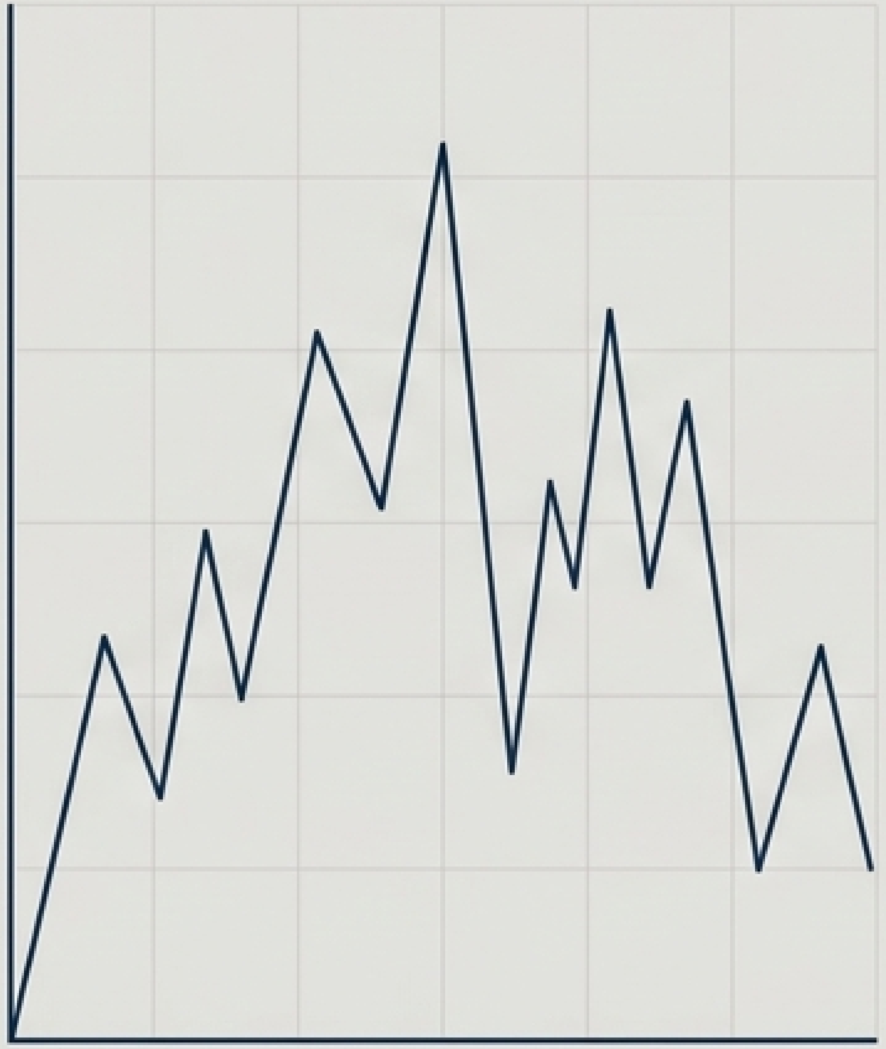
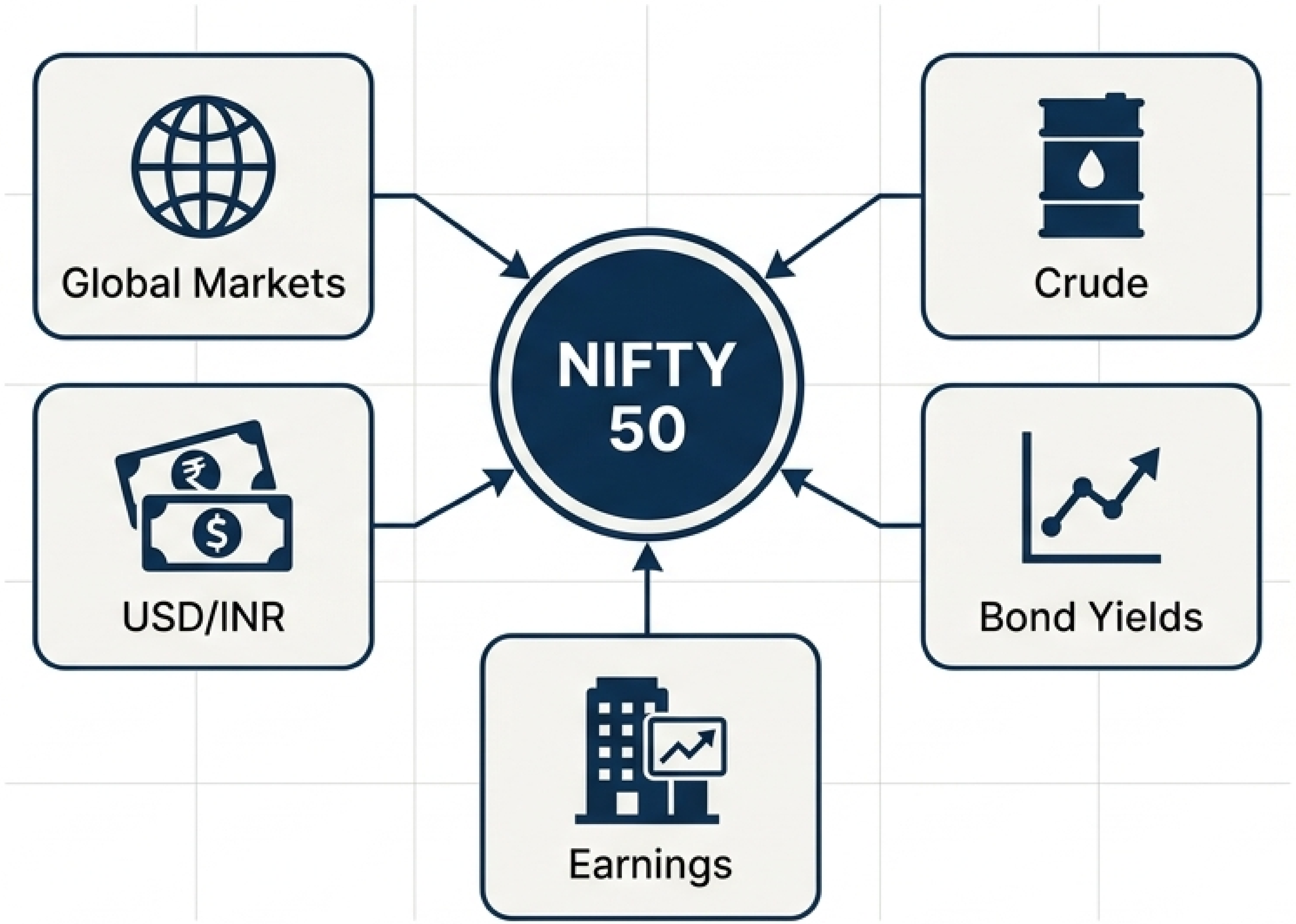
Decoding NIFTY

