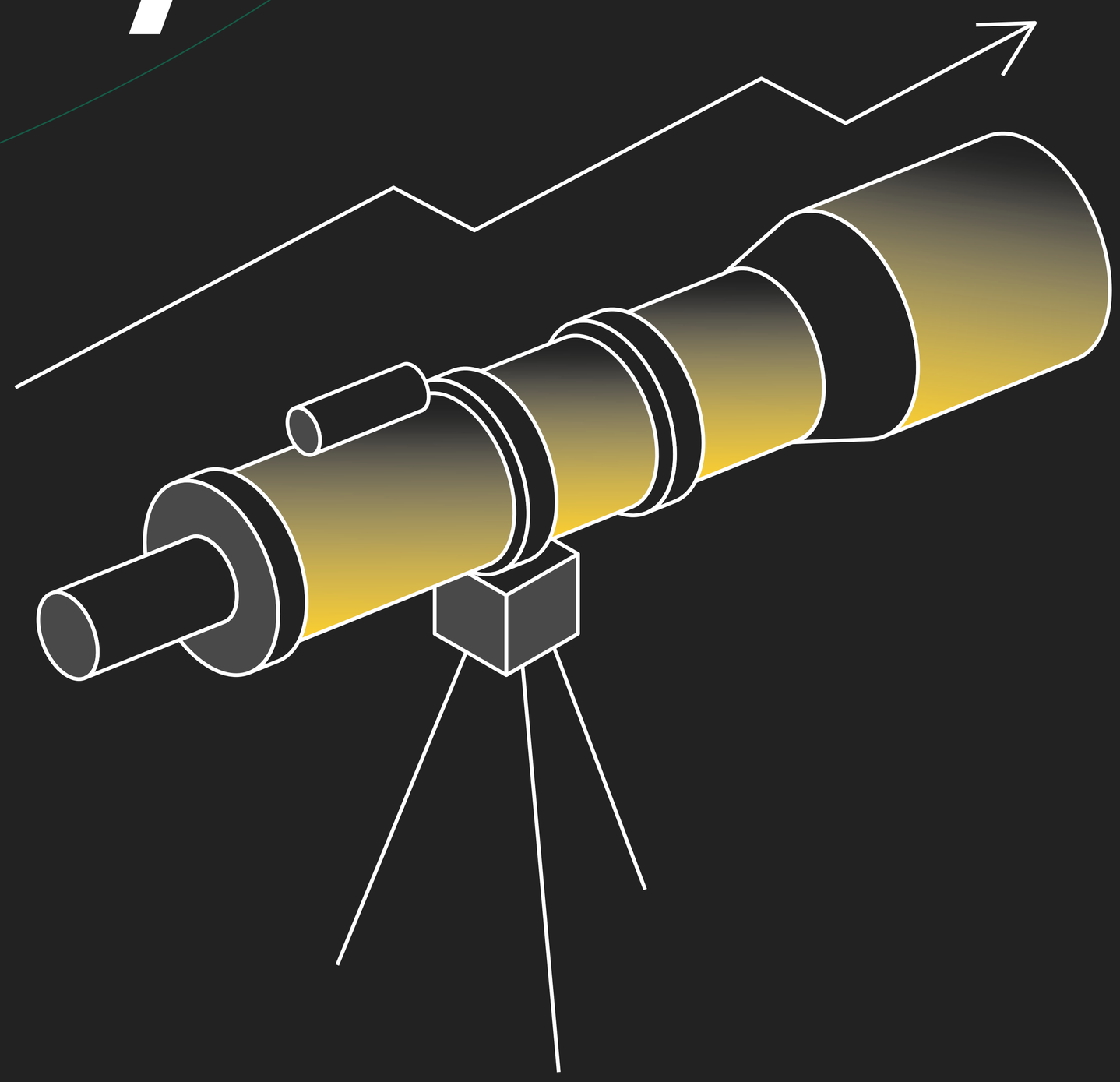
Edition 5· November 2026 · Markets, decoded.

Jainam™

The Maxima Monthly



Dear Investor,

October tested patience. Mid and small caps sold off sharply, geopolitical headlines stayed heavy, and foreign investor flows were back in the spotlight. In this edition we step back from the noise to look at four things: why foreign selling is often less informed than it looks, what the currency and commodities markets are telling us, how to read valuations, and why we believe most of the bad news is already priced in.

