

Monthly Market Outlook

July 2026
Equity & Debt Insights



Equity Market Outlook



Look back at the month (June 2026)

- Indian equity markets closed June 2026 on a positive note, navigating intermittent volatility triggered by geopolitical tensions and global uncertainties. The Nifty 50 gained 1.35%, while the Nifty Midcap 150 and Nifty Smallcap 250 indices advanced 0.90% and 4.29%, respectively.
- Market sentiment improved during the latter half of the month as tensions in West Asia eased, reducing concerns around disruptions to global energy supplies and supporting a recovery in global risk appetite.
- Investors remained focused on key domestic developments, including inflation trends, the progress of the southwest monsoon and expectations around the upcoming corporate earnings season.
- Foreign Institutional Investors (FIIs) remained net sellers during the month, with net outflows of ₹49,340 crore.

July 2026 Outlook

- Global uncertainty remains elevated amid ongoing geopolitical tensions in West Asia, with risks from higher energy prices and supply chain disruptions prompting a cautious monetary stance from major central banks, which could keep global market volatility elevated in the near term.
- The US Federal Reserve maintained interest rates at 3.5%-3.75% in June, signalling a cautious approach amid elevated inflation and geopolitical uncertainties, with global monetary policy conditions likely to remain restrictive in the near term.
- India's economic activity continues to exhibit resilience, with manufacturing and services sectors maintaining steady momentum, supported by healthy consumption trends, positive business sentiment and sustained investment activity despite emerging cost pressures.
- The anticipated revival of the southwest monsoon and improving rainfall distribution across key regions are expected to support agricultural activity, rural incomes and consumption demand, providing a favourable tailwind for domestic economic growth in the coming months.



Economic Market Outlook



Look back at the month (June 2026)

- The RBI kept policy rates unchanged in June, while revising growth forecasts downward and inflation projections upward. It also announced additional securities under the Fully Accessible Route (FAR), a Forex swap window for PSU ECBs and incentives for FCNR(B) deposits, alongside government measures to boost FPI participation in G-secs.
- Temporary de-escalation between the U.S. and Iran lead to a softening in crude oil prices. Improved risk sentiment subsequently resulting in a decline in domestic as well as U.S. Treasury yields, alongside easing across other global bond markets.
- The domestic 10-year G-sec yield traded in a 6.80-6.90% range until the announcement of a 60-day peace deal between the U.S. and Iran. Following the announcement, the benchmark yield broke below the 6.80% level, touching around 6.72%. Meanwhile, U.S. 10-year Treasury yields softened and traded below the 4.40% level, after remaining range-bound at 4.45-4.50% earlier in the month.
- Crude oil prices declined below USD 75/bbl, while the INR appreciated to around 94.8 level, supported by measures introduced by the RBI and the Government of India, including steps related to FCNR(B) deposits, ECB norms, and other supportive initiatives.

July 2026 Outlook

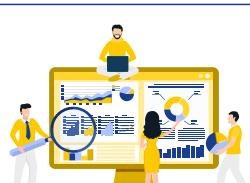
- Upside risks to inflation persist amid lower-than-expected monsoon rainfall, primarily due to El Niño effects which could lead to further increases in food and beverage prices. However, softening crude oil prices may provide the RBI with greater flexibility to remain in a wait-and-watch mode.
- The RBI is expected to stay data-dependent and maintain a pause in its upcoming policy meeting. The RBI's measures aimed at attracting capital flows are likely to support stability in the INR over the coming months.
- Bloomberg's index committee is expected to meet in mid-July to review the potential inclusion of Indian Government Bonds in the Bloomberg Global Aggregate Index. Tax exemptions on interest income and capital gains have been a key consideration in Bloomberg's assessment. A decision on index inclusion is expected soon, with market participants increasingly anticipating a positive outcome from the panel.

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

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