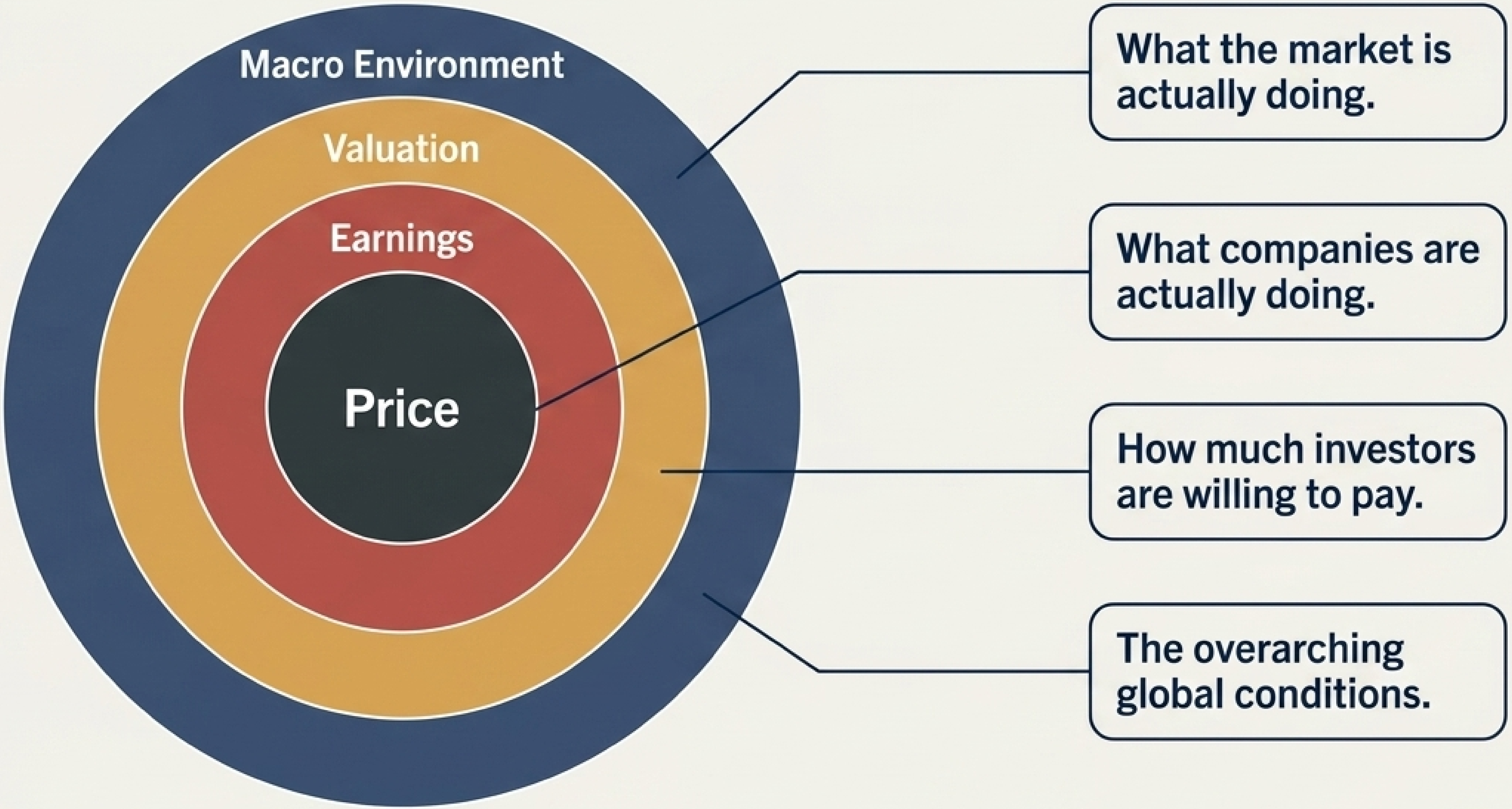
The Macro Framework for Market Success

Don’t just ask: “Will NIFTY go up or down?”



