7 Months Later: How the March 2026 Washout Played Out & Pre-Festive Market Check-In

9th Letter to Investors | Date: 25th October 2026

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Quick Summary & Immediate Action Plan

- **The Setup:** While benchmark indices have remained under pressure over the past seven months due to rising AI capex, West-Asia war tensions, rising global bond yields, and foreign institutional selling, corporate earnings and domestic macro indicators have quietly strengthened - pushing the Nifty 50 valuation down to **19.05x P/E**, its most attractive valuation zone in five years.
- **The Immediate Action Plan:** Do not let prolonged index consolidation shake your discipline. **Continue your regular SIPs without interruption**, and if you hold excess cash sitting idle, use this pre-festive valuation reset to deploy staggered top-ups into existing core equity mutual funds. Please contact us for detailed planning.

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Seven Months of Grinding Consolidation

Dear Valued Investors,

It has been a little over seven months since our 8th Letter in March 2026, though we have remained closely connected with each of you over calls and messages through every market swing. In our March letter, we noted that the market was in an extended **Time Correction** - where stock prices stay range-bound or grind lower even as underlying business profits grow - and that is how the last seven months have played out.

Since March 9, 2026, the **Nifty 50** has drifted lower by **5.94%** (from 24,028 to **22,600** as of October 23, 2026), while the broader **Nifty 500** is down **2.85%** (at **21,428**). On the surface, a market that refuses to move higher for months tests every investor's patience. But why have prices stayed muted? The answer lies in global liquidity and macro headwinds rather than any weakness in Indian businesses:

- **The West Asia war, rising Brent Crude prices, and rising Global Bond Yields** continue to remain the biggest macro headwinds for the Indian economy.
- **Foreign Outflows Met by Domestic Strength:** With the US 10-Year Treasury yield touching **5.00%** and persistent geopolitical tensions in West Asia, Foreign Institutional Investors (FIIs) pulled out **₹44,013 Crore** in September and another **₹45,934 Crore** in the first half of October. Yet Indian markets avoided a steep collapse because Domestic Institutional Investors (DIIs) stepped in with **₹76,030 Crore** in September and **₹47,895 Crore** in October so far, backed by a record **₹32,490 Crore** in monthly retail SIP inflows. Domestic Mutual Fund cash allocations are now starting to run thin indicating that the smart money sees value in Indian equities.
- **An Inflation & Interest Rate Check:** Domestic retail inflation (CPI) ticked up to **5.54%** in September, prompting the Reserve Bank of India (RBI) to make a proactive 25 bps Repo Rate hike to **5.50%** on October 7 and shift its stance to *"Calibrated Tightening"*. This nudged India's 10-Year G-Sec bond yield to **7.47%**.

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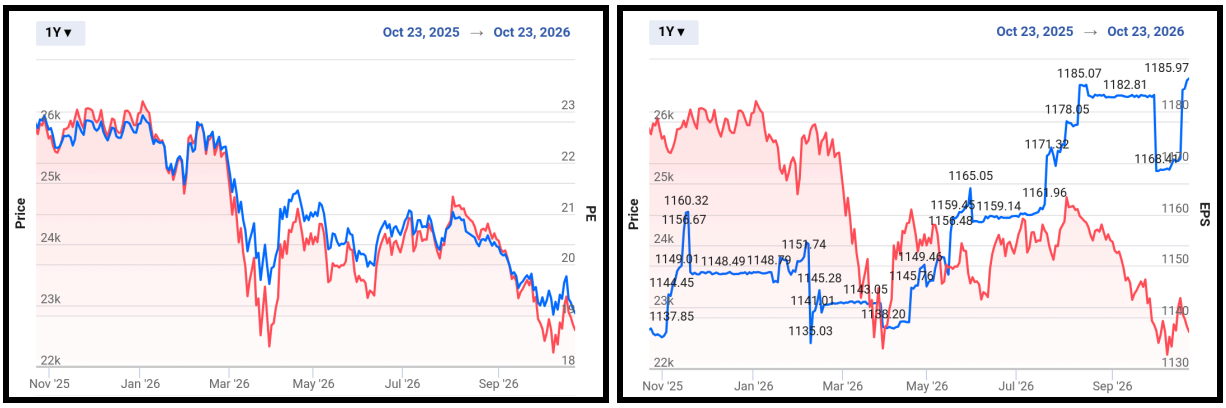
Why the Fundamentals Are Stronger Than the Headlines

When we look beneath index levels at institutional valuation and macro data, a striking divergence emerges: **Indian equities have become meaningfully cheaper while the real economy is firing on all cylinders.**

