

It's Darkest Before Dawn: Why This Is a Time to Stay the Course

Two years of flat returns test patience. History, valuations and fundamentals suggest they also build opportunity.

We understand your frustration. The Nifty 50 is about 12% below its September 2024 peak, and fell 6.1% in September alone to 22,620 – its second straight monthly decline, just as markets were recovering from the March 2026 fall. The trigger this time is largely external: crude oil crossed \$100 a barrel on West Asia tensions, and the US 10-year bond yield touched 5.11%, its highest since 2007, prompting foreign investors to sell. These are global headwinds – not a breakdown of India's growth story.

FIVE SIGNS OF THE COMING DAWN

- **The economy is growing strongly.** India's GDP grew 7.8% in Q1 FY27 (April–June 2026), up from 6.9% a year earlier – among the fastest of any major economy.
- **Company profits are rising, not falling.** Nifty profit growth hit a 10-quarter high of 18% in Q1 FY27, beating estimates. Analysts expect Nifty earnings to grow roughly 15% in FY27 and 17–18% in FY28.
- **The market is cheaper than it has been in years.** Prices went sideways while earnings grew. The Nifty now trades at about 17.2x forward earnings, against a long-term average of 20.9x and 21.5x in September 2024 – an ~18% discount to history.
- **Indian investors are now the backbone of the market.** Monthly SIP flows hit a record ₹32,297 crore in August 2026. Domestic institutions have invested over ₹6.2 lakh crore in 2026 alone, absorbing heavy foreign selling.
- **The pain is narrower than headlines suggest.** Since September 2024, the Midcap 150 is broadly flat and the Smallcap 250 down only ~1%; the Nifty's fall is concentrated in a few heavyweights such as IT stocks.

WHY SIP INVESTORS BENEFIT FROM DARK PHASES

A SIP buys **more units when NAVs are low**. The units you have accumulated over the last two years were bought at reasonable prices; when earnings growth is eventually reflected in prices, it is these units that drive returns. Wealth is **built in downturns and realised in recoveries**. Investors who stop SIPs now risk locking in the pain and missing the rebound.

WHAT WE SUGGEST

- **Continue your SIPs.** Do not pause or redeem out of fear; consistency matters most in phases like this.
- **Use the dip if you have surplus funds.** Consider a SIP top-up, or deploy lump sums in instalments through an STP over 6–12 months.
- **Stay with your asset allocation.** Conservative investors can use balanced advantage or multi-asset funds; keep an equity horizon of at least 5–7 years.

A word of balance: No one can time the exact turn – oil prices and global yields may keep markets volatile for a while. But historically, patient Indian equity investors have seen the dawn follow the night. Lower prices, healthy earnings and strong domestic flows are the ingredients of the next up-cycle. Please reach out to review your portfolio.

Sources: Reuters – Sept market close | BusinessLine/Motilal Oswal – Nifty vs Sept 2024 peak | CNN – US 10-yr yield | CNN – Brent crude | BusinessLine – Q1 FY27 GDP | Fortune India – Q1 FY27 earnings | Business Standard/JM Financial – EPS estimates | ET Now – Nifty valuation | Economic Times – Sept 2024 P/E | AMFI – Aug 2026 SIP data | Business Today – DII flows | ET Now – Midcap/Smallcap since Sept 2024

Mutual Fund investments are subject to market risks, read all scheme related documents carefully. Past performance may or may not be sustained in future. This note is for investor education only and is not a recommendation to buy or sell any specific security or scheme. Data as of 30 Sept–2 Oct 2026.