

Devina Mehra: If India is the fastest-growing big economy, why invest elsewhere?

[Devina Mehra](#) | 13 August 2025



In 2021, there were many Nasdaq ETFs and funds launched in India. (Bloomberg)

SUMMARY

As no single market performs consistently well, one should diversify asset holdings across multiple markets. Also, there's currency risk: one can't count on the rupee to retain its global value over long spans of time.

As I write this column, I look at how the Indian rupee has done since the beginning of 2025. At first glance, it appears that nothing too out of the ordinary happened, with the rupee depreciating a gentle 2.2% against the US dollar. But change the reference currency and it is down a whopping 15% versus the euro and the Swiss franc and 9% versus the British pound.

With all the ups and downs of student visas to the US, if you were now thinking of sending your daughter to Europe to study, the bill has suddenly shot up by 15% in a matter of months.

Go back over the years and the picture begins to look even worse. When I started working in the 1980s, the US dollar exchanged hands at ₹12. Today, it has depreciated by almost 90% in the course of less than a career. That is a straight hit to your portfolio, one that you often do not think about.

In all financial planning, you target long-term goals, typically 10, 20 or 30 years hence: for retirement, children's education, etc. You simply cannot afford to forget the fact that the rupee depreciates over time.

If anything, over time many more Indians want to holiday abroad and want themselves or their children to study overseas. Several people have kids living elsewhere and want to spend some time with them after retirement.

In short, overall hard currency expenses have been going up. These are all reasons for not having all your savings in rupees or exposing yourself to ‘single country single currency single asset risks’ (SCCARs).

Let’s go a little deeper. India accounts for less than 5% of global market capitalization. There is absolutely no reason to have 100% or 90% of your investments in India. In every country, investors have a home country bias—meaning, they invest disproportionately in their home markets. For example, Canadian investors have 60% of their assets in Canadian equities, even though Canada’s share is nowhere close to 60% of world equity markets.

Even so, in India, this phenomenon is more pronounced. Part of the reason is that historically, Indians could not invest in overseas markets. Back in the day, the only way for an Indian to get some currency hedge was by owning gold. On this count, our country’s obsession with the yellow metal has been perfectly logical.

Now the regulations have changed, but the thought process of Indian investors has not. Currently, India’s Liberalized Remittance Scheme (LRS) allows you to make foreign investments up to \$250,000 per head per annum, which for a family of four adds up to \$1 million every year—the equivalent of nearly ₹8.8 crore, a very generous amount.

Also, when Indians do invest overseas, they think that buying a Nasdaq or S&P 500 exchange traded fund (ETF) is enough. But that is not global investing. True global investing means investing across all geographies and asset classes. The US market is not the whole globe because leadership always changes.

In 2021, there were many Nasdaq ETFs and funds launched in India. I had said at the time that expecting great results from these suffered from a recency bias. Nasdaq had been a great performer for three years. Did anyone think this performance would last forever? Nothing lasts forever. No theme lasts forever. Then in 2022 came a crash, with the Nasdaq falling 40%, almost making it the world’s worst performing index.

Going back in history, hardly anyone remembers that the Nasdaq did not cross its 2000 high until 2015.

From 2003 to 2007, emerging markets were doing extremely well. This was a period when the emerging market index went up 3.5 times; Indian stock market indices went up six times, even as US markets lagged. But thereafter, this huge outperformance by emerging markets ended. The giant wheel had turned and something else had started going up.

It has been my view that this lack of overseas exposure is a serious lacuna in Indian portfolios. Hence, at First Global, we have a portfolio option of investing in all countries and all asset classes, with a minimum investment of only \$10,000 (less than ₹9 lakh).

Now, as to why there are risks even in fast-growing economies, I will go back to my personal history and to what turned my opinion. It was the Asian crisis over 25 years ago. In just a single year, 1997-98, in dollar terms, Asian stock markets fell between 50% in the case of Taiwan and 90% in the case of Indonesia, with Thailand, South Korea, the Philippines and others in between. (Source: Bloomberg data)

And these were not basket-case economies. These were the so-called Asian Tigers—the fastest-growing economies of the time. Yet, if you were an Indonesian investor, you would have seen your net worth wiped out by 90% in a single year.

For me personally, that was a wake-up call on the risks of being exposed to a single market. Hence, in 1999, First Global became a member of the London Stock Exchange; and the next year, it became a member of the National Association of Securities Dealers in the US. But that’s an entirely different story.

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