Overview:

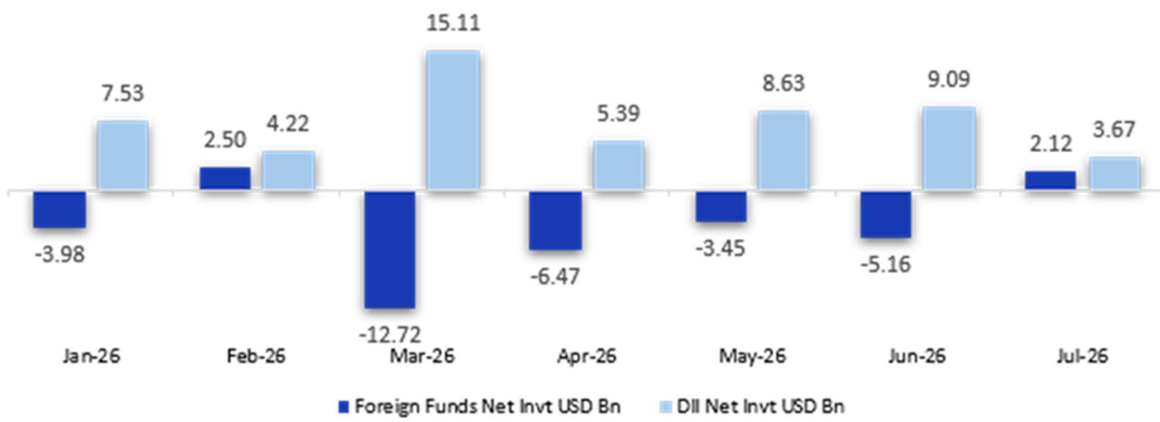
For the month ended July 2026, the Nifty 50 index was up by 2.17% over the previous month. Nifty Smallcap 100 index was up 2.53%. Smallcaps outperformed largecaps and midcaps during the month. Within sectors, technology services, consumer durables, media, realty, auto, healthcare, and pharma outperformed the benchmark Nifty 50 index, while banks, financial services, consumer goods, metals, and oil & gas underperformed the benchmark.

Sr No.	Index Name	Jul-26 M-o-M Change
1	NIFTY 50	2.17%
2	NIFTY Midcap 100	1.81%
3	NIFTY Smallcap 100	2.53%
4	NIFTY Auto	8.55%
5	NIFTY Bank	-0.48%
6	NIFTY Financial Services	0.15%
7	NIFTY FMCG	0.67%
8	NIFTY IT	16.77%
9	NIFTY Media	9.49%
10	NIFTY Metal	1.60%
11	NIFTY Pharma	4.77%
12	NIFTY Private Bank	-1.46%
13	NIFTY PSU Bank	-1.48%
14	NIFTY Realty	8.67%
15	NIFTY Consumer Durables	9.96%
16	NIFTY Oil & Gas	1.97%
17	NIFTY Healthcare Index	3.82%

Source: National Stock Exchange of India

Foreign funds (FIIs/FPIs) were net buyers in July 2026 at ~USD2.12bn and domestic institutions were net buyers at ~USD3.67bn. After four straight months of heavy selling (March-June), foreign funds turned net buyers of Indian equities in July 2026, supported by rupee stability and improving domestic macro signals, even as a mid-month escalation in West Asia lifted crude prices and kept volatility elevated. Despite July's turnaround, foreign investors have pulled out ~USD27.16bn from Indian equities so far in CY2026, compared to ~USD10.93bn withdrawn during the same period in CY2025. This foreign selling has been continuously absorbed by domestic institutional investors, supported by sustained retail inflows.

