LIC MUTUAL FUND

Monthly Market Outlook

August 2026
Equity & Debt Insights

Equity Market Outlook

Look back at the month (July 2026)

- Indian equities extended their upward momentum in July 2026, supported by resilient domestic fundamentals, sustained investor confidence and a relatively supportive global backdrop. The Nifty 50 advanced 2.17%, while the Nifty Midcap 150 and Nifty Smallcap 250 indices gained 1.60% and 1.13%, respectively.
- Market sentiment was supported by encouraging macroeconomic indicators, healthy corporate earnings trends and continued domestic liquidity, helping equities navigate intermittent global uncertainties.
- Domestic economic activity remained resilient, reflected in robust bank credit growth, healthy automobile sales and improving export momentum, while the Q1FY27 earnings season broadly tracked expectations.
- Foreign Institutional Investors (FIIs) turned net buyers during the month, with net inflows of ₹20,200 crore (approximately USD 2.12 billion).

August 2026 Outlook

- Global uncertainty remains elevated amid geopolitical tensions in West Asia, while the International Monetary Fund has revised its 2026 global growth forecast lower, reflecting the impact of the conflict despite support from increasing investments related to artificial intelligence.
- The US Federal Reserve maintained policy rates at 3.50%-3.75% and continued to adopt a cautious approach amid persistent inflationary pressures, keeping market participants focused on incoming macroeconomic data.
- India's growth outlook remains supported by resilient domestic demand, improving rural consumption, robust services exports, continued infrastructure, despite external uncertainties.
- Easing commodity prices, including softer crude oil, aluminium and steel prices, are expected to provide support to India's manufacturing sector, although commodity markets may remain sensitive to geopolitical developments.
- Growth risks remain linked to geopolitical tensions, elevated crude oil prices and slowdowns in key export markets, while strong domestic indicators and ongoing infrastructure development may continue to provide support to economic activity.

Economic Market Outlook

Look back at the month (July 2026)

- CPI inflation for June rose to 4.4%, up from 3.9% in May, driven primarily by higher food inflation, particularly vegetable prices, along with increases in edible oils, fruits, meat and fuel prices. Both rural and urban inflation witnessed an uptick during the month.
- The RBI maintained its policy stance while capital inflow measures, including the FCNR(B) deposit scheme, ECB-related initiatives and tax measures for foreign investments, continued to support external sector stability.
- Banking system liquidity remained temporarily tight due to IPO-related fund outflows. However, overall liquidity conditions are expected to remain comfortable, supported by RBI liquidity management operations.
- Global bond markets witnessed increased volatility following the resurgence of the West Asia conflict. The domestic 10-year G-Sec yield moved above 6.80% after crude oil prices crossed USD 90 per barrel, while the US 10-year Treasury yield traded in the 4.55%-4.65% range.

August 2026 Outlook

- Upside risks to inflation remain elevated, driven by the impact of El Niño on food prices, weaker monsoon conditions, lower kharif sowing and the possibility of renewed crude oil price pressures arising from geopolitical developments.
- Liquidity conditions are expected to remain comfortable, with the RBI likely to continue its fine-tuning operations to ensure adequate liquidity in the financial system.
- Economic activity is expected to remain resilient, aided by healthy consumption trends, improving rural demand and continued infrastructure investments, despite external risks from crude oil volatility and geopolitical developments.
- Measures announced by the RBI and Government are expected to support capital inflows, strengthen the rupee and improve external sector stability, while providing room for a further build-up in forex reserves.

Source: Bloomberg, Ministry of Statistics and Programme Implementation (MOSPI), Reserve Bank of India (RBI), LIC MF Internal Research

Release Date: 12th August 2026

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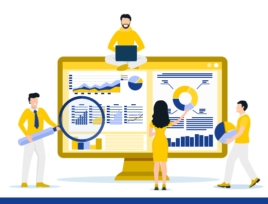

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