4th AUGUST 2026

MONTHLY MARKET UPDATE

July 2026 reaffirmed that markets are being driven by forces extending well beyond corporate earnings and economic data. Geopolitical tensions, evolving trade relationships and policy decisions continued to dictate investor sentiment and asset prices. The month also served as a reminder that the economic consequences of such events rarely materialise immediately. The lag between policy decisions and their broader impact often creates conflicting signals, making it increasingly difficult to distinguish short term market reactions from longer term trends.

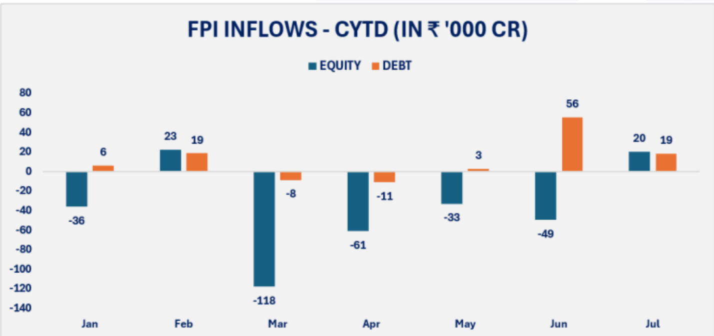
EQUITIES:

INDIA

Nifty 50 TRI gained 2.4% in July 2026, with trailing earnings of 1,173. Nifty Midcap 150 TRI gained 1.7% and Nifty Smallcap 250 TRI gained 1.3% as markets recovered through the month as sentiment steadied following the volatility of the preceding weeks, with buying interest concentrated in the largecap segment, especially heavyweight IT sector and participation in the broader market remaining more measured than in earlier months.

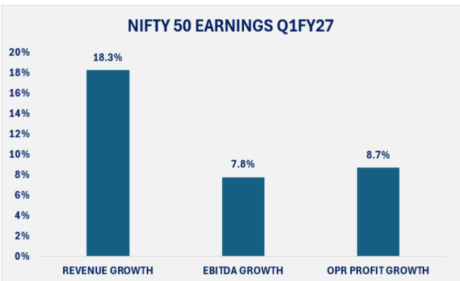
Information Technology	**Consumer Durables**	**Media**	**Auto**	**Realty**
17.1%	10.2%	9.5%	9.0%	9.0%
MidSmall IT & Telecom	**NBFC**	**REITs & Realty**	**Pharma**	**Healthcare**
5.9%	5.8%	5.0%	5.0%	4.0%
Consumer Services	**Retail**	**Cement**	**Oil & Gas**	**Chemicals**
3.0%	2.9%	2.5%	2.0%	1.9%
Metal	**Hospitals**	**FMCG**	**MidSmall Financial Services**	**Financial Services**
1.8%	1.4%	0.9%	0.9%	0.2%
Commercial & Transport Services	**Bank**	**Private Bank**	**PSU Bank**	**Insurance**
-0.4%	-0.5%	-1.4%	-1.5%	-1.6%
Power	**Telecommunications**	**Housing Finance**	**Capital Goods**	**Construction**
-2.2%	-2.5%	-3.3%	-4.0%	-5.9%

