



Monthly Market Update

July 2026 — India & Global Markets Review

Market Update — July 2026

Geopolitics — US-Iran Peace Agreement Breaks Down

- **US-Iran peace agreement collapsed**, reigniting Middle East tensions.
- **Risk-off sentiment** boosted safe-haven demand and pressured global equities.

Crude Oil — Sharp Surge on Geopolitical Risk

- **Brent crude jumped** as markets priced in geopolitical supply risks.
- Higher oil **renewed global inflation concerns**, especially for importers like India.

Rates, Dollar & Currency — Dollar Weakens, Yields Rise

- **Dollar Index fell 1.3%** on softer inflation and rate-cut expectations.
- **US 10Y yield rose above 4.7%** on higher oil prices and fiscal concerns.

Gold — Highly Volatile Around US\$4,000/oz

- **Gold remained volatile near US\$4,000/oz** mark amid geopolitical uncertainty.
- **Silver extended its decline**, underperforming gold during the month

Global Equity Markets

- AI-led rally paused; **US, South Korea & Taiwan corrected sharply.**
- **Indian equities** demonstrated resilience amid global risk aversion, supported by **easing FII outflows and healthy corporate earnings.**

Domestic Markets — IT Comeback & RBI Capital Measures

- RBI measures attracted **~US\$32 billion** largely through FCNR(B) deposits, supporting the Rupee.
- **Nifty & Sensex gained ~2%**, led by IT, easing FII selling and healthy earnings.
- GST collections rose **15.4% YoY to ₹2.11 lakh crore** reflecting strong economic activity.
- **CPI inflation rose to 4.38%** (vs **3.93%** in May)

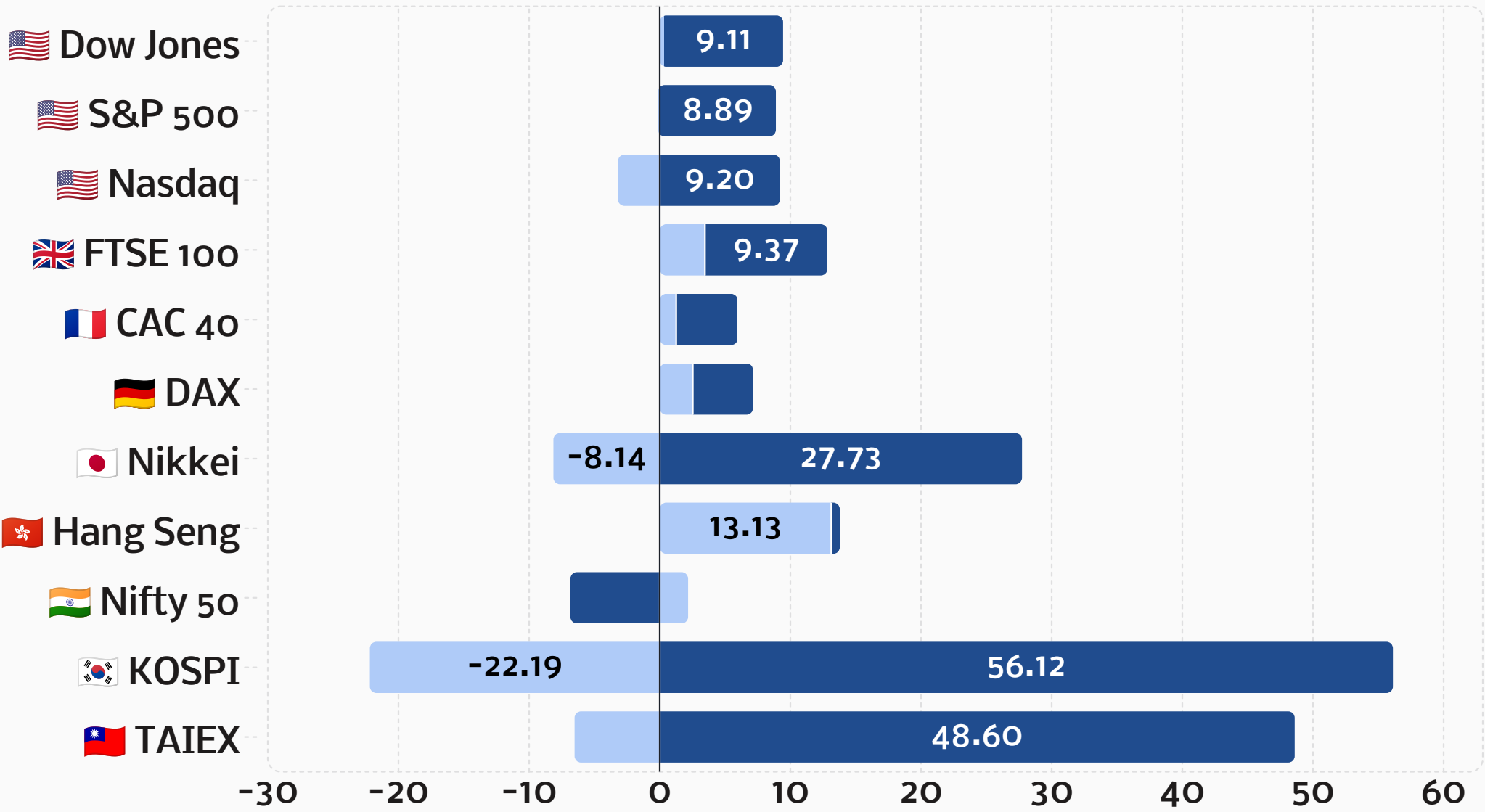
 **July 2026: US-Iran tensions resurged, crude surged, and tech-heavy global markets corrected — yet India's equity indices gained ~2%, anchored by an IT sector comeback, easing FII outflows, and strong domestic fundamentals.**