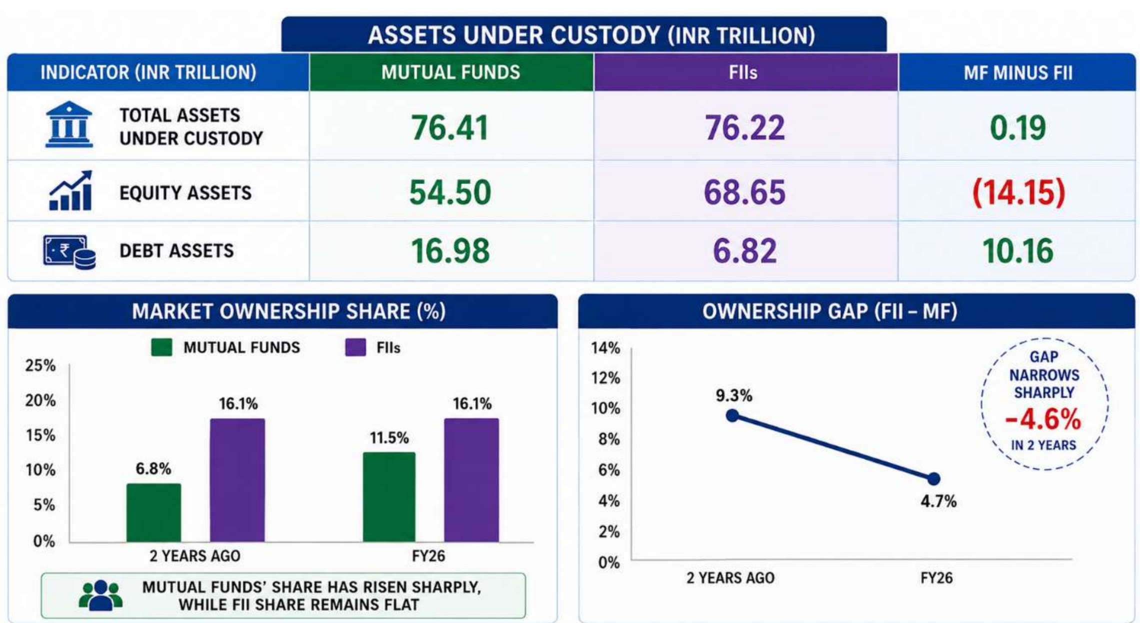
Fig: Fund flows



Source: NSDL

Mutual funds' assets under custody (AUC) reached INR76.4 trillion, marginally surpassing the assets under custody of foreign funds (FIIs/FPIs) at INR76.22 trillion for the first time. This shift has been driven by sustained retail inflows, which have offset persistent foreign fund selling since September 2024. On listed-equity ownership specifically, foreign funds still hold a larger share (16.13% vs. 11.46% for domestic mutual funds), though the gap has narrowed significantly, reflecting the growing role of domestic investors in India's capital markets.

Fig: India's Investment Landscape Reaches a Historic Turning Point



Source: NSDL

On the macroeconomic front, Goods and Services Tax (GST) revenue for July 2026 stood at INR2.11 trillion, up 15.4% YoY. Following the implementation of GST 2.0, GST collections have returned to double-digit growth over the past two months, indicating a recovery in indirect tax momentum.

Fig: GST Collections Trend (in INR trillion)

Source: EquiPoise Capital Research, GoI

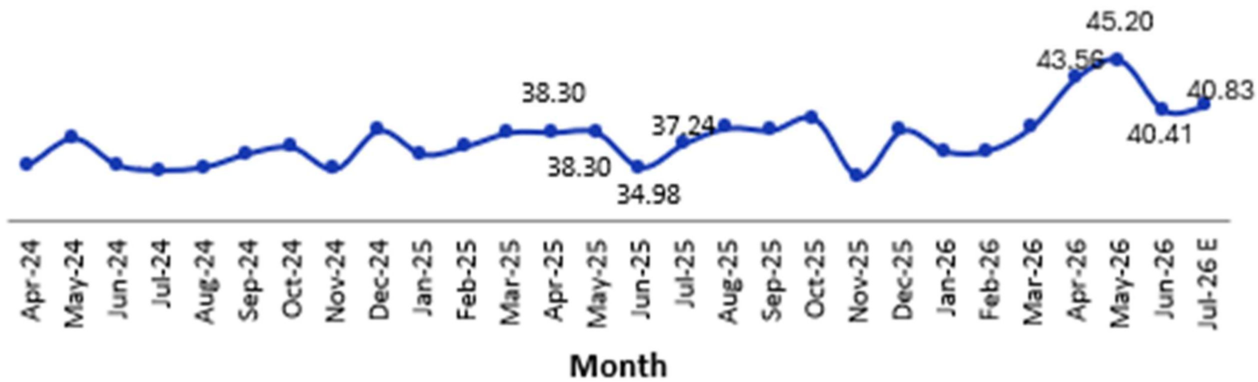
India's foreign exchange reserves increased to USD682bn during the week ending July 24, 2026. With the launch of the NRI deposit scheme, foreign currency assets have increased by USD40bn.