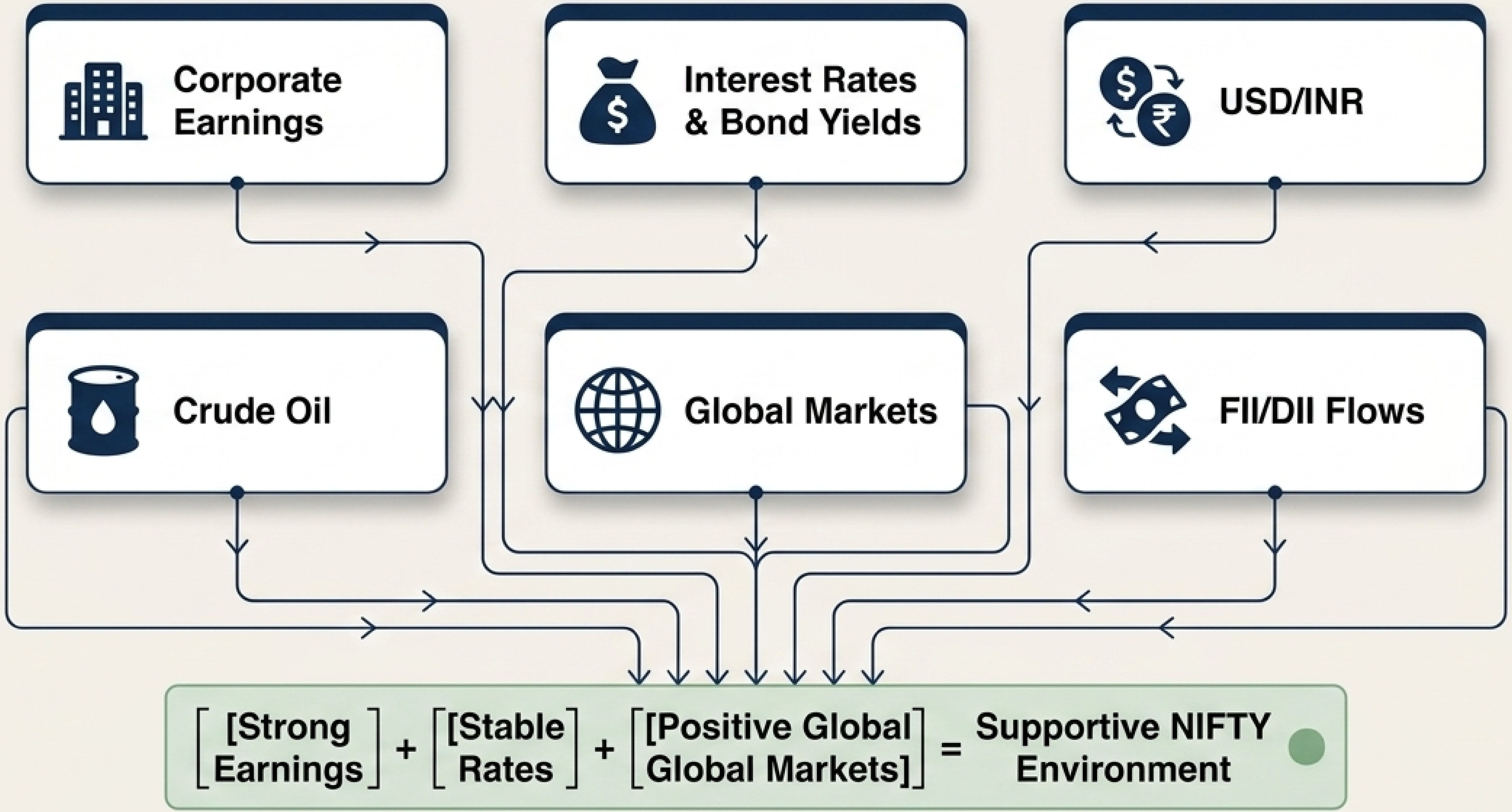
Ask: “What is driving NIFTY today?”





The macro sets the environment. The earnings dictate the fundamentals. The price reflects reality.

The 6 Engines of NIFTY



Stock Shiksha Study centre for Stock Market

The Domino Effect: Crude Oil Spikes

Crude Oil Spikes

↓

India pays more for imports (Import Bill ↑)

