We'd want to put more money to work in India: David Hunt, PGIM

By Sanam Mirchandani, ET Bureau | Updated: Jan 12, 2017, 11.06 AM IST

The year 2017 will be a good time to put money to work in India and emerging markets, said David Hunt , CEO, PGIM, the global investment management business of Pramerica Financial that oversees over $1 trillion in assets. Newark-based Hunt, who was in Mumbai recently, said he does not see demonetisation altering the country's fundamentals.

Edited excerpts:

With dollar expected to strengthen further, will emerging markets lose their shine?
In the long term, many of the emerging markets will grow at far faster pace than developed markets. We are optimistic that 2017 will be a good time to put money to work in India and EMs broadly. Increasingly, the notion of emerging markets as a group of countries is not a useful way to make investment decisions. We believe in the consumer sector and the emergence of the middle class in many countries around the world. That would be true in Vietnam, India and Brazil. We tend not to like some of the commodity sectors and some of the more capital-intensive sectors.

What is your outlook for India?
I do believe many industries in India remain attractive. Some of that has been priced in, but 2017 will probably be a good year and volatility could bring opportunity to get in at reasonable prices. As long-term investors, we would like to put more money to work in India and will look for right entry points to do that effectively. We continue to be optimistic about the consumer and IT sectors. On the reforms front, much remains to be done -that ranges from tax reforms to creating an easier regulatory environment for industries.

What are your thoughts on the scrapping of high-denomination notes by Indian government?
Clearly, it has had an impact, especially on small businesses. But we do believe this is a short-term phenomenon and by June, there should be enough cash back in the system. There will be a GDP hit, but in the long term we don't see it impacting the fundamental growth drivers that make India an attractive place to invest.

Do you think US Federal Reserve will go ahead with three projected hikes in 2017?
The US economy appears to be operating above potential, which means we are starting to see come back. If that continues to be true, we would expect that the Fed will tighten rates.The real rate in the US is not high by historical standards and remains very low by the standards of other major economies around the world.

What is your outlook for the dollar?
We expect the US dollar will continue to strengthen throughout 2017 as the economy continues to outperform. The market overall has chosen to take the Trump policies which are largely pro-business. The markets have largely chosen to ignore many of the stated Trump policies that are probably less favorable for business like tariffs, immigration, and approach to NAFTA. Because we don't know what will happen on those, we have to assume that the risk of a very different outcome is actually higher now.

Do you expect Trump to walk the talk on his campaign promises?
It is very difficult to predict what Trump will actually do. The engineer in me would say the noise to signal ratio is very different in this administration. Investors need to plan for greater volatility and wider range of outcomes than we might ordinarily do. Our base case is he will implement tax reforms and more fiscal spending. But there can be much more disruption to the economy through tariff or trade-related factors.

What are your thoughts about signs of rising protectionism world-wide?
A reasonable person would plan for there to be less globalisation of trade and capital over the next couple of years than there has been. Countries which are more dependent on their own consumption and are less-export oriented in their growth drivers are probably going to outperform over the next couple of years.

Many believe the Chinese economy remains risky because of its debt. What are your thoughts?
In the long term we remain constructive on China. The Chinese government has a difficult job to a remarkably successful export-led growth phenomenon to one that all of a sudden relies more on domestic consumption. They have done a good job, so far, in managing the early stage of restructuring state-owned enterprises on a large scale. They have resources at their disposal in terms of both capital and the ability to execute. We remain optimistic that they will be able to move their economy to be more domestically oriented.