



Monthly Market Update

August 2026 — India & Global Markets Review

Market Update — August 2026

Geopolitics — US-Iran Tensions Resurface

- **Renewed US-Iran tensions** raised concerns over supply disruptions through the Strait of Hormuz.
- Escalating geopolitical risks increased uncertainty across **global markets and inflation expectations**.

Crude Oil — Brent Crosses \$90

- **Brent ended August at ~\$90.5/barrel**, reflecting tighter supply concerns and heightened geopolitical risk.
- Higher oil **reinforces the "higher-for-longer" rate narrative**, adding pressure on import-dependent economies like India.

Rates, Dollar & Capital Flows — Global Yields Rise

- **Global bond yields rose** amid sticky inflation, fiscal concerns and heavy government borrowing.
- **US 10Y yield ended at ~4.76%**; Dollar Index declined ~0.5% during August.

Gold & Silver — Strong Rebound

- **Gold gained ~9.7%** and **Silver ~15.6%** in August, supported by geopolitical uncertainty and fiscal concerns.
- The sharp rally signals renewed investor demand for safe-haven and **inflation-hedge assets**.

Global Equity Markets — Resilient Despite Risks

- **Global equities delivered positive returns** despite geopolitical tensions and rising bond yields.
- **US markets** were supported by strong earnings and renewed AI/technology momentum – S&P 500 gained ~2.7%, Nasdaq-100 gained ~4.2%.

Domestic Markets — Mid & Small Caps Outperform; FII Selling Moderated, DII Buying Sustained

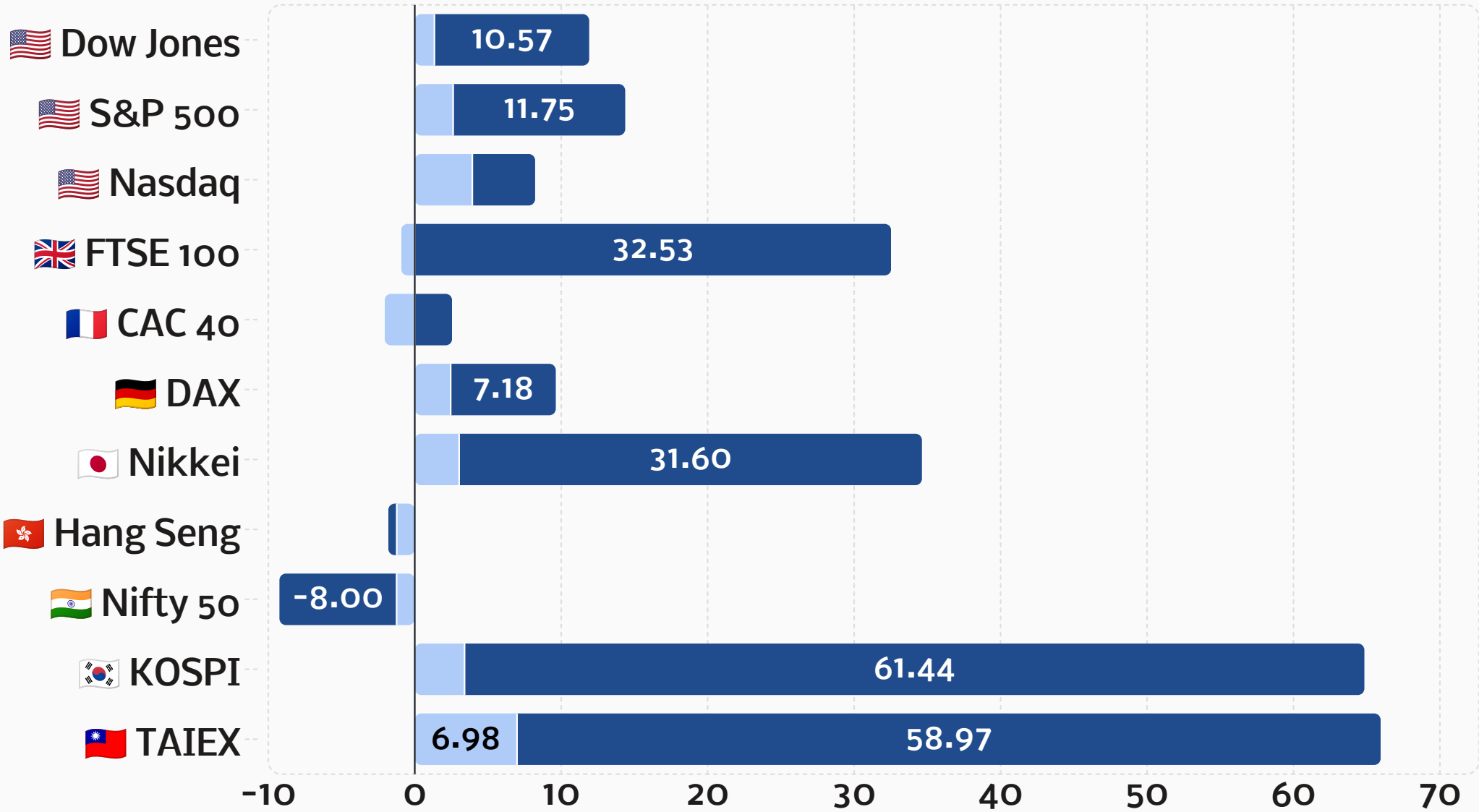
- **Large caps corrected** (Nifty 50 -1.24%), while Mid- and Small-caps rose 2.08% and 3.06% respectively – their fifth straight monthly gain.
- FII selling moderated, while sustained DII buying continued to support domestic equities – **FII outflows at ₹-7,531.84 Cr** were more than offset by **DII inflows of ₹58,268.15 Cr**.
- GST collections rose **14.8% YoY to ₹1.99 lakh crore**; **CPI inflation edged up to 4.45%** in July.

