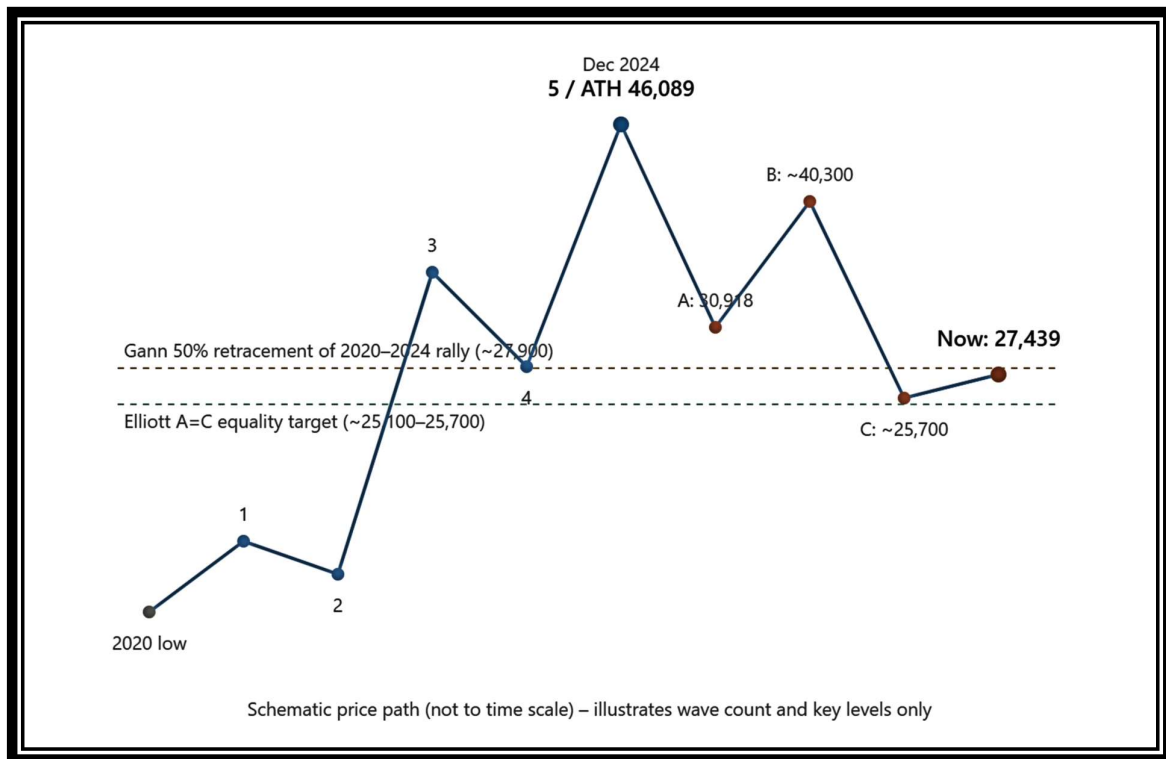


Technical and fundamental update on the Nifty IT index.



Macro View: Why IT Matters Now

The Indian IT sector is entering a different phase compared to 2022–24.

Positive drivers include:

- Falling interest-rate expectations globally
- AI-led technology spending
- Large cloud migration projects
- Strong order books for Tier-1 IT companies
- Weak USD concerns easing gradually

Challenges:

- Slow discretionary spending
- Pressure on BFSI clients
- Pricing pressure
- High dependence on US economy

Where it stands right now

As of 5 July 2026, Nifty IT is trading around 27,439, up 1.76% from the previous close of 26,965, following a sharp bounce after the index had fallen roughly 30% year-to-date, making it the weakest-performing sectoral index in H1 2026. From its record high of 46,089 on 13 December 2024, the index has corrected approximately 43% — its worst first-half performance in 18 years, since the 54.56% crash during the 2008 financial crisis.

Elliott Wave read

The chart above lays out the count I'd favor:

The bull leg (2020–2024): A five-wave impulse from the pandemic lows into the December 2024 top of 46,089. That top looks like a completed Wave 5 — momentum divergence and the subsequent violence of the decline are typical of a fifth-wave exhaustion which is happening at present.

The correction since (2024–present): This looks like a textbook A-B-C zigzag:

- **Wave A:** dropped in five sub-waves, completing on 7 April 2025 at 30,918
- **Wave B:** retraced to a high, but by less than 61.8% of wave A, confirming the move as corrective rather than a fresh bull leg — a separate high near 40,300 was recorded within the broader 52-week range
- **Wave C:** still unfolding lower, and this is the interesting part — the recent low (~25,700, a three-year low) sits almost exactly at the point where **Wave C equals Wave A in magnitude** (a very common Elliott relationship in zigzags). That's a genuine confluence: it suggests the C-wave — and possibly the entire correction from the 2024 top — may be at or very near completion.

The current bounce is either (a) the early stage of a new impulsive up-move (Wave 1 of a new cycle), or (b) just a corrective relief rally inside a still-unfinished decline. The next few weeks of price action — specifically whether the index can hold above the broken 27,078 swing low it just reclaimed — will tell us which.

Gann theory read

Two Gann tools line up in an interesting way with the Elliott picture:

- **Price — 50% retracement:** Gann treated 50% as the single most important retracement level. Applied to the entire 2020–2024 bull run, that 50% level sits right around **27,900** — almost exactly where the index is trading today. Price sitting on this level is textbook Gann behavior for either a decisive support or a pause before further decline.

