August Market Pulse: Investment Insights

August 2026: FPI Equity Buying Momentum Continues; DII & MF Buying Surges as FPI Debt Flows Turn Negative After a 3-Month Buying Streak

- **FPI Flows: Equity Buying Momentum Continues, While Three-Month Debt Buying Streak Ends**
  - **FPIs Extend Equity Buying for the Second Straight Month:** FPIs recorded **net equity inflows of ₹29,631 Cr in August 2026**, extending the buying momentum for the **second straight month** after four consecutive months of outflows. Foreign investors remained net buyers in both halves of the month, investing **₹16,621 Cr during August 1–15** and **₹13,010 Cr during August 16–31**. In CY2026, FPIs have recorded positive equity flows only in **February, July and August**, showing an improvement in sentiment, though foreign participation remains selective.
  - **Secondary Market Buying Leads FPI Equity Inflows in August:** FPI participation was stronger in the **secondary market than in the primary market** during August. FPIs invested **₹17,366 Cr in the secondary market**, compared with **₹12,265 Cr through primary market transactions**. This is a notable change from July, when primary-market participation had accounted for the majority of FPI equity inflows, and suggests that foreign investors are showing **greater willingness to deploy capital directly into listed Indian equities**.
  - **FPIs Turn Sellers in Debt, Breaking Three Consecutive Months of Buying:** FPIs recorded **net debt outflows of ₹1,457 Cr in August**, ending a **three-month streak of positive debt flows**. Selling was relatively modest at **₹340 Cr during August 1–15**, but accelerated to **₹1,117 Cr during August 16–31**, indicating that the pressure was concentrated in the **second half of the month**. August also marked only the **third month of net FPI debt selling in CY2026**, suggesting that foreign appetite for Indian fixed income remains relatively resilient despite the monthly reversal.
  - August witnessed **net selling in FPI debt**, driven mainly by the **Debt-General Limit**, which reversed from **₹29,212 Cr of inflows in July** to **₹2,224 Cr of outflows in August**. Meanwhile, **VRR improved** from **₹13,584 Cr of selling** to **₹503 Cr of buying**, while **FAR inflows moderated sharply** from **₹3,033 Cr to ₹264 Cr**.
  - **Jan–August 2026 Continues to Show a Sharp Equity–Debt Divergence:** Despite positive equity flows in both July and August, FPIs remain **net sellers of ₹2,24,441 Cr in Indian equities during Jan–August 2026**. In contrast, they remain **net buyers of ₹80,988 Cr in Indian debt** over the same period. The divergence indicates that while recent foreign equity sentiment has improved, cumulative positioning remains cautious, whereas Indian debt continues to attract foreign capital on a **calendar-year basis**.

Monthly Investment Insights

Tracking Flows by Market Participants

Market Participants	For the month of August						Jan-Aug, 26	
	Equity (Crs)			Debt (Crs)			Equity (Crs)	Debt (Crs)
	1st - 15th	16th - 31st	Total	1st - 15th	16th - 31st	Total		
FPI	16,621	13,010	29,631	(340)	(1,117)	(1,457)	(224,441)	80,988
DII	17,287	41,215	58,502	-	-	-	554,339	-
*Mutual Funds	27,887	34,238	62,125	(31,442)	(22,308)	(53,750)	368,167	(575,899)

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

Mapping DII & Mutual Fund Investments in Indian Equities

❖ **DII & Mutual Fund Flows: August Buying Rebounds Sharply; Cumulative CY2026 Investment Remains at Record Levels**

➢ **DII Equity Buying Rebounds Strongly in August:** DIIs invested **₹58,502 Cr in Indian equities during August 2026**, up sharply from **₹35,099 Cr in July**. However, **mutual fund purchases were even higher at ₹62,125 Cr**, indicating **net selling by other domestic institutional investors** during the month.

➢ **Jan–August CY2026 DII Buying Extends to a New Record:** Cumulative DII equity investment increased to a **record ₹5,54,339 Cr during the first eight months of CY2026**. Sustained domestic institutional buying continues to provide a **strong support base for Indian equities**, helping absorb foreign selling and limiting the impact of periods of higher market volatility.

❖ **Mutual Fund Flows: August Buying Surges; Jan–August Hits Record High**

➢ **Mutual Fund Equity Buying Surges in August After July Slowdown:** Mutual Funds invested **₹62,125 Cr in equities during August 2026**, registering a sharp acceleration from **₹15,182 Cr in July**. Buying strengthened during the month, with **₹27,887 Cr deployed during August 1–15** and **₹34,238 Cr during August 16–31**, indicating significantly stronger deployment in the **second half of August**.

