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Weak market sentiment today often signals stronger returns ahead

Synopsis

Indian equity investors faced a challenging 2025, with benchmark indices masking significant portfolio underperformance. Despite widespread disappointment and FOMO, experts advise against emotional decisions, highlighting that current weak sentiment often precedes improved future returns. Investors are urged to stay invested but actively prune portfolios and maintain balanced asset allocation, including global diversification.



Finally, Mehra returned to her now much-discussed DP statement remark, clarifying that the problem is not the number of holdings but the quality.

[Indian equity investors](#) are closing 2025 with mixed emotions. On paper, [benchmark indices](#) suggest a year of modest gains. In reality, portfolios tell a very different story. Indian markets have been among the worst global performers, sitting in the bottom decile compared with peers worldwide. That gap has sparked a familiar feeling among investors — the regret of missed opportunities in gold, silver or overseas markets, and the fear that capital may have been better deployed elsewhere.

Speaking on ET Now, [Devina Mehra](#), Founder & CMD of First Global, said the pain of 2025 has been far deeper than headline indices suggest.

“So, 2025 has not been a great year for most portfolios and that is not really adequately captured by the indexes because I saw just a few days back that even though, let us say, the NSE 500, BSE 500 were up for the year, the median stock was still down and many stocks were down, a large percentage were down more than 20%. I think 75% were down more than 10%. So, it has not been a very pretty picture...”

She noted that this disconnect between index performance and individual stock returns has intensified FOMO among investors. But she cautioned strongly against letting regret dictate strategy.

“I think it causes some FOMO, but I can tell your viewers that FOMO is the wrong way to invest and driving looking only at the rear view window and looking at what has gone past is not how you make the decision of where to go next.”

According to Mehra, what stands out today is not euphoria but persistent caution. Market conversations are dominated by risks, disappointments and underperformance. Ironically, history suggests this is precisely when future returns tend to improve.

“Now academic studies show that when the sentiment is this weak is when the next period returns are above normal. When there is over optimism and buoyancy... that is when you need to be wary.”

Her advice for investors heading into 2026 is clear: stay invested, but don't stay complacent. “So right now, you should be invested... to the extent of your equity allocation my recommendation is that be invested however... it does not mean that you remain invested in where you are invested.”

Mehra stressed that the stocks which surged during the small- and micro-cap frenzy of 2024 may not necessarily be the leaders of the next cycle. Investors, she said, must be willing to clean house.

“You have to harden your heart and get rid of whatever does not make sense in your portfolio... go beyond the first two pages of your DP statement and get rid of everything you do not really want to even look at.”

On asset allocation, Mehra advocated balance rather than extremes. Gold and silver, she said, deserve a place in portfolios — but not an oversized one.

“Gold and silver should be part of your asset allocation but should not be a very big part... gold in particular has had a spectacular run and history shows that gold is more volatile than equities.”

She also challenged the perception of gold as a low-risk haven, pointing out its long periods of deep drawdowns in dollar terms. The apparent comfort Indian investors derive from gold, she noted, often reflects rupee depreciation rather than consistent real returns.

Global diversification, in her view, is essential — but investors must look beyond just US indices and a handful of familiar names.

“You should invest globally and to that the caveat is that the US is not the globe.”

Finally, Mehra returned to her now much-discussed DP statement remark, clarifying that the problem is not the number of holdings but the quality.

“In most DP statements, the other pages are just the debris of old bull markets and IPO excesses that you do not want to look at.”