Fig: India foreign exchange reserves

Source: India Data Hub

India's merchandise exports grew ~14% YoY to USD170bn during April–July FY27, compared to USD148.82bn in the same period last year. The strong export performance has been supported by India's expanding network of Free Trade Agreements (FTAs), which reduce trade barriers, enhance the competitiveness of Indian goods, and strengthen export demand across global markets.

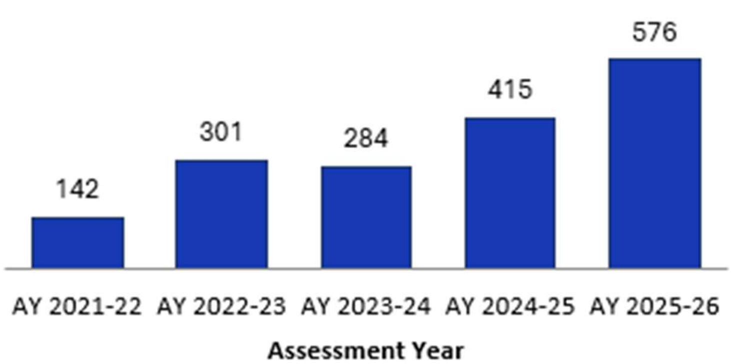
Fig: India Merchandise Exports (USD Bn)



Source: PIB

The number of individuals, in India, reporting annual gross income of INR1bn (Rupees One Billion or 100 crore) or more increased to 576 in AY2025-26, from 142 in AY2021-22, reflecting rising wealth creation, entrepreneurship, and the formalisation of the economy. This shift in India's wealth profile towards higher-income households should support the capital markets through higher investments in equities, mutual funds, and other financial assets

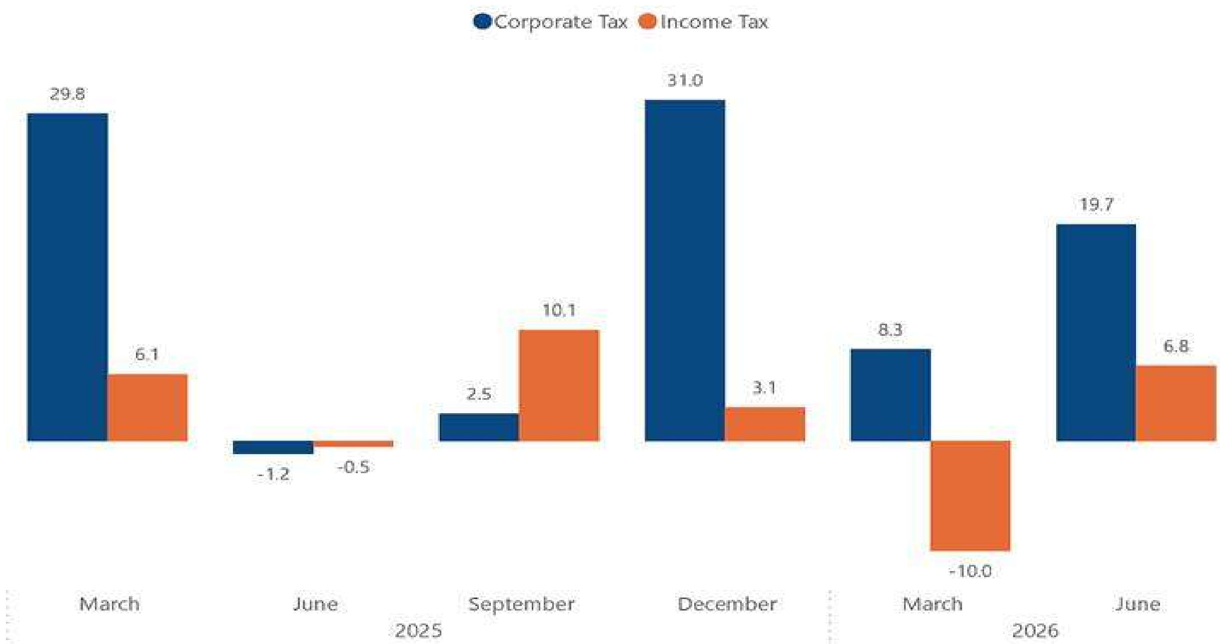
Fig: Indian individuals with Gross Income ≥ INR1bn



