



Monthly Market Update

September 2026 — India & Global Markets Review

Market Update — September 2026

Geopolitics — US-Israel-Iran Tensions Intensify

- **US-Israel-Iran tensions escalated**, raising fears over energy infrastructure, shipping and crude supplies.
- **Brent crude surged above \$100/barrel, touching ~\$108**, intensifying inflation and global growth concerns.

Rates, Dollar & Capital Flows — Global Financial Conditions Tighten

- **US Fed hiked rates by 25 bps to 3.75%-4.00%**; US 10-year Treasury yield rose to **5.2%-5.3%**; Dollar Index climbed to **~101**.
- **FIIIs sold ~₹44,000 crore** in Indian equities; **DIIIs absorbed ~₹76,000 crore**, providing a significant cushion.

Gold & Silver — Sharp Volatility

- Gold **corrected ~4% towards month-end to ~\$4,157/oz**, pressured by higher yields and a stronger dollar.
- Silver saw **greater volatility**, ending around **\$61-62/oz** after a sharp pullback from highs.

Global Equities — Resilient Despite Rising Yields

- **Global equities held up** despite rising bond yields, supported by strong corporate earnings and AI investment optimism.
- A key **divergence persisted** – bonds reflected inflation/rate risks while equities stayed supported by earnings.

Domestic Equities — Broad-based Correction

- **Nifty 50 fell 6.03%**, driven by high crude, rising global yields, geopolitical uncertainty and heavy FII selling.
- **Nifty Midcap 100 declined 7.59%**; **Nifty Smallcap 100 fell 3.41%** – pressure from tightening financial conditions, not an earnings collapse.

Domestic Markets — Rupee, Bonds & Growth

- **Rupee breached ₹96/\$ (~₹96.15)**; **10-year G-sec yield rose to 7.18%**; **August CPI at 4.82%**.
- **Q1 FY27 GDP remained strong at 7.8%**; GST collections rose **14.7% YoY to ₹2.04 lakh crore**.