↓

Inflation pressure rises

↓

RBI loses room to cut interest rates

↓

Bond yields remain elevated

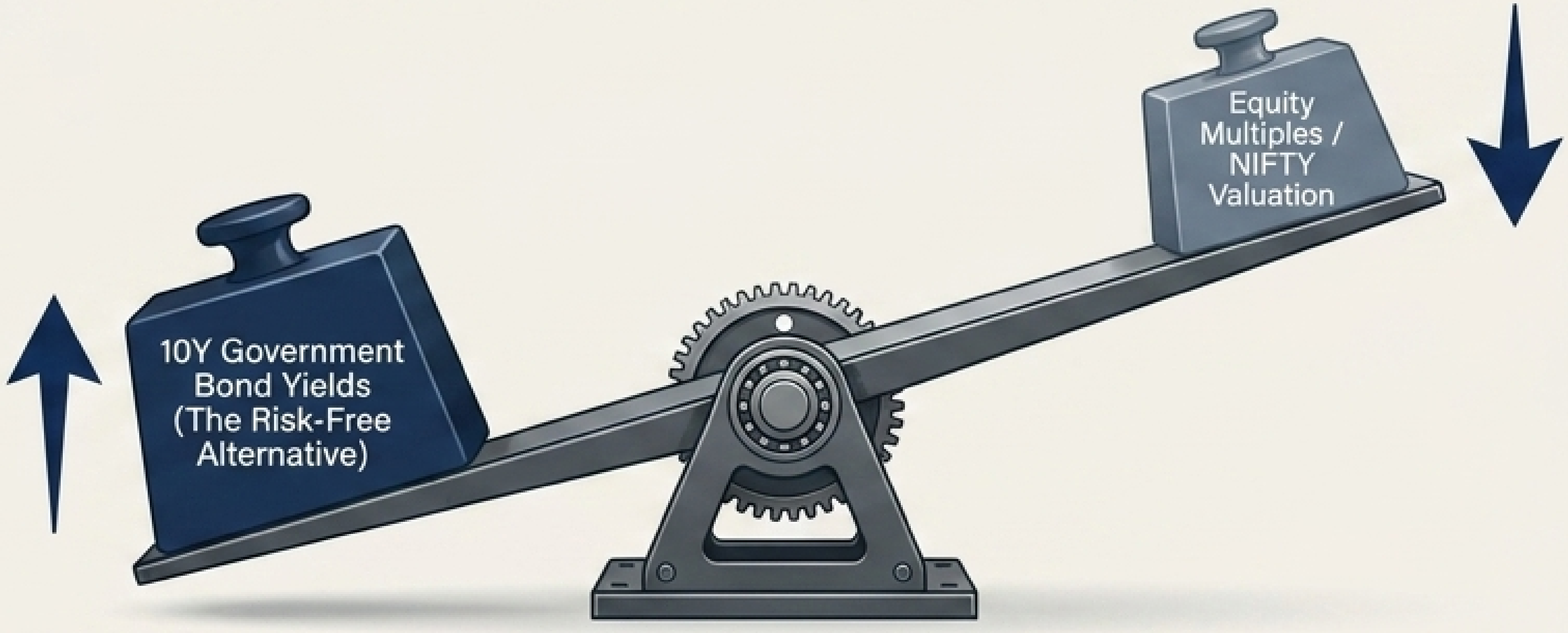
↓

Equity Valuations Face Pressure

Key Takeaway: Crude is a systemic catalyst—it simultaneously influences inflation, currency, interest rates, and earnings.

The Discount Rate Mechanism: Yields vs. Multiples

Bond yields represent the return investors demand for lending to the government. When the "safe" return rises, the discount rate increases, and future corporate profits become less valuable today.



Yields UP = P/E Multiples DOWN

The Standard Rule

Yields rising due to Inflation/Risk.

Negative for equities.

The Growth Exception

Yields rising due to Strong Economic Growth.