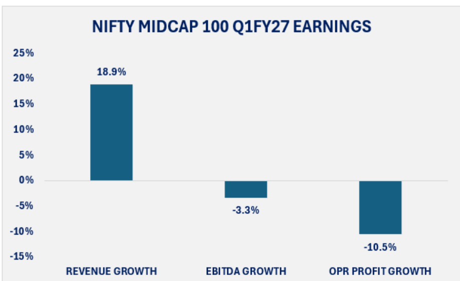
Source: NSE Indices

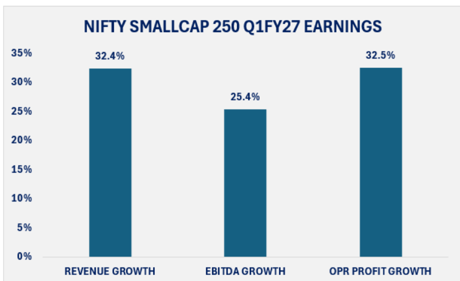


Source: NSDL

Foreign portfolio investors (FPIs) turned net buyers of Indian equity for the first time since February 2026, at ₹20,200 Cr, alongside ₹18,661 Cr into debt. FPIs remained net sellers of ₹2,54,072 Cr of equity in 2026 to date, against net purchases of ₹82,445 crore in debt, with June alone taking ₹55,518 crore of debt inflow under the Fully Accessible Route.







Source: Trendlyne

The table above shows reported year on year growth so far, with 39 of 50 companies having declared results in Nifty 50, 54 of 100 in Nifty Midcap 100 and 125 of 250 in Nifty Smallcap 250.

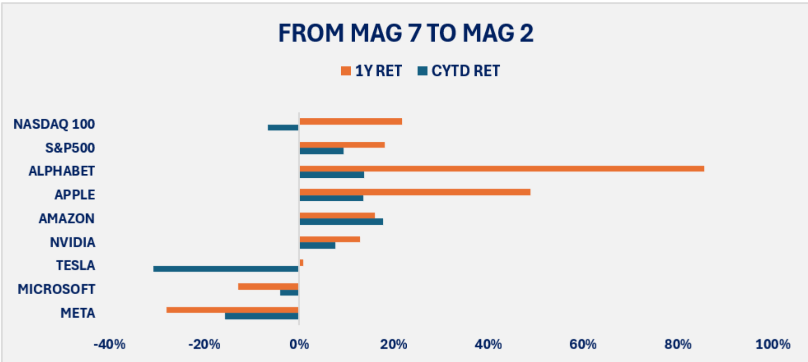
INDICES	CURRENT	10 YR MEDIAN	AVERAGE (SI)	COMMENT
NIFTY 50 (PE)	20.8	23.4	21.0	FAIRLY VALUED
NIFTY 50 (PB)	3.0	3.6	3.6	UNDERVALUED
NIFTY 50 (DIVIDEND YIELD)	1.2	1.3	1.4	OVERVALUED
NIFTY MIDCAP 150 (PE)	30.4	33.7	31.1	FAIRLY VALUED
MIDCAP 150 (PB)	4.7	3.5	3.1	OVERVALUED
MIDCAP 150 (DIVIDEND YIELD)	0.6	0.9	1.2	OVERVALUED
SMALLCAP 100 (PE)	32.2	32.3	43.4	UNDERVALUED
SMALLCAP 100 (PB)	3.5	3.5	3.1	OVERVALUED
SMALLCAP 100 (DIVIDEND YIELD)	0.7	0.8	1.1	OVERVALUED

Source: NSE Indices

As on 31st July 2026, Nifty 50 traded at a PE ratio of 20.8x, below both its 10-year median of 23.4x and its long-term average of 21.0x. Nifty Midcap 150 traded at 30.4x, remaining below its 10-year median of 33.7x and its long-term average of 31.1x.

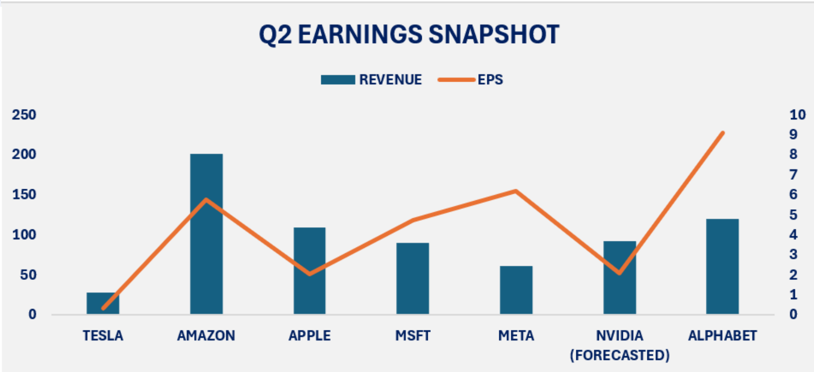
Nifty Smallcap 100 traded at 32.2x, marginally below its 10-year median of 32.3x and significantly below its long-term average of 43.4x.

