

ETMarkets Smart Talk: Market@record high! There is merit in adding largecaps to your portfolio in 2024: Satish Ramanathan

By Kshitij Anand, ETMarkets.com • Last Updated: Dec 04, 2023, 09:10:37 AM IST

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Synopsis

Under the current market conditions, FPI flows to Indian markets are expected to remain weak leading to sell off in some of the largecaps. Midcaps continue to do reasonably well and have outperformed large caps even last month. We, however, now see greater merit in adding to large caps, given their stability and strength in the businesses they operate in.



*"We, however, now see greater merit in adding to large caps, given their stability and strength in the businesses they operate in," **Satish Ramanathan**, CIO - Equity, **JM Financial Asset Management**.*

*In an interview with ETMarkets, Ramanathan said: "Our view over the next 12 months is that **growth rates** may decelerate but India will still continue to remain among the fastest growing economies," Edited excerpts:*

We are in the last month of 2023 and Indian equity markets have hit fresh record highs. Where are markets headed?

We are cautious on equity markets as global liquidity is declining at a considerable speed.



The twin actions of the US Fed reducing its balance sheet and raising interest rates are beginning to slow down the US economy albeit unevenly.

Corporate India's **profit growth** has been robust in Q2 FY24, but valuations are stretched in some of the sectors.

Under the current market conditions, **FPI** flows to Indian markets are expected to remain weak leading to sell off in some of the largecaps.

Midcaps continue to do reasonably well and have outperformed large caps even last month. We, however, now see greater merit in adding to large caps, given their stability and strength in the businesses they operate in.

September earnings season is over – what were key highlights according to you?

This earnings season, auto, financials and capital goods, continued to perform well and add to incremental profit growth.

We also saw an improvement in performance in metals and the real estate sectors. The performance highlights were increasing profit focus and lower risk profile of Corporate India.

As we approach the last month of the calendar year – should investors look at rejigging the portfolio and making it ready for 2024?

There is considerable expectation built up in capital goods, railways and defence. There may be some disappointment as the Government shifts focus from capital expenditure to social expenditure closer to elections.

Investors will have to take a consolidated view of their portfolio and shift to a more diversified portfolio.

As we approach the last month of the calendar year – should investors look at rejigging the portfolio and making it ready for 2024?

Our view over the next 12 months is that growth rates may decelerate but India will still continue to remain among the fastest growing economies. We believe that the power sector and materials sectors could benefit from India's manufacturing and infrastructure push.

SIP money created another milestone in October. What are your expectations of where the trend is headed in 2024 – could we see contributions upwards of Rs 20,000 crore next year?

The mutual fund industry has benefitted by creating trust among investors. We believe that equity investment has grown post COVID.

Easier online access and availability of several advisory platforms has helped investors channelise savings into mutual funds.

There has been a trend to increase savings in financial assets over physical assets to help grow the industry.

What does the global setup suggest about FII flows? How do we stack against peers when it comes to valuations?

Higher interest rates in developed economies as also higher fiscal deficits which indicates that flows to emerging market equities may remain low for some more time.

Even as trade becomes more local, so will investments. Foreign Portfolio Investors (FPI) holdings in Indian equities have been declining for some time and are likely to remain depressed for some more time.

Hence, while Indian equities offer interesting opportunities, FPI may not enter until they sense some stability in the global environment.

Word Cup just got over – do you see investing as a game of cricket where a batsman who sticks around makes the most runs? How should one create their team of Virat Kohli's and Mohammad Shami/Bumrah etc?

Investing requires considerable forethought as does sport. The winning strategy in investment is complicated as returns can vary over time and are not just dependent on how long one stays at the crease.

Flexibility and adaptability with conviction are all key attributes that help both in investments and sport.

However, sport is all about winning as outcomes are binary but investing outcomes are multiple and the key objective is to win without losing and taking calculated risks.

(Disclaimer: Recommendations, suggestions, views, and opinions given by experts are their own. These do not represent the views of the Economic Times)

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