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ALBORITHM | INDIAN ECONOMY & MARKETS COMPASS

Navigating India's Economy, Financial Markets & Investment Outlook.

ISSUE #004 | 17:00 IST EDITION

ISSUE #004 | 04 OCT 2026 | WEEK 40

LIVE CUT-OFF | 17:00 IST

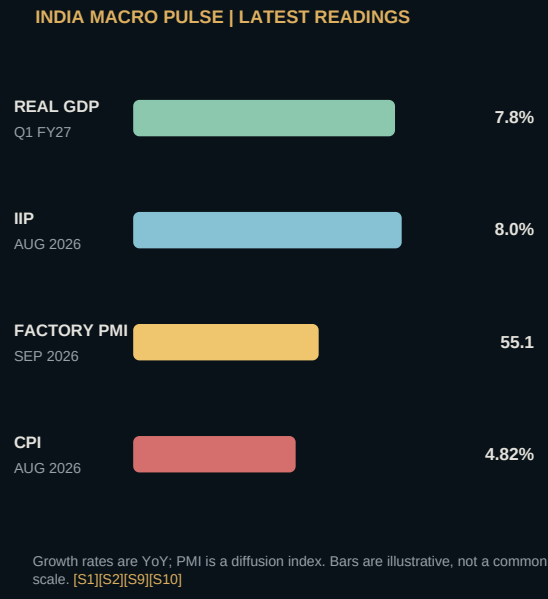
HEADLINE INTELLIGENCE

EIGHT WEEKS DOWN AS INDIA FACES THE RBI TEST WITH GROWTH STILL FIRM

India enters the 7 October policy decision with an uncomfortable split: factories are improving while financial conditions tighten. Nifty fell 3.11% in the shortened week; the rupee closed at 96.3150 per dollar. August industrial output grew 8.0% and September manufacturing PMI rose to 55.1. The RBI must weigh resilient activity against persistent price and currency pressure. [S1][S2][S4][S5][S12]



RBI GOVERNOR | NEW DELHI | 03 OCT 2026



GROWTH BUFFER | POLICY PRESSURE

MARKET STRESS

Nifty -3.11%; Sensex -2.69%. Eighth weekly decline. [S4]

ACTIVITY

IIP +8.0%; factory PMI 55.1. Different measures, firmer signals. [S1][S2]

RUPEE

1 Oct close: 96.3150/USD. Domestic markets shut on 2 Oct. [S4][S5]

OIL

Brent $102.25/bbl. Friday 2 Oct settlement. [S6]

RATES

India 10Y about 7.21%. OTC indication, 1 Oct. [S8]

BUFFERS

FX reserves $747.56bn for week ended 25 Sep. [S7]

Research cutoff: 04 October 2026, 17:00 IST. Photo: PIB. Market and macro observations retain their own dates.

01 | Executive Intelligence Brief

GROWTH ENGINE

Q1 real GDP +7.8%; August industrial production +8.0% YoY. The output evidence remains firm. [S1][S10]

ACTIVITY REBOUND

Manufacturing PMI rose to 55.1 in September from 52.8. This is the final factory survey, not composite PMI. [S2]

MARKET STRESS

Nifty and Sensex extended their weekly decline to eight weeks. The sell-off persisted despite firmer data. [S4]

RUPEE PRESSURE

Thursday close: 96.3150/USD. Imported inputs remain exposed to both dollar prices and the exchange rate. [S5]

RATES & LIQUIDITY

India 10Y was indicated near 7.21% on 1 October. The repo rate remains 5.25% ahead of the MPC. [S8][S12]

FISCAL COUNTERWEIGHT

September gross GST rose 14.7%; the lower FY27 borrowing plan remains a supply-side support. [S3][S11]

Five-minute read. Stronger production does not automatically make shares cheaper or funding easier. Markets discount future earnings and financing costs, while output data describe activity already delivered. The policy test is whether the RBI can contain inflation expectations without imposing a larger growth cost. Its decision and forward guidance must be read together.

