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Daily Voice | This CIO expects increase in market volatility on factors like elections in India, US, richer valuations, earnings uncertainty

Satish Ramanathan expects that in 2024, foreign institutional investors (FII) participation will improve, as also domestic institutional investors (DII) interest sustaining.

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Satish Ramanathan is the chief investment officer - equity at JM Financial Asset Management

"We do not expect any significant changes in the interim budget, though the government has many levers such as changing personal income tax and GST rates to improve growth potential of the economy," Satish Ramanathan, chief investment officer (CIO) equity at JM Financial Asset Management says in an interview to Moneycontrol.

On the equity equity markets, "we do expect some increase in volatility in current calendar year on account of several factors - elections in India and US, richer valuations in markets and earnings uncertainty," says Satish, backed by his 30 years of experience across market cycles.

Do you see more headwinds than tailwinds, in coming quarters? If yes, then will it be a volatile equity markets for 2024 after 20 percent rally in the past year?

We do expect some increase in volatility on account of several factors - elections in India and US, richer valuations in markets and earnings uncertainty. We are beginning to witness higher price movements (upwards and downwards) as in the past as there is increased level of anxiety.

Do you expect banking stocks to be at the leading position in terms of returns, and supporting the market in 2024?

India's banking sector has come out of long period of consolidation and clean up of non-performing loans. With corporate balance sheets also improving during this period, demand for corporate credit has been muted and most of the growth has been on the back of consumer credit.

The RBI has increased risk weights on consumer lending in a move perhaps to reduce exposure and volatility. This may impact credit growth in the short term and banks, while attractively valued will perform once credit growth improves in a broad based manner.

Do you see the cyclicals space going to surprise in terms of performance? Do you want to increase exposure to the space?

The recent thrust on infrastructure in the country as also potential increase in corporate capex point to a sustained revival in cyclicals. Some sectors have already factored this in terms of stocks prices while others have not.

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What is your reading on the so far released provisional numbers ahead of December quarter earnings?

The provisional numbers indicate some slowdown in rural India and consumption has been lower than expectations. There has been some revival in two wheelers. IT sector continues to report a sluggish growth, though there is a revival in order booking.

So currently, it is a mixed bag. We anticipate a lower growth momentum than what we witnessed in H1FY24.

Which sectors you would like to buy in case of major market correction in coming weeks or months?

Market corrections are not uniform and we will need to evaluate this as and when the event unfolds.

Do you think the DIIs flow to be much higher than FIIs flow in 2024 too, in the cash segment?

We expect that in 2024, foreign institutional investors (FII) participation will improve, as also domestic institutional investors (DII) interest sustaining. Inflows improving will also be matched by a record amount of capital raise from the domestic companies seeking to list or increase their equity base. So potential market rerating will be more muted than in the past.

What do you expect from the Interim budget ahead of general elections?

We do not expect any significant changes in the interim budget, though the government has many levers such as changing personal income tax and GST rates to improve growth potential of the economy.

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