FAITH & Patience

October 2026

OVERVIEW

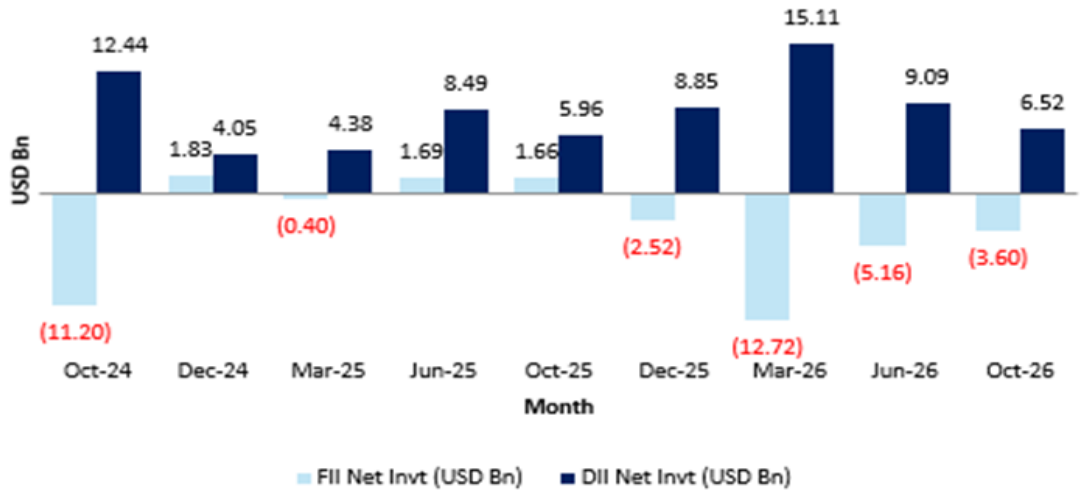
For the month ended October 2026, the Nifty 50 index was up by 1.91% over the previous month. Nifty Smallcap 100 index was down (4.06%), while Nifty Midcap 100 index was down (3.42%). Largecaps outperformed smallcaps and midcaps during the month. Within sectors, technology services, media and healthcare outperformed the benchmark Nifty 50 index, while automobiles, financial services, consumer goods, metals, realty, and oil & gas underperformed the benchmark.

Sr. No.	Index Name	Oct-26 M-o-M Change
1	NIFTY 50	1.91%
2	NIFTY Midcap 100	-3.42%
3	NIFTY Smallcap 100	-4.06%
4	NIFTY Auto	-3.31%
5	NIFTY Bank	0.10%
6	NIFTY Financial Services	0.25%
7	NIFTY FMCG	-2.02%
8	NIFTY IT	17.69%
9	NIFTY Media	3.03%
10	NIFTY Metal	-7.65%
11	NIFTY Pharma	2.60%
12	NIFTY Private Bank	1.34%
13	NIFTY Realty	-3.95%
14	NIFTY Consumer Durables	-5.74%
15	NIFTY Oil & Gas	-2.93%
16	NIFTY Healthcare Index	1.93%

Source: National Stock Exchange of India

Foreign funds (FIIs/FPIs) were net sellers in October 2026 at ~USD3.60bn and domestic institutions were net buyers at ~USD6.52bn. Over the past two years, institutional sentiment and positioning in India's market have diverged sharply. While foreign funds have remained significant net sellers amid adverse global events and unfavourable news flow, domestic institutions have continued to remain active buyers, consistently absorbing the selling pressure through strong inflows. From October 2024 to October 2026, foreign funds were net sellers of ~USD62.25bn, while domestic institutions were net buyers of ~USD186.29bn during the same period, absorbing nearly three times the foreign fund outflows. This resilience has been supported by sustained retail participation and record monthly committed inflows of ~USD3.4bn, further strengthening domestic institutional ownership.

