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Markets look weak, investors are anxious: Devina Mehra explains why that's a bullish signal

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At a time when Indian equity markets are struggling to keep pace with global peers, veteran market watcher Devina Mehra, Founder and CMD of First Global, believes the prevailing pessimism itself could be pointing to better returns ahead.

In a post on X (formerly Twitter), Mehra highlighted a sharp shift in market mood — from optimism earlier in the cycle to widespread anxiety now — arguing that this change in sentiment historically precedes strong market upmoves.

"Kya lagta hai market?" Mehra asked, before laying out what she sees as a crucial indicator for Indian equities going forward.

India among global laggards

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That underperformance, Mehra noted, is visible beneath the surface as well.

While headline indices like the Nifty and BSE 500 may show modest gains, the broader market tells a very different story. The median stock is down for the year, highlighting how concentrated index-level gains have masked weakness across a large part of the market.

Fear everywhere — and that's the point

Mehra pointed out that the current environment is marked by caution and negativity. Television debates are dominated by risk factors, while investors are increasingly doubtful about the case for equities.

According to her, this collective unease is precisely what makes the present phase interesting.

“Sentiment is a contra indicator,” Mehra wrote, arguing that periods dominated by uncertainty, fear and anxiety have historically been followed by above-average returns.

In contrast, times when returns appear “easy” and optimism runs high often signal the opposite.

She cited the early part of 2024 as an example, when markets delivered nearly 30% returns within 8–9 months. That phase of exuberance, she said, was actually the moment to be cautious. From Diwali 2024 to the next, markets ended up delivering virtually no returns, validating the warning.

Why despondency may favour 2026

Drawing from historical patterns, Mehra suggested that the current despondency could set the stage for a stronger recovery phase.

“Sharp upmoves in markets come at the time of such despondency,” she said, adding that, by this yardstick, returns in 2026 may well be better than what investors have experienced recently.

The message, however, is not one of reckless optimism.

Mehra reiterated a long-standing principle of disciplined investing: investors should remain invested only to the extent of their equity allocation, which should form part of a diversified portfolio.

“That allocation,” she cautioned, “should not be 100% of your investment portfolio.”

Stay invested, stay balanced

The broader takeaway from Mehra’s assessment is that market cycles are driven as much by psychology as by fundamentals. When fear becomes widespread and returns elsewhere appear more attractive, equity markets often quietly lay the groundwork for the next rally.

For investors rattled by recent underperformance, her advice is clear: avoid emotional exits, stick to asset allocation discipline, and recognise that the most uncomfortable phases in markets have historically offered the best long-term opportunities.