

Dear Investor,

Nifty 50 fell 1.14% in August even as it holds a 2.89% gain over the trailing three months, the frontline index gave back ground in the near term after a modest quarterly uptrend. Nifty 500 was effectively flat for the month (+0.05%) against a firmer 4.00% three-month gain, showing the same loss of momentum across the broader market, not just the top 50 names. In both cases the one-month direction runs counter to the three-month direction: a pause or mild pullback within an otherwise positive quarter, not a trend break, since the three-month numbers stay solidly positive.

Broader segments told a different story. Next 50 (+0.26% 1M, +4.19% 3M), Midcap 150 (+1.79%, +4.57%), Smallcap 250 (+2.62%, +8.44%) and Microcap 250 (+5.49%, +12.52%) all posted positive one-month returns even as the frontline slipped, a clear size based divergence, with returns rising the further down the market-cap curve you go. Nifty India FPI 150, the segment most exposed to foreign positioning, tracked the frontline's weakness instead (-0.68% 1M, +3.10% 3M) rather than the broader market's strength, consistent with the FII flow picture below. The pattern: domestic-flow-driven segments outperformed; foreign-sensitive names lagged.

Index Name	1M	3M	Volatility (%) 1 Yr	Beta 1 Yr	P/E	P/B	DY
Nifty 50	-1.14	2.89	13.24	1.00	20.36	2.92	1.17
Nifty Next 50	0.26	4.19	16.75	1.09	19.50	3.28	0.97
Nifty 500	0.05	4.00	13.97	1.03	22.73	3.27	0.95
Nifty Midcap 150	1.79	4.57	15.94	1.06	29.44	4.46	0.58
Nifty Smallcap 250	2.62	8.44	16.98	1.05	33.90	3.59	0.56
Nifty Microcap 250	5.49	12.52	19.57	1.13	28.54	3.60	0.48
Nifty India FPI 150	-0.68	3.10	13.57	1.00	22.45	3.33	1.04

FIIs & DIIs Flows

FIIs net-sold ₹7,531.84 crore in August (gross purchases ₹3,38,633.53 crore against gross sales ₹3,46,165.37 crore), deepening from July's net sale of ₹5,778.99 crore. DIIs net-bought ₹58,268.15 crore (gross purchases ₹3,56,481.41 crore against gross sales ₹2,98,213.26 crore), up sharply from July's ₹35,099.25 crore. DII buying outweighed FII selling by close to 7.7x, domestic institutions continued to absorb, and more than offset, foreign outflows.

Sectoral Highlights as on 31st August TRI data

Index Name	1M	3M	Volatility (%) 1 Yr	Beta 1 Yr	P/E	P/B	Dividend Yield
Nifty Auto	0.50	10.30	20.87	1.28	33.51	4.40	1.01
Nifty Bank	1.49	7.51	16.65	1.15	13.73	1.74	0.68
Nifty Capital Goods	5.39	2.83	19.84	1.08	46.66	9.73	0.55
Nifty Chemicals	-0.11	3.12	17.41	1.01	44.72	4.04	0.59
Nifty Construction	-0.33	-2.82	21.76	1.28	19.80	2.60	0.86
Nifty Consumer Durables	0.91	15.99	20.30	1.17	65.84	12.46	0.35
Nifty Financial Services	-0.97	4.34	16.97	1.19	16.13	2.43	0.95
Nifty FMCG	-6.27	-6.32	14.25	0.71	31.93	7.68	1.03
Nifty Healthcare Index	1.14	10.38	13.30	0.56	44.39	5.49	0.46
Nifty Hospitals	-3.20	5.39	16.39	0.65	70.49	9.79	0.15
Nifty Insurance	-1.96	-5.03	16.45	0.83	25.83	7.93	0.38
Nifty IT	1.59	7.61	25.36	0.80	19.90	5.49	2.57
Nifty Metal	3.77	-1.28	22.20	1.06	16.06	2.71	1.28
Nifty NBFC	-0.22	15.02	24.21	1.51	23.02	3.66	0.54
Nifty Oil & Gas	-1.19	-0.57	15.80	0.85	10.99	1.37	1.79
Nifty Pharma	2.50	12.04	13.50	0.54	42.09	5.11	0.52
Nifty Power	-7.47	-13.52	19.16	0.86	18.91	2.34	1.58
Nifty Telecommunications	4.73	4.58	20.25	0.95	14.99	8.17	0.46

Economic Updates

RBI holds repo rate for a fourth straight review, lifts growth forecast.

The Monetary Policy Committee kept the repo rate unchanged at 5.25% on 5 August 2026, retaining a neutral stance for the fourth consecutive review. The central bank raised its FY27 real GDP growth forecast to 6.7% from 6.6%, and trimmed its inflation projection by 10 basis points to 5.0%. The framing is cautious rather than dovish: the RBI wants a clearer inflation signal before its next move, not a green light for cuts.

