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How have global FII flows fared this year?

CY26 has been a year of uncertainty. The major impact was felt across major asset classes such as equity, fixed income and commodity markets. To gauge how investor sentiments have fared globally, we looked at the net FII flows country-wise, to get a clearer picture where India stands. One caveat of this data is that information of FII flows for different countries is available at different frequencies. Hence, we have captured a certain sample. It gives a representative picture. For net equity inflows, EMs except Japan have registered muted flows. The same got mirrored for India. One advantage for India has been that weaker equity flows were complemented with satisfactory debt flows. This may be attributable to coordinated policy support by government and monetary authority. Going forward, global FII flows are likely to be volatile unless the war-situation resolves. Also, tighter liquidity by global central bank actions might further impinge on equity inflows. However, market has priced in similar situations, hence the downward correction if any is likely to be largely capped. For India, robust domestic growth fundamentals and a higher premium in terms of rate differential with the US, will provide further advantage in terms of debt flows.

How have global FII flows fared?

CY26 has been a crucial year for foreign investors. From tariff-related inflationary risks impacting growth outlook of majority of economies to war-related ambiguity, investors have undergone constant re-alignment of expectations from the very start of the year. Since we have covered more than half of the calendar year, it will be important to look at how FII flows of different economies in both debt and equity segment have emerged, to get a clear picture of where we stand in terms of foreign capital flows. Before we explain Table 1. there are very few caveats that need to be mentioned. Net inflows do not correspond to the same time for different countries. For example, in case of China and UK, data corresponds to Mar'26, hence we have excluded these two countries, for the purpose of our analysis. Net debt inflow data is also not available for major Europe, the Middle East, and Africa (EMEA). However, we can use the data for a broader picture.

In Asia, Japan remained better in terms of flows compared to its peers. This is albeit a weaker currency in CYTD26. A possible explanation could be BoJ holding rates for most of CY26 expect for the latest Jun'26 hike where inflationary fears pushed BoJ to take a call on rates. Apart from Japan, major Asian economies have seen outflows in the equity segment. For S. Korea the net outflow is as high as US$ 100.8bn in CYTD26. This is despite technology stocks dominating the index. India also mirrored the global trend. It saw net outflow of US$ -27.2bn during this period. But for India's case, the outflow in the equity segment is supported by buoyant flows in the debt segment at around US$ 8.7bn. This is largely attributable to concerted fiscal and monetary policy coordination. Government measures targeted at tax rationalization of FPIs will not only attract immediate capital, but it is also welcoming from the standpoint of attracting long term capital. For other economies within Asia, net debt inflows have been buoyant. For S. Korea it is the highest at US$ 42.9bn. For Japan, it is at US$ 37.5bn. Total net debt inflow for Asia in our sample excluding China is at US$ 97.9bn and excluding China and Japan it is at US$ 60.4bn. So, India's share in Asia excluding Japan and China is at 14.4% in CYTD26 for the debt segment.

In the US, both equity and debt net inflows have been buoyant. For equity, AI-related spending and broad optimism on growth front in the region supported net equity inflows. Debt inflows got comfort from postponement of rate action by US Fed. For EMEA (Europe, the Middle East, and Africa), the net debt inflow is not available for majority of the economies. For net equity inflow, Euro area has received considerable flows in CYTD26. The share of Euro area in net equity inflows excluding China and UK stands at around 48.5%.

Table 1: Cumulative Global FII flows (January to date)