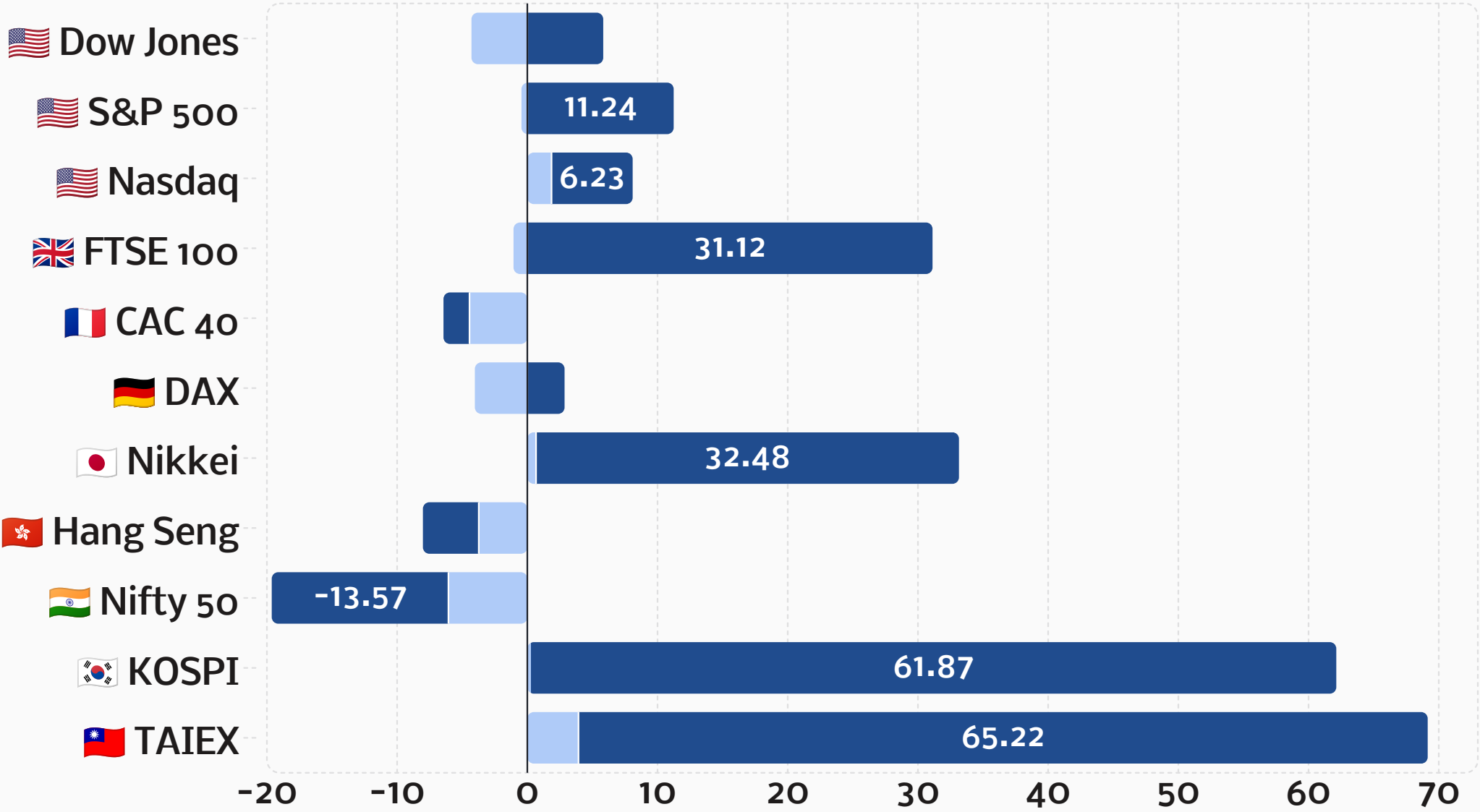
📌 **September 2026: US-Iran tensions drove crude past \$108; Gold corrected ~4%. Nifty 50 fell 6.03%, Midcap down 7.59%. FII selling of ~₹44,000 Cr was cushioned by DII buying of ~₹76,000 Cr. India's GDP held at 7.8%, but rising crude and inflation remain key risks.**

Global Market Snapshot

MTD % (Sep 2026)

YTD % (Jan-Sep 2026)

Index



US markets were mixed in September – the **Dow fell -4.29% MTD** and the **S&P 500 edged down -0.45%**, while the **Nasdaq gained +1.86%**, buoyed by AI-related optimism even as the Fed hiked rates by 25 bps and Treasury yields surged.

Asian markets diverged – **TAIEX (+3.93% MTD, +65.22% YTD)** and **KOSPI (+0.26% MTD, +61.87% YTD)** led on the semiconductor-AI rally, while **Nikkei (+0.67% MTD, +32.48% YTD)** held firm and **Hang Seng fell -3.73% MTD** amid geopolitical headwinds.

