THE ECONOMIC TIMES PUNE TUESDAY 21 SEPTEMBER 2010

INVEST WISE

A CONSUM

SECTORS TO SEEK OUT IN THE BULL RUN

EQUITY MARKETS ARE ON A ROLL. HERE'S TAKING A LOOK AT WHICH SECTORS STILL LOOK PROMISING AND WHICH SEEM TO BE OVERRATED…

Equity investors are once again buoyant. While some are optimistic some are advising caution. So, which sectors have the potential to push the markets to new highs and which sectors will act as speed breakers? Read on to glean the answers…

SECTORS TO WATCH OUT FOR

Sectors such as capital goods, metals, realty, infrastructure and power have been laggards in the recent up move in the markets. This does not mean that all of them will remain behind for long. While sectors such as metals depend a lot on the commodity prices for performance, other sectors like infrastructure may catch up with the markets going forward as the underlying fundamentals remain strong as the government spending in infrastructure is rising year on year.

Sabarjit Kour Nangra, VP Research with Angel Broking opines, *"Infrastructure will do well in the coming days as government allocations towards infrastructure will only increase with time"*. Sunil Jain, VP - Equity research with Nirmal Bang, feels, *"The capital goods sector could lead the way as capacity additions will propel this sector onto the growth trajectory on the back of easy availability of finance."*

The power sector too may catch up as well.

Realty is another sector which looks poised for growth as the basic demand for homes is quite strong, not only in the metros but in tier II and tier III towns as well.

SHOULD YOU HOLD ON TO THE OUTPERFORMERS?

As expected, the internal consumption story of India was responsible for most of the growth seen in the last couple of years. Sectors like automobile, FMCG, consumer durables, pharmaceuticals and banking, which depend on internal growth, have performed exceptionally well on the bourses. Apart from internal demand, sectors like FMCG and pharmaceuticals were preferred by investors as they prove to be defensive bets in volatile and uncertain market conditions. So, as the market sentiments improve, smart money may move out of these defensive sectors and chase other attractive themes in the market.

OVERHEATED SECTORS?

Banking has been on the investor's radar in the current bull run. Most banks (private and PSUs) have rallied considerably. As the credit off take is expected to remain strong going forward, rising interest rates may play spoil-sport as the mark-to-market treasury losses may eat into the profits of banks. Though many PSU banks are trading at a discount to their private sector peers, Jain feels that the valuation of the banking sector is at its historical high, and banks may not outperform going forward. On the other hand Nangra is still positive on the banking space in spite the run up. Automobiles and the consumer durable segments have been the beneficiaries of the increased demand from rural India. The favorable monsoons may help these sectors going forward but the growth may taper off because of rising interest rates and a higher base effect.

END NOTE

So if you believe that the markets will cross their previous highs, this time infrastructure, real estate and capital goods, could well be the sectors which generate the alpha for you!

- Rahul Mantri

SUMMING UP:
- Sectors such as infrastructure, capital goods and real estate are poised for growth.
- FMCG and pharmaceuticals seem to fully valued currently.

SECTORAL PERFORMANCE

BSE SECTORAL INDEX	RETURNS	
	6 MONTHS	1 YEAR
BSE CD	47.34%	79.35%
BSE AUTO	23.11%	48.46%
BSE-HC	13.95%	44.98%
BSE SMALL CAP	21.81%	40.91%
BSE FMCG	24.80%	38.55%
BSE IT	9.94%	35.24%
BSE MID CAP	21.30%	33.60%
BSE IPO	19.17%	18.48%
BSE METAL	-4.57%	18.04%
BSE PSU	14.89%	17.91%
BSE Teck	11.15%	16.98%
BSE CG	12.33%	14.34%
BSE Power Index	4.47%	5.62%
BSE Oil & Gas	8.62%	2.78%
BSE Realty	8.30%	-16.86%

As on: September 15, 2010. All returns are absolute.
Source: MFI Explorer

Look before you pick your ebroker

BROKING HOUSES ARE LINING UP WITH ATTRACTIVE OFFERS. BUT WITH SO MANY OF THEM AROUND, HOW DO YOU DECIDE ON THE BEST DEAL FOR YOU…

Undoubtedly, the internet has revolutionised the way equities are bought and sold, making trading much easier for investors, scaling down transaction costs and bringing in greater transparency. As Kedar Deshpande, Head of Retail Broking, Edelweiss, puts it, *"Convenience is the overwhelming advantage of online trading. Lower timelags plus greater connectivity enables faster and better decisions"*.

MAKING A CHOICE

There is, however, a whole gamut of online brokerage houses, each one offering a host of pricing packages. According to Motilal Oswal, Chairman, Motial Oswal Securities, *"Online trading has evolved over a period of time to suit the varying needs of investors. While self-directed clients look for a superior execution platform and services, a novice would be more in need of comprehensive advisory services as well as quality research and market information."* Brokerage charges may also vary across segments (cash, intra-day, delivery, futures and options), depending upon the turnover, trading volume, type of trading, etc.

TYPES OF BROKERAGES ON OFFER

Brokerages are generally charged as a percentage of the transaction value. Though the brokerage increases with the transaction value, it gives you freedom from any commitment to trade. Pre-paid brokerages, akin to the pre-paid mobile phone cards, are also available, wherein a fixed brokerage is charged regardless of the transaction amount. The more you invest, the lower would be your effective brokerage. This one is suitable if you plan to trade in high volumes. Similar to this, is the 'Zero brokerage' plan, wherein you pay a lump sum for a certain volume of transactions over a period of time. Generally, daily traders who trade in large volumes opt for such schemes.

BEYOND BRO

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- Gaz

SUMMING UP:
- Online trading is a convenient way of trading in securities.
- With lucrative offers galore, choosing an online broker can be quite a task.
- Low brokerage should be the only criteria.
- Both qualitative and quantitative factors should be considered before making a pick.

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