Global Market Snapshot

MTD % (July 2026)

YTD % (Jan - July 2026)

Index



KOSPI was July's biggest laggard at **-22.19%**, followed by **Nikkei** at **-8.14%** and **TAIEX** at **-6.52%**, as the global AI-led tech rally saw a sharp correction amid profit booking and elevated valuations.

Despite the monthly correction, **KOSPI (+56.12% YTD)**, **TAIEX (+48.60% YTD)**, and **Nikkei (+27.73% YTD)** continue to post strong gains for 2026, reflecting the year's AI and semiconductor-led rally.

Hang Seng was the standout MTD gainer at **+13.13%**, though its YTD performance remains modest at **+0.65%**.

US markets were mixed – **Dow edged up +0.33%**, **S&P 500 slipped -0.13%**, and **Nasdaq fell -3.20%**. European markets remained broadly positive: **FTSE +3.46%**, **DAX +2.53%**, and **CAC +1.26%**.

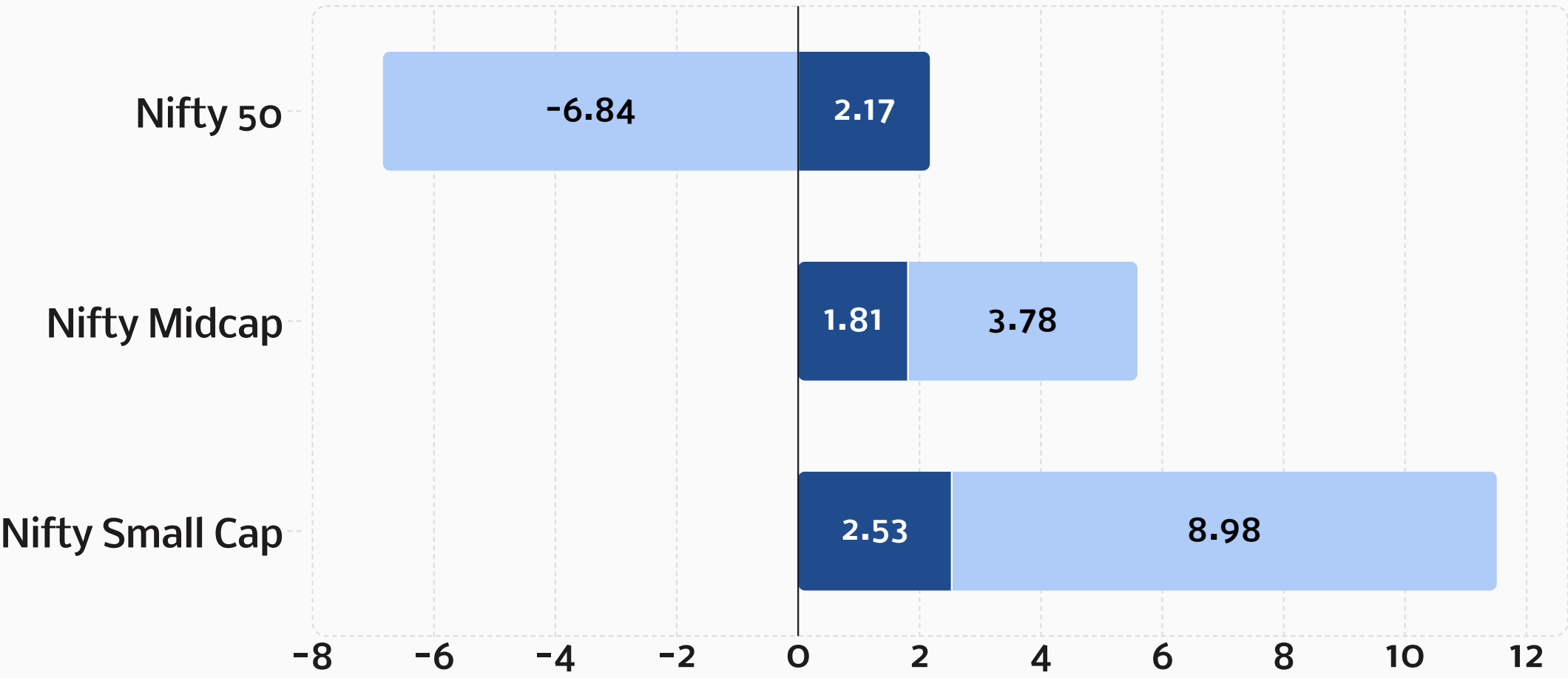
Nifty 50 gained **+2.17% MTD**, supported by a strong recovery in IT stocks and resilient corporate earnings, though it remains in negative territory for 2026 at **-6.84% YTD**.

July saw sharp corrections in KOSPI (-22.19%) and Nikkei (-8.14%) as the AI-led rally paused, while Hang Seng surged +13.13%. Indian equities remained resilient with +2.17% MTD gains despite a volatile global backdrop.

Indian Equity Markets

■ MTD % (July 2026) ■ YTD % (Jan-July 2026)

Index



🇮🇳 **Indian Large Caps** extended their recovery in July – **Nifty 50** rose **+2.17% MTD** powered by a sharp IT sector comeback, improving FII sentiment, and resilient corporate earnings, though YTD remains at **-6.84%**.

◆ **Small Caps** continued to outperform, gaining **+2.53% MTD** and extending YTD gains to a healthy **+8.98%**.