Higher yields + Higher earnings

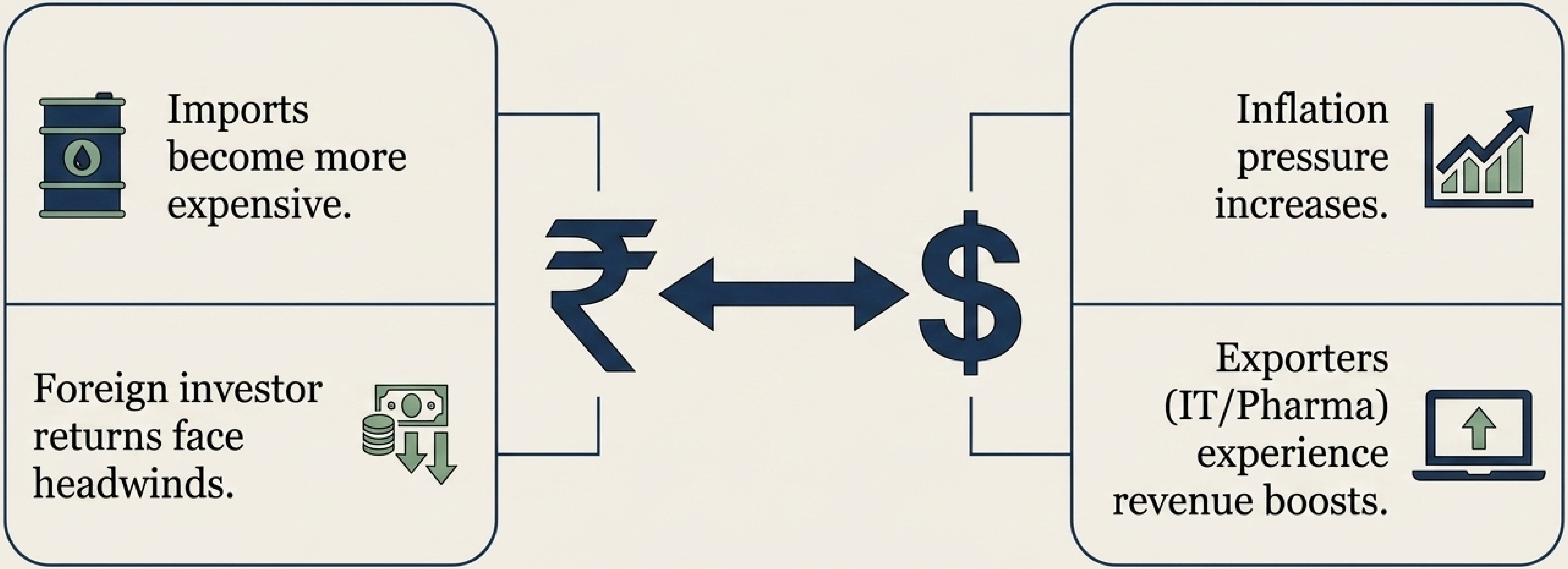
Higher yield ≠ Always bearish.

Potentially Positive for NIFTY.

Analyst Prompt

Research Question: Are yields rising because of strong economic growth, or because of runaway inflation and risk?

