SKG
INVESTMENTS & ADVISORY

Dear Investor,

In July 2026, the Nifty 50 rose 2.36% on a one month basis, extending its three month gain to 2.28%, as the index and broader benchmarks logged their first back to back monthly advance of the year. The Nifty 500 gained 2.20% over one month with a three month advance of 3.93%, broadly tracking the large cap benchmark. The rally was powered by a sharp turnaround in IT stocks, the sector's best month since July 2020, after HCL Technologies signed a $1.14 billion AI services deal, alongside encouraging Q1 FY27 earnings. This offset pressure from a sharp escalation in the US-Iran conflict, which pushed Brent crude up roughly 20% during the month toward $88 a barrel, and kept the rupee under pressure before it firmed late in July.
Broader market segments underperformed the frontline indices in July 2026, a reversal from June's pattern. The Nifty Next 50 rose 3.02% over one month and 6.09% over three months, roughly in line with the large cap benchmark, while the Nifty Midcap 150 gained a more modest 1.73% on a one month basis, with its three month gain at 5.43%. The Nifty Smallcap 250 rose 1.28% over one month, with a three month advance of 7.37%, and the Nifty Microcap 250 lagged all segments at just 0.24% for the month, though it still posted the strongest three month gain at 9.83%. The Nifty India FPI 150 outperformed with a 3.11% one month gain and 3.65% over three months, suggesting foreign flow sensitive stocks benefited from the IT led rally even as mid and small caps cooled from June's sharp run up.

Index Name	1M	3M	Volatility (%) 1 Yr	Beta 1 Yr	P/E	P/B	DY
Nifty 50	2.36	2.28	**13.37**	1.00	20.78	**2.99**	1.22
Nifty Next 50	3.02	6.09	**17.13**	1.12	19.49	**3.47**	1.21
Nifty 500	2.20	3.93	**14.23**	1.04	23.09	**3.36**	1.03
Nifty Midcap 150	1.73	5.43	**16.35**	1.08	30.41	**4.67**	0.62
Nifty Smallcap 250	1.28	7.37	**17.36**	1.07	34.25	**3.56**	0.64
Nifty Microcap 250	0.24	9.83	**19.89**	1.15	27.44	**3.52**	0.59
Nifty India FPI 150	3.11	3.65	**13.84**	1.01	22.92	**3.47**	1.15

FIIs & DIIs Flows

In July 2026, FIIs remained net sellers in the cash segment, recording a net outflow of ₹5,778.99 crore, with gross purchases of ₹3.29 lakh crore against gross sales of ₹3.35 lakh crore. This marked a sharp improvement from June's ₹49,028.63 crore outflow, the fifth consecutive month of narrowing FII selling since March's ₹1,22,540.41 crore outflow. DIIs continued to provide support, posting a net inflow of ₹35,099.25 crore, with gross purchases of ₹4.07 lakh crore against gross sales of ₹3.72 lakh crore, though this was a marked step down from June's ₹85,800.14 crore, the strongest DII buying of the year. Overall, July's much narrower FII outflow alongside moderated but still positive DII buying points to considerably calmer two way flows than June's sharper divergence.

