

Whether Indian Stock Market will enter bear market phase ? A strategy for next 3 months.

By Saugata Banerjee

saugatab@mydigitian.com



Courtesy: TOI



**DIGITIAN
CAPITAL**

Future focus

© All copyright protected 2025

www.digitiancapital.com

02/19/2025

India stock market witnessed a long rally of **11 months** (approx.) from 27th Oct 23 when NSE was 18929 to 27th Sept 2024 when NSE was 26257 an effective growth of **38.7%**.

If we look at the chart, we see currently a serious market corrections happening over a long duration. Given the high market valuation it reached, a correction was long overdue.



Indian Stock Major Correction Phase Effective Indices dropped **-13.4%** over **143 days**.

Technically, Bear market is defined as any fall in stock market indices by more than 20% over a period of at least 2 months

	Start	NSE(at. Start)	End	NSE (at end)	No of Days	Change in Indices %
Phase 1	28/09/2024	26257	27/11/2024	23287	60 days	-11%
Bear Rally	28/11/2024	23287	15/12/2024	24758*	17 days	+6.3%
Phase 2	16/12/2024	24758	19/2/2025	22722	66 days	-8.13%

* Lower High

So in terms of Period of market correction time, it satisfies Bear Market but the first condition of More than 20% fall is yet to happen as it fell only **13.4%** and still **6.7% away from the Bear market Zone.**

The last Market correction was in **July 2023**. **If we compare the chart patterns from 2023 to those in 2024/25**, the It may be seen double phased **phased downward price trend channels**



Last Market Correction in 2023 was for -6.81% over 98 days Thus, technically, it cannot be termed as a **Market Correction** as the correction remained below 10% fall of the NSE indices

	Start	NSE(at. Start)	End	NSE (at end)	No of Days	Change in Indices %
Phase 1	20/07/2023	19981	31/8/2023	19233	42 days	-3.9%
Bear Rally	01/09/2023	19233	15/09/2023	20220@	15 days	+5.1%
Phase 2	16/09/2023	20220	26/10/2023	18844	41 days	-6.80%

@higher than the last high (a Bullish trend)

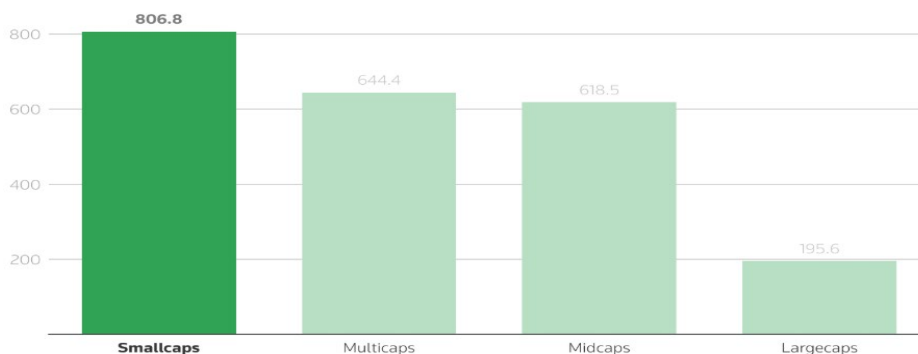
Market in parts in Bear territory :

However, although the **Small Cap market** entered the **Bear Market territory** in **Mid Feb 2024** with a **21.3% fall (refer graph)** and now it has to be seen whether it continues **for over 2 months**, to be technically regarded as **Bear Market**.

The small-cap index has surged **93%** between 2023 and 2024. **This was mainly fueled by large participation by Equity Mutual funds.**

India's smallcaps see most inflows among equity mutual fund categories since 2023

(inflows in billion rupees since the start of 2023)

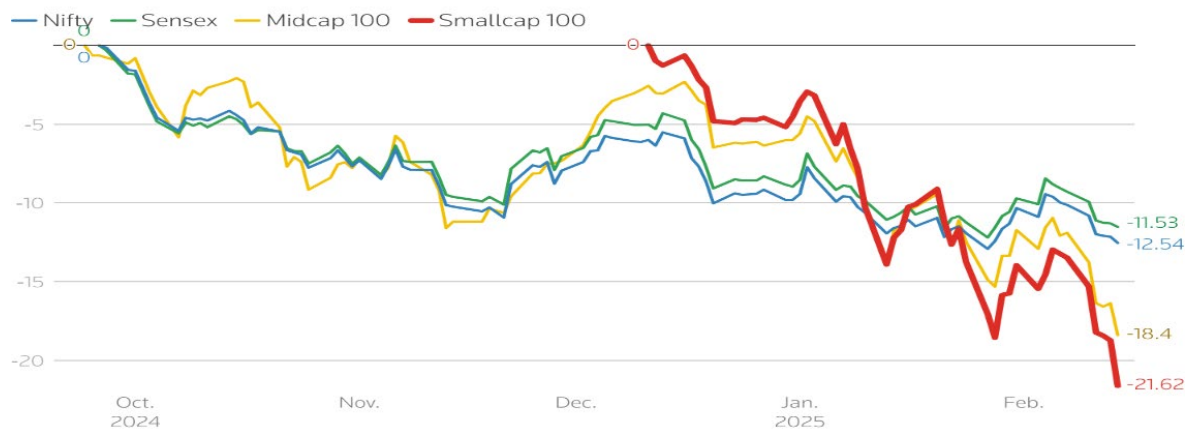


Source: Association of Mutual Funds in India
India's smallcaps see most inflows among equity mutual funds since 2023

The next in line is the **Mid Cap Market** which registered a fall of **-18.3%** and almost at the footstep of Bear market Territory.

India's smallcap index confirms bear territory

(% change from record high closing levels)



Note: When a stock or security closes 20% below record closing high levels, it confirms bear market

Source: data compiled by LSEG

Now since already **66 days passed**, I expect a **bear Rally for 15 days**. Whether that Rally will create a new higher high or the market will again slip into **Third correction Channel** that time will tell. I expect that the market needs some trigger which could be Q4 Fy25 Earning result if the Results are better than Q3 Fy 25 and the Guidance for the Fy 2026 is good so April 2025 onwards. Otherwise, there is a chance that the overall market may slip to 20% fall and a bear market may officially start.

In view of the above scenario, **My advice** is as under :

- Be cautious in shares with PE higher than 40** in small and medium cap. **Avoid doing averaging out, if you see any weakness;**
- Only **add position in valued shares** if it is available at the **right price;**
- Sometimes **it is good to be in Cash** if the market moves to Bear Phase;
- But **do not panic** sell your jewels seeing the falling prices – **hold on**
- Remember All good shares make a rebound faster than their fall**

Happy Investing !!!