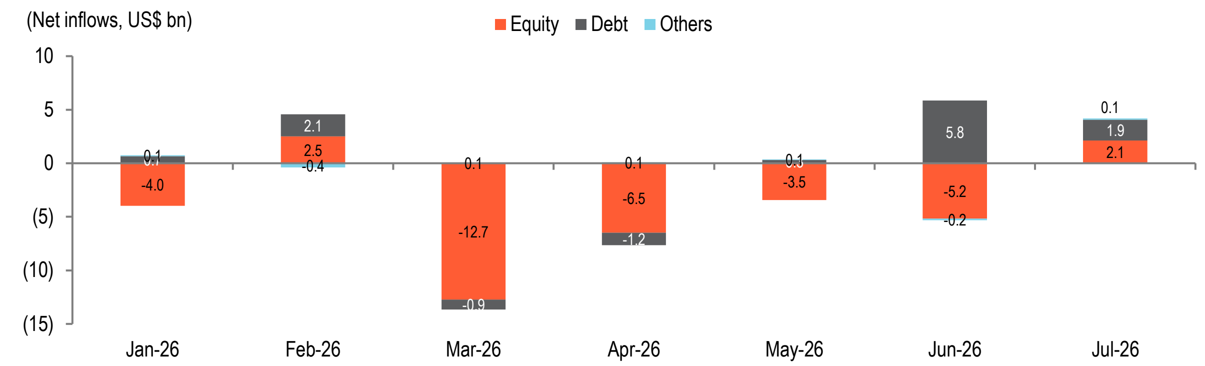
Countries, CYTD FII flows, US$ bn	Frequency of availability of information	Equity	Debt
Asia			
China	31MAR2026	17.9	-29.4
India	30JUL2026	-27.2	8.7
Indonesia	31JUL2026	-4.2	0.7
Japan	24JUL2026	62.6	37.5
Malaysia	31JUL2026	-0.6	0.7
Philippines	31JUL2026	-0.2	6.1
S. Korea	31JUL2026	-100.8	42.9
Thailand	31JUL2026	2.3	1.3
Total Asia excl. China and Japan	**na**	**-130.6**	**60.4**
Total Asia excl. China*	**na**	**-68.1**	**97.9**
Americas			
Brazil	28JUL2026	6.9	13.8
Canada	31MAY2026	-13.3	94.7
United States	31MAY2026	269.0	459.7
Total America	**na**	**262.6**	**568.2**
EMEA			
Dubai	31JUL2026	-1.5	na
Euro Area	31MAY2026	181.2	na
Poland	31MAY2026	1.2	na
Qatar	02AUG2026	-0.2	na
Romania	31MAY2026	0.6	na
Turkey	24JUL2026	1.6	na
United Kingdom	31MAR2026	-3.4	na
Total EMEA excl. UK*	**31MAR2026**	**182.9**	**na**
Total based on the available sample	**na**	**391.9**	**636.8**
Total excl. China and UK*	**na**	**377.5**	**666.2**

Source: Bloomberg, NSDL, Bank of Baroda Research, Note *: China and UK are excluded due to frequency of information being on a lagged basis, For India, FPI and FII have been used interchangeably

India's picture:

In CYTD26, FPI (FPIs and FIIs have been used interchangeably) net inflows have broadly remained dragged down by equity flows. The net outflows have been sharper with the start of the war (27 Feb 2026) where risk-off sentiments heightened. In Mar'26, net FPI recorded sharp outflow of US$ 13.6bn with equity outflow at -US$ 12.7bn. However, with passage of time market expectations showed some degree of correction. In Jun and Jul, net inflows turned into positive territory which is welcoming. In Jul'26, net equity inflows picked pace which was the phenomenon last seen in Feb'26.

Fig 1: Movement in net FPI flows of India in CYTD26



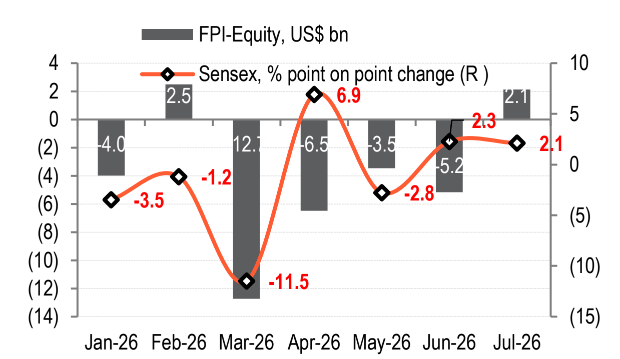
Source: NSDL, Bank of Baroda Economic Research

Interestingly, equity flows and Sensex have moved in tandem except in Jun'26. The major decline happened in the month of Mar'26 on account of geopolitical crisis. One thing which can be seen in CYTD26 is that equity flows have broadly remained suppressed. However, going forward, the outlook might change if there is some improvement in the war-situation. Further the spillover of AI-driven global spending and better quarterly earnings of companies in Q1 might be reflected. Domestic investors have also remained buoyant. Net inflows under equity related scheme for Mutual Fund has been Rs 1.8 lakh crore which is ~US$ 1.9bn in CYTD26 (Jan-Jun'26).

