

# China markets face secular slowdown, if not a collapse, D-Street moving in right direction: Vikas Gupta, Arthveda Fund Mgmt

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*Chinese equity markets will draw attention because of the sheer size. It has now crossed a market capitalisation of \$10 trillion, becoming nearly half that of the US, says Vikas Gupta, Executive Vice-President & Fund Manager, Arthveda Fund Management Pvt Ltd in an exclusive interview with Kshitij Anand of EconomicTimes.com.*



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**ET.Com: Despite sharp pullbacks, Indian market always manages to find heavy supply at higher levels. The consensus call is that there are problems - structural and cyclical? How do you see the India story amid Greek woes and uncertainty around US Fed rate hike?**

**Vikas Gupta:** India is moving in the right direction. Despite all the problems which are definitely lesser than where they were one year back, India remains one of the few large countries in the world growing at such high rates.

Imagine a country which despite all these problems is growing at more than 7% with a government in charge who wants to reduce these problems. Even with all the problems in Rajya Sabha etc, the government will eventually be able to cut through these problems and then what kind of growth rates do we see for India 3-5 years from now?

Greek woes only highlight that whatever problems India faces pale in front of the kind of problems facing Greece, EU and other developed markets.

US Fed rate hike is a given. It is just a matter of how many quarters. When one is talking of bond or stock valuations, which need long-term discount rates, the discount rates are already pricing in an increased rate. So in our opinion, on a relative and absolute basis, India remains one of the best long-term stories.

**ET.Com: India versus China, where are you on this good old comparison? Why is Chinese equity market drawing so much attention?**

**Vikas Gupta:** China has gone through several decades of spectacular debt-and-export fuelled growth, resulting in huge distortions in capital allocation and wastage of investment yuans. It is on the verge of a secular slowdown, if not a collapse.

India, on the other hand, has been stumbling along for the last 7 years with huge opportunities where it could use very basic capital investments in infrastructure and other similar productivity-related investments which could kickstart a new secular growth cycle.

Chinese equity markets will draw attention because of the sheer size. It has now crossed a market capitalisation of \$10 trillion, becoming nearly half that of the US. There can be near-term allocation by momentum players for a short period. However, at a PE of 25, the Chinese markets are not really cheap. Indian margin traders should worry about these things but long-term investors have nothing to worry about China.

**ET.Com: FII's that were the backbone of Indian markets in the calendar 2014 are slowly taking profits off the table. They have already pulled out over Rs 4,700 crore from the Indian capital markets in first two weeks of the month. Do you see the trend continuing? What are the factors which will make them stay?**

**Vikas Gupta:** Some hot money which is based on carry trade could be trying to get out of its positions, since it is becoming visible that the interest rates in developed markets are on the verge of going up with or without US Fed rate hike. However, over the next few years, India will continue attracting more money. When India was growing slowly over the last 7 years, it was still attracting large amounts of FII money. There is no reason for the FIIs to not continue investing when things are only getting better than that.

**ET.Com: Do you think largecaps present a buying opportunity at current levels? If yes, then where can one park funds? Suggest**

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top five **stocks** in which investors can park their funds.

**Vikas Gupta:** Yes, there are several largecap stocks which present a buying opportunity at the current valuation levels. One can look at PSU mineral and mining companies with monopolies and large cash balances. Further, one can look at IT companies and two-wheelers. One should look at companies which are leveraged conservatively.

**ET.Com:** Do you have a Sensex/Nifty target in mind for December 2015 or a 12-month target? Could you tell us what sectors investors should look at over 6-12 months' horizon?

**Vikas Gupta:** Our 12-month target remains above 33000 for Sensex.

**ET.Com:** Any recent trend you have witnessed in market or sectors, or stocks within a sector which you would want to highlight?

**Vikas Gupta:** Now the market is getting more rational and hence some of the "story" and "theme" stocks are losing steam and now the strong balance sheets, strong business models, but low valuations will become more valuable.

**ET.Com:** Gold has come under pressure amid uncertainty around US Federal Reserve rate hike. What is your call on the yellow metal? Should investors book profits or buy on declines? What is your year-end target for Gold?

**Vikas Gupta:** We are not fans of Gold or most commodities as an investment. Commodities have a place in a portfolio from inflation-hedge point of view, but then the position should have been taken about 10 years back, not now.

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