



**ASSET  
MANAGEMENT**

**BUILT ON RULES**

# Equity Market Update

January 2026



## TOPIC

**Global vs. Domestic Market Performance Snapshot**

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**Factor Strategy Analysis**

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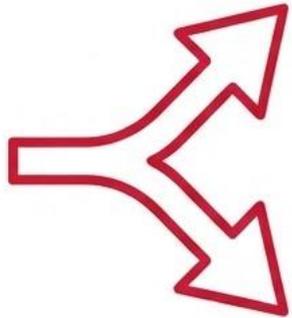
**Valuation Analysis: P/E and P/B Ratios**

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**Institutional Flows: FII vs. DII Behavior**

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**Key Insights and Strategic Takeaways**



## Market Divergence

Global markets rally while domestic indices consolidate.



## Domestic Resilience

Strong DII inflows absorb volatile foreign outflows.



## Leadership Rotation

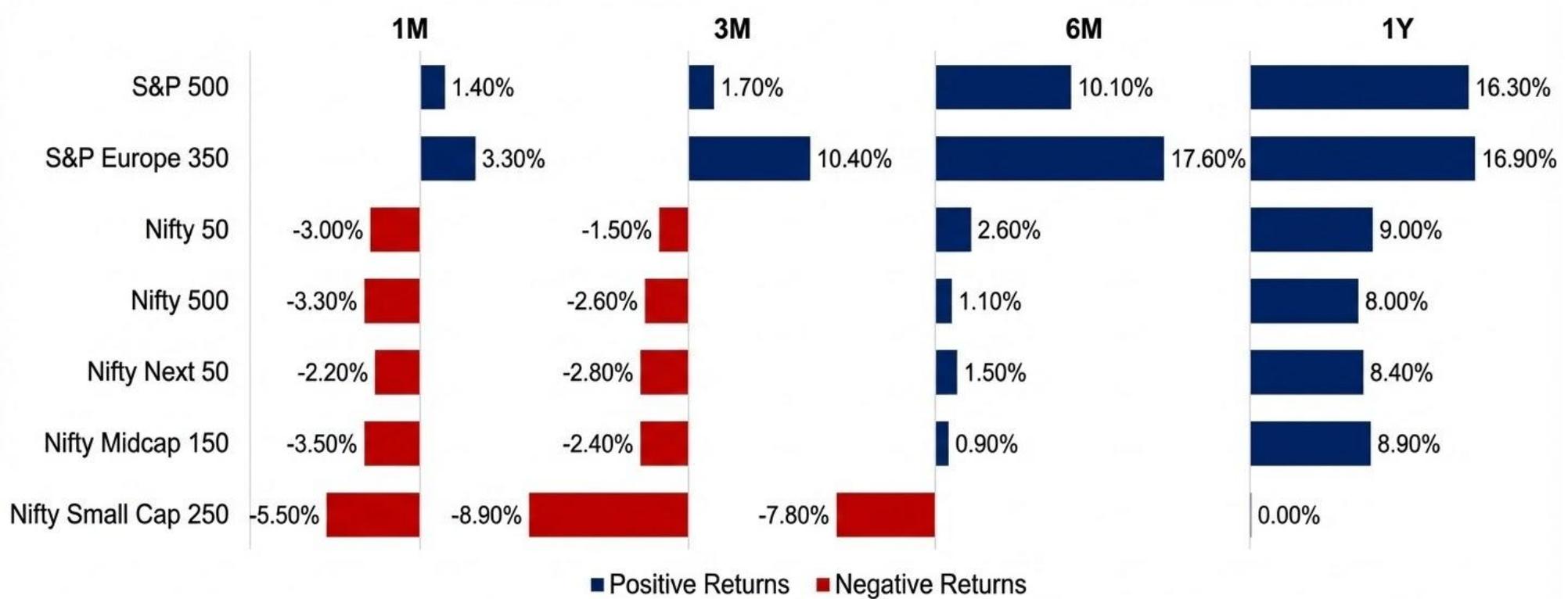
Shift from momentum trends to value-based opportunities.



## Valuation Comfort

Markets cooling to attractive levels below historical medians.

# Global vs. Domestic Indices Performance



## Key Highlights

- **Global Strength:** S&P Europe 350 leads momentum with a dominant 17.60% return over 6 months, while S&P 500 remains consistently positive across all timeframes.
- **Domestic Volatility:** Nifty indices show universal negative returns in the 1M and 3M periods, signaling a consolidation phase.
- **Small Cap Lag:** Nifty Small Cap 250 is the significant underperformer, down 8.90% in the last quarter and flat (0.00%) over the full year.

Source: Bloomberg | As on 31st January 2026

**Note:** Past performance is not indicative of future results and is presented solely for illustrative purposes.

## Annual Performance Heatmap: Shifting Market Leadership (2016–2026)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
NIFTY 50 TRI	14.7%	30.5%	-0.4%	11.8%	15.2%	28.7%	3.2%	24.3%	9.6%	9.0%
NIFTY NEXT 50 TRI	28.2%	33.6%	-11.9%	7.8%	13.3%	30.5%	-3.8%	41.9%	15.0%	8.4%
NIFTY MIDCAP 150 TRI	22.6%	41.4%	-14.2%	11.2%	19.5%	46.1%	2.6%	55.2%	11.6%	8.9%
NIFTY SMALLCAP 250 TRI	21.4%	42.4%	-27.8%	4.7%	19.4%	61.3%	-4.7%	63.7%	5.9%	0.0%

Market leadership is cyclical. Note the rotation between Large, Mid, and Small Cap indices, with significant volatility observed in 2018-19 and 2022-23 across broader markets.

## Average 10-Year Annualized Returns (CAGR):



### Key Highlights

- **Midcap Dominance:** Nifty Midcap 150 TRI delivered the highest 10-year annualized return at 18.75%, significantly outperforming the Nifty 50 TRI (14.23%).
- **Volatility vs. Reward:** While Smallcaps faced the steepest decline (-27.8% in 2018-19), they rebounded with the highest single-year gain (63.7% in 2023-24).
- **Market Cycles:** Leadership rotates annually; no single index consistently tops the heatmap, reinforcing the need for long-term horizons.

Source: Smart Beta | 31st January 2016 - 31st January 2026

**Note:** Past performance is not indicative of future results and is presented solely for illustrative purposes.



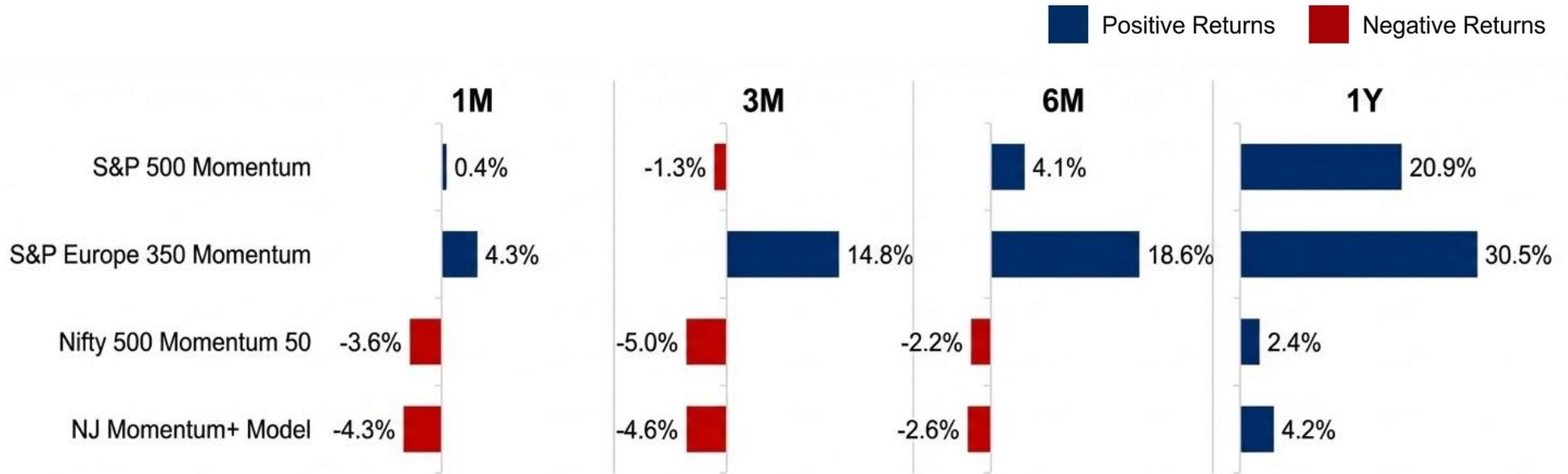
Global quality indices maintained positive momentum across all timeframes, driven by S&P U.S 500 Quality. In contrast, domestic quality indices experienced volatility in the short-to-medium term (1M-6M), with a visible divergence in performance trends compared to developed markets, though stabilizing over the 1-year horizon.

