



TAX | WEALTH | WILL

MONTHLY NEWSLETTER

ISSUE NO : 31

DEV MANTRA ONLINE SERVICES PRIVATE LIMITED

SEPTEMBER 2026

FROM THE AUTHOR

Indian stock markets climbed for most of August before slipping in the final days, as investors grappled with rising US–Iran tensions near the Strait of Hormuz and a hawkish US Fed stance on inflation. On the last trading day, both Sensex and Nifty fell around 0.4% amid a sharp 3% single-day surge in oil prices, which raised concerns given India's heavy reliance on oil imports. This pushed the rupee lower and drove bond yields to a 12-week high, compounded by rising inflation data. However, strong domestic institutional buying and an upward revision to India's growth outlook helped offset some of the negative sentiment.

- Stocks rose through most of August but slipped in the final days; Sensex and Nifty each fell ~0.4% on the last trading day.
- Rising US–Iran tensions near the Strait of Hormuz, plus a hawkish US Fed stance on inflation, weighed on sentiment.
- Crude oil surged ~3% in a single day; given India's heavy oil import dependence, this raises fuel/transport costs, pressures the rupee, and fuels inflation.
- Rupee weakened to ₹95–96/USD; government bond yields hit a 12-week high on inflation worries.
- CPI inflation hit a 19-month high of 4.45% in July, driven mainly by food prices.
- On August 31, FIIs were net sellers of ₹7,986 crore, while DIIs were net buyers of ₹4,589 crore, cushioning the market impact.
- RBI raised its annual growth forecast to 6.7%.
- Q1 (Apr–Jun) GDP growth came in at 7.8%, beating RBI's 7% estimate.

Indian Equity Markets

Indian equities enter September after a volatile August, with the Nifty trading around 24,000–24,150 and the Sensex closing down 0.4% at 76,957, pressured by US–Iran tensions, a hawkish Fed stance, and a nearly 3% oil price surge. FIIs sold ₹7,986 crore on the last day, while DIIs bought ₹4,589 crore, helping cushion the fall. A key structural change was the introduction of the Closing Auction Session (CAS) for eligible stocks/derivatives from August 3, altering how closing prices are determined.

Gold – Recovery and renewed safe-haven demand

According to the World Gold Council, international gold prices rose sharply in early August, while domestic Indian gold prices also recovered significantly. The WGC noted that international gold rose **9%** in the first two weeks of August, while Indian prices gained nearly **7%**, although INR appreciation moderated part of the domestic increase

More recent global trading has seen gold around US\$4,600 per ounce, supported by:

- A weaker dollar
- Concerns about US fiscal sustainability
- Geopolitical uncertainty
- Central-bank and ETF demand
- Uncertainty around the future path of US interest rates

The World Gold Council also reported positive ETF flows in August, with collective holdings rising by 23 tonnes.

RBI & Interest Rates

The RBI kept its repo rate unchanged at 5.25%, maintaining a 'balanced' stance while raising its annual growth forecast to 6.7%, with meeting minutes hinting at potential rate hikes later this year if inflation persists.

- Repo Rate: Unchanged at 5.25%
- Stance: Balanced (neither dovish nor hawkish)
- Growth Forecast: Raised to 6.7%
- Next Meeting: October 5–7
- Watch For: Possible rate hikes if inflation stays elevated

Oil & Commodities

Oil prices climbed steadily through August, with Brent Crude rising nearly 8% during the month to reach \$90.7 per barrel, while the Indian Crude Basket traded between \$85–91 per barrel. On the final trading day alone, oil surged nearly 3% amid escalating US–Iran tensions near the Strait of Hormuz, directly impacting India given its heavy reliance on oil imports – raising fuel and transport costs, weakening the rupee, and adding to inflationary pressure. Meanwhile, gold saw a sharp rally of up to 14% before retreating after the Fed signaled a stricter rate stance, and silver climbed roughly 11% over the month, with both metals serving as portfolio diversifiers sensitive to global rate expectations.

