

MONTHLY MARKET OUTLOOK:

» India's Economic Snapshot:

India's Growth Momentum Remains Resilient Amid Rising External Risks:

India continues to be the world's fastest-growing major economy, with real GDP expanding **7.8%** in Q1 FY27, supported by resilient domestic consumption, manufacturing, services and a strengthening investment cycle. While growth moderated from 8.6% in Q4 FY26, the latest data reinforces the resilience of India's domestic economy. Gross fixed capital formation rose to 34.3% of GDP, while improving private-sector investment suggests that the capex cycle is becoming increasingly broad-based.

The RBI retained its FY27 GDP growth forecast at **6.7%** and kept the repo rate unchanged at **5.25%**, maintaining a neutral stance. High-frequency indicators also remain encouraging, with August GST collections rising 14.8% YoY to nearly ₹2 lakh crore, alongside strong automobile sales and UPI activity, pointing to sustained consumption and formal economic activity.

India's external sector remained resilient despite global trade and geopolitical uncertainty. July merchandise exports rose 19.6% YoY to US\$44.2 billion, although imports increased to **US\$76.2 billion**, resulting in a **US\$32 billion** trade deficit. Meanwhile, FPI flows turned positive in August at approximately **US\$3.1 billion**, while foreign-exchange reserves reached a record US\$729 billion, providing a strong external liquidity buffer. Inflation remains a key monitor, with July CPI at 4.45% and WPI at 9.78%, reflecting persistent food, energy and commodity pressures. Elevated crude prices and geopolitical tensions remain risks to inflation, margins and the rupee.

Overall, strong domestic demand, improving private capex, resilient corporate earnings and robust external reserves continue to support India's medium-term growth outlook. However, US tariffs, elevated oil prices, geopolitical uncertainty and relatively high valuations warrant a more selective, earnings-focused investment approach.

► India's Industrial Momentum Strengthens: Manufacturing Leads the FY27 Growth Cycle:

Foreign Portfolio Investors (FPIs) returned strongly to Indian equities in August, investing approximately **\$3.1 billion**, marking their strongest monthly inflow in nearly two years. The reversal is particularly notable after sustained FPI selling earlier in 2026, which had weighed on market sentiment and liquidity. The renewed buying was supported by a combination of better-than-expected corporate earnings, improving global risk appetite and attractive long-term domestic growth prospects. RBI measures aimed at supporting the rupee also helped improve currency stability, while some global investors appeared to rotate capital away from expensive, AI-led segments of developed markets toward relatively attractive emerging-market opportunities. However, the August inflow should not yet be viewed as a complete reversal in foreign investor sentiment. FPIs had still withdrawn approximately \$24.6 billion from Indian equities during 2026 through this period, meaning the cumulative position remains significantly negative. Overall, the August turnaround is an encouraging signal for Indian equities, but sustained inflows over the coming months will be crucial to confirm whether this represents a structural shift or merely a tactical rebound in foreign investor positioning.

► Strong Gold Demand Highlights Rising Preference for Safe-Haven Assets:

India's gold imports rose **4.8% YoY** to **US\$4.2 billion** in July 2026, despite the import-duty hikes introduced in May. The resilience in gold demand highlights continued investor and consumer preference for gold, particularly amid elevated global uncertainty, currency volatility and strong international gold prices.

In contrast, silver imports declined sharply by 66.1% YoY to US\$171.7 million, indicating a significant moderation in silver demand during the month. The sharp divergence between gold and silver imports suggests that Indian precious-metal demand is increasingly tilted toward gold, which continues to be viewed as a store of value and a hedge against economic and geopolitical uncertainty.

From a macro perspective, strong gold imports add to India's overall merchandise import bill and can contribute to pressure on the trade balance and current account, particularly when crude oil and other commodity imports are also elevated. However, India's strong services exports, remittances and substantial foreign-exchange reserves provide an important cushion.

» Corporate Earnings Resilience Strengthens the Equity Market Outlook:

Despite the oil shock, geopolitical uncertainty and elevated global volatility, Nifty 50 companies delivered approximately 11% YoY net-profit growth in the April-June 2026 quarter, around **3.5%** ahead of market expectations. The earnings performance provides an important fundamental cushion for Indian equities and suggests that corporate profitability remains relatively resilient despite a challenging external environment.

