Market sentiment was positive in July 2026. The frontline indices (Sensex and Nifty) closed above the important sentiment levels. The Sensex gained 2% (month-on-month) to close above the sentimental level of 78,000 points. The Nifty gained 2% in July to close above 24,000 points. After underperforming for the last few months, large caps outperformed midcaps and small caps. FIIs turned net buyers after 3 consecutive months of sell-off. FIIs made a net purchase of Rs 20,000 crores in July. Mutual funds continue to support Indian equities with net purchases of nearly Rs 18,500 crores. Most industry sectors were in the green in July 2026. IT, Consumer Durables, Realty, Automobiles and Healthcare outperformed the broad market index in July. Infrastructure, Power, Capital Goods, Telecom and Banks underperformed in July.

Though the Indian market made good gains in July, the global market sentiment was weak. US 10-year Treasury Bond yields surged as crude prices rose after the ceasefire between the US and Iran broke down. Attacks on tankers in the Strait of Hormuz have led to the virtual closure of one of the busiest shipping lanes for oil and gas supplies. US market was weak, with Dow Jones and S&P 500 remaining flat. Tech stocks crashed as chip stocks tumbled due to concerns about AI spending versus short-term revenues and intensifying competition from China. NASDAQ was down 7% in July. Among other developed markets, FTSE (UK), DAX (Germany) and CAC (France) rose in July, while Nikkei (Japan) ended in the red. Emerging markets underperformed versus developed markets. Shanghai Composite (China) was down 6.4%. India outperformed in the emerging market basket.

The 10-year G-Sec firmed up by 8 bps. Yields remained flat across the curve as the 364 Day T-Bill yield firmed by 9 bps. The INR weakened further against the US Dollar. Gold prices firmed up by 1% in July, but silver prices declined by 3%. Rising US Treasury bond yields may be a headwind for precious metal prices. Brent crude prices rose as the conflict escalated and then cooled down as the US paused strikes on Iran.

Market trend indicates bullishness in the market. However, a dynamic geopolitical situation, weakening INR, and other risk factors can bring volatility back into the market. Investors should remain disciplined and not react to short-term movements. Valuations seem reasonable at the broad market level as Nifty 50 Q1 earnings growth beat Street estimates. Valuations have moderated considerably for large-cap and mid-cap despite market recovery. Now the focus will be on the broader market earnings story.

The long-term India Growth story is intact despite short-term underperformance. India’s consumption oriented economic, rising per capita, and favourable demographics make India’s economy even better in a dynamic geopolitical climate. In the long term, Indian companies are likely to benefit from the structural reforms made by the Government, e.g., Atmanirbhar Bharat, Make in India, Digital India, Atal Innovation Mission, Defence sector reforms, labour law reforms, etc. Investors should continue to invest through SIP and have a long investment horizon.

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