

Indian Markets Dip Amid Foreign Fund Outflows and Banking Sector Weakness



Indian benchmark equity indices saw declines in early trade on Friday, July 18, 2025, primarily weighed down by significant outflows from foreign funds and a notable sell-off in banking stocks, particularly Axis Bank. This downturn marks a cautious start to the trading day for the broader market.

The 30-share BSE Sensex experienced an initial decline of 185.67 points, settling at 82,073.57 in early trade, while the 50-share NSE Nifty dropped 45.4 points to 25,066.05. The broader weakness was attributed to a confluence of factors, including foreign institutional investors (FIIs) turning net sellers in July after being significant buyers in the preceding months. Data from exchanges indicated that FIIs offloaded equities worth ₹3,694.31 crore (approximately 443 million USD) on Thursday alone, signaling a shift in sentiment.

A major contributor to the market's subdued performance was the banking sector, particularly following the release of Axis Bank's quarterly earnings. Axis Bank's shares tumbled nearly 5% in early trade after the private lender reported a 3% dip in its consolidated net profit for the June quarter, which stood at ₹6,243.72 crore. This decline was largely impacted by changes in its non-performing assets and loan upgrade policy. Devarsh Vakil, Head of Prime Research at HDFC Securities, noted that Axis Bank's financial results fell short of market expectations, leading to a broader negative sentiment across the banking sector. Other major banking stocks, including HDFC Bank, Kotak Mahindra Bank, and State Bank of India, also closed lower, further exacerbating the market's decline.

Beyond the banking sector, other factors contributing to the cautious mood included weak first-quarter earnings reports from several companies and uncertainty surrounding the ongoing trade negotiations between India and the United States. Furthermore, global sentiment remained watchful, with conflicting signals emerging from US Federal Reserve officials regarding future interest rate movements.

While certain stocks like Power Grid, Mahindra & Mahindra, Tata Steel, and Tata Motors showed resilience and traded with gains, the overall market tone remained subdued. The consistent outflows by foreign investors, coupled with specific corporate earnings disappointments, suggest that investors are adopting a more cautious stance as they assess both domestic economic indicators and international developments. Market participants will likely continue to monitor FII activity and upcoming corporate results for further cues on the market's direction.