ALBORITHM | INDIAN ECONOMY & MARKETS COMPASS
Navigating India's Economy, Financial Markets & Investment Outlook.
OFFICIAL ISSUE #003

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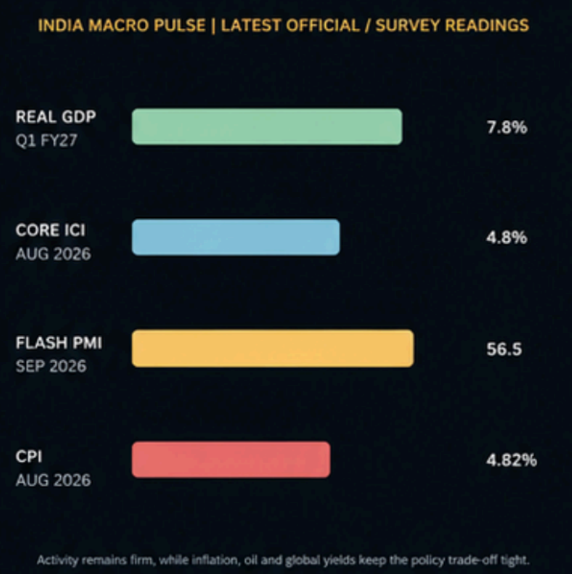
LIVE CUT-OFF | 18:30 IST

HEADLINE INTELLIGENCE

HORMUZ TALKS STALL AS INDIA ENTERS RBI WEEK WITH OIL, RUPEE AND YIELDS TIGHT

Iran said on Sunday that diplomacy remains the route to resolving the conflict after the U.S. rejected Tehran's proposal to reopen the Strait of Hormuz and end fighting. For India, the external shock meets a still-firm domestic activity pulse: Friday's rupee closed at 95.8125 per dollar; the benchmark 10-year yield at 7.1194%, while September flash Composite PMI strengthened to 56.5. [S3][S6][S8][S14]

IRAN DIPLOMACY | HORMUZ | CURRENT ISSUE THESIS



INDIA MACRO PULSE | GDP 7.8% · ICI 4.8% · PMI 56.5

MARKET STRESS
Nifty -0.9%; Sensex -0.5%; seventh weekly fall. [S5]

ACTIVITY
Core ICI +4.8%; flash PMI 56.5. [S2][S3]

RUPEE
25 Sep: 95.8125USD; little changed WoW. [S6]

OIL
Brent Friday $104.32/bbl. [S7]

RATES
India 10Y 7.1194%; +5 bps WoW. [S8]

BUFFERS
FX reserves $765.90bn; FY27 borrowing below BE. [S9][S11]

Research / data cut-off: 27 September 2026, 18:30 IST (13:00 UTC). Cash-market prices retain their original observation date.

01 | Executive Intelligence Brief

GROWTH ENGINE

Q1 FY27 real GDP grew 7.8%; August core industries rose 4.8%. [S1][S2]

ACTIVITY REBOUND

September flash Composite PMI rose to 56.5 from 54.3 in August. [S3]

MARKET STRESS

Nifty lost 0.9% and Sensex 0.5% on the week, their seventh straight weekly decline. [S5]

RUPEE PRESSURE

USD/INR ended at 95.8125; import-cost sensitivity remains high with Brent above $100. [S6][S7]

RATES & LIQUIDITY

India 10Y ended at 7.1194% while RBI continued draining surplus liquidity. [S8][S10]

FISCAL COUNTERWEIGHT

Full-year dated-security borrowing is planned at Rs 15.995tn versus Rs 17.2tn Budget estimate. [S11]

Five-minute read. India's market signal deteriorated again, but the real-economy signal did not. The analytical test for the coming week is cross-asset persistence: oil, the rupee, bond yields and equity breadth need to worsen together before the pressure should be treated as a broad macro break. Stronger September PMI and lower-than-budgeted borrowing are meaningful offsets, not immunity. [S2][S3][S5][S7][S8][S11]

INDIA MACRO PULSE

Latest observations retained at their original reporting dates

REAL GDP	Q1 FY27	+7.8%
CORE ICI	AUG 2026	+4.8%
FLASH PMI	SEP 2026	56.5
CPI	AUG 2026	4.82%
WPI	AUG 2026	9.92%
EXPORTS	AUG 2026	+25.41%

