

Hopelessness, an Opportunity? – Are Indian market towards the end of a Wave C

27th October, 2026

Backdrop – Elliot wave theory applied to Indian markets

The best long-term opportunities in Indian equities have rarely appeared when the news was good. They have come when investors wanted nothing to do with stocks/equity markets.

Elliott Wave's A-B-C correction shows how a crowd moves from excitement to denial to despair; and why Wave C, the final stage, can create opportunities for future gains.

Two years after its September 2024 peak, the Nifty 50 is about 13% lower. Foreign investors have pulled out a record amount this year, oil is above \$100 a barrel, the rupee is at record lows, and the RBI has raised rates for the first time in nearly four years. It may be a good time to step back and ask: where are we in the cycle?

We do not understand Elliot waves completely

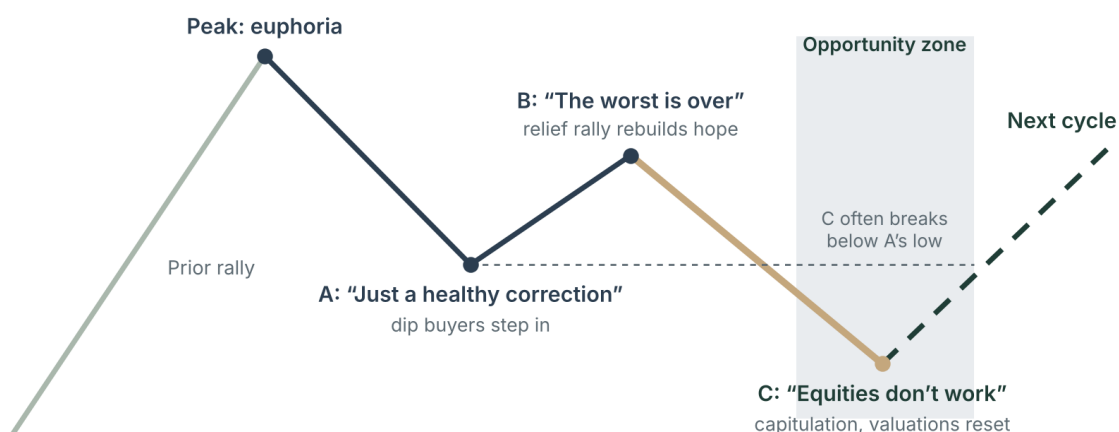
We do not claim to use Elliott Wave with any precision. Wave counts are subjective, two analysts can label the same chart quite differently, and the framework has a poor record at timing. We use it here as a *sentiment map*, not a forecasting tool. What it captures well, cycle after cycle, is how investors think and behave at each stage of a fall.

Wave A-B-C, made simple

After a big rally, markets rarely fall in a straight line. Elliott Wave describes a typical correction in three legs: down (A), up (B), and down again (C). The index levels matter less than what people feel, and say, in each leg.

Wave C is where hope runs out, and where future returns begin

Schematic, not to scale. In Elliott's terms, A-B-C is the three-leg correction that follows a five-wave advance.



Source: Pravia Investment Advisors, after R.N. Elliott and Frost & Prechter, *Elliott Wave Principle* (1978).

Principally Elliot waves work in the following manner –

- **Wave A: denial.** The first fall comes after a long rally, so nobody believes it is serious. “Healthy correction.” “Buy the dip.” Valuations are still high.
- **Wave B: false hope.** A sharp rebound convinces people the bull market is back. This is the trap: those who bought the dip feel vindicated and add more. In one variety of correction, the *expanded flat*, wave B even makes a new high, which makes the trap more convincing still.
- **Wave C: hopelessness.** The second fall is usually longer, broader and more painful than A, and often breaks below A’s low, but not necessarily. Good stocks fall alongside bad ones. **People stop arguing about targets and start asking whether to own equities at all.**

The point is simple. By the end of Wave C, most of the people who wanted to sell have sold. Prices have reset, valuations are reasonable and expectations are close to zero. That combination is what makes the period after Wave C so rewarding.

Putting the Nifty through the framework

We studied Nifty from June 2022 low and asked a straightforward question: does the Nifty’s path since then actually fit the Elliott template, or are we forcing it? It fits better than we expected.

