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## Markets likely to move beyond geopolitics, focus to shift to earnings

### Synopsis

Devina Mehra believes geopolitical deals like a potential Iran-US agreement won't drive Indian equities, with earnings and liquidity being key. She advises investors against reacting to geopolitical risks, citing historical data. Mehra also highlights the dangers of emotional investing and emphasizes the importance of global diversification beyond the US.



She explained how global positioning has already shifted across regions.

In a conversation with ET Now, [Devina Mehra](#), Founder & CMD, [First Global](#) said that while developments around a potential Iran–US deal may ease global uncertainty, they are unlikely to be the primary driver of Indian equities going forward. According to her, market direction will continue to be shaped more by earnings trends, liquidity cycles, and broader investor positioning rather than geopolitical headlines.

### “Don’t depend on geopolitical deals to drive markets”

Responding to a question on whether the Iran–US deal could act as a catalyst for global and Indian markets, Mehra said:

“I do not think we should only depend on the deal. But yes, if it happens, it takes away a big overhang overall on all markets. And I do not think that is what is going to drive the Indian markets up. In March, when I had come on your channel, I had said that the market looks on all our indicators as if it is in the bottom range. I cannot tell you whether it will start moving up in two weeks or two months, but the indicators are all positive. Even now, if you see, it is a very different market from what it was in 2025.”

She pointed out that market breadth has improved significantly compared to last year.

“In 2025, all the Indian indices were up, but the median stock was down, and 40% of stocks were down more than 10%. But midway through the year, the outperforming stocks were only about 15%. The norm is around 40%. Now we actually have a majority of stocks outperforming the indices. So it is completely flipped, which is good news overall for markets, and that is why, as I said in March also, do not be 100% in equity, but whatever is your equity allocation, remain invested. So that remains my advice.”

### **“Geopolitical risks are not something you should react to”**

On whether investors should increase equity allocation given easing global tensions, Mehra cautioned against reacting to geopolitical developments.

“The geopolitical risk per se is not something you should react to, and I am not saying this now. There is an early March video of mine which is pinned on my Twitter feed which says exactly that: do not overreact to geopolitics. This is what 125 years of data shows, including the two world wars, the two Gulf wars, the US bombing Libya, 9/11, all of that. The market shrugged it off even when conflicts continued, as has happened with Russia–Ukraine.”

She added that while crude oil movements matter for India, one should avoid building investment decisions around uncertain geopolitical outcomes.

“Of course, in India there is a direct impact because of crude, because that impacts earnings. So you have to take that into account. But I am not betting on geopolitical resolution as far as Indian or global markets are concerned.”

### **“The dangerous consensus is emotional behaviour”**

Discussing investor behaviour, Mehra highlighted how sentiment-driven decisions often lead to poor timing.

“If you look at the markets in the last couple of months, SIP numbers have turned negative. The number of accounts has turned negative. Indian investors have been very jittery. If you plot long-term data, mutual fund inflows peak around market peaks and bottom out around market bottoms. Humans act out of emotions, which mislead you completely.”

She stressed the importance of staying invested during periods of panic.

“When you are panicking is when you need to remain in the market. That is the superpower: do not get out when your mind is screaming get out.”

Mehra also pointed out the shift in sentiment around India.

“A year-and-a-half ago, every fund manager was selling the India growth story. Now, suddenly, the narrative has flipped and people are only talking about risks. Sentiment is always a contra indicator. When sentiment is extremely negative, future returns tend to be above normal. So probability-wise, we are looking at a better year ahead.”

**“US is not the globe: diversification is key”**

On portfolio strategy, Mehra reiterated her long-standing view that diversification across geographies and assets remains critical.

“You should always have a diversified portfolio. But the US is not the globe. People think buying a US index or a few well-known stocks is enough, but that is not sufficient diversification. It is better than being in a single market, but not a whole lot better.”

She explained how global positioning has already shifted across regions.

“We have been underweight the US for almost a year-and-a-half. We went overweight Europe and China and added markets like Malaysia and Mexico, which are below the radar for most investors.”

Warning against concentration in a handful of global stocks, she added:

“People think buying the so-called Magnificent Seven will save them. That worked for a couple of years, but in 2025 the leadership narrowed and now several of those stocks are underperforming. The baton has already passed, but investors are still chasing yesterday’s winners.”

**“No easy answers in global investing”**

Mehra also cautioned against over-simplified global investment products and strategies.

“There are no easy answers. I am sceptical about schemes being launched without expertise in global markets. Many have underperformed because they invested in yesterday’s stocks instead of tracking what is happening today and anticipating what comes next. If you go global, it must be with real expertise.”