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Daily Voice: This private wealth chief bets on financials, staples, discretionary sectors for 2025

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SUNIL SHANKAR MATKAR | JANUARY 16, 2025 / 07:18 IST

Anuj Kapoor is the Managing Director and Chief Executive Officer - Private Wealth and Alternatives at JM Financial

Anuj Kapoor of JM Financial sees value in financials, especially ones with more exposure on the lending side, due to reasonable valuations and decent earnings growth ahead.

Further, consumption, both staples as well as discretionary are likely to come back. "Staples after a correction are looking reasonably valued, whereas in the discretionary segment, we see opportunity from a medium to long term perspective," he said in an interview to Moneycontrol.

According to the MD and CEO - Private Wealth and Alternatives at JM Financial, the anticipated consumption revival due to income growth could be a key driver for economic growth in 2025. Export growth is likely to remain healthy with the decent global growth estimates, said Anuj with over 26 years of experience in financial services.

Do you expect the earnings slowdown to persist in Q3 FY25?

FY25 is likely to be a subdued year for Nifty 50 earnings growth. Barring some pockets, early signals don't paint an optimistic picture for remainder of this fiscal year. However, recovery from FY26 onwards is likely to be healthy as per analysts estimates which will help improve sentiments going ahead.

Do you believe consumption spending will rebound in 2025?

We can see some green shoots in rural consumption though urban consumption continues to lag as per market surveys. We believe that income growth is the missing link preventing a decisive pick up in the economy. Rise in income transfer via election related freebies and a staggered impact of the capex boost by the government could serve as tailwinds for consumption going into 2025. Hence, in 2025, income growth will be a key monitorable while assessing a pick-up in consumption.

If you were the Finance Minister, what measures would you propose in the Union Budget 2025?

I would propose reducing the tax burden on the middle class to increase disposable income and boost consumption, encourage corporates to undertake capex and create more jobs, tax rationalization on fixed income instruments for the deepening corporate bond market and also try to pave the way for better cross border flow of risk capital (inwards & outwards). The idea should be to enhance the net disposable income in the hands of the consumer after paying all kinds of taxes, and not just the income tax.

Which sectors are indispensable for 2025 and cannot be ignored?

We see value in financials, especially ones with more exposure on the lending side, due to reasonable valuations and decent earnings growth ahead (perhaps not this quarter). There are challenges in terms of asset quality in unsecured books and deposit growth, but we think these are largely priced in the valuations.

Consumption, both staples as well as discretionary are likely to come back. Staples after a correction are looking reasonably valued, whereas in the discretionary segment, we see opportunity from a medium to long term perspective.

Industrials also likely to be in focus after a correction in the recent sell off, with government capex picking up pace and private capex also expected to join. Some of the downsides we see in this space are with respect to the premium valuation multiples.

What could be the key drivers to boost economic growth in 2025?

Anticipated consumption revival due to income growth could be a key driver for economic growth in 2025. Additionally, interest rate cuts by the RBI could aid certain sectors like real estate, etc. Pick up in government capital spending may provide some impetus to the impacted segments of industrial production. Export growth is likely to remain healthy with the decent global growth estimates.

Do you anticipate the RBI to begin the rate cut cycle only in the second half of CY25?

Our base case is that the RBI will begin cutting rates in the first half of CY25, as the year ahead inflation estimates are benign/within target at 4% and growth requires some policy support. The RBI has already paved the way for cuts by changing its stance to neutral and by cutting the CRR by 50 bps. However, we are of the view that, the rate cut cycle this time is going to be shallow and short lived.

What are the major risk factors that could dampen equity market sentiment in 2025?

Some key risks we see are - valuations remain expensive, earnings cuts get deeper and consumption revival takes longer than expected. Globally, an uncertain policy environment especially on trade & tariffs, the Dollar Index remaining strong and US Yields firming up further may delay reversal in FPI flows. Further, geopolitical risks and varied central bank strategies may lead to volatility in financial markets.

How will wealth managers address rising demand for personalized investment strategies?

We have seen a perceptible increase in the number of wealth managers in recent years, thereby enhancing coverage. Wealth managers are today utilising advanced reporting systems by leveraging technology to enhance client experience. Furthermore, personalized behavioural aspects of the clients/prospects are being incorporated while building their profile to better manage their needs. Lastly, we expect increased innovation and flexibility in product offerings along with enhanced global access.