➢ **Jan–August MF Equity Investment at Record High:** Cumulative Mutual Fund equity purchases reached **₹3,68,167 Cr during Jan–August 2026**, highlighting the continued strength of **domestic institutional liquidity**. Sustained Mutual Fund buying remains an important **support pillar for Indian equities**, helping offset the impact of **₹2,24,441 Cr of cumulative FPI equity outflows** during the same period.

Indian Benchmark Indices: Tracking Performance

Absolute Returns: A Snapshot of Index Performance (%)		
Benchmark	**August**	**YTD 2026**
Sensex	(1.46)	(9.70)
Nifty 50	(1.24)	(7.84)
Nifty Midcap 150	1.72	5.66
Nifty Smallcap 250	2.52	10.11

❖ **August 2026: Large-Caps Turn Negative After 2 Positive Months; Broader Markets Extend 4-Month Rally**

➢ Indian equities witnessed **divergent performance in August 2026**, as large-cap benchmarks turned negative after **two consecutive months of gains**, while the broader markets continued to outperform. The **Sensex declined 1.46%** and the **Nifty 50 fell 1.24%** during the month. In contrast, the **Nifty Midcap 150 gained 1.72%** and the **Nifty Smallcap 250 rose 2.52%**, extending their positive streak to the **fourth consecutive month**. The trend highlights continued investor preference for **midcap and smallcap stocks despite weakness in large-cap indices**.

➢ On a **YTD CY2026 basis**, the divergence between large-caps and broader markets remained significant. The **Sensex was down 9.70%** and the **Nifty 50 declined 7.84%**, while the **Nifty Midcap 150 gained 5.66%** and the **Nifty Smallcap 250 advanced 10.11%**. Overall, August reinforced the **relative strength of broader markets**, with smallcaps continuing to lead performance while large-cap benchmarks remained under pressure.

Source: NSDL, SEBI, NSE, BSE

Mapping FPI Investments: Sector-wise Insights in Indian Equities

Top Sector-Wise FPI Equity Purchases: Aug, 2026 (Amount in Crs)				Top Sector-Wise FPI Equity Sales: Aug, 2026 (Amount in Crs)			
Sector	1st - 15th	16th - 31st	Total	Sector	1st - 15th	16th - 31st	Total
Financial Services	6,535	3,959	10,494	Telecommunication	(3,322)	(1,661)	(4,983)
Consumer Services	3,398	5,019	8,417	FMCG	(189)	(1,727)	(1,916)
Healthcare	2,910	3,021	5,931	Oil & Gas	490	(2,251)	(1,761)
IT	2,530	1,573	4,103	Power	(1,164)	(389)	(1,553)
Consumer Durables	1,472	2,431	3,903	Realty	(1,014)	420	(594)
Automobile	4,405	(1,299)	3,106	Textiles	1	(294)	(293)
Metals & Mining	720	1,087	1,807	Utilities	7	(38)	(31)
Services	590	1,193	1,783	Diversified	(18)	(4)	(22)

❖ **August 2026 Sectoral Rotation: Financials, Consumer Services and Healthcare Lead FPI Buying; Telecom, FMCG and Oil & Gas Face Selling**

➢ **Financial Services Leads FPI Buying; Consumer Services and Healthcare See Strong Inflows:** FPI buying in August 2026 was led by **Financial Services**, which attracted net purchases of **₹10,494 Cr**, with **₹6,535 Cr in the first half** and **₹3,959 Cr in the second half**. **Consumer Services** followed with strong inflows of **₹8,417 Cr**, with buying accelerating to **₹5,019 Cr in the second half** from ₹3,398 Cr in the first half. **Healthcare** also remained a preferred sector, attracting net purchases of **₹5,931 Cr** during the month.

➢ **IT and Consumer Durables Remain Strong; Automobile Sees Second-Half Reversal: Information Technology** attracted net FPI purchases of **₹4,103 Cr**, supported by buying in both halves of August. **Consumer Durables** received inflows of **₹3,903 Cr**, with second-half purchases strengthening to **₹2,431 Cr**. **Automobile** recorded net buying of **₹3,106 Cr**, although strong first-half inflows of **₹4,405 Cr** were partly offset by **₹1,299 Cr of selling in the second half**, indicating some moderation in sentiment.

