July Market Pulse: Investment Insights

July 2026: FPIs Return as Equity Buyers; Debt Buying Moderates, DII Buying Hits CY26 Low and MF Buying Falls to Lowest Since February

- **FPI Flows: Equity Buying Returns After Four Months; Debt Inflows Continue but Moderate from June Peak**

  - **FPIs Return to Equity Buying in July, Supported by Strong Primary Market Participation:** FPIs recorded **net equity inflows of ₹20,200 Cr in July 2026**, ending **four consecutive months of selling.** Foreign investors remained net buyers during both halves of the month, investing **₹15,559 Cr during July 1–15** and **₹4,641 Cr during July 16–31**. The turnaround began in the **second half of June** and continued through July, indicating an improvement in **foreign investor sentiment**. **July and February** remain the only two months of CY2026 in which FPIs were **net buyers in Indian equities**.

  - **Primary Markets Account for the Majority of July Equity Inflows:** FPI equity buying was largely supported by **primary market and IPO investments of ₹13,468 Cr**, while **secondary markets attracted ₹6,732 Cr**. Primary market purchases accounted for **nearly two-thirds of total equity inflows**, highlighting stronger foreign participation in **new issuances** compared with listed secondary-market equities.

  - **Debt Buying Remains Positive, Though Inflows Moderate Sharply from June's Record Level:** FPIs invested **₹18,661 Cr in Indian debt during July 2026**, marking the **third consecutive month of positive debt flows**. **Debt-General Limit recorded strong inflows of ₹29,212 Cr**, broadly sustaining the momentum seen in June, while **Debt-FAR attracted ₹3,033 Cr**. However, these inflows were partly offset by substantial **Debt-VRR outflows of ₹13,584 Cr**. Compared with the **record debt inflows of ₹55,518 Cr in June**, July's buying was more concentrated in the **General Limit route**, while **FAR inflows declined sharply**.

  - **Jan–July 2026 Highlights the Continuing Divergence Between Equity and Debt Flows:** Despite the return of equity buying in July, FPIs remained **net sellers of ₹2,54,072 Cr in Indian equities** during the first seven months of CY2026, with positive flows recorded in only **two of the seven months**. In contrast, Indian debt attracted **cumulative inflows of ₹82,445 Cr**, with positive investments in **five of the seven months**. The trend continues to reflect **selective foreign interest in equities**, while Indian fixed-income instruments remain supported by **policy reforms, attractive yields and improved market access**.

Monthly Investment Insights

Tracking Flows by Market Participants

Market Participants	For the month of July						Jan-Jul, 26	
	Equity (Crs)			Debt (Crs)			Equity (Crs)	Debt (Crs)
	1st - 15th	16th - 31st	Total	1st - 15th	16th - 31st	Total		
FPI	15,559	4,641	20,200	9,066	9,595	18,661	(254,072)	82,445
DII	17,070	18,029	35,099	-	-	-	495,837	-
*Mutual Funds	8,224	6,958	15,182	(21,090)	(30,533)	(51,623)	309,626	(524,461)

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

Mapping DII & Mutual Fund Investments in Indian Equities

- **DII Flows: July Buying Falls to CY2026 Low; Record Investment Sustained During Jan–July**

  - **July DII Buying Moderates to the Lowest Level of CY2026:** Domestic Institutional Investors invested **₹35,099 Cr in Indian equities during July 2026**, marking the **lowest monthly buying in the current calendar year** and the lowest since **April 2025**, when investments stood at **₹28,228 Cr**. Buying remained relatively balanced across the month, with **₹17,070 Cr invested in the first half** and **₹18,030 Cr in the second half**.

  - **Jan–July CY2026 Records Highest-Ever DII Equity Buying:** Despite the moderation in July, cumulative DII investment reached a **record ₹4,95,837 Cr during the first seven months of CY2026**. Sustained domestic institutional participation continued to provide a **strong support base for Indian equities**, helping absorb significant foreign investor selling and cushioning market volatility.

- **Mutual Fund Flows: July Equity Buying Slows to Five-Month Low; Jan–July Investment Hits Record High**

  - **July Mutual Fund Buying Moderates Sharply:** Mutual Funds invested **₹15,182 Cr in equities during July 2026**, the **lowest monthly buying since February 2026**, when purchases stood at **₹11,422 Cr**. Investments were moderately front-loaded, with **₹8,224 Cr deployed during July 1–15** and **₹6,958 Cr during July 16–31**, indicating a gradual slowdown in buying momentum during the month.

