

## Wall Street debacle- an impetus to global strategic shift?

Dr Sanjiv Mehta | Sep. 16, 2008 | Sensex@ 13140

With Lehman failure and continuing global financial turmoil, all markets including Indian equities are showing a major decline and are likely to be under pressure for some time. However, buried within the stories of grim scenarios there are some interesting statements.

In the Economic Times of Sep.16, 2008, in a story titled 'City bosses look East', Stuart Fraser, policy chairman of the City of London, which is responsible for running London's financial district said "globally and in the medium and long term, nothing changes the fact that economies such as China, India, Brazil and others are growing fast and will need financial services to help them in that growth. These are major medium term opportunities for City of London".

In another story related to lay offs at Lehman and Merrill Lynch, Ambit Holdings, which is an Indian investment banking firm, announced that they had recruited Merrill Lynch's Andrew Holland and his whole team on their equity proprietary team. It also mentions that a host of other Indian investment banking firms are looking at hiring some of the officials from these companies.

Mark Mobius, Executive Chairman of Templeton asset management and who manages about \$40 billion in emerging-market stocks said in an interview to Bloomberg "Bank of America's deal to take over Merrill Lynch and a U.S. pledge not to bail out Lehman indicate that financial markets are near the bottom. The U.S. Federal Reserve's plan to broaden a lending program, is also good news-these people are getting their acts together and making decisions that I think will really help a lot to stabilize financial markets around the world". Mobius also mentioned that he is increasing stakes in emerging-market banks and financial institutions. JP Morgan strategists led by Adrian Mowat have also advised investors to focus on economic fundamentals and areas of good economic growth rather than on the current movement of financial indices.

In my article 'Sensex, Music & Headphones' of June 27, 2008 I had written ' Presently we are in a transitional stage of this global shift of multiple dimensions and transitions could be slow and painful. There has been a lot of debate about economic decoupling and

while it will be fallacious to expect a complete decoupling, Indian growth at 7.5-8% in the face of USA sub par growth will be noticed.

So while staying on the sidelines for any fresh investments will be prudent during this major crisis, from a medium term perspective, attractive buying levels seem to be developing in the Indian markets. Therefore, I will recommend holding on to your existing investments and adopting a systematic investing method for fresh funds.

Principles of appropriate time horizon, diversification and valuation remain sacrosanct as always.

**Dr Sanjiv Mehta is the MD, [Finance Doctor](#), a wealth management company and author of [Winning the Wealth Game: Cricket Strategies for Financial Freedom](#).**