



WEALTH FIRST

MONTHLY NEWSLETTER - FEB'26

“Uncertainty is not a reason to avoid investing; it is the reason investing exists.”
— Howard Marks

Global Equities (in USD terms)

- Global equities delivered positive returns in January, with the MSCI AC World Index up ~3%, but market action was shaped by a rise in policy-driven geopolitical uncertainty following President Trump's intervention in Venezuela, tariff threats linked to Greenland, and renewed trade rhetoric involving Mexico and Canada.
- These developments triggered short, sharp volatility episodes, particularly in Europe and commodity-linked markets, even as broader risk appetite remained intact.
- Equity leadership continued to broaden beyond US mega-caps, with emerging markets up ~9% and Japan's TOPIX gaining ~5%, while the "Magnificent Seven" rose only ~1%, reflecting diversification away from policy-exposed US large caps.
- The most direct equity beneficiaries of geopolitical escalation were European defence stocks, which rallied ~18% in January, as investors priced in higher defence spending amid rising security risks.
- Despite heightened headlines, systemic stress remained contained, with volatility largely sector- and region-specific rather than index-wide, allowing global equities to advance on the back of earnings strength and improving activity data

Global Equities (in USD)		
	1m	1y
Nasdaq	1.2%	19.0%
S&P 500	1.4%	14.9%
MSCI Europe	4.4%	29.0%
MSCI Emerging Equities	8.8%	39.8%
Nifty 50	-5.0%	1.9%

Domestic Equities (in INR Terms)

Domestic Equities (in INR)		
	1M	1Y
Nifty 50	-3.1%	7.7%
Nifty Next 50	-2.2%	7.5%
Midcap 150	-3.5%	8.3%
Smallcap 250	-5.5%	-0.6%
Metals	5.9%	40.8%
PSE	3.2%	9.6%
IT	0.4%	-10.8%
Real Estate	-10.8%	-15.0%
Consumer Durables	-7.8%	-4.4%
FMCG	-7.7%	-9.7%
IPO	-5.5%	1.5%

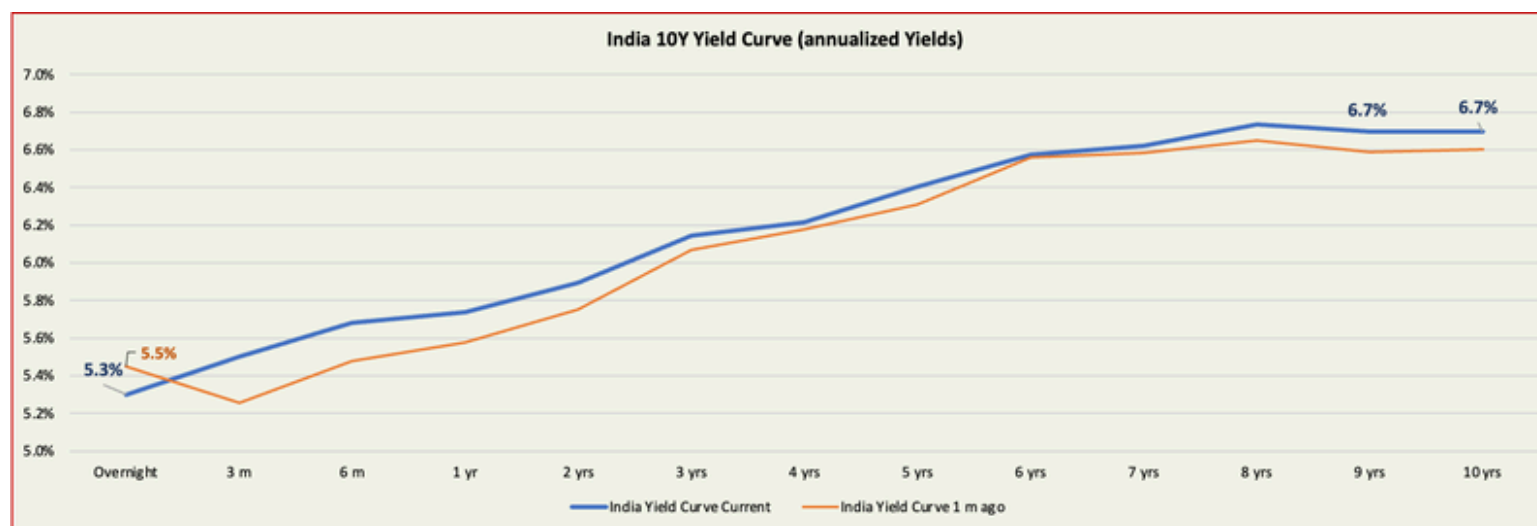
- Indian equities corrected sharply by 3% in January, underperforming global peers, as external geopolitical shocks compounded existing pressures from FII selling, global risk-off flows and trade uncertainty.
- Trump's actions on Venezuela and tariff threats towards Europe reinforced concerns around global trade disruption, adding to uncertainty around India's export-linked sectors and foreign capital flows.
- The correction accelerated profit-booking in rate-sensitive and consumption-led sectors by over 7%, while Metals and PSU Banks outperformed, benefitting indirectly from global commodity strength and balance-sheet resilience in a volatile global backdrop.
- The divergence between global equity gains and Indian market weakness highlighted India's greater sensitivity to capital flow volatility during geopolitically uncertain periods.

