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India-Japan CEPA to Be Reviewed After 15 Years: **What It Means for Trade**



India and Japan's economic relations have steadily advanced in recent years, but the balance of trade between the two countries is not in India's favour. The trade pact that came into force 15 years ago was created to boost business between the two countries, but Indian companies continue to face several non-tariff barriers while trying to gain access to the Japanese market. Now, India wants to move ahead with a review of this agreement and expand its scope.

Let us understand why a review of the India-Japan trade pact is considered necessary, what challenges Indian exports face, and what this could mean for investors.

What's Happening?

The Comprehensive Economic Partnership Agreement, or CEPA, between India and Japan came into force in August 2011. Now, nearly 15 years later, India wants to review the agreement so

that it can be made more effective and aligned with current trade needs. After talks with Japan's Economy, Trade and Industry Minister Akazawa Ryosei, Commerce and Industry Minister Piyush Goyal said that both countries want to work on modernising the agreement and expanding its scope. However, the scope of the review has not yet been decided, and both sides will have to take each other's needs into account.

India's biggest concern is the growing trade deficit. In the financial year 2025-26, bilateral trade between India and Japan stood at \$27.47 billion. Of this, India's exports were \$6.03 billion, while imports were \$21.43 billion. Thus, India's trade deficit reached \$15.4 billion, up from \$8.2 billion in FY22

However, overall trade has increased. According to an ASSOCHAM report, merchandise trade between the two countries rose from \$20.58 billion in FY2021-22 to \$27.47 billion in FY2025-26, a 33% increase. Despite this, India's share in Japan's total global imports Remains less than 1%.

Major Barriers Facing Indian Exports

Despite tariff relief, entering the Japanese market has not been easy for Indian exporters. Industry organisations have highlighted strict standards, certification requirements and long-standing business relationships as major barriers.

Especially in sectors such as food, pharmaceuticals and processed products, Japan's stringent technical and quality standards continue to pose challenges for Indian companies. The need for different certifications increases costs for companies and takes more time for products to reach the Japanese market.

Indian exporters have demanded Mutual Recognition Agreements, or MRAs, for the recognition of Indian test reports and certifications. In addition, they have called for time-bound processes for SPS and product approvals, simpler rules of

origin, electronic documentation and easier procedures for low-value consignments. There has also been a demand to make information related to Japanese regulations available in English.

What is Needed for the \$50 Billion Trade Target?

A target has been set to take trade between India and Japan to \$50 billion by 2030. But to reach this target, merely increasing the volume of trade will not be enough. India will have to focus more on improving access to the Japanese market, as well as on increasing exports of higher-value and technology-based products.

The ASSOCHAM report has highlighted the possibilities of cooperation in sectors such as semiconductors, artificial intelligence, digital technologies, critical minerals and resilient supply chains. India's growing domestic market, young workforce and increasing manufacturing capacity can complement Japan's technology, capital and industrial expertise.

Japan is India's fifth-largest investor. There is also a commitment of 10 trillion yen in private investment between the two countries over the coming decade. ASSOCHAM has also indicated the possibility of increasing engineering partnerships, along with research and development centres, innovation centres and global capability centres.

What Does This Mean for Investors?

From an investor's perspective, the importance of reviewing the trade pact is not limited to an increase in exports. If existing barriers related to certification, regulatory approvals and market access are reduced, there could be more opportunities for Indian companies to expand their business in the Japanese market. Opportunities could especially increase in higher-value and technology-based products.

Japan's investment in India is also an important part of this relationship. Japan has set a target of 10 trillion yen, or about Rs 7 lakh crore, in private investment in India over a decade. According to Piyush Goyal, approximately Rs 1 lakh crore of this target has already come in the first 10 months. He expressed hope that if the current pace continues, the full commitment could be fulfilled within 3-4 years.

Therefore, the main signal for investors is that India-Japan economic relations are no longer limited only to the trade of traditional goods. Increasing cooperation in trade, investment, technology and manufacturing could be the major direction going forward.

What's Next?

In the coming months, the direction of India-Japan trade relations will depend on how much importance is given to the practical problems faced by Indian exporters during the CEPA review. India has sought suggestions from industry to understand the challenges in exporting to Japan, while the Commerce Ministry is helping exporters with issues related to certification and regulatory requirements.