➢ **Metals & Mining and Services See Improving Second-Half Buying: Metals & Mining** attracted net purchases of **₹1,807 Cr**, with buying increasing from ₹720 Cr in the first half to **₹1,087 Cr in the second half**. **Services** also witnessed net inflows of **₹1,783 Cr**, with second-half buying of **₹1,193 Cr**, indicating improving FPI interest as the month progressed.

➢ **Telecommunication Faces Sustained Selling; FMCG and Oil & Gas Weaken Sharply:** On the selling side, **Telecommunication witnessed the highest FPI outflows of ₹4,983 Cr**, with selling continuing across both halves of August. **FMCG** recorded net outflows of **₹1,916 Cr**, with selling accelerating sharply in the second half. **Oil, Gas & Fuels** reversed from **₹490 Cr of first-half buying to ₹2,251 Cr of second-half selling**, resulting in net outflows of **₹1,761 Cr**, while **Power** also witnessed sustained selling of **₹1,553 Cr**.

➢ **Realty Sentiment Improves; Selective Sector Rotation Continues: Realty** remained marginally negative with net selling of **₹594 Cr**, but sentiment improved as **₹1,014 Cr of first-half selling reversed into ₹420 Cr of buying in the second half**. Overall, August reflected a clear FPI preference for **Financial Services, Consumer Services, Healthcare, IT and Consumer Durables**, while investors remained cautious on **Telecommunication, FMCG, Oil & Gas and Power**, highlighting continued **selective sector rotation rather than broad-based buying**.

Source: NSDL, SEBI

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

Sector-Wise FPI Equity Purchases in Jan-Aug, 2026		Sector-Wise FPI Equity Sales in Jan-Aug, 2026	
Sector	**Amount (INR Cr)**	**Sector**	**Amount (INR Cr)**
Metals & Mining	19,565	Financial Services	(101,655)
Capital Goods	15,485	Automobile and Auto Components	(32,343)
Services	10,277	Oil & Gas	(30,662)
Consumer Durables	7,098	FMCG	(29,714)
Forest Materials	26	Telecommunication	(28,131)
		IT	(26,786)
		Healthcare	(7,252)
		Realty	(7,138)
		Construction Materials	(7,089)
		Construction	(4,764)

FPI Sectoral Positioning (Jan–Aug CY2026): Metals & Mining and Capital Goods Lead Buying; Financial Services Remains the Biggest Drag

- **Financial Services Records the Sharpest FPI Selling During Jan–Aug 2026:** On the selling side, **Financial Services** remained the biggest drag on FPI allocations, witnessing cumulative outflows of **₹1,01,655 Cr** during Jan–Aug 2026. This was followed by heavy selling in **Automobile & Auto Components at ₹32,343 Cr**, **Oil, Gas & Consumable Fuels at ₹30,662 Cr**, **FMCG at ₹29,714 Cr**, **Telecommunication at ₹28,131 Cr** and **Information Technology at ₹26,786 Cr**. Among other sectors, **Healthcare, Realty and Construction Materials** recorded outflows of **₹7,252 Cr, ₹7,138 Cr and ₹7,089 Cr**, respectively. The broad selling indicates continued FPI caution across several **large index-heavy sectors**, despite selective improvement in some segments during August.

- **Metals & Mining and Capital Goods Continue to Lead Selective FPI Buying:** Despite substantial selling across major sectors, FPIs remained selectively positive on **cyclical, industrial and services-oriented themes**. **Metals & Mining emerged as the most-bought sector with cumulative purchases of ₹19,565 Cr**, followed by **Capital Goods with inflows of ₹15,485 Cr**. **Services** also attracted strong buying of **₹10,277 Cr**, while **Consumer Durables received ₹7,098 Cr**.

- **Cyclicals and Domestic Growth Themes Preferred, While Financials and Index Heavyweights Remain Under Pressure:** Overall, FPI positioning during **Jan–Aug CY2026 remained highly selective**, with a clear preference for **Metals & Mining, Capital Goods, Services and Consumer Durables**. In contrast, FPIs continued to reduce exposure to **Financial Services, Automobiles, Oil & Gas, FMCG, Telecom and IT**. The sectoral pattern highlights a continued divergence between preferred **cyclical, capex and domestic growth themes** and several heavyweight sectors facing persistent foreign selling pressure.