  - **Jan–July CY2026 Records Highest-Ever Mutual Fund Equity Investment:** Cumulative Mutual Fund equity purchases reached a **record ₹3,09,626 Cr during the first seven months of CY2026**. The sustained deployment of domestic savings into equities continued to reinforce Mutual Funds as a **key structural support pillar for the Indian equity market**, despite the slower pace of purchases in July.

Indian Benchmark Indices: Tracking Performance

Absolute Returns: A Snapshot of Index Performance (%)		
Benchmark	July	YTD 2026
Sensex	2.11	(8.36)
Nifty 50	2.17	(6.68)
Nifty Midcap 150	1.60	3.87
Nifty Smallcap 250	1.13	7.40

- **July 2026: Markets Rise for the Second Consecutive Month; Large-Caps Lead Monthly Gains**

  - Indian equities extended their recovery in **July 2026**, with all major benchmark indices ending higher for the **second consecutive month**. The **Nifty 50 gained 2.17%**, emerging as the best-performing index during the month, while the **Sensex rose 2.11%**. Broader markets also remained positive, with the **Nifty Midcap 150 gaining 1.60%** and the **Nifty Smallcap 250 rising 1.13%**. The performance indicates that **large-cap indices led the July rally**, while gains in midcap and smallcap stocks remained comparatively moderate.
  - On a **YTD CY2026 basis**, large-cap indices continued to remain under pressure, with the **Sensex down 8.36%** and the **Nifty 50 lower by 6.68%**. In contrast, broader indices remained positive, with the **Nifty Midcap 150 gaining 3.87%** and the **Nifty Smallcap 250 rising 7.40%**. Overall, July extended the market recovery, but the year-to-date trend continued to highlight a **clear divergence**, with large-caps remaining negative while **midcap and smallcap indices retained relative strength**.

Mapping FPI Investments: Sector-wise Insights in Indian Equities

Top Sector-Wise FPI Equity Purchases: Jul, 2026 (Amount in Crs)				Top Sector-Wise FPI Equity Sales: Jul, 2026 (Amount in Crs)			
Sector	1st - 15th	16th - 31st	Total	Sector	1st - 15th	16th - 31st	Total
Consumer Services	7,361	2,840	10,201	Capital Goods	(2,657)	(3,618)	(6,275)
Healthcare	4,101	3,654	7,755	Telecommunication	(2,454)	(3,271)	(5,725)
Consumer Durables	2,384	4,958	7,342	Automobile	(6,936)	2,372	(4,564)
Metals & Mining	5,993	(1,056)	4,937	Power	(1,267)	(1,596)	(2,863)
IT	60	3,298	3,358	Construction	403	(1,602)	(1,199)
Construction Materials	1,574	871	2,445	Financial Services	1,975	(2,669)	(694)
Services	2,405	(1)	2,404	FMCG	(1,106)	478	(628)
Realty	2,072	(279)	1,793	Media	(289)	24	(265)

❖ **July 2026 Sectoral Rotation: Consumer Services, Healthcare and Durables Lead FPI Buying; Capital Goods, Telecom and Auto Face Selling**

➢ **Consumer Services Leads FPI Buying; Healthcare and Consumer Durables Attract Strong Inflows:** FPI buying in July 2026 was led by **Consumer Services**, which attracted net purchases of **₹10,201 Cr**, supported by inflows of **₹7,361 Cr in the first half** and **₹2,840 Cr in the second half. Healthcare** followed with strong and consistent buying of **₹7,755 Cr**, while **Consumer Durables** received inflows of **₹7,342 Cr**. Buying in Consumer Durables strengthened sharply during the second half to **₹4,958 Cr**, compared with **₹2,384 Cr** in the first half.

➢ **IT Buying Revives in the Second Half; Metals & Mining Remains Positive Despite Late-Month Selling: Metals & Mining** recorded net FPI purchases of **₹4,937 Cr**, although first-half inflows of **₹5,993 Cr** were partly offset by selling of **₹1,056 Cr** during the second half. **Information Technology** attracted purchases of **₹3,358 Cr**, largely driven by strong second-half inflows of **₹3,298 Cr. Construction Materials** and **Services** also witnessed buying of **₹2,445 Cr** and **₹2,404 Cr**, respectively, while **Realty** attracted net inflows of **₹1,793 Cr** despite marginal selling towards month-end.

