AMPLIFY

MARKET INTELLIGENCE BRIEF

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Recovery or Repricing?

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Structural Recovery or Structural Repricing?

Markets are not stabilising. They are repricing expectations, just not fast enough. April's rally was sharp, broad-based, and emotionally convincing. Nifty gained ~8%. Mid and smallcaps surged 14–18%. It felt like the worst was behind us. But the economic variables that actually determine where markets go next - oil, the rupee, global yields, are not cooperating with that narrative.

What appears as recovery may instead be a pause within a structurally fragile market. The macro is beginning to reassert dominance over sentiment.

01

Oil Assumption Wrong

April's rally rested on crude normalising to $80. Brent at $100–110 says otherwise.

02

Margin Compression Cycle

200–300 bps EBITDA impact is the base case. Q4FY26 earnings will begin surfacing this.

03

Contrarian India

MSCI EM weight at historical lows; global AI concentration at dot-com extremes.

India: The Oil–Currency Bind

The April rally rested on two pillars: easing geopolitical tensions, and an expectation that crude would normalise toward $80/bbl. Both remain unresolved. Crude continues to hold the $100–110 range with no credible catalyst for a rapid decline visible over the next 1–2 quarters.

India imports approximately 85% of its crude requirements. Every $10/bbl sustained above consensus translates into roughly ₹1.2–1.5 lakh crore in additional annual import costs. That flows directly into the current account deficit and into corporate cost structures.

Margin Compression: The Cycle Is Beginning, Not Ending

For Indian corporates across FMCG, auto, chemicals, logistics, and consumer discretionary, sustained crude above $100 implies 200–300 bps of EBITDA margin compression. This is not a future risk to monitor. It is a present reality that Q4FY26 earnings are beginning to reveal. Earnings downgrades are likely to follow the earnings season.

Sectors Most Exposed

Oil marketing companies, aviation, paints, chemicals, consumer staples with commodity-heavy inputs

Relatively Insulated

IT (USD earnings + natural rupee hedge), pharma (partial natural hedge), domestic financials

The Currency Dimension — Underpriced

The RBI's policy signaling suggests a reduced appetite for aggressive currency defense, particularly as the central bank accelerates rate cuts to support a slowing growth impulse. A softer RBI stance in a high-oil environment historically weakens the rupee and this time the starting point is already a structurally fragile currency. Markets are beginning to factor in a move toward USDINR 100.

Global: When Concentration Becomes Fragility

Global equities have continued their march higher on AI optimism. US and select Asian markets, notably Taiwan and South Korea, have touched new highs. But the quality of this rally warrants scrutiny. Returns are becoming dangerously concentrated:

Market	Concentration Signal
United States	**Top 10 stocks ≈ 40% of S&P 500 weight - near dot-com peak levels**
Taiwan	**~50% of index returns driven by a single company**
South Korea	**Majority of index gains from two names**

Three Macro Signals Diverging from the Equity Narrative

— US Inflation at 3.8% effectively rules out Fed rate cuts near-term. Markets still pricing in 2+ cuts through 2026 face meaningful repricing risk. Higher-for-longer rates compress equity multiples, particularly for high-duration growth assets.

— Japan 10Y Yield at 2.7% signals a structural shift in global liquidity. As Japanese yields normalize, domestic investors face reduced incentives to seek yield abroad - a reversal of decades of carry trade flows that have quietly supported global equity valuations.

— Dollar Index Approaching 100 acts as a tightening mechanism for global liquidity. A strong dollar combined with elevated US yields creates twin headwinds for EM capital flows.