### Key Highlights

- S&P U.S 500 Quality demonstrates robust, consistent growth, leading with ▲ 12.40% returns over 1 Year.
- Domestic markets faced headwinds; however, Nifty 500 Quality 50 recovers to positive territory (▲ 3.90%) over the 1-year horizon.
- NJ Quality+ shows a flat but positive 1-year stance (▲ 0.60%) despite significant short-term corrections (▼ -4.20% at 6M).

Source: Bloomberg, NSE, Smart Beta | As on 31st January 2026

**Note:** Past performance is not indicative of future results and is presented solely for illustrative purposes.



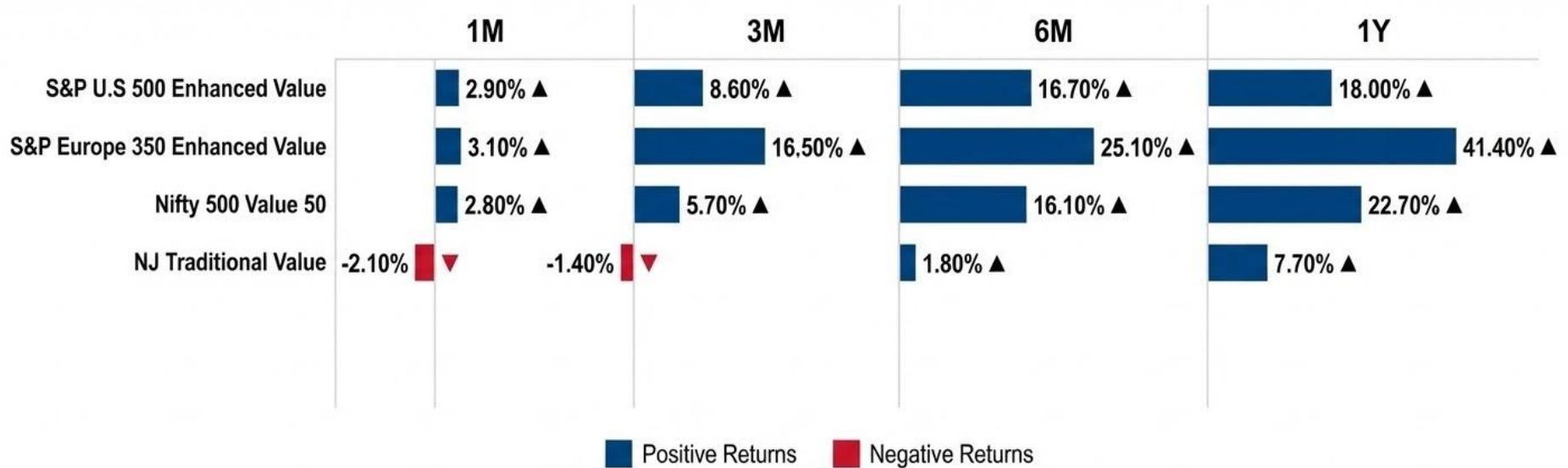
Global indices demonstrate strong momentum, particularly in Europe. While domestic benchmarks face short-term consolidation, the NJ Momentum+ Model delivers superior returns (4.2%) compared to the Nifty 500 Momentum 50 (2.4%) over the 1-year horizon.

### Key Highlights

- **Global Outperformance:** S&P Europe 350 Momentum leads with consistent double-digit growth (18.6% in 6M, 30.5% in 1Y).
- **Domestic Consolidation:** Indian momentum factors face headwinds, posting negative returns in 1M, 3M, and 6M periods.
- **Model Long-Term Alpha:** The NJ Momentum+ Model outperforms the Nifty 500 Momentum 50 benchmark by 180 bps on a 1-year basis (4.2% vs 2.4%).

Source: Bloomberg, NSE, Smart Beta | As on 31st January 2026

**Note:** Past performance is not indicative of future results and is presented solely for illustrative purposes.



Global and domestic value indices demonstrated consistent positive momentum across all time horizons, with European equities acting as the primary outlier for growth. In contrast, the NJ Traditional Value Model exhibited a short-term divergence, recording negative returns in the 1M and 3M periods before turning positive over the 6M and 1Y horizons.

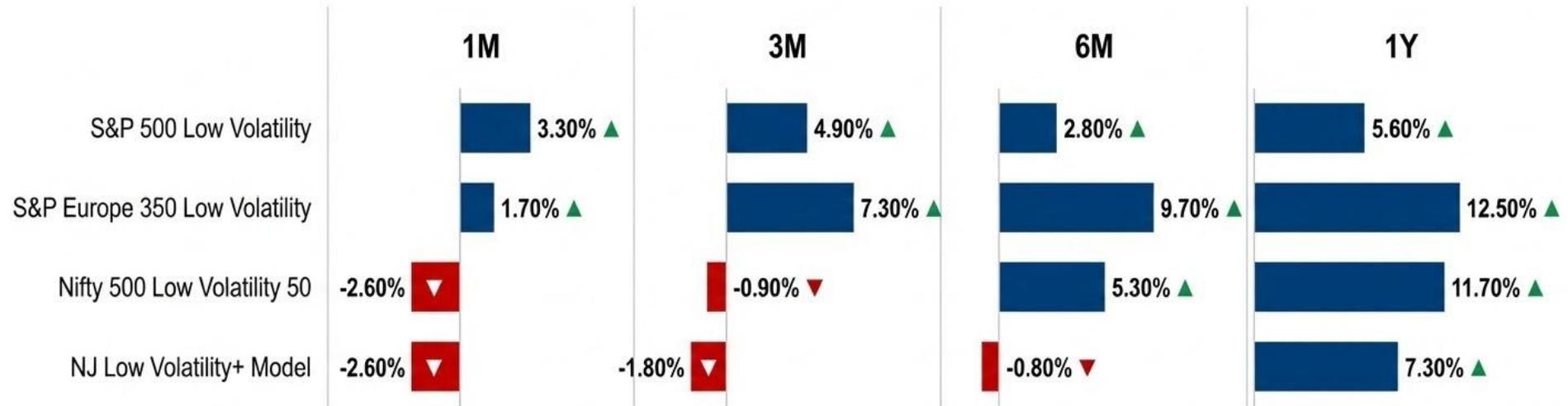
### Key Highlights

- **European Dominance:** The S&P Europe 350 Enhanced Value significantly outperformed peers, delivering a 41.40% return over the 1-year period.
- **Short-Term Divergence:** While benchmark indices showed immediate growth (1M/3M), the NJ Traditional Value Model faced short-term headwinds (-2.10% in 1M).
- **Long-Term Trend:** All tracked factors, including the NJ Traditional Value Model, trended positive over the 6-month and 1-year horizons.

Source: Bloomberg, NSE, Smart Beta | As on 31st January 2026

**Note:** Past performance is not indicative of future results and is presented solely for illustrative purposes.

■ Positive Returns ■ Negative Returns



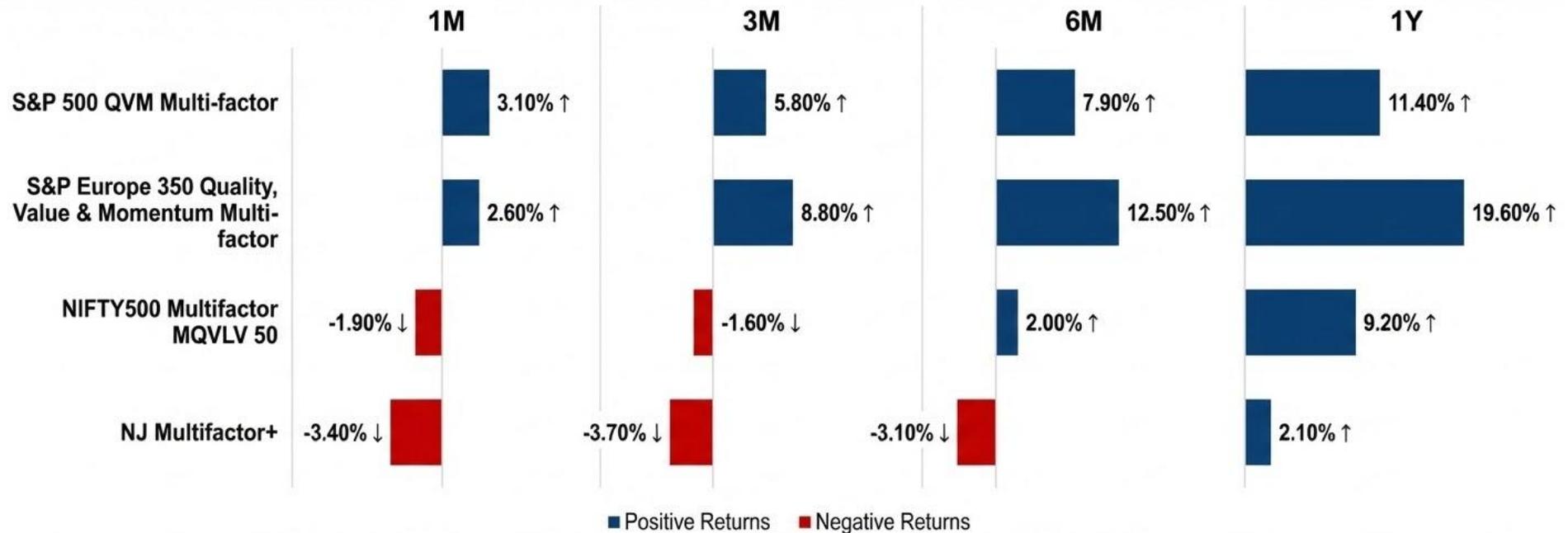
Global Low Volatility indices demonstrated consistent positive resilience across all timeframes. In contrast, domestic and model portfolios faced short-term headwinds in the 1M–3M periods but demonstrated a recovery trend, delivering positive absolute returns over the 1-year horizon.

