August 2026

FUND MANAGERS COMMUNICATION

Global Market:

During the month geopolitics and technology continued to dominate Global Equity market movements. Volatility was witnessed in AI and Chip driven stocks with South Korean equity markets seeing sharp correction. The US Fed has kept its policy rate unchanged at 3.5-3.75%, despite expectations of a hike. It also reiterated the FOMC's intent to deliver price stability.

Domestic Market:

GST Collection: GST collection for the month of July 2026 was Rs.2.11 lakh crore up by 15.4% y-o-y. Indicating a strong economic activity.

Auto numbers: The auto pack continued its strong performance in Jul-26, with growth momentum accelerating across segments and players. The 2W industry's retail sales grew at strong at 28% yoy. Passenger vehicles grew by 18.6% y-o-y. Commercial vehicles & tractors grew more than 25% y-o-y. Automobile sales were stronger than expected, Growth was broad-based indicating improving consumer demand and better rural momentum.

Credit growth accelerated to a two-year high in Jun'26 to 18.6% y-o-y, driven by an expansion in industry and services credit, sustained MSME demand and quarter-end disbursements. Credit growth is expected to stay resilient, driven by broad-based demand and a potential pickup in corporate capex.

PMI: The S&P Global HSBC Manufacturing PMI for India came at 53.9 in July & Services PMI at 53.1, there is moderation month on month basis. (Manufacturing PMI data is an economic indicator that measures the activity level in the manufacturing sector. It is based on a survey of purchasing managers across manufacturing industries and provides insights into business conditions, including production, new orders, employment, supplier delivery times, and inventory levels).

Core sector activity increased by 5.0% YoY in Jun'26, by the highest in five months, compared with 3.2% YoY in May'26. Sequentially, it declined by 0.4%. Out of the nine core industries, five sectors recorded positive YoY growth. Overall, the core sector growth was supported by Iron Ore, Electricity, Cement and Steel. However, persistent weakness in energy related sectors, particularly Natural Gas, Crude Oil, Refinery Products and also Fertilizers, continued to drag the overall expansion.

IIP: Industrial growth in Jun'26 was 7.3% y/y, up sharply from the 5.0% recorded in May'26 . The resilience in industrial activity, with average growth of 5.7% during Q1FY27, underscores the strength of domestic investment and manufacturing despite external uncertainties. Going forward, sustained public and private capex, resilient domestic demand and easing geopolitical tensions are expected to support industrial momentum. While negotiations on the

India–US trade agreement continue and could provide a medium-term boost to manufacturing and exports, the recent US tariff measures and evolving global trade policies remain key monitorable risks.

Power demand has remained exceptionally strong over the past few months, supported by economic growth, higher industrial activity, increasing air-conditioning usage & electrification of transport. Peak power demand was 271 GW in 2026. Electricity generation in July 2026 reached 181.79 billion units (BU), up 10.4% y-o-y.

The India–UK Economic and Trade Agreement (FTA) came into force on 15 July 2026, making it one of India's most significant bilateral trade agreements. The FTA is a structural positive because it enhances export competitiveness and could support earnings growth for export-oriented companies over the medium term & support labour incentive sectors.

Equity Market Outlook:

Q1FY27 Results season has started, the expectation was low as impact of higher crude prices and supply chain related impact of US Iran war would impact the margins this quarter. However the companies which have reported results till now, many companies have shown better revenue growth with certain companies and sector witnessing margin pressures. Overall improvement is visible in the growth trajectory for corporate India.

Crude oil prices have fallen from their recent high of around $100/bbl, driven by reports of renewed US-Iran peace talks, comments from US President Donald Trump, and OPEC+'s decision to increase oil production. The sharp correction in oil prices is expected to improve overall market sentiment.

On the domestic front, economic indicators remain encouraging. July GST collections crossed the ₹2 lakh crore mark, the highest level in 14 months, reflecting healthy economic momentum. Strong July automobile sales, sustained progress in the monsoon, and high Industrial Production (IIP) growth further underline the resilience of the domestic economy Currency has also seen stability with steps taken by RBI in attracting FCNR deposits and also there has seen moderation in selling from Foreign investors in July 2026 month.

Our PMS Portfolio continues the recovery over last four months. We hope the recovery trend to continue going forward in coming quarters. With change in sentiment, better earnings momentum and markets gone through long consolidation and correction period over 18 months now, valuations are now reasonable compared to global market & last 10 year average. Expected impact of El Nino and poor monsoon has now decreased, with catch up in monsoon in July month, although rains has been uneven & the deficit now stands at 13%-14% range. Indian equity markets are providing a good opportunity to investors for long term investment. However, if there is any escalation in US & Iran war and impacting supply chain logistic and crude and gas prices, would impact the near term risk sentiments.

Regards,
Mayur Shah
(Fund Manager-Anand Rathi Advisors Ltd.)

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