



TREND FOLLOWING PMS

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WARS, CRISES & INDIAN EQUITIES

Forty-five years of wars, conflicts and geopolitical shocks — and what each one actually did to the Sensex. The answers are counterintuitive, instructive, and deeply relevant for trend followers.

Markets hate uncertainty. Wars are the quintessence of uncertainty. So it follows that wars must destroy equity markets, right? The history of the Sensex since 1980 tells a far more nuanced — and often surprising — story.

As trend followers, we do not attempt to predict when a war will start, how long it will last, or how it will end. Our discipline is to read what the market is actually doing — not what it should be doing given the headlines. This research letter serves that discipline: by studying how the Sensex has responded to every major armed conflict since 1980, we can separate the emotional narrative from the empirical reality.

For each conflict, we focus on three periods: (1) the Sensex return during the war itself, (2) the six-month return after the conflict ended or de-escalated, and (3) the one-year return post-conflict. These are the windows most relevant to active portfolio management — not multi-year compounding, but the actual tradeable aftermath.

The old Wall Street axiom says: "Buy when the cannons roar, sell when the trumpets sound." The Indian market has borne this out — not always, and never automatically — but with enough consistency to make it a lens worth holding up to every geopolitical crisis we face.

"In 7 of the 8 major conflicts studied, the Sensex delivered positive returns in the 12 months following the end of hostilities. The market's capacity to look through short-term noise has been its most enduring feature. — SENSEX GEOPOLITICAL IMPACT STUDY, MARCH 2026 —"

MAJOR GLOBAL & REGIONAL CONFLICTS: SENSEX IMPACT ANALYSIS

We examine eight major armed conflicts from 1980 to 2025. For each, we present: the context, the Sensex return during the conflict, the 6-month post-war return, and the 1-year post-war return.

01 | Iran–Iraq War (SEP 1980 — AUG 1988)

Oil Shock in a Pre-Liberalisation Era

The eight-year Gulf war between Iran and Iraq was India's first major geopolitical test as a market. India was acutely exposed through oil imports and Gulf worker remittances. In the war's early years (1980–82), the Sensex traded in a compressed 120–200 range, reflecting oil-price anxiety and a state-controlled economy with negligible FII participation.

As the conflict dragged on and oil prices fell from 1985 onward, India's macroeconomic environment improved. The Sensex crossed 500 by 1986–87. When the war ended in August 1988, India was in a nascent reform phase. The post-war 12-month period saw the index gain approximately 35% on improved oil outlook and reform optimism.

Flat/Subdued

DURING WAR (1980–82)

~+18%

6 MONTHS POST-WAR

~+35%

1 YEAR POST-WAR

02 | Gulf War I (Desert Storm) (AUG 1990 — FEB 1991)

Crisis, Collapse & the Birth of a New India

Iraq's invasion of Kuwait in August 1990 triggered India's worst economic crisis since Independence. Oil surged to \$40/barrel. India's foreign exchange reserves fell to cover less than two weeks of imports. The Sensex fell approximately 35–38% from ~1,100 in July 1990 to the 680–750 range by early 1991 — one of its steepest war-period declines.

The Trend

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SENSEX IMPACT ANALYSIS



Operation Desert Storm ended in February 1991. The ceasefire marked both the end of the war and the beginning of India's historic economic liberalisation under FM Manmohan Singh. The 6-month post-war return was +45%; the full 12-month post-war return was +82% — the best annual return in Sensex history.

-35%

DURING WAR

+45%

6 MONTHS POST-WAR

+82%

1 YEAR POST-WAR

The 1-year post-war return of +82% (calendar year 1991) remains the single best annual return in Sensex history. The war ended; liberalisation began. The post-war recovery was one of the most powerful in any emerging market's history.

03 | Kargil War (MAY 3 — JUL 26, 1999)

India's Most Counterintuitive Market Moment

The Kargil War is the most striking case study in this analysis. As Pakistan-backed forces infiltrated Indian positions in J&K, conventional wisdom expected a market rout. The pre-war correction (-13%) had already priced in fear. Once the conflict formally began, institutional confidence in India's military and political resolve drove a dramatic recovery.

