

When Geopolitical tension derails markets: Stay Calm, Stay Invested



In the aftermath of current escalated tensions with the neighboring country, recently the Indian stock market has showed a degree of resilience with modest correction. In the past too, markets have demonstrated short-lived corrections and have registered gains over the medium to long term during such conflicts.

Although global trade-related uncertainty and recent events remain a headwind in the near term, India’s investment cycle is expected to be on a medium-term uptrend. This is due to government investment in infrastructure and manufacturing, pickup in private investments and a recovery in real estate cycle. We expect higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains to support faster growth.

India’s GDP growth has improved to 6.2% (YoY) in Q3FY25. Government has tried to partly address the slowdown in private consumption through the income tax rate cuts in the Union Budget. RBI is also now trying to ease policy rates and liquidity conditions rapidly. With USD weakening and decline in crude prices the room for easing has increased further. Most economists now expect another 50bps of rate cut from the RBI during the calendar year. Forecast of an above normal monsoon is also a positive for rural demand. Post the recent correction, Nifty valuations are now in-line with its 5/10-year average. Indian equities are supported by the more robust medium term growth outlook and reasonable valuations and currently this can create comforting investment scenario for medium to long-term investors.

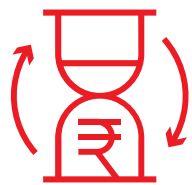


Nifty50 performance during key geopolitical events

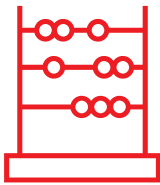
| Event | Date | 1-M prior | 1-M post | 3-M post | 6-M post | 12-M post |
|------------|--------------|-----------|----------|----------|----------|-----------|
| Conflict 1 | May 3, 1999 | -8.3% | 16.50% | 34.50% | 31.60% | 29.40% |
| Conflict 2 | Dec 13, 2001 | 10.10% | -0.8% | 5.30% | -0.8% | -1.3% |
| Conflict 3 | Nov 26, 2008 | 9.00% | 3.80% | -0.7% | 54.00% | 81.90% |
| Conflict 4 | Sep 18, 2016 | 1.30% | -1.2% | -7.3% | 4.30% | 15.60% |
| Conflict 5 | Feb 14, 2019 | -1.3% | 6.30% | 3.80% | 1.70% | 12.70% |

In the above table, you will see that despite major geopolitical events, Indian markets have witnessed modest short-term corrections between ~1-8% showing resilience and registering reasonable performance over the medium to long term.

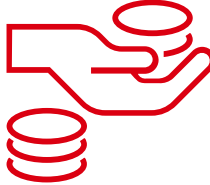
What next?








Investors can look at this as an opportunity to continue their investments as long as their long-term financial goals remain unaffected.



For SIP investors, getting more units during the downturn is attractive as long as they continue their investments



Lumpsum investors, can continue adding to their existing investments in incremental amounts to average out the cost.

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Source: Bloomberg, HSBC Mutual Fund. Data as on 9 May 2025.

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