Choice
Institutional Equities

Weekly Macro Briefing

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institutional.equities@choiceindia.com

India Not in Favour of a Common BRICS Currency

- Commerce and Industry Minister Piyush Goyal said India is not in favour of introducing a common BRICS currency and does not support any such proposal.
- At the BRICS trade and industry ministers' meeting on 6–7 August 2026, members discussed ways to promote more balanced trade and investment across the group's 11 countries.
- The meeting also covered easier and adequate access to finance for micro, small and medium enterprises, and better access to larger markets and expansion-suited financing.
- India's stance comes as members such as Russia and China have explored alternatives to the US dollar; in 2024, US President Donald Trump warned BRICS against efforts to reduce the dollar's role in global trade.

India's rejection is pragmatic rather than ideological, and it exposes the fault line running through BRICS. A common currency would demand a level of monetary and fiscal convergence the bloc simply does not have, and for India it would mean ceding policy autonomy to a group where China's weight dominates. De-dollarisation may suit Russia and China, but India runs large dollar-denominated trade and cannot afford the friction of antagonising the US, as Trump's earlier warning made explicit. The more telling signal is that the ministers spent their time on MSME finance and balanced trade rather than currency architecture, which suggests the common-currency idea remains aspirational rhetoric.

Duty-Free Sugar Imports Signal a Tight Market

- The government allowed duty-free import of 10 lakh tonnes (1 MT) of raw sugar under a Tariff Rate Quota until 31st October 2026, the first such move in nearly a decade.
- Ex-mill prices had hit record highs of around INR 5,400–5,500/quintal, while retail prices rose about 13% YoY to roughly INR 52.30/kg amid tight stocks and festival demand.
- Bulk consumers also face stockholding limits capped at 15 days' requirement.

Reopening duty-free imports after nearly a decade is a candid admission that the domestic balance has tightened sharply, and it fits the broader food-inflation picture the MPC is watching. The measure should cool ex-mill and retail prices near-term and is well-timed against festival demand, but it is a reactive lever rather than a structural fix. Record mill prices and a 13% retail jump reflect genuine supply stress that a one-off quota cannot resolve if the deficient monsoon crimps the coming cane crop. Stockholding limits on bulk buyers add a rationing element that signals just how thin availability has become. For a country that habitually exports sugar, turning importer even briefly underscores how quickly the monsoon shortfall is rippling through the food basket. It further reinforces the case that food-led price pressure, not demand, remains the dominant inflation risk this quarter.

Sources: Business Standard, CMIE, Mint, MOSPI, RBI

RBI MPC Minutes More Hawkish than the Statement

- Dr. Nagesh Kumar flagged that the US-Iran conflict continues to threaten crude supplies, compounded by fresh US tariff actions; recently concluded FTAs with the EU and EFTA could help diversify export markets.
- Saugata Bhattacharya cautioned that persistently high fuel prices risk feeding second-round inflation, even as tight financial conditions have eased following measures to attract foreign deposits.
- Prof. Ram Singh noted that flows under the FCNR(B) swap facility supported the rupee, though input-cost pressures are surfacing in enterprise surveys.
- Indranil Bhattacharyya observed price spikes remain concentrated in food and fuel, with 69% of the CPI basket at or below 4% inflation, arguing for evidence-based caution; Dr. Poonam Gupta cited improved rainfall and softer oil assumptions behind the downward inflation revision.
- Sanjay Malhotra said headline inflation remains supply-driven rather than demand-generalised, though he flagged early signs of normalisation from last year's benign 2% average.

The hold is defensible, but the commentary reveals a committee more comfortable describing risks than resolving them. Revising growth up and inflation down in the same breath, while insisting more clarity is needed, is an awkward straddle that leaves the RBI reactive rather than pre-emptive. The reassurance that 69% of the basket sits at or below 4% understates the concentration risk: food and fuel are precisely the volatile, politically sensitive components where second-round effects begin, and Bhattacharya's own warning on fuel pass-through cuts against the sanguine read. Leaning on the FCNR(B) swap inflows for rupee stability is a useful bridge, but it substitutes a financing tailwind for a durable external buffer and can reverse quickly if global risk appetite turns. With the Strait of Hormuz and fresh US tariffs sitting squarely on the supply side, a neutral stance that waits for clarity may simply mean the RBI is behind the curve if the December peak proves stickier than the revised 5.0% projection implies.

