

The Economic Times

Title : ET MARKET POLL - Sensex Could Gain 10% by Dec

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Sentiment bullish on pro-growth Budget and pragmatic targets: ET poll

Indian markets are poised to firm up over the next few months as investors have given the Union Budget an emphatic thumbs-up for the pro-growth proposals and realistic targets.

The Sensex could gain about 10% by December, a majority of the participants in an ET poll of top fund managers and brokers said. But, the upsides would be led by fewer set of stocks as valuations of most are pricey after the bull rally in the last year or so. Axis Bank, ICICI Bank, L&T, SBI and Tata Motors would outperform the market in 2015, the fund managers and brokers said.

Of the 27 market participants polled, 47% said they expect the Sensex to advance to 32000 to 33000 by December, 16% said they expect the index to rise to 33000-34000 and 26% expected the index to touch a high of 35000. "Markets are relieved and happy that there is less hype and more substance in the Budget," said Nilesh Shah, managing director, Kotak Asset Management.

In the special trading session on Saturday, the Sensex closed at 29361.50, gaining almost 470 points from the day's low in a late surge amid thin volumes. Traders rushed to cover their short positions soon after the initial sell-off post the Budget announcements as word spread that some influential market participants, including a billionaire investor, a Singapore-based fund manager and the managing director of a large domestic brokerage, built bullish bets.

Fund managers and brokers said investors are enthused that the government is aiming to boost investments by spending without causing a dent on its finances.

"Usually, there is a sense of uncertainty and disbelief about the numbers after a Budget. This time, that is not there because of the pragmatic approach of the government to balance growth and fiscal deficit," said A Balasubramanian, chief executive, Birla Sun Life Mutual Fund. A majority of the poll participants remain bullish even in the short term but do not expect a sharp run-up immediately. The Sensex could touch 30000 by May end, said 55% of the participants; the rest said the index could rise to 30000 to 32000.

With the much-awaited Union Budget out of the way, investors will pin hopes on interest rate cuts by Reserve Bank of India and passage of key bills in Parliament, including the land and labour reforms, to drive the markets. (Most market participants and investors do not expect earnings for the March quarter to improve dramatically.) A majority of the poll participants said capital goods, banks and infrastructure stocks would be the top performers in 2015. Oil and gas, metals and real estate stocks would underperform.

Fund managers and brokers said the move to defer the controversial general anti-avoidance rules (GAAR) by two years and making it applicable for future stock market trades would boost foreign investors' confidence in India and ensure continued flows into the country.

"Pushing back GAAR by two more years and making its applicability prospective removes a big irritant for FIIs," said Motilal Oswal, chairman and managing director, Motilal Oswal Financial Services. So far this year, FIIs have invested about ` . 23,700 crore in Indian stocks after pumping . 98,000 crore in 2014. GAAR was introduced in March 2012 by then finance minister Pranab Mukherjee in his Budget speech. But

the ambiguity surrounding some of its provisions spooked foreign institutional investors with several of them threatening to pull out of India as some of the proposals gave the nation's tax authorities power to scrutinise deals that have been structured to mitigate taxes.

Few poll participants see a likely increase in interest rates in the US as a threat to India. While some said the Fed is unlikely to raise rates this year, many felt India would be relatively insulated because of the strong growth prospects. A majority of the poll participants (74%) expect the rupee to remain stable against the dollar in 2015.

Thumbs-up From D-Street

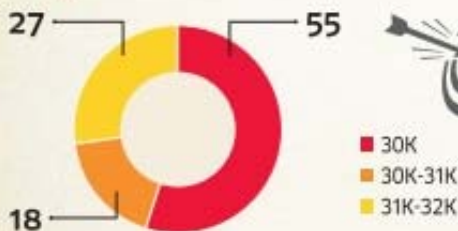
BUDGET RATINGS



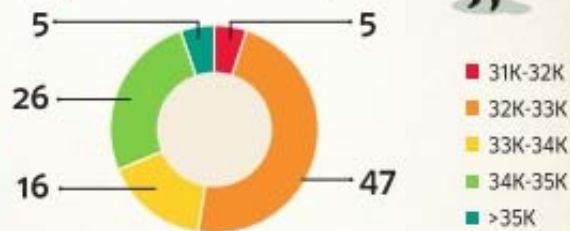
MARKET OUTLOOK OVER THE NEXT ONE MONTH



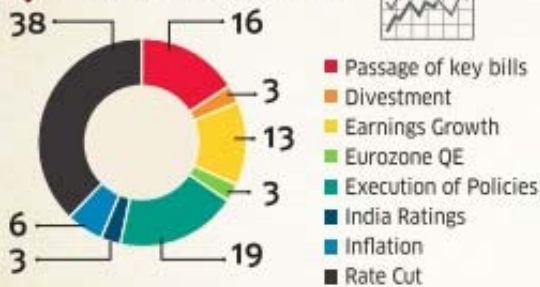
SENSEX TARGET FOR 3 MONTHS



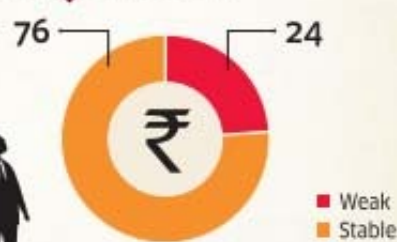
SENSEX TARGET FOR 2015 END



NEXT BIG DRIVERS FOR THE MARKET



OUTLOOK FOR RUPEE



(Figures in %)

MOST FAVOURED SECTORS

- BANKING
- INFRASTRUCTURE
- CAPITAL GOODS

LEAST FAVOURED SECTORS

- OIL & GAS
- METALS
- REAL ESTATE

TOP FIVE STOCKS THAT WILL OUTPERFORM THE MARKET IN 2015

- AXIS BANK
- ICICI BANK
- L&T
- SBI
- TATA MOTORS

The participants of the ET Poll include Ambit, Anand Rathi, Angel Broking, Arthveda Capital, ASK Investment Managers, Bajaj Allianz Life Insurance, Birla Sun Life MF, Bonanza, Centrum, Destimoney, Edelweiss, Federal Bank, Geojit BNP Paribas, HDFC Securities, ICICI Securities, IDBI Mutual Fund, IIFL, India Nivesh, Karvy Stock Broking, K R Choksey, Kotak Securities, Kotak MF, Motilal Oswal, Nirmal Bang, Prabhudas Lilladher, RBS, Religare and Sharekhan