

4th MARCH 2026

February has drawn to a close as yet another month marked by surprises where geopolitics and AI innovation refused to take a back seat. Tensions in the Middle East escalated dramatically in the final days of February and as of writing this report, open conflict has broken out in the region. The situation remains highly fluid and developing quickly. Meanwhile, rapid innovation in Artificial Intelligence has been targeting a new sector weekly. The EU-India Free Trade Agreement and the US-India Trade Agreement brought some trade optimism in February, but it could not fully offset the new risk off mood. Central banks remained on pause after extended easing cycles as inflation data sent mixed messages, being more persistent in the United States while remaining relatively contained in India. Macros added their own twists, with India's updated Q3 FY26 GDP under a new series with base year shifted to 2022-23 released in late February coming in stronger than anticipated and lifted domestic sentiment. In US, the headline PPI (Producer Price Index) numbers tempered expectations for near-term rate cuts. It was a month when markets seemed to hold their breath. Volatility bubbled just beneath the surface and sentiment shifted sharply on incoming headlines while investors focused more on digesting geopolitical developments than pursuing fresh momentum.

EQUITIES:

INDIA: Nifty 50 declined in February 2026 by 0.56% and ended the month at 25,178. Consumer Durables (+9.3%), Energy (5.43%) & Auto (5.27%) were the top performers for the month of February 2026, while IT (-19.54%) which was the main drag on NIFTY 50, Services (-2.42%) and FMCG (-0.14%) underperformed. As the earnings season has ended, within the Nifty 50 universe, 24 companies reported positive earnings growth in Q3 FY26, while 20 posted negative growth and the remaining 6 delivered largely neutral results. Metals & Mining, Oil & Gas, Banking & Financial Services, Automobiles and Telecom sectors showed positive earnings growth in contrast, IT, Pharmaceuticals and FMCG sectors delivered weaker results. Post earnings season as of 28th February 2026, the Nifty 50 EPS declined 0.5% and stands at ₹1,142.6, in comparison to ₹1,148.7 as of 30th November 2025 for the previous earnings season.

Midcaps and Smallcaps saw some stability and ended the month positive. Midcap 150 and Smallcap 250 rose by 1.8% and 0.81% respectively. FIIs recorded net outflows of ₹6,640 Cr in February 2026. However, DIIs continued to provide support with net inflows of ₹38,243 Cr for the month, resulting in cumulative net inflows of ₹32,989 Cr.

The India-US interim trade deal, softer crude oil prices and a weaker dollar following the US Supreme Court striking down Trump's broad tariffs and relatively slower selling from FIIs helped INR appreciate 0.67% and end the month at ₹91.08 against USD.

INDICES	CURRENT	10 YR MEDIAN	AVERAGE (SI)	COMMENT
NIFTY 50 (PE)	22.0	23.4	21.0	FAIRLY VALUED
NIFTY 50 (PB)	3.4	3.6	3.6	UNDERVALUED
NIFTY 50 (DIVIDEND YIELD)	1.2	1.3	1.4	OVERVALUED
NIFTY MIDCAP 150 (PE)	32.6	33.9	31.1	FAIRLY VALUED
MIDCAP 150 (PB)	4.4	3.4	3.0	OVERVALUED
MIDCAP 150 (DIVIDEND YIELD)	0.8	0.9	1.2	OVERVALUED
SMALLCAP 100 (PE)	30.1	32.8	43.7	UNDERVALUED
SMALLCAP 100 (PB)	3.7	3.4	3.0	OVERVALUED
SMALLCAP 100 (DIVIDEND YIELD)	0.8	0.9	1.1	OVERVALUED
S&P 500 (PE)	29.3	25.2	20.3	OVERVALUED

As of 2nd March, Nifty 50 traded at a PE ratio of 22.0x, above its all time average of 21x but still below its 10 year median of 23.4x; Nifty Midcap 150 traded at a PE of 32.6x, slightly exceeding its all-time average of 31.1x although below its 10-year median of 33.9x.