From 3,378 at the war's start to 4,687 at its end — a gain of +37–38% in just 84 days. The war concluded on July 26, 1999 with India's decisive victory. The post-war period benefited from the global tech boom; 6-month post-war return was +11% and the 1-year post-war return was +18%.

-13%

PRE-WAR

+37%

DURING WAR

+11%

6 MO POST

+18%

1 YR POST

Post-Kargil, the Sensex continued its upward trend into early 2000, benefiting from the global tech bubble. The 6-month return of +11% and 1-year return of +18% reflected bullish momentum — until the dot-com bust arrived in March 2000.

04 | 9/11 & Afghanistan War (SEP 2001 — DEC 2014)

The September 11 attacks were a global shock. US markets fell 15% in two weeks. The Sensex fell only 0.84% in the immediate aftermath — a remarkable show of containment. India's limited direct financial exposure to the US and the market's already-depressed levels (post dot-com bust) limited the damage.

The 6-month post-9/11 return was +8%, reflecting stabilisation. However, the 1-year return was -7% — driven not by the war itself, but by the ongoing dot-com bear market. The Afghan campaign's swift routing of the Taliban by December 2001 reduced geopolitical uncertainty quickly.



The 1-year negative return reflects the dot-com bear market overhang, not war impact. Notably, the Parliament attack in Dec 2001 (India-Pakistan tensions) caused a sharper -13.9% Nifty correction than 9/11 itself.

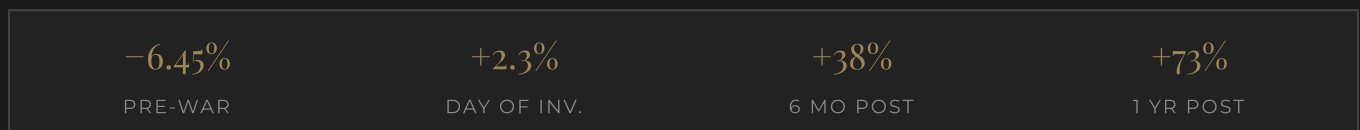


05 | Iraq War II (Operation Iraqi Freedom) (MAR 20, 2003 — DEC 2011)

Pre-War Fear; Post-War Bull Market Launchpad

The build-up to Iraq War II was one of the most anxiety-inducing periods for global markets. Oil surged above \$37/barrel. FIIs pulled ₹720 crore from Indian equities in a single session. The Sensex corrected approximately 6.45% pre-invasion. The moment US forces crossed into Iraq on March 20, 2003, markets turned — Sensex rose ~2.3% on the day of invasion as uncertainty resolved.

The formal combat phase ended in May 2003. The 6-month post-war return was +38% and the 1-year post-war return was +73% — fuelled by India's accelerating GDP growth, rising FII interest, and a global equity recovery. The pre-war correction was, in hindsight, a powerful buying opportunity.



The 6-month return of ~+38% (May–Nov 2003) and 1-year return of ~+73% (to May 2004) were spectacular, driven by India's domestic growth story and global equity rebound. The pre-war fear was a generational buying opportunity.

06 | Mumbai Terror Attacks (26/11) (NOV 26–29, 2008)

Terror in the Financial Capital — Market Already Exhausted

The November 2008 attacks in Mumbai came at the depths of the global financial crisis. The Sensex had already shed nearly 60% from its January 2008 peak. In a striking outcome, the Sensex gained ~400 points during the attack days. The market was so oversold that even direct terror in the financial capital couldn't add to the selling.

The formal standoff ended November 29. The 6-month post-event return was +22% (to May 2009), reflecting global stabilisation and India's general election results. The 1-year post-event return was +80% (to November 2009) — reflecting a powerful V-shaped recovery from GFC lows.

