

### What we said in 2025

We anticipate a significant shift in equity markets as we transition from the "politics of elections" in 2024 to the "politics of earnings" in 2025



### What we think about 2026

India heads into 2026 stronger than most emerging markets, with improving domestic earnings and improving balance sheets driving confidence

### Earnings Growth

Year	Nifty 50	Nifty Midcap 150	Nifty Smallcap 250
FY27E	16%	23%	25%
FY28E	16%	21%	21%

Source: Bloomberg

Early signs of an earnings upgrade cycle point to a more durable market rally beyond index highs.



### Valuations

	Nifty 50	Nifty Midcap 150	Nifty Smallcap 250
1Y Forward PE	20.24	27.69	24.75
10Y Average	17.56	23.45	16.85

Source: Bloomberg

Large caps are trading at ~20x while Mid and Small caps are trading at ~24-27x translating into ~37% and ~22% premiums over the Nifty 50



### View on Indian currency

India's improving external fundamentals and robust capital flows should limit downside.



### View on Gold & Silver

Precious metals remain portfolio stabilizers, not return chasers. As equities regain leadership, gold and silver outperformance is likely to moderate in 2026.



### Opportunities of a potential India-US bilateral trade deal

India-US bilateral trade deal will likely be a meaningful sentiment booster for the market

### Sectors to watch out for in 2026



Financials



Consumer Discretionary



Defense



IT



### Key triggers for 2026

- Indo-US trade deal progress and 8th Pay Commission clarity are key market triggers.
- Earnings upgrades and domestic liquidity to shape sector leadership.



### Key risks to look at

Economic repercussions of non-resolution of tariffs globally.



### Advice for investors in 2026

From medium-term perspective, we would advise investors to gradually increase their exposure to Indian equities as it offers a potential combination of reasonable valuations and start of the earnings upgrade cycle.

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