

Will Indian equities build on 2017 gains?

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In 2017, the market never really looked back. Despite the pains of a currency shortage, a new system of taxation, slower economic growth and lower corporate profitability, share prices continued to climb. In the context of sustenance, three distinct themes unravelled in the equity-investing space. What happens to them will, in part, determine whether the coming year will be as promising for equities as 2017.

Theme 1: All-round appreciation in share prices

It was a market that lifted many boats. The benchmark S&P BSE Sensex, which represents the cream of corporate India, is up 26% this year so far. And it's not even the top returns story. Lower down, in a year of some duress, the index of mid-cap stocks is up 41% and the index of small-cap stocks 50%. But do these less-resilient spaces have the fundamentals to sustain such gains?

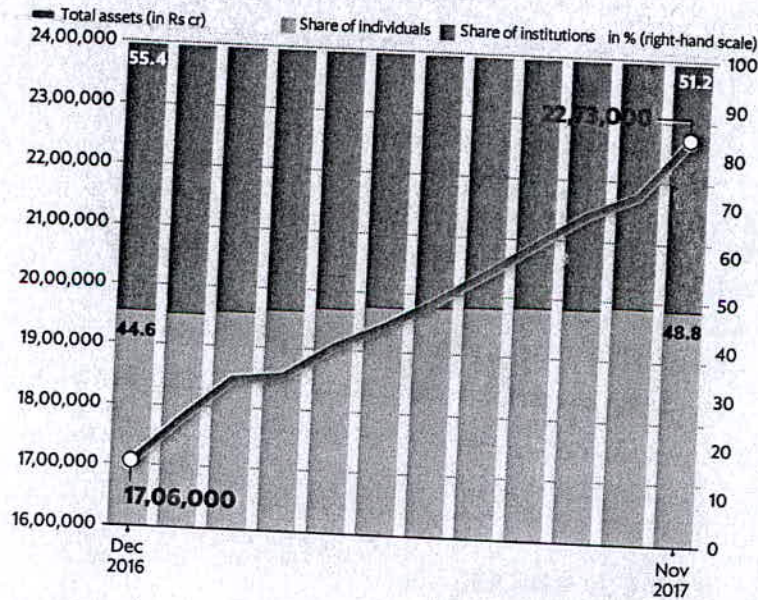


Indices have been rebased to 100 (value assigned to 1 January 2017 index value) to enable comparison

Source: BSE

Theme 2: Retail participation in mutual funds

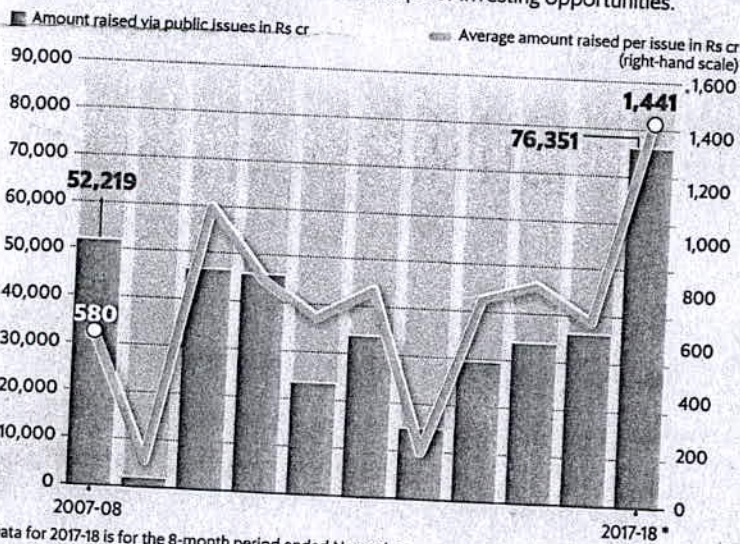
Mutual funds, as a concept, are the investing vehicles of individual investors. It's taken a while for that to happen in India, and 2017 was a year that did much towards this end. Even as assets under management (AUM) of mutual funds rose 33%, the share of individuals in this pie increased from 44.6% to 48.8%. Much of this was inflows into equity funds (individuals now own 84% of equity fund AUMs), especially via systematic investment plans, which inherently encourage a disciplined savings habit.



Source: Association of Mutual Funds in India

Theme 3: Listing of new sectors and new businesses

It wasn't just that the corporate sector raised the highest amount ever from public issues in a financial year. It was also the quality of businesses that did so: new sectors (mutual funds and insurance), new businesses from thinly-represented sectors (exchanges and logistics), new businesses from old groups (Mahindra, Future and Godrej). The average issue size, at Rs1,441 crore, was the highest ever, and it broadened the landscape of investing opportunities.



Data for 2017-18 is for the 8-month period ended November

Source: Prime Database