

Investing in Indian stock market - BSE Sensex may cross 54K by 2018

An analysis of various assets shows that equities have given the best returns during periods of high inflation, albeit with higher volatility. Stocks have returned 19% a year, followed by bonds (8.8%) and fixed deposits (7.4%) considering an average inflation during the period @ 6%. Among all asset classes, Stocks are the most volatile. As a result, investors find it difficult to negotiate equity markets.

According to the estimates of reputed Brokerage firms & global Investment Bankers Indian Stock Market i.e. NIFTY (Index of National Stock Exchange) may cross 11000 mark and BSE Sensex (Index of Mumbai Stock Exchange) may cross 33000 mark by September/Oct 2015 .(Presently Nifty & BSE Sensex is hovering around 9000 & 29000 points respectively).

Dream run in equities is continuing in the last 12 months and may continue after a bit of correction or consolidation. In the above period the prices of equities have increased anywhere between 80 percent and 100 percent between Nifty stocks, small cap stocks and midcap stocks.

As per Indian Brokerage houses like Quantum Securities & Reliance Caps Nifty may correct 200-300 points in the near term on the back of international events like concerns about a rate hike by the US Federal Reserve, and slower than anticipated recovery in the economy as well as corporate earnings. Yes when there is so much increase in the price of equities during last 12 months, consolidation/correction may come in the near term of 1-3 months but from a medium term perspective, which is like 3-5 years, there is still a long way to go for this bull market.

Brokerage house Bank of America Merrill Lynch feels that India is vulnerable to a near term global correction as too many global fund managers own shares in this market. Their main concern is that investors are very overweight on India which makes India vulnerable to any near term global correction. However they are quite bullish on India & predicted that Sensex may cross 54000 mark by end of 2018. Merrill Lynch is bullish on auto, banks, cement and oil. It expects pharma shares also to do well in the near term as the market consolidates.

Source; Money Control.Com