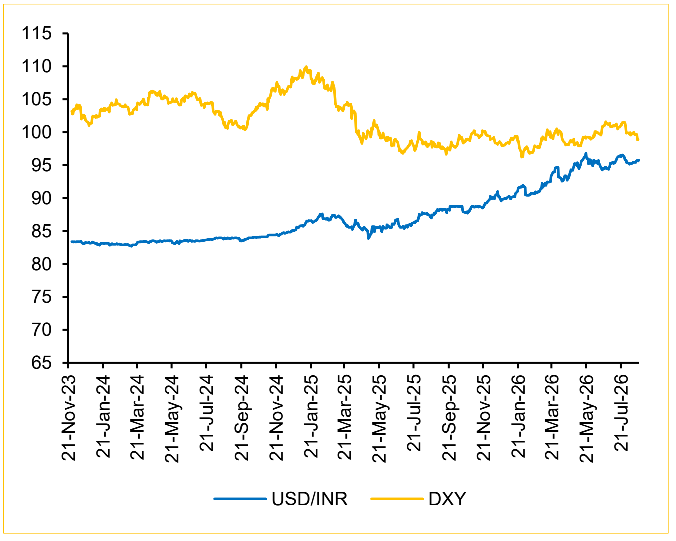
Core Industries Grow 5.4% in July, but Breadth Narrows

- The Index of Core Industries grew 5.4% year-on-year in July 2026, the second release under the new 2022-23 base year, which added iron ore as a ninth component.
- This compares with June 2026, whose final growth was revised up to 6% from a provisional 5%.
- Six of nine components grew: iron ore led at 29.5%, followed by cement (13.1%), electricity (9%), coal (7.6%), steel (2.9%) and refinery products (2.7%).
- Three components contracted: natural gas fell 3.7%, crude oil 5.3% and fertilisers 8%.

A 5.4% headline is respectable, but the composition is less reassuring than the number suggests. Growth is leaning heavily on iron ore, cement and electricity, while the downward pull from crude oil, natural gas and fertilisers points to soft energy output and weak agri-input demand ahead of a deficient monsoon. Iron ore's 29.5% surge is partly a base-year artefact of its recent inclusion and should not be read as a durable demand signal. The step-down from June's revised 6% also hints that momentum is cooling rather than building.

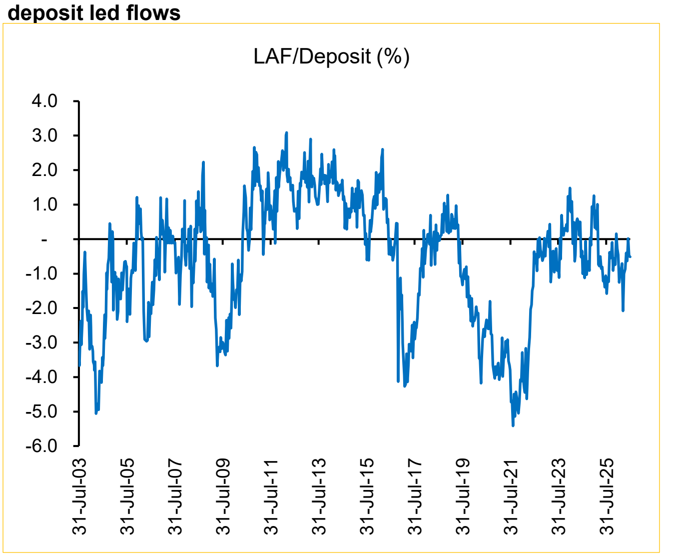
Sources: Business Standard, CMIE, Mint, MOSPI, RBI

