May Market Pulse: Investment Insights

May 2026: FPIs Remain Equity Sellers, Debt Flows Turn Positive; DIIs & MFs Provide Strong Market Support

❖ FPIs Extend Equity Selling for Third Straight Month; Debt Flows Turn Positive in May

- ➢ FPIs continued to sell Indian equities in **May 2026**, marking the **third consecutive month of net equity outflows**. During the month, FPIs recorded net equity selling of **₹32,963 Cr**, largely driven by heavy secondary market selling of **₹36,122 Cr**, while primary market/IPO investments of **₹3,158 Cr** partly cushioned the overall outflows. However, the intensity of selling eased meaningfully in the second half, with outflows reducing from **₹27,048 Cr** during **1st–15th May** to **₹5,915 Cr** during **16th–31st May**.
- ➢ In contrast, FPIs turned positive in the debt segment, recording net inflows of **₹2,757 Cr** in May. Debt flows remained positive in both halves of the month, supported by inflows of **₹2,429 Cr** in the first half and **₹328 Cr** in the second half, indicating some revival of foreign interest in Indian debt despite continued pressure in equities.
- ➢ For **CY2026 so far**, FPIs have sold **₹2,24,932 Cr** in equities, while investing **₹8,266 Cr** in debt. This indicates that foreign investors continue to remain underweight on Indian equities, even as debt flows have stayed positive on a year-to-date basis.

❖ DII Flows: Domestic Institutions Provide Strong Buying Support in May

- ➢ **Domestic Institutions Strengthen Buying Support in May:** Domestic institutions remained strong net buyers in **May 2026**, with net equity inflows of **₹82,669 Cr** during the month. Unlike April, DII buying strengthened further in the second half, with inflows rising from **₹39,917 Cr during 1st–15th May** to **₹42,752 Cr during 16th–31st May**. This sustained domestic participation provided strong support to Indian equities and helped absorb continued FPI selling pressure during the month.
- ➢ **CY2026 Reflects Strong Domestic Anchor Role:** For **CY2026 so far**, DIIs have infused **₹3,84,337 Cr** into equities, reinforcing their role as the market's key stabilising force. Their consistent buying continues to support market liquidity, cushion volatility and offset the impact of persistent foreign outflows from Indian equities.

❖ Mutual Fund Flows: Equity Buying Strengthens in May

- ➢ **Equity Buying Accelerates in May:** Mutual Funds remained strong net buyers in equities in **May 2026**, investing **₹63,087 Cr** during the month. Buying remained steady across both halves, with **₹33,191 Cr** invested during **1st–15th May** and **₹29,896 Cr** during **16th–31st May**, indicating continued support from domestic fund managers despite persistent FPI equity selling.

- ➢ **CY2026 Equity Buying Remains Strong:** For **CY2026 so far**, Mutual Funds have infused **₹2,46,204 Cr** into equities, reinforcing strong domestic support for Indian markets.

Monthly Investment Insights

Tracking Flows by Market Participants

Market Participants	For the month of May						CY2026 YTD	
	Equity (Crs)			Debt (Crs)			Equity (Crs)	Debt (Crs)
	1st - 15th	16th - 31st	Total	1st - 15th	16th - 31st	Total		
FPI	(27,048)	(5,915)	(32,963)	2,429	328	2,757	(224,932)	8,266
DII	39,917	42,752	82,669	-	-	-	384,337	-
*Mutual Funds	33,191	29,896	63,087	(34,972)	(38,423)	(73,395)	246,204	(388,788)

*DII investments include MFs Investments. Source: NSDL, SEBI, NSE

Mapping FPI Investments: Sector-wise Insights in Indian Equities

- **May 2026 Sectoral Rotation: Financials & Oil & Gas Face Heavy FPI Selling; Services and Metals & Mining See Selective Buying**