MARKETS & EXTERNAL BUFFER

Latest observations retained at their original reporting dates

NIFTY 50	-0.9% WoW	23,140.50
SENSEX	-0.5% WoW	73,895.74
USD / INR	25 SEP CLOSE	95.8125
BRENT	25 SEP SETTLE	$104.32
INDIA 10Y	25 SEP CLOSE	7.1194%
FX RESERVES	W/E 18 SEP	$765.90bn

02 | Headline Analysis - seven weeks down, but not one signal

By Friday, the cross-asset picture had become more demanding: Nifty and Sensex completed a seventh weekly decline, Brent settled at $104.32, the benchmark 10-year yield reached 7.1194%, and the rupee ended at 95.8125 per dollar. The combination points to a higher imported-cost and discount-rate hurdle rather than a standalone equity correction. [S5][S6][S7][S8]

The counter-evidence is equally important. August core industries rose 4.8%, September flash Composite PMI strengthened to 56.5, and August total exports were estimated at $82.68 billion, up 25.41% year on year. Those readings argue against describing current market weakness as an immediate domestic-demand collapse. [S2][S3][S12]

> **What would change the read.** A durable fall in Brent, a firmer rupee, easing India and US long yields, and broader equity participation would weaken the stress thesis. A stronger conclusion requires several of these to improve together, not one session in isolation.

02 | Headline Analysis - transmission remains the discipline

The principal transmission remains oil to the external balance, then the rupee and domestic price expectations, while global yields raise the valuation hurdle and domestic term premium. RBI's liquidity withdrawal operates on another channel: it can restore monetary transmission, but it also means markets cannot assume that surplus liquidity will absorb every external shock. [S8][S10][S13][S17]

BRENT / FREIGHT > USD DEMAND > INR > WPI / MARGINS > YIELDS > VALUATIONS

> **Alternative case.** The same data can support a softer interpretation: markets may be front-loading global rate and oil risk while India's activity and export cycle remains firm. The lower borrowing plan is the strongest policy-side counterweight to that adverse reading. [S2][S3][S11][S12]

CONFIRMED MARKET STRESS

7th weekly equity decline; India 10Y at 7.1194%. [S5][S8]

CONFIRMED DOMESTIC BUFFER

ICI +4.8%; flash PMI 56.5; exports +25.41%. [S2][S3][S12]

KEY LINCHPIN

Whether oil, INR and yields deteriorate together through the next RBI policy window.

03 | Markets & Macro Dashboard

Indicator	Latest observation	Change / date	Context interpretation
NIFTY 50	23,140.50	+0.34% Fri; -0.9% WoW	Seventh weekly decline; Friday rebound did not reverse the weekly trend. [S5]
BSE SENSEX	73,895.74	+0.43% Fri; -0.5% WoW	Large-cap risk appetite remained weak on the week. [S5]
USD / INR	95.8125	25 Sep close	Currency ended little changed on the week despite volatile oil and intervention cues. [S6][S17]
India 10Y	7.1194%	+5 bps WoW	Sixth weekly bond loss; global yields and domestic liquidity withdrawal kept term premium firm. [S8][S13]
Brent crude	$104.32/bbl	25 Sep settle	Oil stayed above $100 even as Friday truce hopes pulled the benchmark lower. [S7][S14]
FX reserves	$765.90bn	w/e 18 Sep	Large buffer, but down $14.88bn in the latest reported week. [S9]
Core industries	+4.8% YoY	Aug 2026	Cement and electricity were major positive contributors. [S2]
Flash Composite PMI	56.5	Sep 2026	Private-sector activity accelerated to a three-month high. [S3]

03 | Market Matrix - one economy, several pressure channels

EQUITIES

Signal: seventh weekly decline. Read: breadth and foreign flows matter more than one-day rebound.

FX & OIL

Signal: INR 95.8125 and Brent $104.32. Read: delivered energy cost remains the main external channel.

RATES

Signal: India 10Y 7.1194%. Read: global yields plus RBI liquidity drain raise the hurdle rate.

DOMESTIC RESILIENCE

Signal: ICI +4.8%, PMI 56.5, exports +25.41%. Read: activity remains a genuine offset.

> **Signal vs noise.** The seventh weekly equity decline is a corroborating signal, not a standalone forecast. Confirm whether stress is transmitting simultaneously through oil, the rupee, yields and domestic activity before treating it as a durable macro break.

