



Sensex (0.01%) 83462.30 <b>+ 11.34</b>	Nifty (0.02%) 25731.50 <b>+ 6.10</b>	Nifty Midcap (0.24%) 60023.30 <b>+ 141.60</b>	Nifty Smallcap (0.36%) 8436.70 <b>+ 30.40</b>	Nifty Bank (0.28%) 61342.50 <b>+ 168.50</b>	Nifty IT (-1.60%) 32545.70 <b>-529.35</b>	<a href="#">Heatmap</a>
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## PSBs, defence, pharma, capital goods: Analysts pick sectors to invest in

Global headwinds dragged the Sensex and Nifty indices nearly 8 per cent from record high levels in 2026. Analysts think worst is over; suggest staggered buying in banking, auto, defence and pharma



Analysts suggest sectors and investment strategy after recent stock market correction

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**Where to invest in stock markets now:** Indian equity markets have seen a painful start to calendar year 2026 (CY26), with investors grappling with heightened volatility and subdued returns.

Stretched valuations amid muted earnings growth, lack of clarity on [US-India trade deal](#), depreciation of the Indian rupee, and a [rout in technology stocks](#) dented investors' risk appetite in recent months, analysts said. They believe that the worst is behind the markets, and suggest investors gradually start deploying cash in quality stocks across banking, auto, defence, and pharma sectors.

"Despite limited near-term (upside) triggers, investors should gradually, not aggressively, begin deploying cash. While global risks have not fully eased, a large part of the negativity is already priced-in," said Somil Mehta, head of retail research at Mirae Asset ShareKhan. Valuations, he added, have cooled off in several pockets, making staggered investing a sensible strategy for long-term investors.

### The sharp drawdown

The [BSE Sensex](#) touched a low of 79,899.42 on February 1, 2026, dropping 7.3 per cent (6,259.58 points) from its record high level of 86,159 (seen on December 1, 2025). The [NSE Nifty50 index](#), too, tumbled 6.8 per cent from its lifetime high of 26,373 levels hit on January 5 this year, Bloomberg data shows.

The pain was even more severe in the broader market where the [Nifty MidCap](#), and the [Nifty SmallCap indices](#) fell 8.8 per cent to 18.15 per cent from their peaks, data shows.

Notably, the BSE Sensex index has recovered 3.2 per cent from its recent lows, while the Nifty50 has bounced 3.5 per cent till Tuesday. In the broader market space, the Nifty MidCap index is 7 per cent off lows, while the Nifty SmallCap is up 4.8 per cent.

"With the Indian currency having devalued by nearly 10 per cent in the last 18 months, the Indian markets have started looking attractive for foreign institutional investors (FIIs). INR may stay stable in the immediate future as depicted in the real effective exchange rate (REER) of 97.8, which implies the rupee is undervalued. Robust forex reserve of \$717 billion (as of February 6, 2026), along with India-US trade deal, and decent third quarter earnings of India Inc suggest the worst is behind us," highlighted Vinay Jaising, chief investment officer and head of equity advisory at ASK Private Wealth.

Given this, sitting entirely on cash may not be the best strategy, analysts said, advising investors to keep adding funds incrementally and build positions in a staggered manner.

"The progress on bilateral trade agreements between India-US and India-EU could be a significant re-rating catalyst for several segments of the market. Q3 results, too, have been fairly encouraging, with many companies delivering in-line or better than expected numbers. While global uncertainties remain, the risk reward at current levels is becoming increasingly favourable for investors who are willing to take a 12 to 18 month view," said Prabhakar Kudva, director and principal officer - Portfolio Management Service, Samvitti Capital.

### Where to invest?

Kudva said stocks below the top 250 market cap saw the sharpest correction, leaving valuations more reasonable after the recent drawdown.

"Investors can look at sectors and themes that are direct beneficiaries of the trade deals, as improved trade terms can meaningfully boost revenue and margin profiles for related companies," he said.

Somil Mehta of Mirae Asset ShareKhan, on the contrary, prefers large-caps and select mid-caps, while staying wary of small-caps. He is positive on defence, infrastructure, capital goods, PSU banks, power, and pharma sectors as these sectors are supported by strong policy visibility, long-term government spending, and improving balance sheets.

For Kashyap Javeri, fund manager and head of research at Emkay Investment Manager, auto and auto ancillaries, capital goods, and CDMO and CMO-based pharma companies may emerge as clear winners going ahead.

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