 **August 2026: US-Iran tensions reignited, crude surged past \$90, and Gold/Silver rebounded sharply. India's large caps slipped, but Mid & Small Caps reached fresh highs, FII selling moderated; sustained DII buying supported markets, and domestic fundamentals remained resilient with 7.8% Q1 FY27 GDP growth.**

Global Market Snapshot

MTD % (Aug 2026) YTD % (Jan-Aug 2026)

Index



🇺🇸 **US markets rebounded strongly in August** – **S&P 500 gained +2.7%**, posting its best August since 2021, while **Nasdaq-100 surged +4%** as tech shares resumed dominance, supported by strong Q2 earnings.

🌏 **Asian markets recovered** after July's AI-led correction – **KOSPI (+59% YTD)**, **TAIEX (+61% YTD)** and **Nikkei (+32% YTD)** retain powerful year-to-date leads, reflecting the 2026 semiconductor-AI rally.

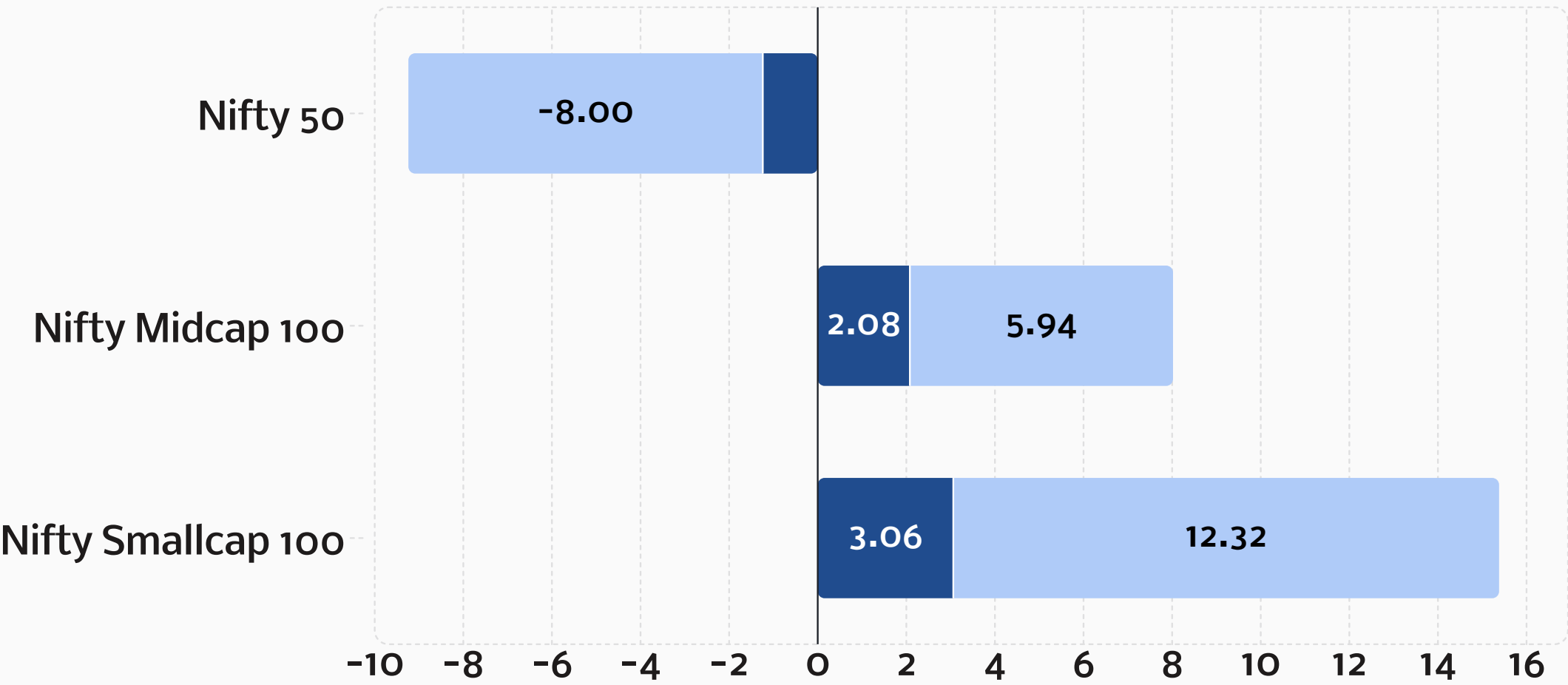
🇮🇳 **Nifty 50** was a notable laggard among global indices, slipping **-1.24% MTD** as elevated crude prices, rising bond yields and renewed geopolitical jitters weighed on large caps, extending the YTD deficit to **-8%**.

📌 **August saw a broad global equity recovery led by a resurgent US tech rally. India's large caps were the exception, declining amid elevated crude and rising yields — even as domestic mid & small caps continued to thrive.**

Indian Equity Markets

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

Index



🇮🇳 **Nifty 50 (Large Caps) corrected -1.24% MTD**, closing August at 24,080, as renewed geopolitical tensions, firmer crude oil and concerns over US interest rates weighed on large-cap stocks. The YTD deficit widened to **-8%**.

📈 **Nifty Midcap 100 rose +2.08% MTD**, extending its winning streak to a fifth consecutive monthly gain, with YTD returns turning positive at approx. **+6%**.