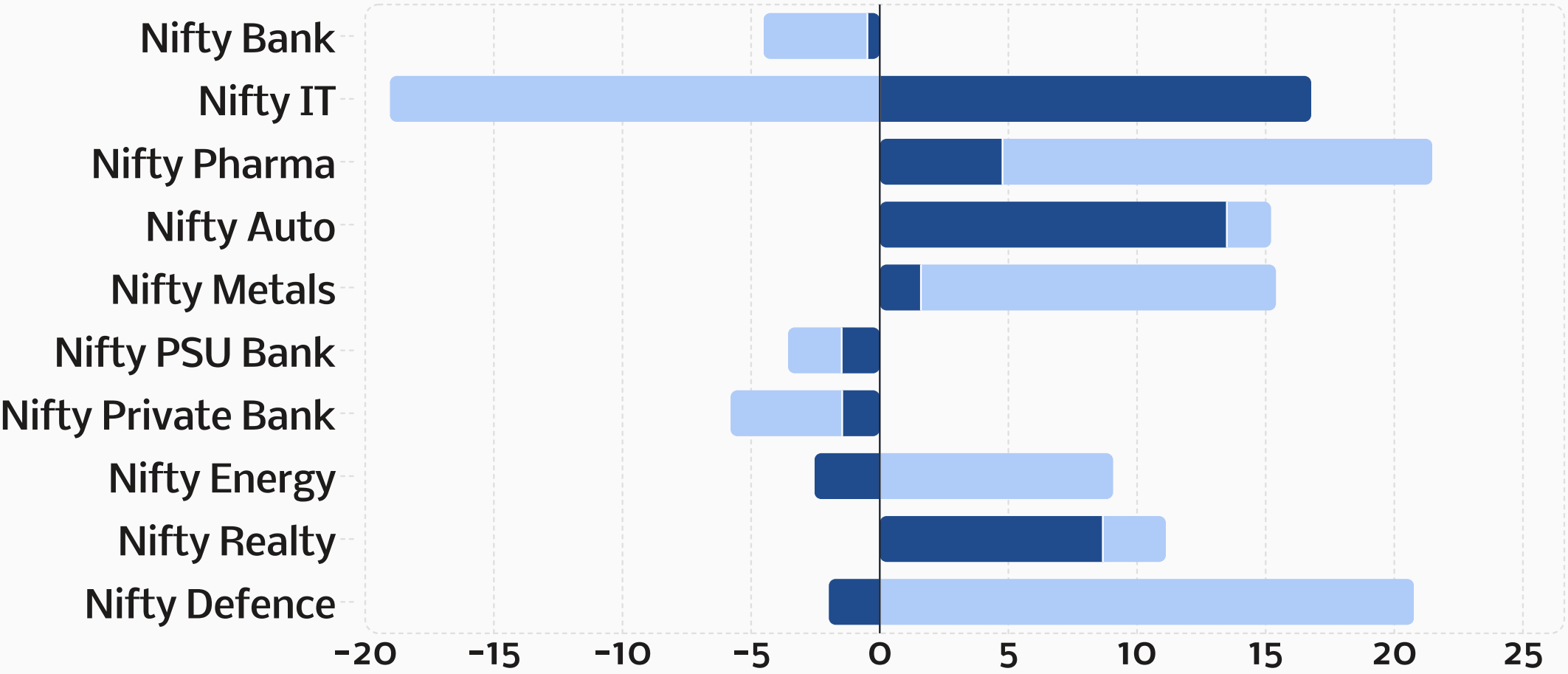
📈 **Mid Caps** showed steady gains of **+1.81% MTD**, with YTD returning to a positive **+3.78%**.

📌 **Indian equities extended their recovery for a second consecutive month, with gains across large-, mid-, and small-cap segments. The rebound was led by IT stocks, supported by moderating FII outflows, resilient earnings, and continued domestic investor participation despite heightened global uncertainty.**

Sectoral Performance

■ MTD % (July 2026) ■ YTD % (Jan-July 2026)

Sector



Nifty IT surged +16.77% MTD, marking one of its strongest monthly performances in recent years, supported by improving global technology sentiment, earnings optimism, and renewed buying interest in the sector.

Nifty Auto and **Nifty Realty** also posted strong gains at **+13.49% MTD** and **+8.67% MTD** respectively, reflecting improving domestic consumption sentiment.

