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Daily Voice: Ankur Jhaveri flags caution as Iran tensions risk global spillovers, urges focus on strong domestic stories

FII flows will be vulnerable to these developments like geopolitical tensions, which means EMs markets could see further pressure in short term, said Ankur Jhaveri of JM Financial.

SUNIL SHANKAR MATKAR | MARCH 02, 2026

Ankur Jhaveri is the MD & CEO - Institutional Equities at JM Financial Institutional Securities

AI Powered Summary

- Any action by Iran can lead to further escalations and global tensions
- EMs markets could see further pressure in short term
- Advising clients to prioritize investments into strong domestic stories and stay cautious

After US-Israel launching attack on Iran, Ankur Jhaveri, the MD & CEO - Institutional Equities at JM Financial Institutional Securities believes that the situation is fluid and any action by Iran can lead to further escalations and global tensions.

He is advising clients to prioritize investments into strong domestic stories and stay cautious. Capital will look for safe heavens and sentiments will favour risk off, he said in an interview to Moneycontrol.

According to him, FII flows will be vulnerable to these developments, which means EMs markets could see further pressure in short term. Sustained, structural flows will be catalysed by de-escalations of current global tensions and revival in corporate earnings at large.

Do you think the geopolitical tensions between the US and Iran are likely to escalate further?

US-Iran conflict is now a 'high-stakes' geopolitical standoff. Coordinated strike by Israel and US has successfully resulted into death of Iran leader Ali Khamenei. Iran's retaliation and possible closure of Strait of Hormoz could lead to major disruption in Oil trade, impacting world economies. All efforts will be made by global leaders to salvage the situation and at the same time be aware of all possible outcomes.

We believe that the situation is fluid and any action by Iran can lead to further escalations and global tensions. We are advising our clients to prioritize investments into strong domestic stories and stay cautious. Capital will look for safe heavens and sentiments will favour risk off.

Are you confident that net FII flows will turn positive this year despite global concerns?

FII flows will be vulnerable to these developments, which means EMs markets could see further pressure in short term. In medium to long run we believe FIIs will chase growth with well supported macro-economic indicators.

India-US trade deal, which successfully rationalised effective tariffs from a prohibitive 50% down to a competitive 18%, has eliminated the single largest overhang on our markets. While the US Supreme Court's recent move to curb 'tariff weaponization', signals a return to institutional stability that favours emerging markets like India. Sustained, structural flows will be catalysed by de-escalations of current global tensions and revival in corporate earnings at large.

What are the other major challenges facing the equity markets that could keep them in a consolidative phase?

The equity markets are currently in a necessary and healthy consolidation phase. It ensures that markets have enough time wherein compounding of earnings take place without significant multiple expansion thus offering better entry points and attractive valuations. The primary challenge is not the consolidation phase but moderated earnings which are compounding at much slower pace than expected. The market is now looking through the current cycle toward an anticipated 15.7% earnings surge in FY27. If earnings pick up, we will witness Nifty breaking out from the consolidation zone giving room for multiple expansion.

Is tariff-related uncertainty likely to persist for the long term, even after the Supreme Court verdict and amid President Trump's warning?

The US Supreme court's judgement made it clear that tariffs will no longer be weaponised, prima facie the court ruling is positive for the Emerging markets including India. However, President Trump was quick in invoking section 122 to impose a 15% tariff, positioning it as an immediate substitute for the invalidated existing duties.
Although the newly imposed tariffs have already been challenged on technical grounds, President Trump is signalling that tariffs are here to stay. We believe that tariff related uncertainly is short lived and, in most cases, already well adopted. As we approach mid-term elections in November 2026 amidst Trump's dwindling popularity, policy uncertainty in the US is expected to remain elevated and thus the market volatility.

Do you expect FY27 to be a strong year for the economy and corporate earnings despite weak global cues?