### Key Highlights

- **Global Resilience:** S&P Europe 350 Low Volatility delivered consistent growth across all timeframes, leading performance with a 12.50% return over 1 Year.
- **Long-Term Recovery:** The NJ Low Volatility+ Model and Nifty 500 Low Volatility 50 faced negative pressures in the short term (1M–3M) but rebounded to deliver positive returns of 7.30% and 11.70% respectively over the 1-year period.

Source: Bloomberg, NSE, Smart Beta | As on 31st January 2026

**Note:** Past performance is not indicative of future results and is presented solely for illustrative purposes.



Global indices demonstrate consistent positive momentum across all time horizons, while the NJ Multifactor+ Model and domestic factors show recovery trends in the longer term following short-term consolidation.

**Key Highlights**

- **European Leadership:** S&P Europe 350 Quality, Value & Momentum is the standout performer, delivering consistent growth peaking at 19.60% over the 1-year period.
- **Steady US Growth:** S&P 500 QVM displays low-volatility accumulation, steadily increasing from 3.10% in the 1M period to double-digits (11.40%) in the 1Y view.
- **Model Resilience:** The NJ Multifactor+ Model faced short-term corrections (1M to 6M) but successfully stabilized to deliver positive returns of 2.10% in the 1-year horizon.

Source: Bloomberg, NSE, Smart Beta | As on 31st January 2026

**Note:** Past performance is not indicative of future results and is presented solely for illustrative purposes.

# Factor Performance Review: Domestic Market

■ Positive Returns ■ Negative Returns

	1M	3M	6M	1Y
Nifty 50	-3.00% ↓	-1.50% ↓	2.60% ↑	9.00% ↑
Nifty 500	-3.30% ↓	-2.60% ↓	1.10% ↑	8.00% ↑
Nifty Next 50	-2.20% ↓	-2.80% ↓	1.50% ↑	8.40% ↑
Nifty Midcap 150	-3.50% ↓	-2.40% ↓	0.90% ↑	8.90% ↑
Nifty Small Cap 250	-5.50% ↓	-8.90% ↓	-7.80% ↓	0.00%
Nifty 500 Quality 50	-1.40% ↓	-4.10% ↓	-2.20% ↓	3.90% ↑
<b>Nifty 500 Value 50</b>	<b>2.80% ↑</b>	<b>5.70% ↑</b>	<b>16.10% ↑</b>	<b>22.70% ↑</b>
Nifty 500 Momentum 50	-3.60% ↓	-5.00% ↓	-2.20% ↓	2.40% ↑
Nifty 500 Low Volatility 50	-2.60% ↓	-0.90% ↓	5.30% ↑	11.70% ↑
NIFTY500 Multifactor MQVLV 50	-1.90% ↓	-1.60% ↓	2.00% ↑	9.20% ↑

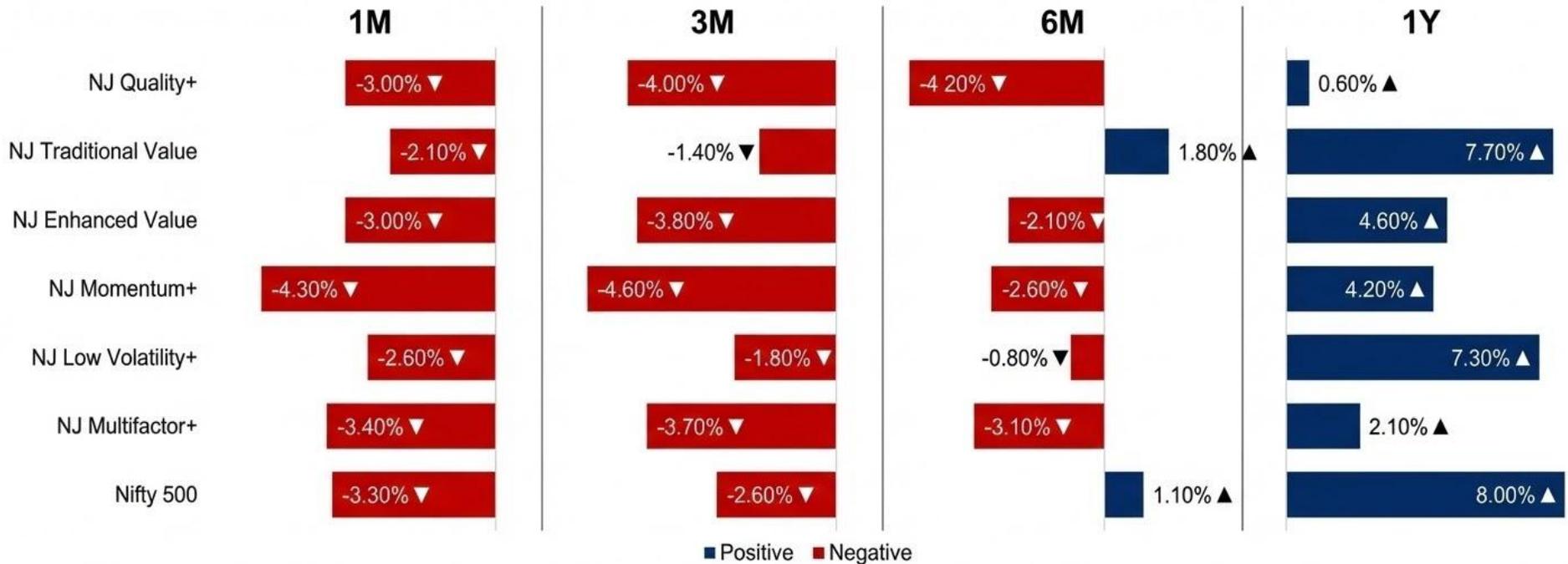
Short-term market pressure is evident across broad indices, while Value and Low Volatility strategies demonstrate significant resilience and outperformance over longer time horizons.

### Key Highlights

- **Value Factor Dominance:** The Nifty 500 Value 50 Index defies the broader trend, delivering consistent positive returns across all timeframes, peaking at 22.70% over 1 Year.
- **Small Cap Stress:** Nifty Small Cap 250 faces the steepest correction in the short term (-8.90% in 3M) and remains flat (0.00%) on a 1-year basis.
- **Resilience in Volatility:** Low Volatility strategies act as a stabilizer, significantly outperforming the Nifty 50 and Nifty 500 indices during the 6-month and 1-year periods.

Source: Bloomberg | As on 31st January 2026

**Note:** Past performance is not indicative of future results and is presented solely for illustrative purposes.



Short-term performance remains under pressure with broad-based corrections across Momentum and Quality factors. However, the 1-Year outlook retains positive structural growth, led by Nifty 500 and Traditional Value.

### Key Highlights

- **Resilience in Value:** NJ Traditional Value outperforms peers in the 6M period (+1.80%), acting as a defensive stabilizer.
- **Correction Phase:** Momentum+ and Quality+ experienced the steepest short-term drawdowns (>4% in 3M).
- **Long-Term Trend:** Despite recent volatility, all indices maintain positive 1-Year returns, with Nifty 500 leading at 8.00%.

Source: SmartBeta, CMIE, Bloomberg | As on 31st January 2026

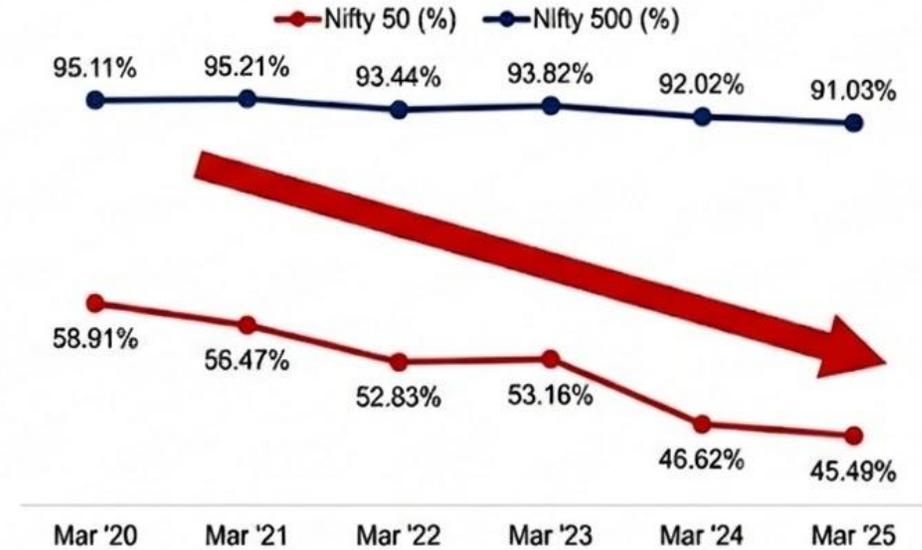
**Note:** Past performance is not indicative of future results and is presented solely for illustrative purposes.