  - **Financial Services Leads the Selloff; Oil & Gas and FMCG Also Remain Under Pressure:** On the selling side, **Financial Services** remained the biggest drag by a wide margin, witnessing outflows of **₹23,141 Cr** in May 2026. Selling was heavily front-loaded, with FPIs selling **₹17,960 Cr** during **1st–15th May**, while outflows moderated to **₹5,181 Cr** during **16th–31st May**, indicating some easing in pressure during the second half.
  - **Oil & Gas** saw the second-highest selling at **₹8,978 Cr**, followed by **FMCG at ₹3,561 Cr** and **Automobile at ₹2,532 Cr**. Among other sectors, **Consumer Services ₹1,995 Cr**, **Information Technology ₹1,911 Cr**, **Construction Materials ₹1,641 Cr** and **Consumer Durables ₹1,449 Cr** also witnessed outflows, indicating broad-based FPI caution across both cyclical and defensive sectors.

- **FPIs Stay Selective in May; Services and Metals & Mining Lead Buying Momentum**

  - **Services and Metals & Mining Emerge as Key Buying Pockets:** FPI buying in May 2026 remained selective, with **Services** leading inflows at **₹7,204 Cr**, largely driven by strong buying of **₹7,019 Cr** in the first half of the month. **Metals & Mining** followed closely with inflows of **₹6,697 Cr**, with buying strengthening sharply in the second half at **₹4,999 Cr**, indicating renewed interest in the sector. **Capital Goods** also remained a preferred sector, attracting inflows of **₹2,799 Cr**, mainly supported by buying of **₹2,645 Cr** in the first half. **Healthcare** saw marginal inflows of **₹183 Cr**, as second-half buying of **₹601 Cr** offset first-half selling of **₹418 Cr**.

Sector-Wise FPI Equity Purchases: May, 2026 (Amount in Crs)				Sector-Wise FPI Equity Sales: May, 2026 (Amount in Crs)			
Sector	1st - 15th	16th - 31st	Total	Sector	1st - 15th	16th - 31st	Total
Services	7,019	185	7,204	Financial Services	(17,960)	(5,181)	(23,141)
Metals & Mining	1,698	4,999	6,697	Oil & Gas	(6,885)	(2,093)	(8,978)
Capital Goods	2,645	154	2,799	FMCG	(1,625)	(1,936)	(3,561)
Healthcare	(418)	601	183	Automobile	(357)	(2,175)	(2,532)
Diversified	33	(14)	19	Consumer Services	(365)	(1,630)	(1,995)
				Information Technology	(1,643)	(268)	(1,911)
				Construction Materials	(1,207)	(434)	(1,641)
				Consumer Durables	(1,162)	(287)	(1,449)

Sector-Wise FPI Equity Purchases in Jan-May, 2026		Sector-Wise FPI Equity Sales in Jan-May, 2026	
Sector	Amount (Crs)	Sector	Amount (Crs)
Capital Goods	25,182	Financial Services	(114,826)
Metals & Mining	21,914	Information Technology	(26,781)
Power	7,285	FMCG	(21,633)
Services	3,196	Consumer Services	(21,591)
Forest Materials	37	Automobile	(20,517)
		Healthcare	(17,872)
		Telecommunication	(17,076)
		Oil & Gas	(15,369)

Jan–May 2026 Snapshot: Where FPIs Placed Their Biggest Bets

FPI Sectoral Positioning (Jan–May 2026): Capital Goods & Metals Lead Buying; Financial Services Faces Deepest Selling

- **Financial Services Sees the Sharpest FPI Outflows in CY2026 So Far:** On the selling side, **Financial Services** remained the biggest drag on FPI allocations, witnessing the steepest outflows of **₹1,14,826 Cr** in **Jan–May 2026**. This was followed by heavy selling in **Information Technology at ₹26,781 Cr**, **FMCG at ₹21,633 Cr**, **Consumer Services at ₹21,591 Cr** and **Automobile at ₹20,517 Cr**. Among other sectors, **Healthcare saw outflows of ₹17,872 Cr**, followed by **Telecommunication at ₹17,076 Cr** and **Oil & Gas at ₹15,369 Cr**, indicating continued FPI pressure across financials, technology, consumer-facing, healthcare and energy-related sectors.

