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Nifty, Sensex hit new lifetime highs: Avoid 'FOMO buying', let market breadth improve, experts advise investors| Report

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Article Content:

Indian stock markets hit fresh lifetime highs on November 27 after 14 months but analysts have advised investors to not be euphoric and exercise restraint.

Nifty 50 gained more than 105 points (over 0.4 percent) to its new record high level of 26,310, breaking its previous record of 26,277 which it had hit in September last year. **Sensex**, meanwhile, gained over 446 points (around 0.5 percent) to cross the 86,000-mark for the first time ever.

Later, the benchmark indices erased some gains by the end of the day. Nifty 50 closed over 10 points (0.04 percent) higher at 26,215.55, while Sensex closed 111 points (0.13 percent) higher at 85,720.38.

What lies ahead?

Analysts attributed strong domestic inflows, optimism over earnings recovery, strong macros and easing valuations as the **key factors** behind Indian stock markets scaling new record highs. However, some caution is warranted after this.

While the undertone remains constructive, some experts estimate only a measured upside from current levels, likely limited to a few percentage points in the near term.

Equity markets have touched fresh lifetime highs, and the mild pullback that followed is a natural and healthy pause rather than a sign of structural weakness, said Naren Agarwal, CEO, Wealth1.

Avoid over-enthusiasm or 'FOMO-buying':

“A large part of the mid-cap and small-cap universe including several sector leaders remains in a corrective or fragile zone despite headline indices hitting all-time highs,” said Prashanth Tapse, Senior VP research analyst at Mehta Equities.

He noted that sustaining the next leg of the rally will depend on a meaningful earnings recovery, stability in global macros, and continued domestic participation.

Tapse urged investors to not fall prey to over-enthusiasm or ‘FOMO buying’, as the rally continues to be narrow. “We advise a selective, quality-focused approach rather than chasing momentum at elevated levels,” he said.

'Another market rally possible by mid-2026 if...'

Siddharth Maurya, Founder & Managing Director at Vibhavangal Anukulakara, said that markets hitting fresh lifetime highs are a good sign, but this moment should be traded as “crossroads”. “We may see another leg up by mid-2026 if corporate earnings continue improving, rate cuts happen as expected, and global macro pressures remain mild,” he said.

The analyst added that against the backdrop of already rich valuations and weak breadth, there is a greater likelihood of a period of consolidation or stock-specific action. He advised investors to remain choosy as strong businesses with healthy cash flows are the best worth holding, while high-valuation, speculative bets may struggle.

"We maintain our positive outlook and recommend continuing a “buy-on-dips” approach unless the index decisively breaks below 25,800. On the upside, we now expect the 26,300–26,500 zone to act as the next resistance. With all key sectors contributing to the move, we advise focusing on stock selection with favourable risk–reward setups, while maintaining a preference for large-cap and large mid-cap names," said Ajit Mishra – SVP, Research, Religare Broking.

Shravan Shetty, Managing Director at Primus Partners, expects the market to gain as the earnings growth of companies is expected to grow at 12-13 percent post moderation this year. "The government reforms announced are expected to help drive this. The relative underperformance of Indian markets as compared to other markets has made the Indian markets more attractive. With interest rates in the US expected to fall, coupled with further reduction in relative P/E due to better earnings, expect markets to gain in the coming year," he said.

What can boost markets further in near-future?

Analysts have suggested key near-term triggers which can boost the stock markets further in the near future. These include RBI rate cut in December, India-US trade deal, Russia-Ukraine peace deal, Fed rate cut and sustained FII inflows.

There will be bouts of volatility, but as long as the macro environment stays steady, the overall direction still looks positive," Maurya earlier said.

“The most important catalyst for the rally will come from strong earnings growth. FY27 is likely to witness above 15% earnings growth. This is a strong fundamental support. A US-India trade deal may happen at any time. Weakness in the AI trade will nudge FIIs to turn buyers in India,” said VK Vijayakumar, Chief Investment Strategist at Geojit Investments Limited.

He advised investors to focus on largecaps and quality midcaps with high growth potential, smallcaps, in general, continue to be overvalued.

"The broader trend still remains constructive, but near-term movements may be dictated by global cues, institutional flows, and policy signals. The ongoing discussions around a potential US–India trade framework are also being watched closely by markets, as any progress there can materially improve export visibility for several sectors, especially IT, pharma, and speciality manufacturing," said Naren Agarwal.

"In the near future, we may see a mix of consolidation and selective outperformance rather than a one-way rally. Valuations in pockets of mid-caps and thematic sectors have run ahead of fundamentals, and some cooling-off is both likely and healthy. Long-term investors should use dips to accumulate high-quality businesses with strong cash flows, reasonable valuations, and clear earnings visibility. The market may continue to make new highs, but the leadership will keep rotating, rewarding disciplined and sector-aware allocation," he added.

Bajaj Broking remained positive, saying that it expects Nifty 50 to maintain overall positive bias and gradually head towards 26,500 and then towards 26,800 levels in the coming weeks. "The two-month uptrend has remained well within a rising channel, indicating sustained demand even at higher levels and reinforcing the positive bias for the index. The channel’s upper band also aligns near the 26,800 marks," it said.

"The overall sentiment remains positive till NIfty 50 is trading above 25800-26000 level even as some caution is visible at higher levels due to intermittent profit booking near 25250. Going ahead, the market is likely to stay volatile with an upward bias. Short-term corrections should be viewed as healthy and could present opportunities, provided the index continues to hold above crucial support zones," said Ravi Singh, Chief Research Officer from Master Capital Services.