

# When It Hurts.



Unless you truly think the system ends, you have to invest on the assumption that businesses will survive, create value, and eventually recover.

Howard Marks

## The impulse to sell feels rational right now. That's what makes it so dangerous.

Sixteen months of correction. Then an escalating war in the Middle East. Brent spiking. The VIX above 20. FIIs selling. Markets falling further onto ground already bruised. At some point the narrative shifts - it stops feeling like a rough patch and starts feeling like evidence.

Maybe the thesis was wrong. Maybe this time is different. Maybe waiting is smarter than staying.

These thoughts are a completely normal response to sustained pain. **They are also, historically, precisely what separates the investors who build wealth from those who don't.** Not intelligence. Not forecasting ability. Just the willingness to stay when staying hurts. This newsletter will not tell you when the pain ends. It will give you the clearest possible picture of what is actually happening — and what you need to believe to stay invested in India right now.

## 01 An Honest Inventory - Know, Don't Know, Need to Believe

The most useful discipline right now is not forecasting — it is separating what we actually know from what we are guessing. The column on the right matters most: not predictions, but the conditions your investment thesis rests on. If you believe them, the case for staying is strong.

### WHAT WE KNOW

Forex reserves at \$723Bn - ~11 months import cover. RBI has firepower to contain disorderly INR moves.

Monthly SIP flows at ~₹30,000 Cr (~\$3.3bn) all-time high - a structural bid that didn't exist in 2013, 2018, or 2020.

MSCI India Fwd P/E compressed from 24x (Sep'24 peak) to ~19x. The valuation work is largely done.

RBI easing cycle has begun. The monetary tailwind is present, not prospective.

DII net buying ~\$120Bn since Oct'24 till Feb'26 has more than offset FII selling of ~\$32Bn over the same period.

### WHAT WE DON'T KNOW

Where oil settles. Every \$10/bbl rise adds ~0.4% to India's current account deficit. Sustained \$100+ changes the macro math.

When FIIs return. Flows lag fundamentals - but there is no formula for how long the lag lasts.

Whether Q4 FY26 earnings begin an upward revision cycle or disappoint again.

How far or long the geopolitical escalation runs - and whether it disrupts Gulf supply routes.

How the Fed responds if oil-driven inflation delays its own easing - and what that means for the dollar and EM flows broadly.

### WHAT WE NEED TO BELIEVE

That Indian businesses will survive this period and continue creating value. Not heroic - a reasonable assumption.

That India's domestic consumption story is structural - driven by income growth, not disrupted by a conflict it has no direct stake in.

That oil will not stay above \$100 indefinitely - and that India's improving energy efficiency limits long-term exposure.

That global capital will eventually seek growth - and India, in early recovery, remains among the most credible destinations for it.

Source: RBI, NSDL, AMFI as of Feb 2026. FII- Stands for Foreign Institutional Investor, DII- Domestic Institutional Investor, SIP -Systematic Investment Plan.

## The Real Problem

Most investors considering selling right now know **all of the above**. That is not the problem. The problem is that knowing something intellectually and believing it in your gut at month 16 of a drawdown, with a war in the background, are two entirely different things. **The gap between those two is where long-term returns are made - or lost.**

## 02 India Was Already in Early Recovery Before the Shock

Separately from geopolitics: India sits in the early recovery phase of the economic cycle - GDP growth troughed in FY25, monetary easing has begun, fiscal discipline is intact. The US is in late cycle. Europe is stagnating. China faces structural headwinds. Early recovery is historically the strongest equity entry point in the cycle. The war is a headwind to that recovery. It is not a reversal of it.



### → EARLY RECOVERY

Growth troughing. Rates easing. Earnings bottoming.  
Fiscal discipline intact. Historically: the strongest equity entry point in the cycle - not because everything is fine, but because the direction of travel is improving from a compressed base.

 India  Brazil  Indonesia

### » LATE CYCLE / PEAKING

Growth elevated but moderating. Rates high-for-longer. Equity valuations stretched. Downside risk building.

 US  Japan

### ↘ SLOWDOWN

Demand-side headwinds. Policy stimulus not fully transmitting. Demographic pressure building.

