SAMVAAD
Monthly Newsletter
August 2026

mahindra Manulife MUTUAL FUND

BEYOND THE NOISE

Decoding the signals that matter for investors.

Markets could never be never short of headlines, and July was no exception. Geopolitical tensions, trade developments and evolving global investment trends continued to test investor sentiment. Yet, amid the uncertainty, the signals that matter more remain encouraging. India's economy continues to demonstrate resilience, supported by strong domestic demand, healthy capital flows and an improving growth outlook. As investors navigate an increasingly complex world, disciplined asset allocation and a focus on long-term fundamentals remain critical. In this edition, we cut through the noise to examine the trends, risks and opportunities shaping the road ahead.

Source: Internal Research

EQUITY MARKET OUTLOOK

Moment of the Month:

- **US-Iran War tensions ON/OFF**

  The June 2026 Memorandum of Understanding (MoU) between the US and Iran had raised hopes of a lasting de-escalation, but the ceasefire continues to be tested by intermittent military and diplomatic incidents through July. For now, both sides have avoided a broader escalation that could threaten global energy supplies and in turn economy & markets. Crude oil prices did flare up from their June lows as markets worry over an extended disruption to the Strait of Hormuz. While geopolitical risks remain, market actions indicate the peak of the war related uncertainty might be behind.

- **Prominent global central banks kept policy rates unchanged**

  Similar to US Federal Reserve wherein Kevin Warsh kept Federal funds rate constant, Bank of England, Bank of Japan and External Commercial Borrowing (ECB) kept their benchmark policy rates unchanged. However the long tenor bond yields across globe including US 30 year bond continues to rise. Yields on US 30 year bonds have risen to the highest levels since 2007 on concerns over inflation as well as rising fiscal deficit and bond supply.

- **Inflows from FCNR(B) USD deposit receives good traction**

  India's Foreign Currency Non-Resident [FCNR(B)] deposit inflows under the Reserve Bank of India's (RBI) special swap window have reached $36.73 billion as of July 31, 2026, driven heavily by private, public, and foreign banks since the scheme began on June 8, 2026. Successful mobilisation under the scheme is a close monitorable for Indian economy & markets as currency stability can return.

- **US Import Tariff risks resurface – but risk relatively manageable**

  Amidst the middle east geopolitical tensions, US tariffs came into focus again in July with the President Trump administration replacing its temporary 10% universal tariff with duties of 10-12.5% on 60 economies from July 24, 2026. The reason cited being use of forced labour in manufacturing. India's headline tariff rate in the US remains at 10% under the new Section 301 tariffs, with some peers (China, Vietnam, Brazil, Thailand) facing higher tariffs of 12.5%. Accounting for other tariffs that are still in place, India's effective tariff rate in the US (~12%) is lower than for several competitors. Separate generic pharma tariffs (to be implemented from Aug 2028 onward) can be a headwind, but Indian exports may remain competitive. Overall, the Section 301 tariffs are a headwind, and focus shifts again on BTA (Bilateral Trade Agreement) negotiations for a relatively low tariff rate.

- **Monsoon Activity**

  Kharif sowing continued to advance, though the improvement was uneven across crops, with oilseeds swinging into surplus even as rice lost further ground. Rainfall conditions improved meaningfully during the month, with the all-India deficit narrowing to -12% and coverage broadening across most regions, which in turn helped lift reservoir storage further. Looking ahead, IMD's near-term outlook points to above-normal rainfall over Central and Western India, though the strengthening El Niño and a near neutral IOD keep the broader seasonal risk alive heading into August.

