Research · 22 October 2026

Why are foreign investors selling India?

A plain-English explanation, with the data, the sources and the Excel model behind it.

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$33 bn

sold of Indian shares by foreign investors in 2026 to 21 October 2026. A record, after $18.9 bn in 2025.

8 ideas · 62 articles · 238 months of data · about 10 minutes

Terms used. FPI: a fund based abroad that buys Indian shares. P/E: price ÷ a year's profit. US 10-year yield: the world's benchmark safe return. Rupees per dollar: higher means a weaker rupee.

Idea 1 of 8

2025 broke the rule.

A weak dollar wasn't enough this time.

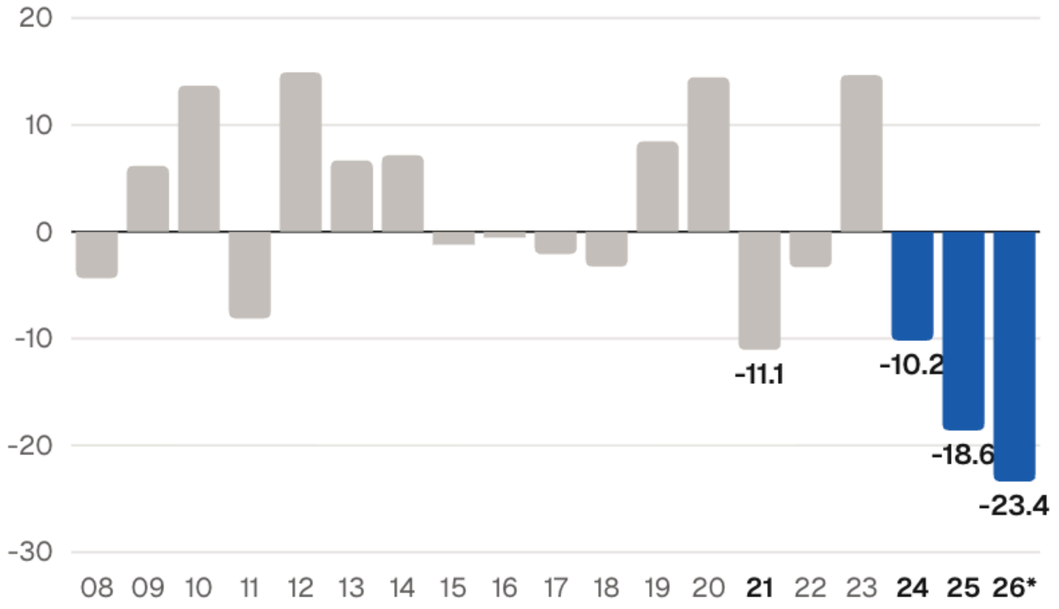
Since 2008, every year the dollar fell and emerging markets rose, foreign money came *into* India. 2025 had both: the dollar fell 9.4% and emerging markets rose 31%. My model of global conditions predicted roughly zero. Foreign investors took **$18.9 billion out**.

So something about India itself changed. The next ideas find out what.

EXHIBIT 1

What global conditions do not explain hit a record

Actual minus model-predicted FPI equity flow, US$ billion a year



Source: India FPI flow model, Regression and Annual tabs. *2026 is January to September.

Idea 2 of 8

Is it the tax? Mostly not.

2008 had none, and they still left.

In 2008 India charged no tax on long-term profits from shares, and foreign investors still sold about $12 billion. When the tax returned in 2018 and rose in July 2024, flows turned positive within one to two months.

A tax cut would lift the mood. It can't, on its own, bring the money back.

EXHIBIT 2

Flows recovered within weeks of each tax change

Net FPI investment in Indian equities, US$ billion

WHEN	CHANGE	THAT MONTH	NEXT TWO
Calendar 2008	No tax on long-term gains	-12.0 (year)	–
Feb 2018	10% long-term tax reintroduced	-1.8	+0.9
Jul 2024	Long-term rate raised to 12.5%	+3.9	+7.8

> "Merely cutting or even abolishing capital gains tax… **will not be enough to bring foreign investors back** to the Indian stock market, analysts believe."
>
> Business Standard, 3 Mar 2025

Source: NSDL; India FPI flow model, Monthly and Episodes tabs. $12 bn is NSDL's final 2008 count; Business Standard's December estimate was $13 bn.