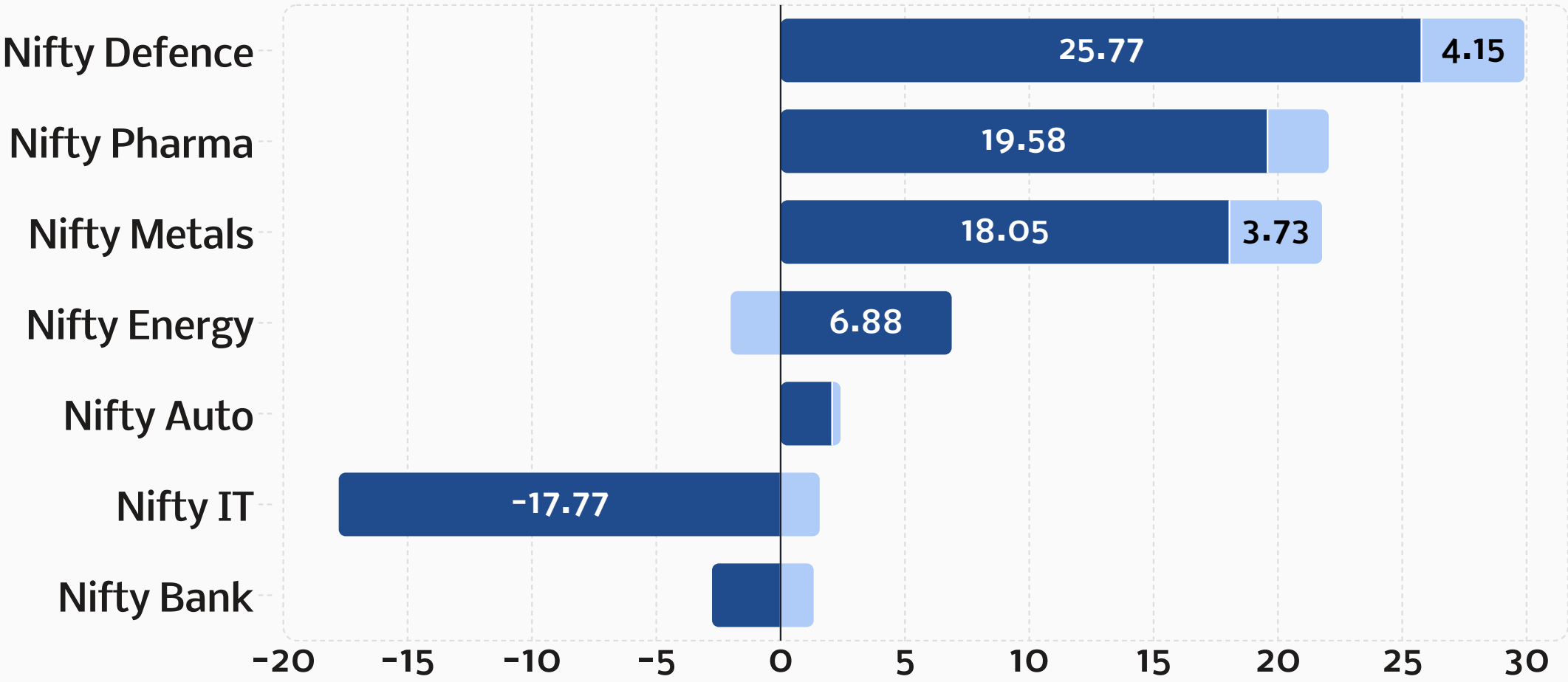
♦ **Nifty Smallcap 100 outperformed all peers, gaining +3.06% MTD**, with YTD returns surging to a healthy **+12.32%**, driven by strong domestic liquidity and earnings momentum.

📌 **August 2026 was a tale of two markets — Large Caps slipped as global macro headwinds hit, while Mid and Small Caps reached fresh highs for a fifth straight month, powered by strong domestic flows and earnings. Valuation discipline in broader markets remains important.**

Sectoral Performance

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

Sector



🛡️ **Nifty Defence led all sectors at +4.15% MTD**, extending its strong YTD gain to **+25.77%**. Nifty Metals followed at **+3.73% MTD** (YTD: **+18.05%**), supported by improved global commodity demand and rising metal prices.