Data as on 28th February 2026

U.S.: The S&P 500 declined 0.87% while Nasdaq 100 showed a decline of 2.32%. Delayed Fed cut hopes and AI spending doubts sparked rotation out of tech. Geopolitical escalation in the Middle East late month added risk off pressure and headline swings. Tariff uncertainty lingered despite the Supreme Court ruling against broad impositions. Defensives like consumer staples and health care outperformed, while technology and financials lagged on margin and sector fears. Nasdaq 100 currently trading at 33.3x PE compared to the 10-year average of 26.6x and S&P 500 trades at 29.3x PE compared to 10-year average of 25.2x.

FIXED INCOME:

BOND YIELD	CURRENT	10 YR AVERAGE	AVERAGE (SI)	COMMENT
1 YEAR	5.53%	5.99%	6.60%	OVERVALUED
2 YEAR	5.66%	6.21%	6.80%	OVERVALUED
3 YEAR	5.97%	6.40%	7.00%	OVERVALUED
4 YEAR	6.22%	6.58%	7.10%	OVERVALUED
5 YEAR	6.37%	6.66%	7.20%	OVERVALUED
6 YEAR	6.53%	6.82%	7.30%	OVERVALUED
7 YEAR	6.57%	6.90%	7.40%	OVERVALUED
8 YEAR	6.62%	6.97%	7.50%	OVERVALUED
9 YEAR	6.62%	6.95%	7.50%	OVERVALUED
10 YEAR	6.66%	6.86%	7.40%	OVERVALUED

Data as on 28th February 2026

INDIA: The Indian bond market saw the yield curve flat as 10-year yield traded in a narrow range between 6.65% and 6.77%; 10-year yield closed February 2026 flat at 6.66%. This stability reflected abundant liquidity from RBI interventions and steady domestic demand for government securities, which offset any pressure from global rate uncertainty.

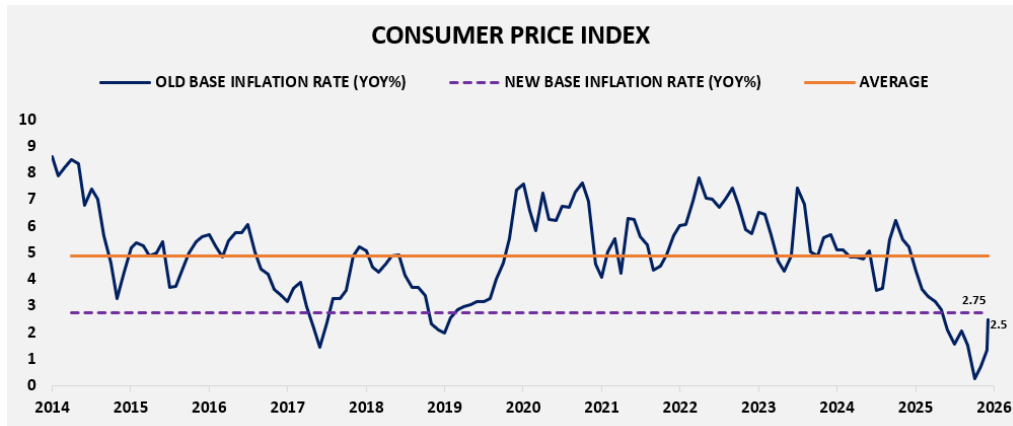
U.S.: The US 10-year Treasury yield declined from 4.3% to 3.9% in February 2026, driven primarily by a flight-to-safety bid to geopolitical escalations in the Middle East. Hotter than expected PPI data raised inflation worries and delayed Fed rate cut hopes. Bonds still rallied because growth fears like AI disruptions and stagflation risks mattered more than sticky prices. Tariff uncertainty continued despite the Supreme Court ruling, keeping investors cautious. Overall, demand grew for longer-term bonds as the yield curve steadied and safe haven buying favoured maturities.

