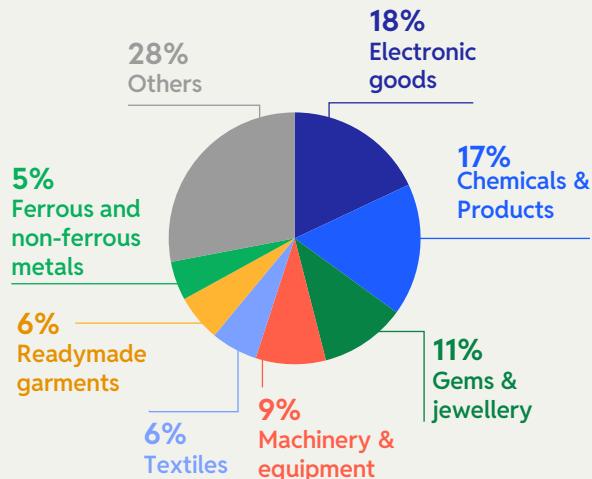


India & US Finally Reach A Consensus- US Tariff Lowered From 50% to 18%

In a much-awaited decision, India & US have decided on the terms of trade deal, which have been pending since August 2025, when the Trump Administration levied 25% on all India commodities exported to the US + 25% punitive tariff for buying oil from Russia. The US has reduced tariffs from 50% to 18%, offering significant relief to export-oriented companies and easing pressure on the country's current account balance. In return India has agreed to lower tariffs and non-tariff barriers on US imports to 0%. India has also agreed to stop buying oil from Russia, which has anyway been falling (down by avg ~10% YoY between April-November 2025). Also, India has committed to buy US goods worth USD 500 Bn over five years in energy, tech and agricultural.

What Do We Export To the US?

% share in India export to the US



US accounts for 20% of the exports from India, making it the largest export destination. In FY25, India ran a merchandise trade surplus of Rs. 41 Bn with the US.

Source: CMIE, Ionic Wealth

How Have Indian Markets Fared Since Liberation Day?

The domestic equity markets have been under pressure for an extended period, with MSCI India posting a tepid ~9.0% return since April 2025, against MSCI ACWI's robust performance of 25%. INR has depreciated by ~7% since April 2025, triggered by persistent FPI selling of about USD 10 Bn so far in FY26. The trade deal is sentimentally positive for the markets.

Sectors To be Most Impacted By The Trade Deal

Labour intensive sectors (like textiles, gems & jewellery) could benefit the most, as the 50% tariff primarily targeted these sectors while electronics, pharma etc were already exempted. Push towards India's manufacturing & labour-intensive sectors is evident as the recent trade deals done with EU, UK and now US are turning out to be most beneficial for these sectors. Also, increasing competitiveness of INR vis-à-vis CNY, could act as a strong tailwind for chemicals sector and could gradually shift US's heavy reliance on China for chemical imports towards India, supported by lower tariff + weaker INR than CNY.

On the contrary, India opening its agricultural sector to more imports at negligible/zero tariff could be drag on the sector growth and farmers' income.

Ionic Wealth View

The trade deal with the US has come at an opportune time just as domestic fundamentals including corporate earnings and macros are beginning to recover after a prolonged period of stress. Persistent FPI selling has been a major drag for domestic equities as well as INR. We expect the domestic market sentiment to improve as the trade deal uncertainty is behind us, but execution is important- a) India's corporates should be able to deliver to materialize lower tariffs than China, even as INR is more competitive than CNY and b) Also, there shouldn't be any further surprises in trade terms. Union Budget and trade deal have been two major clearing events for domestic equities and both have sung the tune favouring real economy, labour intensive sectors and capitalizing on exports opportunity. Consequentially, we'd expect some broadening of the financial markets.