INDIA MACRO PULSE

Latest observations; dates shown separately

REAL GDP	Q1 FY27 | YoY	+7.8%
INDUSTRIAL OUTPUT	AUG | QUICK ESTIMATE	+8.0%
MANUFACTURING PMI	SEP | DIFFUSION INDEX	55.1
CPI	AUG | PROVISIONAL	4.82%
GROSS GST	SEP COLLECTIONS | YoY	+14.7%
DOMESTIC GST	SEP COLLECTIONS | YoY	+10.1%

MARKETS & EXTERNAL BUFFER

Latest observations; dates shown separately

NIFTY 50	1 OCT CLOSE	22,421.95
SENSEX	1 OCT CLOSE	71,909.70
USD / INR	1 OCT ONSHORE CLOSE	96.3150
BRENT	2 OCT SETTLEMENT	$102.25
INDIA 10Y	1 OCT | OTC INDICATION	~7.21%
FX RESERVES	WEEK ENDED 25 SEP	$747.56bn

02 | Headline Analysis | growth meets the policy test

The latest factory numbers make the coming policy decision harder to reduce to a single story. Real activity has strengthened, yet the price of capital remains high and the currency is under pressure. A business can sell more units and still earn less on each sale if energy, imported components and funding become more expensive.

For households, the channels arrive at different speeds. Imported costs may first compress a producer's margin, then appear in selling prices or smaller discounts. Higher borrowing costs can affect new loans before existing fixed-rate contracts. The outcome depends on pricing power, debt structure and the persistence of the shock.

What would change the reading. Improving order books need to become sustained sales and cash generation. At the same time, lower delivered energy costs and more orderly currency conditions would make the growth buffer more valuable. An equity rebound alone cannot establish either condition.

02 | Headline Analysis | follow the transmission

The evidence supports a squeeze in financial conditions, with no comparable proof of a broad activity collapse. It does not establish that the RBI will raise rates. A rate hold accompanied by tighter liquidity or stronger inflation guidance could also change funding conditions; the formal resolution remains the decisive policy evidence. [S12]

ENERGY / FREIGHT > DOLLAR DEMAND > RUPEE > MARGINS > RATES > VALUATIONS

Alternative case. Markets may already reflect substantial external risk. If policy communication reduces uncertainty and companies defend margins, earnings evidence could regain influence. This remains a hypothesis to test, not a reason to assume a market floor.

CONFIRMED MARKET STRESS

Eight weekly equity declines; rupee at 96.3150 on 1 Oct. [S4][S5]

CONFIRMED ACTIVITY BUFFER

August IIP +8.0%; September factory PMI 55.1. [S1][S2]

KEY TEST

Does tighter financing begin to weaken orders, profits and household purchasing power?

03 | Markets & Macro Dashboard

Indicator	Latest observation	Change | date	Context / interpretation
NIFTY 50	22,421.95	-3.11% week	Eighth weekly loss; 1 Oct close. [S4]
BSE SENSEX	71,909.70	-2.69% week	Holiday-shortened trading week. [S4]
USD / INR	96.3150	1 Oct close	Onshore closing observation, not a Sunday quote. [S5]
INDIA 10Y	About 7.21%	1 Oct indication	OTC series; avoid false precision or an official-close label. [S8]
BRENT CRUDE	$102.25/bbl	2 Oct settlement	Futures settlement; intraday prices differ. [S6]
FX RESERVES	$747.557bn	Week ended 25 Sep	Down $18.343bn in the reporting week. [S7]
INDUSTRIAL OUTPUT	+8.0% YoY	August quick est.	Production volumes; estimate subject to revision. [S1]
FACTORY PMI	55.1	September final	Survey diffusion index; not a growth rate. [S2]

03 | Market Matrix | several pressure channels

EQUITIES

A long decline measures persistent selling pressure. Its cause still needs earnings, flows and valuation evidence.

FX & OIL

The domestic cost of an imported barrel depends on both its dollar price and the rupee, before freight and taxes.

RATES

The policy rate, overnight liquidity and long-term bond yield are related but distinct prices.

DOMESTIC RESILIENCE

Volume, survey and nominal tax indicators should be read together without treating them as interchangeable.