Nifty 50: a five-wave advance (2022–24), then an expanded A-B-C correction

Daily close, with wave pivots at intraday extremes. One possible reading of the chart, not a forecast.



Source: NSE Indices daily data (via Yahoo Finance), to 26 Oct 2026. Wave labels and targets: Pravia Investment Advisors.

Source – Nifty indices, Pravia Research.

The advance: June 2022 to September 2024

The Nifty rose from 15,183 to 26,277 in five waves, following Elliott Wave’s key rules. Wave 2 stayed above the start of Wave 1, Wave 3 was the longest rising wave, and Wave 4 did not overlap Wave 1. Wave 2 gave back 56% of Wave 1, within the typical 50–62% range.

The two pullbacks also differed in character: Wave 2 was quick and sharp, while Wave 4 moved sideways for five months, from January to June 2024. It ended with a spike on election day to 21,281.

The correction: September 2024 to now

The decline since September 2024 looks like an **expanded flat**: a three-part correction in which Wave B rises above the previous peak before Wave C resumes the fall.

Wave A took the Nifty down 17% to 21,744 in April 2025, near the earlier Wave 4 range; a common stopping point for corrections. Wave B then recovered 102% of Wave A, reaching a new high of 26,373 in January 2026. That rally made it easy to believe the correction was over. Wave C began soon after. By 8 October 2026, the Nifty had fallen to 22,180.

The phase of fear: “is this 2008 all over again?”

Every deep correction passes through a stage where investors reach for the most extreme memory they have. In India that is usually 2008, when the Sensex fell about 61%, or 2000–01, when it fell about 56% and technology stocks fell far more. With a war in West Asia, Brent above \$100 and the rupee near 95–97 to the dollar, the comparison is being made again.

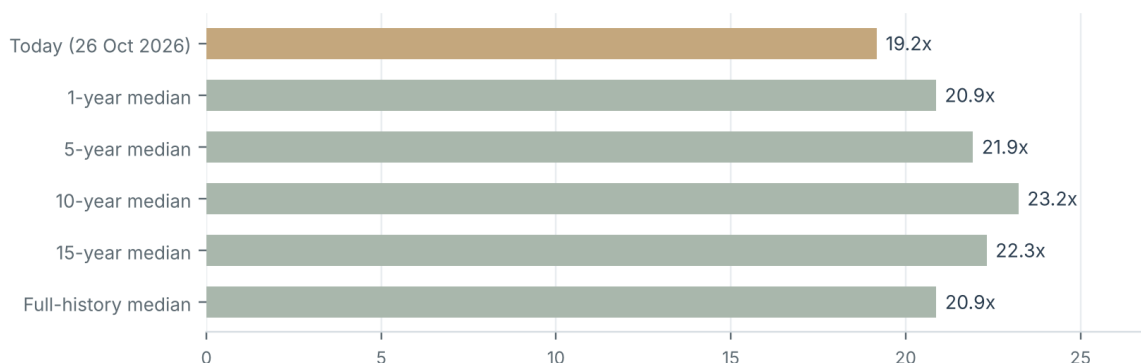
It is worth making, because it gives context. But it is usually made at the wrong time and for the wrong reason:

- **2000 and 2008 started from extreme valuations.** The Nifty traded above 28x trailing earnings at the January 2008 peak. Today it is about 19x, below its own long-run medians.
- **They had a systemic trigger.** In 2008 it was the near-collapse of the global banking system. Today’s shocks (oil, a weak rupee, US 10-year yields above 5.2%, the first RBI hike in almost four years) are serious, but they are macro headwinds that hit earnings and flows. So far nothing resembles a freeze in the financial system.
- **Even 2000 and 2008 ended.** Investors who bought during the darkest months of 2001–03 and early 2009 earned some of the best returns in Indian market history.

So, the useful question is not “Is this 2008?” It is: **how much of the bad news is already in the price, and how do people feel about owning stocks right now?** When almost everyone answers “terrible”, the set-up usually starts to improve.

Valuations are already back below every long-run median

Nifty 50 trailing P/E today vs. its historical medians over different look-back periods (x).



Source: indexpe.in, compiled from NSE Indices P/E data, as of 26 Oct 2026. Standalone trailing earnings basis.

