Overview:

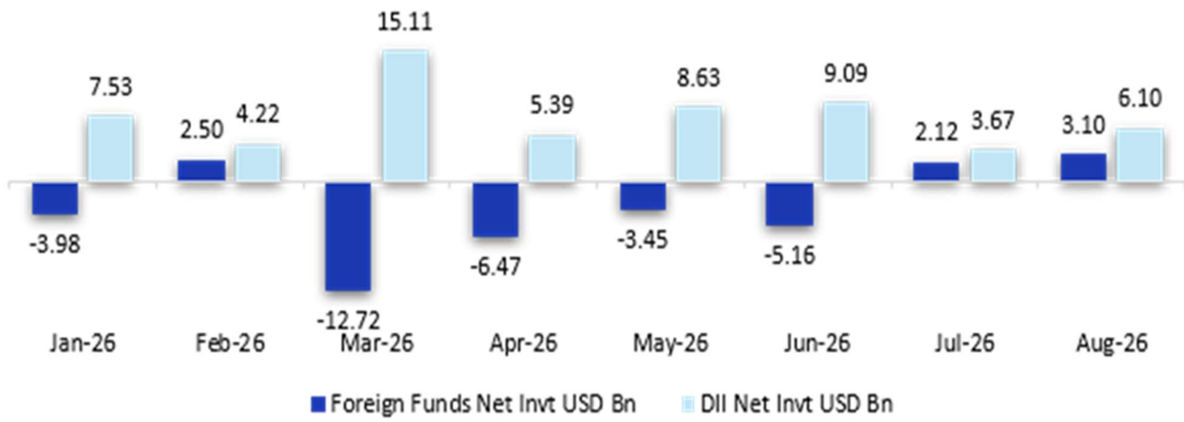
For the month ended August 2026, the Nifty 50 index was down by 1.24% over the previous month. Nifty Smallcap 100 index was up 3.06%, while Nifty Midcap 100 index was up 2.08%. Smallcaps and midcaps outperformed largecaps during the month. Within sectors, metals, pharma, banks, technology services, auto and realty outperformed the benchmark Nifty 50 index, while consumer goods, media, and oil & gas underperformed the benchmark.

Sr. No.	Index Name	Aug-26 M-o-M Change
1	NIFTY 50	-1.24%
2	NIFTY Midcap 100	2.08%
3	NIFTY Smallcap 100	3.06%
4	NIFTY Auto	0.34%
5	NIFTY Bank	1.33%
6	NIFTY Financial Services	-1.13%
7	NIFTY FMCG	-6.30%
8	NIFTY IT	1.57%
9	NIFTY Media	-3.79%
10	NIFTY Metal	3.73%
11	NIFTY Pharma	2.46%
12	NIFTY Private Bank	1.76%
13	NIFTY PSU Bank	2.90%
14	NIFTY Realty	0.30%
15	NIFTY Consumer Durables	0.90%
16	NIFTY Oil & Gas	-1.28%
17	NIFTY Healthcare Index	1.11%

Source: National Stock Exchange of India

Foreign funds (FIIs/FPIs) were net buyers in August 2026 at ~USD3.10bn and domestic institutions were net buyers at ~USD6.10bn. Foreign funds remained net buyers for the second consecutive month, which is a positive sign for the Indian market. In H1CY26, foreign funds sold ~USD29.29bn, driven by the West Asia crisis and a spike in oil prices. However, over the last two months, they have bought approximately USD5.23bn, suggesting that confidence maybe gradually returning to the Indian market. On the other hand, domestic institutions continued their buying spree, supported by sustained retail inflows.

