GEOPOLITICS & MARKETS | MARCH 2026

Dalal Street Under Fire

The US-Israel operation launched February 28, 2026 eliminated Iran's top leadership on Day 1 and crippled its conventional Navy and Air Force. Yet Iran's cleric-IRGC chain-of-command remains intact, the Strait of Hormuz has been shut down or partially open only through diplomatic channels, and by Week 3, the US was forced to deploy the Marine Expeditionary Unit to the Gulf. Goldman Sachs has revised its Hormuz recovery timeline three times: **5 days → 10 days → 30 days**. Even if the war ends tomorrow, LNG supply chains will take weeks to normalize.

Global Markets: Differential Damage *(as of Mar 27, 2026)*

Nifty VIX

26.78

+95% in 1 month

US S&P 500 VIX

31.04

+56% in 1 month

China leads. India, Korea, Japan and Europe rattled. Volatility has surged across global markets - India's VIX nearly doubled in a single month, outpacing even the US spike. The conflict has no clear winner - yet.

Country	MTD Return
China	-5.98%
US (S&P 500)	-7.41%
Japan	-9.31%
Nifty (INR)	-9.37%
Europe	-10.27%
South Korea	-12.89%
Indonesia	-13.82%

Sources: NSE India, BSE, Yahoo Finance, Bloomberg, Goldman Sachs Research. Data as of March 27, 2026 close.

DALAL STREET DAMAGE MAP | MAR 27, 2026

India - The Damage & The Transmission

-13.47%	-12.11%	-21.58%	-26.51%
Nifty 50	MidCap 100	SmallCap 250	MicroCap 250
Level: 22,820 | 30-day: -9.1%	Level: 54,098 | 30-day: -7.9%	Level: 14,655 | 30-day: -7.1% **BEAR MARKET**	Level: 19,457 | 30-day: -10.0%

352 stocks with market cap ₹2,000–35,000 Cr are down **50%+ from their respective peaks**. SmallCap is in an official bear market (>20% from ATH).

How the War Hits India: 3 Transmission Channels

1

Crude Oil (Primary)

India imports **80%+ of crude**; 50%+ via Hormuz. Oil at ~**USD 101/bbl**. Every USD 10/bbl rise hurts India's GDP by about **0.5%**.

Most exposed: Tyres, Paints, Airlines, Chemicals, Plastics, Logistics.

2

Currency

INR depreciated **4.5% vs USD** (MTD Mar) - among the most affected EM currencies globally. India's 10-yr yield moved **+27 bps**.

FII net sold **₹1,11,377 Cr** in the month till 27th Mar; DIIs absorbed it - net buying **₹1,28,066 Cr** in the same period.

3

Sentiment

Q3FY26 corporate earnings delivered a broad-based positive surprise: **Nifty 50 PAT grew 12.8% YoY** - a rebound from sub-10% in Q2 - while Nifty Midcap 150 and Smallcap 250 posted median PAT growth of **19.1%** and **21.8%** respectively.

HISTORICAL PATTERN & LATEST DEVELOPMENTS

India's Playbook: Short-Term Pain, Long-Term Resilience

Every major conflict since 1950 has followed the same arc for Indian equities. Domestic growth engines - consumption, capex, digitization, manufacturing realignment - remained intact in each case. Nifty is now at **17.5x 1-yr fwd PE** - last comparable level was during Russia-Ukraine (16.9x at trough).

Conflict	Nifty Drop	Recovery
Gulf War I (1990–91)	-14% + gold pledged to IMF	+65% in 12–18 months (1991 reforms catalyst)
Kargil War (1999)	-11%	+40% in 6 months
Post 9/11 / Iraq (2001–03)	-12% to -18%	+52% within 12 months
Russia-Ukraine (2022)	-11% initial	+25% by year-end (discounted Russian crude offset oil spike)

Latest Developments

Mar 24, 2026

Nifty **+1.78%**, Sensex **+1.89%** - Trump hinted at de-escalation, paused Iran strikes, proposed 5-day ceasefire. Oil fell **11%+** on postponement of strikes on Iranian energy sites. Iran signals Hormuz accessible to non-aggressor ships.