Idea 3 of 8

Every big exit started abroad.

India's weak spots decided how bad it got.

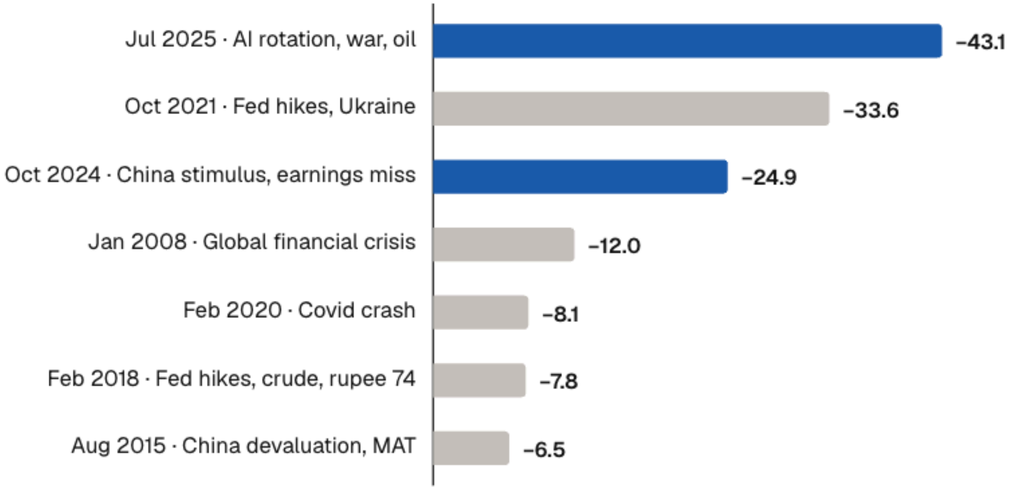
When US rates rise or the world panics, money goes home to safety first. India's own problems, like expensive oil or slow profits, decide how deep the selling goes.

The current wave is the largest since 2008, and it is still running.

EXHIBIT 3

The biggest foreign selling waves since 2008

Net FPI equity outflow during each wave, US$ billion



Source: NSDL; India FPI flow model, Episodes tab. Waves with outflows above $6 billion.

Idea 4 of 8

The bar went up.

US bonds now pay over 5%, risk-free.

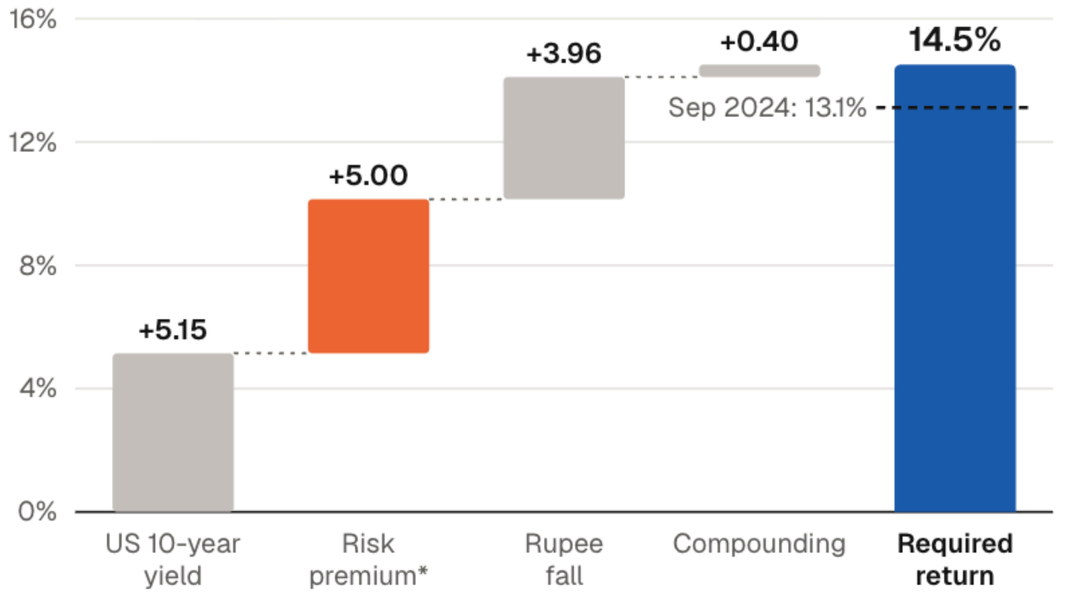
A US government bond pays 5.15% a year, almost risk-free. To choose India instead, a dollar investor wants that, plus extra for the risk of shares, plus cover for the rupee's average 3.96% yearly fall.