EVIDENCE STATUS | WHAT IS CONFIRMED VS STILL DEVELOPING

The discipline is to separate closed-market observations and official releases from forward-looking policy expectations and geopolitical outcomes.

CONFIRMED / OBSERVED

Nifty 50	**23,140.50**
USD/INR	**95.8125**
India 10Y	**7.1194%**
FX reserves	**$765.90bn**

DEVELOPING / VERIFY

Oil de-escalation	**Check durable delivered-cost relief**
RBI policy	**Await formal 7 Oct decision**
Activity spillover	**Confirm in IIP / final PMI**
Market breadth	**Watch participation, not one session**

04 | Global Economy & Geopolitics

Oil remains the bridge between regional security and Indian macro conditions

Brent settled Friday at $104.32 after falling about 2% in the session. Reuters reported that US and Iranian negotiators were exploring a phased path out of war, while traders still monitored Houthi attacks and Saudi supply-security risks. The market signal therefore reflects both de-escalation hopes and a still-fragile physical-flow system. [S7][S14]

For India, the relevant question is not the political narrative itself. It is the delivered cost of crude, freight and insurance, and whether those costs keep dollar demand and inflation expectations elevated. The regional logistics system has adapted, but adaptation can remain expensive. [S7][S14][S18]

The global rates channel tightened at the same time. The US 10-year Treasury yield topped 5.20% intraday during the week, while India's benchmark 10-year ended at 7.1194%. Higher global term yields raise the discount-rate floor for Indian duration-sensitive assets even when domestic growth remains firm. [S8][S13]

Editorial context visual retained within the approved image slot. Current facts and conclusions are sourced separately.

Global monetary conditions leave less room for an oil shock

Global debt markets remained another pressure channel. The US 10-year Treasury yield topped 5.20% intraday, while India 10Y ended at 7.1194%. The combination raises the valuation hurdle and increases the value of stable domestic liquidity and fiscal supply. [S8][S13]

OIL / FREIGHT > IMPORT BILL > USD / INR > INFLATION > YIELDS / VALUATION

WEEKEND / EVENT RISK

Negotiation headlines can move risk premia; the macro read changes only with verified flow and price consequences. [S14]

OIL BASELINE

Brent closed $104.32. The key test is whether freight and delivered cost fall with the benchmark. [S7]

GLOBAL RATES

US 10Y above 5.20% intraday keeps the external discount-rate floor elevated. [S13]

INDIA EXPOSURE

Rupee, inflation, bond yields and earnings margins remain the main downstream channels. [S6][S8][S17]

Competing hypothesis. If diplomacy improves physical flows and freight quickly, oil can retreat while India's activity data remain firm. That combination would weaken the external-stress thesis without requiring a domestic-demand acceleration.

05 | India Macro & Liquidity Radar

India enters the next RBI policy window with a mixed but disciplined evidence set. Activity is firm: core industries grew 4.8% in August and September flash Composite PMI rose to 56.5. Inflation remains elevated at 4.82% CPI and 9.92% WPI, while the rupee and oil keep imported-cost risk visible. [S2][S3][S4][S6][S7]

Liquidity conditions have shifted materially. Reuters reported that RBI bond sales, FX operations and reverse repos reduced the banking-system surplus to Rs 4.92 trillion from a record Rs 11.16 trillion. This is evidence of operational tightening, but it is not itself proof of the next policy-rate decision. [S10]

GLOBAL PRICE / LIQUIDITY RISK -> INDIA MACRO TRANSMISSION

GLOBAL YIELDS > RBI LIQUIDITY > INDIA 10Y > CREDIT / FX > INFLATION / GROWTH

Separate market expectations from confirmed RBI actions; each channel has a different transmission lag.

> **Policy interaction.** Reserve adequacy, FX smoothing, liquidity absorption and the policy rate work on different channels. A large reserve stock improves resilience; lower surplus liquidity improves transmission; neither makes a persistent oil shock costless.