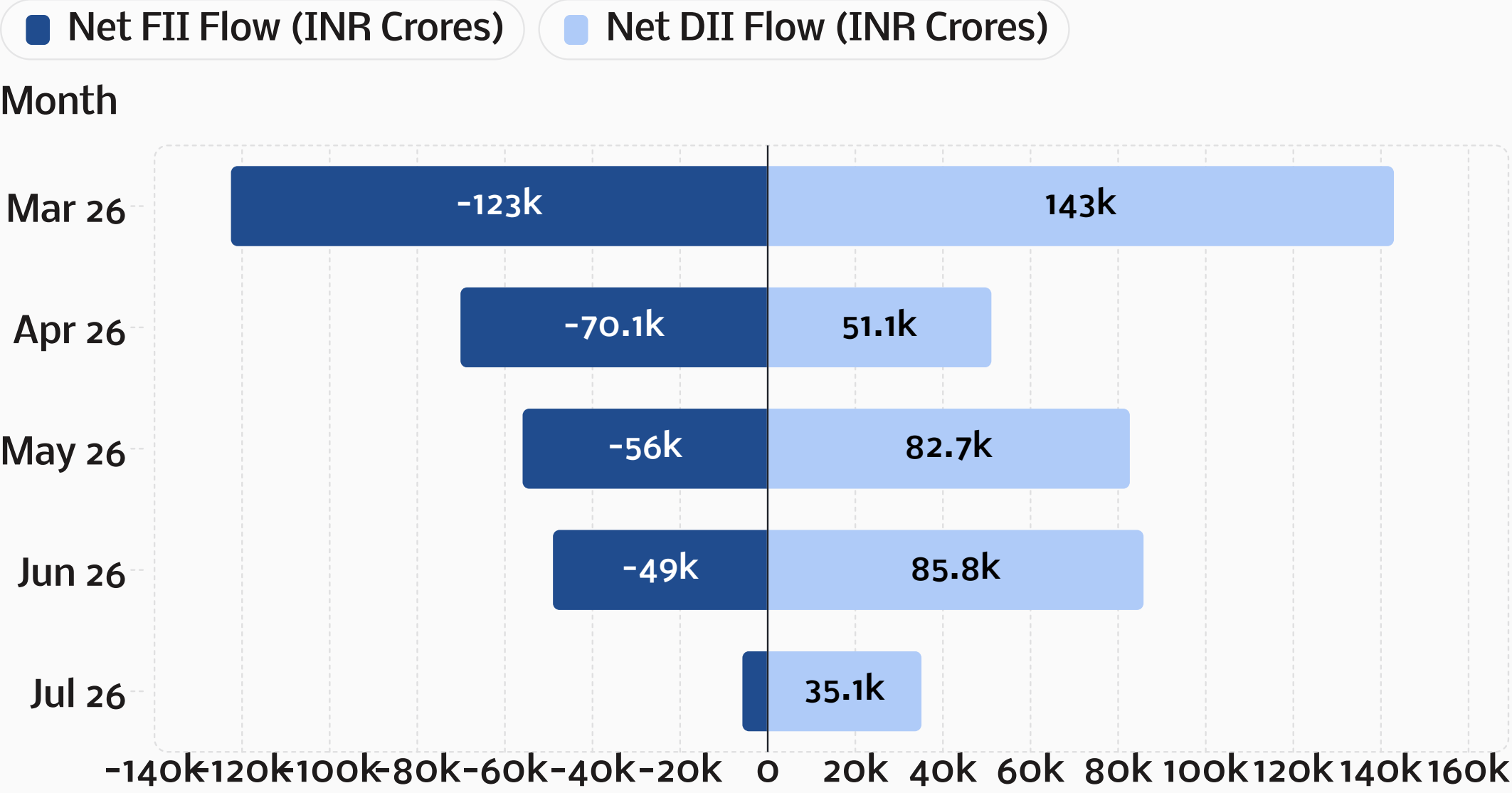
Nifty Defence dipped- **1.98% MTD**, while it's YTD stood at **+20.76%** – still the strongest YTD performer across all sectors.

Banking paused for breath after leading June's rally – Nifty Bank, Private Bank and PSU Bank closed modestly lower in July as rising crude prices and higher bond yields weighed on rate-sensitive financials.

Nifty Energy dipped **-2.54% MTD** as complex crude dynamics created mixed signals for energy stocks despite higher oil prices.

📌 Sectoral leadership shifted decisively towards **IT (+16.77%)**, while **Auto** and **Realty** also posted strong gains. **Defence** retained its position as the best-performing sector YTD **(+20.76%)**, whereas **Banking** consolidated after June's rally and **Energy** softened amid volatile crude oil prices.

