



Diverging trends and what USD-based investors can **learn from Nifty and the S&P 500**

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A trend-channel perspective on long-term compounding, recent market behaviour, and the role of mean reversion in global asset allocation.

Investors often face a familiar challenge: should capital be allocated to markets that have delivered exceptional recent performance, or to markets where long-term fundamentals remain intact despite weaker recent returns?

For USD-based investors, this question is relevant today because the S&P 500 has clearly been the stronger market in recent years. The question is not whether that strength exists. It does. The question is whether current prices already reflect a large part of that optimism, and whether a steadier but less celebrated market such as India may offer better room for mean reversion.

A comparison between the Nifty 50 Index in USD terms and the S&P 500 Total Return Index offers an interesting lens through which to examine this question. Rather than focusing on earnings forecasts, macroeconomic narratives or valuation multiples, the analysis relies purely on long-term and intermediate-term price trends.

Exhibit 1: Trend comparison between Nifty 50 (USD) and S&P 500 TR

Metric	Nifty 50 (USD)	S&P 500 TR
Long-term trend CAGR	10.93%	9.53%
39-month trend CAGR	7.68%	21.22%
R ² (long-term / 39-month)	89% / 45%	94% / 95%
Position in channel	Lower half (both)	Upper half / at trend

The results reveal a striking divergence.

While the S&P 500 has substantially outperformed in recent years, India's trend profile, on the other hand, has declined in recent period. More importantly, current positioning relative to long-term trend channels suggests that the two markets may be telling very different stories about investor expectations.

The difference between a compounder and a sprinter

One of the most notable findings is the consistency of India's long-term return profile.

The Nifty 50, measured in USD terms, has generated a long-term trend return of 10.93% and a 39-month trend return of 7.68%. The moving performance has lagged the long term trend by more than 300 basis points.

The S&P 500 presents a very different picture.

Its long-term trend return stands at 9.53%, but the recent 39-month trend has accelerated dramatically to 21.22%. In effect, the recent period has delivered returns at more than twice the market's historical trend rate.

Exhibit 2A: NIFTY 50 (USD): 39M Rolling Trendline Chart from 14 Jul 1994 to 24 Jun 2025

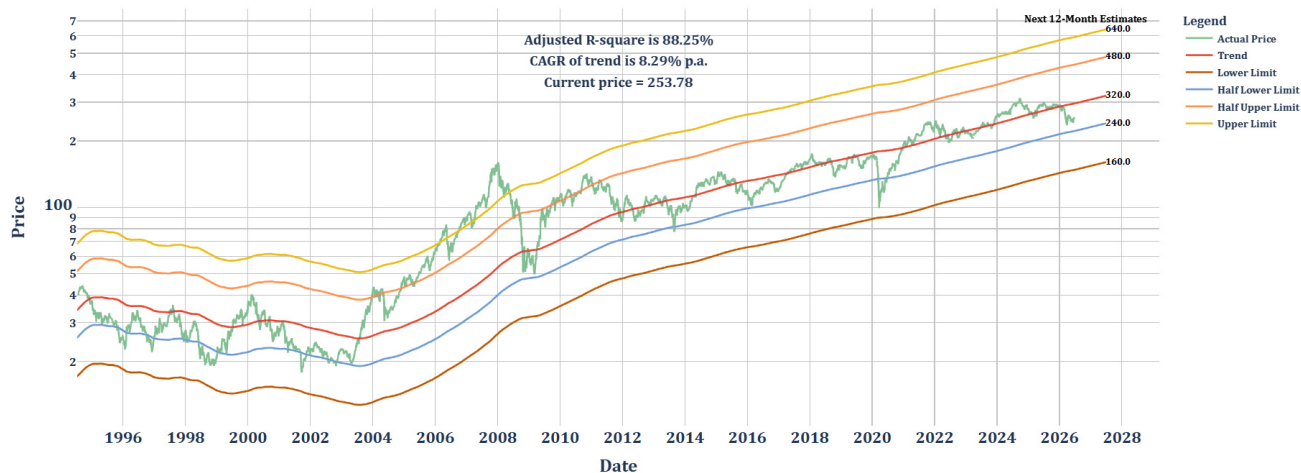
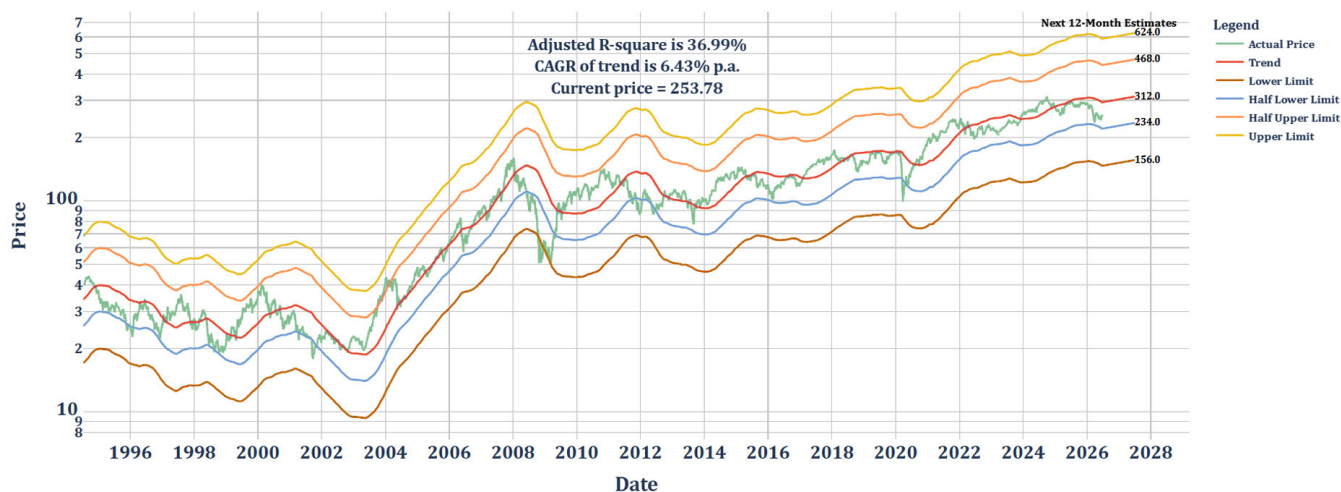


