

Robust Economy & Less Leveraged Corporates Keep Growth Story Intact

Investors see India as safe haven

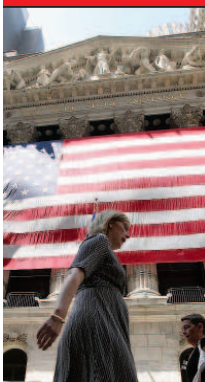
Partha Sinha | TNN

Mumbai: The Indian market showed remarkable resilience on Tuesday and ended just 132 points lower at 16,858 on Tuesday despite a 5.6% fall in the Dow Jones index in the US on Monday. The less than a percentage point closing came on the back of Rs 2,100-crore net selling by FIIs. However, the market was well supported by domestic funds, who net bought stocks worth about Rs 1,400 crore.

The resilience shown by the Indian market comes on the heels of a positive backing of the Indian economy by brokerages. They pointed out several strengths of the Indian economy which include less leveraged corporates, the government's recent endeavours on the policy front, the falling price of crude—the biggest import for India—and the normal progress of the monsoon. Although, no one is saying that Indian investors can forget about the global problems, but they are confident that once the current uncertainties recede, India would surely attract a lot of investor interest.

During the day, global financial major Morgan Stanley, in a report titled 'The world makes India look good', pointed out the strengths of the country and called it a stock-pickers' market. Analysts at Morgan Stanley pointed out that in India, lately the government's policy making process is trying to be back on track, corporate activity, backed by strong balance

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After Dow plunged by 635 pts on Monday, investors expected a bloodbath on Dalal Street. But the sensex recovered from an opening loss of 558 pts to close 132 pts lower. And this was not the first time when the sensex did not mirror the loss on Wall Street. Can we call this decoupling of Indian markets?

Dow

Date	Last close	Change (points)	Change (%)
Sep 29, 08	10,365	-778	-7.0
Oct 15, 08	8,578	-733	-7.9
Dec 01, 08	8,149	-680	-7.7
Oct 09, 08	8,579	-679	-7.3
Aug 8, 11	10,810	-635	-5.6
Oct 22, 08	8,519	-526	-5.8
Aug 04, 11	11,384	-513	-4.3
Oct 7, 08	9,447	-508	-5.1
Sept 15, 08	10,918	-504	-4.4
Nov 5, 08	9,139	-486	-5.1



Sensex

Date	Last close	Change (points)	Change (%)
Sept 30, '08	12,860	265	2.1
Oct 16, '08	10,581	-227	-2.1
Dec 2, '08	8,739	-101	-1.1
Oct 10, '08	10,528	-801	-7.1
Aug 9, '11	16,858	-132	-0.8
Oct 23, '08	9,772	-398	-3.9
Aug 5, '11	17,306	-387	-2.2
Oct 8, '08	11,328	-367	-3.1
Sept 16, '08	13,519	-12	-0.1
Nov 6, '08	9,734	-386	-3.8

Fed decides to keep rates at record low till mid-2013

US stocks slid, extending the market's worst plunge since 2008, and Treasuries rallied after the Federal Reserve pledged for the first time to keep its benchmark interest rate at a record low at least through mid-2013 in a bid to revive the flagging recovery after a worldwide stock rout. Dow Jones was down 0.5% or 49 points at 10,761 at 3.04 EDT (0030 IST on Aug 10). AGENCIES

sheets, was surging and the sowing season is going well, and "this is good news for prospective rural incomes and food inflation." It pointed out that the key problem for corporate earnings in India has been falling margins. In the changed situation, "if global growth falters and commodity prices come off, gross margins, which are close to decade lows, stand to benefit and cushion net earnings," the analysts said.

On the downside, Morgan Stanley pointed out, are factors like weak domestic policy momentum, oil prices, stubborn inflation, high interest rates, slowing growth, and corruption scandals. Brokers also pointed out that falling commodity prices, especially of crude oil, could help ease the currently high inflationary pressure, which in turn could have a soothing effect on the interest rate in the economy. So they feel while we can-

Volatility at record high

Mumbai: As the sensex gyrated about 700 points in Tuesday's trading, NSE's volatility index, a measure of how much the market has been swinging during a session, touched an all-time high of 37 points. On Friday the volatility index on the NSE touched a day high of 26.40, up 30.6% from Thursday's close, in what could be the highest intra-day jump after the Lehman crisis. TNN & AGENCIES

not push aside short-term headwinds but in the medium-term the situation favours India. "While it is not a great idea to go fully contrarian to the market currently because it can further fall sharply, on the medium-term, on a net basis the current situation would pan out to be positive for India," said Naresh Kothari, president & head, equity capital market, Edelweiss Securities.

Another report published

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on Monday, by Indranil Sen Gupta of DSP Merrill Lynch, said that investors would do better by ignoring the current talks about India's "external vulnerabilities", even in the face of global uncertainties, as it believes that RBI has sufficient forex reserves to see off any contagion effect from global uncertainties.

Goldman Sachs upgraded India to a neutral (market-weight) form underweight because it believes that India had made several positive moves on four fronts: macroeconomic management, lower oil prices, valuation and policy reforms.