

Man of the Year

Like every year, there were several contenders.

With neatly carved six pack abs Shahrukh declared 'life begins at 40', the Big-B in 'Cheeni Kum' said, one can be young at heart even at 60. So while celebrating its 60th anniversary of independence in 2007, India is flirting with 20-somethings. So is it Sensex for conquering 20 K or Dhoni for leading the victory in world T20? While a chess Grandmaster is symbol of our wisdom, the aggression and winning spirit of a country with highest number of teens on this planet can be summed up in just two words, 'Chak De'.

Those who are for or against the nuclear deal, those who won or lost in Gujarat, those who traveled the distance from Kyoto to Bali to accept or reject 'An inconvenient truth', those who support shelter for a novel-writer or the 'fatwa' against it, those who fight for democracy or those who impose emergency, fact remains these debates generated more heat than what all the uranium beneath earth could produce. Let the truth prevail. This generation has learned to move forward. As Sir Victor Hugo once said, no power on earth can stop an idea whose time has come. Those in 'power' should take note.

In the Chinese calendar, 2007 was the year of the PIG. Actually pigs were in short supply and sharp run up in pork prices sent inflation to a record high in China. History may remember 2007 as the year when China shipped the last containers of deflation and started enquiring about takers of inflation.

It was not Bulls or bears but people who played P.I.G.S. (**P**roperty, **I**NR/ **I**nterest rates, **G**old and **S**tocks) made money this year. So all these were strong contenders. For fixed income investors in India, cash was king this year. And this kingdom celebrated its carnival in the month of March when short term rates touched double digit levels.

A piece of advice for global investors, 2008 is the year of the Rat. With risk premiums and volatility set to move upwards, humble and nimble rats would do better. The 'age of turbulence' has just begun. Watch out for 'black swans'.

While crude oil continued to boil, several agri-commodities (corn, soya, wheat) took the heat and their prices scaled multi-year highs. Mighty greenback had a tough year while high yielding currencies did well. Whosoever said 'gentlemen love bonds' was right this year as treasuries delivered decent returns due to 'flight to safety'. But gentlemen who bought sub-prime CDOs and its look-alike had to eat humble pie. There were several contenders from the commodity basket but they paled in front of emerging markets who are the new darlings of investors' world over. Well-supported by fundamentals and powered by liquidity flows, these markets continued their upward journey. Is this

another fad. No. There could be correction in places where a new breed of innocent traders are dancing to the tunes of 'Tips don't lie'. But regardless of de-coupling or re-coupling with US economy and markets in the short run, the centre of gravity is decisively shifting from west to east of globe (and north to south as well). Look at the muscles built by trillions of dollars in Sovereign wealth funds and Forex reserves and the impact it would have on financial markets, real economy and political power over the next few decades. Most of humanity lives in emerging markets and some of them could well become the biggest economic miracles in the history of mankind. So which frontier market to focus next year? The wise never make predictions!

It was also the year of Indian entrepreneurs. They stormed the deal tables and declared emphatically, 'we have arrived'. Jindals, Mahindras, Ambanis, Tatas, Birlas, Tanti, Mallyas, a long list of entrepreneurs who are buying mines, mills and mountains across continents. They truly believe, the world is flat. Global investors are betting money on the Indian entrepreneurs because he now has a penchant for scale, and a respect for productivity and capital efficiency. Three centuries ago, one East India Company was set up by a colonial power and it changed the history of the world. A steel tycoon and a steel company, both from the east of India now own steel empires in Europe. It is symbolic. History is being re-written.

The year also marked some global Indians reaching the highest positions of power in some of the largest multi national corporations. Making India and Indians proud. This has added a new dimension to Brand India as it is no longer the quantity but also the quality of talent that India is supplying to the rest of the world.

Mumbai might have more potholes than any other emerging market city in the world, but when it comes to basic infrastructure and architecture of capital markets, India is next to none. In terms of transparency, efficiency and sophistication, India's stock markets have come of age. SEBI has also done a great job of preserving the sanity in financial markets apart from building a world class institutional framework and market infrastructure. When it comes to P.N., PAN or book building, they all are guided by one principle, the long term interest of the economy, markets and investors. As a regulator you have to overcome the fear of short term impact on markets and no one knows that better than him. So kudos to SEBI and particularly to the leadership of Mr. Damodaran.

Finally the award goes to a man or should we say an institution in himself who is steering India's monetary policy under very challenging circumstances. Having battled crisis like the ones in 1997-98, no one has a better grip on the macro economy and markets. While other central banks are grappling with the question of what is the ultimate dharma of central banking, he knows that in a country like India, RBI can't have a narrow inflation targeting but has to play a much bigger role. In view of political compulsions and limitations on the fiscal and supply-side response, a larger burden of ensuring macro economic stability rests with RBI. He knows that India is moving up the growth trajectory but in the interim, till the supply side catches up, monetary policy has to be vigilant about overheating. It is not easy to carry or nurse a triplet, but Dr. Y. V.

Reddy has done an incredible job in managing exchange rate, interest rates and inflation at a time when capital flows are far in excess of the economy's absorption capacity. To his credit, despite huge capital flows, boom in asset markets and consumption, capacity constraints and sticky prices of global commodities, he has been successful in containing inflation while keeping the growth momentum intact. He is on a mission to bring down long term inflationary expectations and build a solid foundation that will provide macro-economic stability and resilience in the long run. He has built a war chest (Outstanding MSS and additional CRR balances), in case there is a slowdown in economy due to global reasons. So it was monetary policy that saved us from risks of overheating in boom times and it would probably be monetary policy again that will protect us from a slowdown. In the context of recent events in other parts of the world economy and particularly the developed markets, our banking system and financial markets can be termed as 'in pink of the health'. He has done an outstanding job in various hats he wears, a monetary policy maker, a banking regulator, government's advisor to name a few. He has got the habit of surprising markets but lately it has been realized too much of stability and narrow targets can ultimately lead to more instability through low risk premium and volatility. Reddy's brand of central banking would be more respected in times to come. Man who has achieved the 'impossible trinity', outstanding leader with a crystal clear vision and remarkable execution capability, pinnacle of professional integrity, RBI Governor Dr. Y V Reddy. My man of the year. I salute you. Standing ovation.

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