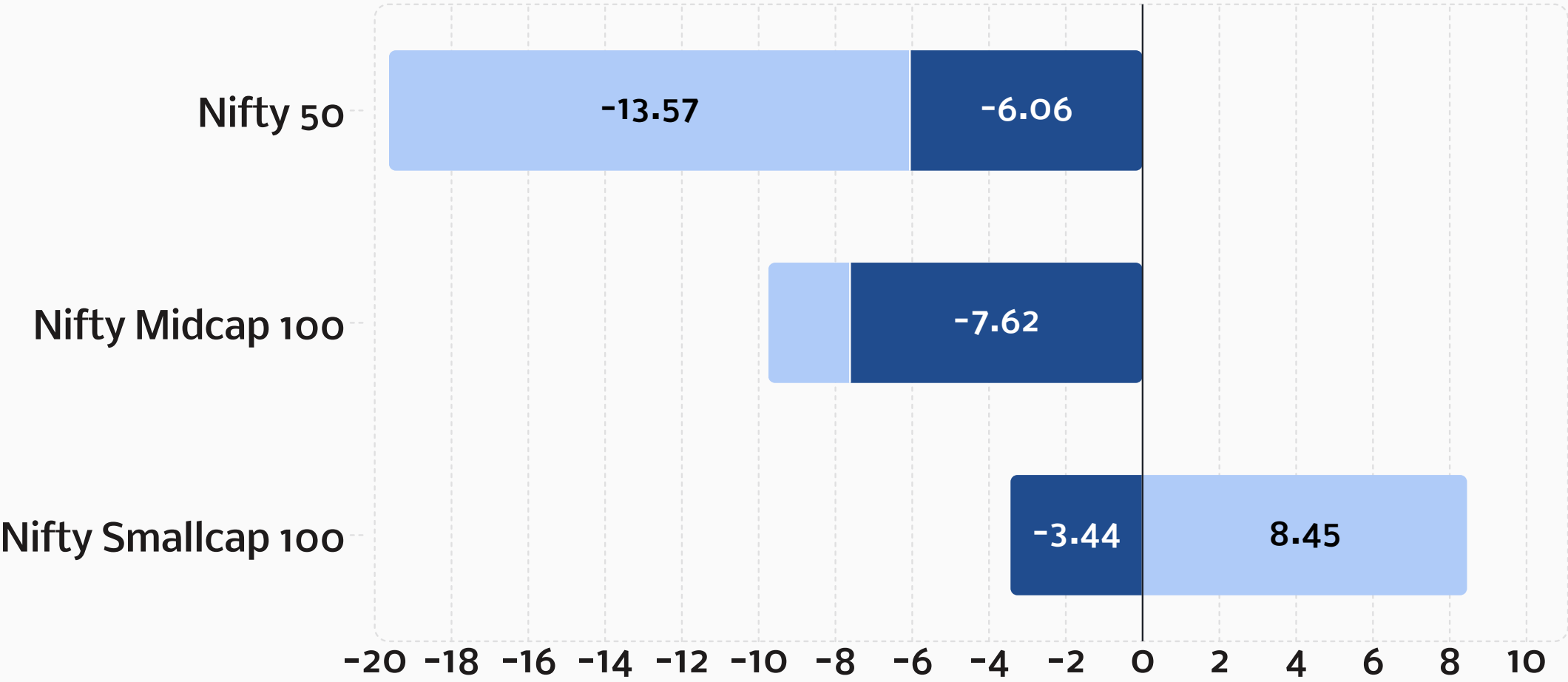
Nifty 50 was the clear global laggard, falling -6.06% MTD – the steepest monthly decline of 2026 – as surging crude prices, aggressive FII selling, rising bond yields and a weaker rupee delivered a broad-based correction, deepening the YTD deficit to **-13.57%**.

September 2026 saw diverging global performance: Nasdaq and Asian tech indices (TAIEX +65% YTD, KOSPI +62% YTD) outperformed on AI optimism, while European bourses and the Dow fell 4%+ MTD. India was the clear outlier — Nifty 50 dropped -6.06% MTD and -13.57% YTD, hit by crude, FII outflows and tightening financial conditions.

Indian Equity Markets

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

Index



🇮🇳 **Nifty 50 declined -6.06% MTD**, bringing the YTD return to **-13.57%**. Contributing factors included rising crude oil prices, higher global yields, geopolitical uncertainty, and FII outflows.

📉 **Nifty Midcap 100 fell -7.62% MTD**, with the YTD return turning negative at **-2.13%**. The decline reflected the broad-based nature of the September correction across market segments.

