

India Market Pulse: 31st January 2026

We are pleased to confirm that RNM Capital Trust has received all regulatory clearances and is now **ready to actively deploy capital** in line with emerging market opportunities.

Volatility Creates Opportunity

January 2026 was a challenging month for markets, marked by sustained sell-offs amid geopolitical uncertainty. Despite this backdrop, **RNM Capital Trust outperformed the Nifty on YTD basis**, reinforcing our view that recent volatility is **sentiment-driven rather than a reflection of deteriorating fundamentals**. Periods like these have historically been conducive to long-term portfolio construction. Market dislocations allow disciplined investors to build positions in businesses with **strong earnings visibility, balance-sheet strength and durable competitive advantages**. We continue to selectively churn and add exposure where risk-reward has improved.

Global Trade Realignment: Opportunity from Disruption

The aggressive use of tariffs and transactional trade policy has inadvertently pushed the rest of the world to diversify and de-risk. New trade corridors are being formed, stalled negotiations revived, and strategic partnerships accelerated. The **India-EU trade agreement** must be viewed squarely in this context.

For Europe, India offers scale, growth and a democratic counterweight in a fragmented world. For India, Europe provides market depth, technology, capital and – critically - diversification away from reliance on any single bloc. The deal is less about idealism and more about pragmatism.

After nearly two decades of intermittent negotiations, the speed of closure reflects geopolitical urgency. What was earlier stalled over tariffs, data localisation, labour norms and sustainability was pushed through by shifting global realities

India Macro: Domestic Momentum Remains Intact

India's December 2025 IIP surprised positively at **7.8% YoY**, the strongest print in over two years, driven by broad-based recovery across manufacturing, mining and electricity. Use-based indicators point to improving domestic demand, supported by public capex, easing inflation and prior policy support. While export-oriented segments remain under pressure, **domestic growth drivers continue to hold up well**, underscoring India's relative resilience amid global uncertainty.

Medium-Term Growth Outlook Improves

The Economic Survey 2025-26 has revised India's potential growth to **~7%**, up from **~6.5%**, reflecting the cumulative impact of reforms, macro stability, rising productivity and improved labour-market efficiency. High-frequency indicators, MSME formalisation, sustained capex, tax and regulatory simplification and labour reforms collectively support a **steady-growth outlook - requiring caution, but not pessimism**.

FY2026 Budget: Continuity, Discipline and Execution

The FY2026 Union Budget reinforces India's investment-led growth framework:

- Elevated public **capex (~₹12+ trillion)** maintained
- Continued **manufacturing and Make-in-India** focus
- Targeted **MSME credit and growth support**
- Fiscal consolidation intact, preserving macro credibility
- Increased emphasis on **technology, AI and digital infrastructure**

The Budget is incremental rather than headline-driven - strong on continuity, execution and macro stability.

Closing Perspective

Global uncertainty remains elevated, but India’s domestic growth engine continues to strengthen. The current correction is driven more by sentiment than fundamentals. For long-term investors, such phases have historically offered **attractive entry points for quality portfolios**. At RNM Capital Trust, we remain focused on disciplined capital deployment, earnings visibility and long-term compounding.

