

Business Standard - Money & Markets

Market players expect bear hug to continue

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Sideways movement, lower volumes and listless environment," that is how Edelweiss Chairman Rashesh Shah sums up the expectations of leading market players for the new year.

Shah isn't alone. Motilal Oswal Securities' Managing Director Raamdeo Agrawal feels the December quarter results will depress markets a bit more. After that, they will enter a consolidation phase.

The main reason for this, says Enam Group Chairman Vallabh Bhansali, is the complete loss of faith in the financial system globally. And restoring confidence might take a bit longer time than usual.

Most expect the Bombay Stock Exchange Sensitive Index to remain range-bound between 7,500 and 12,500 next year

A Morgan Stanley report said, "The bear market is likely to continue in 2009, depending on how issues pan out in the year. The Sensex could move in a wide range in the coming 12 months. The fair estimate is seen at 9,182 points for December 2009."

The report added that in a bearish market, the index could drop another 31 per cent to 6,355. A bullish sentiment may take it higher by 54 per cent to 14,225. The probability of a bull run is slim at 10 per cent.

Amit Khurana, who heads the equity desk of Collin Stewart's in India, said, "Any significant upward movement in banking sector stocks in 2009 may be the first signal for market revival."

Khurana, however, believes that the market may re-test the October 2008 Sensex low of 7,697 in the near future as earnings of leading corporates, both in India and the US, dip further. "The next two quarters are going to be difficult for a lot of corporates as earnings are likely to fall. Also, for many others, these two quarters would be the time for survival."

There are, however, some who feel things could improve after the general election, but no rally will stretch beyond 15,000.

K R Choksey Shares and Securities' MD Deven Chok-

sey said there were a lot of uncertainty on policy issues, which might be solved only after a new government was in place. "But one could see markets going up to 14,500 post-elections as the rupee too is likely to stabilise and recover from its low," he said.

Tata Asset Management Company MD Ved Prakash Chaturvedi also said that things might improve in the second half as interest rates would start falling with the large amount of liquidity being injected into the global financial system. As a result, this liquidity would move into equities.

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The sectors that look good in the new year are banking, infrastructure, pharma and FMCG.

Amitabh Chakraborty, head of Religare Securities, said, "We are overweight on those banks which have not been aggressive on loan books in the past six months as their non-performing asset (NPA) vulnerability would grow further. On infrastructure, we are confident on companies with government order books as, in 2009, we believe that the government would be a big spender. Some of the pharma and FMCG sector stocks have been included for a defensive portfolio, but the weightage of these stocks is quite less."

The price-earnings (P/E) ratio of the Sensex fell in line with the market from around 28 in January to about 12 times at the end of the year. Putting out an earnings estimate for the Sensex in 2009 in the given circumstances, Kotak Securities' Narayan S A said, "The Sensex could trade in the P/E multiple range of 12 to 13."

However, after the initial six months, things could get better on the back of several important developments. Ved Prakash Chaturvedi, MD, Tata Asset Management Company, feels that in the second half, the global outlook for emerging markets like India and China will be bright because there will be this realisation that Western economies are in recession. This will lead to some cheer for the emerging markets.

The effect of lower interest rates and fiscal stimulus package should start showing some positive results and there could be positive growth in the earnings in the September and December quarters.

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RAAMDEO AGRAWAL
MD, Motilal Oswal Securities

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VALLABH BHANSALI
Chairman, Enam Group

