



EXYST VENTURES

360° Financial Solutions | Jaipur

MARKET ANALYSIS REPORT

The Grinding Correction

Eight weeks down, an 8.7% drawdown, and what the arithmetic says about the margin of safety

Office of the Chief Investment Officer

October 2026 | Data as of week ended 1 October 2026

For high-net-worth clients and prospective retail investors

Strictly private & confidential

1. Executive Summary

The Nifty 50 closed the week ended 1 October 2026 at 22,421.95 (-3.1%) and the BSE Sensex at 71,909.70 (-2.7%). This was the eighth consecutive weekly decline, the longest losing streak in 25 years. It has now exceeded the seven-week sequence of the March 2020 Covid crash and sits one week short of the nine-week run last seen in April 2001.

The headline is severe. The magnitude is not. Peak-to-current declines are 8.7% for the Nifty 50 and 8.4% for the Sensex. This is a slow, liquidity-driven valuation correction, not a vertical crash, and the evidence in this report supports four conclusions:

- **Triggers are global.** The cause is external. A US 10-year yield above 5.2%, USD/INR at ₹96.32, Brent near \$100 and record FPI selling explain the decline. India's own growth data does not.
- **Fundamentals are intact.** Quarterly GDP growth is 7.8%, GST collections are stable, core balance sheets carry historically low debt-to-equity, and manufacturing PMI is robust.
- **Valuation has reset.** The Nifty 50 forward P/E has compressed toward its 10-year mean of 19.5x, which at that multiple implies an earnings yield of about 5.1%.
- **Technicals show stress, not breakdown.** Breadth of 1,306 advances to 2,916 declines, and the fastest declines in high-beta sectors, are the pattern typical of late-stage capitulation. Structural support sits at 22,200, just 0.99% below the current close.

Benchmark (week ended 1 Oct 2026)	Nifty 50	BSE Sensex
Closing level	22,421.95	71,909.70
Final-week change	-3.1%	-2.7%
Decline from peak	8.7%	8.4%
Implied peak level (derived)	~24,559	~78,504
Implied prior-week close (derived)	~23,139	~73,905
Consecutive weekly declines	8	8

Source: Exyst Ventures dataset. "Derived" figures are back-calculated from the reported closes and percentage declines, and rounded.

2. Anatomy of the Drawdown

2.1 The streak and the depth

A losing streak measures persistence, while a drawdown measures damage, and the two diverge here. Eight weeks of compounding losses produced an 8.7% fall, which is an average of roughly 1.1% per week on a geometric basis $((0.913)^{(1/8)} - 1 = -1.13\%)$. This correction is wide in time and shallow in depth.

The final week was the exception. Back-solving from the reported figures, the Nifty closed week seven near 23,139, which means the first seven weeks produced a decline of about 5.8% from the peak (about 0.85% per week). The truncated final week then removed a further 3.1%. In logarithmic terms that single week accounts for roughly 35% of the total drawdown. A drawdown that accelerates in its last stretch with record outflows and a collapse in breadth is the profile of forced, price-insensitive selling.