➢ **Capital Goods and Telecommunication Face Sustained Selling; Auto Sees Second-Half Reversal:** On the selling side, **Capital Goods witnessed the highest FPI outflows of ₹6,275 Cr**, with selling continuing across both halves of the month. **Telecommunication** followed with outflows of **₹5,725 Cr**, indicating sustained foreign investor caution towards the sector. **Automobile** recorded net selling of **₹4,564 Cr**, although strong first-half outflows of **₹6,936 Cr** were partly offset by buying of **₹2,372 Cr in the second half**, signalling an improvement in sentiment towards the sector.

➢ **Power Remains Under Pressure; Financials and Construction Turn Negative in the Second Half: Power** witnessed selling of **₹2,863 Cr**, with outflows recorded throughout the month. **Construction** and **Financial Services** initially attracted buying of **₹403 Cr** and **₹1,975 Cr**, respectively, but sharp second-half selling pushed both sectors into net outflows for July. In contrast, **FMCG** recovered from first-half selling, attracting **₹478 Cr in the second half**, though it remained marginally negative for the month.

➢ **Consumption and Healthcare Emerge as Preferred FPI Themes:** July 2026 reflected a clear preference for **consumer sectors, healthcare and selectively IT**, while FPIs remained cautious on **capital goods, telecom, automobiles and power**, highlighting continued **selective sector rotation.**

Source: NSDL, SEBI

Jan-Jul 2026 Snapshot: FPI Sectoral Positioning and Biggest Moves

Sector-Wise FPI Equity Purchases in Jan-Jul, 2026		Sector-Wise FPI Equity Sales in Jan-Jul, 2026	
Sector	**Amount (INR Cr)**	**Sector**	**Amount (INR Cr)**
Metals & Mining	17,758	Financial Services	(112,149)
Capital Goods	14,879	Automobile and Auto Components	(35,449)
Services	8,494	Information Technology	(30,889)
Consumer Durables	3,195	Oil & Gas	(28,901)
Forest Materials	42	FMCG	(27,798)
Diversified	19	Telecommunication	(23,148)
Utilities	5	Healthcare	(13,183)
		Consumer Services	(10,161)
		Construction Materials	(7,223)
		Realty	(6,544)

FPI Sectoral Positioning (Jan–Jul CY2026): Metals & Mining Leads Buying; Financial Services Faces Deepest Selling

- **Financial Services Records the Sharpest FPI Selling During Jan–Jul 2026:** On the selling side, **Financial Services** remained the biggest drag on FPI allocations, witnessing substantial outflows of **₹1,12,149 Cr** during Jan–Jul 2026. This was followed by heavy selling in **Automobile & Auto Components at ₹35,449 Cr**, **Information Technology at ₹30,889 Cr**, **Oil & Gas at ₹28,901 Cr** and **FMCG at ₹27,798 Cr**. Among other major sectors, **Telecommunication recorded selling of ₹23,148 Cr**, followed by **Healthcare at ₹13,183 Cr** and **Consumer Services at ₹10,161 Cr**. Construction Materials and Realty also witnessed outflows of **₹7,223 Cr** and **₹6,544 Cr**, respectively. The broad spread of selling indicates sustained FPI caution across **financials, automobiles, technology, energy, consumption and other index-heavy sectors**.

- **Cyclical and Capex-Linked Themes Continue to Attract Selective FPI Buying:** Despite significant overall equity outflows, FPIs remained selectively positive on **commodity-linked, industrial and services-oriented sectors. Metals & Mining emerged as the most-bought sector with purchases of ₹17,758 Cr**, reflecting continued foreign interest in cyclical and commodity-linked opportunities. **Capital Goods followed with inflows of ₹14,879 Cr**, highlighting sustained preference for India's domestic capex, infrastructure and manufacturing growth themes, despite selling witnessed during July. **Services attracted meaningful buying of ₹8,494 Cr**, while **Consumer Durables received inflows of ₹3,195 Cr**. Forest Materials, Diversified and Utilities recorded only marginal purchases.

- **Cyclicals Preferred, While Financials and Major Consumption Sectors Remain Under Pressure:** Overall, FPI positioning during **Jan–Jul CY2026 remained highly selective**, with a clear preference for **Metals & Mining, Capital Goods and Services**, while exposure was sharply reduced in **Financial Services, Automobile, IT, Oil & Gas and FMCG**. The sectoral pattern highlights a continued divergence between preferred **cyclical, capex and manufacturing themes** and several large index sectors facing persistent foreign selling pressure.