There is an ambition to take bilateral trade between India and Japan from the current level of \$27.47 billion to \$50 billion by 2030. On the other hand, the Japanese investment target of 10 trillion yen could give new momentum to economic cooperation between the two countries.

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Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.



SEBI ETF Rules: What's Changing from September 7?



The changes in the trading arrangement for ETFs, or Exchange-Traded Funds, in India will now come into effect six days later than the previously fixed date. SEBI has extended the deadline for implementing the new ETF trading framework from 1 September to 7 September 2026. This decision has been taken after feedback received from the stock exchange, so that the necessary system changes and operational preparations required to implement the new rules can be completed.

SEBI's new framework is focused on improving the price discovery and trading process of ETFs. In it, rules related to the base price of ETFs, price bands, pre-open call auction and close-out procedure have been changed.

Let us understand in detail what changes SEBI has made in the rules of ETF trading, why the deadline has been extended and what it means for investors.

What's Happening?

SEBI had introduced the new framework for ETF trading in the circular of 15 June 2026, which was earlier to be implemented from 1 September. Now its effective date has been made 7 September. That is, stock exchanges, clearing corporations and other market infrastructure institutions will get six additional days to make the necessary changes in systems and processes.

According to SEBI, the decision to extend the deadline has been taken on the basis of feedback received from the stock exchange. Exchanges, clearing corporations, mutual fund houses and AMFI have been asked to complete system changes, amend bylaws as required and inform market participants including investors about it.

Major Change in the Base Price of ETFs

The most important part of the new framework is the change related to the base price of ETFs. In the existing arrangement, T-2 NAV was used for the price band. This could create a difference between the market price of the ETF and its underlying assets.

Now the base price of the ETF will be determined on the basis of the closing price of the previous trading day. For this, the volume-weighted average price of the last 30 minutes of trading will be used. If there is no trading of the ETF in this period, the last traded price will be taken as the base. On the other hand, if there has been no trade in the ETF on T-1, the most recent available closing NAV will be used.

In addition, exchanges and AMCs will move towards T-1 closing NAV from 1 April 2027. This change has been made with the objective of helping keep the market price of the ETF closer to the value of its underlying assets.

Changes in Price Bands and Pre-Open Auction

Under the new rules, price bands will also be changed for different ETF categories. In equity ETFs and most debt ETFs,

there will initially be a dynamic price band of plus or minus 10%. After the cooling-off period, it can be increased in a phased manner up to plus or minus 20%.

On the other hand, for overnight and liquid ETFs, a fixed price band of plus or minus 5% will continue. In the case of gold and silver ETFs, there will be no fixed limit for increasing the price band during the day. For these, a pre-open call auction will also be started, so that the overnight changes in the international bullion market can be better included in the opening price of the ETF.

SEBI has also made changes in the close-out procedure of overnight and liquid ETFs. Overall, the new framework is focused on strengthening price discovery in ETF trading and reducing situations such as sudden halt in trading.

What Does This Mean for Investors?

The change is focused on creating better alignment between the market price of the ETF and the value of its underlying assets rather than giving any immediate big benefit to investors. The new base price arrangement and changed price bands can help in reducing unnecessary differences in ETF prices and improving the arbitrage process.

SEBI's one-week extension gives market participants additional time to prepare for the new trading framework, while no change has been made in the main rules. In the long term, its objective is to make the price discovery and trading of ETFs more systematic.

What's Next?

The framework coming into effect from 7 September is not just a change in date, but will bring changes in several important parts of ETF trading. SEBI's focus is on strengthening price discovery, trading efficiency and market mechanism.



In the coming phase, system changes, bylaw amendments and preparation of market participants will remain important. Especially, the move towards T-1 closing NAV from 1 April 2027 will take the pricing arrangement of ETFs further. In this way, SEBI's new framework is an important step in the direction of creating better alignment between the market price of ETFs and the value of underlying assets.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.



India Q1 GDP Growth Hits 7.8%: How Strong Is Economy?