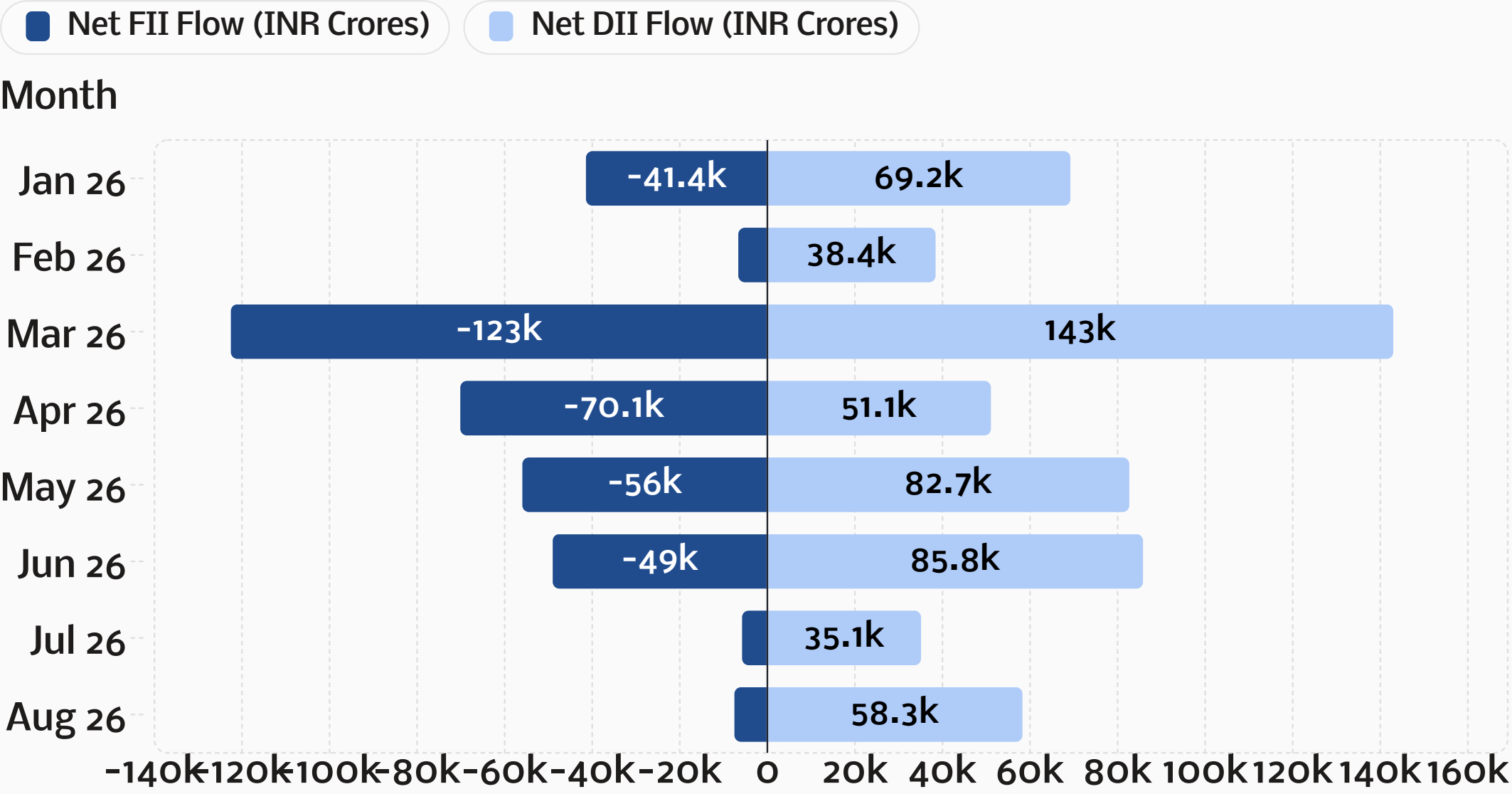
💊 **Nifty Pharma rose +2.46% MTD**, retaining its position as a top YTD performer at **+19.58%**.

🏦 **Nifty Bank gained +1.33% MTD** (YTD: **-2.76%**) while 💻 **Nifty IT gained +1.57% MTD** – a natural consolidation after July's strong rally – though it remains deeply negative on a YTD basis at **-17.77%**.

⚡ **Nifty Energy was the only sector in the red at -2.01% MTD**, despite higher crude prices while 🚗 **Nifty Auto (+0.34% MTD)** was the weakest positive performer for the month.

📌 **Nifty Defence and Metals led August gains; Pharma and Defence** remain the strongest YTD performers. **Energy was the sole sectoral decliner** for the month. **IT and Banking** continue to lag on a year-to-date basis.

FII / DII Trend



 **FIIs remained net sellers at ₹-7,532 Cr in August**, though selling moderated sharply from earlier months – a sign of stabilising foreign sentiment.

 **DII inflows surged to ₹58,268 Cr**, more than offsetting FII outflows and keeping net institutional flows firmly positive.

 **FII selling moderated; sustained DII buying of ₹58,268 Cr cushioned markets** – net institutional flows remained positive, reflecting domestic resilience.