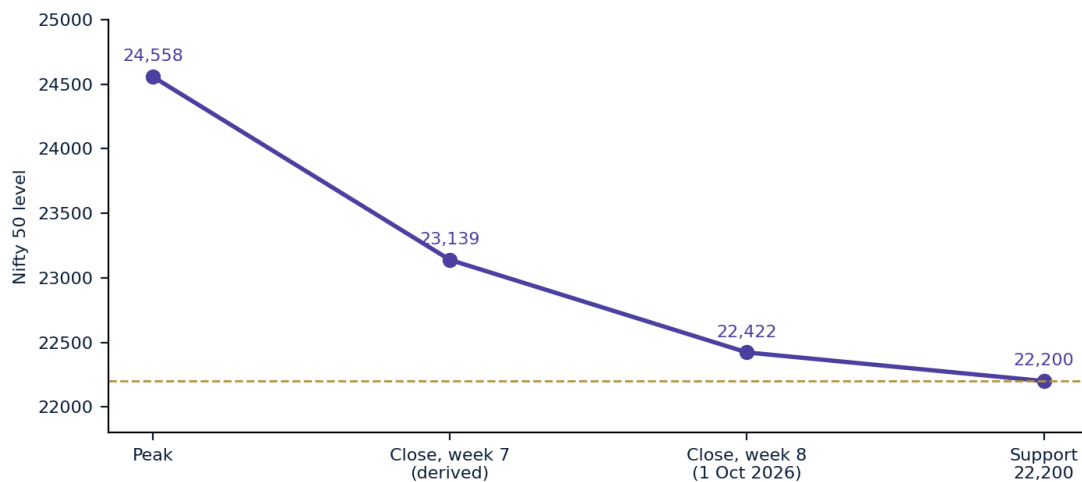


Figure 1. Nifty 50 path from implied peak to the 1 October close and the 22,200 support. Peak and week-seven levels are derived.

2.2 Technical position

The Nifty has broken its major short-term moving averages and closed at its lowest weekly level since April 2026. The next significant structural support is 22,200. From the current close, that is a further decline of 0.99%, and it would bring the cumulative drawdown from the peak to about 9.6% ($22,200 / 24,559 - 1$). In other words, the market is within one percent of a test of that support. We view the test as a decision point rather than a threat, since the loss already absorbed is roughly nine-tenths of the distance.

3. The Rational Why: Global and Macro Triggers

Every major driver of this correction sits outside India's borders. Each is addressed below with the arithmetic that links it to equity flows.

Trigger	Current reading	Transmission to Indian equities
US 10-year Treasury	Above 5.0%, a two-decade high	Raises the global hurdle rate and pulls risk capital back to USD assets
USD/INR	₹96.32 per US dollar	Erodes dollar returns for foreign holders and compounds the incentive to exit
Brent crude	Near \$100 per barrel	Widens the import bill and sustains inflation and current-account pressure
FPI flows, year to date	Record \$27.8 billion sold	Removes the marginal price-setter from the market
FII flows, final week	₹44,012.82 crore net outflow	Largest single-week selloff since June 2026

Source: Exyst Ventures dataset.

3.1 The rate-and-currency squeeze

With US yields above 5.0% and the rupee at ₹96.32, a foreign investor in Indian equities must now clear a materially higher bar. Equities must out-earn a risk-free 5% dollar yield and also absorb the currency depreciation. At the same time, the Nifty's forward earnings yield at the 19.5x mean multiple is about 5.1% ($1 / 19.5$), only about 13 basis points above the US 10-year. India's growth premium is therefore the only argument for owning its equities over Treasuries on a yield basis, and for an FPI whose mandate is relative return, the rational response to a thin yield gap is to cut exposure. This is a flow decision and not a verdict on Indian earnings.

3.2 Scale of the foreign selling & Energy Costs

At the prevailing exchange rate, the final week's outflow of ₹44,012.82 crore is approximately \$4.57 billion (₹44,012.82 crore x 10⁷ / 96.32). That single week alone equals about 16% of the record \$27.8 billion sold year to date. Selling that concentrated, at a time when the currency has already weakened, is characteristic of de-risking and not of a reassessment of fundamentals.

Brent near \$100 per barrel converts to approximately ₹9,632 per barrel at ₹96.32. The geopolitical friction between the US and Iran keeps a risk premium embedded in this price. Energy is the channel through which the external shock reaches the Indian domestic economy, and it explains the weakness in rate-sensitive and input-cost-sensitive sectors.

4. The Margin of Safety: Domestic Liquidity and Fundamentals

4.1 Domestic liquidity is strong but being absorbed

Retail Mutual Fund SIP inflows remain at record highs, so the domestic bid has not weakened. It is being fully absorbed by heavy primary-market supply: large Qualified Institutional Placements, corporate block deals and large public IPOs. This explains why strong domestic flows have so far failed to lift the index. Supply of equity is rising at the same time as foreign demand is falling. We regard this as a timing mismatch and not a structural deficiency, because primary supply is finite and tends to slow when secondary-market prices fall.