## Growth of NSE Market Cap (Lakh Cr.)



The total Indian market capitalization (NSE) has quadrupled in five years, reaching an all-time high of 410.87 Lakh Cr. in March 2025.

## Nifty 50 & Nifty 500 as a % of NSE Market Cap



While the Nifty 500 continues to represent over 90% of the market, the Nifty 50's share has declined from ~59% to ~45%, illustrating a massive broadening of the market base.

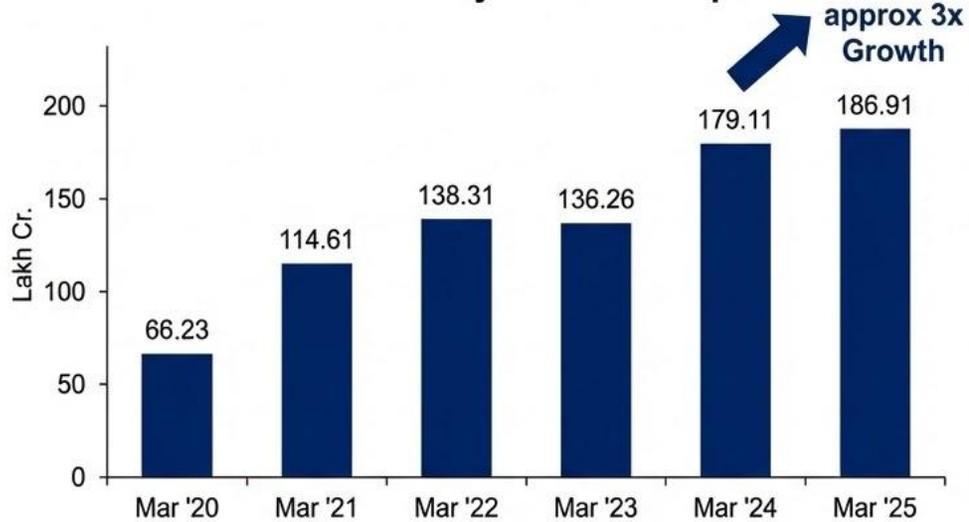
### Key Highlights

- **Market Broadening:** The Total NSE Cap expansion is being driven significantly by companies outside the top 50, as evidenced by the Nifty 50's shrinking market share.
- **Dilution of Dominance:** The drop in Nifty 50 concentration (from 58.91% to 45.49%) suggests a mature, diversified rally rather than a top-heavy one.

Source: Bloomberg. Between 31 Mar 2020 - 31 Mar 2025

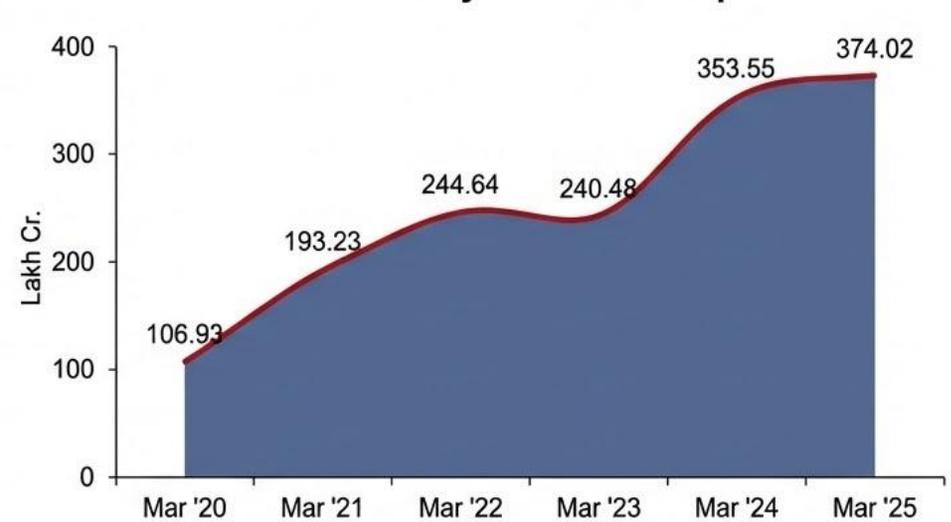
Source: Bloomberg, NSE. The percentage share for Nifty 50 and Nifty 500 is calculated by dividing respective index market capitalisation by NSE market capitalisation. Between 31 Mar 2020 - 31 Mar 2025

### Growth of Nifty 50 Market Cap



The Nifty 50 has demonstrated robust resilience, nearly tripling in market capitalization from the March 2020 lows of 66.23 Lakh Cr. to 186.91 Lakh Cr. in March 2025.

### Growth of Nifty 500 Market Cap



The Nifty 500 reflects a broader economic rally, expanding from 106.93 Lakh Cr. in 2020 to a massive 374.02 Lakh Cr. in 2025, outpacing the concentration of the top 50.

#### Key Highlights

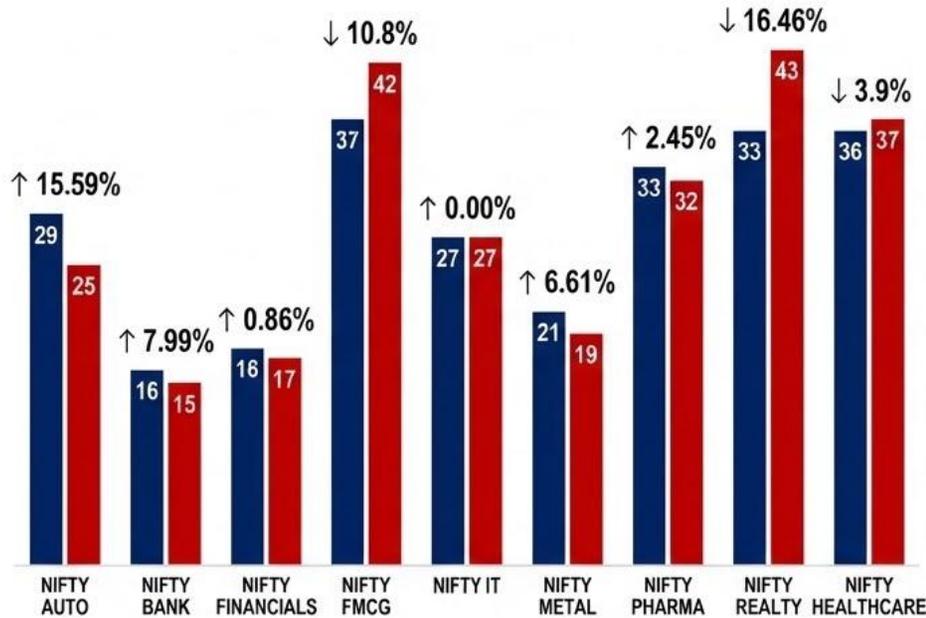
- **Exponential Recovery:** Both indices show a >3x surge from March 2020 baselines, signaling a structural bull run.
- **Broader Participation:** The Nifty 500 added over 260 Lakh Cr. in value, indicating that growth is not limited to just the largest firms.

Source: NSE. Between 31 Mar 2020 - 31 Mar 2025

Source: Bloomberg. Between 31 Mar 2020 - 31 Mar 2025

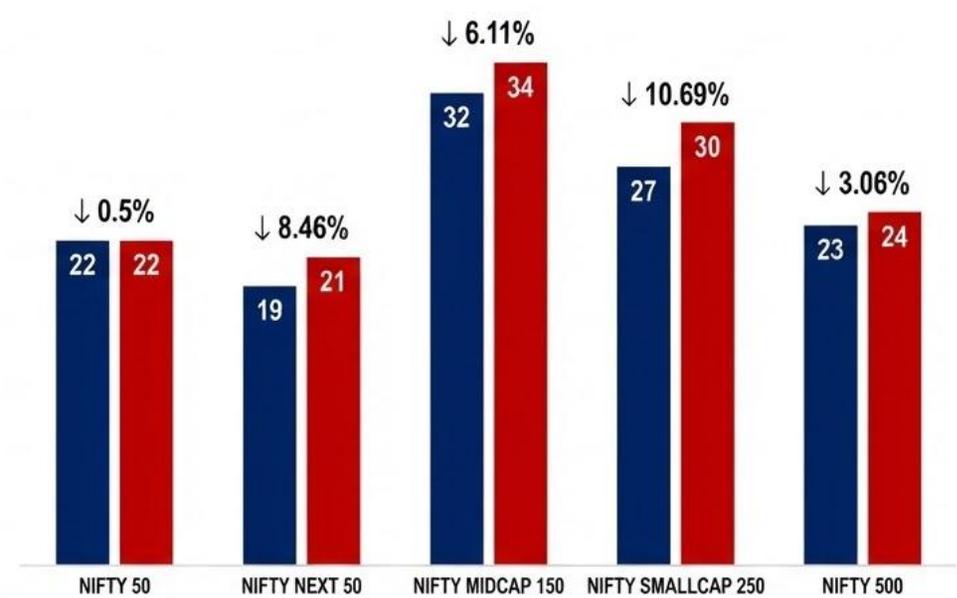
## Current P/E Ratio vs 1-Year Median P/E (Sector-wise)

As of January 2026



## Current P/E Ratio vs 1-Year Median P/E (Index-wise)

As of January 2026



### Key Highlights

- **Sector Divergence:** Auto (+15.6%) and Metal (+6.6%) trade at a premium, while Realty (-16.5%) and FMCG (-10.8%) offer deep value discounts.
- **Broad Market Discount:** Unlike specific sectors, all major indices (including Midcap and Smallcap) are trading below their 1-year median P/E.