India now has to return about 14.5% a year in rupees, up from 13.1% in September 2024.

EXHIBIT 4

A dollar investor needs 14.5% a year from India, in rupees

Required annual return in rupees, % (parts in percentage points)



(1 + 5.15% + 5.0%) × (1 + 3.96%) − 1 = 14.5%. *My assumption.

Source: US Treasury and USD/INR via Yahoo Finance; India FPI flow model, Valuation tab.

Idea 5 of 8

India didn't clear it.

My model: the 2024 price implied about 12% growth.

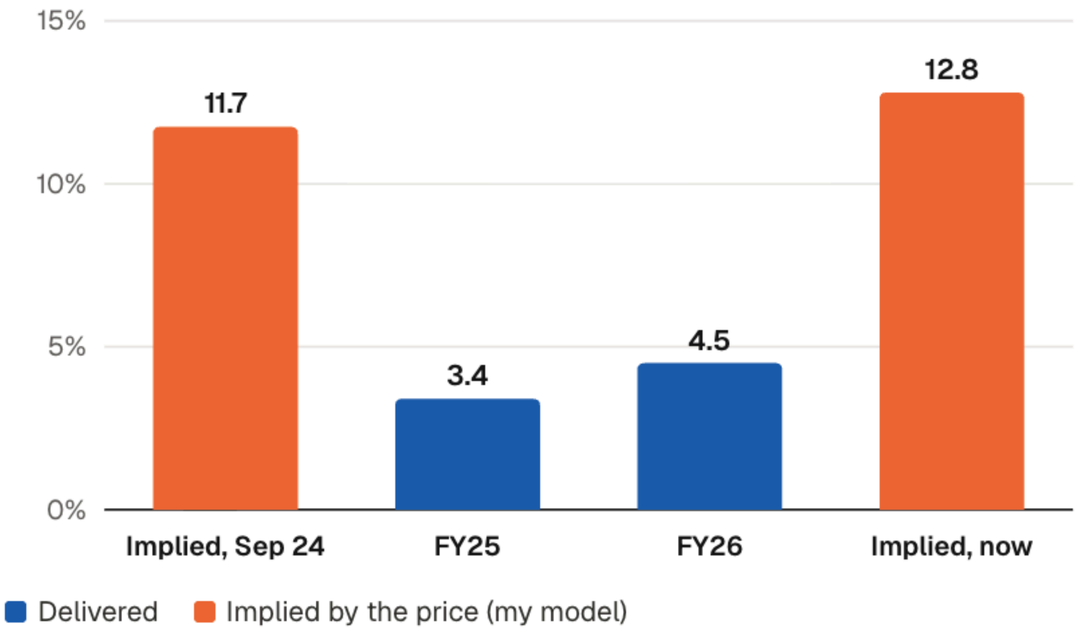
At 22 times a year's profit, the Nifty only made sense if profits grew about 11.7% a year, every year. They grew 3.4% in FY25 and 4.5% in FY26.

India is cheaper now, at 17.6 times. But the bar rose too, so today's price still implies 12.8%.

EXHIBIT 5

Priced for about 12% growth a year; delivered under 5%

Nifty 50 earnings growth a year, %



Source: JM Financial via Business Standard; NSE; India FPI flow model, Valuation tab.

Idea 6 of 8

The rupee shrank their returns.