Source: NSDL, SEBI

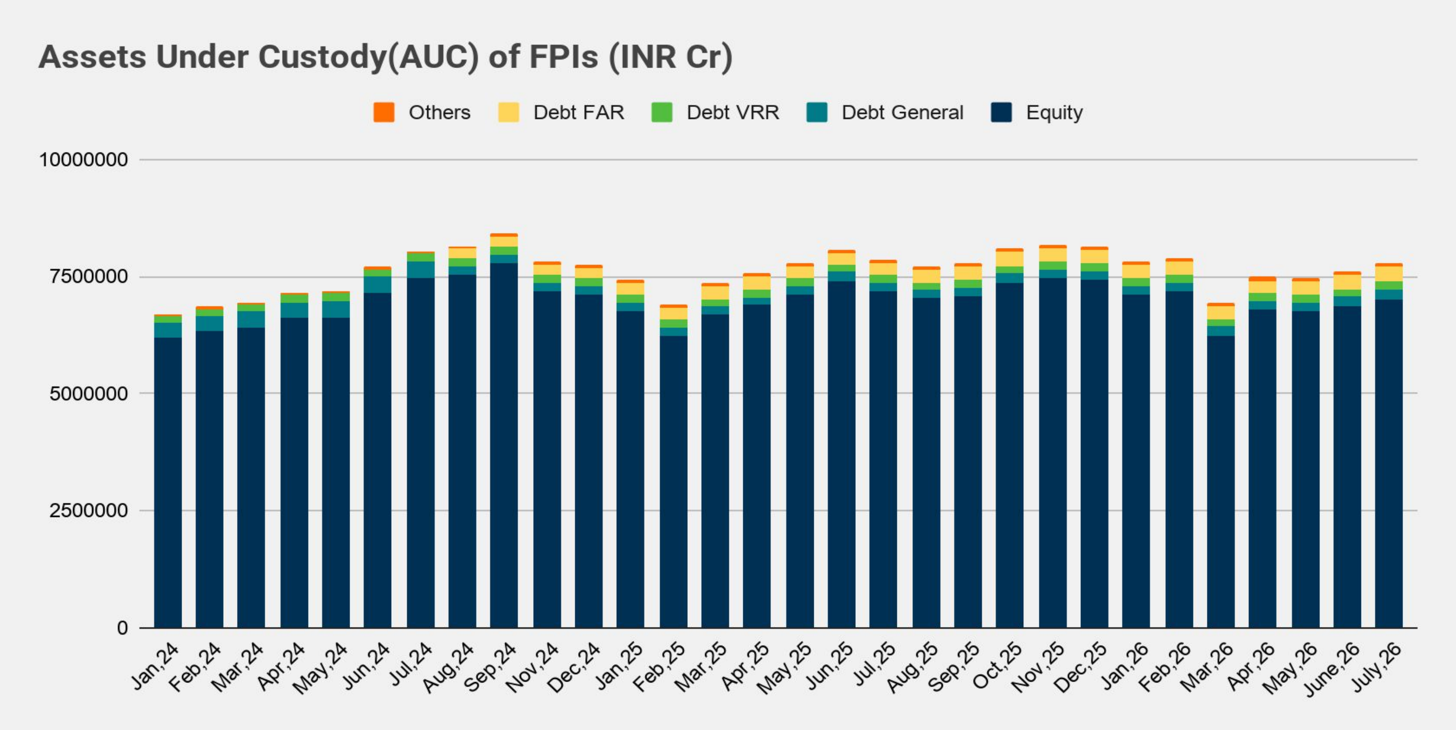
Tracking FPI's AUC in Indian Markets

July 2026: FPI AUC Rises Further; Equity and Debt FAR Drive Growth Despite VRR Decline

- Foreign Portfolio Investors' **Assets Under Custody (AUC)** increased to **₹78.05 Lakh Cr in July 2026** from **₹76.22 Lakh Cr in June 2026**, marking a rise of **₹1.83 Lakh Cr or 2.40% MoM**. The increase was primarily led by **Equity AUC**, which rose to **₹70.25 Lakh Cr** from ₹68.65 Lakh Cr, adding **₹1.60 Lakh Cr or 2.33% MoM**. The improvement reflects higher equity custody values, supported by gains across major market indices and the return of FPI buying during July.
- On the debt side, **Debt FAR AUC** increased to **₹3.36 Lakh Cr** from ₹3.14 Lakh Cr, rising by **₹0.22 Lakh Cr or 6.89% MoM**. **Debt General AUC** also strengthened to **₹2.13 Lakh Cr** from ₹2.03 Lakh Cr, up **₹0.10 Lakh Cr or 4.95% MoM**. However, **Debt VRR AUC declined** to **₹1.55 Lakh Cr** from ₹1.65 Lakh Cr, falling by **₹0.10 Lakh Cr or 6.24% MoM**. **Others AUC** increased marginally to ₹0.76 Lakh Cr.
- Overall, **July 2026 extended the recovery in FPI AUC for the second consecutive month**. The rise was mainly driven by **higher Equity AUC**, while continued growth in **Debt FAR and Debt General** provided additional support. However, the decline in **Debt VRR AUC** indicates some divergence across debt investment routes.