India's economy has demonstrated its strength amid global uncertainties in the first quarter of financial year 2026-27. Real GDP growth in the April-June quarter stood at 7.8%, which is better than market estimates. Earlier, the RBI had projected 7% growth for the same quarter.

Despite the conflict in West Asia, high energy prices and uncertainties related to global trade, domestic demand, government capex and industrial activity supported growth.

Let us understand in detail how the Indian economy achieved 7.8% growth in Q1 FY27 and what it means for investors.

What's Happening?

In April-June 2026, India's real GDP growth stood at 7.8%, while it was 6.9% in the same quarter last year. This figure is important because during the quarter, geopolitical tensions in West Asia and the US-Iran conflict had put pressure on supply

chains and commodity prices. Despite this, the pace of the domestic economy remained strong.

Q1 FY27 growth was lower than the previous quarter, that is Q4 FY26's 8.6%, but it was better than the RBI's estimate of 7% and the Economic Times poll estimate of 7.3%. SBI Research had earlier estimated Q1 growth at 8%. Thus, the actual figure of 7.8% remained quite close to the market's high expectations.

Behind this performance was the contribution of domestic consumption, government spending, exports, manufacturing and other industrial activities. This is why, despite global shocks, there was no major decline in the growth of the Indian economy.

Industry and Investment Increased Support for Growth

To understand the picture of Q1 FY27, industrial activity and investment demand are important. In June 2026, IIP growth stood at 7.3%, which was a 23-month high. Along with this, average industrial growth in the first quarter of FY27 was 5.7%, which was the highest in eight quarters. Manufacturing output also increased by 7.8%.

Bank credit also supported economic activity. In June, gross bank credit growth stood at 18.6%, which was a 25-month high. This means that the credit flow from the financial system remained strong and supported business and other economic activities.

Government capex also remained an important support for growth. In Q1 FY27, government capital expenditure growth stood at 23.7%, while in the fourth quarter of FY26 it had declined by 23.3%. Strong government spending supported demand and economic activity.

However, some softening was also seen in high-frequency indicators. In July, the manufacturing PMI fell from 54.2 in June to 53.5 and the services PMI from 57.4 to 53.3. Both still remained above 50, which is a sign of expansion.

Domestic Demand Sustained the Economy

In this quarter, consumer spending also strengthened growth. According to the Times of India, in April-June, consumer spending, government capex, exports, manufacturing and construction supported the economy. HDFC Bank's Principal Economist Sakshi Gupta says that manufacturing and electricity drove industrial growth, while the pass-through effect of income tax and GST rate cuts supported consumer spending.

But the growth picture is not completely risk-free. In July, CPI inflation stood at 4.4% and WPI inflation at 9.8%. According to EY, high WPI inflation could push nominal GDP growth above the government's budget estimate of 10.04%, which could support revenue receipts.

What Does This Mean for Investors?

For investors, the biggest signal from the 7.8% Q1 GDP growth is that India's domestic growth engine has shown strength even amid global shocks. Strength in bank credit, industrial production and government capex indicates that several parts of economic activity are providing support together, although concerns about global uncertainty and crude oil price volatility remain.

Therefore, for investors, merely focusing on the strong GDP headline will not be enough. Going forward, along with global uncertainty and crude oil prices, the direction of consumption, private investment, industrial activity and inflation will be more important.



What's Next?

The 7.8% GDP figure for Q1 FY27 indicates a strong start for the Indian economy, but the path ahead is not entirely easy. According to The Times of India, high base effects and risks associated with the US-Iran conflict could affect growth in the coming quarters. In particular, an increase in energy prices could put pressure on corporate margins.

On the other hand, according to EY, real GDP growth in FY27 could be 7-7.2% and nominal GDP growth 12.5-13%. However, high energy costs and weak global demand remain risks for exports. According to OECD estimates, India's current account deficit in FY27 could reach 1.9% of GDP.

Overall, the Q1 GDP growth shows that despite the US-Iran war and global headwinds, there is sufficient strength in India's domestic economy. Now the real test will be how strongly this momentum is sustained in the coming quarters.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.



