

Wealth managers see fresh bottom post election

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MUMBAI: Wealth managers see a fresh entry point in equities as they expect a fresh bottom post election outcome. They see of 7,000-9,500 levels on the Sensex and 2,100-2,800 on Nifty, after which they expect a steady recovery. Accordingly they are recommending their clients to increase exposure in equities.



Although fear among investors has waned resulting in increased risk-appetite, three factors could lead the market to a fresh bottom, wealth managers said.

The Lok Sabha election outcome is the key concern for Indian markets and global cues like the US stress test (expected today, May 4) and swine flu scare could lead to market declining 10-15% in the near future, said Yogesh Kalwani, Head - Investment Advisory, BNP Paribas Wealth Management, adding that this would be a good entry point.

The wealth advisory division of BNP Paribas suggests 65:35 equity to debt asset allocation to aggressive investors and 35:65 spread to conservative investors.

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After the October 08 lows, BNP Paribas increased the cash level in its equity portfolio to 30-50 per cent to hedge against declines. The [investment bank](#) is eyeing BSE 200 stocks. It recommends 15 per cent exposure to mid-caps, which might go up to 25 per cent depending on the pace of market recovery.

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If equity indices fall below 9,000 (Sensex) and 2,700 (Nifty) levels, we could also suggest increasing tactical allocations by another 10 per cent, Kalwani said.

Ashish Kukreja, vice president - PCG, Unicon Investment Solutions, believes, Equity market will reach 13,000 to 14,000 levels after the installation of a stable government in New Delhi. A stable government will help infuse more liquidity in the market through initiation of more infrastructure projects.

In its [last](#) committee meeting, ASK Wealth Advisors has increased its weight in equities from 60 per cent to 75 for an aggressive investor's profile. Out of this 75 per cent, it suggests 52 per cent exposure to large caps, 15 per cent to mid cap stocks and investing 8 per cent in theme-based [mutual funds](#). Even for conservative investors, ASK Wealth has suggested increasing the allocation from 10 per cent to 12 per cent.

Similarly, Unicon Investment is advocating 70:30 ratio to an aggressive investor and 60:40 ratio to a conservative one. Unicon suggests investing 60 per cent of the portfolio in large cap [stocks](#) while the rest in mid caps.

The present flow of negative news across the world is post capitulation-type. This has added to investor confidence in equity markets. Further, all the stimulus packages by the governments worldwide seem to have started working, said [Maneesh Kumar](#), Head - Wealth Management Solutions, ASK Wealth Advisors.

We recommend deploying 80 per cent of funds into equities if the markets fall below 7,000 in the next three months, Kumar said.

Wealth managers have a sectoral bias to power, capital goods, infrastructure, engineering, [banking](#), pharmaceuticals, telecom, oil and gas and partially to auto. Also, exposure through large cap equity mutual funds is recommended at the time of probable recovery. These sectors will rise first in the recovery, according to them.