USD/INR ↑ = Rupee Weakening (e.g., ₹83 → ₹86 per dollar)



**A weaker rupee is not automatically bad for NIFTY.
The impact depends entirely on the sector mix.**

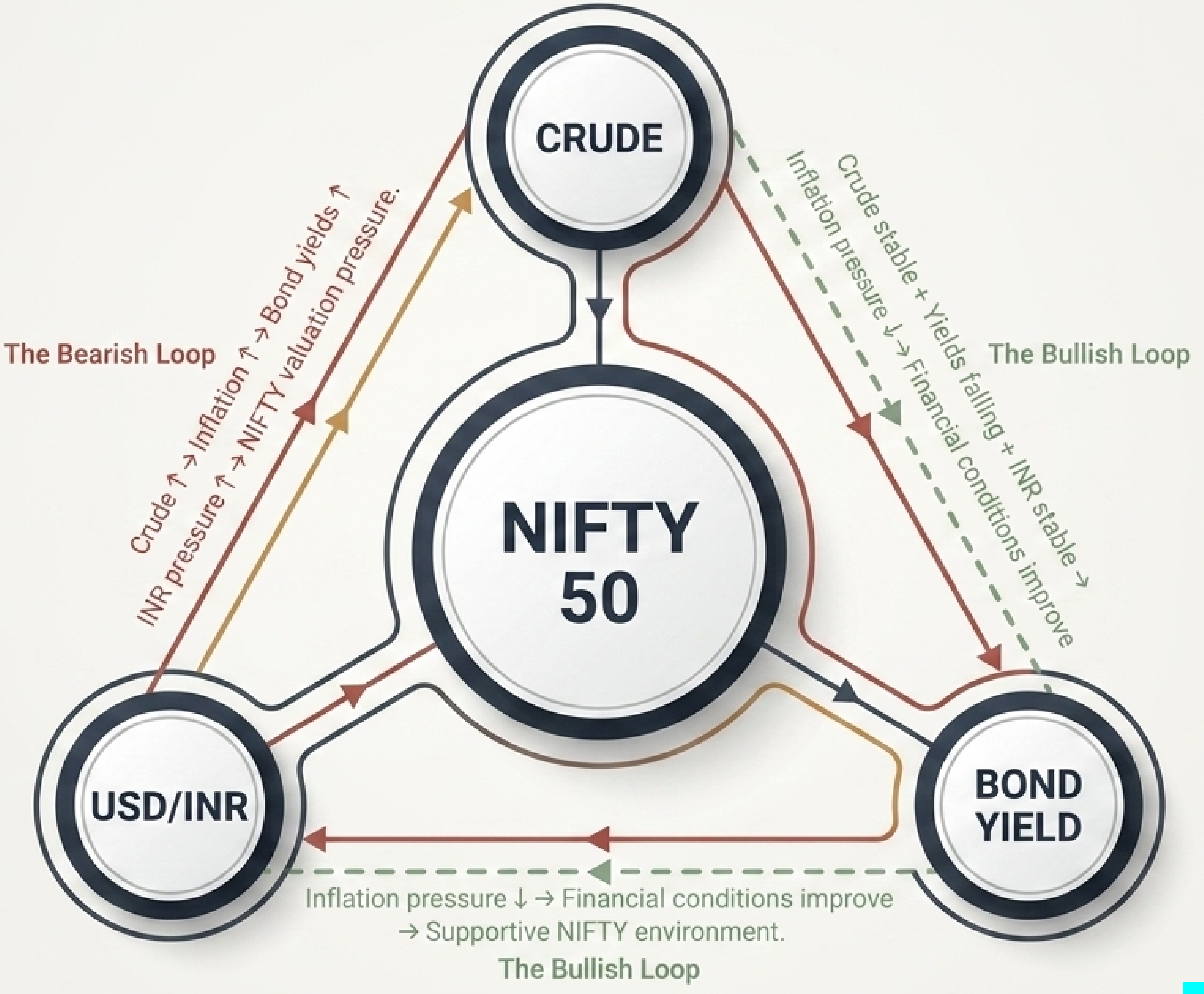
Market Event: Rupee Weakens (e.g., ₹83 → ₹86)