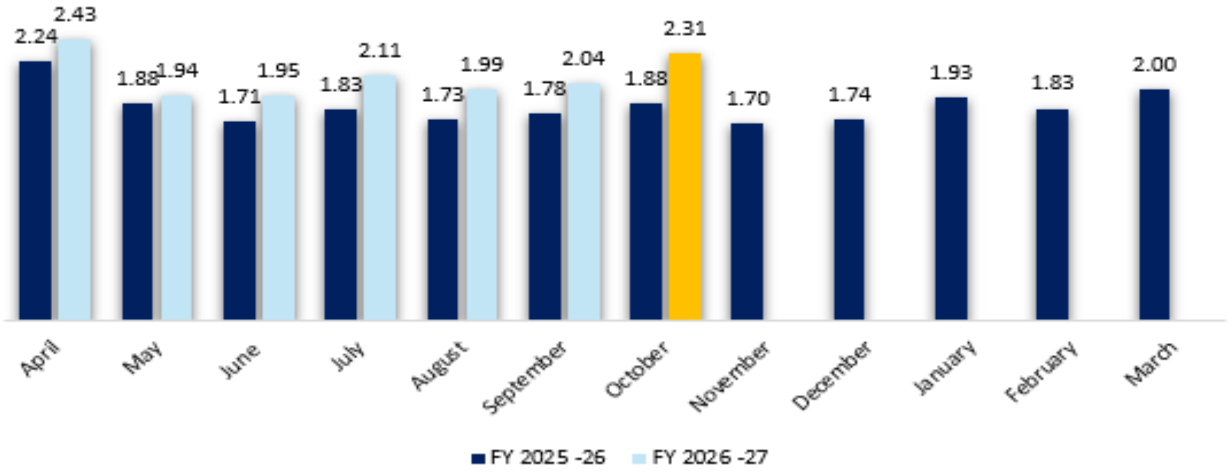
Fig: Fund Flows



Source: NSDL, Money Control

On the macroeconomic front, Goods and Services Tax (GST) revenue for October 2026 stood at INR2.31 trillion, up 22.9% YoY. Gross GST collection crossed INR 2 trillion for the fourth time in the first seven months of FY2027, following April, July and September. This reflects sustained momentum in tax collections, providing a positive signal for revenue mobilisation and reinforcing the growing robustness of India's GST framework.

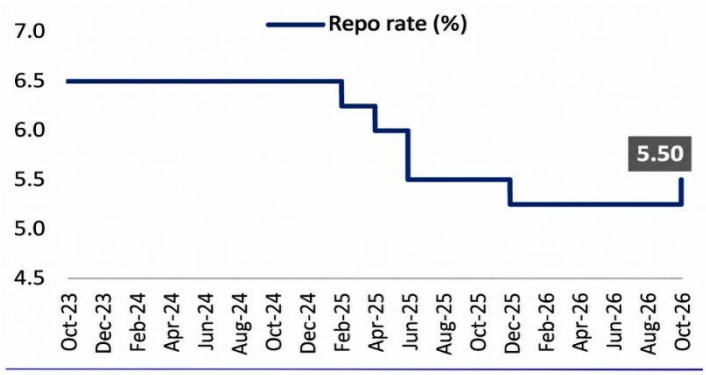
Fig: GST Collections Trend (in INR trillion)



Source: EquiPoise Capital Research, GOI

Reserve Bank of India (RBI) delivered a 25-bps hike in the repo rate to 5.50%, marking the first-rate hike since February 2023, and shifted its stance from neutral to "calibrated tightening".

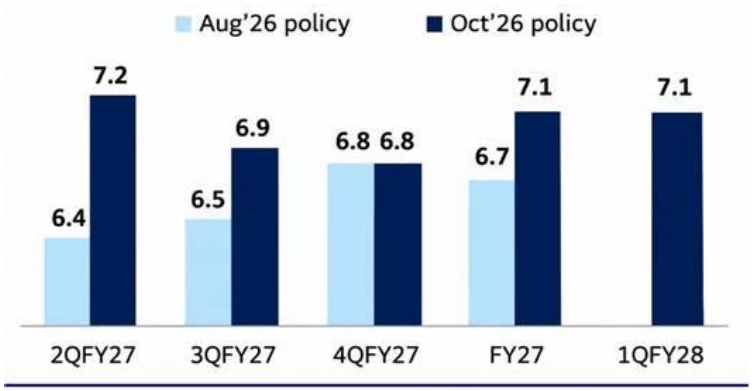
Fig: RBI Repo Rate Hiked 25 bps to 5.50% in Oct'26



Source: RBI

Despite the elevated inflation outlook, the growth outlook has strengthened materially, giving the RBI greater room to prioritise inflation management. The RBI upgraded its FY2027 GDP growth forecast to 7.1%. The stronger growth outlook reduces the RBI's need to support demand through an accommodative monetary policy stance.

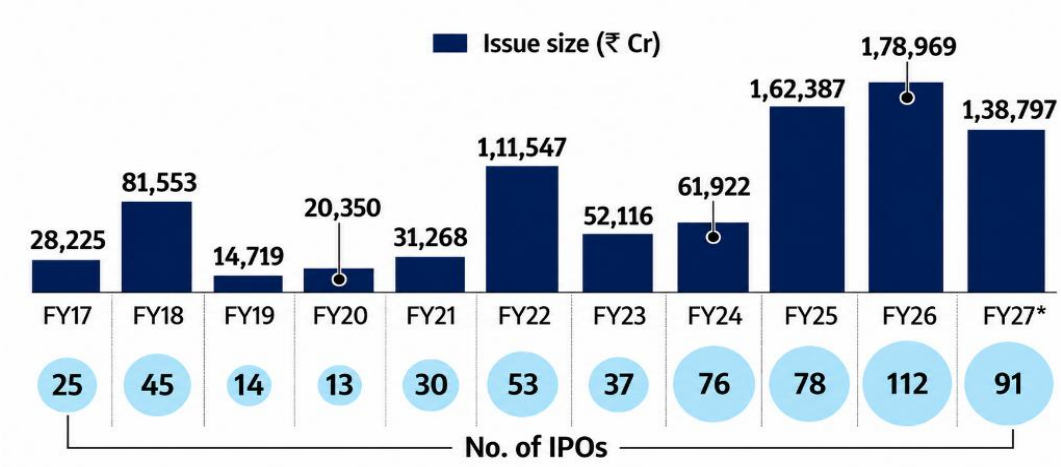
Fig: RBI Raises FY27 Real GDP Growth Forecast to 7.1% in Oct'26



