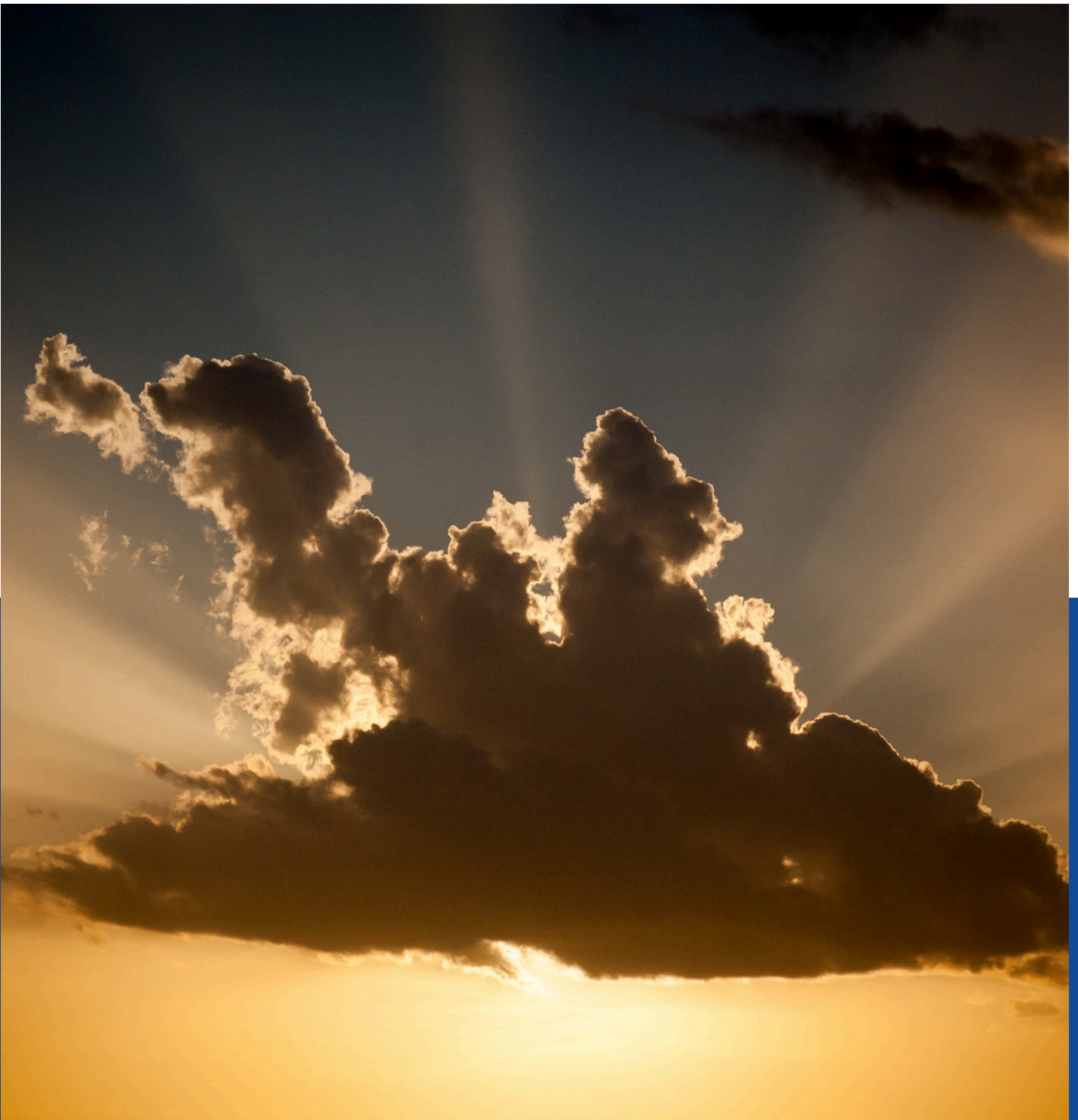


The Silver Lining



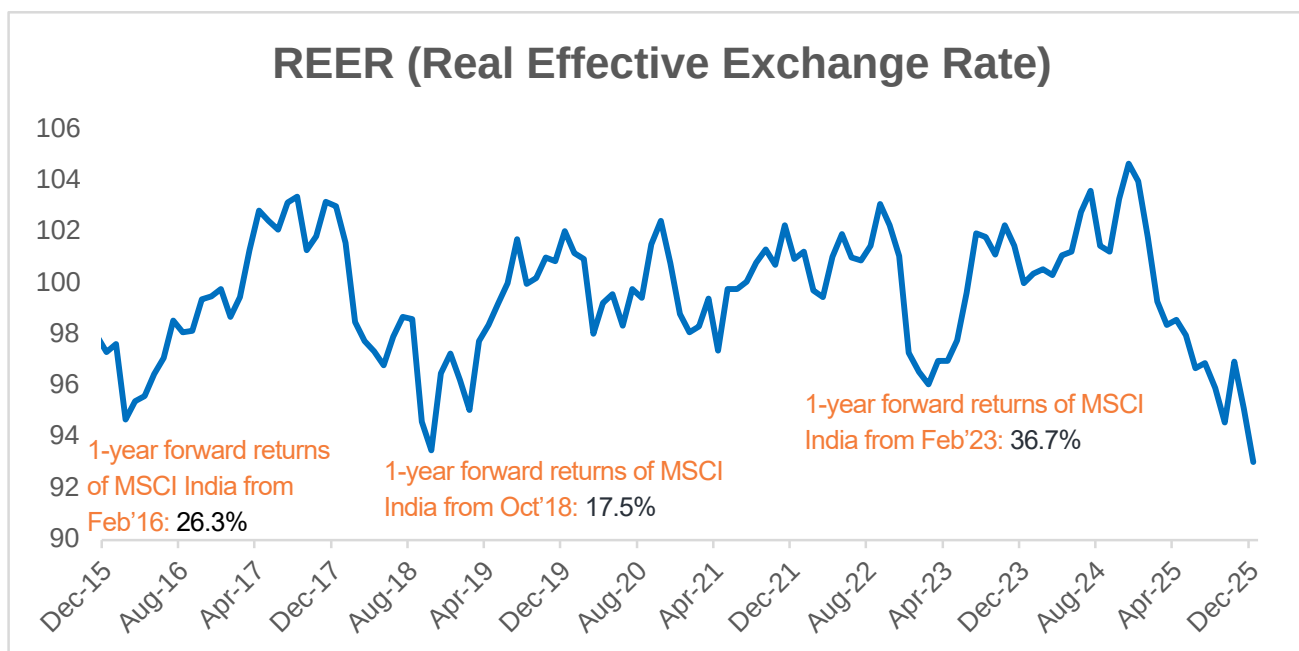
No, this newsletter is not about Silver.

And it's not about gold, copper or any other asset that has dominated recent headlines. This newsletter is about India - specifically what has changed beneath the surface between Jan'26 and early Feb'26, and why the macro setup looks less fragile than it did even a month ago.

The market narrative is still cautious. But the data is quietly improving.

The Rupee, in Real Terms, Is Cheap Again

One of the more underappreciated developments is where India's Real Effective Exchange Rate (REER) is sitting today. As shown in the chart below, the REER is hovering near levels last seen during periods of heightened macro pessimism over the past decade.



Source: Bloomberg, Total Returns in USD%, Real Effective Exchange Rate represented using the BIS Broad INR Index (BISBINR).