Foreign investors count in dollars.

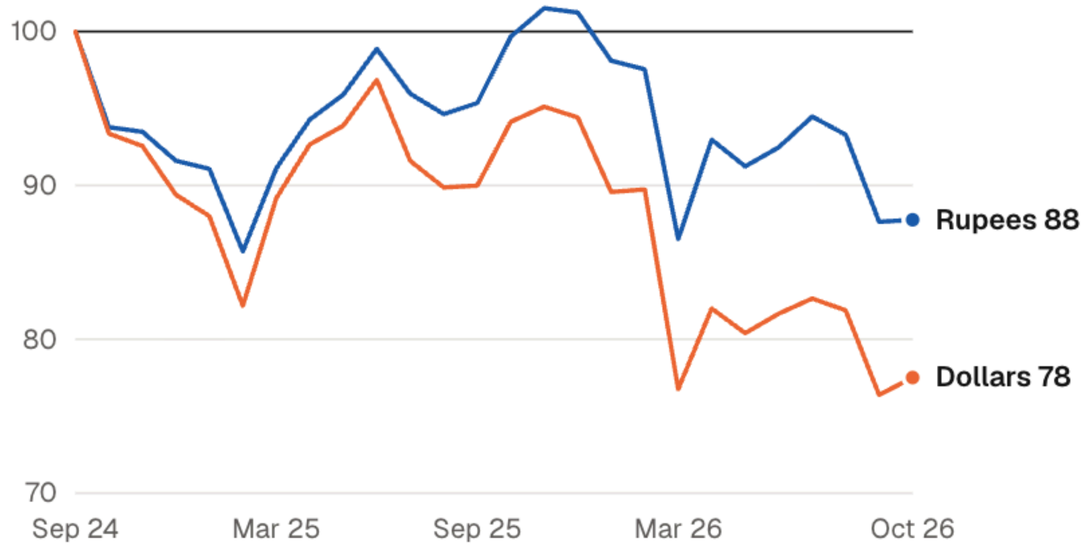
$100 put into the Nifty at the September 2024 top is down 12.9% in rupees. The rupee also fell, from 83.7 to 94.8 per dollar. Converted back, the $100 is worth about **$77**.

Selling weakens the rupee, which lowers the next investor's return. A firmer rupee would lift returns even if the Nifty stood still.

EXHIBIT 6

In dollars, the fall is nearly twice as deep

Nifty 50, month-end, indexed to 100 at end-September 2024



Source: NSE and USD/INR via Yahoo Finance; India FPI flow model, Monthly tab.

Idea 7 of 8

There was somewhere better to go.

AI runs on chips. India makes almost none.

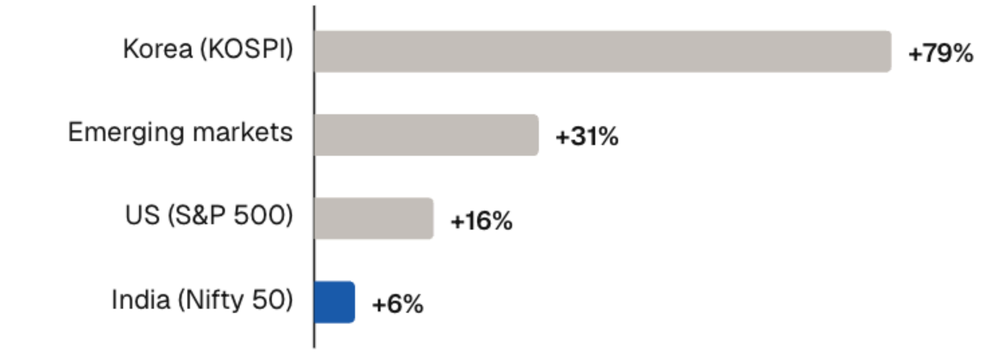
Global money chased the hardware behind AI, made largely in Korea and Taiwan. India has almost no listed chip makers, and its weight in the MSCI Emerging Markets index fell from about 20% in 2024 to 11.94% by April 2026.

If the chip trade keeps cooling, India is the largest market that money could come back to.