 China  Germany

Source: IMF World Economic Outlook (Jan 2026), Bloomberg Economics, UTI Investments assessment.  
Cycle classifications are qualitative judgements, not predictions.

## 03 Every Time It Felt Like This, Here Is What Happened Next

Not a forecast. A record. In every prior instance where Indian markets were gripped by real, sustained fear - the kind that makes people question the thesis - the investors who stayed were rewarded.

When it last felt like this	India VIX	Nifty50 1M	Nifty50 12M	Nifty50 36M
GFC Trough - Sep 2008	~40	-9.8%	+29.7%	+26.1%
Taper Tantrum - Aug 2013	~32	-4.5%	+45.4%	+60.6%
NBFC Crisis trough - Oct 2018	~21	-5.6%	+14.4%	+70.1%
COVID crash - Mar 2020	~84	-23.0%	+70.9%	+101.9%
Rate hike fear - Jun 2022	~23	-4.5%	+21.6%	+61.7%
Israel-Iran Escalation - Feb 2026	~20+	?	?	?

Source: NSE, Bloomberg. Returns in INR%. Historical performance is not indicative of future results. VIX figures are approximate intraday highs. 36M returns are cumulative, not annualised.

### Notice The Pattern

The 1-month return was negative every single time. The hurt was real and immediate. But from the GFC to COVID, those who absorbed it were rewarded- 12-month returns ranging from +14.4% to +70.9%, and 36-month returns as high as +101.9%. The VIX is above 20 again. It feels like this again. The rest depends on what you do with that.

## 04 The Floor That Didn't Exist in Prior Cycles

One structural difference between India today and every prior crisis: the scale of domestic capital absorbing the selling. SIP inflows at ₹30,000 Cr/month (~\$3.3bn) are three times the level of five years ago — systematic, monthly, largely unmoved by headlines. This bid does not prevent downside. It changes the shape of it - and it means when FIIs eventually return, they will be buying from domestic investors who accumulated at these levels.

-~\$32B

### FII NET OUTFLOWS (since Oct'24-Feb'26)

One of the longest FII outflow cycles in the post-GFC era.

Driven by dollar strength, elevated US rates, and India valuation concerns following the Sep'24 peak. Selling has been persistent but orderly.

~\$120B

### DII NET INFLOWS (since Oct'24-Feb'26)

Domestic equity ownership at all-time highs.

Mutual funds, insurers, and retail SIPs have absorbed the entirety of FII selling - and more.

This counterweight is structural. It did not exist in prior crises.

## Bottom Line

Waiting for the pain to stop before acting is not caution. It is a decision - with a cost. By the time Indian markets feel safe again, the prices that exist today will be a memory. The recovery does not send invitations.

**Our view:** Pessimism feels like the most natural response right now. But structurally, very little has actually changed, even if that's hard to see through the current fog of sentiment.

There may still be more volatility ahead. But investment decisions rarely benefit from focusing only on the window where the discomfort feels most intense.

This isn't a prediction. Just the one perspective worth holding onto for now.

# Disclaimer

This document is provided for informational purposes only and does not constitute an offer for sale or subscription of, or an invitation to purchase, any shares or units. It is neither a recommendation, a statement of opinion, nor an advertisement, and does not constitute any prediction or representation regarding the likely future movement of rates, prices, or returns of any securities or financial instruments.

The views expressed herein reflect those of the author and may not necessarily represent the views of the UTI Group. The information contained in this document does not take into account the specific investment objectives, financial situation, or particular needs of any recipient. Readers should seek independent professional advice regarding the appropriateness of any securities, financial instruments, or investment strategies discussed.

Certain information contained herein has been obtained from third-party sources believed to be reliable; however, such information has not been independently verified. The Company makes no representation or warranty, express or implied, as to the accuracy, completeness, or timeliness of the information contained herein and accepts no liability whatsoever for any loss or damage arising from the use of, or reliance upon, this document.

If you would like to learn more about how we can assist you in meeting your investment objectives, please contact your UTI investment representative, visit <https://www.utifunds.com>, or email us at [info@utifunds.com](mailto:info@utifunds.com).

**Prepared By:**

Product Team, UTI Investments