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MUMBAI : After a brief respite, foreign portfolio investors (FPIs) have begun selling Indian stocks again, adding to market volatility.

FPIs sold equities worth more than 12,000 crore in the past six trading sessions as India's surging inflation made them nervous.

The March inflation rate at a 17-month high has soured the FPI mood, analysts said. Rising inflation in India, amid looming rate hikes and tapering by the US Federal Reserve, and the Russia-Ukraine crisis have driven the flight of capital from risky emerging markets.

India's inflation print at 6.95% was a sentiment dampener, said Varun Saboo, director of institutional equities at Prabhudas Lilladher. Also contributing to the selloff were the Fed talking about tapering quicker than expected with inflation at higher levels in the US, and geopolitical tensions around Russia warning Sweden and Finland against NATO membership, he said.

Mitul Shah, head of research at Reliance Securities, added that the recent global equity rout was sparked by concerns that the US Federal Reserve will tighten monetary policy faster than expected.

With the hawkish Fed commentary, experts said FPI selling might continue.

Nishit Master, portfolio manager at Axis Securities, said he expects foreign portfolio inflows to remain negative for India. "But in the recent past, we have seen that the negative impact of FPI outflows gets compensated by high domestic inflows through mutual funds," added Master.

Strong headwinds are emerging in the near term, said V.K. Vijaykumar, chief strategist at Geojit Financial Services. Inflation in the US at 8.5%, the dollar index above 100 and the imminent monetary tightening by Fed, which might lead to a recession, are negatives for global equity markets.

The high March inflation in India is also pushing up the 10-year yields, and since only some of these negatives are discounted by the markets, Vijaykumar expects more selling from FIIs.

Nitin Bhasin, co-head, and head of research, Ambit Institutional Equities, said that the Reserve Bank of India has turned its attention toward inflation, as evident from the last monetary policy review.

With a faster-than-expected quickening in retail inflation, Bhasin expects RBI to act aggressively and raise the policy repo rate by at least 100 basis points (bps) by December and the first-rate hike of 25 bps in the June policy review meeting.

He also expects the markets to correct going ahead, as rate hikes are announced and yields exceed 7.5%.

"Our Nifty fair valuation is around 14,600-15,100 levels as per our EYBY (earnings yield bond yield model)," said Bhasin.

While inflation remains a major concern for India, investment inflows into India will also be determined by how other economies fare on the criterion.

Hence, India’s relative performance compared with other economies reeling under inflation will be an important factor, said Deepak Jasani, head of research at HDFC Securities.

Cooling of global crude oil prices will be crucial from an Indian perspective as the country imports more than 80% of its requirements. However, Prabhudas Lilladher’s Saboo doesn’t see major concerns as long as crude remains in the $100-110 levels.

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