Global Yields

- US Treasury yields sold off at the front end, with 2-year yields rising ~5 bps, as policy uncertainty pushed expectations for the next Federal Reserve rate cut further into the future.
- Global bond markets struggled modestly in January, with the Bloomberg Global Aggregate Index up only ~1%, as improved growth data reduced near-term rate-cut expectations.
- Japanese Government Bonds experienced their worst January since 1994, with 10-year JGBs falling ~1.3% and 30-year yields jumping ~23 bps, as markets priced in higher fiscal spending following snap election announcements under Prime Minister Sanae Takaichi, compounded by global risk repricing.
- US president Donald Trump has nominated Kevin Warsh as his choice to replace Jerome Powell as the next chair of the US Federal Reserve. Warsh has held a reputation for being a hawk due to his criticism of quantitative easing and its impact on inflation, but he has more recently been advocating for interest rate cuts, something Trump has also been pushing for.
- Overall, global curves steepened, reflecting a repricing of long-term inflation and debt sustainability risks rather than a deterioration in near-term growth expectations

10 Year Government Yields (as of 1st of every month)					
Month	Japan	China	US	UK	India
1 Y ago	1.4%	1.8%	4.2%	4.5%	6.7%
6 M ago	1.6%	1.8%	4.2%	4.7%	6.6%
3 M ago	1.7%	1.8%	4.1%	4.4%	6.6%
1 M ago	2.1%	1.9%	4.2%	4.5%	6.6%
Feb-26	2.3%	1.8%	4.2%	4.5%	6.7%

Domestic Yields



- India's 10-year G-Sec yield eased toward ~6.72%, retreating from recent highs of 6.78% as optimism around a US-India trade agreement improved currency and capital-flow expectations.
- RBI's supportive stance, anchored by headline inflation at multi-year lows, continued to cap upside pressure on yields despite record government borrowing.
- The trade agreement announcement was seen as particularly supportive for the long end of the curve, improving foreign appetite for rupee bonds via currency stabilization.
- Bond market focus remains on supply dynamics, but liquidity conditions continue to be supported by prior rate cuts and surplus systemic liquidity

India Macro Trends

Macro Trends	Jan-26	Dec-25
FII flows (in crs)	-35,962	-22,611
DII flows (in crs)	69,221	79,620
FII flows - Debt (in crs)	-7,308	717
New Corporate Bond Issuances (in crs)	38,135	39,290
Surplus Liquidity (in crs)	3,44,836	3,21,560
GST Collection (in crs)	1,93,384	1,74,550
CPI	1.3%	0.7%
Manufacturing PMI	55.4	55.0
Services PMI	59.3	59.1
Forex Reserves (in billion dollar)	709.4	696.6

- On February 2, 2026, India and the US announced a landmark trade agreement following discussions between the two leaders. The US reduced its reciprocal tariff on Indian goods to 18% from 25% and removed the additional 25% punitive duty linked to India's purchases of Russian oil.
- India now enjoys lower effective duties than peers including Vietnam and Bangladesh (~20%), Indonesia, Pakistan, and Thailand (~19%), and significantly lower than China (30–35%+).
- Progress on the India–EU Free Trade Agreement provided a constructive medium-term backdrop for Indian equities, with estimates indicating the deal could add USD 30–35 billion in incremental annual trade over the next few years, particularly benefiting engineering goods, auto components, chemicals, textiles and pharmaceuticals.
- The EU already accounts for ~17% of India's total exports, and tariff rationalisation under the agreement is expected to improve margin visibility for export-oriented mid-caps, even as near-term equity performance in January remained constrained by global risk-off sentiment and FII outflows.
- India's forex reserves hit a record USD 709.4 billion, driven by a USD 5.6 billion jump in gold reserves and rising foreign currency assets.
- Inflation averaged ~1.7% during April–December 2025, marking one of the lowest inflation phases in decades and supporting accommodative monetary conditions.
- RBI policy remains supportive, with the repo rate at 5.25% following cumulative easing through 2025.
- FII selling persisted to the tune of ~36000 crs, but domestic liquidity continued to offset volatility, supported by strong institutional participation and balance-sheet strength.
- India's exports reached USD 825.3 billion in FY25, with H1 FY26 exports at USD 418.5 billion, aided by trade diversification and services strength.
- The Economic Survey projects medium-term growth of ~7%, with FY27 GDP growth estimated at 6.8–7.2%, supported by manufacturing momentum, services expansion and fiscal consolidation.
- However, the Survey also warns of a 10–20% probability AI-led systemic shock, potentially exceeding the 2008 crisis in severity, with India's IT-driven white-collar employment particularly exposed due to vulnerabilities in AI-intensive, capital-heavy business models

