Markets in a "not-too-hot, not-too-cold" phase

The markets are galloping and how. In a mere 10 weeks after scaling 30000, the Sensex has crossed two more millennial peaks, going beyond 32000, while the Nifty has scaled Mount 10K. Plainly, the bulls are roaring. For the common investor to get lost in the stampede would be quite risky. Yet, to wait for a correction will make you lose more money than a real correction, says ***Kunj Bansal, ED & CIO – Equity, Centrum Wealth****. He made a presentation on the importance of equity at the* ***Private Wealth Management Summit 2017*** *in Mumbai. In an exclusive interview to* ***S Vijaykrishnan*** *post the summit, Bansal shares some investment mantras for the common investor.* ***Excerpts:***

In your presentation, you had mentioned that investors lose more money waiting for a correction than in an actual one. But with the markets swinging up and down even in the past few days, how should a common investor spot an entry point?

Yes, inaction by waiting for a correction would turn the investor into a spectator who is watching from the sidelines. One example can be seen in the run up in Indian equities that started as 2017 was born, after the volatility that seen in 2016. The entry point for an investor should hence be based on their own return expectation and investment horizon. This depends on the investor's circle of influence. As far as markets go, there is adequate evidence that equities have comprehensively beaten any other asset class over a five-year period. Look at the minimum holding required for any savings or investment vehicle in India; they all have a minimum of 3-5 year lock-ins. So why not look at equity returns over the next five years? If one is looking for a real rate of return (net of inflation and taxes) then equities, despite the perceived risks, emerge as the preferred choice, irrespective of what levels they are at.

IF ONE IS LOOKING FOR A REAL RATE OF RETURN (NET OF INFLATION AND TAXES) THEN EQUITIES, DESPITE THE PERCEIVED RISKS, EMERGE AS THE PREFERRED CHOICE, IRRESPECTIVE OF WHAT LEVELS THEY ARE AT

On a historical basis, you mentioned that the Nifty 50 has offered only a 6% return in the past two-and-a-half years. Could you kindly elaborate on this?

This was in context of the Nifty 50; if one looks at the peak of 2015 to the recent highs, this is roughly the index point-to-point addition.

The perception on the street is that the stock market has priced in most events and their impact, including the GST; (possible) rate hikes by the US Fed and the RBI's moves on resolving the NPA issue. Would you agree? If not, what are the risks that the markets face in the near to medium term?

Inarguably, the past two years have seen far-reaching policy events coming through on the domestic front - demonetisation, RERA, asset clean-up in public-sector banks and tax reforms. We had not seen this level of action in the past twenty years. These steps have tried to address structural issues, which had taken roots in the economy over time. Hence, all the positives may not possibly be factored into a short market reaction. Further, the macros have also improved on every front, be it fiscal deficit management or inflation. Possibly, given the sharpness of the recent run-up, one can say that a part of what you mention may have been factored in and we are in a "not too hot, not too cold" phase. My sense is that the knock-on effects of these reform actions are yet to unfold and we would only know over time.

Are there any particular sectors that you would term a safe bet for retail at this juncture, from a long-term (7-10 year) perspective?

One can look at the themes which are set to play out over this timeframe. Consumer-facing companies stand out and they offer a broad universe so - financial services, automobile and non-discretionary consumption come under this category. Pharmaceuticals and healthcare could also benefit given the possibility of revival from export markets and the potential of the domestic market where challenges have been abating. Another theme which enjoys the catalyst of government focus is building materials. This sector stands to benefit from the thrust on affordable housing; smart cities and 'Housing for All' scheme and could be very interesting going forward.

SHARP RUN-UPS OR CORRECTIONS COULD BE VIEWED AS A CHANCE TO EVALUATE AND RE-BALANCE SKEWED ALLOCATIONS AND MAKE INVESTMENT RETURNS MORE REWARDING

'Patient investing' is seen as one of the defining characteristics for successful investors. From a retail investor's point of view, what is an ideal timeframe for which they should remain patient?

The investor has plenty of options available, one needs to take a relative view and see how long one is willing to stay invested in equities versus the other options that are available.

A last piece of advice for investors.

I think the investor at large has evolved a lot over the last ten years and is reflected in the mutual fund SIP numbers coming of age and crossing the Rs 3,000 crore/month mark. Still, investors should be watchful of their asset allocation. Sharp run-ups or corrections could be viewed as a chance to evaluate and re-balance skewed allocations and make investment returns more rewarding.

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