FII / DII Trend



 **FII outflows fell** to **-₹5,779 Cr** in July – a transformational improvement from June's **-₹49,029 Cr** and March's peak of **-₹1,22,540 Cr**. -

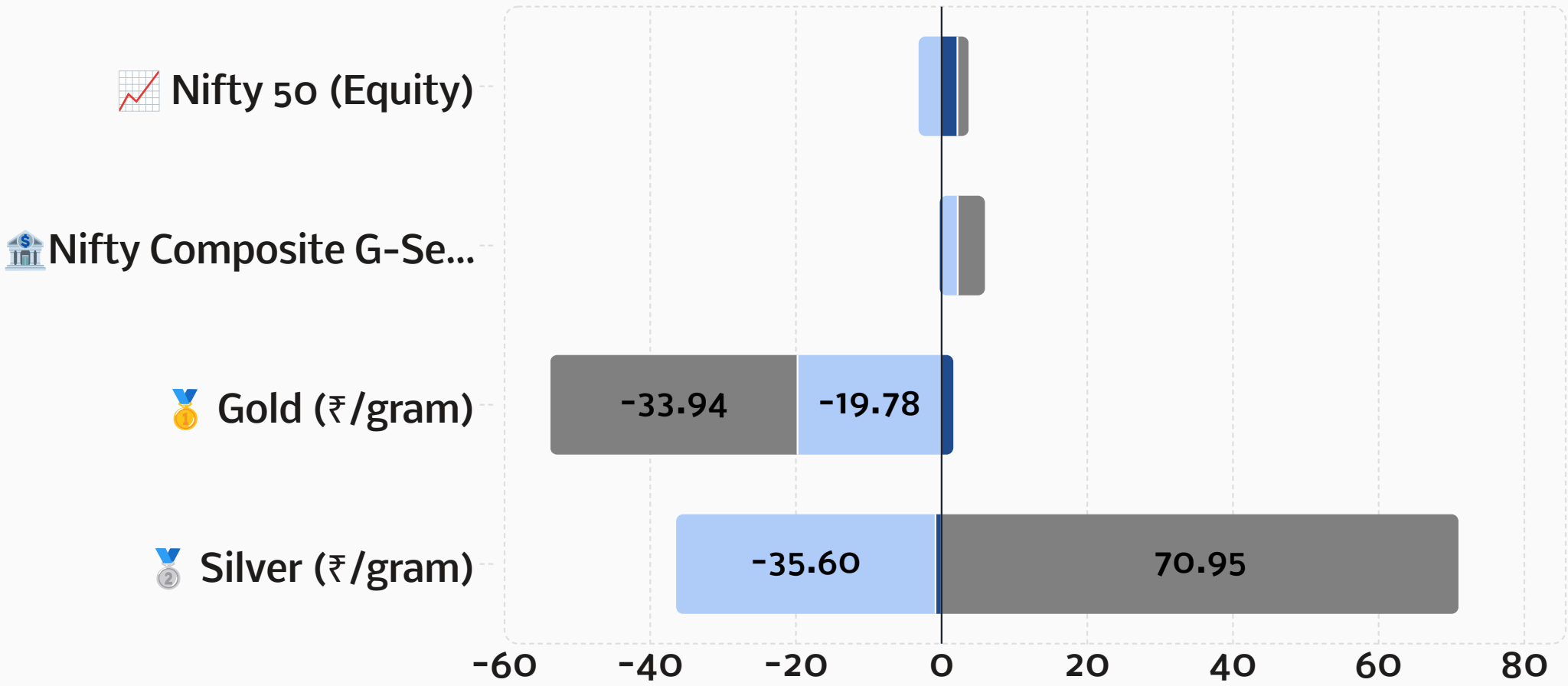
 **DII inflows** of **₹35,099 Cr** continued to provide steady domestic support, extending their unbroken buying streak through all 7 months of 2026.

 **July 2026 marked a watershed moment for FII flows — the lowest outflow of 2026 at just -₹5,779 Cr, with overseas investors turning net buyers in the final week of the month. India's domestic investor base continues to provide a resilient floor.**

Asset Class Performance

1 Month (%) 6 Months (%) 1 Year (%)

Asset Class



📉 **Silver extended its correction, falling -0.8% in the month and -35% over 6 months.** Despite the recent correction, it remains the best-performing asset over one year with a gain of **71%**.

📉 **Gold gained 1.6%** during the month amid continued geopolitical uncertainty. However, returns remain negative over the **six-month (-19.8%)** and **one-year (-33.9%) periods**.

📈 **Equity (Nifty 50)** gained **2.2%** during July, extending its recent recovery. However, returns remain slightly negative over both **6 months (-3.6%)** and **1year (-1.5%)** periods.

