

Sensex down over 10K points from Dec peak. Should MF investors buy the dip, hold positions, or wait on sidelines?

By Surbhi Khanna, Published on: Jun 08, 2026



With the benchmark index - BSE Sensex down by over 10,000 basis points to a level of 74,243 as of June 6, 2026, has left many investors wondering whether to continue SIPs and lump-sum investments during the current market decline, hold current positions or wait for greater clarity on market direction?

Market experts believe that investors should see this 10,000 point correction as a buying opportunity rather than a reason to panic.

Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors told ETMutualFunds that investors should view this 10,000-point Sensex correction as a long-term buying opportunity as market drawdowns are natural processes that shake out speculative premiums, resetting valuations to fundamentally healthier levels.

“Long-term investors can continue their Systematic Investment Plans (SIPs) and hold current positions firmly. Pausing allocations to "wait for clarity" is a psychological trap that historically locks investors out of the sharpest days of a market rebound.”

Dhawan further said that while regular SIPs are key to an investment journey, panic selling must be completely avoided; use this market decline to methodically build an equity baseline designed to reward your patience when economic sentiment inevitably swings back to optimism at some point in the future and it is critical to have a minimum 5-7 year investment horizon whilst investing.

Echoing a similar opinion of considering this as a buying opportunity rather than a reason to panic, Amitabh Lara, Executive Director, Anand Rathi Wealth Limited shared with ETMutualFunds that for long-term investors, this is not the time to stop investing.

Amitabh further said that continuing SIPs during a fall can actually work in your favour because the same investment amount buys more units at lower prices and one of the biggest mistakes investors make is stopping SIPs during a correction and returning only after the recovery has already happened.

The benchmark index which touched a peak of 84,391 on December 10, 2025, is now down by nearly 10,148 points to a level of 74,243 as of June 6, 2026.

As the market becomes volatile, investors as well as the fund managers keep cash in hand and wait for the opportunity to deploy it in the market but with a dilemma whether to deploy cash immediately or stagger investments over time.

Amitabh said that if investors have idle cash available then they can go ahead and invest as a lumpsum and funds can be deployed in a staggered manner through tranches, over 6 to 8 weeks. “It also removes the stress of trying to time the exact bottom. If they have SIPs, they can continue it without worrying about the market level and take advantage of rupee cost averaging.”

Dhawan said that for investors sitting on cash, a staggered deployment strategy via a 6-month to 12 month Systematic Transfer Plan (STP) is highly recommended as this approach could hedge your principal against intermediate downside volatility.

He further said that investors should avoid deploying an absolute lumpsum at current levels, as picking the exact market bottom is a statistical myth and tranche-based buying ensures you average out your entry costs across multiple lower price bands smoothly.

“Park your liquid capital in low-duration instruments and systematically route it into equity. This automated execution effectively replaces portfolio anxiety with disciplined benefits. In case you wish to deploy a lumpsum, and not do a STP, an investment in the Balanced Advantage category is suggested.” Dhawan said.

How equity categories performed

ETMutualFunds checked the performance of equity mutual funds since December 10, 2025. Small cap funds have delivered an average return of 6.06% since the date BSE Sensex touched the new peak, followed by mid cap funds which gave an average return of 2.58%.

In contrast, the counterparts, large cap funds gave a negative average return of 6.26% since December 10, 2025. Multi cap funds gave an average return of 0.06% whereas flexi cap funds fell 2.95% on an average in the said time period.

Out of 10 equity categories, only three gave positive average returns which were small caps, mid caps and multi caps whereas the other categories such as large caps, contra funds, ELSS, flexi, focused, value and large & mid caps gave negative average returns.

Which market-cap segment could lead the recovery?

Dhawan said that large-cap stocks are typically best positioned to lead the initial recovery wave when domestic and foreign institutional flows return and their robust cash flows, operational scale, and institutional backing provide an essential fundamental moat.

He further said that mid-caps may require stock-specific elements to perform, as many names went up significantly during the previous bull cycle; small caps should be approached with high caution.

Lara said that small caps appear to have the most room for upside when markets recover. Currently, Nifty Smallcap 250 is trading about 17.4% below its fair value, compared with 9.6% for the Nifty Midcap 150 and around 5-9% for large-cap indices. Hence, small caps have corrected more than large caps and mid caps relative to their earnings potential.

He further said that investors can have a balanced exposure across market caps, with 55% in large caps and the rest in mid and small caps to be a part of the eventual recovery that will follow in the markets.

BSE Sensex: In the last six months, the index was down 13.38% and in the nine months, it was down 8.01%. In the last one year, Sensex was down 8.83% whereas in the last three years and five years it was up 5.74% and 7.33% respectively.

Sector allocation becomes particularly important during market corrections as valuation gaps emerge across industries. The question is whether investors should actively target beaten-down sectors or focus on broader diversification.

In response to this, Lara said investors should avoid investing in single sectors or making sectoral bets as performance in sectors/themes is highly cyclical. For example, in 2024, the pharma & IT sectors were part of the best-performing sectors, however, they both turned into worst-performing sectors in 2025, which suggest that entry and exit at the right time play a crucial role in making investments in the sectorial/thematic funds.

During such corrections, it would be more beneficial for investors to invest in diversified categories of equity mutual funds to get exposure to all sectors and benefit from their performance, rather than focusing solely on any single sector, Lara further said.

Dhawan said to prioritize accumulating high-quality banking and financial services funds as these segments offer good earnings visibility, corrected price multiples, and fundamentally strong underlying balance sheets.

He further said systematic accumulation of Information Technology (IT) funds could be attributed to these deep valuation resets as they are cash-rich franchises with low debt. However, they do face business model risk. Conversely, stay away from Utilities and capital goods as valuations look well above their long term averages.

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