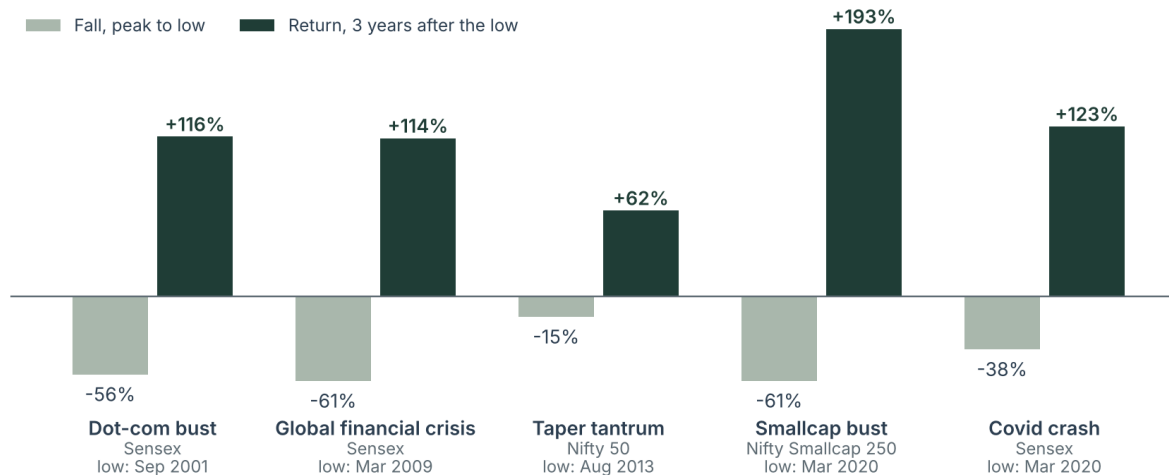
Nifty 50 trailing P/E against its historical medians. Source Nifty Indices

History: hopelessness has been India's best entry point

In every major Indian bear market of the last 25 years, the moment of deepest despair was followed by a rise far bigger than the fall. Part of that is arithmetic: a 60% fall needs a 150% rise just to get back. But it also shows how far pessimism had pushed prices below fair value.

After each deep Indian fall, the three years that followed paid for the pain

Fall from peak to low (closing basis) vs. total price return in the three years after the low, %.



Source: BSE and NSE Indices daily closing data (via Yahoo Finance); Pravia calculations. Price returns, excluding dividends.

Fall from peak to low, and the return over the following three years

What these bottoms had in common was not good news. It was a mix of low valuations and a crowd that had given up:

Bottom	What people were saying	Backdrop
Covid crash (Mar 2020)	"The economy is shut for a year; earnings will vanish."	Sensex down 38% in about ten weeks; up 123% over the next three years
Small-cap bust (2018–20)	"Small caps are a scam. Only buy large caps."	Nifty Smallcap 250 down 61% over two years; up 193% over the next three
Taper tantrum (Aug 2013)	"India is one of the Fragile Five." "Policy paralysis."	Rupee near 68 to the dollar, foreign money leaving; Nifty up 62% in three years
Global crisis (2008–09)	"This is the Great Depression."	Nifty P/E fell from above 28x at the peak to the low teens; Sensex doubled within a year of the low
Dot-com bust (2000–01)	"Equities are dead. Buy bonds and property."	Sensex down 56%; it went on to rise roughly eight-fold by January 2008

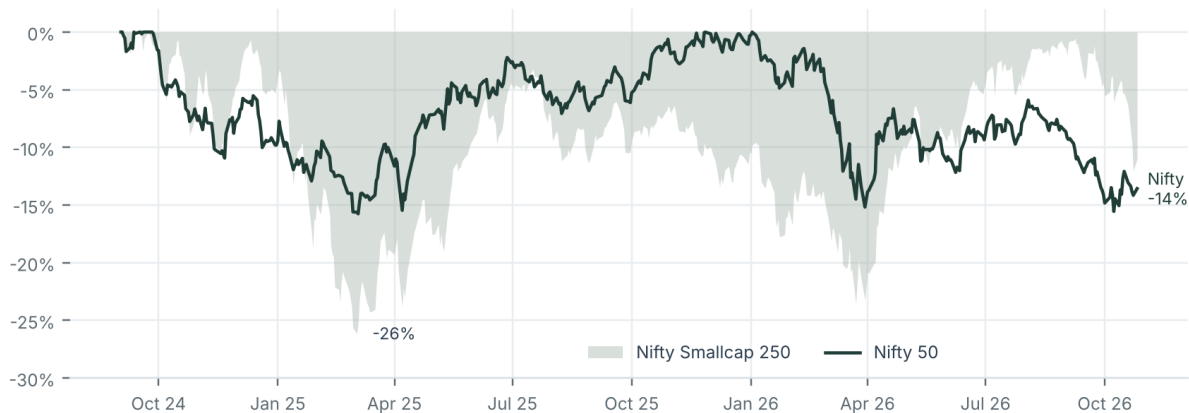
India today: from "India can't fall" to "why bother"