🏦 **Debt (Nifty Composite G-Sec Index)** remained resilient despite a modest monthly decline of **-0.25%**, as higher bond yields weighed on government bond prices. It remained positive over the **6-month (2.21%)** and **1-year periods (3.74%)**, reinforcing its role in portfolio diversification and capital preservation.

📌 **July highlighted the divergence across asset classes — Gold remained volatile while Silver's decline persisted. Equities extended their recovery while Debt generated positive medium- and long-term returns. The varied performance across asset classes reinforces the importance of maintaining a diversified portfolio.**

Mutual Fund Performance - Factor Wise

Rank	1 Month	3 Months	6 Months	1 Year	3 Year	5 Year	10 Year
1	Quality 3.59%	Alpha 5.21%	Alpha 10.30%	Value 15.25%	Value 24.35%	Value 23.39%	Alpha 19.21%
2	Low Volatility 2.87%	Low Volatility 4.38%	Momentum -0.55%	Alpha 4.06%	Alpha 17.09%	Alpha 13.71%	Momentum 15.58%
3	Alpha 0.74%	Quality 1.20%	Value -0.85%	Low Volatility 2.88%	Momentum 11.44%	Momentum 10.30%	Value 14.45%
4	Value -0.21%	Momentum 0.62%	Quality -1.05%	Quality 1.81%	Low Volatility 10.83%	Low Volatility 10.75%	Low Volatility 11.56%
5	Momentum -0.81%	Value -2.83%	Low Volatility N.A	Momentum 0.97%	Quality 8.91%	Quality 8.43%	Quality N.A

 **Quality** was the best-performing factor over the **1-month** period, delivering a return of **3.59%**.

 **Alpha** ranked first over the **3-month** and **6-month** horizons and delivered the highest 10-year annualised return at **19.21%**.

 **Value** dominated the medium- to long-term horizons, leading the 1-year, 3-year, and 5-year rankings with returns of **+15.25%**, **+24.35%**, and **+23.39%** respectively.

 **Momentum** delivered inconsistent performance across time periods, while **Low Volatility** remained relatively stable without leading the rankings.

 **Factor leadership rotated across investment horizons. Quality led short-term performance, Alpha dominated the 3-month and 6-month periods, Value emerged as the strongest performer over the 1-year to 5-year horizons, while Alpha delivered the highest 10-year annualised return.**

Mutual Fund Category Performance — Equity

Rank	1 Month	3 Months	6 Months	1 Year	3 Year	5 Year	10 Year
1	Large Cap 1.24%	Small Cap 7.50%	Small Cap 13.76%	Small Cap 8.52%	Mid Cap 17.62%	Mid Cap 15.64%	Small Cap 16.49%
2	Flexi Cap 1.03%	Mid Cap 5.48%	Mid Cap 7.54%	Mid Cap 8.18%	Small Cap 15.96%	Small Cap 15.44%	Mid Cap 15.65%
3	ELSS 0.81%	Multi Cap 5.42%	Multi Cap 5.76%	Multi Cap 5.79%	Multi Cap 14.84%	Multi Cap 13.70%	Multi Cap 14.61%
4	Large & Mid 0.77%	Flexi Cap 4.99%	Large & Mid 3.50%	Large & Mid 4.645%	Large & Mid 14.41%	Large & Mid 13.43%	Large & Mid 13.80%
5	Mid Cap 0.77%	Large & Mid 4.59%	Flexi Cap 2.98%	Value 3.98%	Value 13.44%	Value 13.41%	ELSS 13.24%
6	Multi Cap 0.63%	ELSS 3.70%	ELSS 1.48%	Flexi Cap 3.70%	Flexi Cap 12.53%	Flexi Cap 11.85%	Flexi Cap 13.18%
7	Value 0.37%	Large Cap 3.47%	Value 1.29%	ELSS 1.70%	ELSS 12.02%	ELSS 11.79%	Value 13.17%
8	Small Cap 0.09%	Value 2.75%	Large Cap -1.08%	Large Cap 1.2%	Large Cap 10.40%	Large Cap 10.42%	Large Cap 11.51%

 **Large Cap** was the best-performing category over the **1-month period (+1.24%)**, but ranked last across the 3-year, 5-year and 10-year horizons.