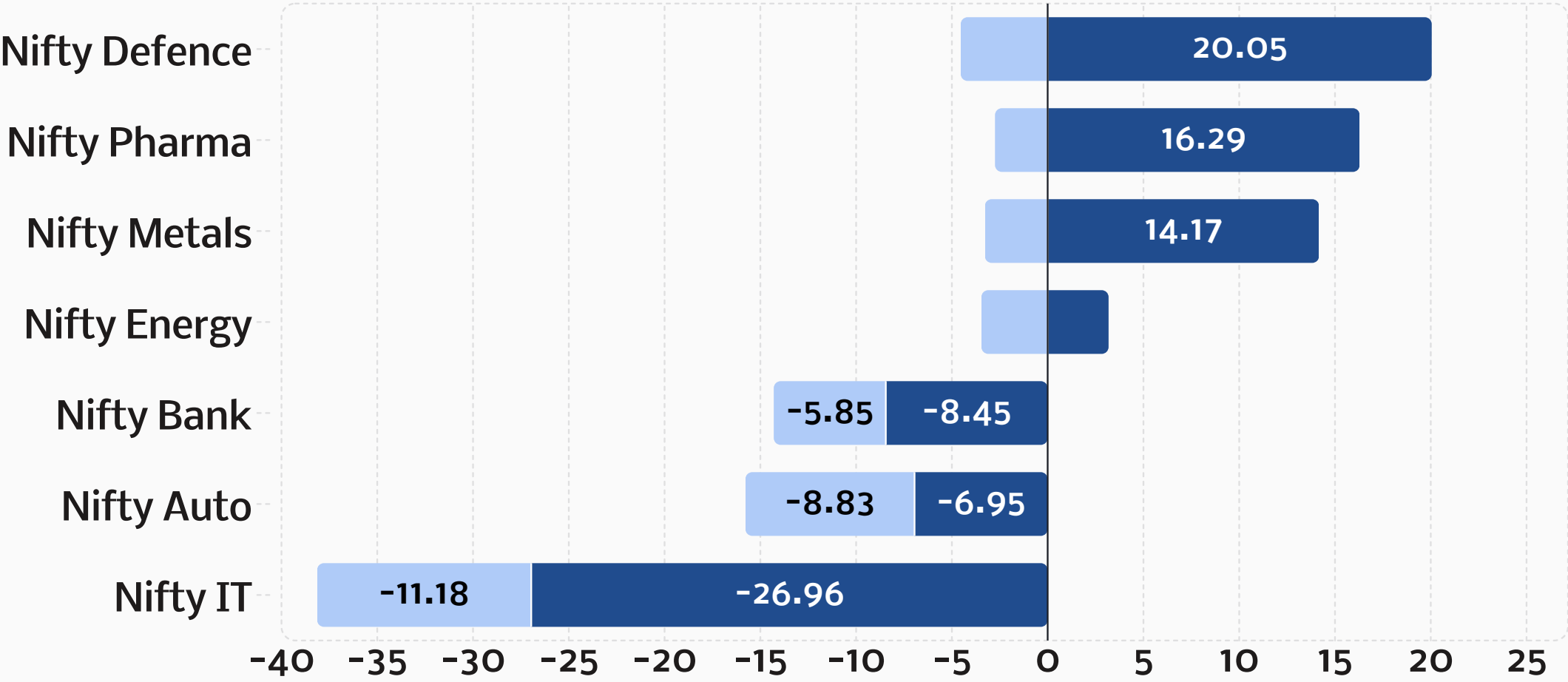
💡 **Nifty Smallcap 100 declined -3.44% MTD**, while maintaining a positive YTD return of **+8.45%**. Domestic liquidity in the small-cap segment remained relatively stable through the month.

📌 **September 2026 brought a broad-based correction across Indian equity markets, driven by a confluence of macro headwinds including rising crude prices, FII outflows, and higher global yields. Small-caps proved comparatively resilient relative to large- and mid-cap segments.**

Sectoral Performance

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

Sector



🛡️ **Nifty Defence declined -4.54% MTD**, but remains the **best-performing sector YTD at +20.05%**.

