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‘Growth story will ensure increased inflows in 2017’

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THE BL INTERVIEW

Business is no longer just about finance but the outcome of a mishmash of diverse factors and 2017 will embody that diversity and truly borderless businesses based on technology will have an advantage, said Jayant Manglik, President – Retail Distribution, Religare Securities. He oversees trading of all products for retail branches and business partners. As 2016 winds to a close, *BusinessLine* caught up with Manglik for his views on the coming year, and much more. *Excerpts:*

A lot of unbelievable things have happened in 2016, chiefly the election win of Donald Trump and demonetisation. And the markets have reacted to these events, to some extent. What lies ahead, in your view, in 2017?

Just like 2016, the new year too will be a mixed bag with several factors pulling in different directions. The strength of the dollar will weigh on commodity prices, which, in turn, will impact input costs across the world. Global interest rates will influence trade and while the US is looking at rate increases, we have the EU and Japan actively trying to boost their economies with fiscal stimulus. In sum, business is no longer just about finance but the outcome of a mishmash of diverse factors. Year 2017 will embody that diversity and truly borderless businesses based on technology will, therefore, have an advantage.

Which domestic and global factors should investors consider before putting their money in the markets? Which are the sectors and stocks that hold promise in the medium term? What should be avoided? And why?

Globally, Trump and the hike in Fed rates will be major factors as also the price of crude oil. On the domestic front, the impact of demonetisation and implementation of GST has to be tracked. A real low interest scenario in India can be a major plus but it looks difficult given that inflation is beyond our control if crude oil prices rise.

Specifically, for the next two quarters, one must closely track the effect of demonetisation on earnings since the impact on several stocks is already visible. Only sectors which have a substantial forex leg will be immune to this, for example, IT and major pharma companies. Also with the rupee continuing to depreciate, these two sectors seem set for a good ride in 2017.

Similarly, with crude prices on the rise, producing companies as well as service providers to these industries should be on every investor's horizon. Finally, the auto sector has seen price and business model consolidation, which is why some of the best investment opportunities lie here. This includes auto-ancillaries.

Only sectors which have a substantial forex leg will be immune to negative side of demonetisation effect, for example, IT and major pharma companies.

JAYANT MANGLIK,
President – Retail Distribution, Religare Securities

We feel that currently investing in index-based funds is not appropriate as there are a number of global and local factors which, combined, will ensure that it moves within a range for some time. While no sector can be summarily written off, it will be best to avoid NBFCs. In the financial services sector, high-quality private banks are a better bet.

How do you expect FIIs, other foreign investors and domestic institutional players to act in the coming calendar year?

After several years, FIIs pulled out a lot of money from our markets in Q3FY17 primarily because of rising US interest rates and expectations that a Trump presidency will boost US growth with tax cuts and infrastructure spending. But regional fund quotas, risk diversification and most importantly, India's continued growth story will ensure that 2017 will see increased investment in our markets.

DIIs have shown much more faith in 2016 and will exit only when prices are substantially higher. The number and amount from MF investors and PFRDA's continued mandate to government pension funds to invest in equity markets can be a big support in 2017.

Your wishlist/ ideas for Budget 2017...

To expand equity markets, we must make it more accessible to all first-timers by allowing anybody who has a bank account to open a depository and trading account with no forms required to be filled at intermediaries — limited to an investment of ₹50,000. There is no risk here since the bank already has the KYC documents and this will help add value to Jan Dhan accounts and drive real financial inclusion. This will also enable the public at large to benefit from India's growth story while funding the growth itself.