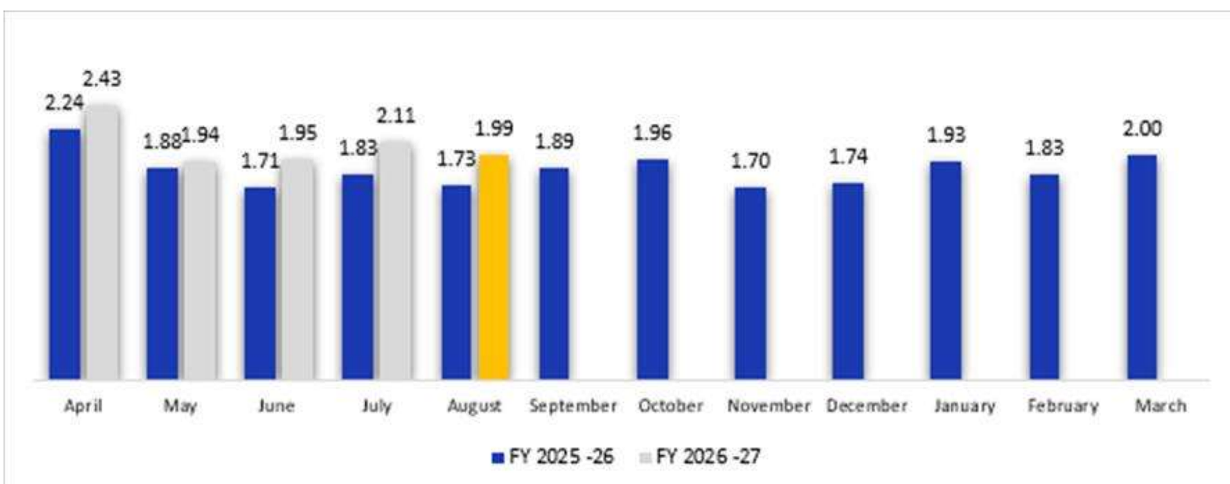
Fig: Fund flows



Source: NSDL

On the macroeconomic front, Goods and Services Tax (GST) revenue for August 2026 stood at INR1.99 trillion, up 14.80% YoY. On a cumulative basis, the government's gross GST collections during April-August 2026-27 (FY27) increased by 11% year-on-year to INR10.43 trillion, indicating sustained strength in economic activity and domestic consumption.

Fig: GST Collections Trend (in INR trillion)



Source: EquiPoise Capital Research, GoI

The Indian crude oil basket averaged around USD88/bbl in August, slightly higher than the USD82–83/bbl average in June and July but well below the April peak of USD114/bbl. While crude oil prices remain elevated, the sharp moderation from the April peak has helped ease inflationary pressures.

Fig: Average Price of Indian Basket of Crude Oil (USD/bbl)

Source: India Data Hub

India's efforts to diversify its petroleum trade amid geopolitical challenges have yielded positive results. In Q1FY27, petroleum exports rose over 35% YoY to USD23.23bn, with around one-fourth going to African markets as exports to traditional European and US markets declined. On the import side, purchases from Nigeria, Angola, Brazil, and Venezuela rose significantly, indicating that India is broadening both its export markets and crude supply sources to reduce geopolitical concentration risk.

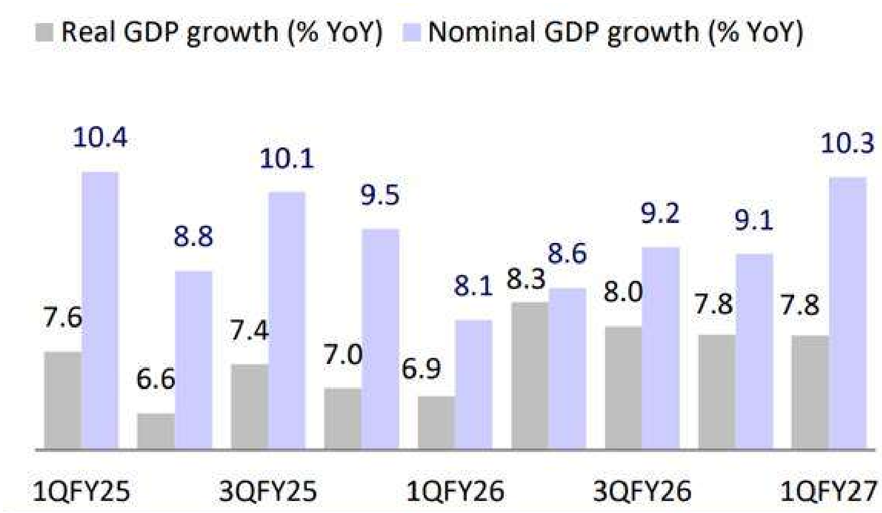
Fig: % share of India's exports/imports of petroleum crude and products