Foreign selling: a herd, not a verdict

When foreign institutional investors (FIIs) sell heavily, it's tempting to assume they know something we don't. In our view, that assumption is one of the most dangerous in investing.

Large institutions are not immune to herd behaviour. A fund manager's biggest career risk is being wrong alone, so when others head for the exit, many follow without fresh analysis of the businesses they are selling.

Much of the recent selling also reflects global shifts, such as capital chasing the AI trade or rotating out of markets seen as expensive, rather than any collapse in India's long-term potential. **That's why we treat heavy FII selling as a contrarian signal**. When investors exit on mood and momentum rather than fundamentals, long-term investors can often accumulate quality businesses at better valuations.

There's another reason we are less worried from here. Active foreign funds have already pulled out a large chunk of their money, and a large share of what remains sits in **passive funds**, which simply track an index rather than pick stocks. **We expect this money to stay invested in India**, and so **we don't expect foreign selling from here to match the scale of what we have seen in the past**. And **herds move both ways**: once global sentiment shifts, active foreign money can return just as quickly as it left.

The ₹upee: stability matters more than the level

The Rupee has weakened against the US dollar this year, and we have been saying for some time that it would **settle in the 97-98 range**. In our view, much of this move reflects US-Israel-Iran war-driven sentiment rather than any weakening of India's fundamentals.

The best way to judge whether a currency is cheap or expensive is its Real Effective Exchange Rate (REER). REER measures the rupee against a basket of trading partners' currencies, weighted by trade and adjusted for inflation differences. The index is set at 100 for a base year (2016): a reading above 100 suggests the currency is overvalued, and a reading below 100 suggests it is undervalued.

On the RBI's 40-currency trade-weighted REER, the rupee stood at **92.24 in September 2026.** That makes it more undervalued than at any point in the last decade. We believe this limits further downside for the rupee. A currency that has found its level also removes a major source of uncertainty for foreign investors, who measure their returns in dollars.

Gold and silver are quiet, and that's a slight positive for equities

Money tends to rush into gold and silver when investors are fearful. With precious metals now subdued, we see a slight positive for equities: some of the money that went looking for safety can return to productive assets.

Reading valuations: look ahead, not back

Markets price the future, which is why investors value the market on forward earnings: the profits companies are expected to earn in coming years. At the current valuation levels, we believe valuations have turned very attractive.

Indian markets have gone largely nowhere for the last two years, while earnings have held up. That leaves a **low and strong base**: low because prices haven't run ahead, and strong because the businesses underneath are in good shape.

India's next general election is due in 2029. Governments usually step up spending and reform in the years leading up to an election, much as the US tends to see in the final years of a presidential term. **We expect this to support a market rally through 2027 and 2028**. And just as the government has stepped in on the currency, we believe it may bring policy measures supportive of the stock market. **For investors with a two-year horizon, we believe this is an attractive time to invest.**

On Bond yields, US yields have stayed elevated, yet India's bond market has held up far better than in past US rate-hiking cycles.

A stock cannot fall twice for the same news

Once a negative is known and priced in, it can no longer surprise anyone. We believe most of recent negatives are already in the price. If the US-Iran war subdues, we expect the market to rally almost immediately. Even if it doesn't, we believe the market has likely bottomed, and we expect Nifty to recover from here. So far, earnings have held up well.

History offers a useful lesson here: the big money is rarely made when things go from good to better. It is made when they turn from the worst towards good.

Buying when the outlook is bleak and valuations are reasonable has often rewarded patience far more than buying when everything already looks bright.

Also, the earnings season so far has been encouraging, companies that have reported their Q2 numbers have, in aggregate, delivered healthy double-digit earnings growth.

Mid and small caps: a shakeout, not a breakdown

In our view, last month's sell-off in mid and small caps was a shakeout, the kind of phase where weaker hands exit and prices reset. We remain constructive from a growth perspective. This is the segment where we expect India's growth to come from.

At Jainam Value Maxima we invest bottom-up, one business at a time, looking for growth at sensible valuations. Phases like this one, when others follow the herd, are when that discipline matters most.

If you have questions about this edition, write to us at pms@jainam.in. Thank you for your trust.

We have posted our returns and other details about our PMS on our website at https://www.jainam.in/pms/.

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