Growth was particularly strong across autos, financials, consumer-facing businesses and select industrial companies, reflecting healthy domestic demand and continued investment activity. This broad-based earnings performance is encouraging because it indicates that profit growth is not being driven solely by a handful of sectors.

Looking ahead, full-year FY27 earnings growth expectations remain around **18%**, implying that analysts continue to anticipate a meaningful acceleration in corporate profitability. If this earnings trajectory materialises, it could provide fundamental support to current market valuations.

For investors, the key takeaway is that earnings growth remains the most important long-term driver of equity returns. While valuation and global liquidity can influence markets in the short term, sustained profit growth ultimately provides the foundation for higher equity valuations and supports the broader bullish case for Indian equities.

» Private Capex Revival Signals a Broadening Investment Cycle:

Fresh capital expenditure announcements surged **27.7% YoY** to **₹14.8 trillion** in Q1 FY27, signalling a strong improvement in India's investment pipeline. More importantly, new private-sector capex announcements jumped over 72% YoY to ₹13.3 trillion, highlighting a meaningful revival in corporate investment intentions.

The sharp rise in private-sector announcements is particularly encouraging as it suggests that India's investment cycle is gradually broadening beyond government-led infrastructure spending. Improving capacity utilisation, healthy corporate balance sheets, resilient domestic demand and supportive government policies are creating greater confidence for companies to commit to new capacity.

The acceleration in private capex could have a multiplier effect across the economy, benefiting capital goods, engineering, construction, power, industrials, metals and financial services through higher credit demand and order flows.

➤ **GST Collections Signal Sustained Strength in India's Formal Economy:**

India's gross GST collections rose 14.8% YoY to **₹1.998 lakh** crore in August 2026, marking the third consecutive month of double-digit growth. The strength was supported by both domestic activity and imports, with domestic GST collections increasing around 9.3%, while import-related GST collections surged 29%.

The sustained growth in GST receipts provides a useful high-frequency indicator of healthy formal economic activity, consumption and improving tax compliance. Combined with strong industrial production and power demand, the data reinforces the view that India's domestic growth engine remains resilient despite global uncertainties. However, there is an important nuance. Net GST revenue growth was considerably lower at 8.3%, as GST refunds increased significantly during the month. This means the headline 14.8% growth rate somewhat overstates the underlying improvement in revenue available to the government. Nevertheless, three consecutive months of double-digit gross GST growth remain encouraging. Sustained domestic collections, rather than import-led growth alone, will be the key indicator to watch for the durability of India's consumption and formalisation cycle.

➤ **Gem & Jewellery Exports Remain Resilient Amid Cost Pressures:**

India's gem and jewellery exports rose marginally by 0.4% YoY to US\$2.4 billion in July 2026, indicating broadly stable external demand despite elevated global economic uncertainty and high precious-metal prices.

The modest growth reflects a mixed environment for the sector. While global demand remains relatively resilient, higher gold prices and elevated input costs continue to put pressure on jewellery volumes and margins. Exporters are also navigating uncertainty around global trade conditions, particularly in major markets such as the US.

For India, the sector remains strategically important given its contribution to merchandise exports and employment, particularly across the Surat and Mumbai jewellery clusters.

► Foreign Investors Return as Market Sentiment Improves:

Foreign Portfolio Investors (FPIs) strengthened their participation in Indian equities in August 2026, extending the positive trend that began in July after four consecutive months of net selling. FPIs invested approximately **\$3.1 billion (₹29,600 crore)** during August, marking their strongest monthly inflow in nearly two years. The turnaround represents a meaningful improvement in foreign investor sentiment toward Indian equities.

The renewed buying was supported by better-than-expected corporate earnings, resilient domestic growth, improving global risk appetite and greater currency stability. Strong GST collections and industrial activity also reinforced confidence in India's domestic growth story. More attractive valuations following earlier market weakness and some portfolio rotation away from expensive global technology and AI-linked segments provided additional support. However, the August inflow should not yet be viewed as a complete reversal. Despite the recent buying, FPIs had still withdrawn approximately **\$24.6 billion** from Indian equities during 2026 through this period, leaving cumulative flows significantly negative.