💊 Pharma was relatively **defensive** with **Nifty Pharma declining only -2.75% MTD**, maintaining a YTD return of **+16.29%**.

🔊 **Nifty Metals fell -3.28% MTD**, but remained firmly positive on a YTD basis at **+14.17%**.

💻 IT remained the weakest sector with **Nifty IT falling -11.18% MTD**, and extending its YTD return to **-26.96%**.

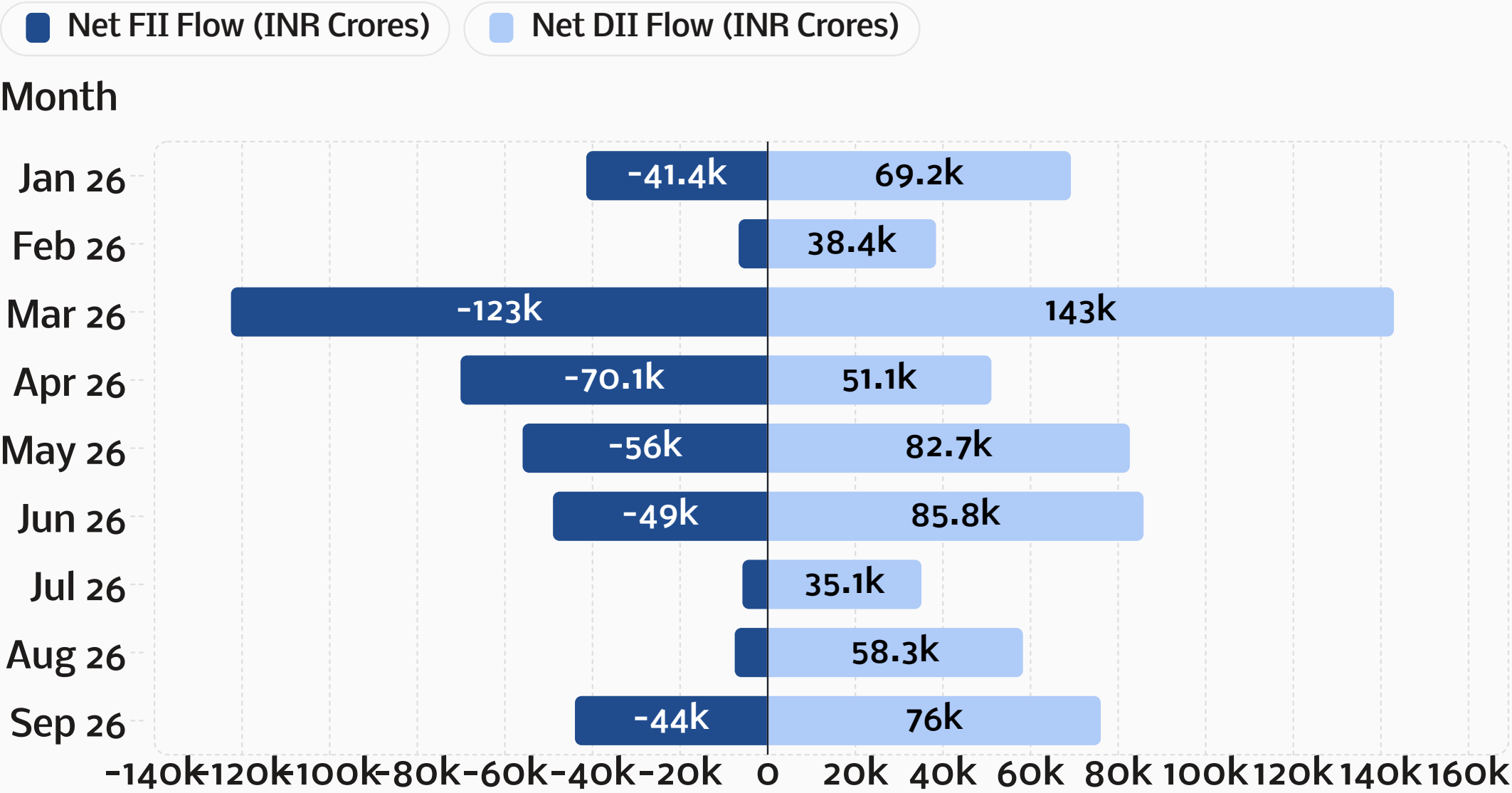
🚗 **Nifty Auto declined -8.83% MTD**, taking it's YTD performance to **-6.95%**.