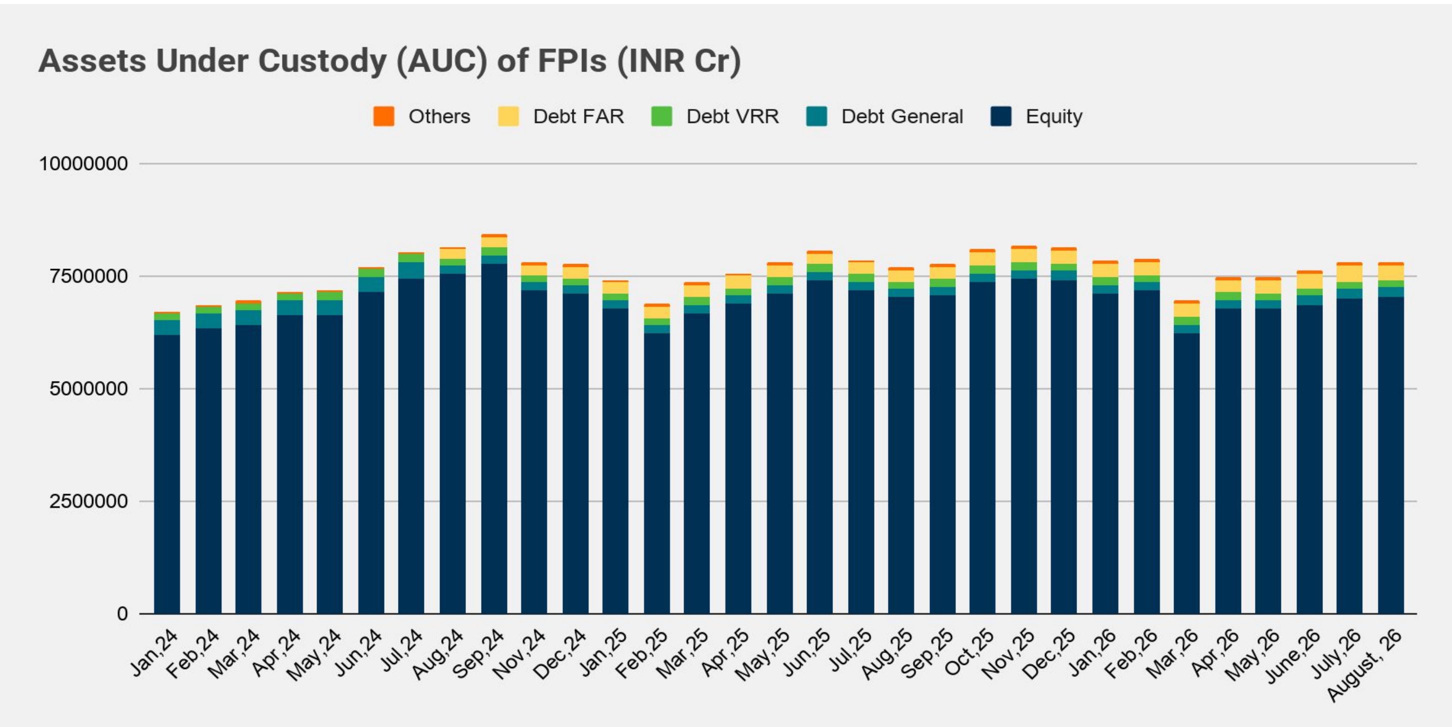
Source: NSDL, SEBI

Tracking FPI AUC in Indian Markets

August 2026: FPI AUC Edges Higher; Equity Gains Offset Weakness Across Most Debt Segments