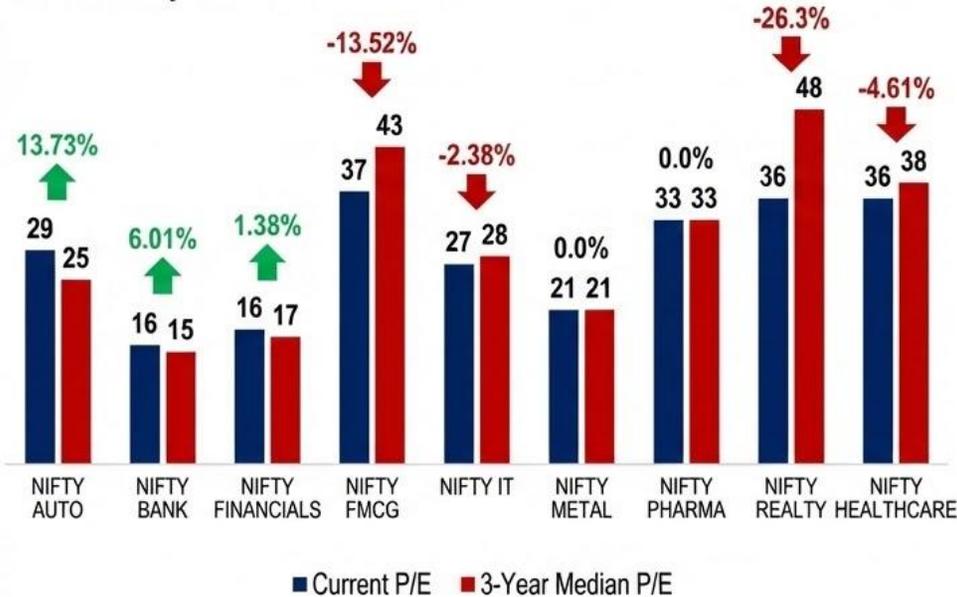
Source: NSE. Current P/E is as of January 2026. 1 Year Median PE is calculated by taking the Median of P/E data for 1 year period of respective indices.

Note: Bar values are rounded (no decimals), while % change is computed on actual values, slight differences may occur versus rounded calculations.

# Market Valuations: Current P/E Ratios vs. 3-Year Historical Median

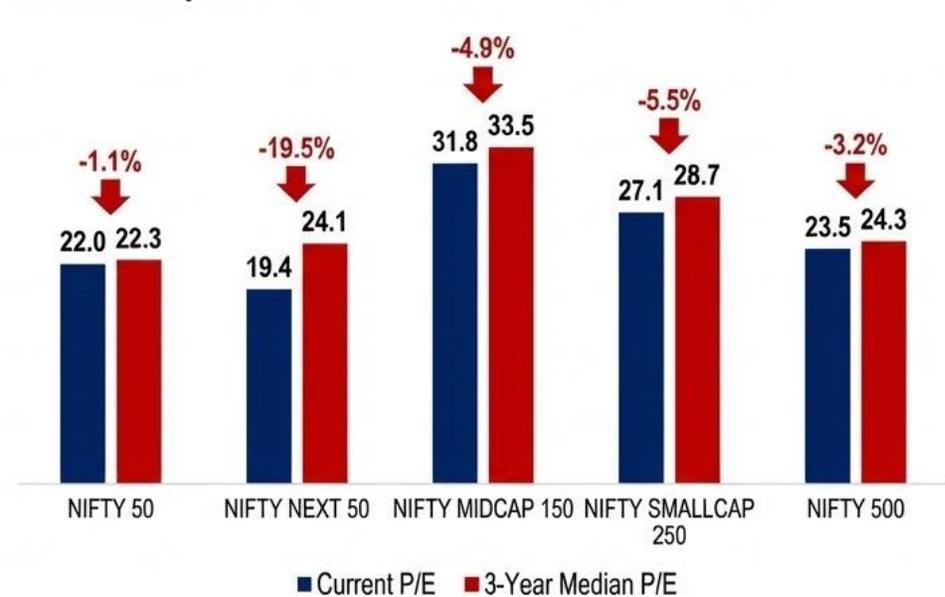
## Current P/E Ratio vs 3-Year Median P/E (Sector-wise)

As of January 2026



## Current P/E Ratio vs 3-Year Median P/E (Index-wise)

As of January 2026



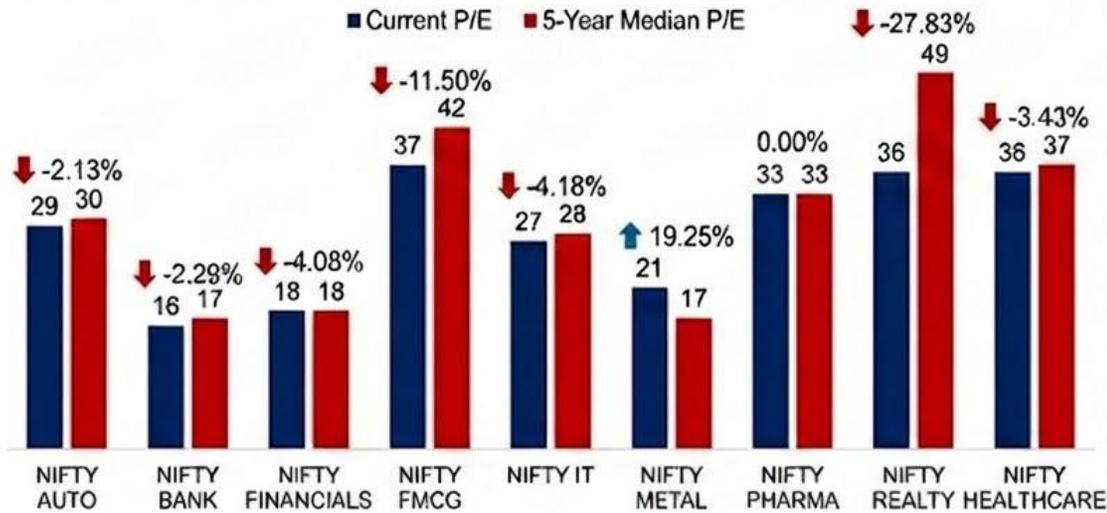
### Key Highlights

- Broad Market Discount:** All major market indices are currently trading below their 3-year median P/E, with NIFTY NEXT 50 showing the steepest valuation discount of -19.5%.
- Sector Divergence:** NIFTY REALTY offers the highest value gap (-26.3% vs median), while NIFTY AUTO trades at the highest premium (+13.73%),
- Resilience in Financials:** Banking and Financial sectors show marginal premiums (+1.38% to +6.01%), indicating valuations remain close to historical averages.

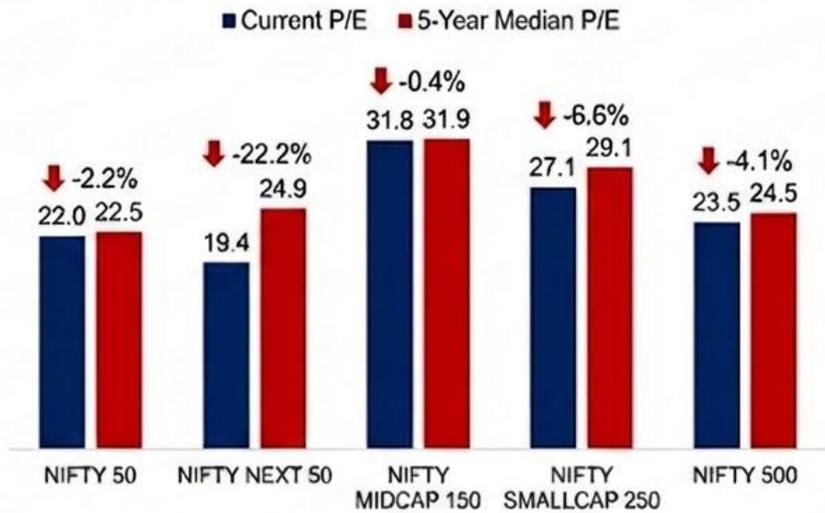
Source: NSE. Current P/E is as of January 2026. 3 Year Median PE is calculated by taking the Median of P/E data for 3 year period of respective indices.

Note: Bar values are rounded (no decimals), while % change is computed on actual values, slight differences may occur versus rounded calculations.

