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Looking for prices to stabilise... Nifty can hit 12,338 by Q2 of '19: Peter Brandt, Factor LLC

BY [SANAM MIRCHANDANI](#), ET BUREAU | FEB 19, 2018, 08.11 AM IST[Post a Comment](#)

The Indian [markets](#) are likely to stabilise after the recent sharp fall and the [Nifty](#) could go as high as 12,338 by the first or second quarter of 2019, said **Peter Brandt**, CEO at **Factor LLC**. Brandt, who is based in Colorado, said in an interview to Sanam Mirchandani that he remains optimistic about emerging markets particularly in Asia. Among specific stocks and markets, Brandt prefers large-cap stocks in the US and the Singapore market.

Edited excerpts:

Indian markets have fallen sharply from their record high levels. What are the charts suggesting now?

The decline is relatively mild compared to what has happened to some of the other markets. There is some internal strength in the Indian market. We are constructive on Asia as well. I don't think the best is over on the Indian market but on the other hand, the decision on the part of the stock exchanges in isolating themselves could have a negative effect over time. There is no question that when you have an economy that is growing, there is a requirement for international money to come in and the easier you make it for international money to understand the price action that unfolds in a market helps the upside potential of the stock market. While we still remain extremely constructive on the Indian market, I need to give it a breather here and see how some of these decisions regarding the reduction in the transmission of price data are going to affect us. I am going to have to watch India for a while. I do think the Nifty can make it to 12,338, which is our next target.

Are we likely to see more selling in the short term?

There is a chance that the decline you had will be enough. I would be looking for prices to stabilise in India. I am looking for the same thing to happen in the US.

By when do you expect 12,338 to be hit? Are we likely to see the level being taken out in 2018 itself?

No, I don't, because of the uncertainty. We have had a shock to the global stock markets. That needs to shake itself out. We are going to need to see some confidence come back in the global markets. If I had to project a time for that (Nifty hitting 12,338) to happen, it would be the first or second quarter of 2019.

We have seen [volatility](#) rising across the globe after a long period of very low volatility. Do you think that phase of low volatility is over?

Yes, we are not going to see the same period of time of low volatility that we have had. We see things like that take place in major market cycles and when I talk about major market cycles, I am referring to generational cycles. That usually happens once in a generation. The days of low volatility are over for this generational bull market. Even if markets climb back up, we see upside volatility. We will not see the extremely low volatility where basically we saw substantial amount of capital placed on the fact that markets would be calm for a much longer period of time.

Do you expect US markets to do better than emerging markets this year?

No. I believe emerging markets will do better, particularly the Asian emerging markets. The risk-reward is better there.



"We have had a shock to the global stock markets. That needs to shake itself out."

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US Treasury yields are a big concern at this point. Where do you see yields heading?

Conventional wisdom on treasury yields in the US is wrong. People act like a 3-3.5% long bond yield will implode the economy. We are at very low yields to start with. Throughout the 1940s, 1950s and early 1960s the US economy did very well with much higher yields. Throughout the 1990s, and even in 2004-2007 period, US economy did extremely well with much higher yields. The market is freaked out over nothing here. The economy can easily handle higher yields than we have. Conventional wisdom of the market is that higher yield is negative on the US market. That maybe true short term but I don't think there is validity to that concern long term. We can go to higher yields and it is not going to dramatically hurt the economy. It is [inflation](#) that will hurt the economy not necessarily higher yields.

What is your take on the Indian rupee versus the US dollar?

The rupee is probably in a huge trading range relative to the US dollar over the next few years. Over the last 10-20 years we have seen the dollar gain on the rupee. In the next few years, rupee will remain in a trading range of 60 per dollar to 70 per dollar.

What is your outlook for commodities, particularly crude and gold?

The bull trend in [crude oil](#) is over for the present. Crude oil price at \$70 (per barrel) is about as expensive as it is going to get but I don't see it going much below \$60 either. I can be conservatively constructive on the price of gold. We are going to see substantial advancement...we see gold touch 2000 dollars.

What are the markets you are more positive right now?

In the US, I am interested in large caps stocks. Internationally, I like the emerging markets. Singapore is highly under-valued. I want to see how India in the next six months absorbs what seems to be India's intention to become more isolationist in its equity market.

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