

Dear Investors,

30<sup>th</sup> March 2026

## Indian Markets: Extreme Value Zone Same Pattern, Different Story

### The paradox of bottoms: why "value" almost always arrives wearing fear

Market bottoms rarely announce themselves as "opportunity." They typically form when uncertainty is at its widest, narratives are at their loudest, and liquidity is at its most selective—precisely because prices are being set by risk aversion rather than comfortable forecasts. That psychological mismatch is not an India-only phenomenon; it is a recurring feature of how markets process shocks.

Long-horizon evidence across markets supports a simple principle: starting valuations are not a short-term timing tool, but they materially shape long-run return outcomes. Academic work linking valuation ratios (for example, dividend-price and other yield measures) to subsequent multi-year returns has been documented for decades. In parallel, the "value" style (cheapness on fundamentals such as book-to-market) has a long research lineage in asset pricing, even if it cyclically underperforms for extended stretches.

A practical implication follows: when an economy or market is hit by a macro shock (rates, oil, geopolitics, banking stress, currency pressure), the story is always new, but the market's behavioural process is familiar—initial repricing, forced de-risking, peak pessimism, then gradual normalisation once the marginal seller exhausts.

Fear itself can be observed, not only felt. Volatility indices are designed to infer expected volatility from option prices; higher readings typically coincide with greater demand for protection. India's volatility gauge (India VIX) is computed from NIFTY option prices and is explicitly intended to represent expected near-term market volatility.

### A three-decade map of stress: the "same pattern, different story" timeline

Below is a synthesized, research-grounded framing of major stress episodes. The "story" differs each time, but the common features—macro stress, weak sentiment, and elevated perceived risk—are the shared soil in which major value zones tend to form.

Period	What Dominated Headlines	Key Stress Marker
March 2026	Iran–US–Israel war and energy shock, USD strength, risk-off positioning	The rupee slid to record lows near 94.8/USD, while Brent crude surged past \$110/bbl and foreign investors sold Indian equities heavily; the Nifty fell sharply and India VIX jumped.
March 2020	WHO pandemic declaration and global shutdown fears	On 23 March 2020 the Nifty closed at 7,610.25 (down 12.98%) amid lockdown-driven recession fears; the rupee hit then-record lows near 76/USD.
February 2016	China growth scare, commodity deflation, global risk aversion	The Nifty 50 fell sharply through February 2016 with India VIX elevated; the index had declined roughly 26% from its March 2015 peak.
August 2013	"Taper tantrum," INR crisis, current-account anxiety	India's current-account deficit hit 4.8% of GDP in FY2013; the rupee later hit record lows near 68.85/USD as capital outflows intensified.
December 2011	Eurozone sovereign stress and banking-system funding fears	The OECD warned the euro-zone crisis was the biggest threat to the global economy; the ECB launched large multi-year liquidity operations.
October 2008	Global Financial Crisis and forced deleveraging	The Nifty suffered a significant drawdown during the 2008 crisis, followed by a strong rebound in subsequent years—typical of deep deleveraging episodes.
September 2001	9/11 shock and systemic disruptions	Massive financial-market dislocations after the September 11 attacks required emergency Federal Reserve liquidity and stabilisation actions.
August 1998	Russia default and LTCM contagion	Russia's 17 August 1998 actions shocked global confidence; the Fed later facilitated a private-sector LTCM recapitalisation to reduce systemic risk.
November 1995	Starting line of the modern benchmark era	The Nifty 50's base date is 3 November 1995 (base value 1,000), anchoring our three-decade study frame.

This framing is consistent with a broader empirical point: large shocks compress valuations and widen the range of outcomes—creating priced-in pessimism that can later reverse when reality turns out "less bad than feared."

### What an "extreme value zone" means in our investable system

Our core philosophy—"We are not here to catch the bottom; we are here to invest in value zones"—is strongest when it is translated into a clear, repeatable framework. A robust "extreme value zone" system typically triangulates three dimensions:

#### 1. Valuation compression (what you pay)

This can be proxied by index-level valuation metrics such as P/E, dividend yield, and price-to-book from the benchmark administrator. The Nifty 50 fact sheet published by NSE Indices Limited reports these metrics at a point in time, providing a transparent, publicly available anchor for valuation assessment.

#### 2. Stress and risk pricing (what investors fear)

Option-implied volatility is one direct way to observe "fear." India VIX is explicitly built from NIFTY option prices and is meant to indicate expected volatility over the next 30 calendar days.

#### 3. Macro strain and forced selling (what creates the gap)

In India, certain macro variables recur as stress amplifiers—particularly oil shocks, USD strength, and currency pressure—because they influence inflation expectations, the current account, and the cost of capital. Recent analysis of high oil prices emphasises the current-account channel: if oil averages around \$100–110, India's current-account deficit could widen materially versus benign oil scenarios, increasing pressure on the currency and policy choices.

Our proprietary signal is a composite that weighs valuation, stress, and macro strain, and flags an "extreme value zone" when the composite falls into a historically rare band. This is conceptually aligned with institutional approaches that treat valuation as "gravity" over long horizons, even if short-term outcomes remain noisy.

### March 2026 snapshot: the familiar ingredients are back

The most compelling part of our argument is not that "bad things are happening" (they always are), but that the configuration of stress today resembles prior inflection windows: energy shock → currency pressure → volatility → foreign outflows → valuation compression.

#### Key observable conditions in late March 2026:

- Nifty sold off hard: The Nifty 50 closed at 22,819.60 on 27 March 2026 (down 2.09% in a single session), amid a broader risk-off rout.
- Foreign selling has been severe: FPIs have pulled out over \$11 billion from Indian equity and debt markets since late February, coincident with the energy shock—one of the heaviest stretches of foreign selling on record.
- Rupee at record lows: The rupee breached 94/USD for the first time, hitting record lows near 94.7–94.8 per dollar, with Brent crude surging past \$110/bbl. These pressures are explicitly linked to Strait of Hormuz disruptions and capital outflows.
- Volatility spiked: India VIX rose sharply; derivatives markets priced large moves and demand for protection increased significantly.

