

NIFTY 50

-6.1%

Sep 2026 return

BSE 200

-5.9%

Sep 2026 return

BSE 150 MIDCAP

-6.6%

Sep 2026 return

DII INFLOWS

\$8.0 bn

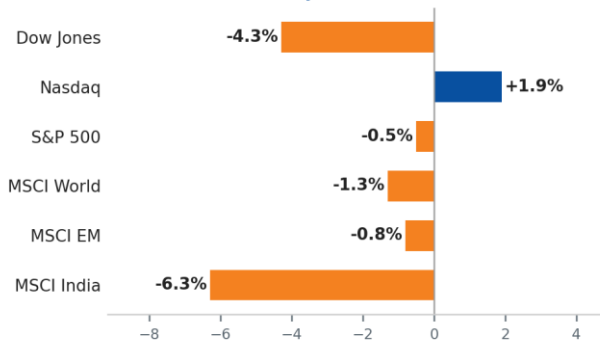
38th straight month of inflows

GLOBAL MARKETS

World Indices (USD)	1 Month	1 Year	2 Year	3 Year	4 Year	5 Year	10 Year
Dow Jones	-4.3%	9.7%	9.7%	14.9%	15.4%	8.5%	10.8%
Nasdaq	1.9%	18.5%	21.5%	26.6%	26.2%	13.2%	17.6%
S&P 500	-0.5%	14.4%	15.2%	21.2%	20.8%	12.2%	13.4%
MSCI World	-1.3%	13.8%	14.8%	19.7%	19.8%	10.3%	11.0%
MSCI EM	-0.8%	26.7%	20.7%	21.4%	18.1%	6.3%	6.6%
MSCI India	-6.3%	-4.7%	-5.9%	7.5%	8.5%	6.2%	10.2%

Source: Bloomberg. Returns over 1 year are annualised (CAGR).

1-month return, September 2026 (USD)



- Global equity markets declined **1.3%** in September. India underperformed both the MSCI World and MSCI EM indices by **5.0%** and **5.5%** respectively.
- Among emerging markets, **Taiwan, Brazil and Korea** were the key outperformers, while **South Africa and India** were the key underperformers.
- EM earnings delivered very strong Q2 growth: **net income rose 80% YoY**, supported by 22% YoY top-line growth and 44% EBITDA growth. Much of the outperformance came from **Tech (+347% YoY)**, led by Korea (+499% YoY) and Taiwan (+117% YoY).

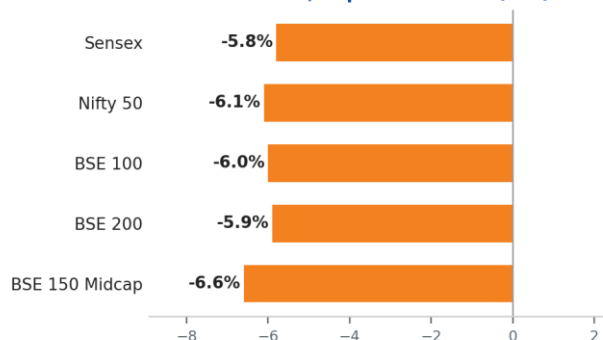
- While Q2 results have eased concerns about the durability of AI capex, a key risk is **high bond yields and tighter monetary policy**, which could pressure future capex and increase volatility in long-duration sectors such as Tech. Markets also face heightened risk aversion ahead of the **US midterm elections**.

INDIAN MARKETS

Indian Indices (INR)	1 Month	1 Year	2 Year	3 Year	4 Year	5 Year	10 Year
Sensex	-5.8%	-9.7%	-7.3%	3.3%	6.0%	4.2%	10.0%
Nifty 50	-6.1%	-8.1%	-6.4%	4.8%	7.2%	5.1%	10.1%
BSE 100	-6.0%	-6.0%	-5.8%	6.4%	8.4%	6.3%	10.6%
BSE 200	-5.9%	-4.6%	-5.5%	7.4%	9.1%	7.0%	11.1%
BSE 150 Midcap	-6.6%	2.7%	-2.7%	12.7%	16.4%	13.1%	15.1%

Source: Bloomberg. Returns over 1 year are annualised (CAGR).