- **Valuation Compression Despite Rising Earnings:** Even though the Nifty 50 is down over the past year, its Trailing Twelve Month (TTM) Earnings Per Share (EPS) has grown **+4.61% YoY** to **₹1,186**. Because prices slipped while earnings rose, the **Nifty 50 Trailing P/E ratio has compressed to 19.05x** - roughly **13.2% below its 5-year median of 21.94x** and in the cheapest percentile of the last five years. Similarly, the **Nifty 500 P/E sits at 20.84x**, nearly 12% below its 5-year median of 23.62x. On a 1-year forward basis, the Nifty 50 trades at an attractive **17.5x–18.5x Forward P/E**, with institutional consensus projecting **14% to 17.6% EPS growth for FY27E** and 46% of Nifty 50 companies already seeing earnings upgrades.

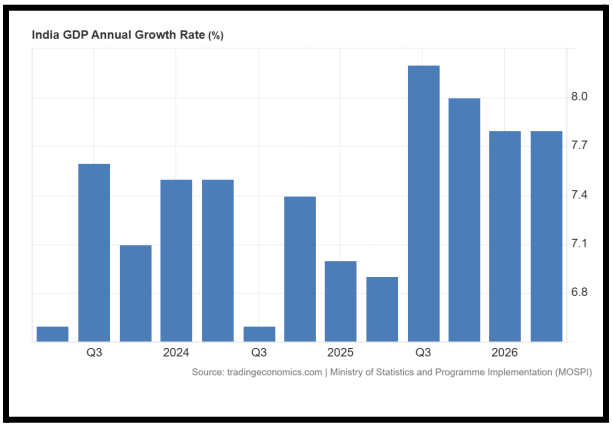
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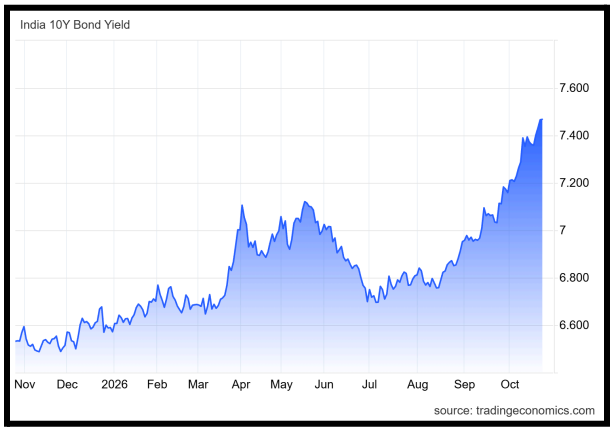
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Nifty 50 PE and EPS over 1 year.

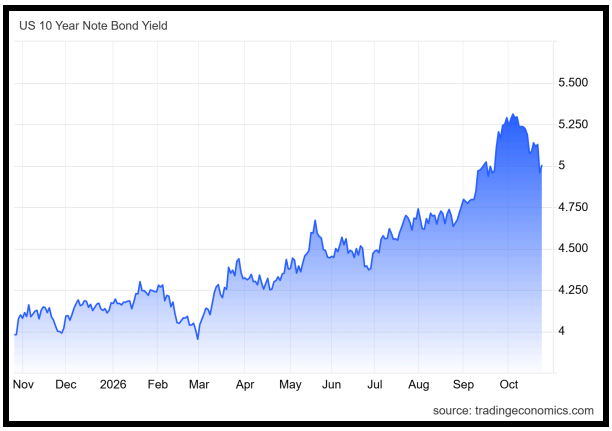
- **High-Frequency Domestic Macro Prints:** Every core domestic indicator confirms robust ground-level demand heading into the festive quarter:
  - **GDP & Industrial Output:** India's Q1 FY27 Real GDP grew at a strong **7.8% YoY** (PIB), while the August Index of Industrial Production (IIP) jumped **8.0% YoY**, led by a **9.0% surge in Manufacturing**.
  - **Record Auto & Passenger Vehicle Demand:** September 2026 witnessed the highest-ever September auto retail volumes in India, with total vehicle retail sales up **+31.82% YoY** and **+4.69% MoM**. Passenger Vehicle (PV) retail sales jumped **+32.10% YoY** (**+6.17% MoM**), while factory dispatches (wholesales) rose **+21.8% YoY**.
  - **GST & Bank Credit Momentum:** Gross GST collections crossed **₹2.03 Lakh Crore** in September, up **+14.7% YoY** (with net GST up **18.1% YoY**). Meanwhile, bank credit growth accelerated to **+19.4% YoY** alongside **+17.8% YoY** deposit growth, showing strong corporate and retail borrowing appetite.