4.2 Fundamentals

- **Growth:** Latest quarterly GDP growth of 7.8%.
- **Consumption and formalisation:** Stable GST collections.
- **Corporate health:** Strong core balance sheets, with historically low debt-to-equity ratios.
- **Activity:** Robust manufacturing PMI.

Taken together these indicators describe an economy and corporate sector with low financial leverage, which is the most important protection when funding costs are rising globally. Low debt-to-equity means that a 5% US yield has far less capacity to impair Indian earnings than it did in prior tightening cycles.

4.3 Valuation: the arithmetic of mean reversion

The 8.7% correction has pulled the Nifty 50 forward P/E from an overvalued state toward its 10-year mean of 19.5x. Valuation is the point at which the case for patience becomes quantitative. The table below is an illustration of sensitivity. It assumes forward earnings are held constant at roughly 1,150 index points (22,421.95 / 19.5 = 1,149.8, i.e. the level at which the current close would sit exactly on the mean) and shows the index at alternative multiples. It is not a forecast.

Forward P/E multiple	Implied Nifty (EPS ~1,150)	vs current close	Reading
18.0x	20,700	-7.7%	Below mean
19.0x	21,850	-2.5%	Slightly below mean
19.5x (10-yr mean)	22,422	0.0%	At mean
20.5x	23,575	+5.1%	Modest premium
21.5x	24,725	+10.3%	Prior-peak territory

Illustrative sensitivity only. Assumes constant forward earnings and that the current close approximates the 10-year mean multiple.

The table shows the asymmetry. A return to the prior-peak zone requires roughly a 10% rise in the multiple, while a drop to 18.0x requires a 7.7% fall. Valuations at the mean are supported by 7.8% GDP growth and low corporate leverage, so a decline below the mean would require the multiple to compress further on external stress alone.

5. Sectoral Divergence and Internal Dynamics

5.1 Where the damage fell

The correction has been a cleansing of high-beta and cyclical exposure and not a uniform fall. Nifty Consumer Durables fell 6.0% and Nifty Auto 5.8%, the latter on short-term monthly volume adjustments. Nifty Metal, FMCG and PSU Banks each dropped by more than 4.0% in the final leg. Broader indices followed: midcaps fell 3.5% and smallcaps 3.3%, against 3.1% for the Nifty 50. That makes the final-week beta of midcaps about 1.13 times the large-cap benchmark and of smallcaps about 1.06 times, which is meaningful but not extreme.