Potential Beneficiaries – Export/Revenue Focus	Potential Pressure – Import/Cost Casualties
IT Services (Dollar revenues convert to more rupees)	Oil Importers
Pharma Exporters	Airlines (High dollar-denominated costs)
Export-Oriented Manufacturing	Companies with high unhedged USD debt

Analyst Prompt

Research Question: Is NIFTY's current sector weighting positioned to benefit or suffer from INR weakness?

The Three-Way Macro Nexus



SCENARIO: Brent crude jumps 15% in two weeks.

~~**The No[illegible]ce [illegible]action:** Crude is [illegible] → NIFTY wi[illegible] wi[illegible]all.~~

The Institutional Diagnostic

- [ ] Why is crude rising? (Supply shock vs. strong demand)
- [ ] USD/INR reaction? (Is the rupee actually weakening?)
- [ ] Bond Yields? (Are inflation expectations spiking?)
- [ ] Sector Exposure? (Which weights are carrying the index?)
- [ ] Earnings Estimates? (Are analysts revising downward?)

[Crude ↑] + [INR ↓] + [Yields ↑] + [Earnings Estimates ↓] = **High Conviction Bearish Signal**

The NIFTY Daily Dashboard

Global

S&P 500
Nasdaq
Asian markets

Commodity

Brent crude

Currency

USD/INR

Rates

India 10Y
US 10Y

Flows

FII
DII

Market & Fundamentals

NIFTY trend
India VIX
Market breadth
Earnings revisions
Valuation

Supportive Environment	Mixed Environment	Risk Environment
Crude stable	Macro signals conflicting	Crude sharply higher
Yields falling/stable	Earnings okay	Yields rising rapidly
INR stable	Valuations elevated	INR weakening
Earnings improving		Earnings estimates falling
Global markets positive		Global risk-off

Important: This is a diagnostic framework for the macro environment, not a short-term trading signal.