Source: Department of Commerce, CMIE, BS

The government maintained its focus on capital expenditure, with capex rising 30% YoY to INR4.51 trillion during April-July FY27, equivalent to 37% of the FY27 budget target of INR12.22 trillion. Despite higher spending, fiscal management remained prudent, with the fiscal deficit at INR4.55 trillion, or 27% of the full-year target, compared with 30% during the same period last year. Total government expenditure rose 13% YoY to INR17.62 trillion, while revenue expenditure increased 8% to INR13.11 trillion. This indicates that government's spending mix remains growth-oriented, with strong capex growth supporting infrastructure and economic activity while revenue expenditure remains controlled. The lower fiscal-deficit run-rate versus last year also indicates continued fiscal discipline and provides headroom to sustain investment-led growth through the year.

<u>Our view:</u>

Fig: India GDP growth at 7.8% for Q1FY2027

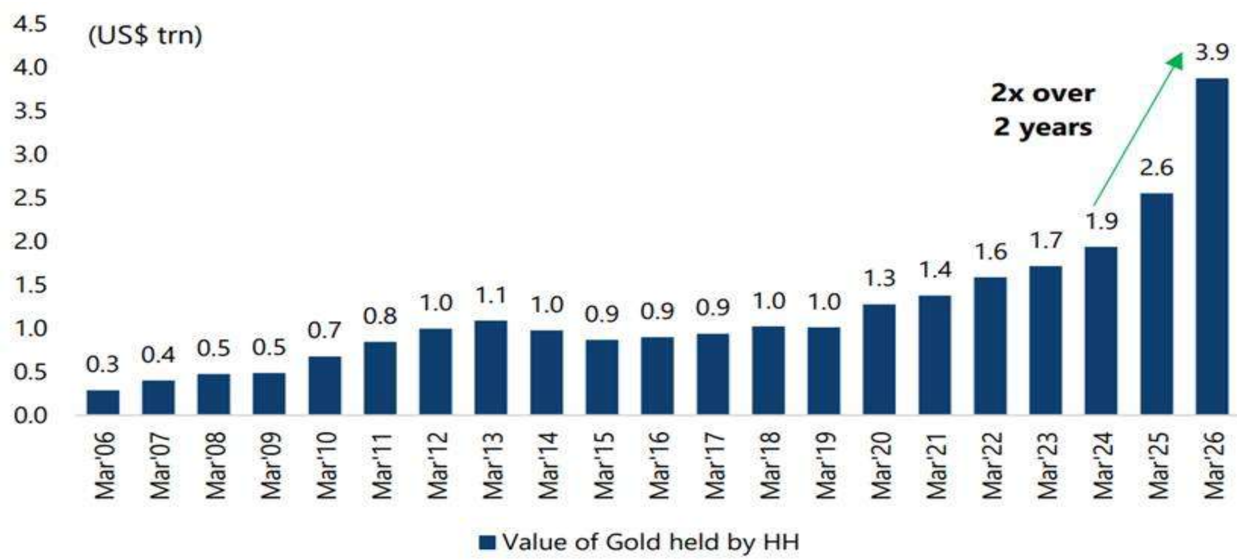


Source: Department of Commerce, CMIE, BS

Despite global challenges - US Iran war leading to record high oil prices, no clarity as yet on India US trade deal, ongoing Ukraine crisis apart from foreign funds chasing AI plays hence selling Indian equities resulting in Indian rupee depreciation - India's real GDP growth accelerated to 7.8% YoY in quarter one FY2027 from 6.9% in 1QFY26. Nominal GDP growth stood at 10.3% YoY in 1QFY27. The key takeaway is the improving investment cycle, with real fixed investment growth (a proxy for private capex) accelerating to 11.9% YoY in 1QFY27 from 5.8% a year ago. The share of fixed investment in GDP rose to 34.3%. The sharp acceleration in gross fixed capital formation, together with its higher share of GDP, points to a strengthening investment cycle rather than a consumption-only recovery. This is further supported by strong capital-goods activity, bank credit, and continued government infrastructure spending, with central government capex up around 30% YoY on a financial year to date (FYTD) basis.