🏦 Banking also remained under pressure with **Nifty Bank down -5.85% MTD**, with a YTD return of **-8.45%**.

⚡ **Nifty Energy declined -3.46% MTD**, but remains marginally positive YTD at **+3.18%**.

📌 **All major sectors posted negative MTD returns in September 2026, reflecting a broad-based correction. On a YTD basis, Defence, Pharma, and Metals remain in positive territory, while IT, Bank, and Auto continue to show negative returns.**

FII / DII Trend



 **FIIs turned aggressive sellers in September at ~₹-44,000 Cr** – a sharp reversal from the moderation seen in July and August – driven by surging crude prices, a rising US dollar, elevated global bond yields and geopolitical risk aversion towards emerging markets.

 **DII inflows surged to ~₹76,000 Cr**, a significant step-up from August's ₹58,268 Cr, more than offsetting FII outflows and providing a crucial cushion to Indian equity markets during the correction.

 **FII selling picked up sharply in September after moderating in July-August, while DII inflows remained strong and more than offset the outflows, providing a meaningful cushion to domestic markets.**

Asset Class Performance

Rank	2026 YTD	2025	2024	2023	2022	2021	2020
1	Gold +2.54%	Silver +159.72 %	Gold +30.83%	Equity +25.51%	Silver +14.39%	Equity +30.00 %	Silver +51.27%
2	Debt +1.74%	Gold +72.84%	Silver +25.85%	Gold +13.73%	Gold +10.80%	Debt +2.61%	Gold +28.24%
3	Equity -7.70%	Debt +6.77%	Equity +15.03%	Debt +7.87%	Debt +2.78%	Gold -4.06%	Equity +16.37%
4	Silver -11.30%	Equity +6.68%	Debt +9.77%	Silver -0.75%	Equity +1.87%	Silver -12.85%	Debt +11.86%

Gold (XAUINRG), Silver (XAGINRG), Equity (Nifty 500 Index), Debt (Nifty Composite G-Sec Index)

🏆 **Gold retained its #1 rank in 2026 YTD (+2.54%)** despite a sharp month-end correction towards \$4,157/oz.

📈 **Debt moved up to #2 in 2026 YTD (+1.74%),** delivering positive returns as equity and silver markets corrected sharply.

📉 **Equity slipped to #3 in 2026 YTD (-7.70%),** reflecting the sharp September correction in domestic markets.

🔑 **Silver ranked last in 2026 YTD (-11.30%),** with its September decline more pronounced than gold's due to its higher-volatility profile.

📌 **Gold and Debt have been the defensive anchors of 2026 YTD, holding positive while Equity and Silver corrected sharply. September's volatility reaffirms the value of multi-asset diversification — no single asset class wins every year, and a balanced allocation remains key.**

