After 10000 – what next

It's time to bring out the champagne bottles and celebrate after all it is the first time that the sensex has crossed the magical 5 figure. It has been a heady ride for the past three years and it surely calls for rejoice since it is the investor who has been benefited most from the growth in economy and the share market.

From a level of 3150 on Sept 11,2001 to 10000 on Feb 6,2006 the markets have given a return of 33% CAGR for the past four and half years. By any standards that is a very good return considering the drop in the interest rates and the boom in the economy.

Times have changed and have changed for the better. The most persistent question is whether this is similar to the Bull runs in 1991-92 and 1999-2000. The answer is obviously NO simply because there are many other factors playing too. Retail participation directly and through the mutual funds route has increased. Mutual funds are launching closed ended funds and are able to mobilize 1200 –1400 crores each. Other funds are each mobilizing anywhere from 1000-2500 crores depending on their name and fund objective. Retail participation directly too has increased multifold and the investor today is aware that he is making an investment decision and at every dip he sees it as an opportunity to buy some more. The investment style so to say of the investor has gone through a sea change and all this can be attributed to the media and also the quality of advisors now available.

Coming back to the question whether this rally is sustainable I am sure everyone of you would have already gone through all channels and print media and it is clearly evident that the markets are poised for greater heights and this may just be take off. There may be corrections and there will be dips in the markets but as an investor if one is very clear of his investment objectives and goals and has planned his investments very well, he will be definitely in a position to gain more and earn more by keeping invested in this markets. Many stock analysts have been recommending booking some profits at each level from 7000 onwards. It would be prudent to book profits only if one needs the money and one should weight the opportunity cost in the sense that if he withdraws money from the markets and invests it elsewhere then what is the return is he going to make. It would be more prudent to follow the asset allocation rule wherein if the asset allocation is now more towards equity then it would be sensible to balance the portfolio with the asset allocation one has thought of initially.

Mutual funds are the other method of remaining invested and they have proved their worth in their past. Over the past 10 years diversified equity funds have given an average return of 19.5% p.a. There has been no mutual fund giving negative return in this period of ten years and 22 of these funds have outperformed the sensex. An investment of Rs 1 lakh 10 years back would have become Rs 1.36 lakh to 5.93 lakh depending on the scheme you have chosen.

Keep investing and as we have been mentioning in the past too in case you feel the markets are overheated or have run up too high then go in for systematic investment or systematic transfer from lump sum amounts whereby you can take advantage of averaging and be invested in the markets too.

Finally, one must realize that process of investing should continue through times both good and bad. That is the only way for one to create wealth over a long run. Proper financial planning without getting swayed by short-term gains is the way to go forward

So continue investing and enjoy the fruits of your investments over the times to come

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