06 | Rules, Policy & Release Calendar

Regime / release	Status	Affected channels	Next watch
RBI liquidity	Surplus cut to Rs 4.92tn by OMO / FX / reverse-repo actions.	Money markets, G-Secs, FX	How much further liquidity is drained before policy review. [S10]
FX reserves	$765.90bn, w/e 18 Sep.	INR, external buffer	Whether reserve drawdown stabilises as oil / FX volatility changes. [S9]
H2 borrowing	Rs 7.86tn; full-year Rs 15.995tn.	G-Secs, curve supply	Auction absorption, especially 10-50 year maturity buckets. [S11]
Activity	ICI +4.8%; flash PMI 56.5.	Growth, earnings	Whether final PMI and September output confirm the rebound. [S2][S3]
Inflation	CPI 4.82%; WPI 9.92%.	Rates, margins, demand	Whether fuel/input pressure broadens into retail prices. [S4]

07 | Research & Data Brief

Market weakness and real-economy resilience are both true

The latest evidence does not support a one-factor description of India. Financial conditions have tightened through oil, global yields, domestic term yields and repeated equity weakness. At the same time, official infrastructure output, survey activity and export data remain positive. The research task is to monitor which side begins to dominate household inflation, corporate margins and credit conditions. [S2][S3][S5][S8][S12]

EXTERNAL BALANCE

Higher delivered energy costs raise dollar demand; reserves and capital flows influence how much becomes INR volatility.

ACTIVITY BUFFER

Core industries +4.8% and flash PMI 56.5 argue against an immediate domestic-demand break.

INFLATION

WPI 9.92% versus CPI 4.82% keeps the pass-through gap central to the next-stage inflation read.

EARNINGS QUALITY

Pricing power, hedging, import intensity and leverage determine which companies absorb higher landed costs.

RATES

Global long yields plus domestic liquidity withdrawal raise the hurdle rate for duration-sensitive assets.

FISCAL SUPPLY

The lower full-year borrowing plan is a concrete counterweight to some bond-supply pressure.

Evidence ladder. Official and statutory releases first; exchange and central-bank data next; company filings for company facts; high-quality real-time reporting for current market and geopolitical context; secondary sources as cross-checks.

DOMESTIC RESILIENCE VS EXTERNAL PRICE PRESSURE

Two evidence sets can coexist. The question is which begins to dominate margins, inflation expectations and financing conditions.

DOMESTIC RESILIENCE	
GDP Q1 FY27	+7.8%
Core ICI Aug	+4.8%
Flash PMI Sep	56.5
Exports Aug	+25.41%

EXTERNAL / FINANCIAL PRESSURE	
Brent	$104.32
USD/INR	95.8125
India 10Y	7.1194%
FX reserves	$765.90bn

Decision rule. Track Brent, USD/INR, India 10Y and equity breadth jointly. A durable improvement across all four is stronger evidence of normalization than a single index bounce.

08 | Company Research Lab - State Bank of India

WHY THIS COMPANY THIS WEEK

State Bank of India is the clearest listed case study for this week's rates-and-liquidity theme because its earnings are directly exposed to loan growth, deposit pricing, liquidity conditions and the government-securities curve. It is used here as an analytical transmission case, not as a recommendation. [S10][S15]

Q1 FY27 net profit was Rs 21,121 crore. Whole-bank loan growth was 18.63% year on year, deposits grew 9.73%, domestic NIM was 3.0%, and the gross NPA ratio improved to 1.47%. SBI also benefited from FCNR(B) mobilisation under the RBI's concessional swap framework. [S15]

CATALYST

Stable asset quality, deposit mobilisation, disciplined credit growth and a less volatile yield curve would improve the operating setup.

RISK

Deposit costs, margin compression, fresh slippages and a sharp rise in yields could challenge the read.

FINANCIAL BASE

Q1 PAT Rs 21,121cr; loan growth 18.63%; domestic NIM 3.0%; GNPA 1.47%. [S15]

WHAT INVALIDATES THE READ

Two weak quarters of margin / asset-quality deterioration or a clear slowdown in loan growth would weaken the transmission case.

LOAN GROWTH > DEPOSIT PRICING > NIM > ASSET QUALITY > CAPITAL / LIQUIDITY

The analytical question is whether strong credit growth and FCNR(B) funding can offset deposit repricing and a higher sovereign yield curve without eroding margins or asset quality. The mechanism requires both funding discipline and credit quality; neither the macro theme nor a one-week stock move is enough. [S10][S15]

> **Analytical read.** At the cited 25 Sep snapshot, SBI traded near 10.5x P/E and 1.5x P/B. These are point-in-time market multiples, not a fair-value conclusion. The weekly theme matters only if it changes funding, margins, credit quality or capital use. [S16]

FUNDING EVIDENCE

FCNR(B) mobilisation provides a funding offset, but system-wide liquidity is being actively absorbed. [S10][S15]

EXECUTION EVIDENCE

Q1 profitability and asset quality were strong; margin and slippage trends remain the next confirmation points. [S15]

COMMERCIAL DISCIPLINE

Loan growth must be funded at acceptable spreads; deposit pricing and mix matter as much as headline advances growth.

