🔍 **Financial Recap by Fincour**

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January Newsletter

Dear Readers,

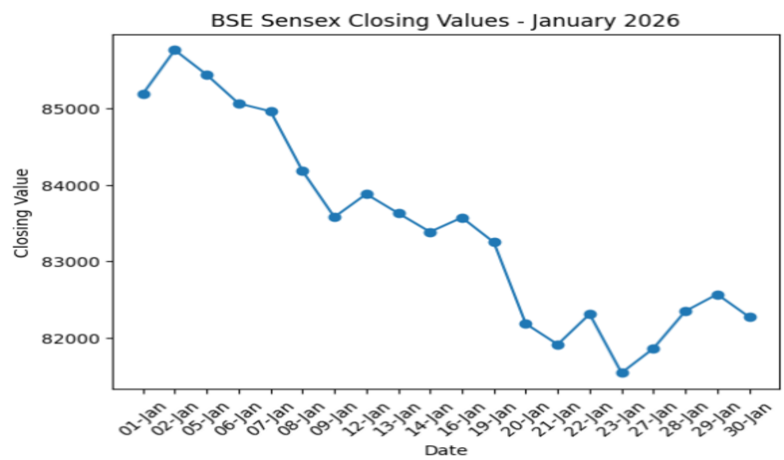
Welcome to the 2026, **8th Edition** of the Fincour Financial Newsletter with **January 2026 Highlights.**

As we step into a new financial year, January sets the tone for market direction, investor sentiment, and the macroeconomic outlook for 2026.

Here are the key highlights and insights every investor should track.

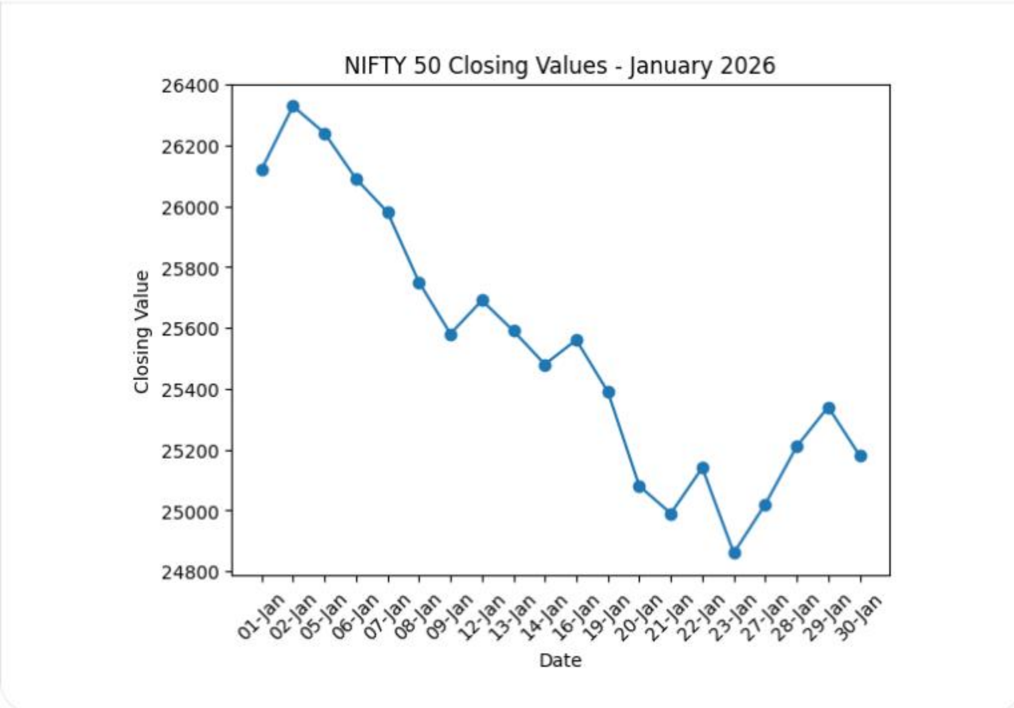
Key Financial Developments in India

Sensex Highlights



- **January 1 (start of month):** The Sensex opened at 85,255.55, having risen by approximately 34.95 points (0.04%) from the previous session of 85,220.60 on December 31, 2025.
- **Peak in January:** The highest closing value for January 2026 was 85,762 on January 2nd, 2026.
- **Last trading day in January**: Since January 30th was the last trading day of the month, the closing value was 82,269.78, having decreased by approximately 2919 points, i.e., 3.43% from the closing session of 85,188.60 on 1st January 2026.