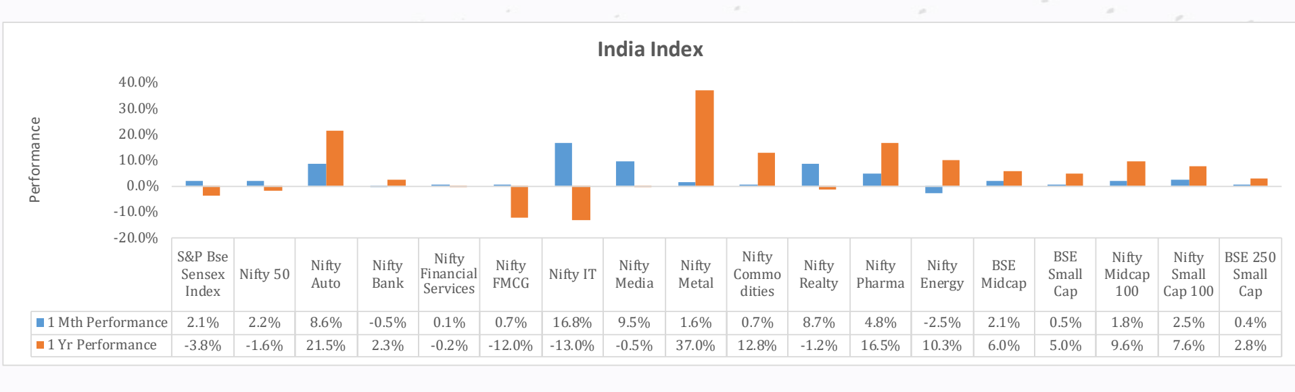
Source: Bloomberg

WHO MOVED MARKETS

FPIs turned net buyers in July ($2.1 bn), a reversal from the selling seen in previous 4 months in cash equites. DII's continue to be buyers with approx. $4 bn of net purchase (v/s $8 bn previous month)

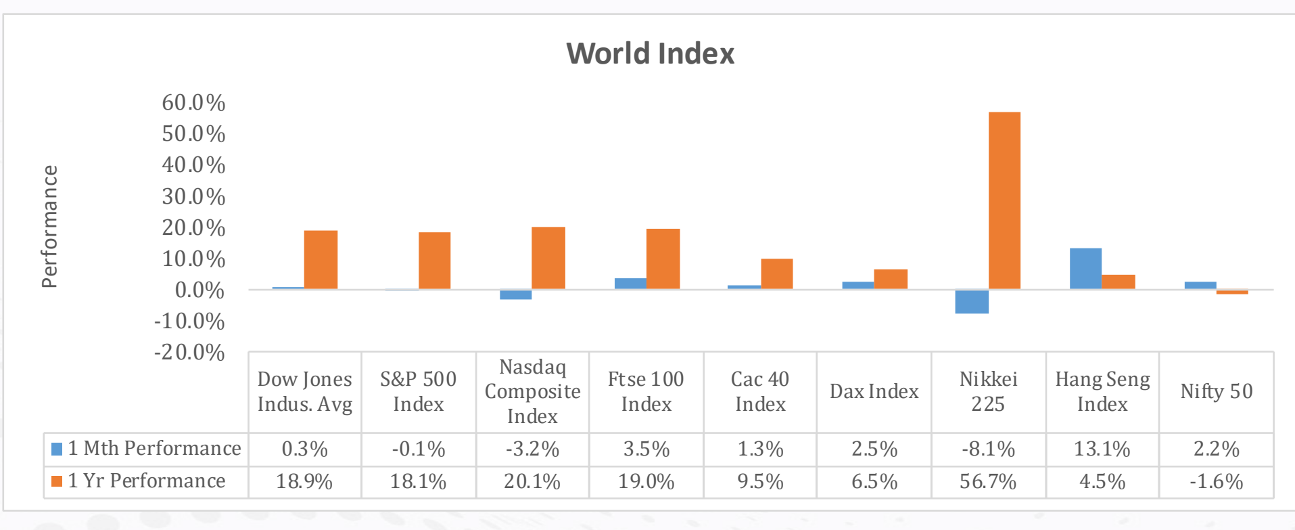
Source: Bloomberg

MOVERS AND SHAKERS



	S&P Bse Sensex Index	Nifty 50	Nifty Auto	Nifty Bank	Nifty Financial Services	Nifty FMCG	Nifty IT	Nifty Media	Nifty Metal	Nifty Commodities	Nifty Realty	Nifty Pharma	Nifty Energy	BSE Midcap	BSE Small Cap	Nifty Midcap 100	Nifty Small Cap 100	BSE 250 Small Cap
1 Mth Performance	2.1%	2.2%	8.6%	-0.5%	0.1%	0.7%	16.8%	9.5%	1.6%	0.7%	8.7%	4.8%	-2.5%	2.1%	0.5%	1.8%	2.5%	0.4%
1 Yr Performance	-3.8%	-1.6%	21.5%	2.3%	-0.2%	-12.0%	-13.0%	-0.5%	37.0%	12.8%	-1.2%	16.5%	10.3%	6.0%	5.0%	9.6%	7.6%	2.8%