- **Capex and Cyclical Themes Continue to Lead FPI Buying in Jan–May 2026:** FPIs remained selectively positive on **capex-led, industrial and commodity-linked sectors** during **Jan–May 2026**, indicating continued preference for themes linked to **domestic infrastructure, manufacturing activity and cyclical recovery**. **Capital Goods** emerged as the top bought sector with net inflows of **₹25,182 Cr**, reflecting strong foreign interest in India's capex and infrastructure growth story. This was followed by **Metals & Mining**, which attracted inflows of **₹21,914 Cr**, supported by investor preference for commodity-linked and cyclical plays. **Power** also remained in the positive zone with inflows of **₹7,285 Cr**, while **Services** saw buying of **₹3,196 Cr**. **Forest Materials** recorded marginal inflows of **₹37 Cr**.

- **Capex Preferred, Financials & Consumers Trimmed:** FPIs in CY2026 continued to stay selective, favouring **Capital Goods, Metals & Mining and Power**, while sharply trimming exposure to **Financial Services, IT and consumer-facing sectors**.

Indian Benchmark Indices: Tracking Performance

Absolute Returns: A Snapshot of Index Performance (%)

Benchmark	May	CY2026 YTD
Sensex	(2.78)	(12.26)
Nifty 50	(1.87)	(9.88)
Nifty Midcap 150	2.60	1.32
Nifty Smallcap 250	1.56	1.84

- **May 2026: Large-Caps Slip While Broader Markets Stay Resilient**
  - Indian equities witnessed a mixed trend in **May 2026**, with large-cap benchmarks ending in the red while broader markets remained positive. The **Sensex declined 2.78%**, while the **Nifty 50 fell 1.87%**, indicating pressure in frontline stocks. In contrast, the broader market showed resilience, with the **Nifty Midcap 150 gaining 2.60%** and the **Nifty Smallcap 250 rising 1.56%** during the month. This trend suggests that investor interest remained stronger in midcap and smallcap stocks despite weakness in large-cap indices.
  - On a **CY2026 YTD** basis, large-cap indices continued to remain under pressure, with the **Sensex down 12.26%** and the **Nifty 50 lower by 9.88%**. However, broader indices stayed positive, with the **Nifty Midcap 150 up 1.32%** and the **Nifty Smallcap 250 gaining 1.84%**. Overall, May highlighted a clear divergence in market performance, where **large-caps remained weak**, while **midcap and smallcap indices continued to show relative strength**.