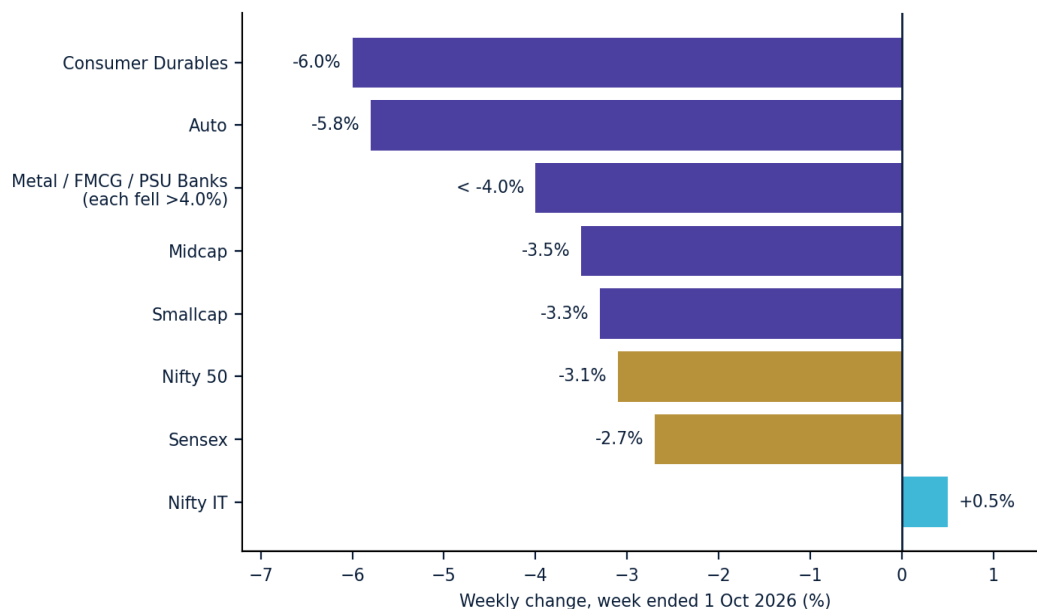


Figure 2. Weekly changes, week ended 1 October 2026. Metal, FMCG and PSU Banks are shown at the reported "over 4.0%" threshold.

5.2 The defender

Nifty IT was the lone positive sector, up 0.5%, led by heavyweights such as Infosys (+4.0%). Technology exporters earn in dollars and report in rupees, so a rupee at ₹96.32 is a direct tailwind to their margins and the sector behaves as a natural hedge in a currency-driven selloff.

5.3 Market breadth

Advances of 1,306 against declines of 2,916 give an advance-decline ratio of 0.45, with only about 31% of issues advancing. Broad weakness of this kind, accompanied by record-scale outflows, is characteristic of capitulation: sellers are exiting regardless of price. Capitulation is a necessary condition for a durable low, although it is not sufficient to mark one, and we do not claim to time it.

6. Positioning Framework for Clients

Our stance

Correction and not crisis. We favour disciplined, staged deployment into quality large-cap exposure, preserve liquidity for a possible test of 22,200, and avoid forced selling in portfolios that are suitably diversified.

6.1 Principles

- **Quality first.** Large-cap quality, with low leverage and earnings visibility, benefits most from valuation compression toward 19.5x. We prefer it to high-beta cyclicals while rates and the rupee remain unsettled.
- **Stage the capital.** Because the timing of an FPI-flow reversal cannot be known, we recommend staging fresh capital in tranches (for example four equal parts) spread across levels and time, not a single entry. A first tranche near current levels, with later tranches held for a test of 22,200 or for a sign of stabilising breadth and flows, spreads the entry price and limits regret.
- **Protect near-term goals.** Clients with scheduled liabilities, such as education, property or retirement drawdowns, should keep those funds in debt and cash, so that they are never forced sellers into a falling market.
- **Diversifiers matter.** Nifty IT provides a partial currency hedge. Gold and short-duration debt continue to play their diversifying roles in the core allocation.
- **Keep SIPs running.** SIP investors should continue. A falling market raises the number of units accumulated per rupee, and the average cost declines accordingly.

6.2 What would change our view

Supportive signals	Warning signals
Hold above 22,200 with improving advance-decline ratio	Sustained close below 22,200
Moderation in FII weekly outflows from the ₹44,012.82 crore peak	US 10-year yield rising decisively beyond 5.25-5.5%
Stabilisation of USD/INR around current levels	Further rupee depreciation with Brent above \$100
Slowing of QIP, block and IPO supply	Deterioration in GDP, GST or PMI prints

7. Conclusion

Eight consecutive weekly declines make an alarming statistic, but the evidence beneath it is more measured. The index is down 8.7% from its peak. The drivers are external and well identified: US yields, the rupee, crude and foreign flows. India's domestic growth, balance sheets and SIP-led liquidity are intact, and valuations have returned to their ten-year mean. Markets in this configuration reward patience, staged capital deployment and discipline over prediction. Exyst Ventures will continue to monitor the levels and signals above and will update clients as they change.

Important disclosure

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