Source: GOI, Business Standard

India’s corporate tax collections exhibited yet another month of strong performance. Corporate tax grew, for the June quarter, by 20% YoY thereby validating that corporate profitability and economy are robust.

Fig: Corporate and Personal Income tax collection (YoY%)



Source: IndiaDataHub

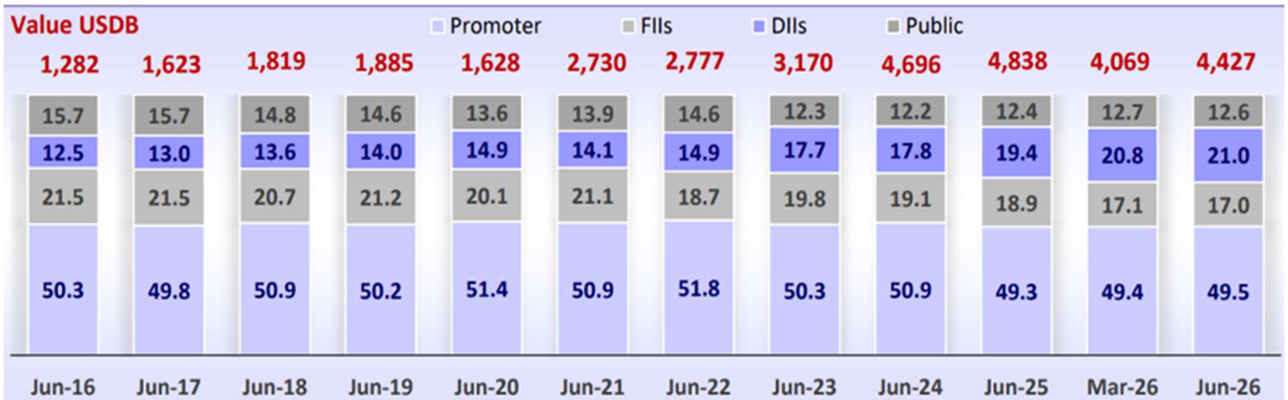
India's electric vehicle sales nearly doubled in July, showing robust growth momentum. Sharply higher fuel prices are pushing consumers towards more affordable personal transportation options. This strong performance boosted electric vehicles share in new car sales to 7.8% last month. Major carmakers are ramping up production capacity to meet increasing demand.

<u>Our view:</u>

A combination of geopolitical uncertainties, moderating earnings growth, and lack of AI plays had kept foreign fund sentiment toward India firmly negative, resulting in cumulative outflows of USD58bn over the past 22 months since the Indian market peaked in September 2024. However, record domestic fund inflows of USD166bn during the same period, along with resilient retail participation averaging monthly inflows of ~USD3bn have emerged as a powerful counterbalance, comfortably absorbing foreign selling.

India's domestic funds ownership surged for the ninth consecutive quarter. This structural shift in institutional ownership, which has gained momentum since 2021, continues to strengthen as domestic fund holdings scale new peaks, accounting for 21% of Nifty 500 companies in June 2026. In contrast, foreign fund holdings declined to a new low of 17% over the same period. In quarter two CY2026, domestic funds invested USD22.8b in Indian equities, backed by the unwavering SIP run rate.