Commodities

- Commodities were among the clearest transmission channels of geopolitical risk in January, with the Bloomberg Commodity Index rising ~10% for the month.
- Gold gained ~13%, supported by a surge in safe-haven demand following the US-led action in Venezuela and renewed tariff threats linked to Greenland, alongside continued central-bank purchase while the metal again outperformed with ~19% returns in the month.
- The sharp rally in gold and silver was briefly disrupted by a late-month unwind of crowded trades, but prices still closed the month strongly positive.
- Brent crude rose ~14%, as geopolitical risk premia re-entered energy markets, compounded by colder winter weather and declining storage levels in Europe and the US.
- Energy and metals markets responded more forcefully than equities, reflecting their direct exposure to supply risk, sanctions and geopolitical disruptions.

Commodities	Returns	
	1M	1Y
Brent Crude	13.9%	-8.4%
Precious Metals		
Gold	13.1%	74.7%
Silver	18.8%	170.6%
Industrial Metals		
Steel	0.8%	-1.0%
Iron Ore	-1.4%	4.0%
Aluminium	4.1%	20.1%
Copper	5.0%	39.2%
Zinc	8.7%	23.4%
Nickel	4.8%	15.3%
Lead	-0.2%	2.4%

Performance of Currencies against USD

Currencies against USD			
		1m	1 yr
India	USD/INR	-2.0%	-5.4%
AUD	USD/AUD	4.3%	11.9%
Japan	USD/JPY	1.3%	0.2%
China	USD/CNY	0.2%	5.2%
Euro	USD/EUR	0.9%	14.3%
Pound	USD/GBP	1.6%	10.4%
Dollar Index	DXY	-1.3%	-11.7%

- Currency markets reacted selectively to geopolitical developments, reflecting policy risk repricing rather than systemic panic.
- The US dollar weakened ~1.3%, extending its decline as geopolitical uncertainty coincided with delayed Fed rate-cut expectations and improved growth data outside the US.
- The Japanese yen depreciated ~1.3%, linked to rising JGB yields and fiscal concerns rather than geopolitics directly, though risk sentiment amplified the move.
- The Indian rupee rebounded sharply from record lows, strengthening to ~₹90.3/USD after confirmation of US tariff rollbacks, offsetting some of the earlier pressure caused by rising oil prices following the Venezuela episode. However, the rupee has been one of the worst performing currencies in Jan.
- Notably, traditional stress indicators such as EUR/CHF and the VIX moved only modestly, suggesting that FX markets viewed the geopolitical flare-ups as episodic shocks rather than a full-scale risk regime shift.



Union Budget Highlights

Fiscal Position & Government Finances

- Fiscal Deficit: FY26: 4.4% of GDP; FY27: 4.3% of GDP
- Government Borrowings (FY27): Market borrowings: Gross - ₹17.2 lakh crore; Net - ₹11.7 lakh crore
- Capital Expenditure Outlay: FY26: ₹11.2 lakh crore; FY27: ₹12.2 lakh crore

Direct Tax Proposals

- Capital & Corporate Taxation
 - Share buybacks to be taxed as capital gains. Additional tax applicable on promoters
 - Minimum Alternate Tax (MAT) finalised at 14%; credit set-off restricted
- Capital Gains
 - Capital gains tax exemption on redemption: Available only for SGBs subscribed at original issue & held till maturity.
 - SGBs acquired from the secondary market will not be eligible for exemption.
 - Applicable from 1 April 2026 (AY 2026-27 onwards).

