

Citigroup keeps faith in India story

Clark B Winter, chief global investment strategist, Citigroup Global Wealth Management, has his eyes trained on India. The group is rolling out its wealth management services for India, providing broking and research services for retail investors. Winter spoke to Veena Venugopal about the Indian economy and its position in the world.

On what makes India an attractive destination

What is interesting about India is that it becomes a vibrant investment alternative for investors around the world. For non-resident Indians and non-resident non-Indians, it is a vibrant place to put money to work because like so many other countries throughout the world, India is enjoying a series of economic reform measures that encourage people to put money to work, which, in turn, generates employment.

But this is not unique to India; this is going on in many other countries of the world. But the scale of the enterprise here is unparalleled.

This is aided by the fact that there already exist many well-educated, well-trained people. A few decades ago, they might have

had to go abroad to find productive environment to harness their entrepreneurial spirit, but now they can do that right here at home.

On the equity markets' tumble in May

What happened is that the flow of money to emerging markets accelerated dramatically in the last few months. In some cases, in some countries, it was accompanied by speculation – translated as debt.

But that was a worldwide phenomenon – not an India-specific phenomenon. An interesting dilemma now, as we look around the world: “Are we global or local?” For many countries, this is a first-time phenomenon, but it is not the first time in the globe, it is just the first time they have lived through what is going on.

On the fundamentals of the Indian economy

As for long-term prospects, I am equally optimistic about India now as I had been before the markets crashed. In the short term, we now know, with reasonable certainty, that the market was overvalued. There are several big questions that the world is worried about. What is key now is to dif-

ferentiate between things that matter, things that matter less and things that do not matter at all. Looking back, we can figure out what went wrong. We now know in the 1970s, it was rising interest costs, rising energy costs, inflation stagflation. We now know that in the 80s and the 90s, it was the opposite – rational cost of energy, declining interest rates, declining taxes, so it was a great time to put money to work.

Right now, clearly, one of the world's biggest problems is that we have a large, well-educated workforce and, in many parts of the world, we are doing an inadequate job of creating jobs. Countries that are creating a successful environment for deployment of capital are creating many jobs.

The country's edge over its peers

In the early eighties, when the rest of the world was really surrounded by difficult political circumstances, there was an environment where the only real solution to investing was in the dollar or in a dollar stock. What we are now seeing is that there are other places where valuations are very attractive.