Going forward, the sustainability of FPI inflows will depend on global interest rates, crude oil prices, corporate earnings, rupee stability and relative valuations. Nevertheless, two consecutive months of foreign buying, combined with strong domestic institutional participation, provide a more supportive liquidity backdrop for Indian equities and could help sustain market momentum if earnings growth remains strong.

► Rising Crude Prices Emerge as a Key Macro and Earnings Risk:

India's crude oil import bill rose **41% YoY** to **US\$13.7 billion** in July 2026, driven by a sharp increase in the average price of India's crude basket to around **US\$82/bbl**, compared with **US\$71/bbl** a year earlier. The pressure has intensified further, with the Indian crude basket reaching US\$101.1/bbl by September 4, highlighting the growing impact of elevated global oil prices.

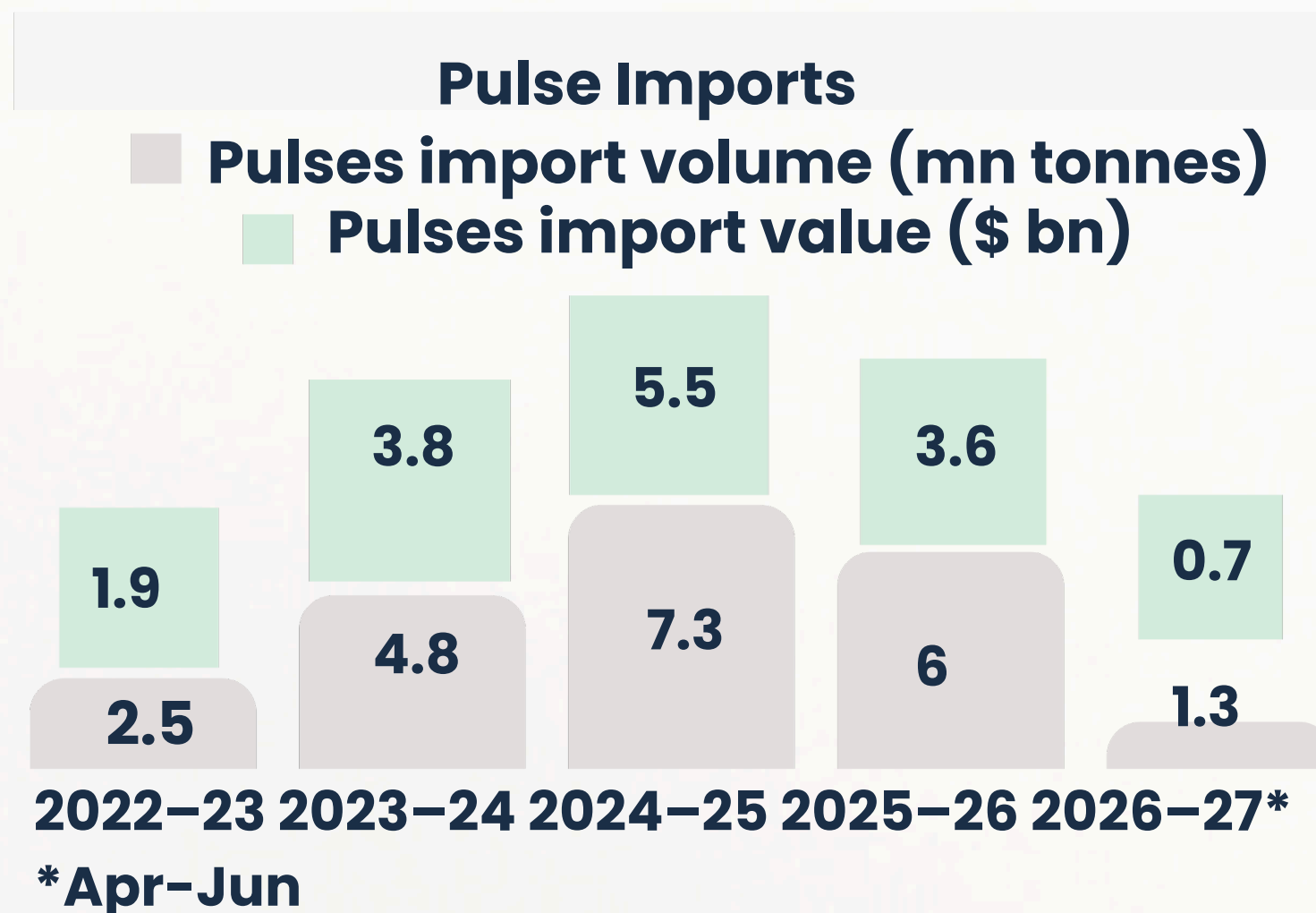
Higher crude prices are a key risk for India given its significant dependence on imported energy. A sustained rise in oil prices could widen the trade and current account deficits, increase imported inflation and put pressure on the rupee. It may also limit the RBI's room for further monetary easing. The impact is likely to be uneven across sectors. Airlines, paints, chemicals, tyres, logistics and other energy-intensive industries could face margin pressure, while upstream oil & gas producers may benefit from higher realisations.

