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India rejoices at the record growth in the stock market

. India rejoices at the record growth in the stock market, but experts warn of unhealthy nature of this increase and the need for State intervention.

Indian stock index Sensex on Wednesday morning won 125 points and "crashed" mark 17,000 points, reached 17,025 points. In this last 1000 points (6.25%), the stock market indicator overcame record time of six days. To go the way with 15,000 to 16,000 points (6.7%) Sensex took 53 days.

Experts, however, with concern about the rapid increase in prices of shares of Indian companies.

"Whenever this happens unprecedented growth, there is a danger of further collapse," believes Director Indian Institute of Finance Professor Dzhheydev Agarwal.

In his view, "the reasons for such a rapid increase prices there, as Sensex rise faster income growth companies that are listed.

Fuelling Sensex cash flow is largely formed the Indian industry, which is in dire need of investment, but did not give a quick impact, as the stock market, said the professor.

"The decline in recent index of industrial production in India from 11% to 9.2% clearly indicates an outflow of funds from industry," said Agarwal, in an interview with RIA Novosti.

He believes that the trend towards growth stocks will "take some time", but could change the fall, when industrial and commercial enterprises will require additional working capital. Agarwal believes that such a need might arise in anticipation of the national Hindu festival of lights Diwali, which is observed in early November. This colourful festival accompanies the growth of consumption by households, so at the end of October, the business can begin the withdrawal of money from the stock exchange, added the professor.


Another cause for concern is the uncertainty about the origin of the funds that come into the market shares. "There is concern that the Indian stock market is used to launder money, including terrorists," said Agarwal. The report, he said, has prepared the Indian foreign intelligence.

He called on the government to a more active role in combating these threats to the financial market. "The government should not play the role of guard dog, it must make a sniffer dog," summed up Agarwal.

Market participants, in turn, believe one of the main threats to the market share of political instability in India amidst rumours of possible early elections Indian Parliament.

"If the situation in the domestic politics will be volatile, the stock market would react negatively to this," said RIA Novosti Bhavesh Bakhariya, broker, a leading financial companies of India.

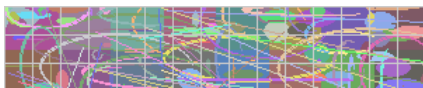
He noted that to maintain stable growth stocks in the medium term industry must overcome a slowdown to keep the long-term trend of more than 10%.

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