Private consumption remained strong too, with growth accelerating to 7.1% YoY in 1QFY27 from 6.8% in 1QFY26. Exports emerged as another key support to growth, with growth accelerating to a double-digit 12.0% in 1QFY27 from 6.0% in 1QFY26. From the supply side, the GDP beat was led by services, with financial, real estate, and professional services recording a robust 12.1% YoY growth in 1QFY27, up from 8.8% in 1QFY26, and the strongest 1Q performance in the past two years. Manufacturing also strengthened, growing 9.2% in 1QFY27 vs 8.3% in 1QFY26, supported by healthy industrial activity and corporate earnings. Construction growth accelerated to 7.7% from 5.2% in 1QFY26, while public administration and defence improved to 7.5% from 4.6%. Trade, hotels, transport, communication, and broadcasting moderated to 8.5% in 1QFY27 from 9.8% in 1QFY26 but remained healthy. Utilities recorded a sharp turnaround, with electricity, gas, water supply, and other utilities growing 8.9% in 1QFY27. In contrast, primary-sector growth weakened, with agriculture, forestry, and fishing moderating to 3.6% in 1QFY27 from 4.4% in 1QFY26, reflecting heatwave conditions and delayed monsoon arrival. Mining also turned into a drag, contracting 2.4% in 1QFY27 vs 12.4% growth a year earlier. Despite these weaknesses, the broad-based strength across services, manufacturing, construction, and utilities lifted growth.

Fig: Value of Gold held by Indian households



Source: Jefferies India

Indians have traditionally had an obsession for gold. Since nearly 98% of gold consumed in India, by households, is imported, it has caused current account deficit, hence currency depreciation leading to inflation and low real GDP growth and lower job creation than potential. It's a vicious cycle that the country is stuck in.

Be as it may, the fact is Indians hold an estimated USD4 trillion in gold, 4x the money held in stocks. Gold prices have sustained above USD4000/ounce for about a year, which has been good news for Indian households. Gold is a traditional store for value across households, and it is estimated that about 25,000 tons (or USD4 trillion) of gold is held by domestic Indian households dwarfing the USD111bn worth of gold held by the Reserve Bank of India. During FY2026, while USD96bn went into equities (including MFs, Pension funds), USD79bn was spent on gold imports. In India, gold holdings are ~2x that of bank deposits and ~4x stocks; and account for ~25% of total household wealth.

Traditionally a dormant asset, gold is increasingly being monetized through gold-backed loans amid the current price upcycle. At estimated ~USD197bn as of March 2026, gold loans have grown ~73% over the past two years and now account for ~7% of total banking credit. Unlike equities, gold ownership is widespread across rural and lower-income households. As a result, the gold wealth effect could offer a buffer amid deficient monsoons and provide tailwind to bottom-of-pyramid consumption, not to say that it is not already supporting consumption led growth albeit to a small extent.

The above data does point to a strong economy despite challenges and gives confidence in its likely performance when global situation normalizes. Though at the margin, we also see Indians selling their gold and encashing the gains (not just taking gold loans) or using their old gold to make new jewelry both of which are welcome changes. We remain watchful of rising US bond yields and oil prices. We firmly believe that India is a bottom-up market and we are focused on infrastructure, telecom, auto, textiles, engineering, shipping, pharmaceuticals, and capital goods sectors. We maintain underweight in information technology services, metals, energy, and real estate.

We remain optimistic on India's investment and domestic consumption led growth in the long term.

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