In September 2024 Indian equities **sat at the peak of confidence**. Since then, the Nifty has fallen for five straight months (October 2024 to February 2025), its longest monthly losing streak since 1996,

recovered all the way to a new high in January 2026, and then given it all back. By the start of October 2026, **it had fallen for eight weeks in a row**, reportedly its longest weekly losing streak in 25 years.

Two years on, both large and small caps are still under water

Fall from the previous all-time closing high, %. Nifty 50 vs Nifty Smallcap 250.



Source: NSE Indices daily closing data (via Yahoo Finance), 1 Sep 2024 to 26 Oct 2026. Pravia calculations.

Drawdown from the previous all-time closing high, Nifty 50 and Nifty Smallcap 250. Source – Nifty Indices, Pravia Research.

Small caps, which fell hardest in 2025, nearly reclaimed their 2024 peak in September 2026. The current despair is concentrated in large caps; the part of the market foreign investors owns most and have been selling hardest. **That is also where we now see the better margin of safety.**

Particulars	September 2024 (euphoria)	October 2026 (fatigue)
The story	“India is the only growth story, decoupled from the world.”	War in West Asia, Brent above \$100, rupee at record lows, and the RBI’s first-rate hike in nearly four years (repo to 5.50%)
Foreign investors	“Domestic money will absorb any FII selling.”	A record ₹3.08 lakh crore withdrawn in 2026 so far, on top of ₹1.66 lakh crore in 2025
Global comparison	India the favourite emerging market (150% premium to MSCI EM)	India sold to fund the AI trade in the US, Taiwan and Korea (<50% premium to MSCI EM)
Valuation	Nifty well above its long-run P/E ~24.3x	About 19.2x trailing, against a 10-year median of 23.2x

Our View

We have mapped the Elliott wave theory to illustrate how investors feel at each stage of the market, indicating that the current wave C has factored in a lot of pessimism already, we do not base investment decisions based on the theory.

We reiterate the view expressed in our note, [Thinking Big Picture: Value Has Arrived, the Story Will Follow](#), released in the start of this month. In September 2024 India had the narrative but not the value, with the Nifty at about 24x earnings. Today it has the value but no clear story, at about 19x (below the 10-year average).

The markets are at an interesting conjecture where investor mood swung from “India can’t fall” to “why bother”, which creates lucrative entry points. Fundamentally, markets have fallen but earnings have not, bank credit is still growing at a healthy pace, and India’s government debt is set to fall while it rises in much of the developed world. **When sentiment is this poor and the underlying businesses are holding up, the gap between price and value is the opportunity.**

Flat years are not lost years. Indian markets climb like a staircase: a step up, a long flat landing, then the next step. Since March 2020 the Nifty has been through three rallies and three corrections **and has still roughly tripled**, from 7,610 to around 22,750. Each landing felt endless while we were on it.

The risks are real, and they are also why prices are better. Brent near \$100, the rupee near 96, rising rates and record foreign selling all deserve respect. But the worst case has not become much more likely; it has only started to feel closer. Risks like these are managed through asset allocation, not by stepping out of the market. And India does not need foreign investors to buy. It only needs them to stop selling.

In our view, the biggest risk today is being under-invested. Periods of hopelessness have been India’s best entry points before, and we see little reason to think this time is different.

We’ve been using a barbell approach in client portfolios for the past few weeks. We’ve shifted tactically toward large caps, mainly through large-cap index and sector funds, where valuations look more reasonable. At the same time, we remain positive on the ICM framework and small caps over the long term.



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