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Earnings key trigger for mkt; pharma less sensitive to US policies than IT: UTI MF

Pharma looks good from a valuation perspective and so the house is increasing its exposure to the space, said Ajay Tyagi of UTI Mutual Fund.

Global triggers or geopolitical events are most important indicators for market in the short-term, especially when Indian equity market is trading at all-time highs and so is the US ? any negative trigger from there could spook the markets into correcting, says Ajay Tyagi, EVP & Fund Manager, UTI Mutual Fund.

However, from a medium term perspective earnings would be the trigger, at least for the Indian equity market. So, newsflow around monsoon too will be closely monitored.

Sector specific, he believes Indian IT space is more sensitive to US policies than pharma would be. The guidance for FY18 from most IT companies is not likely to be aggressive, says Tyagi.

The long-term investors would be keenly watching the IT management commentary on whether the business models would remain intact despite restrictions around the H1B visas. Secondly, one needs to assess the margin impact of US policies on IT and thirdly, investors would want to know if IT is going to come out of its cyclical slowdown of the last 3-4 years and go back to mid-teen dollar growth. Most think the slowdown seen in IT space over the last 3-4 years is more structural than cyclical.

However, pharma looks good from a valuation perspective and so the house is increasing its exposure to pharma, says Tyagi.