Q1 FY27 GDP growth prints at 7.8%, above RBI's own estimate

MoSPI's provisional estimate puts real GDP growth at 7.8% year-on-year for April–June 2026, against 6.9% in the same quarter last year. Gross Fixed Capital Formation grew a double digit 11.9% at constant prices, against 5.8% a year earlier, the growth beat is investment led, not consumption led. It's worth flagging that, the prior year's base was revised down from 7.8% to 6.9%, which mechanically flatters this quarter's headline number; MoSPI has published a separate clarification addressing this.

21 mainboard IPOs raised roughly ₹21,000 crore

21 mainboard IPOs raised roughly ₹21,000 crore in August, the busiest month by deal count in 2026, even as the secondary market wobbled under the new Closing Auction Session (CAS) mechanism that went live August 3. FPIs were net buyers of around ₹20,000 crore.

Industrial production (IIP) grew 6.7% YoY in July

Industrial production (IIP) grew 6.7% YoY in July, slowing from an upwardly revised 8.8% in June; manufacturing (76% of IIP) grew 7.3%, mining contracted 0.9%, this is the one that literally released at month end, on August 28.

Fed held its policy rate at 3.75% through August 2026

The Fed held its policy rate at 3.75% through August 2026, no cut, no hike, same as July. For India, that keeps the RBI Fed rate differential stable (RBI was at 5.25%), which doesn't help a rupee already pressured by the trade deficit and oil costs, and it reads as a 'nothing changed' signal for FPI flows rather than a trigger for a shift. The hold came despite cooling US inflation (CPI 3.4% YoY, core PCE 3.3%) and a solid August jobs report (162,000 payrolls added, unemployment at 4.1%), growth and inflation both stable enough that there was no clear case to move either way.

PMI: manufacturing eases to a five-year low, services accelerates

Manufacturing PMI fell to 52.8 in August from 53.5 in July, the weakest improvement in sector health in five years, with output and new orders growing at their slowest pace since August 2021, and employment contracting for the first time in two-and-a-half years.

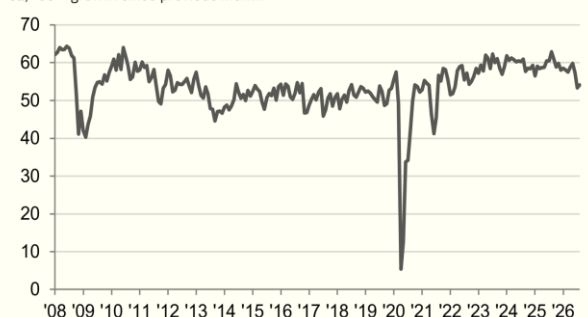
The Services PMI Business Activity Index rose to 54.1 from 53.3, with job creation at a 15 month high. The Composite Output Index held at 54.3, matching July's joint slowest pace of expansion in four and a half years, services strength offset manufacturing's slowdown, leaving the aggregate print unmoved.

HSBC India Manufacturing PMI
sa, >50 = improvement since previous month



Sources: HSBC, S&P Global PMI.
Data were collected 6-24 August 2026.

HSBC India Services PMI Business Activity Index
sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.
Data were collected 6-26 August 2026.

Small & Mid-cap Update

SIP contributions rose to a record ₹32,297 crore in August 2026, marginally up from ₹31,961 crore in July, and 14% higher year-on-year versus ₹28,265 crore in August 2025. New SIP registrations of 66.39 lakh outpaced discontinuations of 53.82 lakh, implying a stoppage ratio of roughly 81.1%, in line with July's 81.9%. Equity mutual fund net inflows totaled ₹29,328.62 crore in August, up 19% from July, while total industry AUM rose over 1% to ₹87.08 lakh crore.

Small cap funds led all categories for the second straight month, pulling in ₹7,973 crore (27.2% of net equity inflows), their highest monthly level in at least two years. Mid cap funds followed at ₹6,989 crore (23.8%) and flexi cap at ₹5,059 crore (17.3%), while large cap funds recorded a second consecutive monthly outflow of ₹1,147 crore (-3.9%), narrower than July's ₹1,321.69 crore outflow but confirming large caps have now bled money for two straight months.

Outlook

Nifty's -1.14% looks worse than it is still up over 3 months, so a pause, not a reversal. DIIs bought ₹58,268 crore against FII selling of ₹7,532 crore, and SIPs hit a record, domestic money is doing the work. That strength sits where FII exposure is lowest: Smallcap/Microcap up 2.6%/5.5% at 34x/29x P/E, while the FPI heavy index fell with the frontline. Macro is mixed, GDP's 7.8% is partly a base effect artefact, IIP slowed to 6.7%, manufacturing PMI hit a 5-year low. RBI and the Fed both held, so no rupee relief against a widening trade deficit. A liquidity driven rally outrunning the macro, fine while SIP/DII flows hold, exposed if they don't.

Newsroom

1. [SKG Investments Closes Rs 100 Crore Funding for Omega Seiki Mobility, Takes Stake in Second Tranche](#)