

# Top five sectors for investment



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In the wake of demonetisation and the low interest rate scenario, people are worried about their investments. Should they continue to stay invested or change their investment strategy is a common question asked by many.



Due to excess liquidity, today, banks have already started lowering deposit rates. The Employees Provident Fund Organisation (EPFO) has reduced its interest rates on provident fund deposits to 8.65%, for the year 2016-17, from 8.8%. And news about public provident fund (PPF) and national savings certificates (NSC) rate cuts is already making rounds in the market.

For many, depending on their needs, age and investment time horizon, fresh investments in fixed deposits doesn't make sense any longer as the interest rates are in the range of 7- 7.50% plus taxes. And with regard to investing in stocks, the sectors which were of fancy, may no longer be attractive with the current scenario.

Here are few sectors which might see an upsurge due to the prevailing scenario.

## Banking Sector

The banking sector is one the beneficiaries of the demonetisation drive. Banks are receiving deposits from customers in plenty. This high current and savings account ratio (CASA) will eventually help banks lower their cost of funds, and thus enable them to pass on the benefit to borrowers in the form of low lending rates. Banks with strong retail branch networks will gain the most out of this.

## Infrastructure Sector

With demonetisation, the deficit of the government is expected to come down, and hence, there will be enough surplus for them to invest in infrastructure-related activities.

This sector has been the key focus area for the Modi government. The Centre is even planning for a dedicated fund of Rs 10,000 crore to provide credit enhancement for commercially-viable projects. This sector will surely see an upward trend in 2017.

## Housing Finance

Due to the cash crunch, the real estate sector will see a downtrend, and there is a probability of lending rates going down too. A direct beneficiary of both these trends will be the housing finance sector, which has the biggest market in home loans. Most home buyers in India are first-time buyers, and this sector will see an upsurge if real estate prices fall.

## Information Technology

Since most of the earnings of this sector come from the overseas market, they can be expected to benefit, since the US dollar is strengthening in comparison to the rupee. As per Trading Economics global macro models and analysis expectations, the rupee is expected to trade at 70.68 in 12 months' time. This sector may give good earnings in 2017.

## Consumer Durables

There might be a short-term dip in this sector due to demonetisation, but in the longer run, this sector will see an upsurge due to its shift towards the cashless segment. Sales have come down for mid-range products such as TVs, refrigerators, washing machines, but anyway, for high-end purchases, a PAN card was always mandatory. So in time, we will see an uptick in this sector.

If you have a good fund manager and have allocated your investments for your long-term goals, there is no need to panic and shuffle your asset allocation in a hurry.

Take time and evaluate your holdings with your financial advisor, and then take decisions which are in line with your holistic financial plan.

(The writer is Managing Director at Sinhasi Consultants)

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