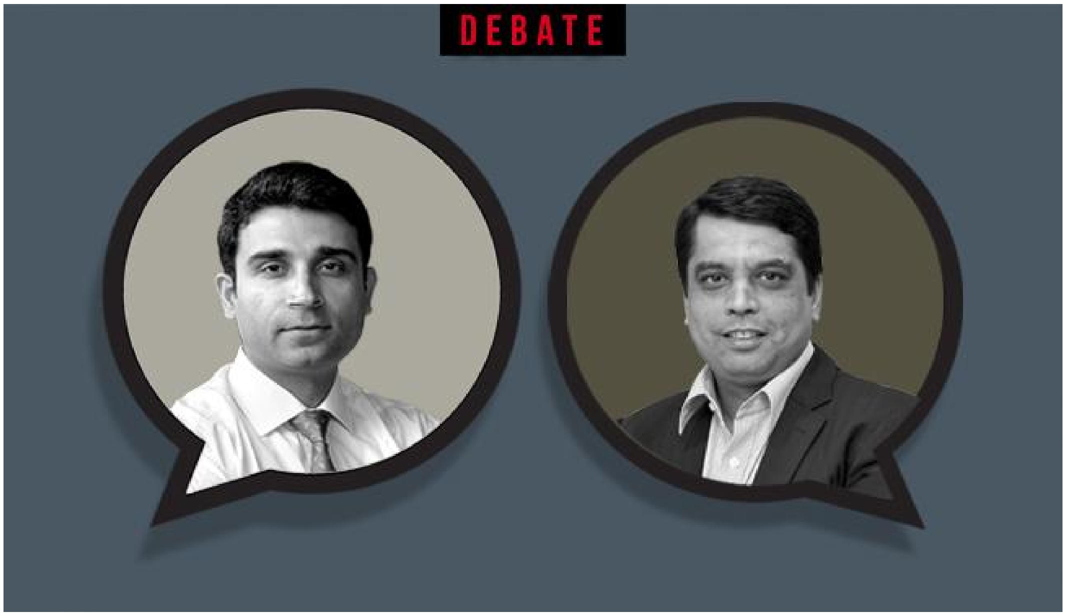
'Should you sell the rally or bottom fish now'



Nitin Bhasin, Head of research, Ambit Capital

Since August 2017, the Nifty has not gone anywhere. There is no rally at the moment, only a slow grind, as can be seen in the pathway traversed, from 11,000 to 10,000. The market is still seeking a direction. This lack of direction is a manifestation of underlying political uncertainty and increasing interest rates on the domestic front. The fringe risks for the NDA government have become more apparent in the recent months. The earnings risk is also not completely behind us. The mantra can be sell today, buy later. For a bottom-fish strategy, one will need better price points; the valuations at the moment are not salivating per se. Based on bottom-up earnings estimates, consensus is highlighting 18-20% earnings growth for FY19, as GDP growth improves. Whilst GDP growth improvement is imminent, such a sharp earnings growth is unlikely. Add to this, the rising risk of drying up of liquidity on the global front, any further earnings-multiple re-rating will be kept in check.

Ajay Bodke, CEO (PMS), Prabhudas Lilladher

We have corrected in line with the turbulence seen in the global markets. With a correction of more than 10% from the peak in January 2018, we are slowly veering round to a level where there is clear emergence of value. Our estimates suggest that, market is trading at 17.5x FY19 estimated earnings. We are expecting 19% growth in EPS in FY19, over FY18. The 10-year average P/E is around 17x. We are basically looking at bottom-of-the-cycle earnings. The Q3FY18 results show that barring the PSU banks and corporate-focused private banks, revival in corporate earnings is well on its way. So over the next two to three quarters it should pick up steam, as after-effects of dampened aggregate demand taper off. Also, MSCI India has always commanded a premium over MSCI Asia (excluding Japan), the 10-year average being 39%. Today, the premium is at 32-33%. One cannot pinpoint when the market will turn; we always buy in a falling market, never in a fallen market.