

THE ECONOMIC TIMES

BROKERS HIGHLIGHT SHARP RISE IN SPECULATIVE TRADE

Wary retail investors don't fall for feel-good rally, yet

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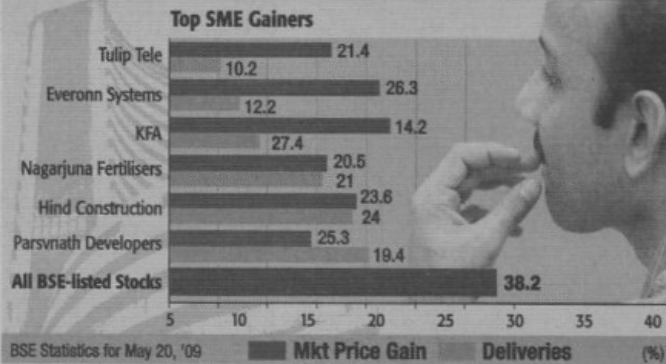
THE Congress-led UPA coalition's triumph in the recent general elections may have lifted the morale of investors and fired up stock prices in the past three trading sessions. But if market observers are to be believed, retail investors are not making a beeline for their brokers' offices, at least not yet.

On the contrary, the hyper volatility in stock prices triggered by recent political events could make these investors even more wary about investing in equities anytime soon.

When stock prices collapsed in early 2008, it not only wiped out paper profits, but also, in many cases, shaved off a substantial portion of the principal amount of most retail investors.

Brokers say that investors would wait for the market to stabilise, and look for some encouraging signs in the economy

WAIT 'N' WATCH



and corporate earnings, before taking the plunge.

On Wednesday, the main indices ended lower after witnessing some sharp intra-day swings. However, there was good demand for mid- and small-cap stocks, with the BSE Midcap and BSE Smallcap indices jumping 6% and 9%, respectively. Brokers, however, find it difficult to predict any revival of retail inter-

est simply on the basis of a few days' trading pattern.

"There is no major change in the pre- and post-elections scenario, so far as retail participation is concerned. Though UPA's return to power is expected to bring political stability and speed up the reform process, it is too early to say if retail interest is picking up," said Kotak Securities executive director (retail eq-

uity) D Kannan.

Brokers have taken a cautious view of the sudden frenzy in second-rung stocks on Wednesday. To some extent, retail participation would have been responsible for the surge in prices. But they point out that there has been a sharp rise in speculative activity as well.

Speculative interest was also reflected in the low percentage of delivery-based volumes

in some of the top gainers. For instance, mid-cap stock Tulip Telecom spurted 21.4% to Rs 766 on Wednesday, with the counter seeing delivery-based volumes of only 10% against the overall delivery percentage of 38.2% for all BSE-listed stocks. Similarly, small-cap stock Everonn Systems, which shot up 26% to Rs 245, saw delivery-based volumes of only 12%.