DSP
ASSET MANAGERS

MONTHLY INVESTMENT UPDATE

India Rewind

August 2026

MSCI INDIA (JUL)	SOUTH KOREA (JUL)	FPI EQUITY (JUL)	DOLLAR INFLOWS (JUL)	INR / USD
+1.6% approx.	-17.9% approx.	+$2.3bn approx.	~$40.8bn	~95.4
USD terms	AI trade reversal	After 4 months outflows	FCNR + ECB + bonds	From low of 96.96

MARKET CONTEXT & FLOWS

July was defined by Middle East escalation and de-escalation — a seesaw in equities, bonds and crude. Against that volatility, India gained **+1.6% USD** (approx.) while the AI trade reversed hard: South Korea **-17.9%** (approx.) , Taiwan **-5.3%** (approx.) after rising ~64% and ~46% in Q2. FPIs pulled **~$6.2bn** from South Korea and **~$23.3bn** from Taiwan in July alone. India received **+$2.3bn** (approx.) in equity — its first positive month after four consecutive months of outflows totaling ~US **$27.4bn**. This is not yet a rotation into India, but the AI-trade headwind is beginning to ease.

DOMESTIC ACTIVITY

Manufacturing PMI eased to **53.5** in July — a five-year low, but firmly in expansion. Export orders rose to a three-month high, underscoring external demand resilience even as employment growth softened. Vehicle sales, tractor sales and bank credit growth all remain supportive of the broader growth momentum. Pockets of moderation are appearing, but domestic demand has not rolled over.

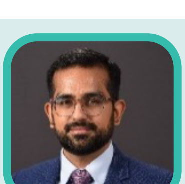
EXTERNAL POSITION & RBI

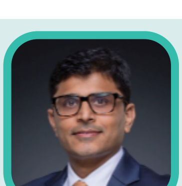
INR has recovered from **96.96** to **~95.4**. RBI measures mobilised **~$40.8bn** by end-July — comprising ~$36.7bn FCNR(B) deposits, ~$1.5bn ECB swaps and ~$2.6bn overseas borrowings — with G-Sec policy changes adding a further ~$6.8bn. Independent estimates suggest total inflows under RBI schemes could reach **$50–60bn or more**, potentially returning India's FY27 BoP to surplus after concerns earlier this year over reserve adequacy and INR stability.

FISCAL POSITION & KEY RISKS

Fiscal resilience has held: central government revenues rose **+11.5% YoY** (approx.) in Q1 FY27, while capex rose **+24% YoY** (approx.) led by defence, railways and infrastructure. The government remains broadly on track on its fiscal-deficit targets. The principal domestic macro risk remains weather. Monsoon rainfall is running below long-term averages across several regions, with kharif sowing trailing last year. A prolonged shortfall could lift food prices and inflation expectations in second half of FY27. Beyond the near-term oil and currency cycle, trade diversification, supply-chain reallocation and improving external balances continue to reinforce India's medium-term structural case.

Info Sources: Elara Capital, Nuvama, Morgan Stanley Research, MOFSL, Avendus Spark Research, UBS, Kotak Securities. Data as of July 2026. MXASJ – MSCI Asia Ex-Japan, FPI – Foreign Portfolio Investor, DII – Domestic Institutional Investor, RBI – Reserve Bank of India, FY – Financial Year, CY – Calendar Year; YoY is Year over Year, YTD – Year to date, EM – Emerging Markets, DM – Developed Markets, FTA - Free Trade Agreement. Past performance should not be taken as an indication or guarantee of future performance


Ashish Tekwani
Manager,
Investment Strategist


Jay Kothari
Senior Vice President,
Lead Investment Strategist

We hope you found this note interesting. Feedback welcome at InvestmentStrategists@dspim.com

INDIA AT A GLANCE

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Economic Activity and Employment								
GDP, USD bn	2,871	2,668	3,176	3,390	3,568	3,910	3,920	4,070
GDP per capita, USD	2,141	1,969	2,321	2,451	2,554	2,771	2,760	2,842
Real GDP growth, %	4	-6.6	8.7	7.2	8.2	6.5	7.7	6.7
Prices, Interest Rates & Money								
CPI inflation, % y/y (avg)	4.8	6.2	5.5	6.7	5.4	4.6	2.1	4.8
Repo rate, % (year-end)	4.4	4	4	6.5	6.5	6.3	5.3	5.3
10-year bond yield, % (yr-end)	6.1	6.2	6.8	7.3	7.1	6.5	7	7
USD/INR (year-end)	75.4	73.5	75.8	82.3	83.0	85.6	94.7	96.0
Fiscal Accounts								
General government budget balance, % GDP	-7.8	-13.9	-9.5	-9.4	-8.5	-8.0	-8.0	-7.5
Balance of Payments								
Trade balance, USD bn	-158	-102	-189	-266	-243.2	-287.2	-337.3	-372.6
Exports, USD bn	320	296	429	456	440.2	441.8	446.1	459.7
Imports, USD bn	478	398	619	720	683	729	783	832
Current account balance, USD bn	-25	24	-39	-67	-25	-23	-25	-45
FDI (net), USD bn	43	44	38.6	35	18	1	7	10
Total FX reserves, USD bn	478	577	607	578	646	668	691	715
Total external debt, % GDP	19.5	21.4	19.1	18	18.1	17.1	19.8	19.6
Credit Ratings								
Moody's	Baa2	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3
S&P	BBB–	BBB–	BBB–	BBB–	BBB–	BBB–	BBB	BBB
Fitch	BBB–	BBB–	BBB–	BBB–	BBB–	BBB–	BBB–	BBB–

Source: CEIC, Haver, UBS estimates; Note: Data is for FY ending March; E – Estimates. Data as of July 2026