

Date: Wed, 24 May 2006 04:05:42 -0700 (PDT)
From: "sanjiv mehta" <sanjiv_mehta@yahoo.com>
Subject: Determining future strategy for Indian investments
To: financedoctor1@yahoo.co.in

MAY 24, 2006

Determining future strategy for Indian investments

Why this question?

Whenever something unexpected comes up, this question is bound to arise. While a correction was expected, what was unexpected was the pace and steepness of decline.

Economic fundamentals

Nothing has changed and the consensus opinion is that Indian economic growth will be sustainable at 8 % at least for the next few years, based on consumption, investment and export of services.

Valuation

Because of the correction, valuation is better aligned with earnings.

Timing

Peter Lynch, legendary ex-manager of Fidelity Magellan fund proves with his detailed research and vast experience that stock market movements are spiky and majority of returns come in very few days. Therefore an investor, if the economic fundamentals and valuation are good, should remain invested to take advantage of those ultra profitable days.

Will sellers come back?

Foreign institutional investors- if we look at the recent statements(within the last couple of days) of people who influence FII decisions, those have been very positive. Some examples are :

1 Jeremy Seigel, one of the most influential U.S. capital markets expert has advised North American investors to allocate 40 % to emerging markets, with a significant proportion to India.

2 Stephen Roach, Chief Economist, Morgan Stanley worldwide,- India is very attractive in the long term, although correction and range trading could be there in the short term

3 Professor Shiller, author of Irrational Exuberance, also rates Indian economy and opportunity very highly.

Same sentiments are echoed by various institutional research reports. they are also expecting appreciation of indian rupee in the medium term.

Domestic Mutual Funds- only 3 % of Indian domestic savings is currently in stocks. However, lately more and more of this is coming in the capital markets. Domestic mutual funds are becoming bigger and more influential players in Indian equity markets.

View

Therefore the view remains bullish for the next few years . However, as always, the general principles of investing in stocks should be followed. Those include reasonable time horizon(for the present Indian market, I will say a period of 2-3 years), diversification through good mutual funds and not to be affected by short term volatility.

Future strategy for Indian investments

My expectation will be that of a very good annualized return for Indian investments for the next few years and therefore to have a reasonable Indian allocation in your portfolio so as to enhance the real return of your overall portfolio.

Best wishes,
Dr. Sanjiv Mehta

Do You Yahoo!?

Tired of spam? Yahoo! Mail has the best spam protection around
<http://mail.yahoo.com>