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Large-cap stocks are safe in volatile times

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During the last 15 days the market has been in a roller coaster ride with the Nifty 50 index from 10,900 levels making a low of 10,600 to again move back to 10,950 levels. While nothing much has changed in term of the index, there has been a change in the stock price of many companies. The good news is corporate earnings are getting better and companies with good performance are being rewarded and companies that have disappointed in terms of earnings or have corporate governance issues are being punished.

Meanwhile, the Budget has been populist and there wasn't any big disappointment. From an economist's perspective it hasn't been a great one given the uncertainty in GST collections and uncertainty over macro factors. The market will be volatile till general elections.

We have seen huge price destruction, last week, in some companies on corporate governance issues. This shows that street is not willing to buy anything that is available at low valuations, but there are concerns about


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the balance sheet and corporate governance. In the long-run, whichever government comes, nothing much will change the fundamentals for companies with good and clean balance sheet, but in the short term the fear of stable government will drive the market.

We advise retail investors to avoid shopping during these volatile times. If one must invest it is better to stick with large-cap stocks. Market will continue to give great entry and exit to traders who are willing to buy at dips and sell at rally. Private banks, IT and select pharma looks good for trading and one can buy on dips. Auto should be avoided, and any upside or rally should be used to exit.

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