

# 'Corrections have Turned Out to be Best Time for Investing'

Sunil Singhania, chief investment officer - equity at Reliance Mutual Fund, said many global funds have used the current correction in the market as an opportunity to increase their India exposure. Edited excerpts from an interview to ET's **Biswajit Baruah**:

## What is the mood among FIs who have withdrawn \$2.5 billion from Indian markets last month?

India continues to be a destination of high interest for all long-term global investors. August was a very volatile month for global equities, and emerging market funds got hit quite badly because of China. This has led to some redemptions from EM funds and thus there has been corresponding selling in India. There has also been arbitrage unwinding by global funds and this figure includes that also. However, an encouraging trend is that a lot of global funds have used this opportunity to increase their India exposure. I am in New York as I give this interview, there is an increasing interest in investing in country specifics like India rather than EM, which should be very positive for Indian equity markets from a medium- to long-term perspective.

## How much downside can one expect for Indian markets?

The indices have corrected meaningfully over the past couple of months. We are now almost at a 10-year PE average of 15-16x one year forward. Thus the market trades at an attractive level given that Indian macros are the best we have ever seen. Fiscal and current deficits are trending lower, crude is below \$50, inflation is clearly tamed, and it's a question of when rather will interest rates be cut. Our view continues to be positive and we will advise investors to "keep the faith and be positive."

## What is your outlook on growth?

The quality of numbers has been positive and improving. Government spending for the

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## Is the bull market over for now given the recent selloff?

We have done a study of market corrections in India over the last 15 years. Corrections in a structural positive market are the best opportunities to invest. In the past also, whether it is 2004 or 2006 or even 2011 and 2013, we have seen around 10-15% corrections. But they have turned out to be the best periods for investing.

## Is the midcap party over?

A pocket of midcaps were very expensive and a correction in these stocks was a matter of time. However, typically when markets correct, the midcaps and smallcaps tend to correct slightly more. We find that even good midcaps have corrected and it's a great time to invest in them. The uptrend in economy is near and in such situations, smaller companies do grow faster.

## What's your outlook on Fed's rate hike?

The fear of US interest rate hikes has been there for a long time now. There is a 50:50 probability of rates being increased in September. The rate increase in this calendar year is discounted already by the markets. We have seen in the recent past that the market fears for an event for months and then when the event unfolds, the reaction is in fact positive. It happened for fear of fiscal cliff, QE tapering, Greece elections and so on.

## Chinese data continue to hurt sentiments. How should one read these indicators?

It's difficult to analyse China. However a positive fallout of China slowing down is the sharp correction in commodity prices, including oil. Having said that, any further sharp devaluation in the yuan can definitely impact India and we should be monitoring that closely. From a global investor's perspective, the scare of investing in China has increased and that should increase the charm of Indian equities.

## CORRECTION IN MIDCAPS

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first 4 months is up sharply and there are green shoots of growth visible across quite a few industries. It's a matter of time before the GDP numbers start to trend up above 7-7.5%.