The One-Page Research Template

TODAY'S MARKET VIEW: ○ Positive / ○ Neutral / ○ Negative

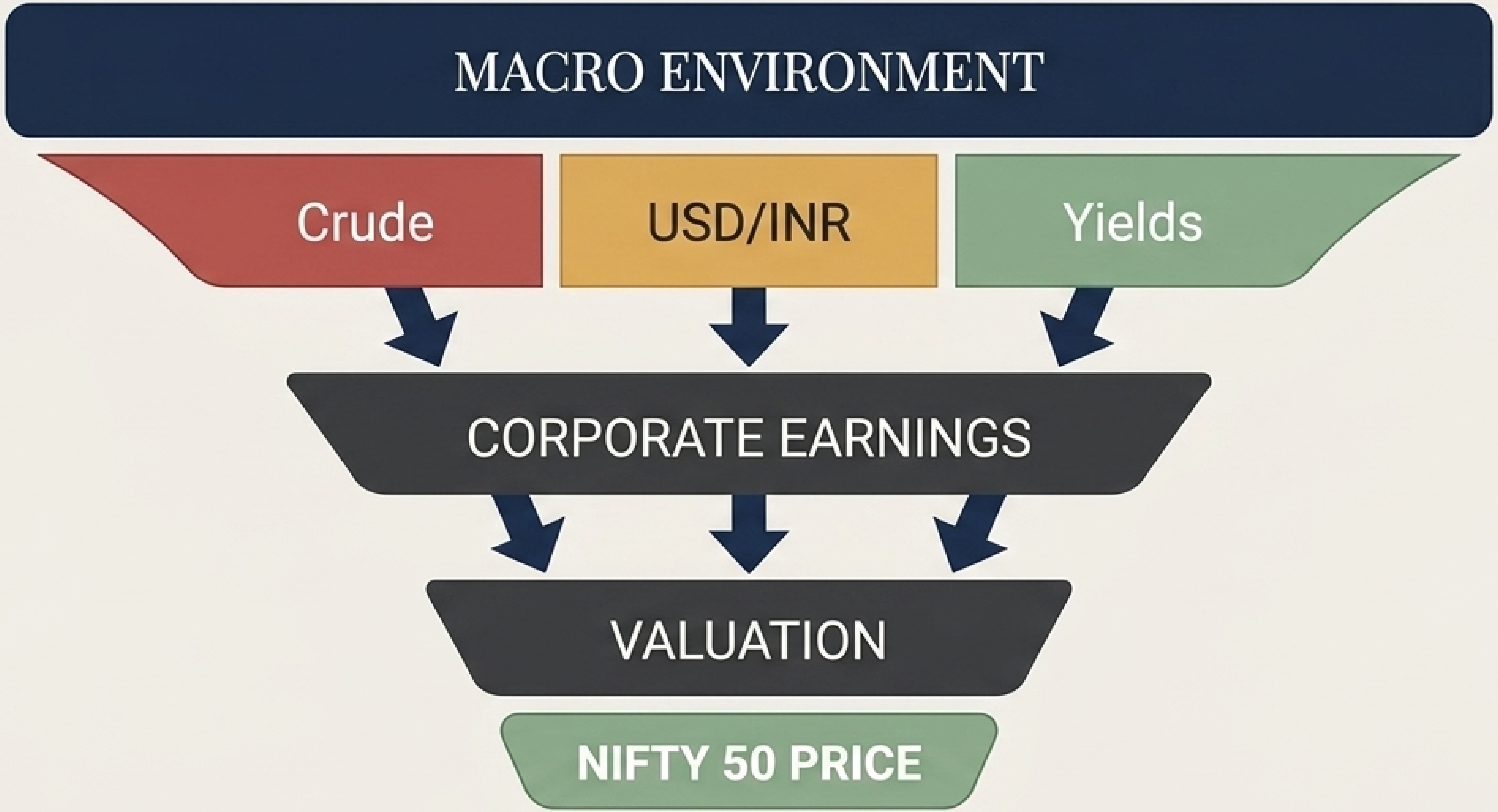
The 'Why' Checklist	
1. Global: ______________________	4. Bond yields: 5. FII/DII: ______________________
2. Crude: ______________________	6. Earnings: ______________________
3. USD/INR: ______________________	7. Valuation: ______________________

Thesis Synthesis

NIFTY is likely to remain ______________
because ______________________.

Invalidation Trigger

What could prove me wrong? If ______________
happens, I will reconsider the view.



Don’t predict NIFTY from one indicator. Build a story from multiple signals—then check whether price confirms the story.