

Amid global volatility, where should investors focus now? Insights from JM Financial’s Ankur Jhaveri

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Global markets are experiencing high volatility, marked by rising interest rates, geopolitical tensions, and shifting investor sentiment. Yet, India stands out—its economy surged 7.8% in Q1FY26, well above expectations, supported by strong consumption and broad-based growth across services and manufacturing. As investors weigh this momentum against global uncertainties, high valuations, and FII caution, opportunities continue to emerge in select sectors.

In this exclusive conversation with BT, Ankur Jhaveri, MD & CEO – Institutional Equities at JM Financial Institutional Securities Ltd., decodes India’s growth story, highlights sectoral winners, discusses the outlook for corporate earnings, and explains where investors should focus amid global volatility.

Q. Indian economy grew at 7.8% in Q1FY26. What does it indicate for the equity markets going ahead?

Ankur Jhaveri: India’s GDP growth of 7.8% in Q1FY26 significantly exceeded market expectations of 6.7%, driven primarily by robust domestic consumption. On the supply side, broad-based expansion in services and manufacturing aligned with strong PMI readings is reinforcing the momentum. This performance, coupled with recent GST rate cuts, is expected to further stimulate consumption. Markets are forward-looking and, in most cases, have reasonably factored potential earnings upticks. Outperformance to consensus numbers will be rewarded and could see a significant valuation premium to peers. Additionally, strong growth supports governments continued focus on infrastructure building and ease of doing business, which could eventually trigger credit growth and benefit lending companies.

Q. How do you read the Q1 result season? Which sectors have performed well?

Jhaveri: In Q1FY26, Nifty50 EPS grew 9.5% YoY, slightly below the expected 10.3% YoY. Excluding financials, EPS growth stood at 14% YoY, in line with expectations. Strong Growth was seen in cyclicals and consumption-linked sectors like Oil & Gas (+54.7%), Consumer Retail (+41.7%), Telecom (+37.5%), Cement (+31.8%), Infrastructure (+29.8%) and Industrials (+24.9%). A clear divergence in sectoral performance leads the charge.

Q. How do you see the Indian equity market positioned amid global volatility?

Jhaveri: Despite healthy domestic fundamentals, FIIs remain cautious on Indian equities. With the market trading at 23x P/E (1-year forward) and sub-10% EPS growth expected in FY26, valuations appear stretched. Amid FII selling, even as DIIs, particularly mutual funds, continue to buy, we expect the market to consolidate at current levels or trade slightly lower. Time correction will help moderate valuations, and an earnings-led uptick would emerge as growth catches up.

Q. Which sectors do you believe are best placed to benefit from the current economic conditions?

Jhaveri: The Government of India and the RBI have taken proactive steps to boost consumption through income tax cuts, interest rate reductions, liquidity infusion, and GST rate rationalization. Reflecting this, our model portfolio has shifted to an overweight in consumption. We maintain a preference for discretionary consumption sectors, particularly Autos, Retail, durables, hotels, Telecom, and Real Estate.

However, we anticipate short-term revenue loss due to these fiscal measures, which could constrain capital expenditure in infrastructure. Accordingly, we’ve turned underweight on Infrastructure, Industrials, Ports, Defence, and Power Utilities. Credit growth has slowed to 10% YoY (vs. 12% projected), and asset quality concerns in retail unsecured segments are spilling into MSME loans. With capex likely postponed, we expect loan growth to remain range-bound in the short term, reinforcing our cautious stance on financials.

Q. What global risks or tailwinds are top of mind for you right now in shaping investor sentiment?

Jhaveri: The most pressing global risk is the disruption in India’s trade due to elevated US tariffs and emerging geopolitics. Conversely, any signs of economic weakness in the US could benefit emerging markets, including India, via a weaker US Dollar index. Currently, Indian markets trade at 1 standard deviation above the mean, making them “rich” if not “stretched.” This valuation premium, especially relative to Asian peers, could accelerate capital outflows.

Q. What are the next big opportunities you see in India’s capital markets over the next 3–5 years?

Jhaveri: FII participation needs to see revival, which is currently at a decade low of 16%. However, this hinges on a sustainable earnings recovery. The manufacturing presents long-term potential, especially with the supply of new paper. Meanwhile, the consumption theme will thrive as we witness resilient income growth. Low cost of funds paired with ease of doing business will potentially open huge opportunity for India as new sectors emerge.

Q. How do you see India’s recent rating upgrade impacting FPI inflows and the valuation of Indian equities in the near to medium term?

Jhaveri: India’s recent S&P rating upgrade to “BBB” (stable) from “BBB–” reflects its strong economic growth, fiscal discipline, and inflation management. While this upgrade is sentimentally positive for FPI inflows, relative valuation remains the key determinant for sustained foreign interest. Given the low double-digit forward earnings estimates, we believe FII flows may remain subdued in the near term.

Q. Now that the GST rate cuts are implemented, which sectors or companies stand to benefit the most, and how should investors position themselves?

Jhaveri: The recent GST rate rationalization has provided a notable boost to consumption. We maintain a preference for discretionary consumption sectors, particularly Autos, Retail, Durables, Hotels, Telecom, and Real Estate. The move is also directionally favourable for FMCG, Fertilizers, Agriculture, and Medical Equipment, which are likely to experience short-term benefits. **BT**