Asset Class Performance

Rank	2026 YTD	2025	2024	2023	2022	2021	2020
1	Gold +8.94%	Silver +159.72%	Gold +30.83%	Equity +25.51%	Silver +14.39%	Equity +30.00%	Silver +51.27%
2	Debt +2.57%	Gold +72.84%	Silver +25.85%	Gold +13.73%	Gold +10.80%	Debt +2.61%	Gold +28.24%
3	Equity -1.94%	Debt +6.77%	Equity +15.03%	Debt +7.87%	Debt +2.78%	Gold -4.06%	Equity +16.37%
4	Silver -2.84%	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 has remained a strong and consistent performer** – ranking **#1 in 2026 YTD (+8.94%) and 2024 (+30.83%)**, while placing **#2 in 2025, 2023 and 2022**. Its relatively consistent performance across different market environments reinforces its role as a portfolio diversifier.

 **Silver delivered exceptional returns in 2025 (+159.72%) and 2020 (+51.27%)**, but its performance has been significantly more volatile, ranking last in 2021 (-12.85%) and 2026 YTD (-2.84%). This highlights its higher-return, higher-volatility characteristics.

 **Equity has demonstrated strong upside in favourable market environments**, ranking #1 in 2023 (+25.51%) and 2021 (+30.00%). However, its weaker performance in 2026 YTD (-1.94%) highlights the importance of maintaining diversification across market cycles.

 **Debt has provided the most consistent return profile**, delivering positive returns in every year shown. While it has not ranked #1, its relative stability makes it an important portfolio stabiliser, particularly during periods of equity market volatility.

 **Gold has remained a consistent top performer, while silver has delivered higher but more volatile returns. Equity shines in favourable cycles, whereas debt offers greater consistency — reinforcing the importance of diversification across asset classes.**

Factor Performance Across Market Cycles

Rank	2026	2025	2024	2023	2022	2021	2020
1	Alpha +12.22%	Value +15.23%	Alpha +33.06%	Value +61.01%	Value +18.93%	Alpha +74.45%	Alpha +51.75%
2	Value +2.65%	Low Volatility +10.12%	Momentum +20.01%	Alpha +42.52%	Low Volatility +0.05%	Momentum +52.14%	Quality +24.36%
3	Momentum -1.40%	Quality +2.94%	Value +18.63%	Momentum +40.67%	Quality -6.32%	Value +51.74%	Low Volatility +22.10%
4	Quality -4.72%	Momentum -5.11%	Quality +12.71%	Low Volatility +30.49%	Momentum -6.40%	Quality +23.77%	Momentum +18.83%
5	Low Volatility -5.19%	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 dominated — #1 in 2026 YTD (+12.22%), 2024 (+33.06%), 2021 (+74.45%) and 2020 (+51.75%).** The standout factor across most years, delivering consistent outperformance over the long term.

 **Value shone in 2023 (+61.01%) and 2022 (+18.93%)** – rewarding patient investors during earnings-driven and defensive market cycles. Ranked #2 in 2026 YTD (+2.65%).

 **Momentum delivered strong mid-cycle returns** – #2 in 2021 (+52.14%) – but has struggled in 2025 (-5.11%) and 2026 YTD (-1.40%), reflecting its sensitivity to trend reversals.

 **Volatility and Quality lagged in most years**, with Volatility ranking last in 2026 YTD (-5.19%) and 2025 (-10.63%). Quality offers defensive stability but rarely leads in bull markets.

 **Alpha has been the most rewarding factor #1 in 4 of 7 years, including 2026 YTD. Value excels in earnings-driven and defensive cycles. Momentum is powerful but cyclical. No single factor wins every year, a multi-factor approach is the most resilient strategy across market cycles.**

Equity Mutual Fund Calendar Year Performance

Rank	2026	2025	2024	2023	2022	2021	2020
1	Small Cap 14.21%	Large 6.76%	Mid Cap 28.98%	Small Cap 40.64%	Value 6.02%	Small Cap 62.94%	Small Cap 30.68%
2	Mid Cap 6.86%	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 5.13%	Focused Fund 4.76%	Multi Cap 24.86%	Multi Cap 33.99%	Value 2.24%	Multi Cap 42.49%	Flexi Cap 17.45%
4	Large & Mid 1.90%	Large & Mid 3.92%	Large & Mid 23.64%	Large & Mid 30.00%	Large 2.02%	Large & Mid 37.24%	Large & Mid 15.98%
5	Flexi Cap 1.76%	Flexi Cap 2.96%	Value 20.72%	Flexi Cap 28.64%	Large & Mid 1.53%	Value 34.98%	Focused Fund 15.88%
6	Focused Fund 1.56%	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 -0.44%	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 -3.74%	Small Cap -3.80%	Large 15.74%	Large 24.00%	Flexi Cap 0.05%	Large 25.77%	Large 14.22%

 **Small Cap — #1 in 2026 YTD (+14.21%), 2023 (+40.64%), 2021 (+62.94%) and 2020 (+30.68%).** The most dominant category across bull market years – but ranked last in 2025 (-3.80%), highlighting its cyclical nature.

