

Negative sentiment signals above-average returns ahead, says Devina Mehra; suggests diversification across assets

Speaking exclusively on the sidelines of Waterfield Advisors Heritage Huddle, Mehra said the current risk-off sentiment is precisely the kind of setup that has historically delivered better forward returns.

March 24, 2026



Negative sentiment signals above-average returns ahead, says Devina Mehra; suggests diversification across assets

As Indian equities reeled under a sharp sell-off on Monday, with the Nifty slipping near 22,800, the Sensex tumbling over 1,800 points, volatility spiking and crude oil surging past \$110 per barrel, Devina Mehra is urging investors to read the mood, not react to it.

Speaking exclusively on the sidelines of Waterfield Advisors Heritage Huddle, Mehra said the current risk-off sentiment is precisely the kind of setup that has historically delivered better forward returns. “All data shows that when sentiment is negative, the next period returns are above average. When sentiment is very positive is when the next period returns are subdued. Sentiment is a contra indicator.”

Calling sentiment a reliable signal, she added, “This is not my opinion. This is data in every research study around the world. When you are asking whether to get out of

the markets, whether to stop your SIP, in probability terms, the next year's returns are above normal.”

Her stance comes even as global cues remain fragile, with rising geopolitical tensions pushing up crude prices and triggering fresh foreign outflows from emerging markets, including India.

However, Mehra downplayed the durability of the oil spike, describing it as largely sentiment-driven and not indicative of a sustained supply disruption. She pointed out that even during periods of conflict, oil flows have rarely been disrupted in a prolonged manner.

On positioning, she said the firm remains underweight on US equities, while being overweight Europe and China, and had increased allocation to commodities such as crude and metals as early as February.

On the domestic front, her stance remains selective but constructive. Mehra suggested being overweight on auto components, gradually adding exposure to autos, alongside pharma and healthcare, while also selectively building positions in FMCG. According to her, these sectors do not face any meaningful structural headwinds from higher oil prices.

Diversifying your offshore allocations

Drawing from long-term currency trends, she pointed out that the rupee's steady depreciation over decades makes a strong case for global diversification. She framed the current phase as a reminder of a deeper, often ignored risk — overconcentration in a single country or currency, to protect your investments.

“The globe is not the US,” she said, cautioning against static allocations. “You have to look at the whole globe because leadership always changes.”

Meaningful international exposure is not optional. “Over a period of time, at least 30–40% of your allocation should be global,” she said, while adding that portfolios should go beyond concentrated bets on a handful of large US or China stocks.

More broadly, Mehra cautioned against attempting to time markets in such phases, arguing that uncertainty is both inevitable and unforecastable. Instead, she emphasised getting the basics right. “You get the basic asset allocation right — how much in India, how much globally, how much in fixed income, equities, gold — you are already 85 to 90% of the way through.”

She also flagged the cost of overreacting to volatility. “Cut the noise. Sticking to an asset allocation works. Buying and forgetting a set of stocks does not,” she said, underlining the message that periods of maximum discomfort tend to coincide with improving return probabilities — provided portfolios are positioned with discipline rather than emotion.