REITS: NIFTY REITS & INVITS gained 0.7% in February 2026 drawing investor interest for their reliable distributions amid broader market volatility. Over ₹2,450 Cr, more than 95% of distributable cash available, was paid out to shareholders in Q3 FY26, reflecting consistent cash flows from premium assets. With an approximate average WALE (Weighted Average Lease Expiry) of ~7.4 years across listed Indian REITs, portfolio cash flows remain well secured over the medium to long term, underpinned by long-duration office leases. InvITs complemented this with infrastructure stability with power and roads leading, though road segments faced some asset specific pressures.

COMMODITIES & CURRENCY: WTI crude oil prices rose by 2.7% in February 2026 from \$65.21 to \$67.02 per barrel supply outage concerns, adding a risk premium while softer demand forecasts and global surpluses kept gains contained. As of writing this report, WTI crude oil has shot up 14.2% to \$76.5 amid the ongoing conflict with the Hormuz strait reportedly getting closed which accounts for close to 1/5th of the global oil shipment.

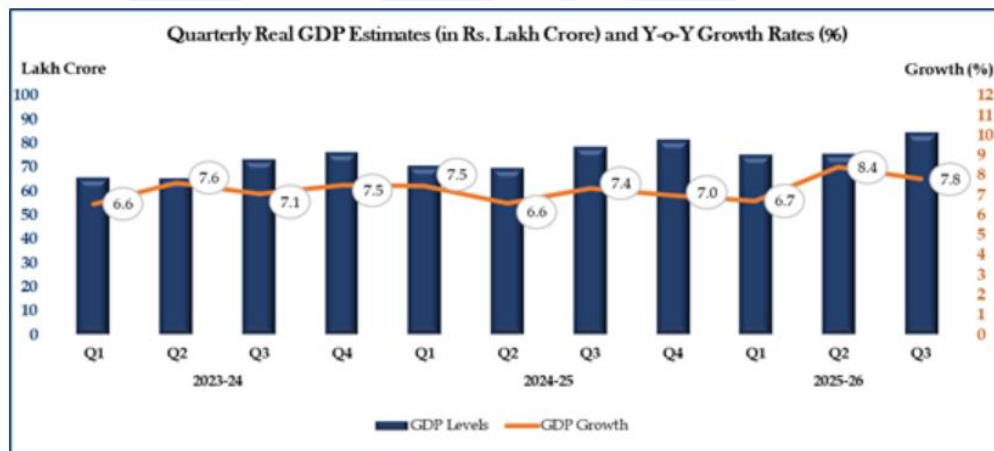
Gold rose 5.1% in February 2026 from ₹1,60,580/10g to ₹1,68,710/10g. Additionally, global gold prices rose 8.5% in February 2026 from \$4,865/oz to \$5,277/oz. Silver declined 15.7% this month from ₹3,50,000/kg to ₹2,95,000/kg in India. Both metals have rather stabilised in February 2026 after several months of significant volatility, marked by sharp gains and corrections in late 2025 and early 2026. As of writing this report, markets have reacted to the ongoing scenario by pushing commodities sharply higher in initial volatility. After the quick upside move, prices have pulled back and returned to flat levels, stabilizing near recent ranges.

ECONOMIC INDICATORS: Interesting changes occurred in the macro landscape of India with a couple of base year revisions across key indicators. CPI inflation rose from 1.3% in December 2025 to 2.75% in January 2026. This was under the new 2024 base series which was moved up from 2012. Inflation remained well within the RBI's target band. The new CPI framework draws from the 2023-24 Household Consumption Expenditure Survey. It updates weights, adds items like online streaming and rural housing and adopts COICOP (Classification of Individual Consumption According to Purpose) 2018 classification with 12 divisions compared to group 6 categories from the previous base. These changes allow more precise measurement of evolving consumption patterns. The new CPI series with 2024 base uses updated expenditure weights from recent consumption surveys, which lowers the food basket's share and raises weights for services, housing, transport and discretionary items. This reweighting changes how price movements affect the overall index. As shown below, when the old 2012-base weights are applied to the same January 2026 prices, the resulting inflation number comes to 2.5% (compared to 2.75% under new series) because the higher food weight captures recent subdued food inflation more heavily. A linking factor of 0.5267 is then applied to link the new series to the old one. This ensures continuity and allows meaningful comparisons across the two bases without distorting historical trends or policy decisions.