Sectoral Highlights as on 31st July TRI data

Index Name	1M	3M	Volatility (%) 1 Yr	Beta 1 Yr	P/E	P/B	Dividend Yield
Nifty500 Healthcare	3.43	14.07	**13.49**	0.61	47.21	**5.87**	0.42
Nifty Auto	9.03	11.70	**21.36**	1.31	32.52	**4.48**	1.13
Nifty Bank	-0.46	4.89	**16.74**	1.15	13.61	**1.75**	0.66
Nifty Capital Goods	-3.96	1.01	**20.04**	1.10	45.87	**9.87**	0.57
Nifty Chemicals	1.88	6.00	**17.73**	1.03	47.74	**4.11**	0.60
Nifty Commercial & Transport Services	-0.39	9.99	**21.49**	1.36	42.56	**4.72**	0.60
Nifty Construction	-5.85	-4.98	**21.99**	1.28	19.51	**2.74**	0.86
Nifty Consumer Durables	10.19	7.82	**20.80**	1.18	72.41	**12.47**	0.37
Nifty Consumer Services	2.95	8.66	**18.99**	1.11	0.00	**7.79**	0.17
Nifty Financial Services	0.24	4.30	**17.09**	1.19	16.53	**2.51**	0.95
Nifty Financial Services 25/50	0.85	4.53	**17.17**	1.20	16.26	**2.62**	1.04
Nifty Financial Services Ex-Bank	3.64	6.63	**20.84**	1.36	23.00	**4.24**	0.79
Nifty FMCG	0.93	-3.28	**14.26**	0.68	33.52	**8.21**	1.11
Nifty Healthcare Index	4.01	12.62	**14.12**	0.60	45.60	**5.56**	0.46
Nifty Hospitals	1.38	13.44	**16.40**	0.67	71.61	**10.08**	0.18
Nifty Housing Finance	-3.26	0.97	**20.43**	1.12	33.15	**1.52**	0.93
Nifty Insurance	-1.60	-1.65	**16.62**	0.83	34.42	**7.79**	0.41
Nifty IT	17.13	5.29	**25.22**	0.78	19.61	**5.43**	2.60
Nifty Media	9.48	11.17	**21.33**	0.92	38.28	**1.70**	1.03
Nifty Metal	1.77	-0.33	**22.36**	1.10	16.54	**2.66**	1.79
Nifty MidSmall Financial Services	0.86	5.30	**20.51**	1.28	27.54	**3.34**	0.43
Nifty MidSmall Healthcare	3.28	15.25	**14.62**	0.66	46.50	**5.76**	0.30
Nifty MidSmall IT & Telecom	5.85	13.87	**20.90**	0.99	18.95	**8.65**	0.62
Nifty NBFC	5.83	13.76	**24.65**	1.54	23.82	**3.85**	0.54
Nifty Oil & Gas	1.99	-3.63	**16.11**	0.86	10.81	**1.52**	2.25
Nifty Pharma	4.98	14.39	**14.44**	0.58	42.93	**5.12**	0.52
Nifty Power	-2.22	-6.76	**19.04**	0.86	20.33	**2.67**	1.49
Nifty Private Bank	-1.41	5.11	**16.45**	1.11	17.15	**2.02**	0.60
Nifty PSU Bank	-1.47	-0.69	**23.75**	1.30	7.59	**1.16**	0.76
Nifty Realty	9.02	13.98	**26.28**	1.57	37.73	**4.02**	0.46
Nifty REITs & Realty	5.01	9.46	**14.00**	0.77	51.67	**2.63**	3.36
Nifty Retail	2.88	8.71	**18.95**	1.04	0.00	**8.18**	0.10
Nifty Telecommunications	-2.54	19.38	**20.76**	0.99	15.28	**13.80**	0.48

Economic Updates

July report described the economy as resilient - RBI

June CPI hit 4.4%, an 18 month high, crossing the RBI's 4% target for the first time since January 2025, while core inflation held flat at 3.9% (2.5% ex precious metals). The merchandise trade deficit widened to a five month high in June on gold, oil and electronics imports, even as exports and imports both grew in Q1 FY27. Equity markets and FPI flows turned positive through June and early July, then corrected sharply after the West Asia ceasefire broke down on July 8, remaining range bound since. FPI inflows of $3.1bn came through that volatility, not calm conditions. RBI reads this as a 'resilient' economy navigating external shocks well, inflation pressure 'contained' because it's food/fuel driven, trade momentum 'sustained' despite the wider deficit, and the FPI return as a genuine 'revival of confidence'.

Framing is more optimistic than the underlying data justifies. A widening trade deficit doesn't square with 'momentum sustained' and FPI inflows arriving despite a ceasefire collapse and range bound markets is a weaker signal than 'confidence revival' implies, it's flows returning opportunistically, not conviction. This RBI's narrative language shall be treated as central bank messaging, not a neutral data read.

SEBI SLBM / Short Selling Overhaul Expected Soon

SEBI is reportedly weighing a plan to nearly double the number of stocks eligible for short selling while lowering the cost barriers to trade them. To do this, the regulator is considering loosening the strict quantitative thresholds that have kept the Stock Lending and Borrowing market small. This move is expected to increase the liquidity in the markets.

Buyback Regulations Amendment 2026 by SEBI

For nearly three decades, buybacks in India were structurally intermediary led, with the Merchant Banker a mandatory statutory participant bearing independent legal obligations. The 2026 Amendment reintroduces the open market stock exchange route in calibrated form and strengthens governance over promoter holdings during the buyback window. Most significantly, it makes Merchant Banker appointment entirely optional, a role that was previously mandatory without exception. This is a deregulatory move that cuts transaction cost and friction for issuers.