Nifty 50 Highlights



- **<u>Start of Month</u>:** The Nifty 50 opened with a value of 26,173.30 on January 1, 2026, marking the index's level at the beginning of the month.

- **<u>Peak Value</u>:** The highest value observed during September was 26,340 points on January 2nd, 2026.

- **<u>Last Trading Day</u>:** The closing on January 30, 2025 (the last trading day of the month) was 25,320.65, having decreased by approximately 826 points, i.e., 3.16% from the closing session of 25,320.65 on 1st January 2026.

📌 Key Drivers – January 2026

Global Economic & Geopolitical Factors

🌍 US Federal Reserve Interest Rate Outlook

- The US Federal Reserve signalled that **rate cuts may be delayed** due to persistent inflation.
- Higher US interest rates generally:
    - Strengthen the US Dollar
    - Reduce Foreign Institutional Investor (FII) inflows into emerging markets like India.
- This created **selling pressure in Indian equities**.

👉 Impact:
FII outflows and weakness in IT & growth stocks.

🛢 Crude Oil Price Volatility

- Crude oil prices remained unstable due to geopolitical tensions and supply concerns.
- India is a major oil importer.
- But it was a positive surprise in January. Prices for the Indian Basket began a significant softening trend, averaging around $62-$65/barrel in January (down from $70+).
- While geopolitical "noise" existed, the actual data showed a reduction in inflation risk for India during Jan '26, rather than an increase.

👉 Impact:

- Higher oil prices increase inflation risk.
- Pressure on the rupee and current account deficit.
- Negative sentiment for markets, especially aviation & logistics sectors.

🌍 Global Geopolitical Tensions

- Trade and political tensions in major economies caused global market volatility.
- Specifically, **US-India trade tensions** flared up due to proposed "Reciprocal Tariffs" on Indian goods, causing a massive "risk-off" sentiment.
- Investors shifted towards safer assets like gold and US bonds.

👉 Impact:

- Risk-off sentiment in emerging markets, including India.

Domestic Policy & Regulatory Factors

🏦 RBI (Reserve Bank of India) Developments

Inflation & Rate Policy Uncertainty

- RBI maintained a cautious stance on inflation control.
- Markets were uncertain about the timing of rate cuts in India.

👉 Impact:

- Banking & rate-sensitive sectors saw volatility.
- Liquidity sentiment remained cautious.

Liquidity Tightening Measures

- RBI conducted liquidity absorption operations to manage excess liquidity.

👉 Impact:

- Short-term money market rates increased.
- Slight negative sentiment for equities.

📜 3. SEBI Regulatory Changes & Market Actions

Derivatives & F&O Monitoring

- SEBI increased surveillance on speculative derivative trading.
- Effective **January 1, 2026**, SEBI and NSE officially **reduced lot sizes** for Nifty (from 75 to 65) and Bank Nifty (from 35 to 30).
- Discussions around tightening retail derivative participation.

👉 Impact:

- Pressure on high-beta and speculative stocks.
- Increased volatility in midcap and smallcap segments.

Mutual Fund & Disclosure Norms

- SEBI continued strengthening disclosure and governance norms.

👉 Impact:

- Long-term positive but created short-term caution among investors.

📅 4. Pre-Budget Sentiment (India Budget 2026 Expectations)

- Markets were cautious ahead of Union Budget announcements.
- Investors avoided aggressive positions due to uncertainty regarding:
  - Fiscal deficit
  - Taxation changes
  - Increase in Securities Transaction Tax (STT)
  - Share Buyback taxes
  - Infrastructure spending outlook

👉 Impact:
Profit booking seen in several sectors.

💰 5. FII & DII Flow Trends

- FIIs showed intermittent selling during the month.
- Domestic Institutional Investors partially supported markets.

👉 Impact:
Market correction and sideways movement.