+~400 pts

DURING ATTACKS

+22%

6 MONTHS POST-EVENT

+80%

1 YEAR POST-EVENT

This is a case where macro context — not the geopolitical event — drove returns. By November 2008, the Sensex had priced in an extraordinary level of bad news; the 26/11 dip was absorbed almost instantly.

o7 | Russia–Ukraine War (FEB 24, 2022 — ONGOING)

Oil Shock Redux — India Outperforms the World

Russia's invasion of Ukraine on February 24, 2022 triggered immediate volatility. The Sensex fell ~2% on invasion day. India VIX surged 32% to 30.3. Brent crude crossed \$103/barrel. FII's accelerated selling — investor wealth eroded by ₹9.1 lakh crore in days.

India's unique position as a buyer of discounted Russian crude partially offset the energy inflation that crushed European and US markets. The Sensex returned -4.8% for full-year 2022 vs S&P 500 -19.4% and Nasdaq -33%. The 6-month post-invasion return was +7% and the 1-year post-invasion return was +14% — dramatically outperforming global peers.

-2%

DAY OF INV.

-4.8%

2022

+7%

6 MO POST

+14%

1 YR POST

India's +14% in the 12 months post-invasion compares to S&P 500 -7% and Euro Stoxx -3% in the same window. India's outperformance reflects neutral geopolitical stance, commodity exposure, and domestic demand resilience.

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MASTER SUMMARY



o8 | Israel– Hamas War (OCT 7, 2023 — ONGOING)

Middle East Tensions — Contained Impact, Strong Recovery

Hamas's surprise attack on Israel on October 7, 2023 caused immediate but muted volatility. The Sensex fell approximately 239 points (-0.2%) on the day of the attack. Over the following month, FII outflows and oil price volatility (Brent near \$90+) dragged the Sensex down approximately 6.3% through mid-November before it found support.

The conflict remained contained to Gaza; fears of regional escalation did not fully materialise, and oil prices came off highs. The 6-month post-attack return was +12% (Oct 2023 – Apr 2024) and the 1-year return was +18% (to Oct 2024) — confirming the pattern that geopolitical dips have been buying opportunities.

-0.2%

DAY OF ATTACK

-6.3%

1 MONTH

+12%

6 MO POST

+18%

1 YR POST

Despite the ongoing conflict, Sensex ended full-year 2023 with gains of ~18%, touching new all-time highs. The conflict created temporary dips that were, in hindsight, buying opportunities.

— AT A GLANCE — MASTER SUMMARY —

Sensex Returns: During War, 6 Months Post-War & 1 Year Post-War

CONFLICT	PERIOD	DURING WAR	POST-WAR 6M	POST-WAR 1 YEAR
Iran-Iraq War	1980-1988	Flat/Subdued	~+18%	~+35%
Gulf War I	1990-1991	-35%	+45%	+82%
Kargil War	1999	+37%	+11%	+18%
9/11 & Afghan War	2001+	-0.84%	+8%	-7%
Iraq War II	2003+	-6.45%	+38%	+73%
Mumbai 26/11	2008	+~400 pts	+22%	+80%
Russia-Ukraine War	2022+	-4.8%	+7%	+14%
Israel-Hamas War	2023+	-6.3%	+12%	+18%

— CLOSING NOTE —

With the Russia-Ukraine conflict ongoing and Middle East tensions persisting as of March 2026, this research remains acutely relevant. Our approach as trend followers is unchanged: we do not predict war outcomes. We watch for trend changes in the indices, commodities, and currencies that reflect the market's real-time assessment of evolving risks.

The historical record from 8 conflicts is consistent: geopolitical dips in India have been buying opportunities, not secular bear markets. The 6-month and 1-year post-conflict windows have delivered positive returns in 7 of 8 cases. Understanding this base rate is a powerful antidote to panic-driven decision making.

As always, our portfolio positioning follows the signal, not the sentiment. We remain vigilant, disciplined, and process-driven.

Atul Suri

CEO of Marathon Trends

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