US: Nasdaq 100 declined 6.6% in July 2026, while S&P 500 fell 0.1% marking its second consecutive monthly decline. Dow Jones Industrial Average gained 0.3%, reflecting a notable divergence in performance across the major US equity indices.



Source: Investing.com

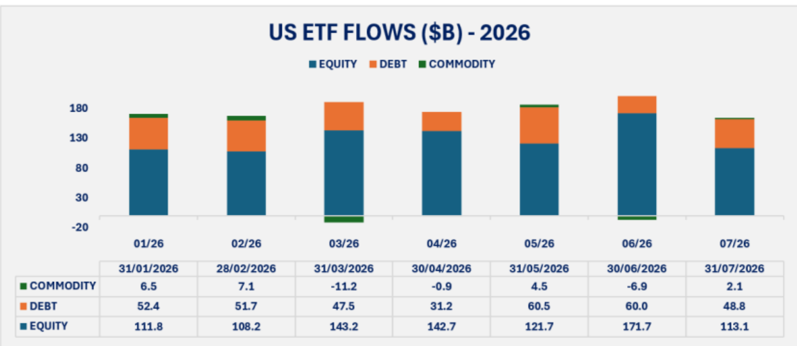
Contrary to popular belief and ever-changing trends, MAG7 is no longer the sole driver amongst the indexes. Over the past year only Alphabet (85.6%) and Apple (48.8%) have delivered outsized returns against S&P 500 at (18.1%) and Nasdaq 100 (21.8%), while Amazon (16.0%), Nvidia (12.9%) and Tesla (1.0%) remained at par or lagged, and Microsoft at (-12.9%) and Meta at (-28.0%) declined outright.



Source: Facset Earnings Insight

Within the largest technology constituents, Alphabet and Amazon reported the largest positive EPS surprises of the quarter at $9.1 and $5.8 on revenues of $119.8 billion and $200.6 billion respectively, though both EPS figures included substantial non-operating gains rather than operating performance. Meta at $6.2 on $60.8 billion, Microsoft at $4.7 on $90.0 billion and Apple at $2.0 on $109.4 billion also beat, while Tesla at $0.3 on $28.2 billion lagged.

61% of S&P 500 companies have reported Q2 2026 results with blended y-o-y earnings growth at 47.4% and revenue growth at 14.1%, both the strongest since 2021. Blended net profit margin stands at 16.7% against 12.9% a year earlier. 10 of 11 sectors reported earnings growth and all 11 reported revenue growth, with only Health Care declining on earnings. Excluding Alphabet and Amazon, whose results included substantial non-operating gains, earnings growth stands at 28.8% and net margin at 14.7%.

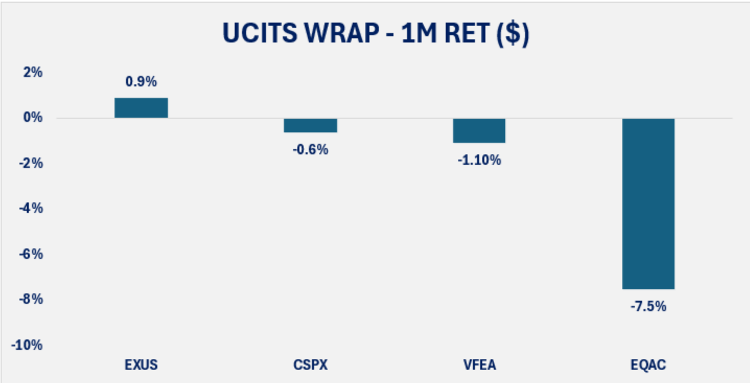


Source: ETF.com

US ETF flows remained solid in July 2026, with combined equity and debt inflows of $162 billion, down 30% from June. Equities recorded $113 billion and debt $49 billion, taking year to date flows to $912 billion in equity and $352 billion in debt, and total flows past $1.26 trillion. Equity flows are on course to cross $1.5 trillion by year end if the average flows pace persists.