Why AI Is Slowing Growth for India's IT Industry



India's information technology (IT) sector has long been one of the country's biggest growth engines, contributing significantly to exports, employment, and the stock market. For years, Indian IT companies benefited from rising global demand for software development, digital transformation, and outsourcing services. However, the industry is now entering a new phase where technological disruption and global uncertainty are reshaping the outlook.

Artificial Intelligence (AI) is changing the way businesses invest in technology, while geopolitical tensions and cautious corporate spending are delaying new projects. According to a recent report by JPMorgan, these factors could keep growth in India's IT services sector under pressure for a longer period than previously expected.

Let us understand why the industry's growth is slowing and what it could mean for companies and investors.

What's Happening?

According to JPMorgan, India's IT services industry has remained stuck at around 2-3% revenue growth over the past three years. The brokerage believes this subdued performance could continue over the next two years as businesses across the world rethink their technology spending.

The report highlights that companies are increasingly allocating budgets towards AI infrastructure, cloud computing, and AI models, leaving less room for spending on traditional IT services. At the same time, geopolitical uncertainties and changing business priorities have made many global clients more cautious, leading to delays in technology contracts and slower project execution.

Given these challenges, JPMorgan has lowered its medium- and long-term growth expectations for the sector. It now expects large Indian IT companies to grow at around 3-4%, instead of returning to their historical growth rates of 7-8%.

How Is AI Changing the IT Services Industry?

JPMorgan believes the industry is currently in the first stage of AI adoption, which it describes as the 'Deflation' phase.

During this phase, AI improves productivity in routine and maintenance-related work, allowing businesses to complete many tasks with fewer resources. While this helps clients reduce costs, it also lowers the demand for traditional outsourcing services that have historically been a major source of revenue for Indian IT companies.

Although AI is expected to create new business opportunities over time, the report suggests these opportunities are not yet large enough to offset the decline in demand for legacy services. As a result, the overall growth of the industry could

remain under pressure until AI-driven services become more commercially significant.

Global Uncertainty Is Also Affecting Demand

Apart from AI, global economic and geopolitical developments are also influencing technology spending.

Many enterprises are adopting a wait-and-watch approach before committing to large digital transformation projects. Ongoing geopolitical tensions, economic uncertainty, and rapidly evolving AI technologies have increased caution among clients, leading to delays in deal signings and slower project ramp-ups.

According to JPMorgan, this cautious spending environment is likely to continue in the near term, reducing the chances of a strong recovery during FY27.

What Does This Mean for Investors?

The report suggests that investors may need to moderate expectations from the IT sector over the next few years. Slower revenue growth could also limit earnings growth and keep valuations under pressure.

However, this does not necessarily weaken India's long-term position in global technology services. Indian IT companies continue to benefit from strong client relationships, global delivery capabilities, and increasing investments in AI-related solutions.

Companies that successfully adapt to AI, develop new digital capabilities, and diversify their service offerings may be better positioned to benefit when technology spending eventually improves. Investors may therefore need to focus more on business quality, AI readiness, and execution capabilities rather than expecting a broad-based recovery across the sector.



What's Next?

According to JPMorgan, the industry's recovery could take longer than previously expected, potentially extending beyond FY29 into FY30. The brokerage believes the sector is still in the early stages of AI-led transformation, where productivity gains are reducing demand faster than new AI services are generating revenue.

Going forward, the pace of AI adoption, enterprise technology spending, and global economic conditions will play a crucial role in determining the sector's growth trajectory. While the near-term outlook remains challenging, the industry's ability to adapt to changing technologies will be key to its long-term growth prospects.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.



Why FPI Outflows Are Rising Despite Strong India Growth



India is one of the fastest-growing major economies in the world and has significantly strengthened its investment environment over the past decade through several structural reforms. With a strong banking system, robust digital infrastructure, and a large domestic market, India has long been an attractive destination for global investors. However, in recent years, an interesting shift has emerged. Despite strong economic fundamentals, foreign investors are pulling money out of Indian markets, while global capital is increasingly moving towards new technologies and innovation-driven markets.

This shift is not unique to India but reflects the changing nature of global capital flows. Investors are now turning towards Artificial Intelligence (AI), semiconductors, and advanced manufacturing in search of future growth opportunities.

What's Happening?