Exhibit 2B: NIFTY 50 (USD): 39M Moving Trendline Chart from 14 Jul 1994 to 24 Jun 2025



Nifty's long term trend has remained remarkably stable over time. Our analysis indicates that over the long term it has generated a CAGR of 10.93% (exhibit 2A) and over a period of 39 months it has generated a CAGR of 7.68% (exhibit 2B).

Where markets sit relative to their own history

Trend returns alone tell only part of the story. The other question is where current prices sit within their own historical trend channels.

The Nifty 50 in USD currently resides in the lower half of both its long-term and 39-month trend channels. In simple terms, prices are trading below where both trend frameworks would suggest.

The S&P 500, meanwhile, occupies the upper half of its long-term channel and sits approximately at trend under the 39-month framework. This distinction highlights an important behavioural reality of markets.

Investors often become more comfortable paying higher prices for assets that have recently performed well, while becoming skeptical of assets that have underperformed in recent history.

A story hidden in the R²

The S&P 500 exhibits a very high trend fit across both time horizons, with R² values of 94% and 95%. This suggests that price movement has closely followed the prevailing trend path.

For Nifty USD, the long-term fit remains strong at 89%, but the 39-month fit drops to 45%.

This means India's market has been less tightly aligned with its shorter-term trend. However, its long-term trajectory remains resilient. That distinction matters. A lower short-term fit does not automatically weaken the long-term case. It may simply reflect a market where price action has been less orderly, and where expectations have not moved as far ahead of the longer-term compounding path.

Exhibit 3A: S&P 500 Total Return: 39M Rolling Trendline Chart from 02 Ar 1991 to 24 Jun 2026