Mar 25, 2026

Sensex **+1.63%**; Nifty **+1.5%**. Banking stocks led. Positive global cues, easing inflation sentiment.

Mar 27, 2026

Sharp reversal - Nifty **-2.09%** (487 pts) to 22,819. FII outflows resumed, conflicting Middle East signals. India VIX spiked to **27.08** - highest since June 2024.

SECTOR HEAT MAP & BOTTOM LINE

Where to Watch - and Why Recovery Is Likely

Sector Heat Map

High Risk

- OMCs (IOC, BPCL, HPCL)
- Airlines

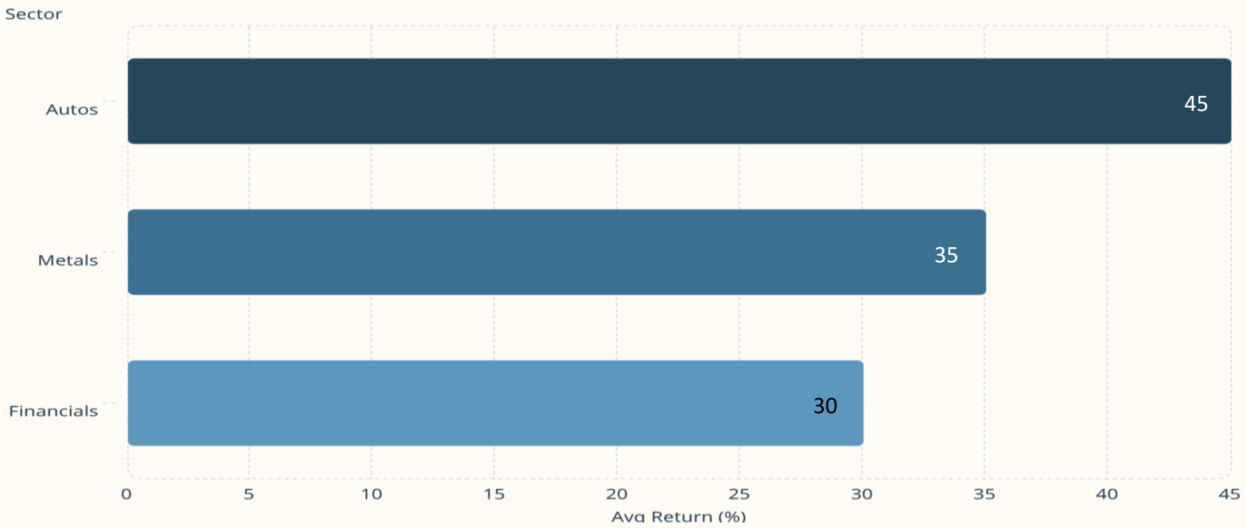
Elevated Risk

- Chemicals, Autos
- Banks & NBFCs
- Cement, Discretionary
- Fertilisers

Mixed / Defensive

- IT Services, Pharma
- Telecom, Consumer Staples
- Power & Utilities

Recovery Leaders (Post-Trough, 3 Months)



Average sector returns in the 3 months following geopolitical market troughs.

Bottom Line - Three Pillars

1. Valuation Support

Nifty at **17.5x fwd PE** is below long-run averages. Last seen at these levels during the Russia-Ukraine trough (16.9x). The market is pricing in significant risk - creating opportunity for patient capital.

2. Structural DII Buying

FII selling is steep but DII buying is structural and absorbing outflows. **₹1,28,066 Cr** net DII buying in March alone. Q3FY26 earnings surprised positively across the board - fundamentals remain intact.

3. History Favors Recovery

Recoveries from geopolitical troughs are sharp - led by **Autos (+45%)**, **Metals (+35%)**, **Financials (+30%)** over the 3 months following the bottom. The pattern is noise becoming signal.

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