India is the fastest-growing major economy in the world. The country has approximately \$700 billion in foreign exchange reserves, a strong banking system, and some of the best

growth prospects among large economies. Despite this, foreign investor interest has weakened.

In FY26, Foreign Portfolio Investors (FPIs) recorded net outflows of \$16.5 billion, while net Foreign Direct Investment (FDI) fell to just \$7.7 billion, significantly lower than previous years.

However, gross FDI reached a record \$94.5 billion, reflecting continued long-term confidence in India. Net FDI declined sharply because foreign companies repatriated \$53.6 billion, while Indian companies invested \$33.3 billion overseas. More than half of the foreign portfolio investment that entered India since 2023 has flowed back out, and an outflow of approximately \$8.5 billion was recorded in 2026 alone.

This indicates that despite strong economic fundamentals, global capital allocation trends are changing rapidly.

Why Is Global Capital Moving Towards AI and Tech Themes?

Investors worldwide are increasingly focusing on sectors such as Artificial Intelligence, semiconductors, and advanced manufacturing. The United States has become the centre of the AI revolution, while Taiwan and South Korea have emerged as major hubs of the global semiconductor industry.

South Korea's KOSPI index has delivered strong performance over the past two years, largely driven by AI chip companies. Taiwan's market has also benefited significantly from companies such as TSMC. In comparison, India's spending on Research and Development stands at just 0.7% of GDP, which is considerably lower than these countries.

India's strengths have traditionally been software services and digital platforms, but it has yet to establish an early lead in hardware and frontier technologies. This is one of the key

reasons global Capital is moving towards markets that offer significant opportunities in future technologies.

Why Have Indian Markets Held Steady Despite Foreign Selling?

After reaching a peak in September 2024, the Indian stock market has been under pressure. However, this is not due to any weakness in the economy's fundamentals but because of continuous selling by Foreign Portfolio Investors (FPIs) since October 2024.

In calendar year 2025, FPIs withdrew a net Rs 1.6 lakh crore, while by May 2026 this figure had reached Rs 2.2 lakh crore.

Between January and June 2026 alone, foreign investors made net sales of more than Rs 2.8 lakh crore. The highest withdrawal was recorded in March at Rs 1.18 lakh crore, while around Rs 54,944 crore has been withdrawn in June so far. Despite such heavy selling, Indian markets have not witnessed a major decline.

The primary reason is the growing participation of domestic investors and regular SIP inflows into mutual funds, which have provided strong support to the market. Had such heavy foreign selling occurred two or three decades ago, the market would likely have seen a much sharper correction.

This highlights how Indian capital markets have matured and become increasingly driven by domestic investors.

What Does This Mean for Investors?

Despite continuous selling by foreign investors, India's long-term growth story remains intact. A large population, a vast consumer market, and strong economic growth prospects continue to be India's biggest strengths. However, the \$16.5 billion FPI outflow in FY26 and net selling of around Rs 2.8 lakh

crore between January and June 2026 have created pressure on the markets.

Despite this, Domestic Institutional Investors (DIIs) have provided strong support. In January 2026, DIIs invested a net Rs 69,221 crore, followed by Rs 38,423 crore in February, a record Rs 1.43 lakh crore in March, Rs 51,064 crore in April, Rs 82,669 crore in May, and Rs 66,091 crore in June so far.

Overall, DIIs invested more than Rs 4.5 lakh crore between January and June 2026, which is significantly higher than the amount sold by FPIs.

This demonstrates that Indian markets have become more resilient and that domestic savings have emerged as one of their biggest strengths.

What's Next?

It would be incorrect to conclude that foreign investors are moving away from India entirely. Record gross FDI inflows indicate that long-term confidence in India remains strong. Very few economies possess the combination of growth potential, demographic advantages, and market size that India offers.

However, the pattern of global investment has evolved. Earlier, India's large market and rapid economic growth were sufficient to attract global capital. While these strengths remain intact, they are no longer enough on their own.

Today, investments are increasingly directed towards technologies such as AI, semiconductors, cloud computing, and advanced computing. India has largely succeeded in establishing itself as a high-growth economy. The next challenge is innovation.

