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Q1 FY 26-27

Navigating Uncertainty: Why Staying Invested Matters

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Time and again, market volatility tests investor patience and conviction, underscoring the importance of remaining disciplined and staying invested during turbulent phases.

2026 began on an optimistic yet cautious note for the domestic economy, with GDP growth showing signs of a broad-based recovery across various sectors. Inflation was expected to remain within the target range, while the fiscal position was also tracking in line with consolidation goals. The effective transmission of rate cuts undertaken in 2025 had started to reflect improved credit growth, with expectations of further revival going forward. Corporate profitability was also expected to improve, supported by favorable measures. Following a year of relatively muted returns in both equities and fixed income in 2025, this strengthening macro backdrop supported a pickup in optimism across asset classes.

As the US–Israel–Iran conflict is about to enter its 5th week, geopolitical uncertainty has intensified, energy availability is unclear and the resultant slowdown is real. Such periods highlight the inherent risk associated with financial markets

Concerns over potential disruptions to energy infrastructure and broader supply chains have weighed sentiment, triggering a broad-based sell-off across asset classes, as correlations tend to rise during periods of stress. These developments have also heightened the risk of renewed inflationary pressures, primarily driven by energy, and rolling over its effect across transportation, manufacturing and food prices.

Elevated uncertainty has significantly impacted investor confidence, leading to sharp corrections in equity markets. FPI outflows have added pressure on the currency, pushing the rupee to weaker levels. While concerns around inflation and growth have driven an uptick in bond yields. Notably, even traditional safe-haven assets such as gold have not remained immune; witnessed corrections alongside other precious metals, reflecting the broad-based deleveraging and liquidity-driven moves across markets.

On one hand, there are concerns around the risk of industrial disruptions, along with economic impact on growth, margins, and consumption. On the other hand, investors face a dilemma, whether to stay invested, add on dips amid the fear of missing out on a potential rebound, or adopt a wait-and-watch approach until volatility subsides. Each of these choices carries its own set of risks, particularly in an environment where market direction is driven by unprecedented and unpredictable factors.

In such an environment, attempting to predict short-term market returns becomes a near zero-sum exercise, often influenced more by sentiment and global developments rather than underlying fundamentals. Long-term investors have been positioned to navigate such phases of volatility, benefiting from the eventual stabilization of markets and compounding of returns over time.
Importantly, such periods of dislocation also present a valuable opportunity to reassess and realign asset allocation. Historical correlations, which often guide portfolio construction, tend to break down in the short-term during phases of heightened uncertainty.

These conditions provide an opportunity to recalibrate asset allocations in line with individual risk appetite, investment horizon, and liquidity needs. For instance, phases of rising yields may improve the attractiveness of fixed income from a carry perspective, while equity market corrections could create selective entry opportunities for long-term investors with a staggered approach. Maintaining adequate liquidity and avoiding over-concentration in any single asset class becomes equally important in such environment.

Systematic Investment Plans (SIPs) remains one of the most effective ways to navigate such volatility. By enabling disciplined and periodic investments, SIPs may help investors average costs over time and may reduce the impact of market timing. More importantly, they instill behavioral discipline, ensuring continued participation in markets even during periods of uncertainty, which may provide opportunities for investors. However, the outcome depends upon market conditions and individual circumstances.

Hybrid funds are also relatively better positioned, as they benefit from dynamic asset allocation managed by the fund manager. This allows for timely adjustments across asset classes, enabling the portfolio to capture opportunities while navigating evolving market conditions. The inherent diversification across equities, fixed income and other assets in hybrid funds may help in reducing overall portfolio volatility and provides a cushion to downside risks. Additionally, the flexibility of the funds to rebalance based on market movements and valuations enhances the ability to manage risk more effectively during periods of uncertainty.

Staying invested tens remains important, as no phase of market stress lasts forever. While certain events, such as COVID-19 can have deep and widespread impacts on the global system, history shows that economies and markets eventually adapt, recover, and find new pathways for sustainable growth.

While returns often normalize over time, the timing and pace of this adjustment remain inherently uncertain, making patience a critical virtue for investors Ultimately, while near-term volatility may persist, staying anchored to long-term investment principles, maintaining diversification and aligning portfolios with individual risk profiles remain the most prudent approach to navigate uncertain market conditions

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