GLOBAL

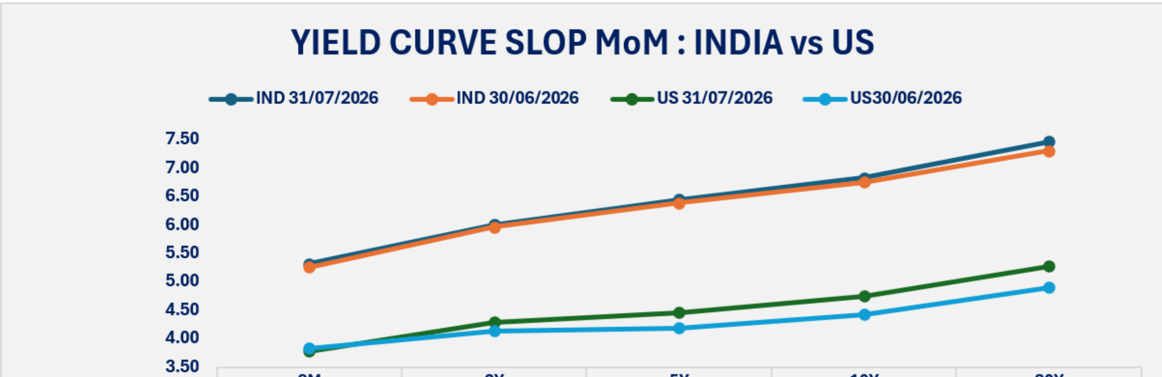
GLOBAL MARKETS - 1M RET ($)		
MSCI CHINA	MSCI BRAZIL	MSCI UNITED KINGDOM
8.6%	6.3%	3.8%
MSCI ITALY	MSCI GERMANY	MSCI FRANCE
2.6%	2.5%	1.2%
MSCI JAPAN	MSCI KOREA	MSCI TAIWAN
-1.0%	-23.7%	-12.2%



Source: Investing.com

Global equity markets delivered a sharply divergent performance in July 2026. MSCI China led at 8.6% followed by MSCI Brazil at 6.3%, while European markets posted more modest gains with the United Kingdom at 3.8%, Italy at 2.6%, Germany at 2.5% and France at 1.2%. North Asia accounted for the month's largest declines, with MSCI Korea falling 23.7% and MSCI Taiwan 12.2%, reversing a substantial portion of the semiconductor driven gains recorded earlier in the year, while MSCI Japan slipped 1.0%. Privus' Global Wrap, covering an estimated 85 to 90% of the global investable universe and constructed using UCITS, recorded a mixed month. EXUS returned 0.9%, while CSPX declined 0.6%, VFEA 1.1% and EQAC 7.5%.

FIXED INCOME:



	3M	2Y	5Y	10Y	30Y
IND 31/07/2026	5.32	6.01	6.45	6.83	7.47
IND 30/06/2026	5.26	5.96	6.39	6.75	7.30
US 31/07/2026	3.78	4.29	4.46	4.75	5.28
US30/06/2026	3.83	4.14	4.19	4.42	4.90