USD/INR (Currency) and Gold and Silver for January 2026:

Asset	Early January	Mid-January	Late January	Monthly Change
USD/INR	₹89.9636	₹90.2481	₹91.6511	+1.88 %
24K Gold	₹13,506 Per gram	₹14,401 Per gram	₹16,026 Per gram	+18.66 %
22K Gold	₹12,380 Per gram	₹13,201 Per gram	₹14,690 Per gram	+18.66 %
Silver	₹238-240 Per gram	₹295 Per gram	₹ 395-410 Per gram	+47.06 %

Budget 2026 Highlights

The Union Budget 2026, presented by Finance Minister Nirmala Sitharaman on February 1, 2026, was a landmark document focused on fiscal consolidation, infrastructure-led growth, and a significant overhaul of India's tax laws.

The budget was presented under the theme of **"Kartavya Kaal"** (Era of Duty), highlighting three primary responsibilities (*Kartavyas*): accelerating economic growth, fulfilling people's aspirations, and ensuring inclusive development (*Sabka Sath, Sabka Vikas*).

📈 1. Macro-Economic Framework

The government maintained its path of fiscal prudence despite global economic headwinds.

- **Fiscal Deficit:** Targeted at **4.3% of GDP** for FY27, a reduction from the 4.4% revised estimate of the previous year.

  Note: ***Fiscal Deficit*** *means the gap between the government's total expenditure and its total income (excluding borrowings). It illustrates the amount of money the government needs to borrow to cover its expenses.*

- **GDP Growth:** Nominal GDP growth is estimated at **10%** for the 2026-27 period.
- **Capital Expenditure (Capex):** Increased by 9% to **₹12.2 lakh crore** to sustain the momentum in infrastructure development.

  Note: *The money the government spends to create long-term assets or improve infrastructure.*

- **Total Expenditure:** Estimated at **₹53.5 lakh crore**, with interest payments accounting for roughly 26% of this total.

📜 2. The New Income Tax Act, 2025

One of the most significant announcements was the introduction of the **Income Tax Act, 2025**, which officially replaces the legacy 1961 Act starting **April 1, 2026**.

- **Slabs & Rates:** No changes were made to the personal income tax slabs or rates for FY 2026-27.

  Note: *Refer to the page 11 for Income Tax Slab*

- **MAT Reforms:** The Minimum Alternate Tax (MAT) rate was reduced from **15% to 14%**. However, MAT credit accumulation will cease from April 1, 2026.

  Note: *MAT is a rule that ensures companies pay a minimum amount of tax, even if they use deductions to reduce their normal tax liability. If a company shows high profits in its books but pays very low tax, MAT makes sure it still pays at least a fixed % of its book profit.*

- **Share Buybacks:** These will now be taxed as **Capital Gains** in the hands of shareholders rather than as dividend income, aiming to remove tax arbitrage.

- **Foreign Assets Disclosure:** A new time-bound "Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026" was introduced to allow small taxpayers (including returning NRIs) to declare minor foreign assets (below ₹20 lakh) without heavy penalties.

🏗 3. Key Sectoral Highlights

Manufacturing & Technology

- **Biopharma SHAKTI:** A ₹10,000 crore initiative to make India a global hub for biologics and biosimilars.
- **ISM 2.0 (Semiconductor Mission):** Launched to focus on semiconductor equipment manufacturing and developing Indian-owned Intellectual Property (IP).
- **Electronics:** Outlay for the Electronics Component Manufacturing Scheme nearly doubled to **₹40,000 crore**.

Infrastructure & Energy

- **City Economic Regions (CER):** 500 cities will be mapped as CERs to drive urban-led growth with a ₹5,000 crore allocation per region over 5 years.
- **High-Speed Rail:** Seven new high-speed rail corridors were announced as "Growth Connectors."
- **Rare Earth Corridors:** Integrated mining and processing hubs to be set up in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu.
- **Energy Transition:** ₹20,000 crore allocated for **Carbon Capture and Storage (CCUS)** and customs duty exemptions for lithium-ion battery manufacturing equipment.

MSME & Agriculture

- **Champion SMEs:** A ₹10,000 crore **SME Growth Fund** was established to provide equity support to high-growth small businesses.
- **Bharat-VISTAAR:** An AI-integrated multilingual platform launched to provide farmers with real-time access to ICAR research and market data.
- **High-Value Crops:** Targeted support for coconut, sandalwood, cocoa, and cashew in coastal regions.