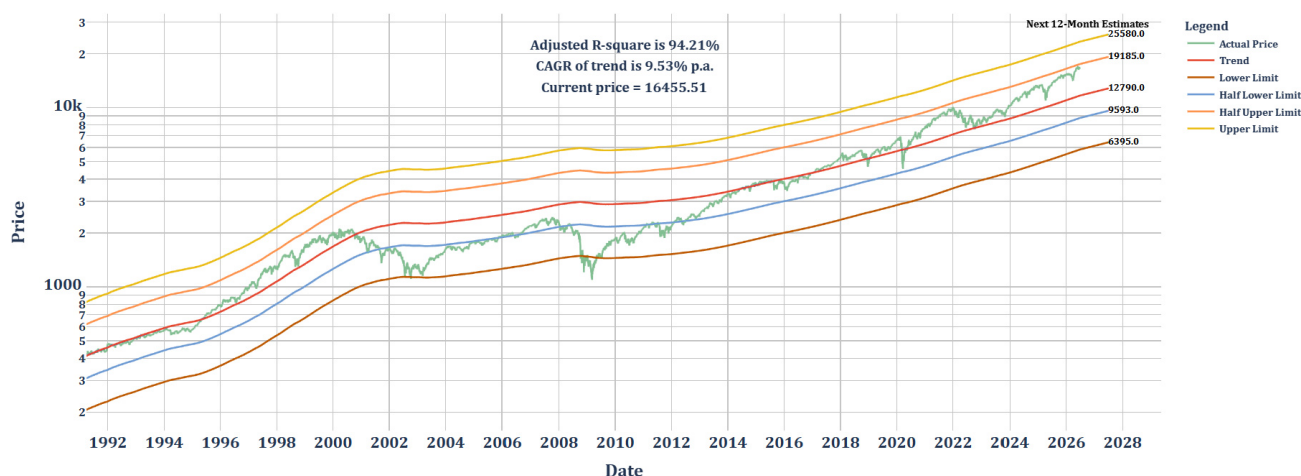
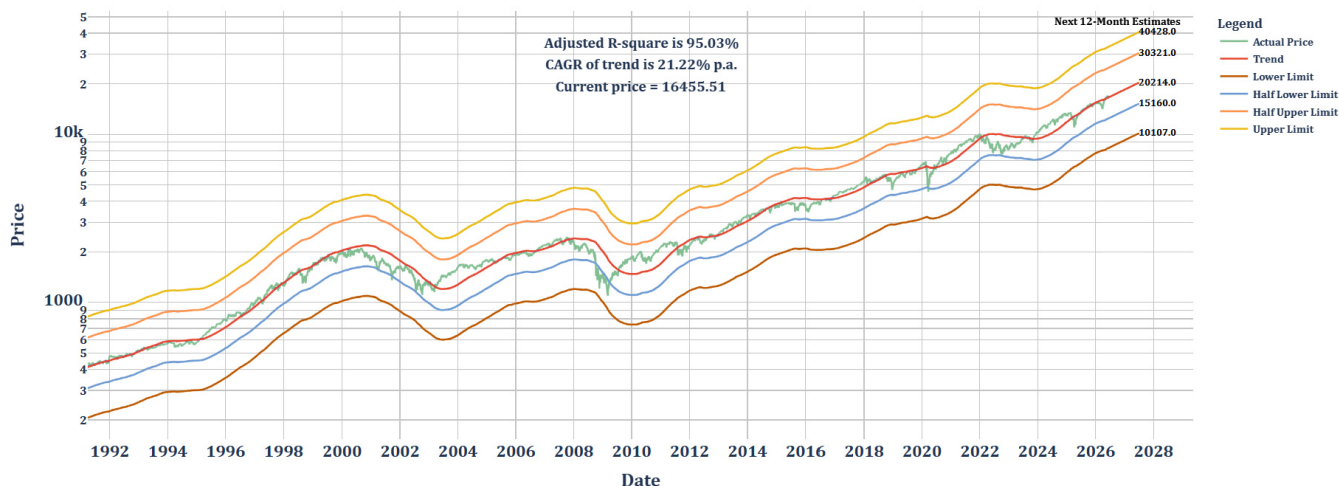


Exhibit 3B: S&P 500 Total Return: 39M Moving Trendline Chart from 02 Ar 1991 to 24 Jun 2026



The S&P 500's recent trend reflects a substantial acceleration relative to its historical average. Our analysis indicates that over a long term it has generated a CAGR of 9.53% (exhibit 3A) and over a period of 39 months it has generated a CAGR of 21.22% (exhibit 3B).

The mean reversion question

Every market cycle eventually confronts the same question: should recent trends be assumed to continue indefinitely?

The trend-channel framework offers an interesting perspective.

For the S&P 500, the long-term trend and recent trend suggest quite different outcomes. The long-term trend implies a level near 12,790 - roughly 22% below today's 16,455 - while the 39-month trend implies about 20,214, some 22% above. Put differently, the 39-month trend reading is around 58% above the long-term trend reading.

For Nifty USD, the picture is much more aligned. Its long-term and 39-month trends land above today's Nifty TR USD price - near 563 and 478 respectively, around 24-46% above today's 384.

Similar signals by separate trend approaches usually imply more stability in market dynamics. It is difficult to say whether markets will eventually revert to their long-term dynamics. But history says that there cannot be anything permanent about the periods of extraordinary performance.

Decoding the macro environment

It becomes particularly important to consider the general economic environment against the backdrop of the observations related to market trends.

According to the IMF, India is going to maintain its position among the world's fastest-growing major economies, exceeding most developed countries in growth rates. At the same time, the Indian economy keeps gaining weight in global equity indexes.

Concurrently, concentration within US equity markets has reached historically elevated levels, with a small group of technology companies accounting for a significant portion of index returns over recent years.

Neither observation guarantees future performance. However, both reinforce the importance of distinguishing between long-term structural trends and shorter-term market enthusiasm.

Going beyond recent winners

The temptation in investing is to assume that recent winners will continue winning. Trend analysis offers a useful counterbalance to that instinct.

The S&P 500 has undoubtedly delivered extraordinary returns in recent years. Yet the very magnitude of that success raises questions about how much future optimism is already reflected in prices.

India's market, by contrast, appears to have maintained a steady long-term growth path while currently trading in the lower half of its historical trend channels.

For USD-based investors, the takeaway is not necessarily to choose one market over another. Rather, it is to recognise that long-term investing often rewards patience when expectations and price trends diverge.

Sometimes the most compelling opportunities emerge not where momentum is strongest, but where long-term trends remain intact despite a temporary loss of investor enthusiasm.

Bottom line. On a mean-reversion view, that points to a relative-value tilt in favour of the Nifty (USD) over the S&P 500 — tempered by the reminder that rich markets can stay rich, and trends can shift.

Statutory Details: Portfolio Manager – Multi-Act Equity Consultancy Private Limited (Registration No. INP000002965)

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