Source: RBI

India's primary market continues to witness one of its strongest years. With 91 IPOs launched so far in FY2027, the market has already recorded the second-highest IPO count in a decade, behind only FY2026's record of 112 issues, with five months still remaining in this financial year. Fundraising stands at INR1.38 trillion, representing approximately 78% of FY2026's record INR1.78 trillion and around 1.7 times the INR815bn raised in FY18. Every mainboard issue launched in October was oversubscribed, reflecting strong demand from both institutional and retail investors. With a substantial pipeline still ahead, FY2027 could rival or surpass last year's record, highlighting the depth of investor appetite in India's capital markets.

Fig: IPO Fundraising and Activity Remain Strong in FY27



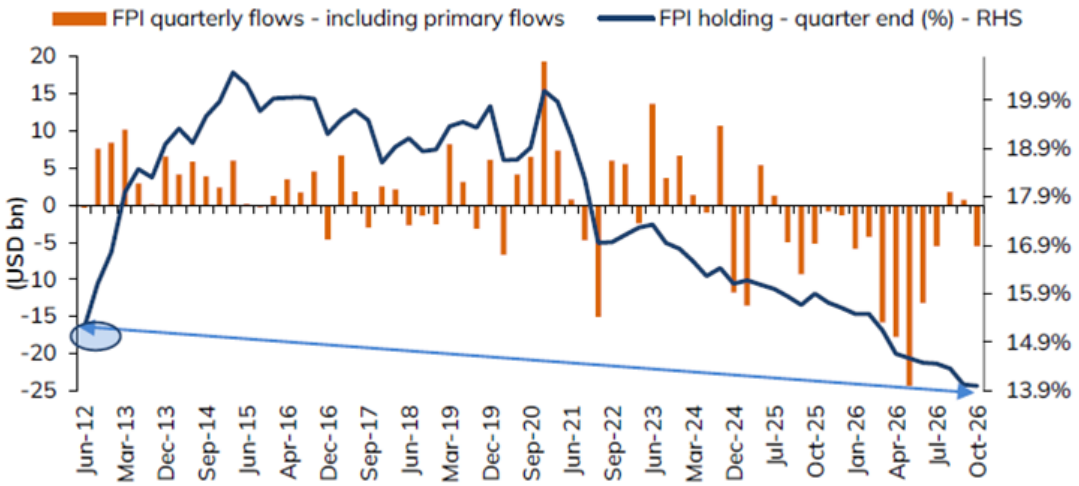
Source: Prime Database. Note: FY27 data as of October 28, 2026.

India's passenger vehicle (PV) industry surpassed an unprecedented 0.5 million monthly sales in October 2026 on the back of festive season demand, strong buyer sentiment, GST 2.0 and supportive bank credit. India's Unified Payments Interface (UPI) or digital payment transactions reached a historic all-time high in October 2026, driven by festive-season spending and strong retail adoption. Number of UPI transactions crossed 25-billion mark for first time in October and value touched INR31.53 trillion. This improved transparency due to digital payments helps government not only track income and expenditure better but augurs well from tax collections perspective.

OUR VIEW

Indian markets have been lacklustre since October 2024. Foreign fund holdings are almost at a two decade low now. Over the past two years, institutional sentiment and positioning in India's secondary market have diverged sharply. While foreign funds have sharply stepped up selling in response to adverse global events and news flow, domestic funds have remained active buyers, consistently stepping in with strong inflows to absorb the selling pressure. Despite their continued selling in the secondary market, foreign funds have increasingly channelled capital into the primary market, indicating their preference for emerging investment themes.

Fig: Foreign fund holding of Indian equities



Source: ISec Research

The correction in Indian markets have made the valuations relative to earnings growth supportive. Corporate earnings have sustained their growth momentum in quarter two FY2027 so far, building on a meaningful recovery witnessed in quarter one FY2027 after two years of muted performance. More importantly, the recovery is not merely reflected in aggregate earnings growth but is increasingly broad-based across sectors, despite persistent commodity cost pressure and an uncertain global environment. 111 firms in BSE200 (57% of market cap) covering majority of technology, banks, and finance have reported their numbers. Quarter two FY2027 aggregate net sales growth rose to 25% YoY versus 22% in quarter one FY2027, while EBIT grew 21% versus -3% and profit after tax grew 22% vs 6%. Banks' provisions too fell further on lower bad loans risk.

Fig: India Nifty trailing P/E ratio



Source: Motilal Oswal Research

While Indian markets and foreign funds buying have yet again in October 2026 shown a correlation to global selling in AI related stocks, however, unlike during July 2026, crude oil prices have not declined sharply this time, thus likely limiting the positive impact on Indian stocks. We believe oil prices remain key for Indian stocks to perform apart from the ongoing gold-rush called AI trade. Valuations now significantly below their peaks, earnings growth remaining healthy, and macro environment staying strong, we believe risk-reward has enhanced further for Indian equities.

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

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November 04, 2026.



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