### Current P/E Ratio vs 5-Year Median P/E (Sector-wise) As of January 2026



### Current P/E Ratio vs 5-Year Median P/E (Index-wise) As of January 2026



#### Key Highlights

- **Broad Market Discount:** All major indices trading below 5-year median; Nifty Next 50 at deepest discount (-22.2%).
- **Sector Polarization:** Nifty Realty sees sharp correction (-27.83%) while Nifty Metal expands (+19.25%).
- **Stability:** Pharma remains flat (0.00%) and Midcap 150 shows resilience (-0.4%).

Data indicates a general cooling of valuations across the board as of Jan 2026. Opportunities may exist in deeply discounted indices like Nifty Next 50, whereas cyclical sectors like Metals are commanding premium valuations.

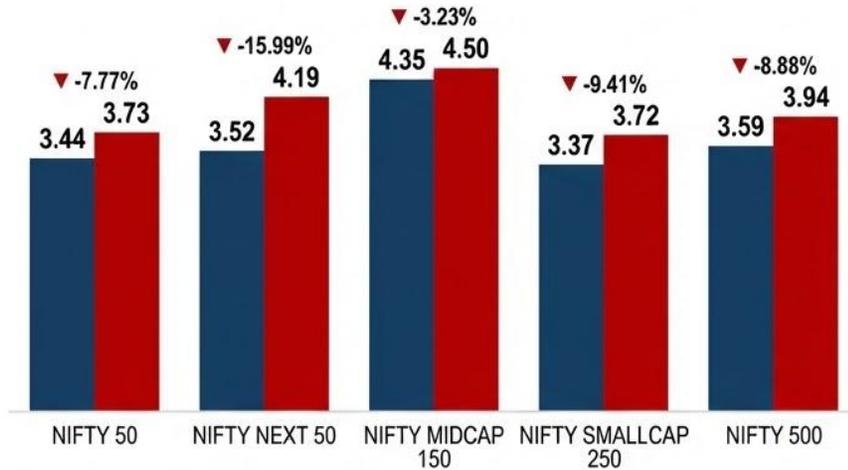
Source: NSE. Current P/E is as of January 2026. 5 Year Median PE is calculated by taking the Median of P/E data for 5 year period of respective indices.

Note: Bar values are rounded (no decimals), while % change is computed on actual values, slight differences may occur versus rounded calculations.

## Current P/B vs 3-Year Median P/B

As of: January 2026

■ Current P/B ■ 3-Year Median P/B

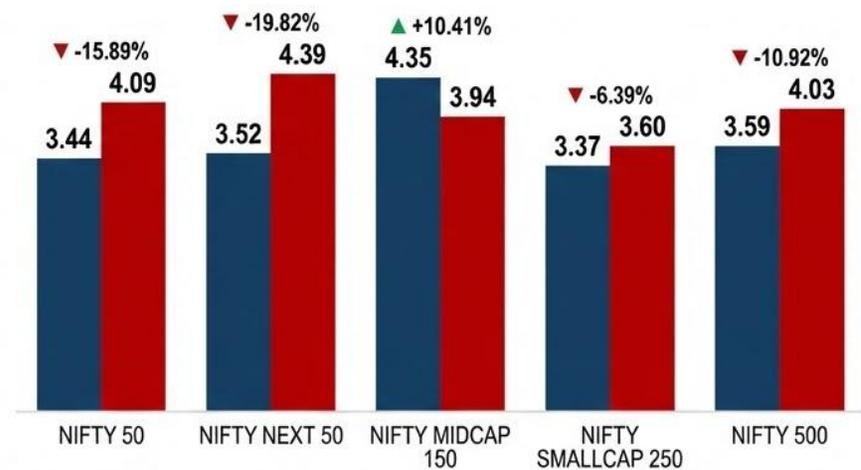


Current valuations reflect a discount across the board, with NIFTY NEXT 50 showing the most significant value gap compared to its 3-year median.

## Current P/B vs 5-Year Median P/B

As of: January 2026

■ Current P/B ■ 5-Year Median P/B



While most indices trade cheaply against 5-year norms, NIFTY MIDCAP 150 remains an outlier, trading at a premium above its historical median.

### Key Highlights

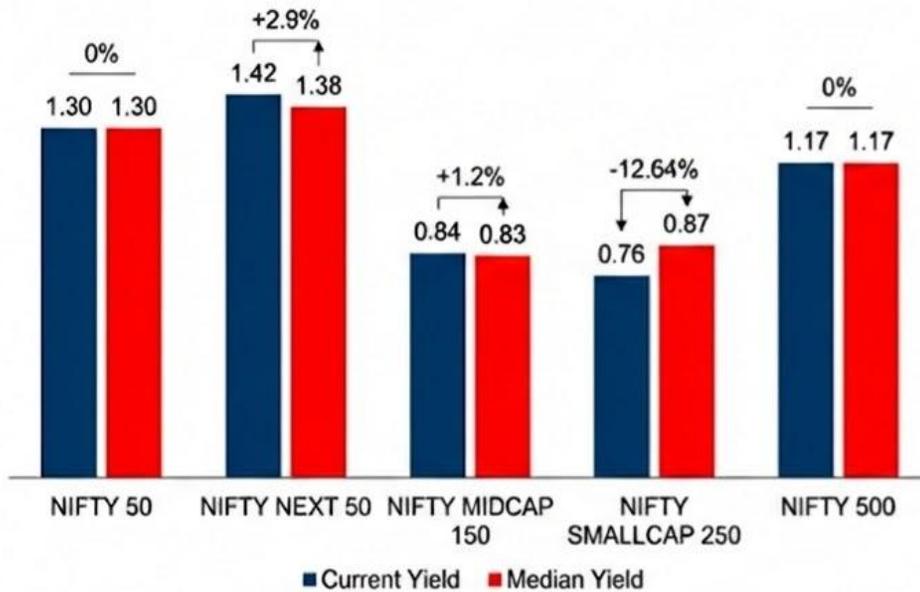
- **Valuation Discount:** NIFTY NEXT 50 offers the deepest relative value, trading at a ~16-20% discount across both 3-year and 5-year horizons.
- **Midcap Premium:** NIFTY MIDCAP 150 shows a structural divergence, while appearing slightly cheap on a 3-year basis, it retains an expensive premium over the 5-year view.
- **Broad Opportunity:** With 4 out of 5 indices trading below historical medians, the broader market presents a favorable entry point.

Source: NSE. Current P/B is as of January 2026. 3 Year Median P/B is calculated by taking the Median of P/B data for 3 year period of respective indices.

Source: NSE. Current P/B is as of January 2026. 5 Year Median PB is calculated by taking the Median of P/B data for 5 year period of respective indices.

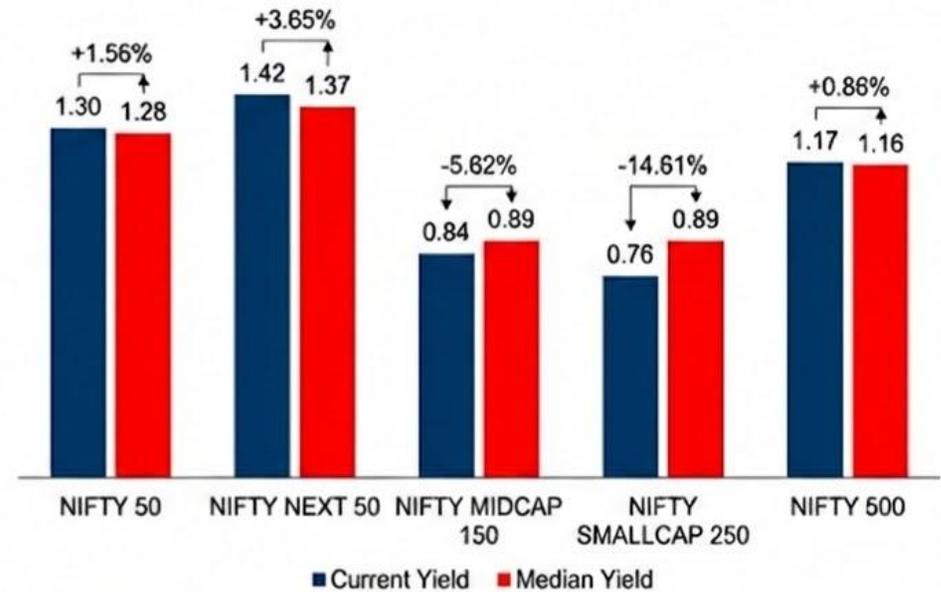
## Current Dividend Yield vs 3-Year Median Dividend Yield