1-month return, September 2026 (INR)



Indian equity markets witnessed a **broad-based correction** in September. The **Nifty 50 declined 6.1%**, while the **BSE 200** and **BSE 150 Midcap** fell **5.9%** and **6.6%** respectively. All sector indices ended in the red.

Relative sector performance

▲ Outperformers

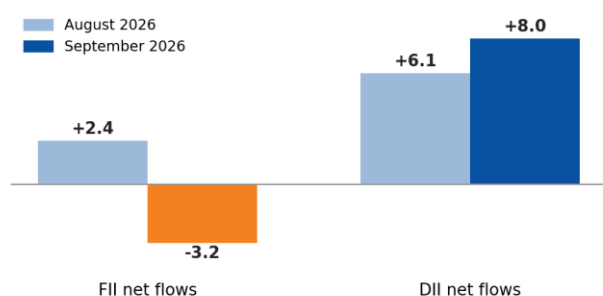
- Healthcare
- Power
- Metals
- FMCG
- Oil & Gas

▼ Underperformers

- IT
- Consumer Durables
- Auto
- Capital Goods

Institutional flows

Institutional flows (USD billion)



FII flows turned negative, with selling of **USD 3.2 billion** in September versus inflows of USD 2.4 billion in August.

DII inflows remained robust at **USD 8.0 billion**, up from USD 6.1 billion in August.

While domestic inflows have remained strong, **equity supply of ₹3.3 trillion in H1 FY27** and persistent FII selling have weighed on the market.

WHAT MOVED THE MARKET

Factors behind the decline

- Brent crude** spiked through the month, rising **14.4% MoM to USD 103.5/bbl** as tensions in the Middle East resurfaced.
- A sharp rise in bond yields: the **US 10-year rose 53 bps to 5.28%** and the **India 10-year rose 24 bps to 7.19%** over the month.
- The **US Federal Reserve raised rates by 25 bps** to a target range of 3.75%–4.00% on 16 September, its first increase in three years. RBI was expected to follow suit on 7 October.
- Regulatory uncertainty** weighed on sentiment, with proposed changes to the commission structure and expenses of management in the insurance sector, and Supreme Court comments on reviewing hospital medicine mark-ups in healthcare.

Currency and reserves

India's **forex reserves rose 5% MoM to a record USD 766 billion** in September, driven primarily by foreign-currency inflows following RBI's concessional FCNR(B) swap window. However, the **rupee has weakened 8% YoY to 95.8 per USD**, pressured by high crude oil prices, a surge in global bond yields and FII selling.

OUTLOOK

After touching an all-time high in September 2024, Indian equities have gone through a prolonged correction amid persistent global geopolitical and macroeconomic headwinds and slowing domestic earnings growth.

Despite this, **India's economy and corporates have shown resilience**:

- **GDP growth was strong at 7.8% in Q1.** Major global rating agencies upgraded India's FY27 GDP growth forecast to around **6.9%–7.1%** in September 2026.
- **Corporate earnings growth** was better than expected in Q1.
- **Banking credit growth of 18.1% YoY** in September, with benign asset quality.
- **Gross GST collections grew 14.7%** in September.
- The **38th consecutive month** of net DII inflows.

Valuations have turned attractive

After two years of negative returns, Nifty 50 valuations have become increasingly attractive, with the **PEG ratio now close to 1**.

18.6x

Nifty 50 P/E on FY27E earnings

Source: Bloomberg, JM Financial

15.8x

Nifty 50 P/E on FY28E earnings

~16%

Expected earnings CAGR, FY26–FY28E

Key risks to the outlook

- Escalation of geopolitical conflicts.
- A sustained rise in crude oil prices.
- A further increase in bond yields and interest rates globally (including the US) and in India.
- Continued supply of equities through primary and secondary market issuances.

Conclusion

While near-term volatility may persist due to global geopolitical and macroeconomic headwinds, the **medium-term outlook for Indian equities remains constructive**. Strong domestic macroeconomic fundamentals, improving earnings growth, resilient domestic flows and attractive valuations provide a favourable backdrop for long-term investors such as NPS subscribers.

Disclaimer

- All investments in pension funds and securities are subject to market risks.
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