Source: Bloomberg; Data as of July 2026; Performance - Absolute returns.
Past performance may or may not be sustained in future.



	Dow Jones Indus. Avg	S&P 500 Index	Nasdaq Composite Index	Ftse 100 Index	Cac 40 Index	Dax Index	Nikkei 225	Hang Seng Index	Nifty 50
1 Mth Performance	0.3%	-0.1%	-3.2%	3.5%	1.3%	2.5%	-8.1%	13.1%	2.2%
1 Yr Performance	18.9%	18.1%	20.1%	19.0%	9.5%	6.5%	56.7%	4.5%	-1.6%

Source: Bloomberg; Data as of July 2026; Performance - Absolute returns.
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PERFORMANCE SNAPSHOT OF SECTORAL INDICES - MoM

Indices	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Nifty 50	-2.9	-1.4	0.8	4.5	1.9	-0.3	-3.1	-0.6	-11.3	7.5	-1.9	1.4	2.2
Nifty Midcap 100	-3.9	-2.9	1.4	5.8	2.0	-0.9	-3.4	1.2	-10.9	13.6	3.2	0.1	1.8
Nifty Small cap 100	-5.8	-4.1	1.9	4.7	-3.0	-0.6	-4.7	0.3	-10.2	18.4	0.7	4.0	2.5

Note - Green highlighted cells represent highest returns amongst the 3 indices provided above; Orange highlighted cells represent lowest returns amongst the 3 indices for the respective month end periods. Returns have been calculated on Absolute basis for respective month end periods beginning July 2025 until July 2026. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns.
Past performance may or may not be sustained in future.
Source: Bloomberg Data as of July 2026
Data during the period of July 2025 to July 2026

Indices	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May - 26	Jun - 26	Jul - 26
Nifty Auto	-0.9	5.5	6.3	1.0	3.6	1.5	-5.1	5.3	-15.6	9.0	1.6	0.5	8.6
Nifty Bank	-2.4	-4.1	1.8	5.7	3.4	-0.3	0.0	1.5	-16.9	9.1	-1.1	6.1	-0.5
Nifty Financial Services	-1.9	-4.1	1.8	4.3	2.8	-1.0	-1.0	2.0	-15.6	9.1	-1.2	4.7	0.1
Nifty FMCG	1.7	0.6	-2.5	2.7	-1.1	-0.2	-7.7	-0.1	-11.0	12.2	-3.3	-1.2	0.7
Nifty IT	-9.4	-0.3	-4.3	6.1	4.7	1.3	0.4	-19.5	-5.0	1.0	-0.9	-9.6	16.8
Nifty Metal	-2.6	-1.4	9.6	5.7	-3.0	8.5	5.9	3.5	-9.0	15.2	4.7	-6.9	1.6
Nifty Realty	-7.5	-4.6	-0.4	9.2	-4.7	-2.8	-10.8	-0.3	-16.6	21.9	-1.4	6.0	8.7
Nifty Pharma	3.3	-4.2	-1.6	3.4	3.7	-1.2	-4.4	5.7	-3.1	4.7	4.6	4.0	4.8
Nifty Energy	-4.0	-4.2	4.0	3.6	-2.0	-0.6	-0.5	5.4	-5.9	17.0	0.3	-2.8	-2.5