Gap is narrowing between USD/INR and the Dollar index



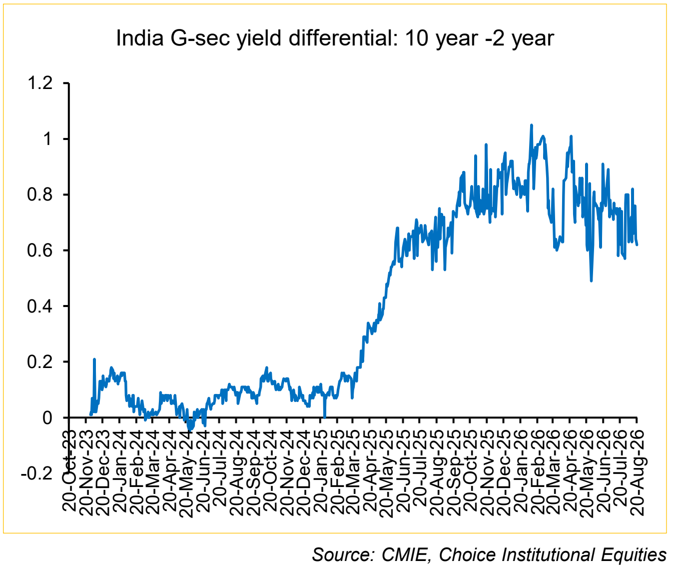
Source: CMIE, Choice Institutional Equities

Liquidity remains largely in surplus due to the FCNR (B) deposit led flows



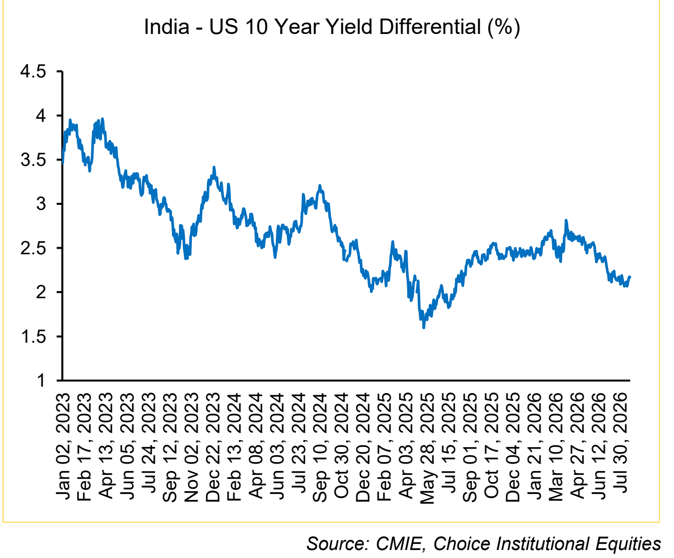
Source: CMIE, Choice Institutional Equities

Differential between the 10-year and 2-year G-Sec has been narrowing recently



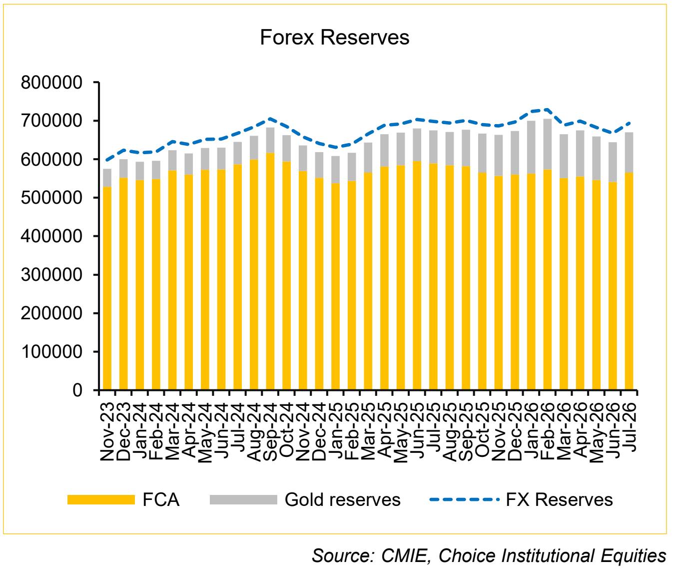
Source: CMIE, Choice Institutional Equities

