



Are FIIs Waiting for the Disinvestment Cue?

Foreign funds have noted the rally but they want an additional trigger like the immediate privatisation of PSUs before investing in the Indian stockmarkets.

The rally over the last fortnight, which pushed the market valuation up by about 10%, has caught the interest of foreign investors. November saw improved FII inflows, but the momentum appears to be waning in December, reports CNBC India.

For some foreigners, nothing short of an immediate announcement of PSU sales would be their immediate trigger to invest in the Indian markets. **“If there is positive news on the privatisation front in a couple of days, then that would change a lot of investors’ perception of the Indian market quite radically. If it doesn’t come through, then, certainly from the foreigners point of view, it is going to be rangebound for a while,”** India Capital Management’s Jon Thorn told CNBC India. **Thorn further pointed out that the US and European markets seem to have exhausted their recent run and the long term trend of**

investment flows appears to be away from the emerging markets into US government bonds and such instruments. “Though people are talking about investing in the emerging markets, there is not much action on the bank account front,” he said.

Thorn appreciated the fact that the September quarter results showed a 19% improvement in broad market earnings year-on-year, and the advance tax submissions showed a 20% rise in taxable corporate income. “That gives you a strong hand,” he remarked.

Yet, despite the historically low stock prices and reversal of investment flows from debt to equities, he sees foreigners remaining worried about the US-Iraq war, and Indo-Pak tensions.