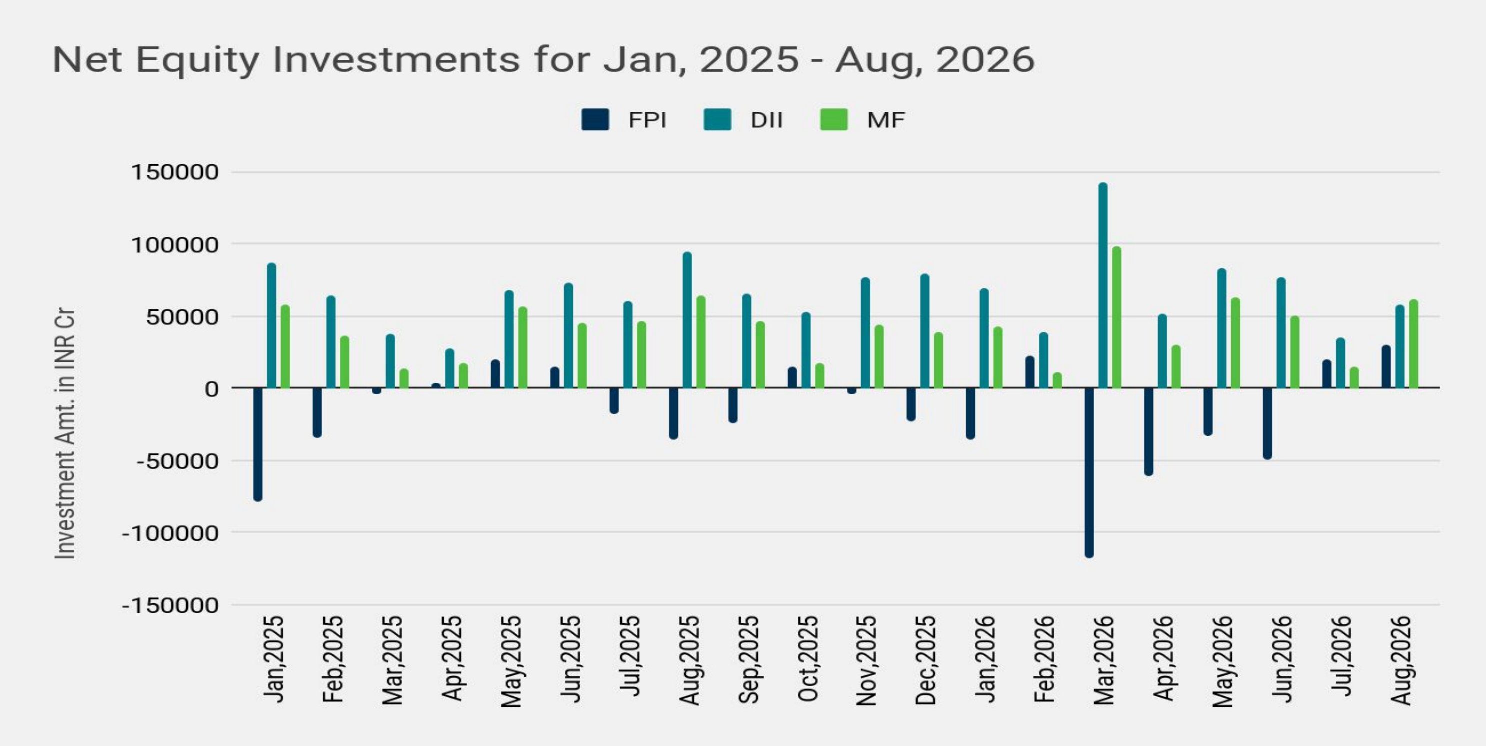
- Foreign Portfolio Investors' **Assets Under Custody (AUC) increased marginally to ₹78.13 Lakh Cr in Aug 26 from ₹78.05 Lakh Cr in Jul'26**, rising by **₹8,193 Cr**. The increase was primarily led by **Equity AUC**, which rose by **₹13,626 Cr to ₹70.38 Lakh Cr**, helping offset weakness across most debt segments. On the debt side, **Debt General declined by ₹4,739 Cr**, **Debt VRR by ₹1,470 Cr** and **Corporate Bonds by ₹2,256 Cr**, while **Debt FAR remained broadly stable with a marginal increase of ₹407 Cr.**
- Within equities, sectoral movement remained selective. **Capital Goods recorded the strongest increase of ₹27,259 Cr**, followed by **Healthcare (+₹11,889 Cr)**, **Automobile (+₹8,649 Cr)**, **Financial Services (+₹8,280 Cr)** and **IT (+₹7,439 Cr)**. In contrast, **Telecom declined sharply by ₹24,443 Cr**, while **Oil & Gas fell by ₹11,098 Cr**.
- Overall, **August 2026 reflected a modest improvement in FPI AUC, driven mainly by equities**, while debt custody remained under pressure. The sectoral trend indicates a clear rotation towards **Capital Goods, Healthcare and Automobile**, with reduced exposure to **Telecom and Oil & Gas.**

Assets Under Custody (AUC) of FPIs (INR Cr)					Key Sectoral Breakdown of FPI Equity AUC (INR Cr)			
Segment	August, 26	July,26	Change		Sector	August, 26	July,26	Change
Equity	7,038,299	7,024,673	13,626		Financial Services	2,121,270	2,112,990	8,280
Debt General	208,392	213,131	(4,739)		Automobile	548,262	539,613	8,649
Debt VRR	153,276	154,746	(1,470)		Healthcare	544,974	533,085	11,889
**Corporate Bonds	285,478	287,734	(2,256)		Capital Goods	516,275	489,016	27,259
Debt FAR	336,429	336,022	407		Oil & Gas	457,491	468,589	(11,098)
Others	74,177	76,287	(2,110)		IT	400,641	393,202	7,439
Total	**7,813,052**	**7,804,859**	8,193		Telecom	347,396	371,839	(24,443)