Persistently narrowing India – US yield differential



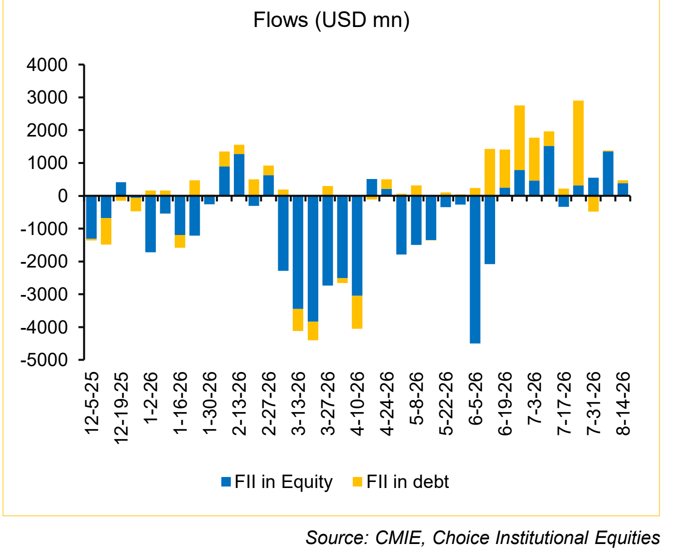
Source: CMIE, Choice Institutional Equities

Recent uptick in Foreign Currency Assets led to a modest uptick in overall forex reserves



Source: CMIE, Choice Institutional Equities

There is a modest uptick in FII flows into equity since July, its sustenance remains a key monitorable



Source: CMIE, Choice Institutional Equities

Institutional Research Team			
Utsav Verma, CFA	Head of Institutional Research, India Equity Strategy and SMIDs	utsav.verma@choiceindia.com	+91 22 6707 9440
Purvi Mundhra	Economist	purvi.mundhra@choiceindia.com	+91 22 6707 9241
Ambrish Shah	Analyst - Power	ambrish.shah@choiceindia.com	+91 22 6707 9251
Ashutosh Murarka	Analyst – Building Materials	ashutosh.murarka@choiceindia.com	+91 22 6707 9521
Bhavik Shah, CFA	Analyst – Metals & Mining	Bhavik.shah@choiceindia.com	+91 22 6707 9521
Deepika Murarka	Analyst – Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Dhaval Popat	Analyst – Energy	dhaval.popat@choiceindia.com	+91 22 6707 9949
Fenil Brahmbhatt	Analyst – Realty & Building Materials	fenil.brahmbhatt@choiceindia.com	+91 22 6707 9930
Ishank Gupta	Analyst – NBFCs	ishank.gupta@choiceindia.com	+91 22 6707 9867
Karan Kamdar	Analyst – Consumer Discretionary, SMIDs	karan.kamdar@choiceindia.com	+91 22 6707 9451
Kunal Bajaj	Analyst – Technology	kunal.bajaj@choiceindia.com	+91 22 6707 9901
Maitri Sheth	Analyst – Pharmaceuticals	maitri.sheth@choiceindia.com	+91 22 6707 9511
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Preeyam Tolia	Analyst – FMCG & Retail	preeyam.tolia@choiceindia.com	+91 22 6707 9987
Vijiya Rao	Analyst – AMC & Insurance	vijiya.rao@choiceindia.com	+91 22 6707 9531
Aayush Saboo	Sr. Associate– Realty	aayush.saboo@choiceindia.com	+91 22 6707 9930
Avi Jhaveri	Sr. Associate – Technology	avi.jhaveri@choiceindia.com	+91 22 6707 9901
Bharat Kumar Kudikyala	Sr. Associate – Building Materials	bharat.kudikyala@choiceindia.com	+91 22 6707 9930
Samarth Goel	Sr. Associate– Small and Midcaps	samarth.goel@choiceindia.com	+91 22 6707 9451
Subhash Gate	Sr. Associate – Autos	subhash.gate@choiceindia.com	+91 22 6707 9233
Heer Gogri	Associate – Small and Midcaps	heer.gogri@choiceindia.com	+91 22 6707 9433
Heet Chheda	Associate – Autos	heet.chheda@choiceindia.com	+91 22 6707 9233
Prakhar Tibrewala	Associate – SMIDs	prakhar.tibrewala@choiceindia.com	+91 22 6707 9433
Rushil Katiyar	Associate – Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9901
Shreya Mehra	Associate – Technology	shreya.mehra@choiceindia.com	+91 22 6707 9535
Stuti Bagadia	Associate – Pharmaceuticals	stuti.bagadia@choiceindia.com	+91 22 6707 9511
Vinay Rawal	Associate – Small and Midcaps	vinay.rawal@choiceindia.com	+91 22 6707 9433

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
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