

Daily Voice | This advisory research expert believes markets not overvalued at this point

Dollar index has given breakout above 104 levels and sustaining above it. After recent correction, it is again seeing momentum and can move towards 114-115 levels in short to medium term and can possibly head towards 120 in the long term.

SUNIL SHANKAR MATKAR | AUGUST 23, 2022 / 08:31 AM IST



Ashish Chaturmohta of JM Financial

Ashish Chaturmohta of JM Financial Services believes that the markets are not overvalued at this point, however, the speedy recovery would call for some correction.

The Nifty valuation is now above 16 times forward, which is above its fair value, the Director and Head, Advisory Research at JM Financial says in an interview to Moneycontrol.

A seasoned and proficient market expert with over 15 years of experience in research and advisory agreed that China-Taiwan issue is a major threat but he doesn't expect it likely in the near future.

The reason being, China is currently facing the real estate issues followed by the country's general elections in a couple of months along. However, any positive movement on that side would be very negative for the markets, the chartered accountant says.

Is the equity market looking overvalued now, especially after 18 percent rally from June lows?

RELATED STORIES



Ashish Chaturmohta
DIRECTOR AND HEAD, ADVISORY
RESEARCH | JM FINANCIAL
SERVICES

Markets largely have surprised all by moving sharply from June lows of 15,200 to nearly 18,000 levels by mid-August. The rally has been majorly lead by FII cash buying followed by short covering across stocks.

In the same lines, Nifty valuation is now above 16x forward, i.e above its fair value. The markets are not overvalued at this point, however the speedy recovery would call for some correction.

Is it still the right time to bet on infrastructure, engineering and capital goods space? We have seen significant rally in several stocks, including ABB, Siemens and L&T?

India's private and public expenditure had taken a backseat pre-Covid owing to global slowdown followed by a slowdown in the Indian economy on account of

demonetization and GST. However, post Covid there has been, a new leg of capex across companies as India is set to play a major part of the global supply chain.

In the past, India's economy has performed better than other economies, at the time of capex cycle and hence the same is repeating again. Therefore, this is a cycle which lasts for a couple of years and still there is a long way to go as execution is something that the street would be watchful about.

Do you expect the US Federal Reserve to hike interest rates by 75 bps in September meeting? Also by any chance, do you see the US dollar index marching towards 120 levels in coming months? What are your thoughts?

The US Fed has been tapering their balance sheet by \$95 billion every month along with increase in interest rates. These steps are being taken in the US in spite of recession fears and slowdown in the economy.

Hence we believe, the intensity of increase in rate hike is behind us and we are nearing the end of rate hike cycle. Therefore, we believe that, the rate hike would be 75bps, however the said expectations are already build into. The US dollar has seen tremendous strength against various other currencies owing to global factors and selloff across emerging markets and other global markets.

Dollar index has given breakout above 104 levels and sustaining above it. After recent correction, it is again seeing momentum and can move towards 114-115 levels in short to medium term and can possibly head towards 120 in the long term.

Is it better to buy OEMs or ancillary companies in the automobile space, as we have seen lot of run up in last five months in the space?

We believe a combination of both is suitable as there are multiple moving factors to move a OEM and ancillary companies. These industries are a subject to high input prices, supply chain issues, lacklustre demand etc. Hence, a combination of both would always be ideal.

Do you think another geopolitical developments relating to China-Taiwan can be a major risk for global markets and global trade?

Yes, this is a major threat but it doesn't look likely in the near future. The reason being, China is currently facing the real estate issues followed by China's general election in a couple of months along. However any positive movement on that side would be very negative for the markets.

Even after the 18 percent rally in the market with participation from across sectors, what are the pockets still looking attractive to buy now?

The current rally is more to do with large-cap names and participation has been lower from small-cap and midcap names. Hence, small and midcaps would be expected to perform going ahead.

Disclaimer: The views and investment tips expressed by investment experts on Moneycontrol.com are their own and not those of the website or its management. Moneycontrol.com advises users to check with certified experts before taking any investment decisions.