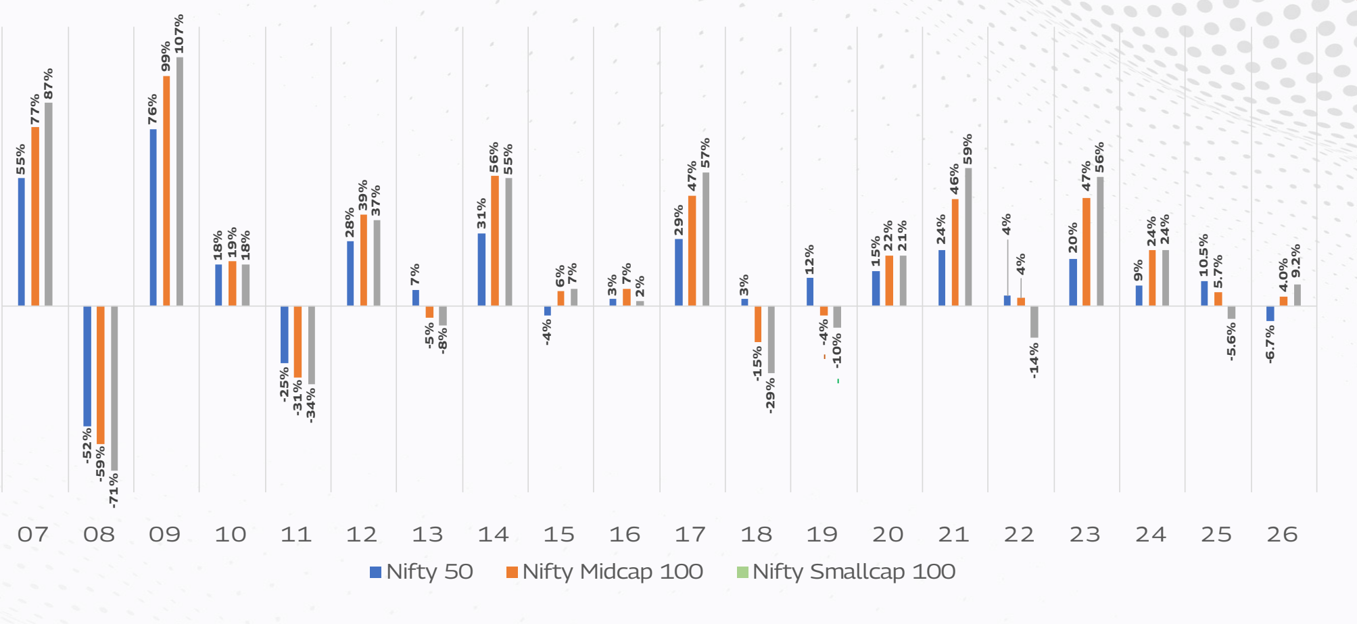
Note - Cells highlighted in green colour represents top 2 performers and the orange highlighted cells represent bottom 2 performers amongst the indices covered above for the respective months.

Source: Bloomberg.

Returns have been calculated on Absolute basis for respective month end periods beginning July 2025 until July 2026. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. ***Past performance may or may not be sustained in future.***

Data during the period of July 2025 to July 2026.

MARKET CAPITALIZATION- PERFORMANCE SNAPSHOT



Source: Source :- MFI, 31st July 2026 YOY- Dec
Data period: January 1, 2007, till July 2026. Returns are absolute returns (1 year) calculated as of the last business day of every calendar year end. Past performance may or may not be sustained in future.
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FIXED INCOME OUTLOOK

BOND AND MONEY MARKET

Parameters	31-Jul-26	30-Jun-26	31-Jul-25
RBI Repo Rate %	5.25	5.25	5.50
5Y AAA PSU %	7.37	7.22	6.84
1 year CD %	7.10	6.98	6.29
10Y Gsec %	6.84	6.75	6.37
CPI (%)	4.38	3.93	1.62
IIP (Year-on-year) %	7.30	5.10	5.40
US 10Y %	4.73	4.47	4.37
Dollar Rupee	95.39	94.67	87.60