Source: MoSPI

In India, the updated Q3 FY26 GDP release on February 27 showed robust 7.8% YoY growth. This came under the new 2022-23 base year series. The full FY26 estimate was upgraded to 7.6%. This revision was moved up from the old 2011-12 base. It better captures structural changes such as digitalization, formalization and post COVID patterns. It uses improved data sources like GST, PLFS (Periodic Labour Force Survey) and PFMS (Public Financial Management System). Price deflators became more granular (500-600 items vs ~180). Informal sector coverage was enhanced for greater accuracy and credibility. The strong print reflected solid private consumption, manufacturing momentum and services expansion. It supported domestic sentiment despite external headwinds.



Source: MoSPI

The chart above illustrates quarterly GDP and GVA trends at constant prices under the new series. It highlights the robust 7.8% Y-o-Y growth in Q3 FY26, following 8.4% in Q2 and earlier quarters in the 7-8% range. The chart shows consistent expansion across recent periods, with GVA closely tracking GDP. This reinforces the upgraded momentum captured by the revised methodology and supports the view of sustained domestic resilience amid global uncertainties. Net GST collection for February 2026 grew by 7.9% Y-o-Y over February 2025 at ₹1.61 Lakh Cr. Gross GST collection for February 2026 came out to 1.83 Lakh Cr with 8.1% growth Y-o-Y over February 2025.

In the US, January PPI (Producer Price Index) data released on February 27 came in higher than expected. Headline PPI rose 0.5% M-o-M, and core surged 0.8% M-o-M. This signalled elevated producer level inflation and pushed back expectations for near-term Fed rate cuts. CPI held at 2.4% Y-o-Y headline, with core remaining firm. Consumer confidence improved modestly but stayed cautious amid elevated prices and economic uncertainty. These readings reinforced a strong, yet inflation challenged environment. They contributed to risk-off sentiment and tempered growth outlooks across markets.

OUTLOOK & STRATEGY: These are uncertain times and short term noise can make your portfolio look painful today but quite different tomorrow. Markets are in a dynamic phase and new developments, positive or negative can emerge quickly. That said, this is also an opportune time to review your portfolio allocation and focus on strategic, long-term buys that can deliver meaningful returns over time. Markets will present opportunities which investors should use this to align their asset allocation.

Indian equities remain well positioned for growth, anchored by the upgraded 7.6% FY26 GDP estimate, contained inflation and recent FII inflows. Domestic demand and earnings visibility stay supportive with private capex expected to pick up. Short term headline pressure from geopolitical events exists, but we continue to favour a balanced allocation with emphasis on large cap stability as the core, while adding mid-caps gradually on dips for higher upside potential in an improving earnings environment. US equities face ongoing uncertainty from inflation stickiness, delayed Fed easing and geopolitical developments. Growth and valuation concerns weigh on sentiment, particularly in growth oriented areas. We maintain a measured approach with diversified exposure, prioritising quality names that offer defensive characteristics and reasonable valuations amid the current dynamic phase.

Indian fixed income continues to provide attractive real yields and stability. The 10-year G-Sec yield is anchored around 6.66% alongside surplus liquidity supporting the market. Government securities and High-Quality Corporate Bonds remain suitable for steady income and capital preservation. We recommend laddering across short and medium duration instruments to balance yield capture with flexibility in a volatile global backdrop.

REITs offer a compelling income and diversification option in the current environment. Strong underlying office and retail fundamentals, high occupancy, rising rents and consistent distributions deliver yields that compare favourably alongside debt. A moderate allocation to REITs enhances portfolio income while providing a growth oriented hedge against broader market swings.

Gold retains its role as a core hedge against geopolitical escalation, prolonged uncertainty and potential inflation from oil disruptions. Maintain a modest core allocation of ~5% to gold. Monitor developments closely as renewed intensification of Middle East tensions could drive fresh upside, offering opportunities for tactical increases. If tensions stabilise or de-escalate, hold steady without additions. This positioning balances defensive protection and fits the current fluid global backdrop.

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