

Date: Thu, 8 Jun 2006 03:45:03 -0700 (PDT)
From: "sanjiv mehta" <sanjiv_mehta@yahoo.com>
Subject: A valley before the next mountain
To: financedoctor1@yahoo.co.in

Ever since this correction started, I have sent numerous messages and stated my view that the economic fundamentals remain very good and the current movements are just a correction, although unexpectedly deep and fast. My consistent recommendation is to ride this phase out, remain invested and participate in the next phase of market uptrend.

Quite a few analysts and investment banks are subscribing to the same view. Here I am reproducing excerpts from a Morgan Stanley article in the Economic Times of June 6, 2006:

'It has been a manic depressive year with lots of exuberance in the early part of the year followed by a still continuing violent correction. Important question is where the market is headed now.

All evidence points to the fact that it is a correction and not a trend reversal. India's P/E ratio of 16 times forward earnings is on the lower side of the range. Corporate balance sheets are in very good health. Corporates are brimming with cash, which they are using to pay down debt.

The most likely scenario is that this will continue to be a decade of emerging markets. However, market trends are not linear in nature. Severe shakeouts punctuate all great bull markets. Investors are likely to find out that emerging market fundamentals have truly changed and are much less susceptible to boom-bust cycles. Once US economic growth rates stabilize, the next leg of the emerging market bull-run will resume.'

Best Wishes,
Dr. Sanjiv Mehta