- **Important Time cycles:** Counting forward from the 13 December 2024 top in Gann's favored 90/180/360-day increments, the 540-day mark (18 months) lands right around early-to-mid June 2026 — which is when the index actually made its cycle low near 25,700. That's a reasonably clean time-cycle hit. The next Gann time windows to watch for a potential trend inflection are early-to-mid September 2026 (630 days) and December 2026 (the two-year anniversary of the top).

Combined technical view: Price (Gann 50%) and pattern (Elliott A=C) are both pointing to the current zone (roughly 25,700–27,900) as a major decision area. A sustained close above ~29,000 (former monthly support, now resistance) with the 27,078 level holding on pullbacks would strengthen the case for a bottom being in. A break back below 25,700 would open the door toward

What brokerages are saying

The sector correction has split analysts into two camps:

Relative Strength

Compared with:

- Nifty
- Bank Nifty
- Auto

IT has recently improved its relative momentum after a prolonged period of underperformance, although some market strategists still prefer financials and autos for leadership while viewing IT more selectively.

Brokerage Houses – Long-Term View

The broad institutional stance remains constructive on high-quality IT names, though near-term caution persists due to global demand uncertainty.

Generally Positive

- Morgan Stanley
- Goldman Sachs
- Jefferies
- CLSA
- Nomura

Common themes:

- AI spending remains a multi-year opportunity.
- Large-cap IT is preferred over mid-cap IT.

- Margins should improve gradually.
- Deal wins remain healthy despite slower discretionary spending.

Cautious / near-term negative:

- Motilal Oswal sees weak IT demand and thinks Infosys and HCLTech may cut FY27 guidance
- Kotak Institutional Equities argues that while AI opens new opportunities (legacy application modernization, enterprise AI implementation, digital transformation), these may not be enough to offset the slowdown in the traditional application development, maintenance, and outsourcing work that has historically driven the sector's growth
- Choice Institutional Equities believes AI is becoming a meaningful demand driver but remains insufficient to offset near-term weakness from discretionary spending pressure, elongated deal cycles, and delayed large-program conversions, and expects a gradual recovery rather than a broad acceleration in FY27

Stock-specific preferences within the sector:

- Nomura prefers Infosys and Cognizant among large-caps, Coforge among mid-caps, and eClerx among small-caps, while Choice's Tier-1 picks are Infosys and Tech Mahindra, with Persistent Systems and Coforge favored among mid-caps

The valuation/contrarian case for long-term investors:

- Nifty IT now trades near a 20.6x P/E, well below its five-year average of 29.16x and ten-year average of 24.4x — the cheapest the sector has been since July 2020, and the sector's weight within the Nifty has fallen to an all-time low of 8.85%
- One view frames this as a contrarian "value zone," not suited to investors chasing quick gains, citing a 3.5% dividend yield and 5% earnings yield as part of the case for measured exposure.
- The consensus among experts is that Nifty IT index funds aren't a core holding right now; long-horizon investors may consider SIP-based accumulation, while short-term or low-volatility investors may prefer to wait for clearer growth signals based on time cycle and EPS guidance.

Historical context for long-term investors: the sector's last comparable correction was 2008 (-54.56%); since then it has seen smaller drawdowns of 26% in 2022, 18% in 2011, and 12.58% in 2025 — each of those was eventually followed by a multi-year recovery, though none coincided with as structural a threat (AI potentially disintermediating parts of the services model) as the current one.

Valuation View

Currently:

- Not cheap and Not in bubble territory. Long-term investors generally look to accumulate during corrections rather than chase sharp rallies. = USE THIS NOW.

Biggest Risks

1. US recession
2. AI reducing traditional outsourcing demand
3. Weak client spending
4. INR appreciation
5. Margin pressure

Investment Strategy

For a 5-year Mutual Fund investor:

- Accumulate gradually using SIP or staggered purchases.
- Prefer large-cap IT over speculative names.
- Increase exposure during corrections of roughly 10–15% if it happens
- Keep IT as about 15–25% of an equity portfolio, depending on risk tolerance. Or simply BUY Value Funds or those funds which have IT exposure between 10-20%.

Factor	Rating
Elliott Wave	☆☆☆☆☆
Gann Cycles	☆☆☆☆☆
Fundamentals	☆☆☆☆☆
AI Opportunity	☆☆☆☆☆
Valuation	☆☆☆☆☆
Long-term Investment	8.8/10

Bottom line

Fundamentally: The long-term backdrop for the Indian IT sector remains constructive, supported by AI adoption, digital transformation, and the financial strength of leading companies. From an Elliott Wave perspective, the secular trend still appears positive, although the current advance may be in a more mature phase, implying higher volatility. Recent market commentary also shows mixed short-term views—some strategists see tactical upside in IT.

Fundamentally, brokerages are split: most see FY27 as a "gradual, not broad" recovery with near-term earnings risk, while valuation-focused strategists see the current de-rating as a rare entry point for patient, SIP-style long-term capital rather than a trade.

Technically: From an Elliott Wave perspective, the secular trend still appears positive, although the current advance may be in a more mature phase, implying higher volatility. Gann analysis suggests that upcoming time-cycle windows should be watched for confirmation of trend changes rather than assumed reversals. Price is sitting at a genuinely significant confluence zone (Gann 50% + Elliott A=C equality) that argues for either a major low or at least a meaningful pause in the decline.

Stock Style Investing: If you're investing long-term, the more consistent investment advice is staggered accumulation (SIP) rather than a lump-sum bet on a bottom, with stock selection tilted toward companies best positioned on AI-linked demand (Infosys, Tech Mahindra, Coforge, Persistent were the names that came up most often) rather than the index as a whole.

This isn't investment advice — please treat both the technical levels and brokerage views as inputs to your own research, not a recommendation. Please consult your Investment Advisor before Investing.