As of: January 2026



## Current Dividend Yield vs 5-Year Median Dividend Yield

As of: January 2026



### Key Highlights

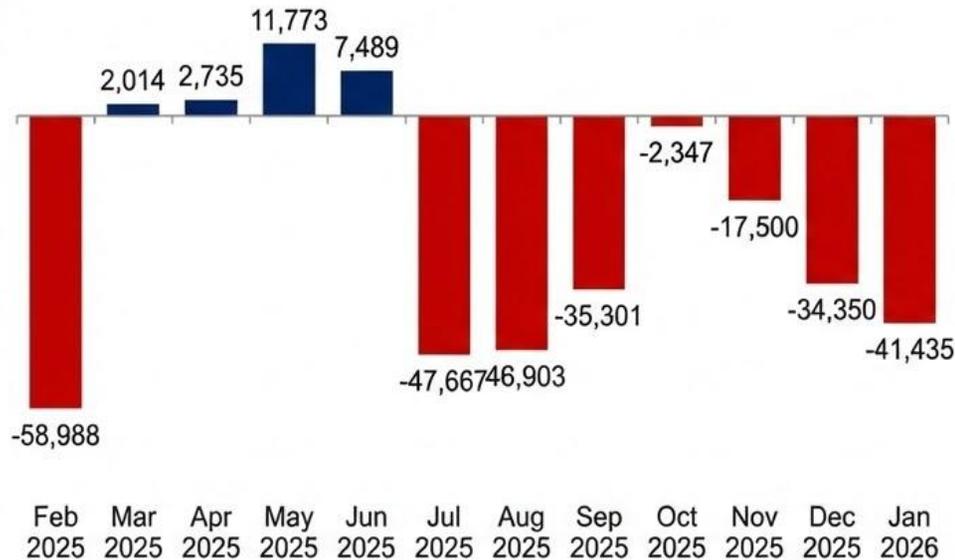
- **Large Cap Stability:** NIFTY 50 and NIFTY 500 yields remain resilient, matching or slightly exceeding historical averages, offering consistent income visibility.
- **Next 50 Value Proposition:** NIFTY NEXT 50 demonstrates the strongest yield growth (+3.65% vs 5-year median), reinforcing its attractive valuation status.
- **Smallcap Yield Compression:** NIFTY SMALLCAP 250 yields have contracted significantly (~12-14% decline vs medians), indicating that stock price appreciation has outpaced dividend payouts in this segment.

Source: NSE. Current Dividend Yield is as of January 2026. 3 Year Median Dividend Yield is calculated by taking the Median of Dividend Yield data for 3 year period of respective indices.

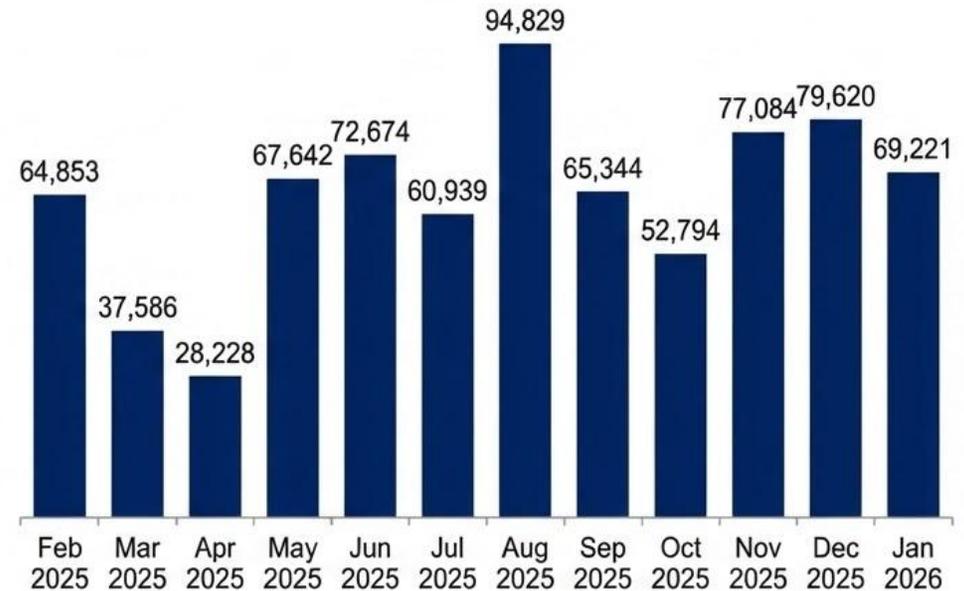
Source: NSE. Current Dividend Yield is as of January 2026. 5 Year Median Dividend Yield is calculated by taking the Median of Dividend Yield data for 5 year period of respective indices.

# Institutional Flows: FII Outflows vs. DII Support (Feb 2025 – Jan 2026)

**FII Net Investment**  
INR Crores



**DII Net Investment**  
INR Crores

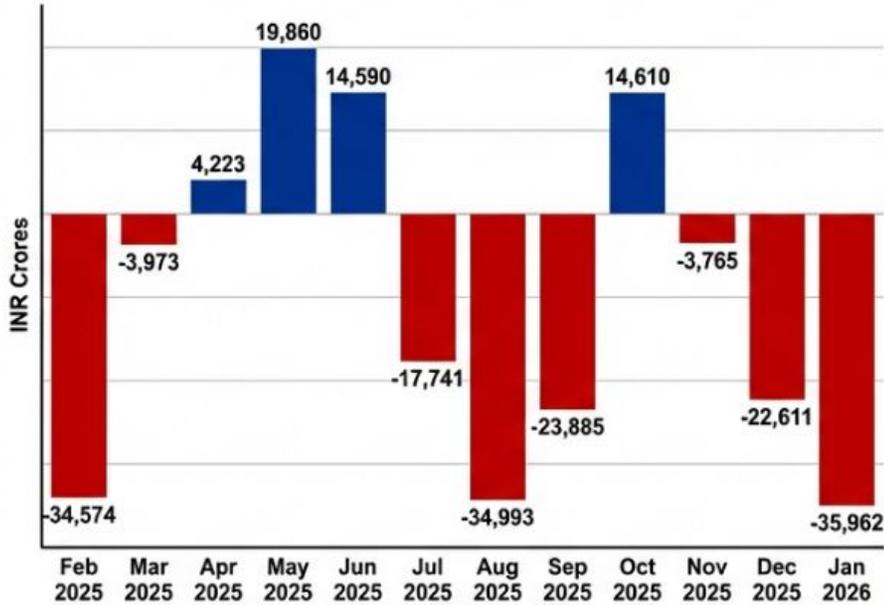


**Key Highlights**

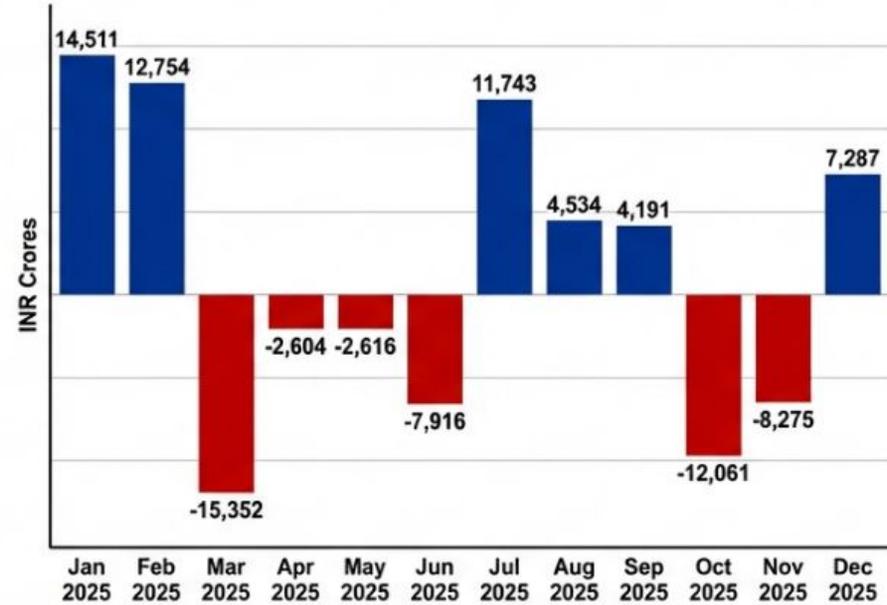
- **Unwavering Support:** DIIs recorded positive net investments every single month, peaking in August 2025 with nearly 95K Cr in inflows.
- **Counter-Cyclical Force:** Heavy FII selling in Feb (-58K Cr) and Aug (-46K Cr) was completely absorbed by even larger DII inflows.
- **The Trend:** While FII flows remained volatile and largely negative in H2, DII support remained structurally high.

