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The dos and don’ts for a healthy investment portfolio this Diwali

Devina Mehra | 5 November 2026



It's best to use Diwali stock projections only for entertainment. (AI-generated)

SUMMARY

Just as we clean our houses during the festive season, we must get rid of unfounded investing habits in order to make our investments grow. Here are some dos and don'ts to consider this Diwali for a healthy portfolio.

It is not the 12 days of Christmas in India—it is the five days of Diwali. And even though the festival is associated with prosperity and commerce, we arguably do not really focus on this very aspect.

Right now, all of you must be cleaning your homes and offices. But go beyond and declutter and remove the cobwebs of your mind.

Re-examine everything. Throw out thought processes, beliefs, opinions, theories, ideologies and, yes, ‘convictions’ that no longer make sense.

Be flexible and open to change and to data, especially inconvenient data.

And as far as your portfolio is concerned, first take stock (pun intended). Then get rid of all the junk. Or it may not even be junk, but simply that there are better opportunities available in the market.

You have to do this consciously and ruthlessly, even if you are kicking and screaming inside. Else, we tend to hold on to our losers as evolution hardwired us to avoid booking losses.

Remember, transaction costs are minuscule now, and these can't be the reason to hold on to something that is suboptimal. And most people end-up losing money when they hold on simply to avoid paying taxes on profits.

Also, waiting for the stock to come back to one's purchase price is irrational. The market has zero interest in your purchase price.

As a general rule, one of the pillars of successful investing is to get rid of bad investments irrespective of price, and get into good investment options. Do this and I can tell you Lakshmi *Ma* will truly bless you.

Which brings me to the important fact: we worship Goddess Lakshmi during Diwali but do we really behave in a way that shows we care about our money? It is something worth thinking about because you are investing your hard-earned money.

Very often, we are careless and cavalier about how we invest. If we have to buy a mobile phone, we do tons of research on every feature, on everything possible. Whereas if we are adding a stock to our portfolio, we do it very casually. After hearing from somewhere, maybe while flipping television channels or on a Telegram group, we just go and buy it.

Besides the merits of the stock *per se*, we don't think about where it fits with what we already have in our portfolio. For example: Is it the fifth bank or defence company's shares one is buying? How does this investment change one's portfolio?

In terms of the broad strokes, ask yourself: Have I chosen an asset allocation (split between equity, fixed income, gold, real estate, etc)? Am I taking on too much risk that can jeopardize my portfolio or too little risk, which means that my money is not working hard for me? Those are some aspects to think about.

Always respect your own money and investments, and do your portfolio management in a deliberate fashion, with a proper framework and a proper system. Make a new beginning in the new Samvat.

What should you not do? Are you eagerly taking down every expert's Diwali picks and their Nifty projections for the coming Samvat, and planning to use them to guide your investments?

The facts may startle you.

Last year, this newspaper analysed what happened to the previous year's Diwali picks. Only a third of them were in positive territory, and an even lower number outperformed the index. It was not very different for the earlier two years. In both, you would have been far better-off picking stocks at random rather than going by the expert picks.

As for the index projections, go back to earlier years and see what each expert had predicted and what happened.

The truth? It's in a category named 'objective ignorance' in the book Noise by Daniel Kahneman, Cass R. Sunstein and Olivier Sibony. Index predictions are only one example of humans forecasting things that are not just not known, but cannot be known. Yet, they are made with huge conviction and confidence, in January and around Diwali.

"We maintain unchastened willingness to make bold predictions about the future from little useful information," Daniel Kahneman said.

Bloomberg collected the data of index estimates versus their actual moves for the US market, where it is available in a structured form for the last several decades. These are from venerable banks and Wall Street firms like Goldman Sachs, Bank of America/Merill Lynch, Citigroup, HSBC, Deutsche Bank, etc, exactly the sort of organizations you listen to when their people appear on your television screen thinking they are "experts."

On average, each of these large organizations is off in their projections by about 15 percentage points. That means if they say the market was going up 5%, the real move would have been plus 20% or minus 10%. In plain English, the projections did not tell you anything at all.

The moral of the story: use Diwali projections only for entertainment. Better still, use that time to hangout with family and friends.

Actually investing in the Diwali picks may be injurious to your portfolio's health. Follow these guidelines and have a great Diwali and new Samvat.

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