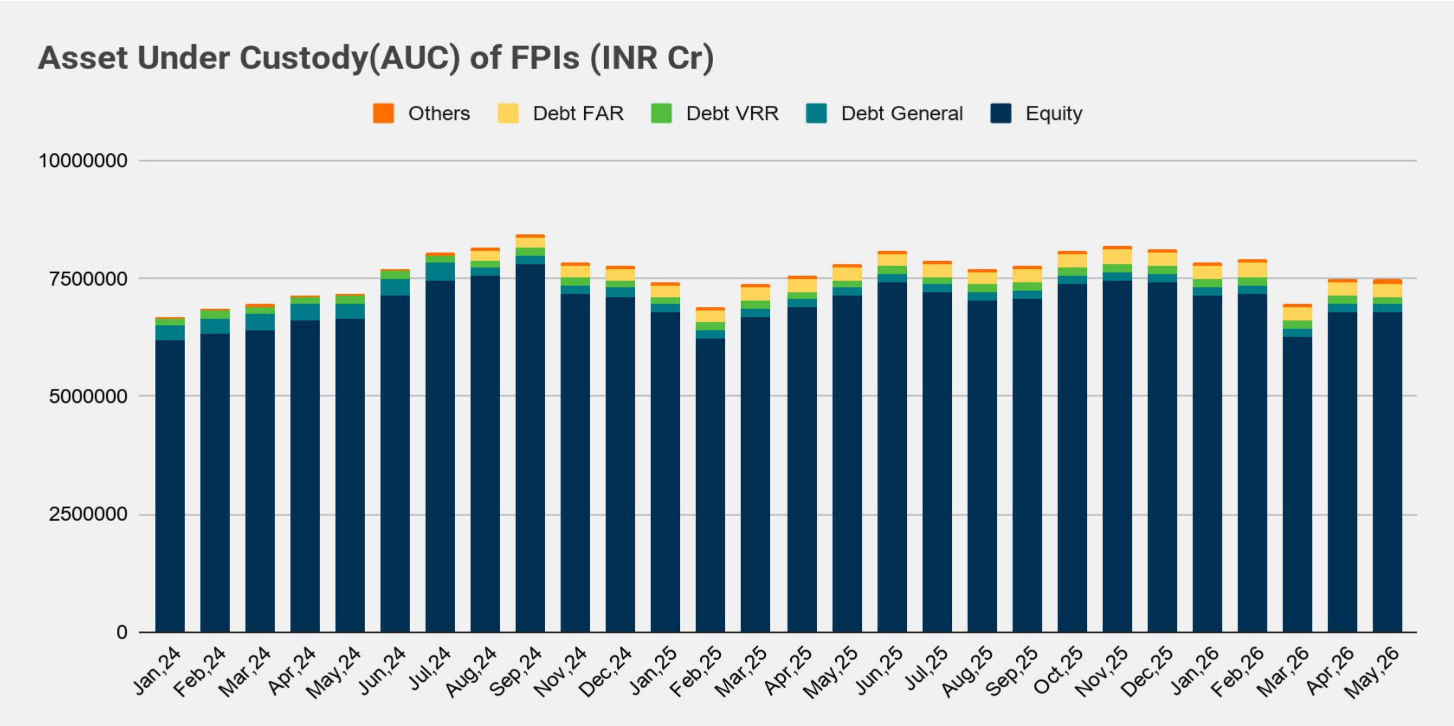
Tracking FPI's AUC in Indian Markets

May 2026: FPI AUC Consolidates After April Rebound; Equity AUC Moderates

- Foreign Portfolio Investors' **Assets Under Custody (AUC)** declined marginally to **₹74.78 Lakh Cr in May'26** from **₹74.93 Lakh Cr in Apr'26**, marking a fall of **₹0.15 Lakh Cr or 0.20% MoM**. The decline was mainly led by **Equity AUC**, which moderated to **₹67.73 Lakh Cr** from **₹67.92 Lakh Cr**, down **₹0.19 Lakh Cr or 0.28% MoM**. This indicates that FPI custody values softened slightly in May, largely reflecting weakness in large-cap equities and continued foreign selling in the equity market.
- On the debt side, the trend was mixed but broadly stable. **Debt General AUC** declined marginally to **₹1.81 Lakh Cr** from **₹1.82 Lakh Cr**, while **Debt VRR AUC** eased to **₹1.63 Lakh Cr** from **₹1.64 Lakh Cr**. However, **Debt FAR AUC** improved to **₹2.86 Lakh Cr** from **₹2.81 Lakh Cr**, adding **₹0.05 Lakh Cr** and providing support to overall debt custody values. **Others AUC** also increased to **₹0.75 Lakh Cr** from **₹0.74 Lakh Cr**.
- Overall, **May 2026 showed a consolidation phase in FPI AUC after April's sharp rebound**. The decline was primarily **equity-led**, while gains in **Debt FAR and Others** helped cushion the overall fall. This suggests that despite continued FPI equity outflows, the total custody base remained broadly stable during the month.