Macro Signals at a Glance

Indicator	Current Level	Signal
Brent Crude	**$100–110 / bbl**	Persistent margin headwind for corporates
USDINR	**~87–88, risk toward 100**	Currency drag on import costs and financials
US CPI	**3.8%**	Fed rate cuts unlikely near-term
Japan 10Y Yield	**2.7%**	Global carry trade unwinding
US Dollar Index	**~100**	Risk-off signal for EM capital flows
India MSCI EM Weight	**~11% (from ~21%)**	Historical mean reversion zone
S&P 500 vs Equal-Weight Premium	**Multi-decade high**	Late-cycle concentration risk

What History Tells Us

Three times in the past two decades, India has navigated the simultaneous combination of sustained high oil, currency weakness, and global liquidity tightening: 2008, 2013, and 2022. The pattern across all three episodes was consistent:

- The initial equity recovery proved premature
- Earnings downgrades followed 1–2 quarters after the commodity shock crystallized in corporate P&Ls.
- Defensive assets like gold, short-duration debt - significantly outperformed cyclicals.
- Sectors with USD earnings provided material portfolio ballast
- Investors who maintained liquidity discipline were able to deploy into genuine dislocations.

The 2013 Analogue

The current setup carries the strongest structural resemblance to 2013's taper tantrum - an external shock (then: Fed tapering; now: sustained oil above consensus and a strengthening dollar) meeting a domestically accommodative RBI stance in an environment of current account stress. In 2013, the rupee weakened 20%+ before stabilizing, and equity markets corrected 15–20% from their pre-shock peaks before recovering decisively.

This is not a prediction. It is a historical anchor for calibrating risk.

Ametra's House Stance

The April recovery has tested conviction. Our read on the underlying signals is that the macro variables which actually drive sustained market direction like oil, currency, global yields, earnings, are not yet cooperating with the bullish narrative. Markets are repricing expectations, not stabilizing. Our portfolio positioning reflects a deliberate tilt toward resilience over reach.

Defensive Tilt	We favour large-cap quality businesses with demonstrated pricing power, low commodity input intensity, and strong balance sheets. The margin compression cycle is beginning, not ending. Being early to defensives carries a small opportunity cost. Being late carries a larger risk.
IT as Long-Term Re-rating	Indian IT is caught in a short-term sentiment trap: AI disruption fears on one side, structural demand recovery on the other. Rupee weakness creates a natural earnings tailwind for USD earners. With valuations having corrected materially from 2021 peaks, IT represents a contra allocation with asymmetric upside over a 2–3 year horizon.
Gold as Portfolio Stabiliser	Gold is not a return-maximising asset. In environments combining currency weakness with sustained commodity price elevation, it has historically been among the most reliable performers. We maintain meaningful allocation and view it as insurance that currently carries a low premium.
Cash — An Active Decision	Maintaining a liquidity buffer is an active decision, not a passive one. In environments where macro uncertainty is elevated and equity multiples have not fully adjusted to revised earnings expectations, cash optionality has a positive expected value. We deploy systematically into dislocations rather than chasing the market on up days.
Limited Metals Exposure	Metals face a dual headwind: global demand moderation (particularly from a slowing China) and dollar strength suppressing commodity prices in USD terms. We maintain minimal exposure and see no near-term catalyst.

This Month's Recommended Strategy

Our current market stance of being defensive equity, gold, cash optionality, and tactical flexibility, is not just a view. It is embedded in how our schemes are structurally designed. One in particular is built for exactly this environment.

Ametra FactorIncome (AFI)

TOP PICK

MULTI-ASSET · UP TO 1% MONTHLY INCOME + INFLATION-BEATING COMPOUNDING

FactorIncome is a multi-asset strategy that allocates across equity, debt, gold, and international equities based on tactical market signals. In bear market and consolidation phases, the environment we believe we are navigating, the model systematically increases allocation to debt and gold, reducing drawdown risk while preserving the portfolio's capacity to compound. It is designed for investors who need predictable monthly income without surrendering long-term real returns. The current macro environment of elevated oil, currency risk, and global uncertainty is structurally aligned with what FactorIncome was built to handle.

20.40%	10.62%	–10.5%
CAGR since inception	Volatility	2008 GFC drawdown

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