Source: Bloomberg; Data as on July 31, 2026

THE FIXED INCOME GLANCE

- The follow-through was critical: with RBI and the Government of India announcing a series of measures for raising FCNR(B) deposits and borrowings in the June MPC, substantial inflows were witnessed through this window with RBI reporting strong inflows as on July end at USD 40 billion. While these flows improved the sentiments, what dulled the market sentiments was an escalation in the US-Iran crisis and the deferment of India Gsec inclusion in the Bloomberg Indices.
- The benchmark 10-year gilt, after the sharp rally in June, consolidated and moved up by around 8 basis points (bps) to 6.83, the 5 year AAA credits also moved up by 15 bps.
- The INR weakened around 0.77% to close around 95.39.
- Domestic inflation inched up to 4.38% with food inflation printing at 5.32%. With some recovery in southwest monsoon, sowing patterns still continue to lag last year and reservoir levels also much lower. The El Nino effect and its possible impact on domestic inflation would continue to impact the monetary action.
- The US 10 year too moved up by 30 bps to close at 4.75%.

WHAT NEXT?

ECONOMY CHECK

INDIA ECONOMY

- **The Centre's 1QFY27 fiscal position** is relatively comfortable (Centre's fiscal deficit (FD) at 18% of Budget Estimates for 1Q is identical to last year's and the 3Y average) despite revenue expenditure pressure and weak gross tax revenue. The Despite revenue pressure, the Centre has maintained strong capex momentum, driven by core sectors of Defence and Railways, while also pushing states via capex loans. However, states have controlled both revenue expenditure and capex in the face of weak revenue growth.
- **Banking sector credit growth** accelerated further in Jun'26, with Non-food credit growing 18.3% YoY, driven by broad-based growth across industry, services, agriculture and personal loans. Agriculture credit increased 16.8% YoY, while industrial credit remained strong at 19.2% YoY, supported by healthy lending to MSMEs (23.0% YoY) and medium enterprises (30.3% YoY). Services credit expanded 21.4% YoY, led by NBFCs (32.2% YoY), commercial real estate (22.1% YoY) and trade (18.6% YoY). Personal loan growth remained healthy at 15.8% YoY, supported by vehicle loans (17.3% YoY) and housing loans (11.0% YoY), while gold loans continued to witness exceptional growth of 93.8% YoY.
- **High-frequency indicators** such as auto sales, credit growth, industrial production (IIP), etc, remain resilient, underscoring robust underlying domestic demand momentum, with limited supply-side disruptions. In addition, the recovery in non-oil exports at the margin, augurs well for improving external demand and a gradual broadening of the growth impulse.
- **India's Headline CPI inflation** picked up to an 18-month high of 4.4% YoY in June 2026, above market consensus of 4.2% YoY. The acceleration was driven by 18-month high food inflation, fuel price hikes and precious metals. Excluding precious metals, core inflation was at 3.9% YoY.

Source: Internal Research

MARKETS

- Global markets ended mixed. Hong Kong (+13%), Indonesia (+11%) and Singapore (+9%) were the top gainers, whereas South Korea emerged as the top loser, declining 22% due to a global semiconductor/AI sell-off, amid concerns over Chinese competition, followed by Japan, Taiwan and Shanghai, which declined 8%, 6.5% and 6.4%.
- Indian equities ended July 2026 with modest gains of 2% after a volatile month marked by sharp swings in crude oil prices, US-Iran geopolitical tensions, some reversal in the global AI trade and 1QFY27 results declared till date. The Mid-cap Index gained 1.8%, while the Small-cap Index gained 2.5%. Among sectoral indices, the Nifty IT Index gained 17%, partly led by global sell-off in AI related stocks and partly by slightly better-than-expected 1QFY27 results, followed by the real estate and auto sectors, which gained 8.7% and 8.6%, while Banks and Energy sector were the weakest sectors.
- Domestic Flows: Net inflow into Equity Mutual Funds increased MoM in June 2026 to Rs 289.6 bn (excl. Hybrid), up 26% MoM and 23% YoY. The net inflow was equivalent to 96%, 96% and 94% of the trailing 3-month, 6-month and 12-month average inflows, respectively. The net inflow into Hybrid schemes for the month amounted to Rs 128.9 bn as against net inflow of Rs 105.6 bn in May 2026 and Rs. 232.2 bn in June 2025. The net inflow amounted to 88%, 136% and 110% of the trailing 3-month, 6-month and 12-month averages. The Total Hybrid Scheme AAUM for the month stood at Rs 12.2 trn, up 1.6% MoM and 18.2% YoY.

