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PRECIOUS METALS WHIPSAW: HOW JANUARY 2026 REWARDED DISCIPLINE AND PENALISED LATE ENTRY

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January 2026 delivered a rare and powerful reminder of how quickly fortunes can change in financial markets. Gold and silver, traditionally seen as stable stores of value, experienced an unusually sharp rally followed by a swift correction—all within the span of a few trading sessions. For some investors, this phase created exceptional profits. For others, it resulted in immediate capital losses. The difference was not the asset—but the timing and behaviour of the investor.

A Sudden Acceleration in Prices

The rally gathered momentum in the last week of January. Gold prices in India surged to record levels, briefly touching around ₹1.61 lakh per 10 grams. Silver, however, witnessed an even more dramatic move. Prices jumped from approximately ₹3.35 lakh per kilogram to nearly ₹4.07 lakh per kilogram within days—an increase of over 20%.

According to Reuters, the rise was driven by strong safe-haven demand, global uncertainty, and aggressive investor participation. Simultaneously, inflows into silver investment products increased sharply, reflecting heightened investor interest, as reported by The Economic Times.

This phase marked one of the fastest short-term rallies seen in precious metals in recent years.

The Window of Opportunity

For investors who already held gold and silver as part of their portfolio allocation, the rally presented a clear opportunity.

As prices rose rapidly, many experienced investors chose to gradually reduce their exposure and lock in profits. This is a common strategy followed by disciplined investors—using sharp rallies as opportunities to rebalance portfolios rather than increase risk.

In a matter of days, returns that would normally take years to achieve became available.

The Turning Point: Profit-Booking Begins

However, markets rarely sustain vertical rallies for long.

Once prices reached elevated levels, profit-booking began across global and domestic commodity markets. Reports from Financial Express highlighted increased selling activity, particularly from institutional participants.



Data from the Multi Commodity Exchange of India showed sharp intraday volatility as selling pressure intensified.

This marked the beginning of a rapid correction. Silver prices fell sharply from their peak, while gold also declined significantly within a short span. The same speed that created profits now amplified losses.

Late Participation and Immediate Losses

The sharp rise in prices had attracted widespread public attention. Media coverage, social discussions, and visible short-term gains encouraged many investors to enter the market during the peak phase.

These decisions were often driven by recent price performance rather than long-term investment planning.

Unfortunately, many of these late entrants faced losses almost immediately, as prices corrected soon after their entry.

This sequence reflects a well-known pattern in financial markets: early participants benefit from rising prices, while late participants are exposed to the risks of correction.

Understanding What Really Happened

Importantly, the events of January 2026 did not represent a failure of gold or silver as asset classes.

Instead, they highlighted the impact of investor behaviour.

Investors who approached precious metals as part of a disciplined asset allocation strategy

were able to benefit from the rally and manage risk effectively.

In contrast, investors who entered based solely on recent momentum faced unfavourable outcomes. The difference was not luck.

It was discipline.

A Timely Reminder for Investors

The events of January 2026 reinforce a fundamental investment principle: sharp rallies often increase risk rather than reduce it.

When prices rise rapidly, the margin for error becomes smaller.

Disciplined investing requires patience during calm periods and caution during periods of extreme optimism.

Precious metals continue to play an important role in portfolio diversification. However, their effectiveness depends on how and when they are used within an overall investment strategy.

January 2026 serves as a reminder that successful investing is driven not just by selecting the right asset—but by exercising the right behaviour.

Sources

- Reuters – Precious metals rally and correction coverage, January 2026
- The Economic Times – Silver inflows and investor participation reports
- Financial Express – Commodity market profit-booking analysis
- Multi Commodity Exchange of India – Official gold and silver trading data

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DIVERSIFICATION COMES BACK INTO FOCUS AS LIQUIDITY TIGHTENS AND UNCERTAINTY RISES



Investor confidence rarely weakens without reason. In recent months, a combination of global tensions, tighter liquidity, and uncertainty ahead of the Union Budget has made investors more cautious. Markets are no longer moving with the same ease seen during the liquidity-driven rally of previous years. In such an environment, diversification is once again emerging as one of the most important principles of prudent investing.

One of the key drivers of market performance over the past few years has been liquidity. When money is easily available in the financial system, asset prices tend to rise across the board. However, as the Reserve Bank of India has focused on balancing inflation control with economic stability, liquidity conditions have normalised. This does not indicate economic weakness, but it does mean that markets are becoming more selective, and volatility is becoming more visible.

At the same time, global developments continue to influence investor sentiment. Ongoing geopolitical tensions and uncertainty in global interest rate cycles have affected capital flows across emerging markets, including India. These factors do not necessarily change India's long-term growth story, but they do create phases of short-term instability.

Domestically, government spending continues to remain strong, particularly in infrastructure

and capital expenditure, reflecting the growth-focused approach of the Government of India. Such spending supports economic activity and corporate earnings over the long term. However, even in a strong economy, financial markets do not move in a straight line. Periods of correction and consolidation are a normal part of market cycles.