📉 4. Stock Market & Investor Impact

The market reaction on Budget Day was volatile, primarily due to measures aimed at cooling retail speculation.

- **STT Hike:** The Securities Transaction Tax (STT) on **Futures** was doubled (from 0.02% to 0.05%) and on **Options** premium increased from 0.1% to 0.15%.
- **Sovereign Gold Bonds (SGB):** Tax exemptions on SGB redemptions at maturity will now only apply to bonds bought in the **primary market** (direct from RBI). Secondary market purchases will be subject to capital gains tax.
- **Mutual Funds:** The 20% interest deduction previously allowed against dividend income from mutual funds has been removed.

🏥 5. Social Sector & Education

- **Medical Tourism:** Five "Regional Medical Hubs" will be established to position India as a global healthcare destination.
- **Mental Health:** NIMHANS-2 will be set up in North India to address the rising mental health burden.
- **Education:** "Creator Labs" for Animation, Visual Effects, Gaming, and Comics (AVGC) will be established in 15,000 schools.

Income Tax Slab for 2026-27

1. Individuals & HUF (Assessment Year 2027-28)

The New Tax Regime is the default regime. It has been widened to provide more relief to the middle class.

New Tax Regime (Revised)

Net Taxable Income (₹)	Tax Rate
0 – 4,00,000	Nil
4,00,001 – 8,00,000	5%
8,00,001 – 12,00,000	10%
12,00,001 – 16,00,000	15%
16,00,001 – 20,00,000	20%
20,00,001 – 24,00,000	25%
Above 24,00,000	30%

- Tax Rebate (u/s 87A): Increased to ₹60,000. This means individuals with a taxable income up to ₹12 lakh pay zero tax.
- Standard Deduction: Increased to ₹75,000 for salaried employees and pensioners. (It has been raised from ₹50,000 in the previous cycle).
- Effective Tax-Free Limit: For a salaried person, income up to ₹12.75 lakh is effectively tax-free (Standard Deduction + Rebate).

Old Tax Regime (Optional)

The slabs remain unchanged. You must explicitly opt for this to claim deductions like 80C, 80D, and HRA.

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2. Partnership Firms & LLPs

The tax structure for firms remains flat and stable.

- Income Tax Rate: 30% (Flat rate on total income).
- Surcharge: 12% if taxable income exceeds ₹1 crore.
- Cess: 4% Health and Education Cess on tax + surcharge.

3. Domestic Companies

The rates depend on the turnover and the specific tax regime chosen.

Category	Tax Rate
Turnover up to ₹400 Crore (in FY 2023-24)	25%
Base Rate for all other Domestic Companies	30%
Section 115BAA (Concessional Regime - No Incentives)	22%
Section 115BAB (New Manufacturing Companies)	15%

- MAT (Minimum Alternate Tax): Reduced from 15% to 14% under the new Act.
- MAT Credit: No new credit accumulation allowed after April 1, 2026.

4. Surcharge & Cess (Common)

- New Tax Regime (Individuals): Surcharge capped at 25% for income above ₹2 crore (previously 37% in the old regime).
- Old Tax Regime (Individuals): Surcharge remains up to 37% for income above ₹5 crore.
- Cess: 4% remains applicable across all categories.

Parliament Budget Session — Latest (Feb 11 2026)

🗣️ Ongoing General Budget Debate

Both Lok Sabha and Rajya Sabha are engaged in detailed discussions on the Budget’s merits and implications for various sectors.

Major Trade Deals Involving India — January 2026

India–European Union Free Trade Agreement (FTA)

Signed on 27 January 2026 between India and the European Union (EU)
It was a landmark bilateral free trade pact — often called the "Mother of All Deals".

🟡 **Key Features**

- Covers trade between India and the EU's 27 member countries.
- Phased reduction/elimination of tariffs on 97%+ of goods traded by value. *
- Includes market access improvements for services and investment.
- Covers sectors like textiles, gems, pharmaceuticals, machinery, automobiles, and chemicals.

📈 **Impact on the Indian Market**

- Export Boost Potential: Easier access to a huge European consumer market worth nearly $27 trillion (25% of world GDP).
- MSMEs & Manufacturing Gains: Lower tariffs help Indian small industries compete in Europe.
- Foreign Investment: Confidence for EU firms to invest more in India.