 **Small Cap** led the **3M, 6M, and 1Y** periods while also delivering the highest 10-year annualised return (**16.49%**).

 **Mid Cap** delivered the strongest medium-term performance, ranking first over the **3-year (17.62%)** and 5-year (**15.64%**) periods.

 **Multi Cap** and **Large & Mid** consistently ranked in the middle of the performance table across most time horizons.

 **Value** and **ELSS** ranked lower over shorter time horizons but delivered relatively stronger returns over longer investment periods.

 **Flexi Cap** delivered relatively stable performance, generally ranking in the middle-to-lower half across most investment horizons.

 **Large Caps led the recent month, Small Caps delivered superior returns over multiple investment horizons, and Mid Caps generated the strongest medium-term performance, highlighting the value of maintaining diversified equity exposure.**

Mutual Fund Category Performance — Debt

Rank	1 Month	3 Months	6 Months	1 Year	3 Year
1	Liquid 0.44%	Medium Duration 2.36%	Liquid 3.13%	Liquid 6.18%	Medium Duration 7.36%
2	Ultra Short Duration 0.34%	Corporate Bond 2.13%	Money Market 3.07%	Money Market 6.04%	Corporate Bond 7.07%
3	Money Market 0.33%	Short Duration 1.99%	Ultra Short Duration 3.06%	Ultra Short Duration 5.89%	Money Market 6.97%
4	Low Duration 0.29%	Money Market 1.64%	Medium Duration 2.97%	Low Duration 5.68%	Short Duration 6.91%
5	Short Duration 0.15%	Low Duration 1.62%	Low Duration 2.89%	Medium Duration 5.59%	Low Duration 6.84%
6	Medium Duration 0.14%	Ultra Short Duration 1.54%	Corporate Bond 2.74%	Short Duration 4.98%	Liquid 6.775%
7	Corporate Bond 0.13%	Liquid 1.53%	Short Duration 2.68%	Corporate Bond 4.96%	Ultra Short Duration 6.66%

 **Liquid funds** led the **1-month, 6-month, and 1-year** periods, highlighting their strong performance across shorter investment horizons.

 **Medium Duration** topped both the **3-month and 3-year** rankings, delivering the highest 3-year annualised return of 7.36%.

 **Corporate Bond funds** ranked last in the 1-month period at just **0.13%**, improved steadily over longer horizons, finishing second over the 3-year period with a return of 7.07%.

 **Ultra Short Duration and Money Market** consistently ranked in the upper-middle of the performance table across most time horizons.

 **Short Duration and Low Duration** consistently delivered competitive returns, ranking within the middle of the performance table across all time horizons.

 **Liquid Funds outperformed over the shorter-term periods, while Medium Duration Funds delivered the strongest medium-term performance. The rotation in leadership highlights the importance of selecting debt categories based on investment horizon and interest rate expectations.**

Our View — July 2026: Resilient India, Cautious Globally

Global markets remained volatile amid geopolitical tensions and elevated crude oil prices. Despite external headwinds, India's macroeconomic fundamentals remained resilient, supported by easing FII outflows, sustained DII participation, and improving corporate earnings.

For Existing Investors

- **Stay invested** - Moderating FII outflows and resilient domestic participation support a constructive long-term outlook.
- **Remain patient with Large Caps** - While Large Caps have lagged broader markets in recent years, improving foreign investor participation could support a gradual turnaround.
- **Maintain diversification** across equity, debt and gold to navigate market volatility.
- **Maintain selective exposure** to structurally strong sectors such as **Defence, Pharma and Manufacturing**, while staying diversified across sectors and market capitalisations.

For New Investors

- **Start investing through SIPs** to average market volatility
- **Avoid chasing recent winners** - Strong recent performance in Mid and Small Caps should not lead to concentrated allocations.
- **Diversify across market capitalisations** - through a balanced mix of Large, Mid and Small Cap funds aligned to your risk profile.
- **Invest with a long-term perspective** rather than reacting to short-term market movements.

❏ **A disciplined investment approach, diversified asset allocation, and consistent SIPs remain the most effective strategy in an uncertain global environment.**



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