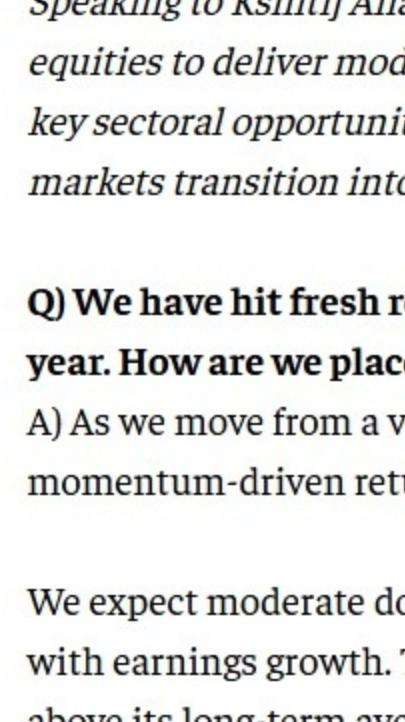


## ETMarkets Smart Talk | From momentum to earnings: JM Financial's Dimplekumar Shah sees 12–15% market returns in 2026

By Kshitij Anand, ETMarkets.com • Last Updated: Jan 06, 2026, 09:00:00 AM IST

### Synopsis

Indian equity markets are shifting from momentum to earnings-led growth in 2026, with moderate double-digit returns expected. Quality businesses with strong fundamentals will lead. Precious metals offer constructive outlooks despite potential corrections. The Rupee is anticipated to stabilize. Key sectors like NBFCs, Auto, Telecom, and Healthcare are poised for gains.



*After a volatile 2025 marked by sharp rotations and uneven global performance, Indian **equity** markets are entering 2026 with a shift in leadership—from momentum-driven rallies to earnings-led valuation expansion.*

As individuals in the 30-40 age bracket generally exhibit a longer investment horizon, allowing for a growth-oriented strategy tempered with prudence towards capital preservation.

*According to Dimplekumar Shah, Managing Director & CEO – Equity Broking, Business Affiliates & Retail Wealth at **JM Financial Services**, the coming year is likely to reward quality businesses with strong balance sheets, high return ratios, and visible earnings growth.*

*Speaking to Kshitij Anand of ETMarkets, Shah shares why he expects Indian equities to deliver moderate double-digit returns of 12–15% in 2026, outlines key sectoral opportunities, and explains the triggers investors should track as markets transition into a more fundamentally driven phase. Edited Excerpts –*

### Q) We have hit fresh record highs in November, with a 10% gain so far this year. How are we placed for 2026?

A) As we move from a volatile 2025 into 2026, markets are shifting from momentum-driven returns to earnings-led valuation expansion.

We expect moderate double-digit returns of 12–15% in 2026, broadly aligned with earnings growth. The Nifty-50 one-year forward PE at 21x is slightly above its long-term average of 20.4x. Markets are likely to favour quality companies which exhibit strong growth, high return on equity (ROE), and low leverage.

From the technical point of view, it looks promising for a continued uptrend. Upside potential points towards the 27,000-28,000 region for the Nifty50 and higher, backed by sturdy support in the 25,000-25,400 band.

### Q) Gold and silver outperformed by a wide margin in 2025. How will precious metals play out in 2026? Any triggers to watch out for?

A) In 2025, Gold (+65%) and Silver (+127%) delivered considerable returns, driven by U.S. trade tariffs, geopolitical risks, and a structural silver supply deficit due to AI and solar PV demand.

For 2026, the outlook remains constructive, with targets of Rs 1,50,000 for Gold and Rs 2,50,000 for Silver, supported by expected **US Fed** rate cuts and rising exchange traded funds (ETF) inflows.

However, the easy gains are behind us. Any AI bubble concerns or geopolitical de-escalation could trigger sharp corrections. Investors should apply a balanced approach, accumulating on dips, with silver for growth and gold for stability.

### Q) Rupee hit a fresh low against the USD surpassing the 90 mark. Are we on our way to breach the 100 mark against the USD. What is causing the fall?

A) The INR has had a disappointing year in CY25 YTD, down over 5%, pressured by U.S.-led trade tariffs, sustained FII outflows, and a higher import bill due to rising commodity prices (Gold/Silver), widening the CAD.