Going forward, global capital may increasingly favour countries that can position themselves at the forefront of the next major technological revolution.



Rs 10,000 a Month in PPF or SIP: Which Builds More Wealth in 15 Years?



Regular investors often face the question of whether to invest Rs 10,000 every month in PPF or in an equity mutual fund SIP. Over a 15-year period, the final corpus from both can be quite different. In PPF, the interest rate is predetermined, so there is greater certainty of returns, whereas the performance of an SIP depends on the market. Along with the possibility of higher returns, there is also a higher level of risk. The impact of tax also affects the final amount.

Let us understand the difference between the two options in terms of returns, risk and tax, and which option has a better chance of creating a larger corpus after 15 years.

How much will PPF Create on a Monthly Investment of Rs 10,000?

If an investor deposits Rs 10,000 every month in PPF, then in 15 years, their total investment will be Rs 18 lakh. Assuming the current 7.1% interest rate remains stable for the entire 15 years, the corpus will become approximately Rs 32.5 lakh. Because the interest received in PPF and the maturity amount

are exempt from income tax, this entire amount remains with the investor.

An important point here is that assuming the 7.1% rate remains stable for the entire 15 years is only an estimate. The interest rate of PPF can be changed from time to time. Currently, in July-September 2026, the interest rate of PPF is 7.1% per annum, and it is compounded annually.

How does the Picture Change by Putting Rs 10,000 in SIP?

If the same Rs 10,000 is invested every month in an equity mutual fund SIP, then in 15 years, the total investment will still remain Rs 18 lakh. But the final corpus will depend on the returns received from the market. We can understand this with examples of different return scenarios.



PPF vs SIP 15-Year Comparison

Investment	Corpus after 15 years	Approx. post-tax corpus
PPF at 7.1%	₹32.2 lakh	₹32.2 lakh
SIP at 8%	₹34.8 lakh	₹32.7 lakh
SIP at 10%	₹41.8 lakh	₹38.9 lakh
SIP at 12%	₹50.4 lakh	₹46.4 lakh

Source: Mint

In 15 years, a monthly SIP of Rs 10,000 (at 12% return) gives a post-tax fund of Rs 46.4 lakh, which is significantly more than PPF's Rs 32.2 lakh.

In the case of an 8% annual return, the corpus becomes approximately Rs 34.8 lakh. After considering 12.5% long-term capital gains tax, the post-tax amount remains approximately

Rs 32.7 lakh. That is, in this situation, the difference compared to PPF is very small.

If a 10% annual return is received from the SIP, then the corpus can be approximately Rs 41.8 lakh and, after tax, approximately Rs 38.9 lakh. Whereas at a 12% annual return, the corpus can reach nearly Rs 50.4 lakh, and the post-tax amount can be approximately Rs 46.4 lakh. From this, it is clear that the benefit of an SIP increases rapidly as the return increases.

PPF versus SIP: Where is the Real Difference?

From these figures, an important point emerges. At an 8% SIP return, the post-tax corpus is approximately Rs 32.7 lakh, while PPF's corpus is around Rs 32.2-32.5 lakh. That is, even at an assumed 8% return, the lead of SIP remains very small. But at a 10% return, SIP can give approximately Rs 38.9 lakh and, at 12%, around Rs 46.4 lakh post-tax corpus.

Therefore, considering PPF and SIP as similar investment products merely by looking at the possible final amount would not be correct. In PPF, there is relatively greater certainty of returns and tax-free maturity, whereas in an equity SIP, the returns are linked to the market and can fluctuate. Along with higher potential returns, higher uncertainty also comes.

Wrapping Up

Based on the given figures, over a 15-year period, SIP has the capacity to create more wealth, but it clearly overtakes PPF only when sufficient returns are received from the market. At an 8% SIP return, the post-tax difference between PPF and SIP is almost negligible, whereas at 10% and 12% returns, the difference increases considerably.

Therefore, the question is not merely whether to put Rs 10,000 in PPF or in an SIP. The real question is whether the investor prioritises a certain and tax-free corpus or, accepting the ups



and downs of the market, wants higher potential returns. The given figures show that stability is the strong side of PPF, while the possibility of creating more wealth in the long term is the main attraction of SIP.

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