Source: Bloomberg Data as of July 2026

OUTLOOK

- When we evaluate the issues in Indian economy & markets over last 18-24 months, a majority of them appears "imported issues". USA Tariffs, Artificial Intelligence and America-Iran war. While these have impacted Indian markets more on valuations and less on growth & earnings. A new issue that has emerged last week is the bi-partisan bill in US Congress that empowers President to levy upto 100% tariff on imports from countries that continue purchasing Russian oil and gas. While this bill is in early stage the implications might be high if passed by US Congress and implemented by US President.
- Geopolitical situation in West-Asia remains volatile and newsflow on War & Peace keeps changing fast. The pattern of – "Strike, Stop, Talk, Repeat" continues as both sides are avoiding major escalations. Current US-Iran War dynamics suggest incentives on both sides to manage escalation, implying peak uncertainty might be behind.
- Trend/Pace of global AI investment cycle could be a key monitorable as that is seen as a macro headwind for India's economy on concerns over employment & income generation. The FII ownership in Indian equities is currently at decadal low (~15%). For now, looks like FII's may return to India's secular and diversified earnings growth prospects, depending on AI newsflow & outlook (July saw a sharp reversal in the stock prices of global AI/Semiconductor linked stocks). Though India's expected earnings growth delta v/s other EM's (Emerging Markets) is still not positive enough, the fact remains that earnings for key Emerging Markets (Ems) are driven by AI related companies. Domestic equity flows though have moderated a bit, but still remain resilient. The challenge for equity markets also emanates from the increasing pace of supply (new listings, QIPs, OFS etc) as more companies look to raise capital for growth and/or promoters look to monetise gains.
- India's overall macroeconomic backdrop remains good and could get better if the BOP (Balance of Payments) situation improves. The BOP improvement may ease the pressures on INR and investors worry on currency losses hurting investment returns. India earnings growth trajectory is gradually improving and likely to strengthen over the medium term. India's valuations are in fair value zone v/s own history. Indian policy measures aimed at attracting foreign capital, strengthening domestic manufacturing capabilities and extent of the weak monsoons (El-Nino year) will be key monitorables from here on. We are cautiously optimistic right now and remain constructive.
- From investors perspective, large cap offers better value and margin of safety as compared to mid and small caps. If pace of FII selling slows down and gradually reverses, it may give a leg up to large caps (which have been under selling pressure so far). Though at an aggregate level, valuations for mid and small cap are relatively on the higher side, but are also supported by strong earnings delivery and better EPS growth momentum.
- We believe asset allocation remains key for investors in their journey of wealth creation despite the uncertainties. The allocation is applicable to both equity as an asset class as well as choice of market capitalization within equities.
- Investors with near-term objectives or low risk appetite can opt to prefer Equity Hybrid Funds or multi asset allocation funds. Investors with a longer-term horizon might continue to remain invested with fresh equity allocation towards large caps.

Source: Internal Research

SUMMARY

SUMMARIZING OUR THOUGHTS

- A potential healthy FCNR(B) deposit mobilization through September may affect short term rates due to huge liquidity. However, the domestic rupee may not move due to the 100 billion of short USD positions of RBI, should they choose to close those forwards.
- While the MPC meets at the beginning of August, we would expect a wait and watch policy from the MPC.
- While we had started building significant duration before the rally in interest rates, we believed that markets could take a breather.
- The Credit spreads still look attractive at these levels, and our portfolios have a bias towards quality credits.
- Our bias towards long end papers (30 years) in our Dynamic bond fund.
- **Three factors** we continue watching carefully to change our view on the direction of rates.
  - The US rate trajectory (potential of it to go up remains a high probability event).
  - The Dollar Index and Commodity linkage.
  - The FCNR(B) and the ECB mobilization.

Source: Internal Research

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Multi Asset Allocation Funds
Invests in at least three different asset classes E.g. **Equity, Debt** and **Commodities**

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