 **Mid Cap — consistent top-3 performer** across all 7 years, ranking #1 in 2024 (+28.98%) and #2 in 2026 (+6.86%), 2021 (+43.51%) and 2020 (+24.20%). The most reliable compounder across market cycles.

 **Large Cap ranked last in 2026 YTD (-3.74%) and 2025 (-3.80% for Small Cap)** – underperforming in recent years but offering relative stability in volatile markets. Best suited for conservative, long-term allocations.

 **No single category dominates every year** – Value led in 2022, Mid Cap in 2024, Small Cap in bull years. A diversified multi-cap or flexi-cap approach smooths returns across cycles.

 **Small Cap and Mid Cap have been the biggest wealth creators over the long term — but volatility is real. 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 4.27%	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 4.14%	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 3.99%	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	Medium Term 3.71%	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	Low Duration Fund 3.70%	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	Corporate Bond 3.18%	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	Short Term 3.17%	Liquid 6.15%	Liquid 6.96%	Liquid 6.57%	Corporate Bond 2.99%	Liquid 3.04%	Liquid 3.83%

 **Money Market — #1 in 2026 YTD (+4.27%) and 2023 (+7.00%)** – consistently top-ranked in short-term rate environments. A reliable choice when rates are elevated.

 **Medium Term led in 2025 (+7.91%), 2024 (+8.08%) and 2021 (+5.15%)** – the most rewarding category across medium-to-long rate cycles, benefiting from duration as rates eased.

 **Corporate Bond topped in 2020 (+10.60%)** – capturing the rate rally post-COVID. Ranks lower in recent years as spreads compressed, but remains a solid medium-term compounder.

 **No single debt category dominates every year** – leadership rotates with the rate cycle. Short-duration funds (Money Market, Liquid, Ultra Short) lead in rising rate environments; Medium Term and Corporate Bond outperform when rates fall.

 **Debt category leadership rotates with the rate cycle — short-duration funds win when rates rise, longer-duration funds win when rates fall. Match your debt allocation to your rate view and investment horizon for optimal risk-adjusted returns.**

Our View — August 2026: Strong Flows, Cautious on Valuations

Global markets recovered in August on strong earnings and renewed AI momentum, even as US - Iran tensions, elevated crude prices and rising bond yields kept macro risks alive. In India, FII selling moderated sharply while sustained DII buying supported markets – but the divergence between large caps and mid/small caps, with the latter at fresh highs, calls for valuation discipline in broader market allocations.

For Existing Investors

- **Stay invested** – Moderating FII outflows and resilient DII participation reinforce a constructive long-term outlook for Indian equities.
- **Exercise valuation discipline in Mid & Small Caps** – Outperformance is earnings-backed, but extended valuations merit a measured approach.
- **Maintain diversification** across equity, debt, Gold and Silver to benefit from varied market conditions.
- **Stay selectively exposed** to structurally strong sectors – Pharma, Metals and Defence.

For New Investors

- **Start investing through SIPs** to benefit from rupee-cost averaging across volatile market conditions.
- **Do not chase the Mid & Small Cap rally** – Strong recent performance does not guarantee continuation; stay balanced and diversified.
- **Diversify across market caps** – include Large Cap exposure for stability, given their relative undervaluation vs broader markets.
- **Invest with a long-term perspective** – India's 7.8% GDP growth, strong GST collections and moderating FII outflows signal durable macro momentum.

📌 **India's macro fundamentals remain strong. FII selling is moderating; DII flows remain robust. Disciplined SIP investing, balanced asset allocation and a long-term perspective remain the most effective strategy to navigate global uncertainty.**



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