There are general narratives centering around how yield differential impact FPI flows. To capture the same, figure 3 shows that till Apr'26, the yield differential between India and US were broadly maintained. However, since May'26, there has been some correction in yield differential. Ideally that should have impacted FPI debt flows due to a higher premium abroad. The same is not visible as during Jun'26 government came up with holistic policy measures for FPIs in terms of tax rationalization, scope of FAR, amongst others. In Jul'26 as well, the momentum is maintained albeit at a softer pace.

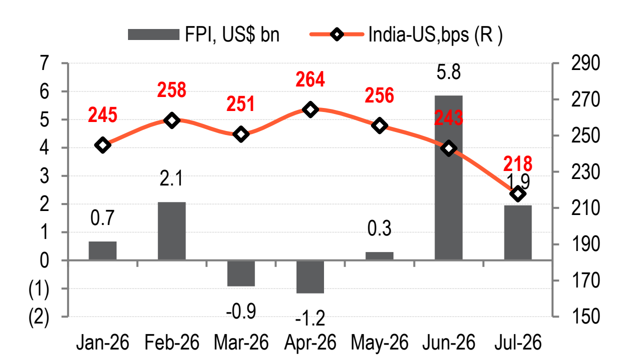
Going forward the yield differential hinges on who among RBI and US fed will embark on the rate hike cycle before. Oct remains a crucial month as there is some probability of rate hike for both the economies. So, it will be interesting to see at which level, the yield differential will settle, and will it have any bearing on the FPI-debt flows or not?

Figure 2: Sensex and FPI-equity flows



Source: Bloomberg, Bank of Baroda Research, Note: for point on point, last day of the trading month is considered

Figure 3: Yield differential and FPI-debt flows



Source: Bloomberg, Bank of Baroda Research, Note: Difference is the average yield difference

How have sector-wise FPI flows moved?

As per Assets under Custody as of 15 Jul 2026, sector wise FPI data showed that within equity segment, financial services, automobiles, IT and oil and gas sector have significant share. This also explains the outflow of FPI, especially during the post war period as oil and gas sector were adversely impacted on account of the volatility in international oil prices. Needless to say, that in the debt segment, sovereign has the highest share (in absolute terms it is at US$ 41.6 bn as on 15 Jul 2026).

Table 2: FII flows of top 20 sectors

Shares in AUC, as on 15 Jul 2026	Equity	Debt
Sovereign	**0.0**	**52.9**
Others	0.7	38.4
Financial Services	**31.8**	**4.0**
Telecommunication	5.5	1.3
Services	2.2	0.8
Realty	1.7	0.7
Power	3.1	0.5
Healthcare	6.3	0.3
Construction Materials	1.6	0.2
Consumer Services	4.0	0.2
Automobile and Auto Components	7.7	0.1
Chemicals	1.8	0.1
Textiles	0.3	0.1
Forest Materials	0.0	0.1
Fast Moving Consumer Goods	4.9	0.1
Information Technology	7.2	0.0
Construction	1.8	0.0
Metals & Mining	3.3	0.0
Diversified	0.1	0.0
Oil, Gas & Consumable Fuels	7.7	0.0

Source: NSDL, Bank of Baroda Research

Way forward:

- Going ahead, FPI flows will be contingent on a couple of factors. The US 10Y yield movement holds the key narrative. New Fed Chair hinted at prioritizing inflation back to the 2% targeted level. Some rate action is priced in since Oct'26 as per CME Fedwatch data. Thus, tighter liquidity conditions might impact net equity inflows globally.
- For India, we expect that since some downward correction has already happened in the equity segment, there remains less scope for any sharp decline going forward. Q1 GDP data will also hold cue. Till now, all high frequency indicators have pointed to a buoyant growth picture. From improvement in auto sales, rise in non-oil non-gold imports, increase in electronic imports, double digit growth in power demand to strong growth in net sales of corporates in Q1, the expansion is broad based. Hence some upward correction in terms of net equity flow for India may be visible in the near term.

- For debt segment, we remain optimistic on India as the yield differential factor with the US will be in favour as and when RBI embarks on the rate hike cycle.

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