Transition Period: Tangible tariff cuts will roll out over several years before effect on trade volumes fully shows up.

Note: This deal was announced as concluded; formal ratification steps follow in 2026–27.

India–United States Interim Trade Deal (Framework)

Announced in early February 2026 (discussion phase widely reported around late January & early February)
Between India and the United States
An interim trade agreement emphasizing tariff reductions and cooperation.

📈 **Impact on the Indian Market**

⚫ **Tariff Reductions:** India agreed to cut its Digital Services Tax and lower tariffs on various US industrial and agri products, opening broader market access for US goods.

*The US initially stated India "will remove" its digital taxes. New Delhi corrected this to "India is **committed to negotiate** digital trade rules." India already phased out its 6% Equalization Levy in April 2025; the current debate focuses on **Significant Economic Presence (SEP)** rules.*

📉 **Commodity Price Effects**: Duty-free import allowances for U.S. soyoil and related feedstocks led to sharp falls in Indian corn and soybean prices, pressuring farm incomes.

*Initially, the US claimed India would cut tariffs on **pulses** (lentils, chickpeas), but the White House **removed this** from the fact sheet on Feb 9 after strong pushback from New Delhi, as pulses are a red-line for Indian farmers.*

⚠️ **Trade Balance Concerns**: Proposed US imports plan (up to $500 bn over five years) raised concerns about widening trade deficit and domestic industry competition.

*The language was officially shifted from "committed to buy" to **"intends to buy"** $500 billion worth of US energy, technology, and coal over five years. Economists have noted this is aspirational and would require India to double its annual imports from the US to ~$100 billion.*

This framework is still evolving and has been a topic of parliamentary debate.

Indian Market Reaction on Trade Deals & Union Budget 2026-27

1. Union Budget 2026 (The "Sunday Shock")

- **Initial Response: Negative/Panic.** On the special Sunday session (Feb 1), the Nifty 50 crashed nearly **2% (593 points),** and Sensex plummeted over **1,800 points**.
- **The Culprit:** The unexpected hike in **Securities Transaction Tax (STT)** on Futures (to 0.05%) and Options (to 0.15%) spooked traders, leading to the sharpest Budget-day slide in six years.
- **The Silver Lining:** Infrastructure, Semiconductors (**ISM 2.0**), and Biopharma stocks saw resilient buying due to massive capex outlays (₹12.2 lakh crore) and the new **Biopharma SHAKTI** mission.

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2. India–US Interim Trade Deal (The "Recovery Trigger")

- **Initial Response: Extremely Positive.** The market reclaimed almost all Budget losses within 48 hours. On Feb 3, Nifty surged **2.55%,** and Sensex jumped over **2,000 points**.
- **The Driver:** The reduction of US reciprocal tariffs from **50% to 18%** on Indian goods was viewed as a massive win for exporters.
- **Sector Winners: Textiles, Leather, Gems & Jewellery, and Specialty Chemicals** rallied between 5% and 9% as they are the primary beneficiaries of the lower US duties.

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3. India–EU Free Trade Agreement (The "Sentiment Stabilizer")

- **Initial Response: Steady/Constructive.** Unlike the US deal's "shock-and-awe" rally, the EU deal provided a steady floor for the markets in the second week of February.
- **The Impact:** It boosted the **Nifty and Sensex by 0.5%** on the day of major clarity. Investors cheered the long-term visibility for Indian engineering, apparel, and pharma exports to the Eurozone.
- **Geopolitical Signal:** The deal was seen as a strategic "hedge" against US trade unpredictability, leading to a recovery in **FII (Foreign Institutional Investor) inflows**, which had been negative in January.

Summary

Event	Market Trend	Top Gaining Sectors	Top Losing Sectors
Union Budget	**Sharp Dip**	Infra, Railways, Semiconductors	Brokerages, Metals, FMCG, Mid-cap Speculative
India-US Deal	**V-Shaped Recovery**	Textiles, Leather, Marine Products	Agriculture (Corn/Soy), Oil & Gas (Russian link)
India-EU Deal	**Steady Consolidation**	Pharma, Engineering, IT Services	Dairy, Small-scale Manufacturing (TBT barriers)

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