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# We will wait for stabilisation before investing in EMs including India: John Praveen, Pramerica

By ET Now | Updated: Nov 22, 2016, 11.07 AM IST

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*In a chat with ET Now, John Praveen, Chief Investment Strategist, Pramerica, says once there is a little bit of stabilisation in emerging market space, this particular correction would be seen as a buying opportunity. Edited excerpts*

## How would you really describe the current regime?

This is probably going to have a short-term impact upon GDP growth in the fourth quarter, probably reduced GDP by maybe half a percentage or maybe even higher because of the difficulties that people are having unable to get cash for consumption purchases or things of that kind. So it will probably have a short term impact but in the longer term, I think that it might probably lead to Reserve Bank of India easing rates which might turn out to be positive in the long term.

## Do you think that this will be a binary decision of DMs versus EM for the funds or is the pie big enough for both EMs and DMs to benefit?

I think the pie is big enough and clearly the prospects for the US economy and the US markets and US earnings have improved following Trump's victory. So one should see that there would be a big attraction for US stocks. There is going to be big infrastructure spending boom in the United States. A lot of emerging market commodity exporters will probably stand to benefit and other emerging markets that provide services to the United States like back in India especially with the medical services or pharmaceutical services or even IT services, should probably benefit but over a period of time.

## What about demonetisation in India? Is that reason for the correction you think?

That is to a large extent priced in and also some of the comments that both the Chair Yellen and Vice Chair Stanley Fischer have made in the last couple of days where they have indicated that there are limits to how much of fiscal spending can be done and the effectiveness of fiscal spending and also have advocated that the fiscal spending should be targeted at trying to increase productivity. A lot of those comments have already been made. What we will probably see is that the language from the Fed will probably be much more balanced and they will probably continue to say that they will be data dependent and I think the concept of data dependency will probably be broadened in terms of not just macro data but also pertain to policies that are going to come from Trump administration.

## Which asset class do you think will be the winner of 2017?

The correction that India has seen has taken place in the emerging markets as a whole. Coming specifically to this issue about the demonetisation, it is probably going to have a short-term impact upon GDP growth as well as on earnings especially of the kinds of goods that consumers consume because shortage of cash has negative impact on consumer spending and will probably trim GDP growth by maybe between 0.50 to 0.75 per cent in the fourth quarter.

So in the short term, it is going to have negative impact and I think that the market action in the last couple of weeks probably testifies to the negative impact that is going to come about in this quarter. But if you look at next year and all of that, there may be some silver lining to the clouds in the sense that this might probably prompt the Reserve Bank of India to cut rates further and this may also increase the amount of liquidity in the banks. So beyond the short term disruption in the spending, in the longer term we should probably see some positive things coming out of this particular exercise.

## So do you think that India is a good equity market to invest in and would you use this correction to buy into India then?

I think that in general we still have a constructive attitude towards emerging markets and within emerging markets we have had a constructive attitude towards India. I think that we will probably have to wait for a little bit to see how this whole thing pans out. We need to see a little bit of

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stabilisation as far as the dollar is concerned and this capital flows because these things generally have momentum of their own. But once there is little bit of stabilisation in emerging market space, I think that this particular correction would be seen as a buying opportunity.

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