Indirect Tax Proposals

- Customs duty exemptions on inputs for: Aircraft manufacturing, MRO, Defence manufacturing, Electronics, energy storage and critical minerals
- Increase in duty-free input limits for export-oriented sectors

Infrastructure & Infrastructure Financing

- Infrastructure Risk Guarantee Fund to provide partial credit guarantees to lenders
- Recycling of Central Public Sector Enterprises real estate assets through dedicated REITs
- Continued use of InVITs, NIIF and NABFID for infrastructure financing

Financial Sector & Debt Markets

- Corporate bond market reforms: Market-making framework; total return swaps (TRS) on corporate bonds
- Municipal bond incentive: ₹100 crore for single issuances above ₹1,000 crore



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Capital Markets

- Securities Transaction Tax (STT) revision: Futures: 0.05%; Options: 0.15%
- Buyback taxation aligned to capital gains framework

Foreign Capital & IFSC (GIFT City)

- Persons Resident Outside India (PROIs) permitted to invest in listed Indian equities
- Investment limits increased: Individual: 10%, Aggregate: 24%
- IFSC units eligible for: 20-year tax deduction (out of 25 years); 15% tax rate post deduction period
- Deemed dividend provisions rationalised for IFSC treasury centres

Key Investor Implications

- Capital Markets: New risk-sharing and trading mechanisms (risk guarantees, bond market-making, TRS, municipal bonds) deepen liquidity and participation.
- Equities: Policy continuity across infrastructure, capital goods, electronics and defence-linked sectors.
- Margins: Duty exemptions, IT tax certainty and supplier incentives improve margin visibility.
- Consumption: Income-tax relief and TCS rationalisation stabilise household consumption.
- Foreign Capital: Expanded overseas equity access and IFSC tax reset support long-term capital inflows.

BEHAVIOURAL FINANCE

Disposition Effect Reversal in Crypto Trading

In traditional markets, investors exhibit the disposition effect: selling winners too early while holding on to losers. Crypto markets often display the reverse of this behaviour, especially during bull cycles.

Real-Life Example: Bitcoin & Altcoins (2020–21)

During the 2020–21 bull run, Bitcoin rose from around USD 10,000 to nearly USD 69,000. Unlike equity investors who typically book profits after 30–50% gains, many crypto traders held through multiple 20–30% drawdowns. Selling winners early is widely viewed in crypto as the costliest mistake, driven by the belief in asymmetric upside (3x–10x outcomes).

At the same time, altcoins displayed the opposite behaviour. When weaker tokens fell 20–30% after entry, traders often exited quickly and rotated capital into stronger momentum assets like BTC, ETH, or trending narratives. Unlike equities, crypto losers are perceived as having a non-trivial probability of permanent failure, making early exits rational rather than emotionally difficult.

Why the Reversal Occurs

- Extreme volatility is normalized in crypto, reducing pressure to sell winners.
- Asymmetric payoff expectations encourage holding successful positions.
- Survivorship bias (stories of early Bitcoin sellers) reinforces winner-holding.
- Structural fragility of losers incentivizes quick loss-cutting.

Key Insight

Crypto markets operate under a different behavioural regime: winners are meant to be held, losers are meant to be cut. This reverses the classic disposition effect and highlights why traditional behavioural models often misinterpret crypto investor behaviour.



Snippets

- Geopolitics re-entered price discovery, as US action in Venezuela and renewed tariff threats toward Europe, Mexico and Canada injected episodic volatility across commodities, defence stocks and yields.
- Market leadership diversified, as the “Magnificent Seven” rose only ~1% while equal-weight, mid- and small-cap indices outperformed across regions.
- Commodities became the primary hedge, with gold (+13%) and Brent crude (+16%) reacting sharply to geopolitical risk and supply uncertainty.
- India underperformed, entering a corrective phase amid sustained FII selling and global risk-off flows.

Takeaways

- The US–India trade agreement acted as a clear sentiment inflection point, with FIIs infusing ~₹5,400 crore on the announcement day, signalling that policy clarity can quickly reverse foreign flow trends into Indian assets.
- Liquidity remains the dominant swing factor for Indian markets, as supportive domestic conditions contrast with episodic global risk-off phases, reinforcing the role of diversification across assets and geographies.
- The India–EU trade agreement materially strengthens India’s medium-term export and manufacturing outlook, improving earnings visibility for sectors such as engineering goods, auto components, chemicals and pharmaceuticals

Key Events

RBI MPC Meet decision: 6th Feb 2026

Mid Feb - CPI Inflation Data

Q3 Earnings Results: Ongoing

Market Watch





THANK YOU



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