Important Points:

- Brent Crude: \$90.7/barrel, up ~8% during August
- Indian Crude Basket: \$85–91/barrel through August
- Last-day surge: Oil jumped ~3% in a single day on Strait of Hormuz tensions
- Impact on India: Higher fuel/transport costs, weaker rupee, rising inflation risk
- **Gold**: Surged up to 14% in August, then retreated after hawkish Fed signal; priced at ~₹1.56–1.58 lakh/10g (24K)
- **Silver**: Up ~11% over the month; priced at ~₹2.4–2.5 lakh/kg
- Key risk ahead: Strait of Hormuz tensions remain the biggest wildcard for oil, the rupee, and inflation

Global Economy & Geopolitical Developments

The IMF's July 2026 World Economic Outlook update projects:

Global growth 2026	3.00%
Global growth 2027	3.40%
Global headline inflation 2026	4.70%

The IMF describes the global economy as being shaped by two opposing forces: the negative effects of the energy shock and conflict, versus strong investment momentum associated with technology and AI.

US interest rates and bond markets

Global markets are closely focused on the US Federal Reserve's policy direction. Rising longer-term Treasury yields, persistent inflation concerns and uncertainty around future rate decisions are influencing currencies, gold, global equities and capital flows

Middle East and Iran

The US-Iran war (ongoing since Feb 2026) kept the Strait of Hormuz – a route for ~25% of global seaborne oil and 20% of LNG trade – disrupted through August 2026, with shipping traffic at just 17% of pre-conflict levels.

- Aug 8: Iran-Oman neared a deal, but Iran demanded US troop withdrawal and compensation first.
- Aug 11–16: Trump claimed the Strait was "open" and threatened to declare it US territory; Iran rejected this. Oil prices rose on continued disruption.
- Aug 15: UAE oil tanker attacked (blamed on Iran); Houthi attacks shut a Yemeni port.
- Aug 25–26: Iran-Oman proposed a temporary shipping corridor and mine-clearing plan – a tentative de-escalation, though a tanker was still hit by a projectile.
- Impact: Directly fueled the oil price surge, rupee weakness, and inflation pressure seen in markets.

China and global trade

China's exports rose 25% and imports grew 28.2% year-on-year in August 2026, widening its trade surplus to \$119.1 billion, driven largely by strong global demand for AI-related tech and high-tech goods.

- Exports: +25% YoY (autos, tech, AI-linked demand)
- Imports: +28.2% YoY (below forecast, weak domestic demand)
- Trade Surplus: \$119.1 billion (up from \$112.5B in July)
- Exports to US: +34.4% to \$42.5 billion
- Context: Comes ahead of a planned Trump–Xi summit in late September 2026

Nifty 50

24,080

BSE Sensex

76,957

USD/INR

95.5625

10-Year G-Sec

~6.95%

Silver (999)

~₹2.42 lakh per kg*

Gold (24K/999)

₹1,56,000–₹1,59,000 per 10g*

Brent Crude

~US\$90.7/bbl

MARKET OUTLOOK

Indian equity markets experienced heightened volatility towards the end of August, including sharp moves around the first monthly expiry under the new closing auction framework before recovering on 28 August. The Nifty and Sensex rebounded, supported in part by strength in heavyweight IT stocks.

The recent swings highlight how market sentiment is being influenced by both domestic market factors and rapidly changing global developments. Valuations, earnings expectations and foreign investor positioning leave limited room for complacency when global uncertainty rises.

RBI Policy

At its recent policy review, the RBI kept the repo rate unchanged at 5.25%, maintaining a stance described as "balanced" – neither explicitly dovish nor hawkish. The central bank raised its annual growth forecast to 6.7%, reflecting confidence in the economy's underlying momentum. Looking ahead, the RBI is scheduled to meet next between October 5–7, and the meeting minutes hinted that further rate hikes could be considered later in the year if inflationary pressures persist.

Crude Oil & Geopolitics

Brent crude remained volatile during August as markets reacted to developments surrounding the US-Iran standoff and concerns over energy flows through the Strait of Hormuz. Prices eased towards the end of the month as risk premiums moderated, but the geopolitical situation remains fluid.

