

Dear Investors,

5<sup>th</sup> April, 2026

**Markets move in cycles** — they always have, and they always will. The challenge is not knowing that cycles exist, but having the conviction to act on that knowledge when the sentiment around you screams otherwise. Today's Monday Chronicles is an attempt to give you a framework through which we view the market, and more importantly, to tell you where we believe we stand right now.

**The Five-Wave Framework — Our Lens on the Market**

At INVasset, we broadly use Elliott Wave Theory as one of our key tools to understand market structure. The essential idea is simple: markets, over time, follow a pattern of five waves — three impulse waves upward and two corrective waves downward (in a bull market). While there are always exceptions and variations to this — and we want to be clear that this is not a rigid or mechanical rule — it is a pattern that has repeated itself across markets and cycles with remarkable consistency.

Let us first lay out the five major waves we have identified in the Indian market over the last several years:

Wave	Direction	From	To
Wave 1	↑ Up	7,500	18,600
Wave 2	↓ Down	18,600	15,300
Wave 3	↑ Up	15,300	26,300
Wave 4	↓ Down	26,300	21,900
Wave 5	↑ Up (Underway)	21,900	—

Major Wave Structure — Nifty 50



Chart 1: Nifty 50 Monthly Chart — Five Major Waves (2020 - 2026)

**The bear market of 2020 marked the end of a prior cycle.**

Wave 1 began from the depths of that crash at approximately 7,500 levels, surging to 18,600. Wave 2 corrected to 15,300 levels. Wave 3 — characteristically the most powerful — ran from 15,300 all the way to 26,300. Wave 4 gave back a portion of those gains, pulling the index to 21,900. And Wave 5 — the final leg of this grand cycle — is now underway.

## Zooming In — Waves Within the Last Bull Run

To help illustrate how this framework works at a finer level, let us zoom into the last complete bull market. Within the larger Wave 3 — that great run from 15,300 to 26,300 — there were five smaller sub-waves playing out:

Sub-Wave	Direction	Period	From	To
Wave 1	↑ Up	Jun 2022	15,200	18,600
Wave 2	↓ Down	Late 2022	18,600	16,800
Wave 3	↑ Up	Mar 2023 onwards	16,800	20,300
Wave 4	↓ Down	Mid 2023	20,300	18,800
Wave 5	↑ Up	Late 2023–2024	18,800	26,300

*Sub-Wave Structure within the Last Bull Market*



*Chart 2: Nifty 50 Daily Chart — Five Sub-Waves within the Last Bull Run (Jun 2022–Sep 2024)*

This is the fractal nature of markets — the same five-wave structure repeats at every scale. Each larger wave contains smaller waves of the same form.

### **The Character of the Waves — And Why Wave 2 Hurts the Most**

Understanding the waves is only half the picture. The other half is understanding what each wave feels like — because markets are, ultimately, driven by human emotion. The pattern is directionally simple: Wave 1 up, Wave 2 down, Wave 3 up, Wave 4 down, Wave 5 up. But the emotional experience of each wave is anything but simple.

*Wave 2 is the most feared wave. It is the one that breaks conviction. It is the one that makes investors question everything they believed about equity.*

We have seen this before. When the market fell from 18,600 to 16,300 after the initial COVID recovery, it felt like the rally was a false start. During Demonetisation in 2016, many who had just re-entered the market were shaken out once again. In 2013, during the Asian currency crisis, the fall felt like a return to chronic underperformance.

The common thread in every Wave 2 is this: by the time it plays out, enough time has passed that investors who stayed the course begin to lose faith. It is not just the price decline — it is the time that has elapsed. The opportunity cost becomes palpable. The belief in equity as a wealth-creation tool quietly erodes. And that is precisely when the market is preparing for the biggest move.

## Where Are We Now? — A Wave 2 Like No Other

We believe we are currently in Wave 2 of the larger Wave 5 structure. And this particular Wave 2 has been more painful than most, for several reasons.