What REER tells us:

- Not a timing signal for equity entry, but a competitiveness gauge
- Captures the intersection of: deteriorated sentiment, compressed valuations, and improved structural earnings leverage
- Historically, REER troughs have preceded 12-month forward returns of 15%+ (in USD terms) for MSCI India

Key implication: Peak currency pessimism is likely behind us. With policy uncertainty easing and FX buffers at record levels, currency risk has faded as the binding constraint. The market's focus now shifts decisively to fundamentals - specifically, whether earnings revisions turn before capital flows follow.

Also, India's forex reserves stand at a record \$723.8 Bn (as of Jan'26), covering roughly 11 months of imports. This gives the RBI sufficient firepower to contain any disorderly INR moves, materially reducing downside tail risk.



Trade Deals: Less Noise, More Structure

Perhaps the most meaningful **silver lining** emerged on the diplomatic front. January marked a clear inflection point on trade policy - an issue that had weighed heavily on sentiment through much of 2025. Greater clarity on the India-US trade framework, alongside continued progress in India-EU negotiations, helped ease a key source of policy uncertainty for markets.

The table below illustrates how the Indian rupee and markets behaved before and after the US trade-related announcement, highlighting the shift in market tone as uncertainty receded.

Particulars	Pre US-India Trade Deal Announcement (YTD 2nd Feb '26)	Post US-India Trade Deal Announcement (2nd -12th Feb '26)
INR Movement vs Major Currencies (%)		
USD	-1.8	1.0
EUR	-2.5	0.8
SGD	-2.9	0.2
GBP	-3.3	1.4
Indian Equity Market Returns (USD %)		
MSCI India	-5.5	4.3
Nifty 50	-4.6	3.0
Nifty Midcap 150	-5.3	4.9
Nifty Small Cap 250	-7.7	4.9

Source: Bloomberg, Total Returns in USD%.
Historical performance is not indicative of future results.

The table below summarizes trade agreements finalized or advanced during 2025–26 reinforces a broader point: this isn't one headline. It's part of a slow, structural opening that improves visibility for exporters, manufacturers, and global supply-chain allocators.

Partner	Current Status	Remarks
Peru	Exploratory	Active negotiations ongoing; expected to conclude in early 2026
GCC	Exploratory	Revived negotiations for a long-pending free trade agreement; Strategic interest (energy, mobility)
United States	Announced in Feb 2026	Trade deal announced but not yet signed; dialogue ongoing
European Union	Announced in Jan 2026	Agreement subject to legal vetting; expected to come into force by early 2027
New Zealand	Signed in 2025	Zero-duty access on 100% of Indian exports; US\$20bn investment over 15 years; strong mobility provisions
Oman	Signed in 2025	Zero-duty access on 98% tariff lines; strategic Gulf market; enhanced mobility for professionals
United Kingdom	Signed in 2025	99% of Indian exports duty-free; social security exemption for professionals; boosts processed foods and marine exports

Source: Based on publicly available disclosures



Union Budget: Discipline Over Drama



Source: Official Budget Documents. (PIB, Ministry of Finance)

The Budget dashboard highlights only what matters: fiscal deficit, debt trajectory, capex, and growth assumptions.

There were no populist surprises. No fiscal slippage. No attempt to force growth. Instead, the message remains consistent - fiscal discipline, public capex as an anchor, and room for private investment to take over. From an equity perspective, this is a constructive mix, even if it doesn't generate headlines.

Bottom Line

None of these developments is individually decisive. Taken together, they represent something more significant: the clearing of known overhangs without the euphoria that typically kills emerging setups.

Current state of play:

- Currency no longer overvalued (REER <94)
- Trade policy tail risk reduced
- FII selling pressure paused
- Fiscal credibility intact
- Monetary easing delivered

What's missing:

- Earnings revision cycle needs to turn
- FII net buying needs to resume (flows lag fundamentals)
- Private capex confirmation (anecdotal, not yet in the hard data)

Our view: Pessimism is well-understood. Data is quietly improving. The setup is becoming asymmetric. That doesn't mean markets go up in a straight line - it means the distribution of outcomes has shifted in a way that warrants attention.

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