► The Power Pulse: A High-Frequency Signal of Growth:

India's power generation recorded a strong **10.4%** YoY increase in July 2026, extending the robust growth seen across the electricity sector. Cumulative power generation during April-July FY27 rose **9%** YoY, indicating sustained growth in electricity demand as industrial, commercial and infrastructure activity remained firm. The July increase was supported by both thermal generation and renewable energy, highlighting the broad-based nature of the expansion. Stronger electricity consumption is an important high-frequency indicator of economic activity, particularly when viewed alongside 7.3% IIP growth in June and robust GST collections in July. The acceleration also underscores the continued need for investments in generation capacity, transmission infrastructure and grid modernization, particularly as India's manufacturing and electrification requirements expand. While higher thermal generation reflects strong underlying demand, the increasing contribution from renewables remains encouraging from a long-term energy-transition perspective.

Overall, robust power generation growth reinforces the view that India's domestic economic activity remains resilient entering FY27, despite external uncertainties and elevated commodity prices.

Up 22% YoY in value terms to \$0.7 bn



CAPEX UPDATE

► Public Spending Surge: Centre's Aggressive Capex Fuels Economic Growth:

- 396 projects worth **₹18.7** tn recommended for approval under PM Gati Shakti initiative.
- Rail Ministry prepares pipeline of 54 projects worth **₹1.8 tn** under PPP model.
- Govt approves 5 railway & highway projects worth **₹130.4 bn**.
- Govt approves 31 proposals worth **₹78.8** bn under Electronics Component Mfg scheme.
- PNGRB approves **1800 km** LPG pipeline projects worth ₹70 bn .
- Govt rolls out scheme to promote adding PNG connections, CGD cos to receive 200 SCM of low cost APM gas for incremental billed connection over threshold

► Private Capex in Focus: A Tale of Caution and Strategic Investment:

- Hero MotoCorp approves investment of **₹17.6 bn** to raise stake in Ather Energy to 32.8% from 29.9%
- Tata Motors PV & Hyundai raise prices across portfolios w.e.f. Sep'26; Escorts Kubota hikes tractor prices across all brands in Aug'26.
- L&T Finance plans to open **500** gold loan branches in FY27, increasing its network from 330 branches as of FY26.
- **HAL** ties up with Adani Defence & BEML for production of Light Combat Helicopter fuselages.
- CESC's unit to acquire **1.4 GWp** operating solar portfolio from Renew for **₹48.6 bn** .
- Wipro Consumer Care acquires 60% of Dermatouch for EV of **₹3.9 bn**.
- Manipal Health will acq Kinder Women's Hospitals ops and assets for **₹1.3 bn**.

GLOBAL MARKET OUTLOOK:

» U.S. Economy: Inflation Cools, but Trade Risks Intensify:

The U.S. economy remained resilient through August 2026, supported by steady consumer activity and continued economic expansion. However, the outlook has become more complex as inflation remains above target, borrowing costs stay elevated and trade tensions increasingly weigh on growth prospects. The economy continues to move toward a soft landing, although the path is becoming more uncertain.

The latest inflation data offered some relief. Headline CPI eased to 3.4% YoY in July 2026, with prices rising just **0.1% MoM**, while core CPI moderated to **2.5%**. The moderation indicates that underlying price pressures are gradually cooling, although inflation remains above the Federal Reserve's **2%** target. This limits the scope for aggressive monetary easing, particularly as tariffs could generate renewed cost pressures.