FALSIFICATION TEST

Persistent NIM compression, weaker deposit mobilisation or worsening slippages would weaken the thesis.

09 | Global-to-India Transmission

India's transmission starts with three market facts at Friday's close: Brent $104.32, USD/INR 95.8125 and the benchmark 10-year yield 7.1194%, alongside a seventh weekly equity decline. The immediate macro risk is a correlated move across oil, FX and rates, not any one variable in isolation. [S5][S6][S7][S8]

At the company level, dispersion should remain large. Import intensity, energy consumption, pricing power, hedging, leverage and balance-sheet duration determine whether the same macro shock damages margins, raises discount rates, or is largely absorbed. This is why index-level weakness should not be mechanically translated into one earnings conclusion. [S18]

GLOBAL YIELDS > INDIA 10Y > VALUATIONS > CREDIT COST > EARNINGS

10 | Signals, Risks & Monitoring Radar

RED · EQUITY BREADTH

Seventh straight weekly decline; Nifty -0.9%, Sensex -0.5%. [S5]

RED · OIL

Brent $104.32. Imported-energy sensitivity remains elevated. [S7]

AMBER · INR

95.8125/USD. Stable week-on-week, but still close to 96. [S6]

AMBER · INDIA 10Y

7.1194%; sixth weekly bond loss. [S8]

AMBER · RESERVE USE

$765.90bn; latest reported week fell $14.88bn. [S9]

GREEN · ACTIVITY

ICI +4.8%; flash PMI 56.5. [S2][S3]

GREEN · EXPORTS

August total exports estimated +25.41% YoY. [S12]

GREEN · FISCAL SUPPLY

Full-year borrowing below Budget estimate. [S11]

Linchpin assumption. Domestic activity stays firm while the imported-cost shock does not broaden materially into household inflation and credit conditions. If oil and yields remain high while activity data soften, the balance of evidence changes.

10 | Scenario Matrix - persistence determines the damage

MONITORING CASE · STRESS WITHOUT A GROWTH BREAK

Editorial monitoring weight: 45%. Brent remains roughly around current elevated levels, INR stays orderly near 95-96, India 10Y remains above 7%, and activity stays firm. Equity multiples remain under pressure but domestic growth avoids a sharp break.

SIGNPOSTS / INVALIDATION

Signposts: oil fails to make new highs; INR remains orderly; PMI / ICI hold up; auctions absorb supply. Invalidation: renewed correlated deterioration across oil, INR, yields and activity.

ADVERSE CASE · EXTERNAL PRICE AND RATE PRESSURE PERSISTS

Editorial monitoring weight: 35%. Oil rises again, global yields remain high, INR weakens beyond the recent range and wholesale pressure broadens. Domestic yields rise further and earnings warnings become more widespread.

SIGNPOSTS / INVALIDATION

Signposts: new oil highs, heavier FX smoothing, weaker breadth, rising inflation expectations. Invalidation: durable oil and yield reversal with stable INR.

RELIEF CASE · POLICY AND ACTIVITY BUFFERS REGAIN WEIGHT

Editorial monitoring weight: 20%. Oil and global yields retreat, the reduced borrowing profile supports the local curve, INR firms, and strong activity / export data regain influence over market pricing.

SIGNPOSTS / INVALIDATION

Signposts: lower Brent, easing US/India yields, broader equity participation, stable reserves. Invalidation: renewed regional supply disruption or inflation acceleration.

OIL / PHYSICAL FLOW

Distinguish settlement prices from verified supply disruption.

INR VOLATILITY

Managed movement differs from disorderly external-price adjustment.

INFLATION BREADTH

Watch whether wholesale fuel pressure migrates into CPI and services.

RBI / CURVE ABSORPTION

Separate liquidity operations, policy-rate decisions and auction supply.

Scenario weights are editorial monitoring weights, not statistical probabilities. They discipline competing hypotheses and signposts.