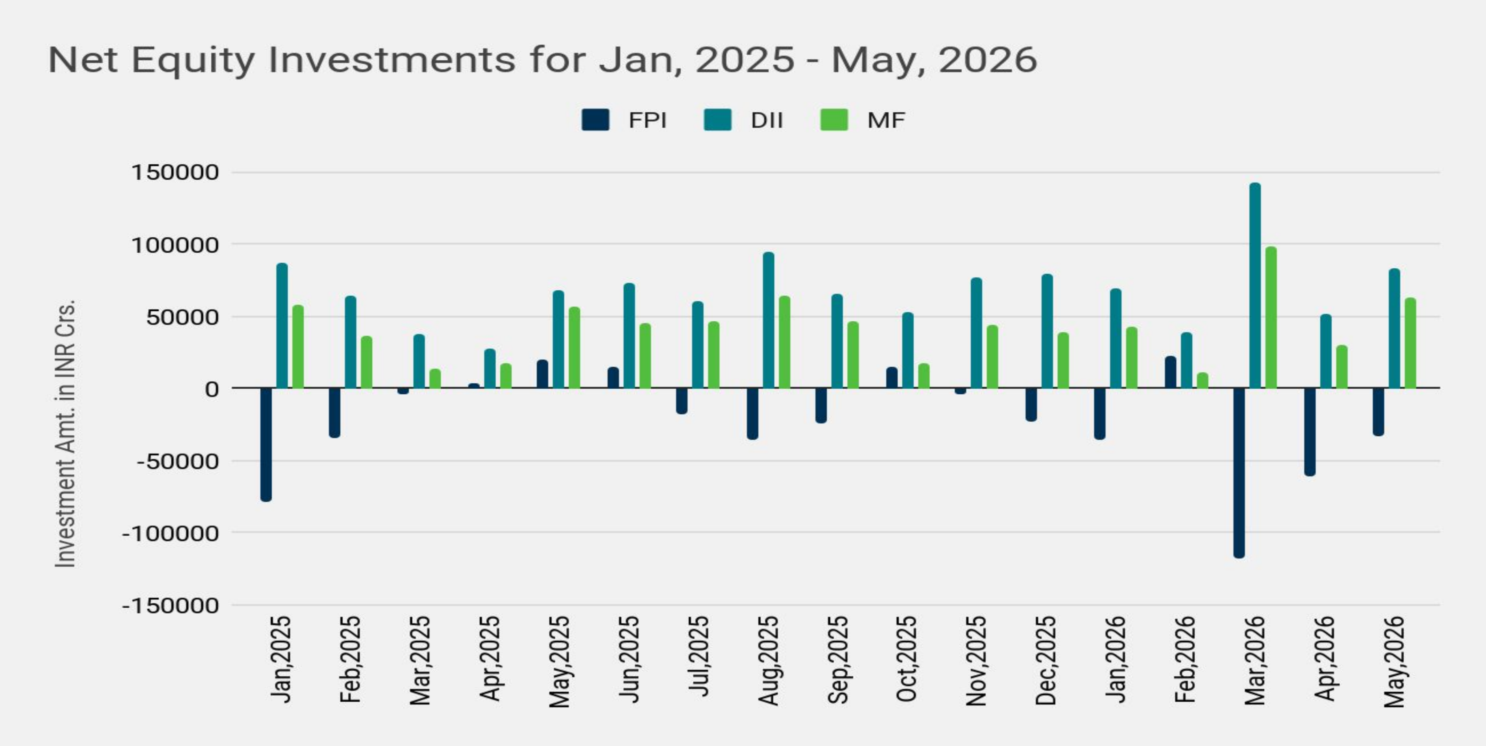
Asset Under Custody (AUC) of FPIs (INR Cr)			
Segment	**May,26**	**Apr,26**	**Change**
Equity	6,772,782	6,791,714	(18,932)
Debt General	180,791	182,196	(1,405)
Debt VRR	163,235	164,172	(937)
**Corporate Bonds	284,984	288,916	(3,932)
Debt FAR	285,905	280,791	5,114
Others	75,059	73,808	1,251
Total	**7,477,772**	**7,492,681**	(14,909)

Key Sectoral Breakdown of FPI Equity AUC (INR Cr)			
Sector	**May,26**	**Apr,26**	**Change**
Financial Services	1,996,508	2,046,350	(49,842)
Capital Goods	514,716	490,799	23,917
Automobile	506,398	503,316	3,082
Oil & Gas	482,896	521,467	(38,571)
Healthcare	482,596	463,301	19,295
IT	382,141	389,432	(7,291)
Telecommunication	358,092	358,995	(903)

