Monthly Newsletter

July 2026 Edition

- Strong FII flows
- Oil Prices Test Global Markets
- KOSPI slump

Find out more inside!

Wealth First | Market Dashboard

July 2026

Global Markets

Index	1M	1Y	Comment
S&P 500	-0.1% ▼	17.6% ▲	Broader Mkt Offsets Tech
Nasdaq	-6.6% ▼	21.8% ▲	AI Trade Unwinds
MSCI Europe	1.5% ▲	19.8% ▲	Earnings Support Gains
MSCI EM	-3.3% ▼	34.0% ▲	Asian Tech Correction

Indian Markets

Index	1M	1Y	Comment
Nifty 50	2.2% ▲	-1.6% ▼	IT Rally & FII Return
Midcap	1.6%	8.3%	
Smallcap	1.1%	4.5%	
Nifty 500	2.0%	2.4%	

Fixed Income

India 10Y	6.83%
US 10Y	4.75%
Japan 10Y	2.79%

Sector Watch

	Auto	Cap Goods	Financials	IT	Pharma	Oil & Gas
1M	8.6%	-5.4%	-0.2%	16.8%	4.8%	1.8%
1Y	21.5%	12.9%	4.6%	-13.0%	16.5%	-1.2%

India Macro Snapshot

	Jul	Jun
CPI Inflation	TBD	4.38
PMI Manufacturing	53.5	54.2
PMI Services	53.1	57.4
GST Collections (Lac Cr)	₹2.11	₹1.94

Commodities

	Price ($)	1M	1Y
Gold	4,042.7	0.9%	22.9%
Silver	57.6	-1.6%	56.8%
Brent Crude	87.9	20.5%	22.6%

Money Flows

	Jul
FII – Equity (Cr)	– ₹5.7 k
DII – Equity (Cr)	₹35 k

	Jul
FII – Debt (Cr)	₹29,212
New Bond Issues (Cr)	₹41,194

	Rate	1M	1Y
USD/INR	**95.39**	-0.8%	-8.2%
USD/JPY	**157.58**	3.2%	-4.3%
USD/CNY	**6.75**	0.5%	6.7%
USD/EUR	**0.87**	0.9%	1.0%
Dollar Index	**99.91**	-1.3%	-0.1%

July 2026

Key Insights For the Month

1 FII Buying Lifts Markets

The Nifty 50 gained 2.2%, the Nifty Midcap 150 advanced 1.6%, while the Nifty Smallcap 250 underperformed with a gain of 1.1%. FIIs turned net buyers (20,000 cr) for the first time after June 2025. The rally was led by banking, financial services, and IT stocks, while broader markets lagged as investors favored quality and liquidity amid improving global risk sentiment.

2 Brent Crosses $100, India Stays Insulated

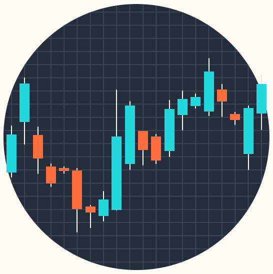
In July 2026, Brent crude oil experienced extreme volatility, surging past $100 per barrel mid-month due to US-Iran tensions and Red Sea shipping threats, before retreating to close the month around $92.27 per barrel as geopolitical fears eased and shipping through the Strait of Hormuz partially resumed. India remained largely unaffected due to diversified oil imports and steady supplies.

3 AI Valuations Face Reality

South Korea's KOSPI witnessed one of its sharpest corrections in recent history as the AI-driven rally unraveled. After hitting record highs in May, the index fell nearly 22% in July and was down about 30% from its June peak, wiping out over $2 trillion in market value. The sell-off was led by AI chipmakers such as Samsung Electronics and SK Hynix, as investors questioned lofty AI valuations despite strong earnings and rushed to unwind leveraged positions

OUTLOOK

Indian markets have remained resilient despite the broader emerging-market sell-off and higher crude prices, supported by improving fundamentals and renewed FII participation. While near-term headwinds persist, market indicators are beginning to show signs of a reversal. Our earlier tactical call on precious metals has now played out as demand-supply dynamics have become less favourable, though we continue to maintain a long-term allocation for diversification.



Behavioral Finance

Cobra Effect: When Incentives Create Worse Outcomes

The Cobra Effect occurs when a solution or incentive designed to solve a problem ends up making the problem even worse. People respond to incentives in unexpected ways, often optimizing for the reward instead of the intended objective.

Real-Life Example: YES Bank – Chasing Growth at Any Cost (2014–2020)

Before its collapse in 2020, YES Bank aggressively pursued rapid loan growth and market share expansion.

- Loan book grew from ₹55,000 crore (FY15) to over ₹2.4 lakh crore (FY19).
- High-growth sectors and stressed corporate borrowers were aggressively financed to maintain growth.
- Evergreening of loans and delayed recognition of bad assets helped present stronger financial metrics.

For years, the bank appeared to be one of India's fastest-growing private lenders, attracting investors with impressive growth numbers.
Once the RBI's asset quality review exposed the true level of stressed loans, Gross NPAs surged from 0.76% (FY16) to over 16.8% (FY20). Depositors lost confidence, the share price collapsed by over 90%, and the RBI had to step in with a reconstruction plan led by SBI.

Genesis -

- Growth incentives encouraged excessive risk-taking instead of prudent lending.
- Reported financial health masked deteriorating asset quality.
- Investors focused on growth metrics while underestimating credit risk.
- The bank required regulatory intervention to restore stability.

Behavioral Takeaway

- Incentives should reward long-term value creation, not just rapid growth.
- Investors should evaluate how growth is achieved, not just how much growth is reported.

Key Insight

The Cobra Effect reminds us that incentives matter. Companies chasing growth at any cost may win headlines, but sustainable value is built on strong fundamentals, prudent risk management, and transparent governance.