

Domestic money would make India FPI-proof. The market fell anyway

Published by OnerightAI · 5 min read

Maxim: *The four most dangerous words in investing are: "This time it's different" — Sir John Templeton*

Every boom arrives with a reason why the old rules no longer apply. Sometimes the reason is even true. That is what makes it dangerous.

The most expensive idea in a bull market is not greed. It is a good explanation.

Here is this year's. Foreign portfolio investors have pulled more than ₹3 lakh crore out of Indian shares in 2026 so far, close to double what they took out in all of 2025, [IANS reported](#) on 11 October. Domestic institutions, fed by monthly SIPs, have bought more than twice that amount. And yet the Nifty is down about 14% for the year, [Angel One noted](#) this week.

That last fact should not surprise anyone who remembers the story the market told itself two years ago.

The cushion

In the autumn of 2024 India had a new story, and it was a good one. Monthly SIP money was pouring in, and every time foreign funds sold, domestic funds bought. On one October day, domestic institutions bought a record ₹13,245 crore of shares, and SIP and provident-fund flows were said to have cushioned the fall, [Business Standard reported](#). A few days later, market experts quoted by IANS said the foreign selling [had been absorbed](#) by domestic investors without serious damage. The old fear, that India rose and fell on foreign money, seemed to belong to another era.

The Nifty had peaked at 26,277 on 27 September. It then fell for five straight months, its longest losing streak since 1996. By the end of February 2025 it was about 16% below its peak while foreign investors sold over ₹3 lakh crore, [Outlook Money reported](#). Small caps fell more than 20%. The cushion was real. It just was not a floor.

The story did not die. In March 2025 domestic institutions overtook foreign investors in their share of NSE-listed companies, [Business Standard reported](#). By April 2026 a DSIJ analysis was calling 2026 [the year India stopped fearing the FII exodus](#), arguing that foreign money no longer had the final word. The same piece recorded that the Nifty had just fallen more than 11% in March. Since then the foreign selling has continued, the domestic buying has continued, and the index has kept sliding. Both halves of the story turned out to be true. Only the conclusion was wrong.

Different, but not immune

Templeton's warning is usually misread as "nothing ever changes". He meant something narrower. According to a 1987 New York Times interview quoted by Howard Marks in his memo [This Time It's Different](#), Templeton called those four words the most dangerous in investing; Marks adds that Templeton thought people who say things are different are right perhaps a fifth of the time. Things do change. India's domestic investor base genuinely has grown. The danger lies in the leap from "different" to "safe".

India has made that leap before. In January 2008 the Sensex stood near 21,207 on the theory that India had “decoupled” from a slowing West. By late October it had fallen as much as 63.7% from that peak, [Business Standard reported](#). That December, RBI Governor D Subbarao said in a speech that the decoupling theory had [almost completely lost credibility](#).

The same leap happens in smaller corners. In 2024, 227 small companies raised money through SME IPOs and 69 of those stocks doubled; the platform was hailed as a new market for retail investors. In the first nine months of 2025, only nine did, and roughly 45% of the SME listings of 2024 and 2025 were trading below their issue price, [Business Standard found](#). By then Sebi had tightened the rules for such listings. The new market behaved like the old one.

How to hear the four words

You will rarely hear them spoken aloud. They arrive dressed as analysis: “SIP flows are structural”, “this sector has a twenty-year runway”, “India is a different market now”. Each may be partly true. The test is what the argument is being used to justify.

When someone says things are different, ask what they think is different about the price. A changed investor base can make falls shallower or shorter. It cannot make a market cheap at any price, and it cannot stop earnings from disappointing. Then ask what would prove the argument wrong, and whether it has happened before. If the answer is “nothing could”, you are listening to a belief, not a forecast.

Finally, look at your own portfolio rather than the market’s story. If your mix of equity, debt and gold only makes sense in a world where the new story holds, you have bet on it whether you meant to or not. Diversification and a written plan are the parts of investing that do not depend on being right about what is different.

If you do one thing: The next time you increase your equity allocation, write down the reason in one sentence. If the sentence contains “this time”, “new normal” or “structural”, keep the old allocation for another quarter and see whether the reason survives.

The domestic investor is the best thing to happen to Indian markets in a generation, and it is still not a guarantee. Read properly, Templeton’s warning is not against believing in change. It is against paying any price for it.

Sources

- Howard Marks, Oaktree Capital, [This Time It's Different](#) (12 June 2019), quoting Templeton in The New York Times (11 October 1987)
- IANS via Telangana Today, [Nifty falls 11% between Navratri 2025 and Navratri 2026](#) (11 October 2026)
- Angel One, [FPI selling reaches ₹3.08 trillion in CY26](#) (13 October 2026)
- Business Standard, [Domestic investors step up as foreign counterparts exit](#) (8 October 2024)
- IANS, [FPIs' selling did not impact Indian stock market as DIIs come to the rescue](#) (12 October 2024)
- Outlook Money, [Nifty 50 logs longest losing streak in nearly three decades](#) (28 February 2025)
- Business Standard, [DIIs surpass FPIs in ownership of NSE-listed firms](#) (2 May 2025)
- DSIJ, [The self-owned market: why 2026 is the year India stopped fearing the FII exodus](#) (26 April 2026)
- Business Standard, [Sensex ends at 8,521](#) (27 October 2008)

- RBI, [Speech by Governor D Subbarao](#) (10 December 2008)
- Business Standard, [SME listing euphoria fades in 2025](#) (25 September 2025)

The Virtual AI Author is an AI writer for OnerightAI.

Disclaimer

This article is published by OnerightAI for general information and investor education only. It was written by an AI author and may contain errors or omissions, and facts may have changed since publication. It is not investment, tax or legal advice, and it is not a recommendation or solicitation to buy, sell or hold any security, mutual fund, bond or commodity. Companies, funds and indices are mentioned only to illustrate concepts. OnerightAI is not registered with the Securities and Exchange Board of India (Sebi) as an investment adviser or research analyst. Investments in securities markets are subject to market risks; read all related documents carefully before investing. Past performance does not guarantee future returns. Consult a Sebi-registered investment adviser and a qualified tax professional before making any investment decision. OnerightAI and its authors accept no liability for any loss arising from the use of this information.

Credits and rights

Maxims and quotations are attributed to their original authors and are used for commentary and investor education; their use does not imply any affiliation with, or endorsement by, those authors or their publishers. Facts and data from third-party sources are summarised in our own words and credited with links; all copyrights and trademarks remain with their respective owners. OnerightAI is not responsible for the content of external websites.