

Devina Mehra says, no correlation between FII flows and market movements

In a long tweet, Mehra said the market returns were zero between 1994 and 2003 when there were substantial FII flows and urged investors to rely only on data.

SHIVAM SHUKLA | OCTOBER 12, 2023 / 03:38 PM IST



Devina Mehra, Chairperson and Managing Director - First Global

Stock market veteran Devina Mehra has raised critical questions about the commonly-held beliefs regarding Foreign Institutional Investor (FII) flows moving the Indian stock markets.

In a long tweet, the Founder and Chairperson of First Global said there was no correlation between FII flows and Indian market movements.

“It has always amazed me that no one wants to look at the data on whether there is a correlation at all between FII flows and Indian market movements - let alone a causation! As someone who has done this exercise, I can tell you there is none,” she wrote.

Mehra noted that the question of FII flows is often posed by television anchors and well-versed commentators provide lengthy analyses, confidently asserting that FII flows will either positively or negatively influence the markets.

Historical perspective

She said that three decades ago when FIIs first came to India, there was no domestic fund management industry to speak of, let alone large-scale retail participation.

“This was a fresh new flow of money, literally tens of billions of dollars pouring into the Indian markets for the first time.”

Yet 1994 to 2003 is the only nine-year period in the Indian market history where the index return was zero, she tweeted.

“So this new slew of money came in and did nothing at all for the markets,” she said.

Further, Mehra emphasized that even on a month-to-month basis, no observable correlation exists between FII flows and market movements. Her conclusion is clear: “There is only one God, and that is data”. She urged financial professionals and market participants to adopt a data-driven approach.

“Look at where the data leads and do not fall for fallacies,” she signed off.