Factor Performance Across Market Cycles

Rank	2026	2025	2024	2023	2022	2021	2020
1	Alpha +7.49%	Value +15.23%	Alpha +33.06%	Value +61.01%	Value +18.93%	Alpha +74.45%	Alpha +51.75%
2	Value -1.97%	Low Volatility +10.12%	Momentum +20.01%	Alpha +42.52%	Low Volatility +0.05%	Momentum +52.14%	Quality +24.36%
3	Momentum -5.23%	Quality +2.94%	Value +18.63%	Momentum +40.67%	Quality -6.32%	Value +51.74%	Low Volatility +22.10%
4	Volatility -11.10%	Momentum -5.11%	Quality +12.71%	Low Volatility +30.49%	Momentum -6.40%	Quality +23.77%	Momentum +18.83%
5	Quality -11.53%	Alpha -10.63%	Low Volatility +11.09%	Quality +29.88%	Alpha -14.22%	Low Volatility +21.59%	Value +6.33%

Benchmark Indices for Factors: Alpha (Nifty Alpha 50), Momentum (Nifty 200 Momentum 30), Value (Nifty 500 Value 50), Quality (Nifty 200 Quality 30), Low Volatility (Nifty 100 Low Volatility 30)

 **Alpha retained its #1 rank in 2026 YTD (+7.49%),** leading in 4 of the 7 years tracked (2026, 2024, 2021, 2020).

 **Value slipped to #2 in 2026 YTD (-1.97%),** holding up better than the broader market during the September correction.

 **Momentum (-5.23%) and Volatility (-11.10%) both declined sharply in 2026 YTD,** reflecting sensitivity to the sudden trend reversal in September.

 **Quality ranked last in 2026 YTD (-11.53%),** declining sharply amid the September macro-driven sell-off.

 **Alpha has been the most rewarding factor — #1 in 2026 YTD despite a tough September. Value held up better than most. Volatility and Quality were hit hardest as broader macro pressures outweighed their usual defensive characteristics. A multi-factor approach remains the most resilient strategy across cycles.**

Equity Mutual Fund Calendar Year Performance

Rank	2026	2025	2024	2023	2022	2021	2020
1	Small Cap 12.49%	Large 6.76%	Mid Cap 28.98%	Small Cap 40.64%	Value 6.02%	Small Cap 62.94%	Small Cap 30.58%
2	Mid Cap 1.80%	Value 5.51%	Small Cap 27.11%	Mid Cap 37.04%	Multi Cap 3.41%	Mid Cap 43.51%	Mid Cap 24.20%
3	Multi Cap 1.49%	Focused Fund 4.76%	Multi Cap 24.86%	Multi Cap 33.99%	Value 2.24%	Multi Cap 42.49%	Flexi Cap 17.45%
4	Flexi Cap -2.13%	Large & Mid 3.92%	Large & Mid 23.64%	Large & Mid 30.00%	Large 2.02%	Large & Mid 37.24%	Large & Mid 15.98%
5	Focused Fund -2.73%	Flexi Cap 2.96%	Value 20.72%	Flexi Cap 28.64%	Large & Mid 1.53%	Value 34.98%	Focused Fund 15.88%
6	Large & Mid -2.78%	Multi Cap 2.27%	Flexi Cap 20.70%	Multi Cap 27.32%	Focused Fund 0.78%	Flexi Cap 32.42%	Value 15.36%
7	Value -4.25%	Mid Cap 1.99%	Focused Fund 19.46%	Focused Fund 26.12%	Small Cap 0.78%	Focused Fund 31.27%	Multi Cap 15.21%
8	Large -8.17%	Small Cap -3.80%	Large 15.74%	Large 24.00%	Flexi Cap 0.05%	Large 25.77%	Large 14.22%

-  **Small Cap ranked #1 in 2026 YTD at +12.49%**, the highest-returning category across all eight fund types tracked.
-  **Mid Cap ranked #2 at +1.80% and Multi Cap ranked #3 at +1.49% in 2026 YTD**, the only other categories to finish in positive territory year-to-date.
-  **Large Cap ranked last (#8) in 2026 YTD at -8.17%**, the weakest-performing category among all eight fund types tracked.
-  **No single category has ranked #1 in consecutive years** – Small Cap, Mid Cap, and Value have each led in different years between 2020 and 2026.