**First**, Wave 4 in the prior cycle was unusually shallow — the index fell from 26,300 to only around 21,900, well below the 20%+ correction that India has historically absorbed in its fourth waves. Because the compression of Wave 4 was limited, Wave 2 of Wave 5 is making up for that missing pain now.

**Second**, India entered this corrective phase with elevated valuations. The market was priced for perfection, and growth concerns — both domestic and global — have made it difficult to justify those multiples.

**Third**, global headwinds, including geopolitical tensions and trade disruptions, have disproportionately affected India relative to some of its peers.

But let us be clear: every Wave 2 has its own narrative. In 2013 it was the currency crisis. In 2016 it was demonetisation. Today it is global trade tensions and growth fears. The narrative always sounds different. The underlying market behaviour does not.



Chart 3: Nifty 50 Daily Chart — Current Wave 2 Correction within Wave 5 (2025–2026)

### **Sentiment Is the Signal — And Right Now It Is Flashing**

Here is what we observe today: sentiment is worse than it was in March and April 2025, when the Nifty was around 21,800 levels. That may seem counterintuitive, but it makes complete sense within the wave framework.

At 21,800 in March, there was still hope. People thought the dip would be brief. Today, after months of portfolio underperformance — with most investors sitting on losses of 20–30% from their peaks — it is not just the price that is hurting. It is the time that has elapsed. The time value of money is weighing on you. You see peers in other asset classes appearing to do better. The pain is layered and compounding.

This is exactly the place where the best equity returns have historically been generated — at the point of maximum despondency, just before the next major upswing.

Think back to September 2024. The mood was optimistic. IPOs were being subscribed enthusiastically. New investors were entering the market every week. Contrast that to today, when every headline feels like another reason to stay away from equity. That contrast — that gap in sentiment — is precisely what creates opportunity.

We have seen this script play out before. Post the recovery of 2023, our funds delivered meaningfully. Post the run of 2017, the same. These runs were preceded by the very kind of environment that surrounds us today.

### What Should You Do? — Our Humble View

We want to be direct with you, while acknowledging that we do not know the exact bottom, nor the precise timing of the reversal. No one does. But here is what we do believe with conviction:

**The probability of value increases as time passes in a corrective wave.** The longer this Wave 2 continues, the more compressed the spring becomes — and the more powerful the eventual Wave 3 within Wave 5 will be.

**You do not need to wait for certainty.** The stocks you always wanted to own — the ones you watched at higher prices and wished you had bought — are now available at 30 to 50% discounts from their peaks. The earnings outlook for quality businesses has not changed nearly as much as their prices have.

**Focus on what matters. Look either for value** — businesses that are genuinely cheap relative to their fundamentals — or for growth — businesses whose earnings trajectory remains intact regardless of the macro noise. One or the other. Ideally both.

We understand that some of you may feel that our letters have repeatedly called for optimism while the actual results have not yet arrived. We hear that. India's market has been weaker than global peers in this cycle, and that is a fair observation. But we would ask you to consider: can that relative underperformance continue indefinitely? The answer, historically, is no. And when India's market re-rates, the speed and magnitude of that move tends to surprise even the believers.

**We are not asking you to buy blindly. We are asking you to be courageous at the right time — which, according to every framework we use, is now.**

Top up your investments. Increase your allocation to equity to levels you are genuinely comfortable holding through volatility. The risk in equity never disappears — it is inherent to the asset class. But so is the reward. And the reward, at this stage of the wave, is asymmetrically in your favour.

### Closing Thoughts

We have watched this pattern play out across multiple cycles over many years. The cycles in equity markets are faster than in business or real estate — and that is precisely why the rewards are also faster and higher when they come. The discomfort of today is the price of the gains tomorrow.

Markets are always a test of temperament. Right now, the test is harder than usual. But that is also what makes passing it more rewarding than usual.

If you have any questions or wish to speak with us about your specific portfolio or allocation, we are always available. Please do reach out.

Wishing you clarity, conviction, and courage in the weeks ahead.

Warm regards,

The INVasset Team

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