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General Portfolio & SIP Guidance

When the market is volatile in the short term but valuations sit 12%–13% below historical averages and domestic economic growth remains near 8%, the strategy is simple: **stay invested and keep accumulating.** Market phases where prices stay flat while corporate profits rise are where the best rupee-cost averaging happens - your monthly SIPs are quietly buying more units at a 19x P/E multiple today than they were a year ago.

Keep your existing SIPs running on autopilot, avoid reacting to daily FII flow headlines, and reach out to us directly on WhatsApp or call if you would like to review your portfolio allocation or plan a tactical top-up ahead of Diwali.

Thank you for your continued trust and partnership.

Sincerely,

Chaitanya Sabharwal and Shashank Jha, Co-Founders, Guru Spakes LLP

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Data Bank (As of 23–24 October 2026)

Category	Metric	Latest Figure / Print	Context & Comparison
Equities & Valuations	**Nifty 50 Level**	**22,600.00**	• **-5.94%** since 8th Letter (on 9 Mar 2026) • **-3.12%** (1M) • **-7.09%** (1Y TRI)
	Nifty 50 Trailing P/E & EPS	**19.05x P/E** **₹1,186.35 EPS**	• **13.17% below** 5Y median P/E (21.94x) • TTM EPS up **+4.61% YoY**
	Nifty 500 Level	**21,428.00**	• **-2.85%** since 8th Letter (on 9 Mar 2026) • **-4.45%** (1M) • **-9.76%** (1Y Price) / **-2.03%** (1Y TRI)
	Nifty 500 Trailing P/E & EPS	**20.84x P/E** **₹1,028.21 EPS**	• **11.77% below** 5Y median P/E (23.62x) • Cheaper than 97% of the last 5 years
	Nifty 50 1Y Forward P/E & EPS Growth Consensus	**17.5x–18.5x Forward P/E** **14%–17.6% FY27E EPS Growth**	46% of Nifty 50 firms saw FY27 EPS upgrades recently.
Flows & Inter-Asset	**Monthly FII vs. DII Net Flows**	—	• **Sep '26:** FII **-₹44,012.82 Cr** vs. DII **+₹76,030.29 Cr** • **Oct '26 MTD (12 sessions):** FII **-₹45,934 Cr** vs. DII **+₹47,895 Cr**
	Domestic Monthly SIP Inflow (AMFI)	**₹32,490 Crore** (Sep 2026)	All-time high, up from ₹32,297 Cr in Aug 2026; net equity MF inflows rose 31% MoM to ₹38,306.55 Cr
	10Y Government Bond Yields	—	• **India 10Y G-Sec: 7.47%,** up 35 bps MoM following RBI stance shift. • US 10Y peaked at 5.368%, right now testing the 5.00% mark.

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	Gold Price Levels (INR & USD)	**INR: ₹1,46,353 / 10g (24K)** **USD: ~$4,010.74 / oz**	Gold cooled ~6.57% over the past month from peak levels above $4,300/oz
Domestic Macro	**India Quarterly Real GDP Growth**	**7.8% YoY** (Q1 FY27, Apr–Jun 2026)	Followed 8.6% in Q4 FY26, beating street consensus despite global geopolitical headwinds.
	Monthly CPI Inflation	**5.54% YoY** (September 2026)	Up from 4.83% in August 2026 (highest print since October 2024)
	RBI Repo Rate & Policy Stance	**5.50% Repo Rate** (+25 bps hike on 7 Oct 2026)	Stance shifted from *"Neutral"* to ***"Calibrated Tightening"*** (4–2 vote; SDF at 5.25%, MSF at 5.75%)
	Auto & Passenger Vehicle (PV) Growth	**Total Auto Retail: +31.82% YoY, +4.69% MoM**	• **PV Retail: +32.10% YoY, +6.17% MoM** • **PV Wholesale: +21.8% YoY**
	Index of Industrial Production (IIP)	**8.0% YoY** (August 2026)	Accelerated from 6.7% in July; **Manufacturing surged 9.0% YoY** and Electricity rose 12.3% YoY
	Gross GST Collections Growth	**+14.7% YoY** (₹2,03,521 Crore in Sep 2026)	Net GST revenue grew **18.1% YoY**; H1 FY27 cumulative collections crossed ₹12.46 Lakh Crore.
	Bank Credit & Deposit Growth	—	• **Credit Growth: +19.4% YoY** • **Deposit Growth: +17.8% YoY**

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