Another concern for investors has been inflation. Official inflation data published by the Ministry of Statistics and Programme Implementation provides an important benchmark, but many households continue to experience higher effective inflation in their daily lives. Rising costs of healthcare, education, housing, and lifestyle expenses have increased the need for investments that not only grow, but grow sufficiently to preserve purchasing power.

In this environment, diversification plays a critical role. Different asset classes respond differently to the same economic conditions. Equity markets may slow down after a strong rally, while gold may perform better during uncertainty. Fixed-income investments may provide stability when equity markets are volatile. Real estate may follow its own independent cycle.

Investors who concentrate their portfolios in a single asset class become more exposed to the risks associated with that asset. In contrast, diversified portfolios are better positioned to

absorb market fluctuations. While diversification does not eliminate volatility, it reduces the impact of adverse movements in any one segment.

The importance of diversification becomes most visible during uncertain phases. When markets are rising strongly, concentration may appear rewarding. However, when conditions change, the risks of concentration become evident. Diversification helps ensure that portfolio performance does not depend entirely on a single outcome.

The current phase serves as a reminder that market cycles are influenced not only by economic growth, but also by liquidity, sentiment, and global developments. Investors who build portfolios across multiple asset classes are better prepared to navigate such cycles.

Over the long term, diversification contributes not only to risk management but also to consistency. And in investing, consistency often plays a more important role in wealth creation than short-term returns.

Sources:

Reserve Bank of India – Monetary policy and liquidity updates

Government of India – Budget and capital expenditure data

Ministry of Statistics and Programme Implementation – Inflation statistics

WHY CONTINUING SIPs DURING MARKET DECLINES CAN STRENGTHEN LONG-TERM WEALTH CREATION



When markets fall, investor confidence often falls with them. Portfolio values decline, negative headlines dominate the news, and many investors begin to question whether they should continue their Systematic Investment Plans (SIPs). However, for long-term investors focused on wealth creation, market corrections have historically been among the most important phases for building future returns.

The logic behind this is not complicated. It is similar to the behaviour seen during year-end retail sales.

When consumers see a 30% or 40% discount in a year-end sale, they do not stop shopping. Instead, they buy more. The same budget allows them to purchase more goods, upgrade to better quality products, or buy items that previously seemed unaffordable. The value increases—not because the product has changed, but because the price has become more attractive.

Market corrections create a similar effect for investors.

When equity markets decline, SIP investors automatically purchase more units with the same fixed investment amount. This improves

the average purchase cost and increases the number of units accumulated over time. When markets eventually recover, these additional units contribute significantly to overall portfolio growth.

Data and investor education material published by the Association of Mutual Funds in India have consistently highlighted the role of SIPs in helping investors benefit from market volatility through cost averaging.

Market cycles also follow a predictable pattern over longer periods. In a typical five-year cycle, it is common for two or three years to deliver modest or below-average returns. These phases often test investor patience. However, one or two strong years within the same cycle frequently generate a large portion of the overall gains.

Investors who remain invested throughout the entire cycle benefit fully from these recovery periods.

Those who stop investing during weaker phases often miss the eventual upturn.

Market recoveries rarely provide advance notice. They begin when sentiment is still cautious and participation is low. By the time confidence

returns, a significant portion of the gains may already have occurred.

This is why market declines, while uncomfortable, can improve long-term return potential for disciplined investors.

Continuing SIPs during falling markets ensures that investors continue accumulating assets at relatively lower prices. Increasing SIP contributions during such phases can further enhance long-term outcomes, particularly for investors with stable income and long investment horizons.

The real benefit of SIP investing lies not in avoiding volatility, but in using volatility to accumulate wealth gradually.

For long-term wealth accumulators, market corrections should not be seen as interruptions, but as phases that improve the efficiency of future wealth creation.

Just as consumers welcome discounts in retail markets, disciplined investors can benefit from lower prices in financial markets.

Over time, it is this discipline—rather than short-term market movements—that plays the defining role in wealth creation.

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KEY TAKEAWAYS: HOW THE INDIA-EU FTA BENEFITS THE INDIAN ECONOMY IN THE LONG RUN



The Free Trade Agreement between India and the European Union is a major step that can strengthen India's economy over the coming years. Here are the key benefits:

1. Boost to Indian Exports

- Indian sectors like textiles, pharma, auto components, and engineering goods will get easier access to European markets.
- Lower tariffs will make Indian products more competitive globally.

2. Increase in Foreign Investment

- European companies are likely to invest more in India due to easier trade and clearer rules.

- This supports manufacturing growth and job creation aligned with the vision of the Government of India.

3. Stronger Economic Growth

- Higher exports and investments lead to higher corporate earnings.
- This supports GDP growth and overall economic expansion.

4. Improvement in Indian Industry Quality

- Global competition encourages Indian companies to improve quality and efficiency.
- Helps India become a stronger global manufacturing hub.

5. Long-Term Benefit for Investors

- Stronger economy supports equity markets and business growth.
- Creates long-term wealth creation opportunities.

Conclusion:

The India-EU FTA is not just a trade agreement—it is a long-term growth engine that can strengthen India's economy, improve global competitiveness, and benefit investors over time.

Source

Reuters – Coverage of the India-European Union Free Trade Agreement concluded on 27 January 2026,

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