



Equity Outlook

Wishing all of you a Happy Diwali and a Happy new year !!!

We make an attempt to crystal gaze the stock markets. Firstly we see a paradigm shift in the asset allocation for the average Indian Investor. Excess fund flow is getting diverted from asset class of Gold, Real Estate and Fixed Income towards Equities. Given an improved global economic environment – Gold as an asset class is unlikely to interest buyers.

In Real Estate – the inventory backlog with investors is multiple times that reported by the developers. This will keep real estate prices in check over medium term. Clearly Real Estate is not attracting fund allocation from the investors. On Fixed Income – the tone is set by the RBI governor for southward journey of interest rates and hence Investors will limit their excess funds towards Fixed Income. In the medium term we see a deluge of funds getting diverted from alternate asset towards equity. The non institutional - free float in the Top 500 Cos is a mere Rs 15.6 Lakh cr, in comparison M3 (Supply of Money in the country) supply is at Rs 110 Lakh Cr. A nominal shift in allocation of Money Supply towards equities can give scarcity premium to the free float currently available.

A simple economic theory can make us understand that if Demand for stock will be more than supply price can only go up. We believe this will be trend in the Indian Equities from this Diwali, this builds our optimism. Most of the macro economic data are moving in the positive trajectory. An improvement in the count in Rajya Sabha will propel reforms from the Govt. side. An eventual country rating upgrade will permit Endowment Funds, currently on sidelines, to invest in India. It will be eventful year for equities with events like FED raising rates, Easing liquidity from ECB, China, Japan, Falling interest rates in India, Improvement in Corporate profitability & policy implementation by Government. Our strategy will be to have bottoms up approach & focus on quality companies at modest valuation.

Wishes for Happy Investing !!!.

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