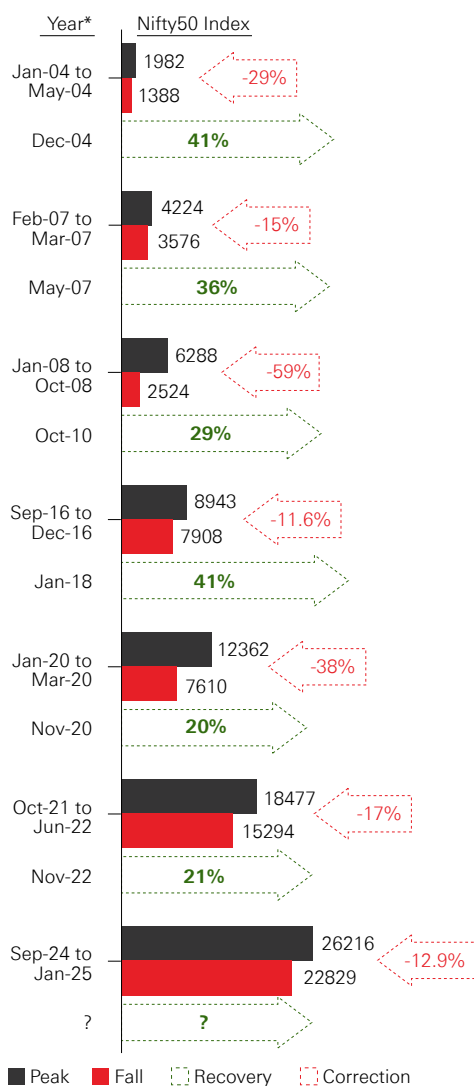


History repeats itself!

Equity market correction can offer an opportunity

Nifty50 Fall & Recovery



Corrections are integral part of equity markets and currently we are going through one such market correction phase. Equity markets were considered overvalued on a parameters such as Price to Earnings (PE) basis from last few months as Markets have moved up sharply in anticipation of higher earnings. Now market participants are going through some reality check and that has delivered price - valuation correction over the last few months.

Valuation is measured using ratios such as the Price to Earnings (P/E) or Price to Book (P/B) ratios. P/E ratio increases above averages when a stock's price rises faster than earnings in that period. Similarly, stock could be valued basis Price to Book (PB) ratio and could be overvalued or valued appropriately.

Equity market (Nifty50) has corrected by about -12.9% from the peak of 26 Sep 2024 (26,216) and closing at (23,205) on 27 Jan 2025. History shows that whenever markets falls, it does recover over the period. We are somewhere close to the correction levels from where generally Indian equity markets have reverted to their long-term positive trend.

Nifty 50 consensus EPS estimates for CY24/25 have largely been maintained in December '25 while the Index has corrected. Nifty 50 index therefore now trades on 19.3x 1 year forward PE below its 10 year average. Valuations in Mid Cap and Small Cap space however remain elevated.

We can say currently market is more into a consolidation mode, adjusting to current earnings growth and awaiting further earnings outlook to make their next move. As India is one of the fastest growing economies with strong GDP growth projections over the long term, equity market earnings are expected to make a comeback sooner or later. One can remain invested or enter the markets on such healthy corrections and aim to continue to gain from market recovery and approaching equity market rallies.

Happy investing!

*Note: Some of the market falls and recovery instance are listed above for the period between: 14 Jan'04 to 17 May'04, 2 Dec'04, 7 Feb'07 to 5 Mar'07, 21 May'07, 8 Jan'08 to 27 Oct'08, 5 Oct'10, 6 Sep'16 to 26 Dec'16, 29 Jan'18, 14 Jan'20 to 23 Mar'20, 9 Nov'20, 18 Oct'21 to 17 Jun'22, 24 Nov'22, 26 Sep'24 to 27 Jan'25. Correction from the peak point and Recovery from the lowest point of respective period.

Source – Bloomberg, MOSL, HSBC Mutual Fund, Data as on 27 January 2025,

Past performance may or may not be sustained in the future and is not indicative of future results.

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