FPI inflows so far in May highest in 8 mths

India-Pak ceasefire, prospects of US trade deal cause rebound

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May has seen a notable uptick in foreign portfolio investor (FPI) flows into India — the strongest in eight months — despite the ongoing volatility and global uncertainty. So far this month, FPIs have been net buyers to the tune of ₹14,256 crore — the highest monthly inflows since September 2024.

This rebound has been driven by factors including the India-Pakistan ceasefire, optimism around a potential US trade deal, and a surge in block deals. The weakening of the US dollar against global currencies has also enhanced the appeal of emerging markets (EMs), as witnessed in Taiwan and Brazil drawing more inflows than India.

"Markets stabilised after the initial knee-jerk reactions to trade tariff concerns. Valuations became more attractive in April following the earlier selloff, and corporate earnings for the fourth quarter exceeded expectations," said Gautam Duggad, head of research, institutional equities, Motilal Oswal Financial Services.

Between October 2024 and February 2025, FPIs pulled out ₹2.2 trillion from Indian markets. This trend reversed in mid-April as investor sentiment improved.

"Foreign portfolio positioning is the weakest since data began in 2000, and there are signs that their view on India is shifting," wrote Morgan Stanley strategists Ridham Desai and Nayant Parekh in a note on May 20. They cited India's macroeconomic resilience and projected annual earnings growth in the mid to high teens over the next 3-5 years.

Easing concerns over US tariffs also buoyed investor confidence. A 90-day pause in tariff hikes announced by President Donald Trump was seen as a positive, especially for India, which has limited exposure to US exports.

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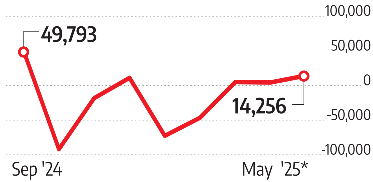
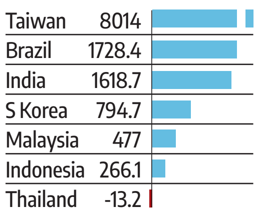
Notable uptick

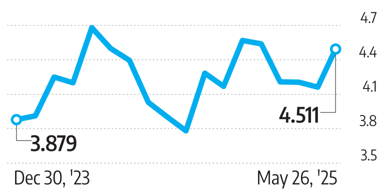
May's FPI tally will be highest this calendar year Net FPI flows (₹ cr)



Foreign flows into emerging markets (in $ mn)



Rising US bond yields have weighed on sentiments US 10-year Gsec (%)



*Up to May 23 Sources: NSDL, Sebi, exchange
Compiled by BS Research Bureau

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Nifty reclaims 25K, Sensex ends above 82K

Domestic markets rallied for a second day on Monday as monsoon rain hit southernmost state of Kerala eight days earlier than usual, providing the promise of a bumper harvest and relief from a gruelling heatwave. Investor sentiment was also boosted by easing global trade tensions and the RBI's record dividend transfer, which reaffirmed prospects of sustained fiscal consolidation.

The Nifty 50 index closed 0.6 per cent higher at 25,001, while the 30-share BSE Sensex rose 0.56 per cent to end the session at 82,176.45.

Equity markets rebound 10% from April lows

However, volatility returned briefly when India-Pakistan tensions escalated earlier this month, triggering the worst conflict in over five decades and prompting FPIs to sell ₹3,799 crore worth of equities on May 9 — their first net outflow since April 11. Sentiment recovered following the de-escalation of hostilities.

FPI inflows, along with steady domestic investor participation, helped Indian equity markets rebound 10 per cent from April lows.

Nevertheless, the inflows tapered again last week after the US-China agreement to pause tariffs for 90 days and renewed concerns over the US fiscal outlook. The proposed tax-and-spending Bill in the US, projected to add $3.8 trillion to the national debt, led to Moody's credit rating downgrade.

Experts suggest FPI flows might have been stronger if not for rising US bond yields. The 30-year yield hit a high of 5.1 per cent last week — the highest level since October 2023 — prompting capital shifts from EMs like India. A slight decline in yields to 5.03 per cent on Monday helped revive risk appetite.

"Tariffs are expected to be less aggressive than before. Other emerging markets are cheaper than India, so flows will likely shift there," said a fund manager who did not wish to be named. Going forward, the trajectory of FPI flows will hinge on trade agreements with the US and broader emerging market dynamics.