> **Signal versus noise.** India was closed on Friday, 2 October, while global energy markets traded. Keep observation dates attached to each series. A mixed-date dashboard is useful only when the dates are explicit.

EVIDENCE STATUS | OBSERVATIONS AND EXPECTATIONS

Observed: closed-market prices, August output and September factory survey. **Pending:** the 7 October MPC resolution and 8 October TCS results. A forecast rate increase and a scheduled dividend discussion are not completed actions. [S12][S15]

04 | Global Economy & Geopolitics

Energy relief must reach the physical supply chain

Brent settled Friday at $102.25 a barrel. The G7 agreed on oil and diesel stock releases. At 15:55 IST on Sunday, Reuters reported an OPEC+ agreement in principle to leave November targets unchanged, citing sources ahead of the meeting. That was not a verified final communique at this cutoff. [S6][S18][S22]

Iraq's tanker company reported a two-million-barrel transit through Hormuz. Separately, the Houthis claimed an attack on an Aramco facility in Riyadh; Reuters reported no immediate Saudi confirmation. A successful transit and an unverified damage claim must not be merged into a single supply conclusion. [S17][S21]

At the Kautilya Economic Conclave, the RBI Governor argued for resilience across the financial system, including non-bank institutions, markets and infrastructure. His remarks concern preparedness and supervision. They should not be represented as an advance MPC decision. [S13]



Sanjay Malhotra at KEC, New Delhi, 3 October 2026. Source: PIB, photo 217659.

India faces both a trade-cost shock and a financing shock

Stock releases can bridge shortages; production targets may exceed deliverable supply. For India, freight, insurance and product availability matter alongside the benchmark price. Supply normalisation must show up in physical flows.

PHYSICAL FLOW > DELIVERED COST > IMPORT BILL > RUPEE > PRICES / MARGINS

EVENT RISK

OPEC+ source reports and the Houthi attack claim require confirmation of outcomes and supply effects. [S18][S21]

OIL BASELINE

Use the Friday settlement for price comparisons; distinguish it from earlier intraday headlines. [S6]

GLOBAL FINANCING

Higher required returns can compress valuations even before current earnings weaken.

INDIA EXPOSURE

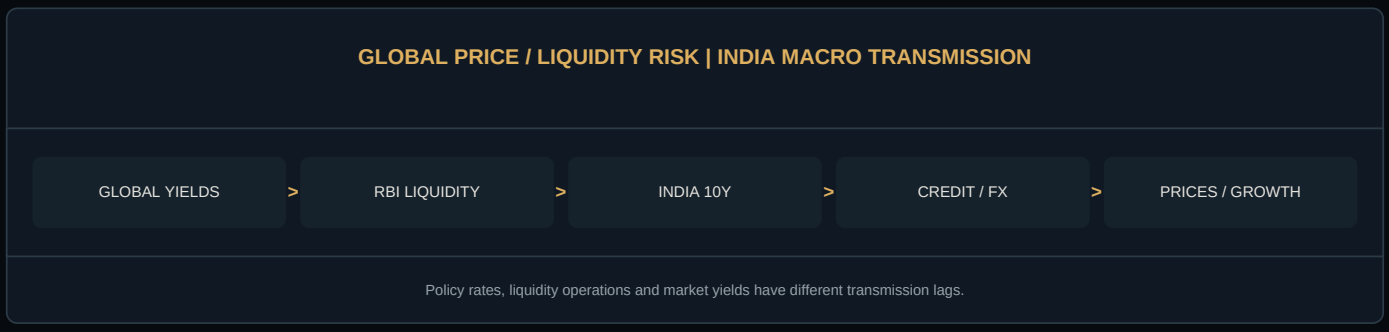
Importers, transport operators and manufacturers differ in hedges, contracts and pricing power.

> **Competing hypothesis.** Supply and financing could improve together. Sustained reductions in freight, energy costs and currency volatility would be more persuasive than diplomatic language alone.

