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'Not taking bold decisions other than tactical allocation'

Markets staged a sharp rally last week after the US Federal Reserve (US Fed) hiked rates as expected. **SATISH RAMANATHAN**, chief investment officer for equity at JM Financial Asset Management, tells **Puneet Wadhwa** in an interview that the firm has increased cash levels marginally across portfolios to ride out the volatility. Edited excerpts:

Are the markets fully discounting the worst as regards the geopolitical conflict and its impact on key commodities?

Markets have somewhat stabilised after the Ukraine conflict, but its ramifications are being felt across several sectors such as energy and fertilisers with a delay. So, the impact will take time to be felt across sectors, and we expect corporate margins to be impacted to some extent.

What is your interpretation of the recent statements by the US Fed? Is there another bond-market scare waiting to happen?

The US Fed action will impact global capital flows to some extent. Emerging markets (EMs), such as India, may not see significant foreign portfolio investor (FPI) inflows. However, with Indian investors saving record amounts in equity assets, the absence of FPIs may not be felt.

As regards the bond scare, as interest rates rise, the volatility in markets will be at a higher level than the past. The Reserve Bank of India (RBI) has not raised rates as yet, but may be compelled to do so. It may not impact equity market sentiment too much as: Savers have limited options in growth assets, and corporate earnings may not be impacted significantly due to the recent pay down of debt. A sharp increase in US Fed rates in the future, however, could create some volatility in asset prices.

Have you increased exposure to any sectors in the recent



market fall?

The Russian invasion of Ukraine seems to be more long-drawn-out than expected. This could have

long-term implications on precious metals, coal and food and fertiliser prices. We are not taking any bold decisions other than some tactical allocation. We continue to maintain the bulk of our portfolio in US-centric businesses

such as information technology (IT) and domestic businesses such as finance, consumer and infrastructure. We have increased cash levels marginally, but our philosophy is not to keep a very high level of cash.

What are your financial year 2022-23 (FY23) earnings estimates for India Inc?

In general, we expect FY23 to be a

period of consolidation, with margins stabilising after the peak margins in FY21 and a decline in FY22.

What's your advice to investors at the current juncture?

This phase of volatility will continue for some time from a global perspective. However, India is poised to have a decent post-Covid recovery in manufacturing and services. Apart from the US Fed's action, many negatives have already impacted the market — higher crude oil prices, FPI selling and inflationary risks. We sense that growth will be lower than expectations, and markets may be disappointed due to that. That apart, India is in a good place from a corporate earnings perspective. We suggest investors maintain a disciplined approach in building their portfolios with adequate diversification across asset classes to ride out this phase.



SATISH RAMANATHAN
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