

## **The Wartime Dilemma: Navigating Uncertainty**

### **Impact of Rising Crude Oil Prices**

Global markets have turned volatile following the escalation of the US–Israel–Iran conflict, with sharp reactions across asset classes.

Given that the tensions are centred in the Middle East, crude oil prices have responded immediately. For India, this is a key variable, as we continue to import a significant portion of our energy requirements—largely from the Gulf region. Elevated crude prices typically lead to higher import bills, exert pressure on the rupee, and contribute to inflation.

Additionally, recent developments such as Qatar invoking force majeure on natural gas supplies could have a secondary impact on energy availability and costs.

That said, India's macroeconomic position is relatively stronger today. Oil imports as a percentage of GDP have declined to around 3%, compared to around 5% a decade ago. This provides a degree of resilience, even if crude prices remain elevated for some time.

### **Market Behaviour During Conflict**

Periods of geopolitical uncertainty often lead to heightened volatility and emotional decision-making. Markets tend to overreact on the downside, primarily due to uncertainty around the duration and severity of the conflict.

In today's fast-paced digital environment, constant news flow—often speculative—can amplify fear and trigger panic selling. While exiting positions may feel instinctively correct during such phases, re-entering at the right time is significantly more challenging.

History shows that markets tend to recover well before clarity emerges. By the time the situation begins to stabilize, prices often rebound sharply, leaving many investors on the sidelines. This pattern has repeated across multiple events, including recent corrections.

## Where We See Opportunities

The recent correction has helped normalize valuations and create selective opportunities.

- The Nifty has corrected around 14% from its peak, alongside a meaningful time-wise consolidation over the past 20 months.
- Valuations have moderated by around 20%, bringing them closer to long-term averages.

We are currently identifying opportunities across sectors:

- Export-oriented businesses may benefit from a weaker rupee.
- Power and renewable energy could see increased policy focus as India accelerates efforts to reduce oil dependency.
- Automobiles continue to show demand resilience, supported by both domestic and export markets.
- Corporate actions, such as buybacks, may increase given improved valuation comfort and recent tax changes.

Broader markets, in particular, are beginning to offer attractive entry points with better risk-reward dynamics.

## Our Approach & The Way Forward

While our portfolios have seen short-term corrections in line with broader markets, several of our core holdings have demonstrated resilience. We remain confident in our investment strategy and continue to maintain a disciplined, low-churn approach.

Periods like these are not just phases of risk—they are also phases of opportunity. As portfolio managers, we actively use such corrections to strengthen portfolios by allocating to quality businesses at more reasonable valuations.

For investors, the key lies in maintaining discipline:

- Avoid reacting to short-term noise
- Stay invested with a long-term perspective
- Consider staggered investments to benefit from volatility

## Closing Thought

Uncertainty is an inherent part of equity markets. While geopolitical events may create temporary disruptions, they rarely alter long-term growth trajectories.

Staying invested through volatility has historically been one of the most effective ways to build wealth—and this time is unlikely to be different.

# BSE Sensex

Base 1978-79 - Value 100

March 2026 - Value 73000



Above Chart shows sharp corrections in the past provided good buying opportunity

Thanks & Regards,

Karthic Babu T R S

Head - Equity Research