

'Retail investors should take longer-term bets'

With the markets expected to move in a narrow band in the near term, DIPEN SHAH, senior vice-president (private client group research), Kotak Securities, tells Puneet Wadhwa that if the reforms process starts and commodity prices come down, the fundamentals will improve significantly. Edited excerpts:

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MARKET VOICE

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How do you see the markets panning out in the near-to-medium term? What are the likely triggers for an upside/downside?

In the near term, we can expect a muted performance from the markets, as crude/commodity prices are not coming down and major reforms will be taken up in the monsoon session.

Over the medium term, we expect reforms to start and commodity prices are likely to ease, which should bode well from the inflation/interest rate perspective. We also believe valuations based on FY12 numbers are reasonable.

Which sectors are likely to do well in the next six months?

We are positive on sectors such as information technology, capital goods, infrastructure and banking. We are assuming the above-mentioned positives to come about.

What is your advice to retail investors in the current market scenario?

Retail investors should try and take slightly longer term bets as compared to trading nets in these uncertain times. One should identify and accumulate fundamentally sound stocks with good management.

Do you feel this is a "sell on rallies" market?

We expect the markets to move in a narrow band in the near term and are optimistic from a medium-term perspective.

We will not recommend selling on rallies unless the underlying fundamentals have not changed from what they are currently. If the reforms process starts and commodity prices come off, the fundamentals will improve significantly.

On the other hand, if stock prices come off in line with the fall in commodity prices (because of withdrawal of global liquidity), it will be an opportunity to "buy on declines".

Do you expect consumer discretionary spending to slow down in the medium

term, given high inflation and interest rates?

With rising income levels, these spends are likely to continue. However, there can be a slowdown on the back of a high base. High interest rates may also impact these spends, we reckon.

Do you believe there will be a third round of quantitative easing? If so, what is the likely impact on the Indian markets?

We are no experts at predicting whether there will be a third round of quantitative easing (QE3) or not. However, if there is further easing, it may lead to an across-the-board surge in asset prices, which will be unhealthy from the long-term view, as there will be greater pain when the liquidity starts being withdrawn.