India Equity Market:

Indian equity market is in strong uptrend. Valuations are now rising above the long term PEs. CAD has been contained below 2% and inflation has cooled off. Recent GDP figure enthused market participants but following IIP data poured cold water on it. **FinSage** thinks, we need to understand 3 things at this level.

1. In last, a few more than, 100 days, Mr. Modi Government has announced many growth centric measures and promised reforms. **FinSage** believes, they will continue this reform process as entire economic structure, laws, policies, governance and functioning of Government needs radical reforms. Therefore, this is not a one day or one month process but continuous process for a long long period. But, it takes time to implement what has been announced. Promised action, reform or change in policy has to pass through many of Central and state level bureaucratic layers to get effected in public domain. This process usually takes 6-8 months. Therefore, we believe that Market may consolidate at this level for some time with some correction like it happened last week in line with Global markets and will wait for real actions and execution at ground level.

2. But, **FinSage** do not recommend stopping investing as market is known for nasty surprises on both sides. Investors should continue investing in line with what Mr.PM and Mr. FM have said. Immediately after swearing in, both said that our 5 years term will be like 2 years repairs and 3 years growth. As we know, Mr. Modi has been very consistent in following and executing what he promised. His speech before election, during election, in manifesto, after sworn in and on Independence Day, speech (agenda and focus) has been the same. Hence, one should continue allocating during this repair in small chunks and complete your equity allocation by December, 2015, then wait for 3 years Growth ride.

3. India has been passing through high interest rates environment for last 4 years, effect is partly visible, now, as Inflation has cooled a bit, Rupee has stabilized and some moderation in demand. Credit offtake of Banks dipped to below 10% after many quarters, which usually hovered around 14-15%. Any rate hike or cut takes usually 6-8 months to percolate in economy. Past 4 years hawkish (Anti-inflationary policy – wherein interest rates are tightened) policy will continue to weaken demand, lesser employment opportunities and companies coughing off substantial portion of profits towards interest cost payment.

FinSage advises clients not to allocate large sum at this level but can continue to invest through SIPs with horizon of 5 years in diversified equity funds in order to average out the medium term corrections.

Indian G-Sec market:

G-sec market has gone through very high volatility in past few years. But, recently, it looks stabilizing. With strong action and communication, RBI has ensured that Rupee stabilizes around 60 with broad band of 58-62. RBI has also increased foreign reserves during FII and FDI inflows thus ensuring enough reserves to safeguard Rupee during exodus.

Globally, Inflation is cooling down with WTI Oil trading around $96. Iron ore, Copper and other industrial and precious metals including most of the Agri Commodities have been softening for last few months.

Very interestingly, recent reports of Bank of America and last year report of Citibank points at 5 years downtrend of commodities. The major reason cited is US energy developments. US has found enough oil and gas on its soil to satisfy domestic needs and talks are rounding on exporting oil, now. It is visible in Oil price trend, too. Though Oil producing nations (Iraq, Syria, Libya) are at war, though sanctions have been imposed on Oil producing nations(Russia and Iran), Oil continued to drift lower. Recent OPEC meeting concluded that demand of Crude Oil will remain low with possibility of further dip in demand.

Therefore the major concern of RBI to contain inflation and inflation expectations will have some external help too.