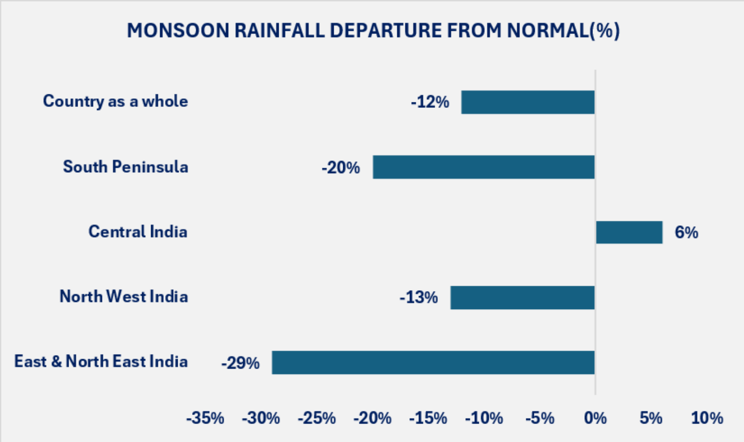
Source: Investing.com

India's curve shifted upward across all tenors, with the long end moving furthest as crude prices rose during the month keeping inflation expectations elevated ahead of the Monetary Policy Committee meeting on 5th August. US curve steepened more sharply, with the 3-month yield easing 5 basis points while the 30 year rose 38 basis points, as the Federal Reserve held rates through the month and pressure built at the longer end of the curve.

CURRENCY, ECONOMIC INDICATORS AND COMMODITIES

USD/INR rose 0.8% to ₹95.4 for the month of July as the FCNR deposits are still managing the volatile fall of rupee. Brent crude gained 23.6% as renewed geopolitical risk premium following escalation between the United States and Iran, with disruption extending beyond the Strait of Hormuz into the Red Sea. The dollar index fell 1.26% over the same period and closed below 100. GST collections reached Rs 2,11,205 crore, 15.1% y-oy growth and unemployment was unchanged at 5.5%. IIP grew 7.3% year all showing signs of strong economy. CPI rose to 4.38% in June from 3.93% in May above the RBI's 4% target. WPI at 9.87% leaves a gap of more than 5 percentage points signaling the energy cost increase has been passed through to producer prices but not to the consumer.

Cumulative rainfall from 1st June to 2nd August stands at 410.1mm against a normal of 463.6mm, a departure of 12%. That falls within the IMD's normal classification, at the weaker end of it, and the national aggregate conceals a regional distribution that matters considerably more. East and Northeast India is 29% below normal and the South Peninsula 20% below, both deficient at regional level. 14 of 36 meteorological subdivisions are in deficit, covering 33% of the country's area



Source:IMD

The surpluses sit elsewhere, supporting cotton, groundnut and pulses but not offsetting the exposure in paddy. Whether the pass through happens depends substantially on food, which carries the largest single weight in the CPI basket.

India's merchandise trade deficit widened to $30.4B in June from $28.2B in May, the widest in last 5 months. Exports grew 15.5% y-o-y year to $40.4B while imports grew 31% to $70.8B, with the Commerce Ministry attributing the surge to crude oil, precious metals and electronic goods. June predates the July crude move almost entirely, so a deficit already at the upper end of its recent range was recorded before the oil price rose.

TOP 10 ECONOMIES	TARGET INFLATION	CURRENT INFLATION	DIFFERENCE
United States	2.0%	3.5%	-1.5%
China	2.0%	1.0%	1.0%
Germany	2.0%	2.8%	-0.8%
Japan	2.0%	1.7%	0.3%
United Kingdom	2.0%	2.6%	-0.6%
India	4.0%	4.4%	-0.4%
France	2.0%	2.1%	-0.1%
Italy	2.0%	2.8%	-0.8%
Russia	4.0%	6.0%	-2.0%
Brazil	3.0%	4.6%	-1.6%

Source: Trading Economics

8 of the 10 largest economies are running above inflation target. United States is furthest adrift at 3.5% against 2%, followed by Russia at 6.0% against 4% and Brazil at 4.6% against 3%. Only China at 1.0% and Japan at 1.7% sit below. United States CPI eased to 3.5% from 4.2% in May.