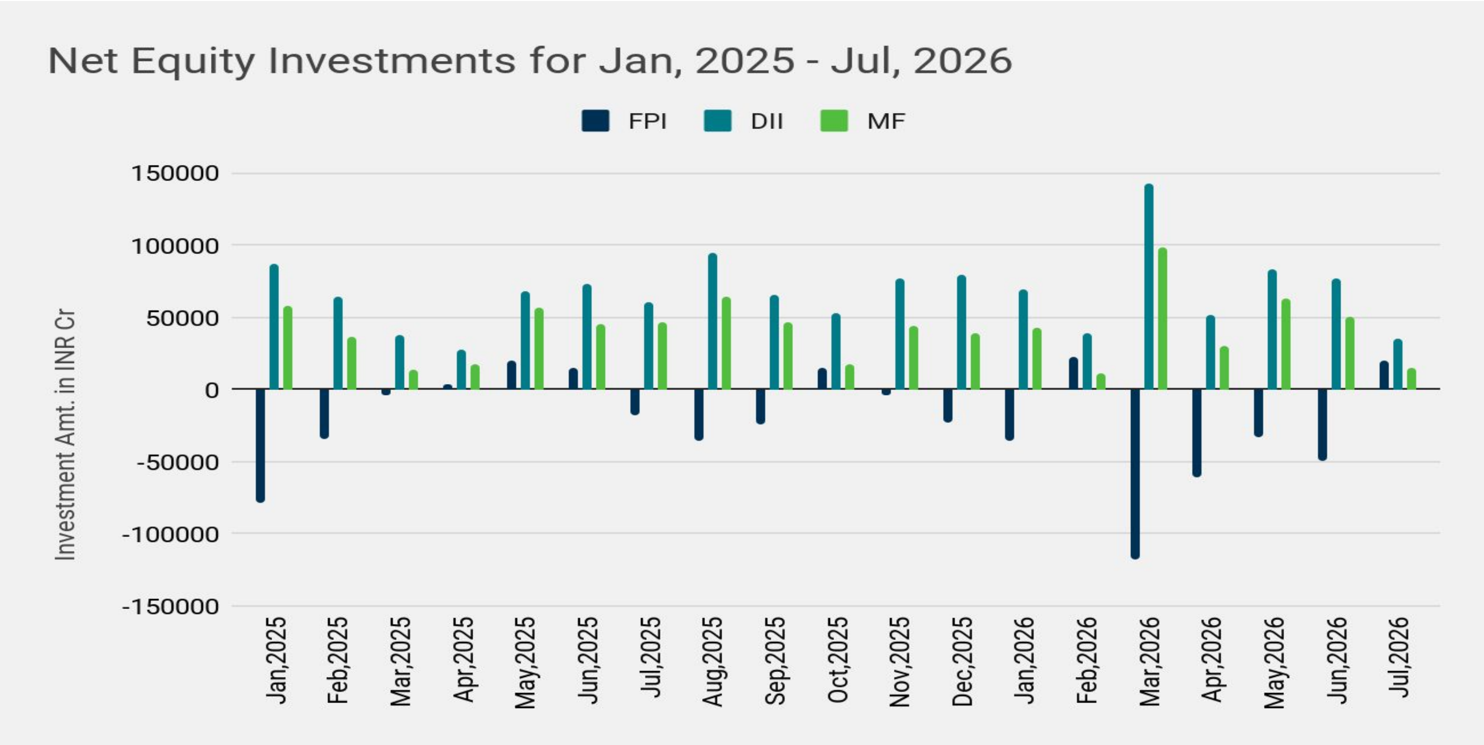
Assets Under Custody (AUC) of FPIs (INR Cr)			
Segment	July,26	June,26	Change
Equity	7,024,673	6,864,934	159,739
Debt General	213,131	203,087	10,044
Debt VRR	154,746	165,039	(10,293)
**Corporate Bonds	287,734	288,829	(1,095)
Debt FAR	336,022	314,375	21,647
Others	76,287	74,691	1,596
Total	**7,804,859**	**7,622,126**	182,733