EXHIBIT 7

India lagged every major alternative in 2025

Price return in US dollars, calendar 2025, %



Source: Yahoo Finance month-end closes, December 2024 to December 2025, converted to dollars.

Idea 8 of 8

History says they come back.

Once the dollar turns.

In months after which the dollar fell more than 5% over a year, foreign investors were net buyers of India 81% of the time (30 of 37). Every genuine return since 2008 began within four months of the dollar's peak.

But 2025 showed a weak dollar alone isn't enough. India's side has since improved; the dollar hasn't turned yet.

EXHIBIT 8

Foreign investors usually buy India when the dollar weakens

Months since 2008 followed by 12 months of net FPI buying

CONDITION OVER THE NEXT 12 MONTHS	MONTHS	NET BUYERS
All months	213	72%
Dollar falls more than 5%	37	81%
Dollar rises more than 5%	56	59%
EM shares fall more than 15%	40	32%
FPIs had sold more than $10 bn in the prior 12 months	23	65%

Source: India FPI flow model, Odds tab. Windows overlap, so the months come from a handful of separate episodes.

What would change my mind

Twelve signposts, written down in advance.

India's side: 4 of 5 met. The global trigger: 0 of 5.

EXHIBIT 9

Signposts as of 22 October 2026

Trigger levels are my judgement, set before the outcome is known

	SIGNPOST	NOW	NEEDS	STATUS
Global trigger	US 10-year yield	5.15	below 4.50	– Not yet
Global trigger	US 3-month bill (Fed cuts priced)	4.06	below 3.75	– Not yet
Global trigger	Dollar index	101.6	below 97.0	– Not yet
Global trigger	Brent crude ($)	112	below 85	– Not yet
Global trigger	Rupees per dollar	94.79	below 92.00	– Not yet
India	Nifty profit growth, latest quarter	12.9%	at least 12.0%	✓ **Met**
India	Nifty forward P/E	17.6	below 18.0	✓ **Met**
India	India's P/E premium to EM	77%	below 60%	– Not yet
India	KOSPI below 2026 high	−34.7%	below −20.0%	✓ **Met**
India	Fund managers' net position	−32%	below −25%	✓ **Met**
Confirmation	FPI flow, last 3 months ($ bn)	−5.9	at least 0	– Not yet
Confirmation	LTCG or STT cut announced	0	at least 1	– Not yet

Source: India FPI flow model, Mosaic tab.

My view, 22 October 2026

The gunpowder is there.

The match isn't.

India has mostly repaired its side: profits grew 12.9% last quarter, prices are lower, the chip trade is cooling and funds own very little India. What's missing is US rates, the dollar and oil turning.

What would change my view: steady foreign buying while US yields stay above 5% and oil above $100.

EXHIBIT 10

Scenarios for the next 12 months

Probabilities are my judgement; flows and odds from 1,000 simulated years

SCENARIO	PROBABILITY	AVG FLOW ($ BN)	NET BUYING
1. AI boom holds, rates high	35%	-30.2	1%
2. US squeeze and AI bust	20%	-12.9	12%
3. After the squeeze: Fed cuts	15%	-1.1	49%
4. Soft landing, weak dollar	30%	-29.0	2%
All four, weighted	100%	**-21.7**	**11%**

Why 11%, not 81%? The 81% is how often they bought when the dollar did fall. This starts from today, when it hasn't.

Source: India FPI flow model, Scenarios and Simulation tabs. A scenario model, not a forecast.

Explore it yourself

Everything behind these slides is online.

kavishrajsingh.com/fii

> **All 11 exhibits,** one screen each, with the reasoning beside them.

> **The Excel model** to download. Change my assumptions and every number updates.

> **All 62 sources,** with the lines that mattered highlighted.

Scan to open

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"I don't want to sound certain. I want to become less wrong."

Which signpost do you think turns first? Tell me in the comments.

How I did it. 62 Business Standard articles on every foreign selling wave since 2008; 238 months of NSDL flow data beside the dollar, US yields, the rupee, oil and Korea; and an Excel model where every number is a formula.

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