

INVESTMENT PERSPECTIVE

APRIL 2026

Recent market behavior has unfolded broadly as we anticipated - 'The current environment is admittedly clouded by uncertainty and in the near term for the next few weeks we need to remain cautious'. In March, the Nifty corrected sharply, falling 11.3% in INR terms and 14.9% in USD terms. Importantly, the weakness extended well beyond benchmark heavyweights, with market internals deteriorating significantly. Breadth remained poor across most key indicators, including the share of stocks trading above their 50-day and 200-day moving averages. India VIX moved up towards the 25 level in the final week of March, and the correction in the broader market became increasingly indiscriminate, dragging down even fundamentally strong companies along with weaker names.

However, we strongly believe India is approaching the end of the severe bear phase that has been underway since September 2024. As we noted at the onset of the Israel-Iran conflict, this has been among the longest and deepest periods of underperformance by Indian equities relative to the MSCI Emerging Markets Index since 2000. The silver lining is that this prolonged underperformance has compressed MSCI India's relative valuation premium versus MSCI Emerging Markets to levels from which new bull markets have historically emerged.

Meanwhile, both corporate and economic fundamentals had begun improving since the start of the year, with better trends visible across bank credit growth, industrial production, auto sales and other macro indicators. We believe this revival in growth should eventually translate into superior market returns. The near term, however, has been impacted by concerns around energy availability linked to the conflict in the Gulf region.

While crude oil availability itself is not a key concern, elevated prices—and the resulting under-recoveries for OMCs, along with margin pressures across several industries—are likely to remain a headwind through 1QFY27. In natural gas, we expect supply constraints to ease by the middle of the quarter, as the issue is less about global availability and more about diversification of sourcing and the logistical time lag involved in rerouting supplies. India accounts for only around 1.6% of global natural gas consumption, which should make the disruption relatively manageable over time.

The LPG situation, however, could remain more challenging for longer if conditions around the Strait of Hormuz fail to improve. India accounts for nearly 10% of global LPG consumption, and despite some diversification in sourcing and a rise in domestic production, the country still needs to import roughly 8–9 MMT from the Gulf region against an annual requirement of about 31.5 MMT.

While the economic recovery that had started to emerge earlier this year has undoubtedly been interrupted by the recent Gulf-related developments, history reminds us that attractive market entry points rarely coincide with positive headlines. Evaluating the range of possible outcomes, we believe the balance of probabilities and risk-reward is now turning favourable enough to justify gradual capital deployment. Notably, in price terms, the Nifty is currently only around 7% above the lows seen during the extreme uncertainty of March 2020 at the height of the Covid crisis.



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