

## F&O frenzy is a shortcut to bankruptcy: Devina Mehra warns retail investors

Cautioning against hype-driven strategies, she emphasizes the power of boring, disciplined investing, global diversification, and the importance of staying the course.

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In an exclusive conversation with Business Today TV's Sakshi Batra, First Global Chairperson Devina Mehra lays bare the realities of today's market—from the risks of chasing F&O dreams to the myths around “buy and forget” investing. Cautioning against hype-driven strategies, Mehra emphasizes the power of boring, disciplined investing, global diversification, and the importance of staying the course. Whether you're a new investor or a seasoned market participant, this is a masterclass in what matters—and what doesn't—in today's investing landscape. Edited Excerpts

**Sakshi: Where do we currently stand in the market cycle?**

**Devina Mehra:** We're not in a euphoric bull run, nor a deep correction.

Structurally, Indian macros are improving—GDP has come in ahead of expectations, crude oil is under control, and inflation is cooling. That's supportive of earnings, but yes, valuations are stretched in pockets.

What worries me is the obsession with trading, especially F&O. I often say, “boring investing works.” If your portfolio makes you excited every day, you're doing it wrong. Proper asset allocation, avoiding extreme risk, sectoral balance, and global diversification—these are what compound wealth. Timing markets is futile; staying invested matters. Missing just the top 10 days in 40 years could cost you two-thirds of your returns. Most mutual fund investors don't even stay invested for two years. The discipline to stay the course is rare—but essential.

**Sakshi: What's driving this F&O frenzy then? Why is everyone chasing derivatives?**

**Devina Mehra:** It's the illusion of quick wealth. Derivatives promise leverage, and social media amplifies the few who got lucky. SEBI data is clear—93% lose money in derivatives. My own analysis showed the few who profit are mostly institutions or sophisticated players. Retail traders, especially those from non-metro, lower-income, or less-educated backgrounds, are the worst hit. Let's not glorify outliers. Even Late Rakesh Jhunjhunwala, when he was asked "Why do you ask people not to trade when you yourself started as a trader?", had said, "I smoke but I tell my children not to."

Just because someone succeeded doesn't mean it's replicable. F&O trading is not a shortcut to wealth; it's often a shortcut to bankruptcy.

**Sakshi: Is retail losing money because of players like Jane Street manipulating the system?**

**Devina Mehra:** When you pit human traders against machines, especially highly sophisticated algos, it's an uneven fight. But the Jane Street issue goes deeper. In most trading strategies, the bigger you become, the harder it is to sustain returns. But Jane Street was making more money as their size grew. That's a red flag. The SEBI order shows they used their size to extract unfair profits. Their profitability increased with scale, which shouldn't happen in a competitive market—but that's just one part of the problem.

Even without manipulation, the odds are stacked against retail. You're playing a zero-sum game where the big guys have better tools, data, and speed. And even when some make money—it's peanuts. NSE data shows that among retail traders who were profitable, the median annual gain was just ₹60,000. That's ₹5,000 a month—less than a gig job.

Meanwhile, platforms, brokers, and influencers mint money selling trading dreams. As I always say, "The real money is in selling the shovels in the gold rush, not digging for gold." I would caution investors to stay away from people who sell trading courses by offering a guaranteed 1% daily return. If someone had that magic wand, why would they sell courses for a few thousand rupees?

**Sakshi: Should retail have such open access to F&O markets?**

**Devina Mehra:** Volumes in Indian derivatives are far beyond global norms. Even after SEBI's restrictions, India's F&O to cash volume ratio is still far higher than anywhere else in the world. No other market even comes close.

Too many stakeholders benefit from high volumes—brokers, fintech platforms, even stock exchanges. And now that exchanges are listed, they want to keep showing profit growth, which comes from high trading volumes.

But here's the problem—stock exchanges are also first-level regulators. And that creates a conflict of interest. They can often see patterns before SEBI, but do they act? Not always. Because it may impact their bottom line.

Even in this year's Union Budget, when personal income tax was cut, the projections assumed a 14–15% rise in collections from individuals—much higher than from GST or corporate tax. That means the government expected trading volumes to stay high. I jokingly said: SEBI wants to curb speculation, but the budget depends on it continuing!

So yes, retail needs protection. Because right now, the system isn't built for them.

## **Sakshi: Could SEBI have acted earlier on Jane Street?**

**Devina Mehra:** Regulators work under constraints. They can't act on every red flag in real time and processes take time. You need a water-tight case, or it gets thrown out later. While stock exchanges can be more proactive—but it is easier said than done—it is unrealistic to expect instant action on every red flag.