We anticipate FY27 to be a defining year for the Indian economy, characterized by resilient structural decoupling from global headwinds. Our conviction is anchored in a projected real GDP growth of around 7%, further amplified by a robust 10.5% nominal GDP trajectory. Corporates need to navigate the inflationary environment by protecting their bottom line.

The Government's commitment to fiscal prudence, targeting a 4.3% deficit, is being executed without compromising on growth; the record Rs 12.22 lakh crore capex allocation (3.1% of GDP) provides a massive multiplier effect. With Nifty earnings growth conservatively pegged at 12-16%, it is clear that the corporate sector has already navigated the worst of the global volatility.

By prioritizing high-quality public asset creation and maintaining a well-capitalized financial sector, India is not just participating in a recovery, it is leading a sustainable, high-velocity growth cycle.

Are you bullish on credit growth and consumer-led growth stories for portfolios?

We view the current domestic landscape not merely with optimism, but with a high degree of strategic conviction. Credit growth is currently growing at a healthy pace of 13.8% in January 2025, largely led by unsecured space. While we are witnessing pick up in credit cycle unfortunately it hasn't translated into equivalent consumer demand yet. This widening dichotomy is worrying and leading to excess leverage.

Aspirational discretionary demand seems to be picking up and we are bullish on that space in particular. Premiumisation is key theme across discretionary consumption segments and that is helping improve margins and scale.

Do you believe IT and FMCG stocks are essential for the market to break out of its consolidation range and sustain an upward trajectory toward new highs?

While IT and FMCG traditionally command significant index weighting, we believe the next leg of the market's rally will be driven by a distinct sectoral rotation rather than a broad-based recovery in these legacy heavyweights. Our stance on IT remains strategically underweight; the sector is currently navigating a complex structural repricing, evidenced by a 22% decline over the past year. This reflects broader market concerns regarding the 'AI disruption' of traditional services and valuations that, despite the correction, remain elevated relative to pre-pandemic norms.

In FMCG we don't see many pockets of value, given they are fairly priced and in few cases even expensive. We see a much more compelling opportunity in the BFSI. With credit growth surging at 13.8% and the regulatory landscape maturing, the Financial sector, both lending and non-lending, is perfectly coiled to take the lead.

What kind of investment opportunities could emerge from here, especially with the continued progress in AI?

We view Artificial Intelligence as a generational structural force that is fundamentally rewriting the investment playbook across the Indian landscape. The opportunity set is vast, but we are specifically focused on the 'Physical Layer' of this revolution. India is moving from design leadership to manufacturing scale, positioning the hardware and semiconductor vertical as a high-conviction play.

Simultaneously, we are witnessing a massive 'land grab' in AI-ready data centres, where capacity is projected to surge from 1.5 GW to over 8 GW by 2030. This expansion triggers a powerful proxy play in the Power and Utilities sector, as AI-optimized facilities demand 10-15x the energy of traditional racks.

Beyond infrastructure, we anticipate a significant 'Bottom-Line' expansion across Financials and Manufacturing as AI-driven productivity gains, begin to reflect in corporate margins. By investing in these critical enablers from specialized cooling fluids and renewable energy grids to AI-first manufacturing hubs, we are on our way to capture the full-stack value of a sovereign AI ecosystem that is set to add $1.7 trillion to the domestic economy by 2035.

Do you believe Indian IT companies are facing significant structural risks, or is the current AI disruption-led decline merely a normal phase of price discovery?

AI scare trade is taking global markets by storm. Tested use cases have demonstrated productivity gains while many are still under testing phase. Extent of the disruption is uncertain, theoretical and in flux. Importantly, markets are still digesting the trend, leading to a pocket of over-reaction. The IT index is down ~20% in last one month, markets don't like uncertainty and hence the negative reaction.

Our sense is that price discovery will happen over the course with an anchor that stands outs, driving valuations and leadership in this space. We remain constructive on the IT sector expecting them to play a role in the on-going AI revolution, but as of now we would avoid going overweight on the sector.