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Don't see earnings growth supporting mkt at higher levels: Lalit Nambiar

As earnings may not render support for markets at higher levels, Lalit Nambiar, Executive VP - Fund Manager & Head Of Research at UTI Mutual Fund told CNBC-TV08 he would prefer to be cautious and adopt a 'wait-and-watch' approach.

There is not much steam in earnings immediately for markets to sustain at higher levels, according to Lalit Nambiar, Executive VP - Fund Manager & Head Of Research at UTI Mutual Fund in an interview to CNBC-TV18.

He said he would recommend a wait-and-watch approach rather than jumping right in, particularly while investing in the index. Specific stocks, though, can be picked up if earnings and valuations look right, he said.

Some positive announcements on investments are likely post UP elections verdict, he said. However, he noted it remains to be seen, "if the government is going to play specifically for long term economic benefit of the country or have an eye on the general elections coming up in couple of years." It will probably do little bit of both, he added.

Below is the verbatim transcript of Lalit Nambiar's interview to Reema Tendulkar & Prashant Nair.

Prashant: The Uttar Pradesh win has been priced in so what from here. Do you think the political mandate in any way ties back in a meaningful way to earnings?

A: I do not think you can draw a straight line there but it means that this government has a tailwind in terms of what it can do on the policy front. It has got bonanza in terms of mandate. It depends on how it is going to play that. Is it going to play specifically for the long-term benefit, economic benefit of the country or is it going to have an eye on the general elections which are coming up in a couple of years. My sense is that we will see a bit of both, so the market has to watch out for that. So you will see some positives in terms of announcements hopefully on an investment which is something which everybody is keen on seeing and at the same time there are issues surrounding some of the promises made going into these polls. So the market will be watching both and to that extent we will have to wait for some things to happen before market going to see further movement.

Reema: While 150 point upmove on the Nifty is great to see but to some extent expectations were a lot higher. We thought we will comfortably scale pass our previous record levels and maybe even inch towards 9,150-9,200 on the Nifty. In a way given the market reaction do you believe that they are a bit overheated or overstretched from here on or even at these levels one can buy?

A: I think that should be answered in two parts. The aspect of global consideration in terms of what could happen at the US Fed level is also playing on peoples' mind and that said the mandate is far above what most people in the market were expecting possibly but having said that there isn't enough steam in the earnings immediately for the market to sustain. So to that extent my answer would be that probably wait and watch rather than to jump right in.

However, if you have very strong views on fundamentals of companies then buy them if valuations are reasonable but that is company specific but at the market level I would be more cautious.

Prashant: Is there any flipside to this huge massive victory in the UP elections. What are your thoughts?

A: We all jump to direct line conclusion in the sense that x action has resulted in y result but sometimes the narrative is more complicated and the market realises that. So to say that it was a specific economic measure given this victory and it actually means something for the parliamentary elections a couple of years from now because things change very quickly in politics. I think it would be too much of a conclusion to arrive at. So to that extent it would be better to look at this mandate as further endorsement of this government by one of the largest states and the policy initiatives being taken by this government is welcomed even at the grassroots level. I think beyond that to interpret something would be difficult and we will see strong moves from the government based on this mandate which will be difficult to implement by any other government and market is hoping for that but we will also bear in mind and the market is hoping for that but we will also have to bear in mind that this government will be looking at the elections and would try to address some of the concern it has raised in its manifesto and the promises it has made in the manifesto.