Key Sectoral Breakdown of FPI Equity AUC (INR Cr)			
Sector	July,26	June,26	Change
Financial Services	2,112,990	2,111,441	1,549
Automobile	539,613	502,793	36,820
Healthcare	533,085	506,738	26,347
Capital Goods	489,016	515,370	(26,354)
Oil & Gas	468,589	464,731	3,858
IT	393,202	338,594	54,608
Telecom	371,839	360,095	11,744

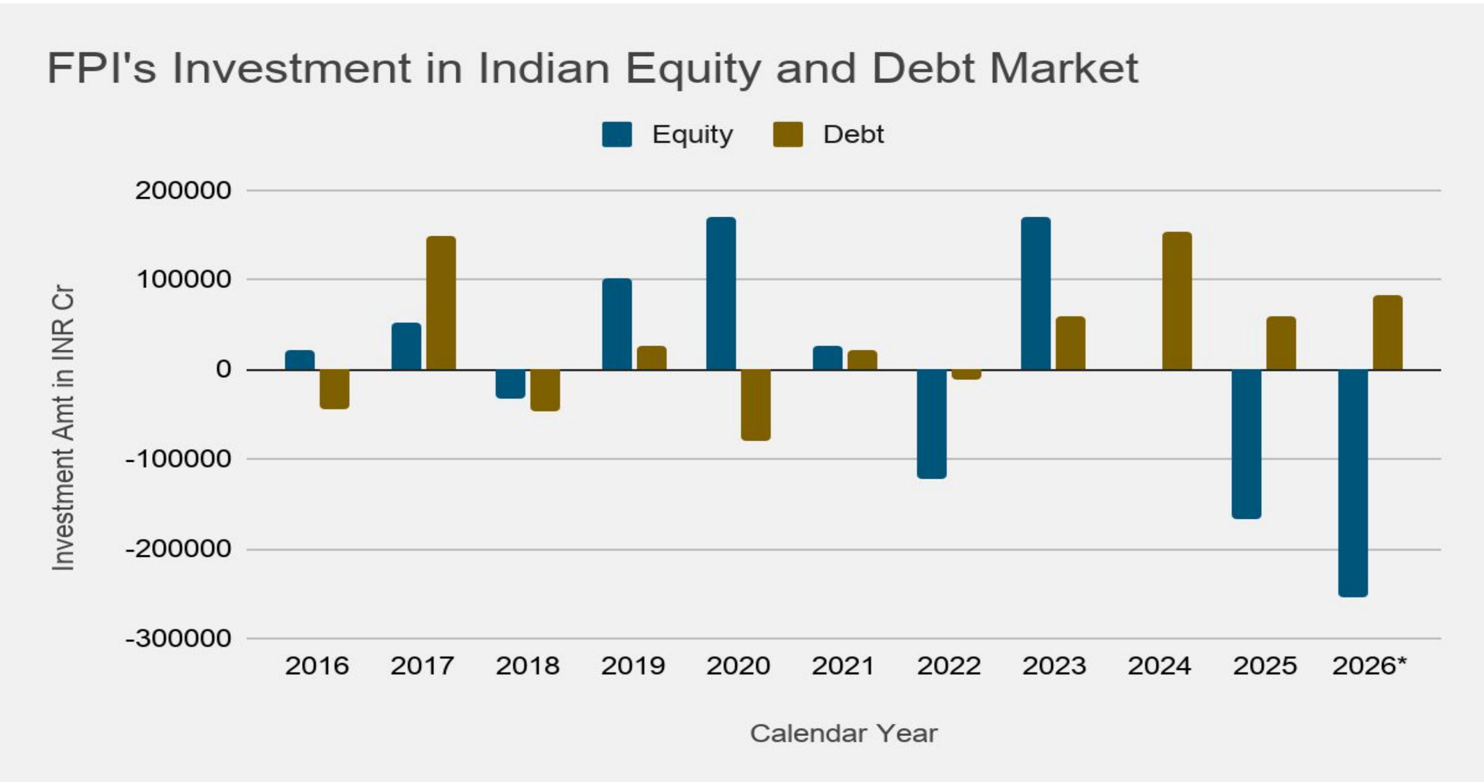


**Corporate Bonds are shown separately for reference and are not added again in Total AUC.

Equity Investment Breakdown by Participant



FPI's Strategic Investments in Equity and Debt Markets



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

Source: NSDL, SEBI