## **Sakshi: What is the learning for F&O traders from the Jane Street episode?**

**Devina Mehra:** Don't do it. Trading is not a sensible wealth-building strategy for most people. Even when someone asked Rakesh Jhunjhunwala, "Why do you tell people not to trade while you yourself have made money by trading?" he had said, "I smoke, but I tell my children not to."

The real question is: what happened to everyone who tried this strategy? 90–95% of people fail or go bankrupt within a few years. A handful succeed—but chasing outliers is not a strategy. Also, many of those past gains came in less efficient markets where arbitrage existed—that edge is gone. Today, what's your edge?

Most of what's being sold in trading courses is just a fantasy—Sabz Bagh. Don't fall for it.

## **Sakshi: What should young investors do instead?**

**Devina Mehra:** Start investing—early. Delaying investing, even by five years, can dramatically increase how much you need to save later. First, get your asset allocation right—never go 100% into equities, even if you're young. Markets can underperform even for 10 years. Life is uncertain; you'll need liquidity for emergencies, home, car, education.

Build diversified portfolios, across asset classes and geographies. Dollar depreciation matters—what looks good in INR might be flat in USD. For instance, our global product starts at just \$10,000—true global exposure, not just US-focused.

Pick asset classes first (equity, debt), then structures (MFs, PMS, AIFs). And if you DIY, treat yourself like a fund manager. Track performance. Would you give 100% of your money to that person? Probably not.

## **Sakshi: You often stress global diversification. What does that look like now, beyond just the U.S.?**

**Devina Mehra:** Diversification can't be static. Things change—sectors, geographies, everything. Just look at the original Sensex. Most of those companies are irrelevant today.

Right now, we've gone underweight on the U.S., though it remains our largest holding. We've added exposure to Europe and continue to be overweight China and India. For perspective, between 2003–07, the U.S. returned just 60%, while India gave 6x and Brazil 10x returns. Markets rotate. You need an active global strategy, not a set-it-and-forget-it mindset.

## **Sakshi: What about the "buy and forget" blue-chip philosophy?**

**Devina Mehra:** It's a myth rooted in survivorship bias. People cite HDFC Bank, but forget Global Trust Bank, Centurion, Times Bank—all failed. Even among Sensex 30,

the so-called "blue chips" have changed. 25 years ago, there wasn't a single bank in the index. Today they dominate.

Even Warren Buffett—who people often quote in this context—doesn't hold everything forever. Studies show Warren Buffett sells half of his holdings within six months and 85% within two years. If Buffett doesn't have a crystal ball, who does?

Even Titan—one of my earliest picks—almost shut down its jewellery biz multiple times. In fact, out of 4,000 listed Indian companies, only 17 have managed 10 straight years of profit growth. Just one—HDFC Bank—did it for 20. That's how rare consistency is.

**Sakshi Batra: Are you looking at gold, silver or even crypto in your asset allocation?**

**Devina Mehra:** Yes, but in moderation. Gold, maybe 5% of the portfolio. Crypto—max 2–3%. Gold was the only currency hedge for our grandmothers. That's why they weren't wrong when they invested big in gold.

But gold in dollar terms didn't cross its 1980 price till 2007. That's 27 years. In fact, from 1980 to 1999, it dropped 60%. It's more volatile than equities in dollar terms.

With the liberalised remittance scheme, global investing is now easy. ₹8 crore per year per family can legally be invested overseas. So, there's no reason gold should remain your only hedge.

**Sakshi: Looking at the rest of 2025, which sectors look promising to you?**

**Devina Mehra:** We rebalance quarterly. As of now, we're overweight Pharma and Auto Components—have been for 18 months. FMCG is also emerging in our models.

Banks—while I remain a cautious investor—are looking better after underperforming for most of the past five years. We've added banks recently, though still underweight.

Macros are improving—GDP beats, inflation is down, food prices are easing, crude oil has softened. All that helps margins. The price of a home-cooked thali is down. That means consumers might finally have room for soap and shampoo again. Even rate cuts could be on the table later this year.

**Sakshi: What are the risks markets are staring at?**

**Devina Mehra:** The real risk is always what you didn't see coming. Everyone is busy fighting yesterday's war. But overall, the market setup is healthy.

When my book launched in February, I said if you're waiting for a correction—act now. The Nifty's up nearly 15% since then. I never give index targets. But if you've decided on your equity allocation, it's time to be invested.