05 | India Macro & Liquidity Radar

The policy meeting runs from 5 to 7 October, with the decision due on 7 October. The reported repo-rate baseline is 5.25%. Discussion of a 25 basis point increase remains an expectation, not an announced change. [S12]

August CPI inflation was 4.82%, with food inflation at 5.95%, on the provisional official reading. Stronger activity gives policymakers a different starting point from an economy already contracting, but it does not remove uncertainty about the eventual cost of tighter financial conditions. [S9]



> **Policy interaction.** Currency smoothing addresses disorderly movements; liquidity management influences short-term funding; the repo rate shapes the policy stance. Assess the combination. A movement in one instrument cannot stand in for the whole decision.

06 | Rules, Policy & Release Calendar

Regime / release	Status	Affected channels	Next watch
RBI policy	5.25% repo baseline; decision 7 Oct. [S12]	Credit, FX, rates	Resolution, voting and guidance.
FX reserves	$747.557bn for week ended 25 Sep. [S7]	External buffer	Valuation effects and reserve composition.
H2 borrowing	Rs 7.86 lakh crore planned. [S11]	Bond supply	Auction demand and maturity absorption.
Fiscal accounts	Apr-Aug deficit: 41.9% of annual target. [S16]	Budget execution	Revenue and expenditure timing.
Inflation	August CPI 4.82%; September due 12 Oct. [S9]	Prices, rates	Breadth of retail price pressure.

07 | Research & Data Brief

Better activity is evidence. Its composition still matters.

The factory survey, official output index and tax receipts all improved, but they answer different questions. IIP measures production; PMI describes the balance of survey responses; GST measures nominal collections, affected by imports, prices, refunds and timing. None is a substitute for real household consumption.

OUTPUT COMPOSITION

August manufacturing grew 9.0%, while mining contracted 5.6%. The aggregate masks a material sector split. [S1]

CONSUMPTION MIX

Consumer durables grew 11.1%; non-durables rose 2.1%. Everyday demand deserves separate scrutiny. [S1]

SURVEY CONFIRMATION

Manufacturing PMI improved, but accumulated finished-goods stocks warrant attention to subsequent sales. [S2]

TAX COMPOSITION

Domestic GST grew 10.1%; import-linked revenue rose 25.9%. Gross collections are not a pure demand measure. [S3]

RESERVE INTERPRETATION

A dollar reserve decline combines transactions and valuation changes. It is not a direct estimate of intervention. [S7]

FISCAL INTERPRETATION

The deficit reached 41.9% of the full-year target by August. A partial-year share does not establish a year-end breach. [S16]

Evidence ladder. Use official releases for the underlying statistics, company filings for corporate events and reliable reporting for market closes. Keep provisional data, survey readings, estimates and editorial interpretation visibly distinct.

DOMESTIC ACTIVITY AND EXTERNAL PRESSURE

AUGUST IIP	+8.0% YoY	RUPEE | 1 OCT	96.3150/USD
FACTORY PMI	55.1	BRENT | 2 OCT	$102.25/bbl
DOMESTIC GST	+10.1% YoY	INDIA 10Y | 1 OCT	~7.21%

Decision rule. Follow the next change in orders, margins and financing costs. A resilient aggregate can conceal weak consumers or stressed borrowers; a falling index can also overstate deterioration in the real economy.

08 | Company Research Lab | Tata Consultancy Services

WHY THIS COMPANY THIS WEEK

TCS offers a timely test of how currency, overseas demand and AI spending interact. On 1 October, TCS and Best Buy announced an agreement to transition Best Buy's India Global Capability Center to TCS under a multi-year arrangement. The release describes a planned evolution into an AI-focused capability centre. [S14]

Its board is scheduled to consider Q2 FY27 financial results and a second interim dividend on 8 October. No Q2 outcome or dividend amount is known at this cutoff. The announcement gives an upcoming evidence point, not an earnings conclusion. [S15]

CATALYST

A disclosed client agreement and imminent results provide concrete questions on execution and demand. [S14][S15]

RISK

Client budgets, implementation costs and contract ramp-up may matter more than favourable translation.

FINANCIAL BASE

The 1 October release states FY26 consolidated revenue exceeded US$30bn. Q2 FY27 results are pending. [S14]

WHAT INVALIDATES THE READ

Weak constant-currency growth, poorer cash conversion or persistent margin erosion would challenge an upbeat interpretation.