The Federal Reserve maintained its policy rate at **3.50%–3.75%** in July and adopted a more clearly meeting-by-meeting, data-dependent approach. The decision also highlighted divisions within the FOMC, with three members favouring a **25 bps** rate hike, reflecting concerns over persistent inflation. Meanwhile, the 30-year U.S. Treasury yield remained above **5.2%**, its highest level since 2007. Elevated long-term yields continue to increase financing costs for households and businesses while potentially placing pressure on equity valuations.

Trade policy became a major source of uncertainty during August. The U.S. was reportedly preparing a **7.5%** “overcapacity” tariff on Chinese imports, potentially taking effective duties to around 20%, ahead of a possible late-September Trump-Xi meeting. Meanwhile, Canada announced retaliatory tariffs on **CA\$27.6 billion** of U.S. goods, highlighting the widening impact of trade tensions.

Overall, the U.S. outlook remains fundamentally resilient but increasingly policy-sensitive. Cooling inflation and stable activity are positive, but elevated bond yields, protectionism and geopolitical risks could keep financial conditions restrictive. For global markets, the trajectory of U.S. inflation, Fed policy, Treasury yields and trade negotiations will remain critical for liquidity, capital flows and emerging-market valuations.

► Eurozone: Growth Holds Up, but Inflation Rebounds:

The Eurozone economy grew **0.6%** QoQ in Q2 2026, marking its strongest quarterly expansion since Q1 2025, led by robust growth in Spain. However, the recovery faces renewed inflationary pressures. While the ECB's consumer survey showed 1-year inflation expectations easing to **2.9%** and 3-year expectations to **2.7%** in July, actual inflation moved sharply higher in August.

Eurozone inflation jumped to **3.3%** in August from **2.9%** in July, reaching its highest level since September 2023. The renewed acceleration complicates the ECB's policy outlook, particularly as stronger economic activity reduces the urgency for aggressive monetary easing while elevated inflation limits room for rate cuts.

Overall, the Eurozone enters the second half of 2026 with better growth momentum but renewed inflation risks. The divergence between improving activity and rising prices could keep the ECB cautious, while persistent energy and geopolitical uncertainties remain key risks to the recovery.

► China: Growth Slows as Domestic Weakness Deepens

China's economic momentum is weakening, with Q2 2026 GDP growth slowing to **4.3%** YoY, from **5.0%** in Q1 and below the government's **4.5–5.0%** full-year target. July data pointed to continued softness in domestic demand. Industrial output grew **4.5% YoY**, while retail sales increased only **0.6%** and fixed-asset investment declined 6.7% YTD. Urban unemployment also rose to **5.2%**, indicating a less supportive labour-market backdrop.

The property sector remains a major drag, with new home prices falling 3.2% YoY in July, weighing on construction activity, household wealth and consumer confidence. Manufacturing conditions also deteriorated, with the August PMI at 49.8, marking a second consecutive month of contraction. The PBOC kept the 1-year and 5-year LPRs unchanged at 3.0% and 3.5%, respectively, for the 15th consecutive month, suggesting limited monetary easing so far. In contrast, external demand remains strong, with August exports surging 25% YoY, generating a \$119 billion trade surplus.

Overall, China's outlook remains challenging, with weak domestic demand and property-sector stress offsetting robust exports. Stronger policy support and consumption-led growth will be critical to stabilise the economy.

INDIA'S ECONOMIC DATA

Economic Indicator	Jul'26+	Jun'26	Jul'25
WPI Inflation (%)	9.8	9.7	-0.8
CPI Inflation (%)	4.5	4.4	1.6
Trade Deficit (in bn\$)	32.0	30.4	27.9



Composite PMI remained unchanged at 54.3 as the acceleration in services activity offset the continued slowdown in mfg. Mfg PMI at 52.8 declined for the 3rd consecutive month & is the weakest in 5 yrs

Economic Indicator	Aug'26	Jul'26	Aug'25	MoM	YoY
GST Collection (in ₹tn)	2.0	2.1	1.7	-5.4%	14.8%
AVG USD INR	95.4	95.9	87.5	-0.5%	9%
Forex Reserves (\$ bn)	740.8	692.9	694.2	6.9%	6.7%