11 | Continuity, Revisions & Forward Intelligence

WHAT WE SAID / WHAT HAPPENED

Issue 002 framed the week as a test of whether oil, INR, inflation and rates would deteriorate together. The next observation partly confirmed that framework: India 10Y rose to 7.1194% and equities logged a seventh weekly decline, while INR finished little changed and Brent closed modestly below the prior issue's level. The signal was therefore tighter financial conditions, not a uniform worsening in every channel. [S5][S6][S7][S8]

DATA REVISIONS / WHAT CHANGED SINCE LAST WEEK

NEW ACTIVITY DATA

August core industries +4.8%; September flash PMI 56.5. [S2][S3]

NEW MARKET CLOSES

Nifty 23,140.50; Sensex 73,895.74; India 10Y 7.1194%; INR 95.8125. [S5][S6][S8]

NEW BUFFER DATA

FX reserves $765.90bn for w/e 18 Sep. [S9]

NEW FISCAL SUPPLY

H2 borrowing Rs 7.86tn; full-year Rs 15.995tn versus Rs 17.2tn Budget estimate. [S11]

WEEK AHEAD

Date / cadence	Event / status	Why it matters
28 Sep	August IIP scheduled release	Tests whether broader industrial output confirms core-sector resilience.
Daily	Brent, Gulf physical flows, freight	Direct external-price and logistics channel.
Daily	USD/INR and RBI operations	Shows whether external stress requires heavier smoothing / liquidity action.
7 Oct	RBI policy review	Policy decision must be separated from current market expectations.

> 12 | Alborithm Bottom Line. As of the 18:30 IST cut-off, Sunday diplomacy has not removed the Hormuz risk premium. Iran said reopening the strait depends on a negotiated settlement after the U.S. rejected Tehran's proposal. India therefore enters RBI week with a split signal: resilient domestic activity, but tight oil, FX and bond-market conditions. A thesis change should require broader, persistent transmission across oil, FX, yields, inflation and activity. [S2][S3][S6][S8][S11][S14]

Sources, Credits & Watch / Listen

S1 · MoSPI / PIB: Q1 FY2026-27 real GDP +7.8%.

S2 · PIB / Commerce: Aug core industries +4.8%; Apr-Aug +4.3%.

S3 · HSBC / S&P Global: Sep flash Composite PMI 56.5; mfg 55.7; services 55.8.

S4 · MoSPI / OEA: Aug CPI 4.82%; WPI 9.92%; fuel/power WPI 22.93%.

S5 · Reuters / exchange: 25 Sep Nifty 23,140.50; Sensex 73,895.74; 7th weekly decline.

S6 · Interbank data: 25 Sep USD/INR 95.8125.

S7 · Reuters / ICE: 25 Sep Brent $104.32/bbl; WTI $92.41/bbl.

S8 · Reuters / G-Sec: 25 Sep India 10Y 7.1194%; +5 bps WoW.

S9 · RBI / reported data: FX reserves $765.901bn for week ended 18 Sep; down $14.881bn.

S10 · Reuters: RBI operations cut banking-system liquidity surplus to Rs 4.92tn from Rs 11.16tn.

S11 · Finance Ministry / PIB: H2 FY27 gross dated borrowing Rs 7.86tn; FY27 Rs 15.995tn vs Rs 17.2tn BE.

S12 · Commerce Ministry / PIB: Aug total exports $82.68bn, +25.41% YoY; Apr-Aug $399.27bn, +15.55%.

S13 · Reuters: US 10Y topped 5.20% intraday; global bond selloff remained a pressure point.

S14 · Reuters, 27 Sep: diplomacy remained the stated route to resolving the conflict; Hormuz reopening remained conditional on negotiation.

S15 · Reuters: SBI Q1 FY27 PAT Rs 21,121cr; loan growth 18.63%; domestic NIM 3.0%; GNPA 1.47%.

S16 · Market snapshot: SBI NSE close Rs 983 on 25 Sep; P/E about 10.5x; P/B about 1.5x.

S17 · Reuters: rupee, oil and RBI operations remained closely linked; Friday USD/INR 95.8125.

S18 · Alborithm Research: cross-asset transmission, alternative case, signposts and falsification rules.

S19 · Issue control: Issue #003 / ISO Week 39; cut-off 27 Sep 2026, 18:30 IST (13:00 UTC).

S20 · Visual control: real-event cover and real-world Gulf tanker/terminal photography; no artificial news image; no India map.

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