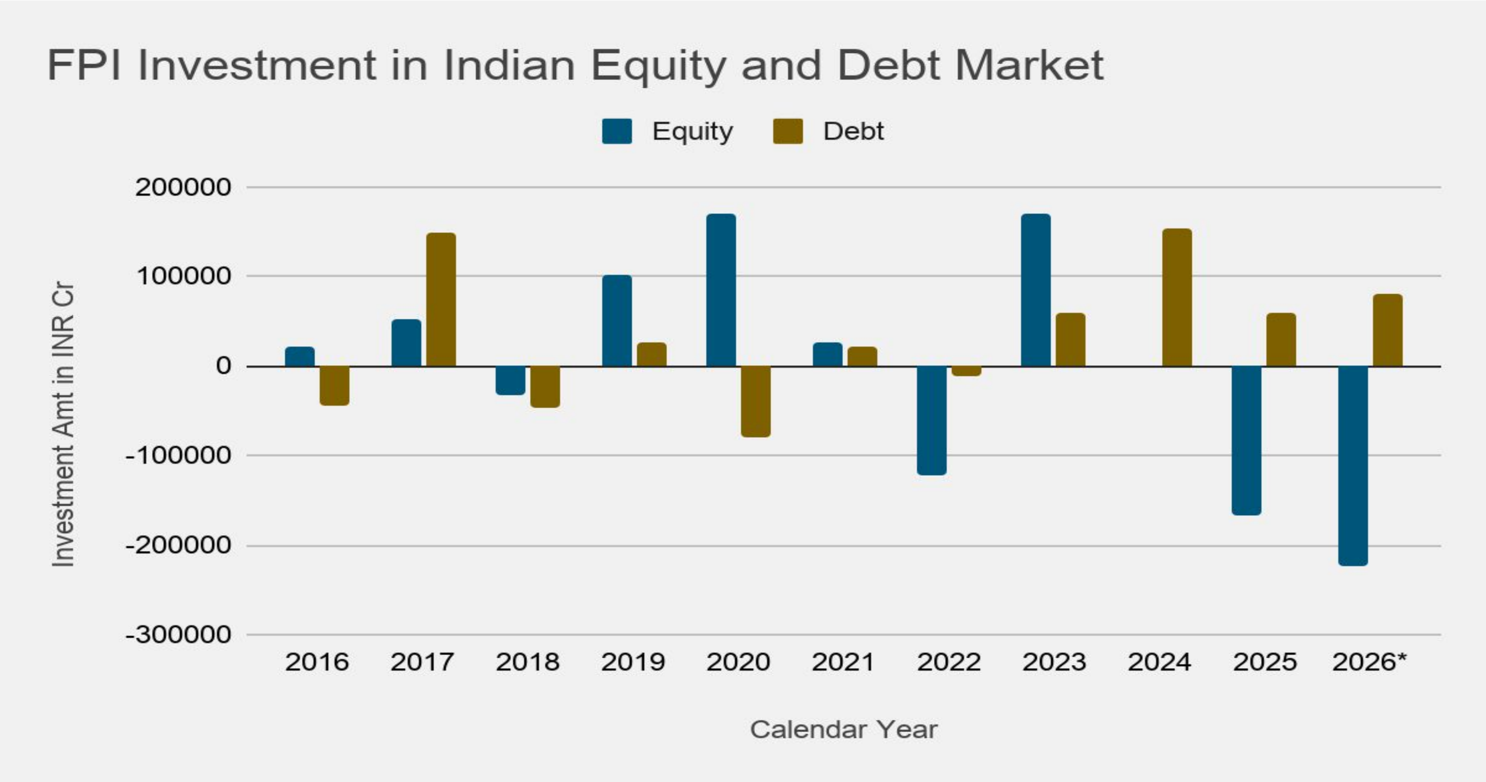


**Corporate Bonds are shown separately for reference and are not added again in Total AUC.

Equity Investment Breakdown by Participant



FPI Strategic Investments in Equity and Debt Markets



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

Source: NSDL, SEBI