CLIENT BUDGETS > CONTRACT RAMP > REVENUE > MARGINS > CASH FLOW

The analytical question is whether new work produces profitable, cash-generating growth. A weaker rupee can support translated revenue, but onsite costs, hedges, wage changes and the currency mix affect the net result. Deal announcements do not establish a quarterly revenue or profit contribution.

> **Analytical read.** Ask management about constant-currency growth, demand by sector, execution costs and cash conversion. Keep currency translation separate from operating momentum. This case study makes no price target or investment recommendation.

FUNDING EVIDENCE

Watch cash generation and working capital.

EXECUTION EVIDENCE

Look for contract conversion and capacity use.

COMMERCIAL DISCIPLINE

AI strategy needs measurable client outcomes.

FALSIFICATION TEST

Weaker cash and margins would challenge the thesis.

09 | Global-to-India Transmission

The same global shock does not affect every Indian business equally. An importer may face a higher rupee cost before it can change selling prices. An exporter may gain from translation while facing weaker client budgets. A lender may reprice assets and liabilities at different speeds.

The market therefore needs company-level evidence alongside the macro dashboard. Import intensity, hedging, contract duration, debt maturity and pricing power determine the eventual earnings effect. Broad index weakness cannot establish a uniform profit decline.



10 | Signals, Risks & Monitoring Radar

RED | EQUITIES

Eight consecutive weekly declines. Watch whether selling pressure broadens into earnings revisions. [S4]

RED | ENERGY COST

Brent remains above $100 at Friday settlement. Delivered costs can differ materially. [S6]

AMBER | RUPEE

96.3150/USD at Thursday close. Track the speed and orderliness of adjustment. [S5]

AMBER | INDIA 10Y

About 7.21% on the dated OTC series. The policy statement can change the curve. [S8]

AMBER | RESERVES

Latest stock: $747.56bn. Separate valuation changes from reserve transactions. [S7]

GREEN | OUTPUT

August IIP +8.0%. Check sector breadth and subsequent revisions. [S1]

GREEN | FACTORY SURVEY

September PMI 55.1. Confirm improvement through sales and orders. [S2]

GREEN | TAX RECEIPTS

Gross GST +14.7%. Read the import and refund components separately. [S3]

Linchpin assumption. Domestic activity remains firm while firms and households absorb the imported-cost shock. If credit conditions tighten and orders or consumption weaken together, the balance of evidence would change.

10 | Scenario Matrix | persistence determines the damage

MONITORING CASE | STRESS WITHOUT A GROWTH BREAK

Editorial monitoring weight: 45%. Activity remains firm, oil stays costly but avoids a sustained fresh surge, and currency adjustment remains orderly. The RBI contains expectations, while company margins face uneven pressure.

SIGNPOSTS / INVALIDATION

Signposts: stable orders, manageable input costs and adequate auction demand. Invalidation: simultaneous deterioration in activity, the currency and financing conditions.

ADVERSE CASE | FINANCIAL PRESSURE REACHES DEMAND

Editorial monitoring weight: 35%. Energy or funding costs rise further; firms face weaker pricing power and households become more cautious. Earnings pressure spreads beyond the most import-sensitive businesses.

SIGNPOSTS / INVALIDATION

Signposts: weaker sales conversion, rising input costs, tighter credit and broader earnings warnings. Invalidation: sustained cost relief accompanied by resilient cash generation.

RELIEF CASE | POLICY CLARITY AND COST RELIEF

Editorial monitoring weight: 20%. Delivered energy costs ease, currency volatility recedes and policy communication reduces uncertainty. Better activity data then have more scope to support earnings expectations.

SIGNPOSTS / INVALIDATION

Signposts: persistent energy relief, calmer rates and wider equity participation. Invalidation: renewed disruption or a broader inflation acceleration.

OIL / PHYSICAL FLOW

Distinguish a spot transit or reserve release from lasting supply normalisation.

INR VOLATILITY

Track pace, liquidity and hedging conditions, not only a round-number level.