 **Small Cap and Mid Cap remain the top 2026 YTD performers despite September's correction. Large Cap bore the brunt of FII-driven selling. No category wins every year — a disciplined, diversified equity allocation across market caps remains the most resilient strategy.**

Debt Mutual Fund Calendar Year Performance

Rank	2026	2025	2024	2023	2022	2021	2020
1	Money Market 4.66%	Medium Term 7.91%	Medium Term 8.08%	Money Market 7.00%	Liquid 4.50%	Medium Term 5.15%	Corporate Bond 10.60%
2	Liquid 4.55%	Corporate Bond 7.64%	Corporate Bond 8.02%	Low Duration Fund 6.79%	Money Market 4.37%	Low Duration Fund 3.87%	Short Term 9.11%
3	Ultra Short 4.54%	Short Term 7.43%	Short Term 7.68%	Corporate Bond 6.72%	Ultra Short 4.31%	Short Term 3.86%	Low Duration Fund 7.76%
4	Low Duration Fund 4.17%	Low Duration Fund 7.17%	Money Market 7.39%	Medium Term 6.70%	Low Duration Fund 4.06%	Ultra Short 3.59%	Medium Term 6.08%
5	Medium Term 3.62%	Money Market 7.17%	Low Duration Fund 7.35%	Ultra Short 6.67%	Short Term 4.01%	Corporate Bond 3.48%	Money Market 5.74%
6	Short Term 3.34%	Ultra Short 6.68%	Ultra Short 7.16%	Short Term 6.58%	Medium Term 3.93%	Money Market 3.41%	Ultra Short 5.38%
7	Corporate Bond 3.24%	Liquid 6.15%	Liquid 6.96%	Liquid 6.57%	Corporate Bond 2.99%	Liquid 3.04%	Liquid 3.83%

 **Money Market ranked #1 in 2026 YTD at +4.66%**, the top-performing debt category year-to-date.

 **Liquid (#2, +4.55%) and Ultra Short (#3, +4.54%) followed closely**, with all three short-duration categories finishing within 12 basis points of each other.

 **Medium Term ranked #5 in 2026 YTD at +3.62%**, trailing the short-duration categories by over 100 basis points.

 **Corporate Bond ranked last (#7) in 2026 YTD at +3.24%**, though it led all debt categories in 2020 with a return of +10.60%.

 **Debt category leadership continues to favour short-duration funds in 2026 as rates rise. Money Market, Liquid and Ultra Short are the key beneficiaries. The divergence across categories highlights the importance of considering interest-rate conditions and investment horizon when evaluating debt allocations.**

Our View — September 2026: Sharp Correction, Resilient Fundamentals

September witnessed a sharp correction in Indian equities driven by global macro headwinds, including elevated crude prices, rising yields, and heavy foreign institutional selling. Domestic fundamentals remained resilient, suggesting the correction was driven more by global conditions than any deterioration in India's underlying growth story.

For Existing Investors

- **Stay invested with conviction** – The correction is macro-driven, not earnings-driven; India's long-term growth outlook remains intact.
- **Avoid panic selling** – Strong domestic institutional buying reflects confidence, and global-driven corrections historically reverse as conditions normalise.
- **Maintain gold allocation** – Gold's relative resilience reinforces its role as a portfolio diversifier during geopolitical and macro uncertainty.

For New Investors

- **Start investing through SIPs** – The correction creates a more attractive entry point; rupee-cost averaging helps navigate volatile conditions effectively.
- **Diversify across market caps** – Balance exposure across Small, Mid and Large Cap to capture growth potential while managing near-term volatility.
- **Favour short-duration debt funds** – With the rate cycle elevated, Money Market and Liquid funds offer attractive risk-adjusted returns with capital stability.

📌 **September's correction was sharp but not fundamental — India's growth story remains intact. Disciplined investing, appropriate asset allocation and a long-term perspective remain the optimal strategy.**



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