

# Monthly Market Outlook

September 2026  
Equity & Debt Insights



## Equity Market Outlook



### Look back at the month (August 2026)

- Indian equities witnessed mixed performance in August 2026, with broader market segments saw weakness in large-cap stocks. Nifty 50 declined by 1.24%, while Nifty Midcap 150 and Nifty Smallcap 250 indices advanced 1.72% and 2.52%, respectively, supported by sustained domestic investor participation and encouraging earnings trends.
- Market leadership remained concentrated in manufacturing and cyclical sectors. Capital Goods, Metals and Healthcare emerged as the strong performers, reflecting investor preference for infrastructure, industrial and domestic growth themes, while FMCG and Power stocks witnessed profit booking during the month.
- Domestic economic activity remained resilient, supported by healthy vehicle sales, steady credit growth and improving trade activity. The Q1FY27 earnings season remained broadly encouraging, particularly across the mid and small-cap universe, with management commentary indicating sustained business momentum.
- Foreign Institutional Investors (FIIs) remained net buyers during the month, recording net inflows of approximately 29,631 crore (USD 3.10 billion), providing support to market sentiment despite intermittent global volatility.

### September 2026 Outlook

- Global uncertainty continues to remain elevated amid ongoing geopolitical tensions in West Asia, disruptions to trade routes and renewed trade-related concerns following fresh tariff measures by the United States. These developments are expected to keep global growth expectations subdued and market volatility elevated.
- Major central banks continue to adopt a cautious and data-dependent policy approach amid persistent inflationary pressures. Investors are likely to closely monitor inflation readings, growth indicators and policy commentary for signals regarding the future interest rate trajectory.
- India's growth outlook remains supported by robust domestic demand, healthy banking sector balance sheets, improving rural prospects following better monsoon conditions, strong services sector activity and continued government focus on infrastructure and manufacturing. Real GDP growth remained strong at 7.8% in Q1FY27.
- Progress in India's energy transition, including non-fossil fuel capacity exceeding 300 GW, along with policy support for domestic manufacturing and infrastructure development, is expected to support medium-term economic growth and investment activity.
- Near-term risks remain linked to geopolitical developments, crude oil price volatility and slowing economic activity in key export markets. However, resilient domestic indicators, improving rural incomes and ongoing infrastructure investments continue to provide support to economic activity and corporate earnings



## Economic Market Outlook



### Look back at the month (August 2026)

- The RBI unanimously maintained the policy repo rate and policy stance during its August 2026 MPC meeting. While the policy decision reflected a pause, the RBI lowered its FY27 inflation forecast to 5.0% and marginally increased its GDP growth forecast to 6.7%, reflecting confidence in domestic growth conditions.
- Headline CPI inflation rose marginally to 4.45% year-on-year in July 2026 from 4.38% in June, driven largely by higher food and fuel inflation. Core inflation remained broadly stable, indicating relatively contained underlying price pressures.
- Banking system liquidity remained in significant surplus, reaching nearly 7.5 trillion by the end of August, supported by RBI foreign exchange swap operations, government spending and CRR-related factors. The RBI continued conducting Variable Rate Reverse Repo (VRRR) auctions to absorb excess liquidity.
- India's external sector received strong support from FCNR(B), ECB and OFCB-related inflows, with total inflows reaching approximately USD 136 billion (as of 31<sup>st</sup> August 2026). These inflows provide a meaningful cushion to the balance of payments and supported overall external sector stability.
- Bond markets remained volatile during the month. The domestic 10-year Government Security yield traded largely within the 6.80%-7.05% range, while the US 10-year Treasury yield moved within the 4.60%-4.80% range amid evolving inflation expectations, crude oil price movements and central bank commentary.

### September 2026 Outlook

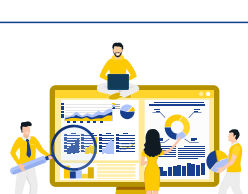
- Inflation risks remain tilted to the upside due to geopolitical uncertainties, volatile crude oil prices and the potential impact of El Niño-related weather conditions on agricultural output and food prices. Food inflation trends are likely to remain a key area of focus.
- The RBI is expected to maintain a cautious and data-dependent policy stance, with future policy decisions guided by incoming inflation and growth data. The central bank is likely to seek greater clarity regarding the inflation trajectory before undertaking any significant policy action.
- Liquidity conditions are expected to remain comfortable, although the RBI may introduce additional measures to absorb excess system liquidity and maintain orderly monetary conditions.
- Domestic bond yields are likely to remain influenced by crude oil prices, global monetary policy signals, evolving inflation expectations and liquidity management measures undertaken by the RBI.
- Globally, financial markets are expected to remain sensitive to economic data releases, inflation trends and central bank communication, while geopolitical developments and commodity price movements continue to influence investor sentiment across asset classes.

Source: Bloomberg, Ministry of Statistics and Programme Implementation (MOSPI), Reserve Bank of India (RBI), NSDL, PIB, Nifty Indices, LIC MF Internal Research; FCNR (B): Foreign Currency Non-Resident (Bank), OFCB: Overseas Foreign Currency Borrowing, ECB: External Commercial Borrowing

Release Date: 16<sup>th</sup> September 2026



Visit our Website



Download the Factsheet



Download LIC MF APP

**Disclaimer:** The views expressed herein are based on internal data, publicly available information and other sources believed to be reliable. Any calculations made are approximations, meant as guidelines only, which you must confirm before relying on them. The recipients before acting on any information herein should make his/her/their own investigation and seek appropriate professional advice and shall alone be fully responsible / liable for any decision taken on the basis of information contained herein.

SEBI Reg: LIC Mutual Fund | Reg No: MF/012/94/5

[f/LICMutual](#) [X/LICMutual](#) [in/company/LICMutual](#) [@/LICMutualFund](#) [www.licmf.com](#)

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.