**On valuation**, the most credible anchor is what the index administrator itself publishes. As of 27 March 2026, the Nifty 50 trades at a trailing P/E of ~19.97, P/B of ~3.10, and dividend yield of ~1.37% (source: NSE / Trendlyne). Translating the P/E into an earnings-yield proxy (E/P ≈ 1/19.97), that is roughly 5.0%—a simple, transparent way to express "what you're paying" before any re-rating. Notably, the P/E has compressed from ~22 in late February to below 20 in just one month of selling—a meaningful shift.

**For global context**, broad global equities (MSCI ACWI) show P/E around 23.3 and dividend yield near ~1.6% (as of late February 2026), while MSCI EM is at a lower P/E (~18.8). India, on MSCI's broad India index, still trades at a premium P/E (~25.4 as of the February fact sheet). That nuance matters for credibility: India may not look "cheap" on every global measure, but the stress stack (oil + FX + outflows + volatility) is real—and that stack is historically the kind of environment in which forward return dispersion is widest and value discipline matters most.

**Why the "story" changes but the pattern repeats**

Across the historical episodes above, there is a repeatable mechanism: shocks don't just change fundamentals; they change who the marginal buyer is. In stress, many investors are forced to sell (risk limits, redemptions, hedging costs, or mandate constraints). That selling pressure can dominate near-term price—even when the long-run productive capacity of the economy is not destroyed. This is exactly why multi-year valuation research emphasises horizon: what looks like chaos in the short run often becomes "mean reversion plus growth" over longer periods.

***In India specifically, the recurring "ingredients" are not random:***

- Oil shocks matter disproportionately because India is a major oil consumer and is heavily import-dependent. Rising oil prices quickly feed the trade/current-account narrative and, by extension, the currency narrative. India's vulnerability was starkly exposed in the current conflict—with 90% of LPG imports transiting the Strait of Hormuz, supply disruptions have been immediate and severe.
- Currency weakness and USD strength amplify risk aversion. In 2013, India's external imbalance (record current-account deficit) and global rate shock (taper tantrum) were tied to heavy INR pressure—including record lows around 68.85/USD. In 2026, the rupee has depreciated over 10% in FY2025–26, heading for its worst fiscal-year drop since that taper-tantrum era.
- When the market starts paying up for protection, volatility indices rise. India VIX is designed to reflect that option-implied fear, and it has spiked meaningfully through March 2026.

The deeper editorial point—"It feels different every time"—is precisely why value zones are hard to act on. In March 2020, it was a pandemic and synchronised shutdown risk. In August 1998, it was a sovereign default and hedge-fund contagion. In December 2011, it was the integrity of the Eurozone financial system. In March 2026, it is an energy-and-currency shock layered onto geopolitics and foreign outflows. Different story. Same human behaviour: "sell first, ask questions later," then re-enter once the narrative improves.

**Acting on value zones without trying to "catch the bottom"**

We must acknowledge what sophisticated investors already know: there may be further downside. In March 2026, options markets themselves implied large moves, and volatility was elevated—conditions consistent with continued drawdowns being possible. If the Iran conflict escalates further, if oil sustains above \$120/bbl, or if the RBI is forced into aggressive tightening, the recovery timeline could extend.

**That does not invalidate a value-zone approach; it clarifies the rules of engagement:**

- A value-zone signal is not a claim that tomorrow is the exact low. It is a claim that forward expected returns have historically improved when investment is made after fear has already forced repricing—though past patterns do not guarantee future outcomes.
- A disciplined implementation tends to be staggered (phased deployment) rather than binary—because it treats price as a distribution, not a point estimate. This is consistent with the principle that valuation is not a timing tool, but a long-horizon determinant.
- Time horizon is the hidden edge: Nifty's long-run research shows that, over long investment horizons, outcomes tighten and the probability of loss declines materially compared with short horizons.

This directly supports our positioning:

**We are not here to catch the bottom.**

**We are here to invest when value is emerging.**

And the uncomfortable but essential corollary: the conditions that create "extreme value" are the same conditions that create "extreme discomfort."

Warm regards,  
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**Editorial stance and disclosure**

This article reflects the opinion and framework of INVasset PMS. It is written as an editorial-style perspective grounded in publicly available market data and historical documentation from benchmark administrators (NSE Indices, MSCI), major institutions (RBI, Federal Reserve, OECD), and contemporaneous reporting (Reuters, Bloomberg).

References to "value zones" and "extreme value zones" are conceptual descriptions of a systematic approach that emphasises valuation, stress, and macro strain; outcomes are probabilistic, not guaranteed. Past market recoveries after prior stress episodes do not ensure future returns, particularly over short horizons when volatility and policy/geopolitical uncertainty are elevated.

**Key data sources referenced:**

- Nifty 50 valuation data: NSE Indices fact sheets, Trendlyne
- India VIX methodology: NSE Archives (India VIX computation methodology paper)
- Global valuation context: MSCI Index fact sheets (ACWI, EM, India)
- FPI flow data: NSDL FPI reports, NSE FII/DII activity reports
- Oil & currency data: Reuters, Bloomberg, RBI reference rates
- Long-horizon valuation research: Vanguard, Campbell & Shiller (NBER)
- Historical crisis documentation: Federal Reserve History, New York Fed, WHO
- Nifty 50 long-horizon analysis: NSE Indices Nifty 50 whitepaper (2025)

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