



West risks inflation with Russian sanctions, says Devina Mehra; Watch out for Rupee slump this year

Sanctions on Russia could also sting US, but for now the geo-political impact seems negligible. First Global's Devina Mehra tells Moneycontrol, It is time to orient towards companies that can gain from a weakening Rupee.

[Rohit Singh](#) | February 28, 2022 / 09:24 AM IST



Devina Mehra

First Global's Devina Mehra believes the impact of ongoing geopolitical crisis will fizzle out over the next 3-6 months. In conversation with Moneycontrol during a Twitter Spaces conversation, Devina cited data to conclude that there has not been a single instance in the last 40 years, when the impact of an international war-like event has sustained beyond a year, except for markets (whether stock markets or commodities) which are directly impacted. In fact, most of the impact may have happened in the run up to the actual event, she went on to add.

World During Major Geopolitical Crises

The two pockets where one usually sees some impact of a global turmoil like the ongoing Ukraine crisis are oil and gold, according to Devina Mehra. History shows that a year into a major war-like confrontation, demand for crude oil and safe haven like gold been positive, she added. More so, she goes on to add, because many of these confrontations have been in oil-rich geographies.

In this particular conflict, several other commodities have been impacted where Ukraine or Russia are major players. Prices of several agri-commodities, potash, metals like palladium, aluminum, nickel etc have gone up 20-30% since the beginning of 2022 - in some cases even more. Sectors and companies with these as inputs and outputs will be impacted and that has to be factored into your estimates.

Sanctions on Russia

Devina believes any serious and significant sanctions on Russia would also imply a risk of aggravating inflation. She doubts any democracy would have the stomach for it. Already, the commodities where Russia and Ukraine are major players are up sizeably this year. It is doubtful that the West would want to worsen that situation.

India Impact

At First Global, the consensus is that inflation will be a big factor influencing India Inc's earnings. Already, many sectors are facing margin compression and some are not able to pass on price hikes. This, Devina feels, is a crucial factor in defining the India impact of any turmoil. The other major area of weakness is currency, according to her. Devina is of the opinion that this year we will see a weakness in Rupee playing out. Currency and fixed income markets will give a clearer indication of how the year will pan out for investors, she told Moneycontrol.

Navigating The Turmoil

Devina Mehra's advice to investors is to stay picky this year, when it comes to sectors and companies. She is gravitating towards companies which stand to gain from any potential weakness in Rupee. She also has liked IT for a long time. But over a 10-12 year period, market returns have been sub par, and there is still a lot of ground to cover. Even last year, on relative basis, India was only the 6th best in the world. Before that, for many years, India has not been a below average performer.

Her final take captures the dichotomy of our times so well. "Don't be at either end of the spectrum, investing in either Fixed Deposits, or trading cryptos".