INFLATION BREADTH

Look for price pressure spreading across goods and services.

RBI / CURVE ABSORPTION

Read rate decisions, liquidity actions and auction demand separately.

Weights are editorial monitoring allocations, not statistical probabilities or investment advice.

11 | Continuity, Revisions & Forward Intelligence

WHAT WE SAID / WHAT HAPPENED

Issue 003 separated domestic resilience from pressure in oil, currencies and bonds. This week strengthened that distinction: the equity losing streak lengthened and the rupee weakened, while industrial production and the final manufacturing survey improved. The market warning persisted; the evidence for an immediate collapse in activity did not. [S1][S2][S4][S5]

DATA REVISIONS / WHAT CHANGED SINCE LAST WEEK

NEW ACTIVITY DATA

August IIP +8.0%; September manufacturing PMI 55.1. The latter is not directly comparable with last week's flash composite. [S1][S2]

NEW MARKET CLOSES

Nifty 22,421.95; Sensex 71,909.70; onshore USD/INR 96.3150. All are 1 Oct observations. [S4][S5]

NEW BUFFER DATA

Reserves fell to $747.557bn for week ended 25 Sep. Do not treat the release date as the stock date. [S7]

NEW FISCAL INFORMATION

Gross GST +14.7% in September. April-August deficit reached 41.9% of the annual target. [S3][S16]

WEEK AHEAD

Date / cadence	Event / status	Why it matters
5-7 Oct	RBI MPC; decision due 7 Oct	Rate, inflation outlook and liquidity guidance. [S12]
8 Oct	TCS results meeting scheduled	Client demand, margins and execution. [S15]
Daily	Oil, freight, INR and bond yields	Whether external costs and financing ease together.
12 Oct	September CPI scheduled	Next retail inflation release; beyond this issue's cutoff. [S9]

> **12 | Alborithm Bottom Line.** India reaches RBI week with firmer factories and weaker financial markets. Growth provides room to absorb shocks, but it does not cancel the cost of oil, currency pressure or expensive capital. The next useful evidence is the policy resolution followed by company earnings and cash flow. Read them together before changing the thesis.

Sources, Credits & Watch / Listen

[S1] MoSPI / PIB, August IIP quick estimates, 28 Sep 2026

[S2] HSBC / S&P; Global manufacturing PMI, reported by DD India, 1 Oct

[S3] Informist, September GST collections, 1 Oct 2026

[S4] Financial Express, equity closing levels and weekly changes, 1 Oct

[S5] Reuters / MarketScreener, rupee close, 1 Oct 2026, 15:40 IST

[S6] Reuters, Brent and WTI settlements, 2 Oct 2026

[S7] RBI data via PTI / DT Next, reserves for week ended 25 Sep

[S8] Trading Economics, India 10-year OTC indication, 1 Oct 2026

[S9] MoSPI / PIB, August CPI provisional release, 14 Sep 2026

[S10] PIB, Q1 FY27 GDP backgrounder, 1 Sep 2026

[S11] Ministry of Finance / PIB, H2 borrowing plan, 25 Sep 2026

[S12] Business Standard, RBI meeting dates and repo-rate baseline, 2 Oct

[S13] PTI / Business Standard, RBI Governor at KEC, 3 Oct, 13:57 IST

[S14] TCS, Best Buy India GCC agreement, 1 Oct 2026

[S15] TCS, exchange filing of 22 Sep: board meeting on 8 Oct 2026

[S16] CGA data reported by The Tribune, April-August fiscal accounts, 30 Sep

[S17] Reuters, Iraqi crude transit through Hormuz, 3 Oct 2026

[S18] Reuters, OPEC+ agreement in principle, 4 Oct, 15:55 IST

[S19] PIB photographs 217660 and 217659, New Delhi, 3 Oct 2026

[S20] PIB reproduction policy; acknowledge source and preserve context

[S21] Reuters, Houthi claim and unconfirmed damage status, 3 Oct

[S22] Reuters, G7 oil and diesel reserve-release agreement, 2 Oct

WATCH & LISTEN TO THIS ISSUE

Continue this issue in video or audio. Available destinations are linked below.