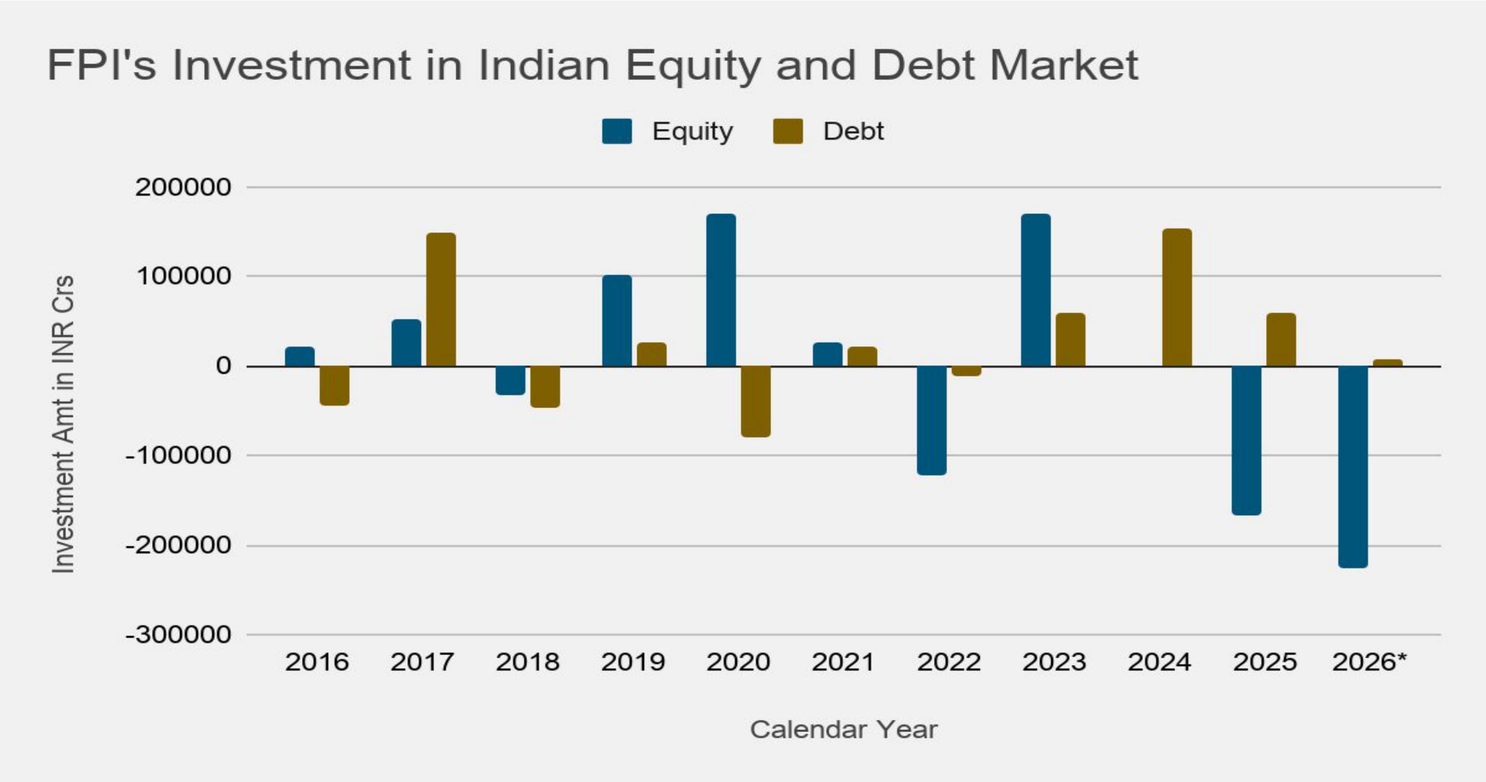


**Corporate Bonds are shown separately for reference and are not added again in Total AUC.

Equity Investment Breakdown by Participant



FPI's Strategic Investments in Equity and Debt Markets



*Data is updated as of 31st May. DII investments include MF investments.

Source: NSDL, SEBI