For India, crude oil is more than simply a commodity price. Higher oil prices can increase imported inflation, widen the current account deficit and place pressure on the rupee. This can eventually influence both RBI policy and investor sentiment.

Foreign Flows

Foreign portfolio flows into Indian markets have shown signs of improvement, following a period of sustained selling earlier in the year. Official NSDL data also shows continued activity across both equity and debt markets, while recent market movements indicate that foreign participation remains sensitive to global risk conditions.

Foreign flows can significantly influence short-term market sentiment, the rupee and equity valuations. However, these flows are increasingly dependent on factors beyond India including US interest rates, the strength of the dollar, global risk appetite and relative valuations.

The Rupee & Global Interest Rates

The rupee remained sensitive to movements in crude oil, dollar liquidity and foreign capital flows, while global markets continued to assess the future direction of US monetary policy. As August drew to a close, the RBI/FBIL reference rate was around ₹95.56 per US dollar.

A stronger US dollar or higher global yields can affect emerging-market capital flows and place pressure on the rupee. Conversely, lower crude prices and improving capital inflows can provide support. The currency therefore acts as an important transmission channel between global events and India's domestic economy.

ECONOMY & POLICY

REPO RATE	5.25%
STANDING DEPOSIT FACILITY (SDF)	5.00%
MARGINAL STANDING FACILITY (MSF)	5.50%
BANK RATE	5.50%
POLICY STANCE	Normal

- At its August 3–5, 2026 meeting, the RBI's Monetary Policy Committee maintained the policy repo rate at 5.25% and retained its neutral stance.

The decision reflects a balancing act. Domestic growth conditions remain supportive, while inflation and external risks continue to require close monitoring. In particular, global commodity prices, geopolitical developments and financial-market volatility could influence India's inflation and monetary-policy outlook.

Key takeaway: Monetary policy remains supportive, but the outlook for future rate moves will depend on how inflation, crude oil prices and global financial conditions evolve.

Macro Monitor

GDP

The latest official GDP data available should be tracked as the key indicator of whether India's domestic growth momentum continues to remain resilient.

Sustained economic growth supports corporate earnings and long-term equity fundamentals, while a meaningful slowdown could influence both earnings expectations and future monetary policy.

Inflation

CPI Inflation Rate: India's CPI (Consumer Price Index) inflation stood at 4.45% in July 2026, marking a 19-month high, driven mainly by rising food prices.

- The RBI's FY27 inflation forecast is 5.0%
- Core inflation projection: 4.3%
- Inflation is expected to peak in Q3 FY27 (due to food and fuel prices) before moderating
- It remains within the RBI's 2–6% tolerance band

Rupee

The rupee remains sensitive to movements in the US dollar, crude oil prices and foreign capital flows.

Currency weakness can increase the cost of imports and contribute to inflationary pressures. For India, the interaction between crude prices, the rupee and foreign portfolio flows remains an important macroeconomic transmission channel.

Bond Yields

Government bond yields remain a key indicator of market expectations around interest rates, inflation, government borrowing and liquidity conditions.

Bond yields influence borrowing costs across the economy and can also affect equity valuations. A stable or moderating yield environment is generally supportive for fixed-income investors, while sharp increases in yields can create mark-to-market volatility.

Crude Oil

Crude remains one of India's most important external macroeconomic variables. Recent geopolitical developments have kept global energy markets volatile, making the direction of oil prices particularly relevant for inflation, the current account and the rupee.

A sustained increase in crude prices could create a chain reaction raising imported inflation, pressuring the rupee and potentially complicating the RBI's monetary-policy outlook.

What It Means for Investors

India enters September with a relatively stable domestic policy backdrop, but with important external risks still in play. The RBI's decision to maintain the repo rate at 5.25% provides continuity, while inflation remains a key variable to watch.

The larger risk for markets may come from outside India. Crude oil, geopolitical developments, global interest rates and currency movements could influence inflation expectations and capital flows over the coming months.

For investors, this reinforces the importance of maintaining a portfolio that is not dependent on a single market outcome. A disciplined allocation across equities, fixed income and other suitable asset classes can help manage uncertainty while remaining aligned with long-term financial objectives.