Source: Bloomberg | February 2025 - January 2026

### FPI Net Investment



### Individual Investors Net Inflows in NSE CM Segment



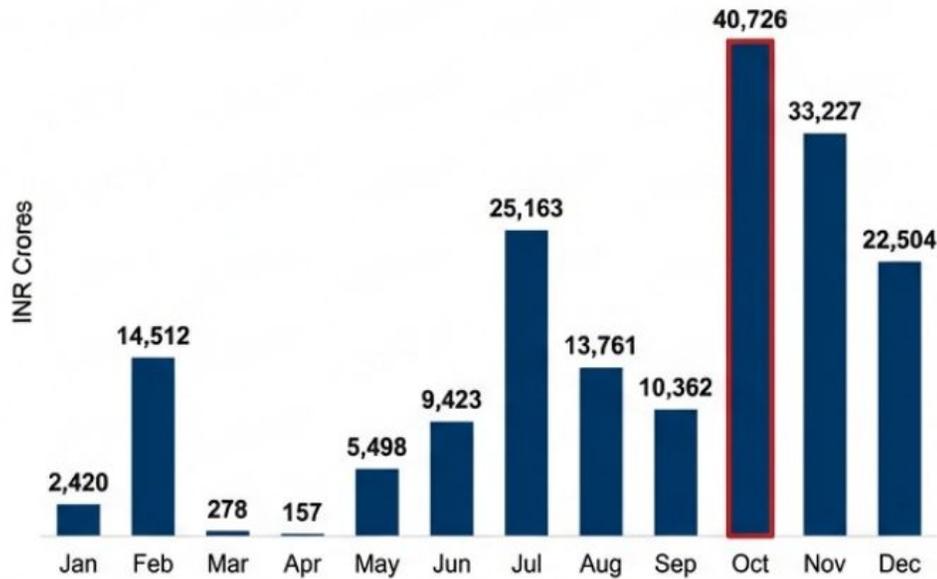
#### Key Highlights

- **FPI Trend Reversal:** FPI flows saw a sharp reversal (▲ to ▼), peaking in May (+19,860 Cr) before entering a sustained selling phase from July through September.
- **Retail Divergence:** Individual investors displayed contrarian behavior, returning to net inflows in July (+11,743 Cr) exactly when FPIs triggered massive outflows.
- **Year-End Volatility:** Both segments exhibited heightened volatility closing 2025, with FPIs registering a significant outflow of -35,962 Cr in Jan 2026.

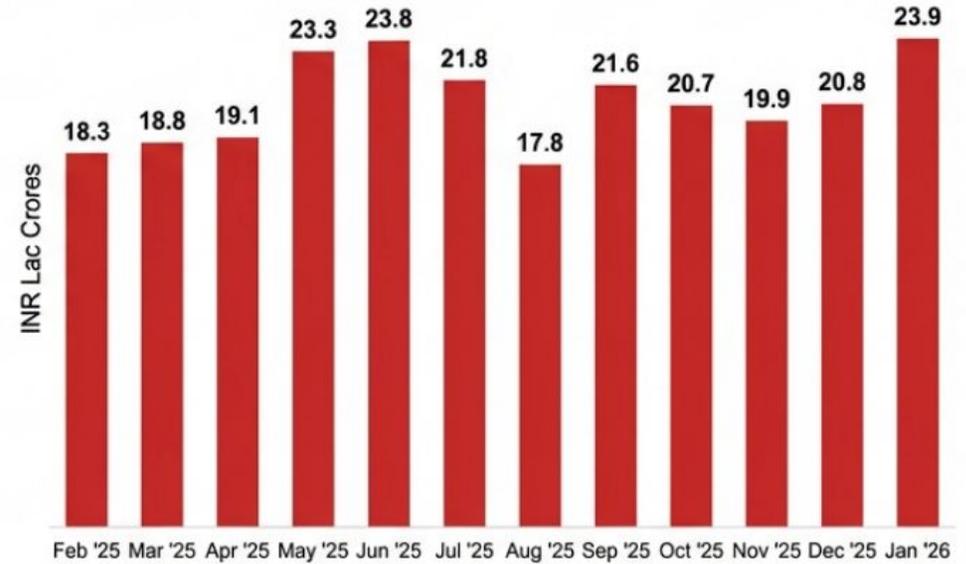
Source: NSDL India | February 2025 - January 2026

Source: NSE Market Pulse | January 2025 - December 2025

### Monthly IPO Collection Volatility (2025)



### NSE Cash Market Segment Turnover Trends



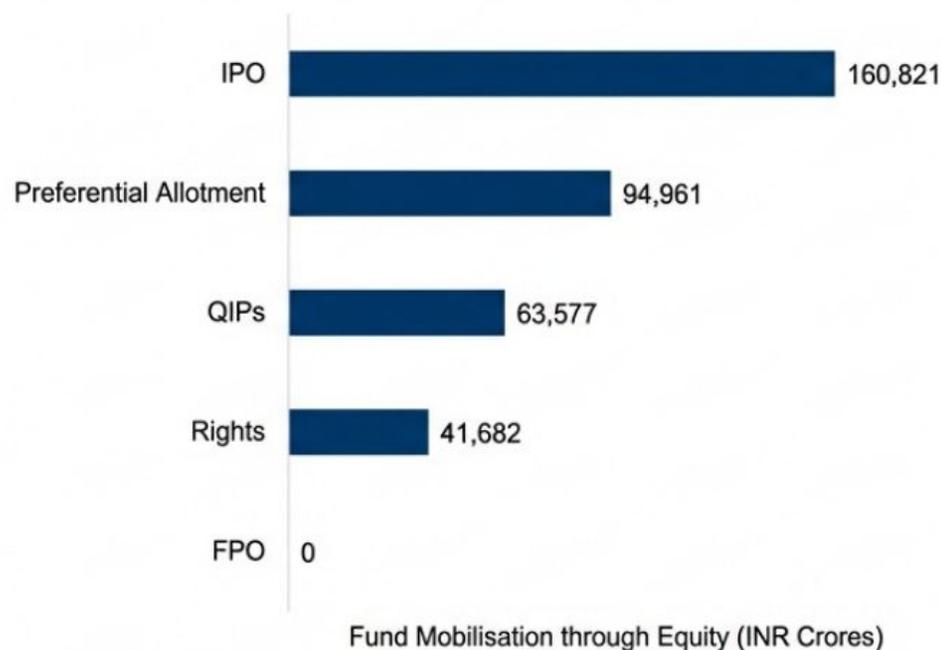
#### Key Highlights

- **Primary Market Cyclicity:** IPO collections show high volatility with a massive Q4 spike (Oct-Nov), driven by specific large-cap issuances.
- **Secondary Market Strength:** Cash market turnover remains robust and liquid, trending upward to a peak of 23.9 Lac Cr in Jan '26, indicating sustained investor interest.

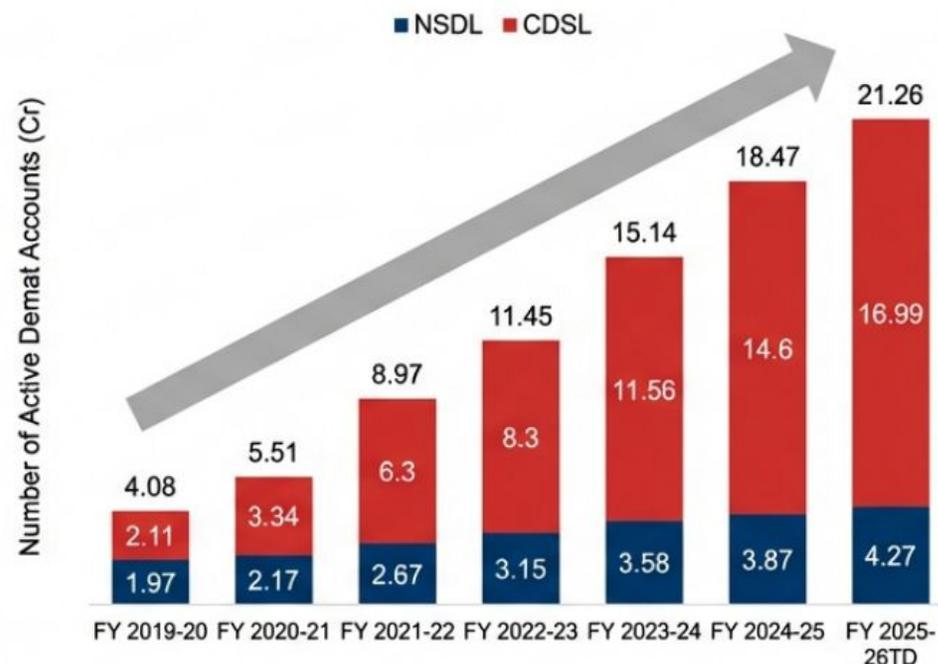
Source: NSE Market Pulse | January 2025 - December 2025

Source: NSE | February 2025 - January 2026

## Diverse Avenues Fuel Robust Equity Mobilisation



## Investor Base Shows Unprecedented Expansion



### Key Highlights

- **Capital Raising is Broad-Based:** While IPOs lead with ~1.6L Cr, alternative routes like Preferential Allotments and QIPs indicate a mature market utilizing multiple avenues.
- **Retail Democratization:** The investor base has exploded over 5x in 6 years (from ~4Cr to ~21Cr accounts), with CDSL's rapid growth (Red segment) driving the majority of this expansion.

Source: NSE Market Pulse Report | Data is for FY 2025-26TD as of December 2025. Only open-ended schemes are considered.

Source: Annual reports of NSDL and CDSL respectively | FY 2019-20 - FY 2025-26TD. FY 2025-26TD data is as of November 2025



## Divergence is the New Norm

Investors must navigate competing trends between Global and Indian markets.



## Domestic Depth is the Foundation

Structural rise of domestic investors now drives primary market behavior.



## Valuations Matter Again

Indices trading below 3-year medians offer favorable entry points.



## Stability in Volatility

Value and Low Volatility strategies act as effective portfolio stabilizers.



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