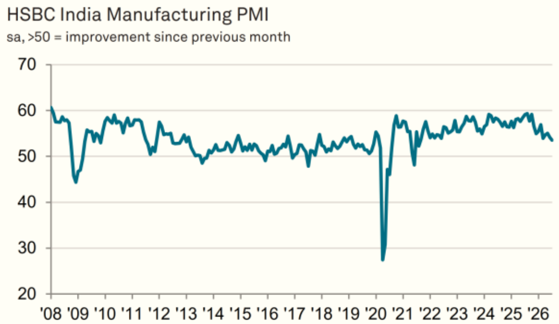
Section 122 Tariff Expiry, Replaced by Section 301

US's blanket 10% surcharge on Indian goods, imposed under Section 122 in February, hit its statutory 150 day limit and lapsed automatically on July 24. Rather than letting tariffs revert to baseline, Washington shifted the surcharge onto Section 301, using a forced labor investigation to justify new duties on 60 economies including India. Unlike the capped Section 122 tool, Section 301 duties can remain in place until actively modified or withdrawn, with no statutory expiry. The replacement duties, ranging from 10% to 12.5%, took effect from July 24.

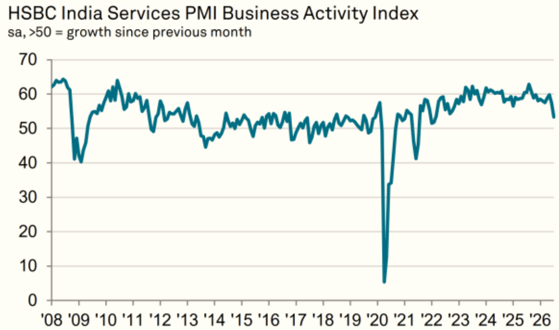
India's Manufacturing and Services PMI Both Ease in July, Remain Firmly Expansionary

Manufacturing PMI eased to 53.5 in July from 54.2 in June, its lowest since August 2021, as new orders slowed to a four year low and hiring weakened for a third straight month. Export orders were a bright spot, and input cost inflation eased to a five month low even as output prices rose to protect margins.

Services PMI fell more sharply, to 53.3 from 57.4, its weakest pace in 53 months, as new business cooled amid fierce competition, though exports and hiring held up. The Composite PMI eased to 54.3 from 57.1, the slowest since March 2022, with all three indices still above the 50 expansion mark.



Sources: HSBC, S&P Global PMI.
Data were collected 8-27 July 2026.



Sources: HSBC, S&P Global PMI.
Data were collected 8-29 July 2026.

Small & Mid-cap Update

SIP contributions rose to ₹31,961 crore in July 2026, marginally up from ₹31,781 crore in June, with cumulative SIP assets climbing to ₹18.2 lakh crore, now 21.2% of the mutual fund industry's total assets. Total outstanding SIP accounts rose to 10.63 crore from 10.52 crore, a net addition of roughly 11 lakh accounts, as new registrations of 61.44 lakh outpaced discontinuations of 50.29 lakh; the SIP stoppage ratio moderated to 81.9%, indicating that while the pace of growth had slowed, retail participation continued to outweigh redemptions. Equity mutual fund flows for July 2026 totaled ₹12,638.12 crore net inflow, down from ₹13,759.61 crore in June. Small cap funds led with ₹7,767.50 crore (61.46%), followed by mid cap funds at ₹6,192.31 crore (49.00%), while large cap funds saw a net outflow of ₹1,321.69 crore (-10.46%). This marks a clear shift from June's pattern: growth segment preference intensified further (small + mid cap now exceed 100% of total net inflows, offsetting the large cap outflow) and for the first time in this data series, large caps aren't just underweighted, investors are actively pulling money out of them.

Outlook

July reversed June's pattern: a narrow, IT led rally replaced broad based gains. Nifty 50 rose 2.36% on IT's best month since July 2020 (+17.13%, HCL's $1.14bn AI deal, strong Q1 FY27 earnings), while mid/small caps cooled (+0.24%/+1.28%) after June's run up. FII outflows narrowed sharply (₹5,779cr vs ₹49,029cr in June); DII buying stepped down (₹35,099cr vs ₹85,800cr), calmer two way flows. Brent jumped ~20% toward $88/bbl after the July 8 US-Iran ceasefire collapse, pressuring the rupee before it firmed late month, the key risk to watch. Manufacturing and Services PMI both eased to multi year lows (53.5, 53.3), still expansionary, but a deceleration worth tracking against the IT led optimism.

Newsroom

1. SKG in Monecontrol - Rupee near record low as oil spike, weak inflows and dollar demand pile pressure on currency - Kush Gupta
2. SKG in Mint - Inherited shares, mutual funds or bonds? NRIs should follow these steps to claim them in India - Abhishek Mishra