

Gold could touch USD 2,000/ounce soon`



In an exclusive interview with Yogita Khatri of myiris.com, **Akshay Gupta, MD & CEO, Peerless Mutual Fund** says, `` In FY12, equity will be an underperformer, gold will be the clear out-performer and real estate will remain broadly stagnant.``

We have seen downgrade in credit rating of US economy to AA+ from its AAA status, what are its implications on the Indian market? Where do you see the market panning out in the medium to long term?

Any downgrade in any economy reflects the debt servicing capability of that country. In broader terms, it reflects the deterioration in economy's fundamentals. Since the Indian services industry and export industry is skewed to dollar revenues from US, in the short-term all such stocks like IT, ITES, some auto component and some stocks which have subsidiaries in US will suffer. However, in the medium term to long-term, downgrade of US and other western economies is positive for India because FIIs will move part of their holdings from US treasuries to emerging markets like India. Once the Indian governance system gets back to normalcy and inflation gets controlled, FIIs will start value-buying in Indian equity markets.

Do you think that fundamentals of the Indian economy have weakened somewhat, given the rising interest rates and soaring inflation?

There is a general consensus that the headwinds of inflation and consequently monetary tightening will impact GDP growth in India. This will have a spiraling impact on tax-collections, IIP numbers, fiscal deficit etc. The budgetary estimates of GDP growth, inflation and fiscal deficit as per FRBM may not be tenable in the present scenario.

After the US downgrade, do you believe there is still more headroom for gold to climb? What is your view on shinning yellow metal?

Gold will continue to climb until there is a semblance of stability in western economies. It could touch USD 2,000/ounce soon if sovereign debt issues and lack of growth continue to plague major economies of the world. It is being considered as the safe haven and a strong alternative to the dollar. Liquidity for gold has also increase dramatically.

What is your view on crude oil? Where do you see that going? Do you foresee any sharp correction in crude?

Crude will slip from present levels due to lack of demand. Already, it has corrected by 15% from its highs. Speculative interest and OPEC cartels will not allow it to slip below the USD 70 a barrel mark.

What returns do you expect from different asset classes such as equity, mutual funds, gold and real estate in FY12? How should investors structure / restructure their portfolio?

In FY12, equity will be an underperformer, gold will be the clear out-performer and real estate will remain broadly stagnant. Hence MFs with debt and gold components will give returns higher than equity funds.

How has the first quarter FY12 results panned out so far? Which companies / sectors, in your view, have exceeded expectations?

The first quarter results were a mixed bag, however the guidance and forecasts have been below par. Banks and consumption led sectors like FMCG, autos and some Pharma companies have met expectations.

In this current scenario of extreme volatility, which sectors / stocks are you bullish on and why?

We are bullish on defensives like FMCG, auto and pharma. These will continue to grow especially the non-discretionary space.

Would you like to share anything else with our readers?

We recommend investing regularly and across all asset classes. Please eat all dishes in the Buffet and eat them in appropriate quantities.