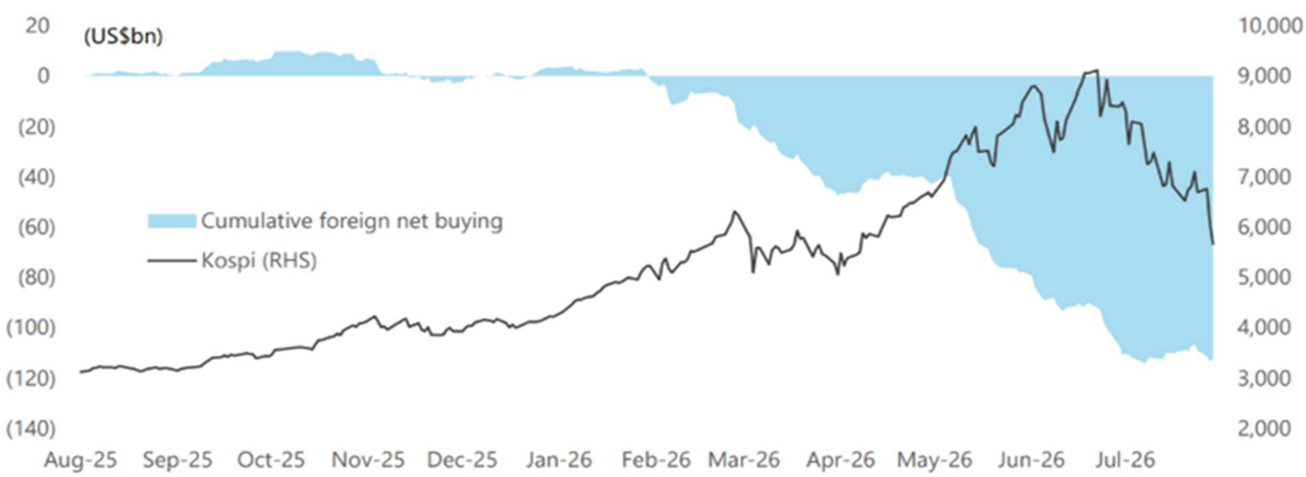
Fig: Nifty-500 holding pattern (%) - domestic funds continue to raise their stakes for the nineth consecutive quarter



Source: Motilal Oswal Research

Now, the artificial intelligence (AI) trade that fueled record-breaking rallies across Asian stock markets, seems to be showing signs of fatigue. In July, Asian chip stocks slumped after reports stoked fears of excess AI computing capacity. Shares in South Korea and Taiwan, two of the world's biggest semiconductor hubs, came under selling pressure as investors questioned whether the massive spending on AI infrastructure had gone too far. The Korean market remains extraordinarily volatile with the Kospi falling nearly 40% from its all-time high reached on June 19. Foreigners have sold a net USD116bn of Korean equities year to date across both cash and futures with USD104bn of that in the technology sector. Korea's neutral weighting in the MSCI AC Asia Pacific ex-Japan Index has now declined to 17.5% from a peak of 24.6% reached in late June.

Fig: Cumulative foreign net buying of Korean equities in USD



Source: Bloomberg, Jefferies

This shift in sentiment in Asian stocks was long expected to result in foreign fund flows turning positive in India. Indian technology services (IT) shares, more tied to software spending, rallied as investors weighed a different AI demand story.

Further, as a fall-out of US Iran war, we believe raw material pressure will likely remain a concern for earnings momentum albeit for select sectors. However, with strong domestic demand in sectors like financials, autos, and consumer discretionary, we expect domestic sectors to support overall corporate earnings momentum.

Nearly two years of range-bound performance in Indian equities and a strong rally in global markets have widened the performance gap to near-historic levels. India's underperformance, following its status as one of the world's best-performing equity markets between 2020 and 2024, has been difficult to reconcile with its strong underlying macroeconomic fundamentals.

We firmly believe that India is a bottom-up market, despite India experiencing both time and price corrections relative to emerging market peers. We remain optimistic on India’s investment and domestic consumption led growth in the long term.

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EquiPoise Capital Management Private Limited

August 05, 2026.

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