



Key ways of investing.

Valuation

Economics

Sentiment

Triggers

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Valuation

- Still cheap except a few stocks.
- Mid cap stocks are also very cheap except a few stocks.
- Large cap stocks cheap except a few stocks.
- Infrastructure stocks all cheap.

Economics

- High Fiscal deficit
- High Current Account deficit
- Cyclically inflation headed down, not structurally.
- Not easy to execute in India.
- Liquidity creation in West helps India.

Sentiment

- Equities are a forgotten asset class.
- No sizeable inflows post 2007.
- Asset classes in favour – Debt, Tax free bonds, Gold and Real Estate.
- Investors massively underweight in equities.
- Even more underweight mid/small caps.
- Powerful positive for long term investing in equities.

Triggers

- Election – March.
- Budget – March.
- RBI policy – March / April.
- Second ECB Long Term refinancing Operations (LTRO).
- Third US QE.
- OTHER QEs.
- Increase in crude due to above.
- All the above leads to volatility.

Conclusion

- Maintain neutral allocation to equities.
- Positive volatility funds like ICICI Prudential Dynamic Plan and ICICI Prudential Equity and Derivatives Fund-Volatility Advantage Plan.
- Invest in value funds with a medium term view.
- Core investment in large cap funds like ICICI Prudential Focused Bluechip Equity Fund.

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