



Besides, Desai said while demonetisation will have some negative impact on the Indian economy in the short term, the scenario looks positive in the long run.
(Source: Reuters)

Keeping its Sensex target for the March 2017 unchanged at 30,000, Wall Street brokerage Morgan Stanley today said the impact of a US Fed rate hike seems to be becoming less relevant for the domestic market.”In the context of the country’s macro stability today that risk (Fed) is less relevant to India. We are pretty comfortable and in fact this is the first time since the liberalisation 25 years ago that India has cut rates against a Fed rate hike (Fed had hiked rates last December but [RBI](#) has lowered rates since then),” Morgan Stanley India Equity Strategist Ridham Desai told reporters here.

“This is a manifestation of the strength of our external balancesheet. We never had the courage to go against the Fed in the past. And our base call is that this will happen the second time when RBI cuts interest rates as against a hike by US Fed,” he added. The Fed is expected to jack up rates at the December FOMC meeting.

Besides, Desai said while demonetisation will have some negative impact on the Indian economy in the short term, the scenario looks positive in the long run.

“Demonetisation is not a serious issue. People are making a big deal out of it. If there will be

a problem in the economy why to think there will not be any response from the policymakers and RBI?” he asked.

While noting the move will help banks grow deposits, liquidity as well as bring them in better position to give loans and interest rates will fall, Desai said, “Of course, there is a negative impact in the short run but it not as large a negative impact as it is being made out to be.”

He observed that 13 per cent of India’s GDP is circulating as cash of which a bulk is transactional cash and not [black money](#). “Most of us like to deal in cash and not electronically. This is a shock that the system has got to accelerate towards digital economy.”

Interestingly, Desai said GST would have a much larger implication on unaccounted money compared to scrapping of high value notes.

“GST is a complicated challenging task. There is a execution challenge...this is the biggest tax law change in the history of the world,” he noted and added there is a possibility of an increase in banking penetration due to demonetisation as well as expansion of electronic means for transactions.

Earlier in the year, Morgan Stanley had said it expected the Sensex to regain its life-time high of 30,000-mark in a best case scenario by next March.

The 30-share BSE benchmark today gained 91 points to close at 26,051.81. PTI SSM BEN RSY MR RDS 11232103

Get live [Stock Prices](#) from BSE and NSE and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market’s [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).