

# 'Rupee may appreciate to 57 against \$ post polls, see Sensex at 30,000 by year-end'

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The market may take some breathers in between; but, overall the trend is likely to continue and [Sensex](#) should head higher towards 28000-30000 and [Nifty](#) to about 8,800-9,200 by FY15-end, says **Dr. Vikas Gupta**, Executive Vice President, [Arthveda Fund Management Pvt Ltd](#), in an exclusive interview with *Kshitij Anand* of [EconomicTimes.com](#).



**Q) Do you think history will repeat itself on May 16th and we might see huge gap up/down move as was seen in 2009/2004 on the benchmark indices reacting to the election results?**

**Dr. Vikas Gupta:** It is possible that the market have already absorbed the impact beforehand. In that case the May 16th market would be positive at opening but might not do a big up move since the positive sentiments might already be priced in by then. Rather, if the actual results throw up even a minor deviation from the expectations, there could be possible [volatility](#).

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**Q) Most exit polls are projecting NDA led government at the Centre. Do you think that May 16 verdict would also be the same and investors should continue with their long positions?**

**Dr. Vikas Gupta:** The most pessimistic projection for NDA is about 250 seats and the most optimistic is about 340, with all the rest clustered around 280. It seems that NDA has a very high likelihood of forming a stable government at the Centre. We have words of advise only for long-term investors and not traders. Yes, investors should hold long positions.

**Q) Even after 12 per cent rise in the Sensex, most analysts expect another monster rally in the markets? What is your year-end target for Sensex and Nifty?**

**Dr. Vikas Gupta:** Yes, the rally should continue for sometime. Of course, the market will take some breathers in between. However, the overall uptrend is likely. Year-end (FY15) target based on current expectations is around 28,000-30,000 for Sensex, and about 8800-9200 for Nifty.

**Q) How should investors approach May 16th, Friday? Sit tight on cash and enter markets post verdict, book profits now or initiate 'sell' on every uptick?**

**Dr. Vikas Gupta:** In ArthVeda's view, either people know what they are doing then they should pick undervalued [stocks](#) or they should not enter the market. They should pick undervalued stocks or invest in strategies, such as, ArthVeda L50 and L10 which are overweight on relatively undervalued stocks and then hold for the long-term. This is NOT an event-based trade that we are recommending.

Investors, who are uncomfortable with all the "action" and "noise", should wait it out and understand what is going on and what is equities investing and the risks involved and then enter. The noise from the brokers and media will subside in a few days and then they can talk to their advisor and enter in a good value-oriented strategy. For people who have stocks in their portfolio which are significantly overvalued can sell those.

**Q) If we do see a NDA forming the government at the Centre are Modi at the centre of things, do you think after the initial pop the markets will top out and further move will depend as to how the new government deploy policies to boost growth etc?**

**Dr. Vikas Gupta:** It is likely that the Modi and BJP/NDA will start throwing a lot of important signals as soon as the results are clear even before a government is formed properly. Post that every few days some announcements should come in. But the market cannot keep going up in one direction continuously every day.

So, with some hiccups the markets are likely to keep going up. Now, keeping a possibility in mind that investors expect a reformist government coming in; but, the government works with a vision of not only investors but other stakeholders (read voters) of the country.

The government will announce a few things which will not be palatable to the investors initially and there will be disappointments until the investors and government get used to each other.

But overall, a positive trend is expected which should continue with government announcements. I don't expect any lull period post-announcements. I think it will be a daily watch and react for the markets.

**Q) How do you see the currency panning out? The rupee has shown considerable strength ahead of the results. Back in 2009, rupee shot nearly 300 paise post-election results; do you think history can repeat this time around also?**

**Dr. Vikas Gupta:** Currency is likely to be stable or appreciating for next few quarters. Yes, a 200-300 bps upmove of rupee cannot be ruled out. This would be the result of the scramble of foreign money trying to get in the Indian markets ASAP.

Overall, FY15 is likely to be a stable to appreciating situation for the rupee. However, once the inflows for investment (FI, FDI, M&A etc.) purposes have settled in then the rupee should depreciate sometime over the next 3 years to be in line with its real valuation based on inflation differentials between the developed economies and India.

Further, the new government might want to encourage exports a lot more than India has done traditionally. This would require depreciating rupee a lot over the mid-term to turn Indian economy into export surplus. The RBI might also share a similar vision.

**Q) After pumping over \$5 billion in equity markets so far in the year 2014, do you think that FIIs are turning cautious ahead of results and the big money is still waiting on the sidelines awaiting clarity on the election results?**

**Dr. Vikas Gupta:** Yes, there is money waiting on the sidelines. I expect that this year if the stable government comes in, the FI inflows should be the highest ever for India, possibly, \$30-\$40 billion or even \$50 billion.

**Q) What all sectors do you think will be a safe bet at this point in time? Give me names of five stocks where investors can park their funds ahead of elections with rationale?**

**Dr. Vikas Gupta:** According to the ArthVeda Alpha methodology, auto sector and IT sector are safe bets given that these sectors are financially very stable with practically zero debt in most companies. Further, the large companies in these sectors are mostly very productive and efficient in use of capital and hence high quality businesses. These are facing temporary problems in terms of near term demand slack and hence are significantly undervalued compared to their intrinsic value.

We think, [Infosys](#), [Wipro](#), [HCL Tech](#) and [Bajaj Auto](#) and Hero are the ones to pick.

**Q) Assocham in its latest report said that El Nino may impact India's GDP by 1.75%. Do you think it will weigh on markets even though we might have a stable government? If El Nino factor does play out - give me five stocks (impacted by El Nino) which still have potential and investors can look at buying them on dips?**

**Dr. Vikas Gupta:** We think the IT stocks are immune to El Nino. The auto stocks above including [Tata Motors](#) and M&M can be looked at positively since it is likely that EL Nino might impact the global commodities markets and spike food prices but might not impact the Indian monsoon, i.e. Indian monsoon might escape the ill effect of El Nino as it did in 1997-98. In that case, the Indian agri-commodities sector will see a positive impact.

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