China manufacturing PMI fell to 49.2 in June from 50.3, moving back into contraction and providing a further headwind to commodity demand and emerging market sentiment.

Gold remained out of favour during the month, with Gold (INR) gaining 1.6% and Gold (USD) gaining 0.9%. The recent correction serves as a reminder of the risks associated with momentum driven investing. An investor who entered Gold (INR) at the start of 2026 would now be sitting on a decline of 0.7%, while a similar investment in Gold (USD) would be down 7%. From its peak at the end of January 2026, Gold (INR) declined 22.6%, while Gold (USD) corrected 25.1%. At Privus, we have consistently advised investors against increasing allocations to gold during the rally. The subsequent correction reinforces the importance of disciplined asset allocation over performance chasing and highlights.

July was a quiet month at the index level, with modest returns across most asset classes and subdued volatility. Earnings are holding up, with US results solid so far, though the full picture will only be clear once the remaining companies report. Domestic economic indicators remain strong, but crude and rainfall together could put pressure on inflation and limit the case for a rate hold/cut, particularly with most major central banks already running above target and expectations shifting towards tightening at both the Federal Reserve and the Reserve Bank of India. For now, the supportive and restrictive forces are evenly matched, and any easing on the macro side could open up considerable room.

CONCLUSION

Nifty 50 Equity Valuation Index (EVI) stands at 40.1, placing the market in the Fair zone. At a PE of 20.8x, marginally below its 25-year average of 21.0x, valuations remain supportive. Based on consensus FY27 earnings growth expectations of 13%, Nifty 50 is currently trading at a forward P/E of 18.4x. A re-rating to its long-term average valuation implies a fair value of approximately 27,850, representing an upside potential of around 14% from current levels, though Q1 FY27 operating profit growth of 8.7% suggests margin recovery is required through the remainder of the year for consensus estimates to hold.

We continue to recommend adding to equities, with a slight overweight towards large cap and midcap segments as supported by favourable valuations and healthy earnings growth. Following a 125-bps rate cut in 2025, we remain at the lower end of the rate cycle and prefer shorter-duration fixed income with maturities of 1 to 2 years.

S&P 500 has delivered its strongest quarter in 5 years, with blended earnings growth of 47.4% and revenue growth of 14.1% for Q2 2026. Analysts have continued to raise estimates throughout the month, lifting the CY2026 bottom-up EPS estimate 3.2% to $351.33, against a typical pattern of downward revision in the first month of a quarter. Against this, the Federal Reserve held the federal funds target range at 3.50% to 3.75% at its July meeting, a third consecutive hold, with headline CPI at 3.5% remaining the widest gap to target among major developed economies. With consensus increasingly positioned for a rate hike later in the year rather than a hold/cut, earnings are being asked to carry the market. With headline CPI at 3.5% and the Fed on hold, the long end offers poor risk reward. We recommend broad based indices over concentrated technology positions, dollar cost averaging over lump sum deployment, and intermediate Treasuries and TIPS or inflation protection while avoiding long duration.

Nifty 50/Gold ratio stands at in the bottom 7 percentile of its 26-year range. This means that one unit of gold currently buys significantly more of Nifty 50 than it has for most of the past 26 years, highlighting gold's rich valuation relative to Indian equities. This persistent trend is reinforced by structural demand from central banks, which purchased 289 tonnes in Q2 2026, up 62 tonnes y-o-y and 231 tonnes over the previous quarter, marking the largest quarterly addition since Q4 2024 and taking year to date purchases to 345 tonnes, led by Poland at 82 tonnes, Uzbekistan at 41 tonnes and China at 40 tonnes. While gold may still hold value as a long-term store of value and portfolio diversifier, the risk-reward has shifted in favour of equities from current levels. We recommend holding existing positions as a portfolio hedge and waiting for a better entry point before adding fresh exposure.

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