But we do not see the rupee breaching 100 in 2026. Instead, we expect it to remain in a broad range of 89–95. The RBI's robust FX reserves (\$689 bn) and relatively benign crude prices (\$60–65/bbl) provide strong downside protection.

### Q) Which sectors are likely to hog the limelight in 2026? Sectors that are likely to lead a rally.

A) From the Fundamental angle:

1. NBFCs – Showing healthy disbursement growth, improving asset quality, and margin expansion, with further gains expected in 2HFY26.
2. Auto & Auto Ancillaries – Driven by volume-led growth supported by GST cuts, income-tax benefits, and lower interest rates.
3. Telecom – Buoyed by structural tailwinds from tariff hikes and rising home/enterprise broadband penetration.
4. Selective Healthcare – Boosted by structural growth driven by lifestyle diseases and increasing health-insurance penetration.
5. Selective IT stocks at reasonable valuations could also see a recovery.

From a technical viewpoint, sectors helmed by sturdy chart structures and building momentum are primed to capture attention in 2026.

### Q) Any themes or sectors that have already run up in 2025, and investors will be better off paring stake in those themes?

A) We advise trimming exposure to:

1. OMCs, where valuations have moved above historical P/BV levels.
2. Railways and Defence, where prices have run ahead of earnings potential.
3. Loss-making Internet/Platform stocks that are facing rising competition and market-share pressures.

Astute investors could consider partially booking profits around prevailing highs to realize gains, while preserving core positions. Any index-level pullbacks of 3–5% would likely create attractive windows to incrementally rebalance.

### Q) Mainboard initial public offerings (IPOs) have hit the 100-mark milestone (including SMEs) for the first time since 2007, raising nearly Rs 2 lakh cr mark. What are your expectations of 2026?

A) The IPO cycle should remain strong in 2026, with 152 companies seeking to raise over ₹2.55 lakh crore. The pipeline includes marquee listings such as Reliance Jio, **NSF**, and Flipkart.

However, with average listing gains of just 9.4% in late 2025, investors are likely to be more valuation-conscious going forward.

### Q) What were your big learnings from the year 2025 you would want to share with readers?

A) The most prominent insight from 2025 revolves around the indispensable role of disciplined asset allocation and genuine diversification. Portfolios heavily tilted towards Midcaps, Smallcaps, and Microcaps suffered deep drawdowns and prolonged under-performance, even as the benchmark Nifty 50 traded close to lifetime highs.

On the other hand, thoughtfully diversified approaches across multiple asset classes excelled: Gold and Silver generated considerable gains amid lingering uncertainties, complemented by the stability and returns from Large-cap and benchmark-oriented Equities.

This experience reaffirms a fundamental rule—avoiding excessive concentration in any one segment, whether asset class or market-cap category, is vital for managing volatility and unlocking sustainable wealth creation.

A few key occurrences in the year that had significant impact were:

1. DII flows (SIPs crossing ₹28,000 crore/month) successfully offset heavy FII selling ₹2 lakh crore.
2. DII ownership in **NSE**-listed companies hit a record 18.26%, while FPI ownership fell to a 13-year low (16.7%).
3. Earnings visibility and valuations matter more than narratives.
4. India remains exposed to global policy and currency shifts.

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### Q) What will be the big triggers for equity markets in 2026?

A) 1. Earnings recovery trajectory (Nifty-50 earnings CAGR of -15–16% in FV27). 2. Evolution of Global trade dynamics, especially US-India relations and energy price stability.

3. Inflation trends and central bank rate-cut cycles globally and domestically.

### Q) If someone plans to invest, say Rs 10 lakh in 2026 – what should be the ideal asset allocation for someone who is in the age bracket of 30-40 years?

A) As individuals in the 30-40 age bracket generally exhibit a longer investment horizon, allowing for a growth-oriented strategy tempered with prudence towards capital preservation. A balanced asset allocation strategy, for a moderate-to-high risk appetite might comprise:

- Equity (60%): Diversified across Large-cap (40%) and Mid-cap (20%) through Mutual Funds or Direct Equities or sectoral Equity ETFs that target stronger-performing sectors
- Debt (20%): High-quality Corporate Bond funds or Government Bond funds
- Precious Metals (10%): Allocation via Sovereign Gold Bonds (SGBs) or **Silver ETFs** as a portfolio hedge, providing diversification and potential benefits from a revival in industrial demand
- Cash/Liquid (10%): To maintain liquidity to benefit from a downturn during volatile markets

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