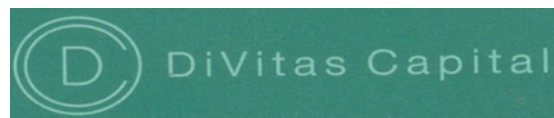


Investor Insights & Outlook



07-Feb-2017

Monthly Newsletter - Jan 2017

Market Update

Nifty	8768
Sensex	28335
10Y G-sec	6.43%
1Y CP	7.20%
CD	6.45%
USD	67.40
Gold	29245 (Rs/10gm)
Brent	52.80 \$/bbl

Strategy

Equity

Our markets made a remarkable recovery post the deep correction in November and December last year in anticipation of a market friendly budget and better than expected results from the impact of demonetization although it may be some time before full normalcy is restored. The Finance Minister presented a well balanced Budget without introducing feared capital gains taxes and liberal social schemes. This Budget aimed to spur growth, investments, rural income and the digital payment initiatives taken by the Government post demonetization. Infrastructure, mainly roads and railways, remains at the forefront.

With improving growth outlook, corporate profitability and expected fall in interest rates, we remain positive on Indian markets with a medium to long term view. However, some intermittent volatility in near term cannot be ruled out as markets have gone up significantly.

In summary, we expect near term correction and any deep correction could be used to accumulate Infrastructure and Pharma stocks.

Debt

The yield on the 10Y benchmark bond (6.97% G-Sec 2026) fell 20 bps to close at 6.40% compared to the previous month close of 6.60%. The Budget's focus on fiscal prudence shows Govt's commitment to follow the path of fiscal consolidation while spending higher in socio economic schemes (which targets to achieve overall growth).

We believe that lower growth, benign inflation coupled with fiscal prudence could provide headroom for rates to fall although we anticipate headwinds from US policy.

Our short term view is that any allocation should be towards accrual until we can see a clear direction of US policy.

Product

Recommendations

EQUITY

- ◆ ICICI Pru Banking & Financial Services Fund
- ◆ Kotak Select Focus Fund
- ◆ Franklin India Prima Plus Fund
- ◆ SBI Bluechip Fund
- ◆ UTI Pharma & Healthcare
- ◆ DSP BR Focus 25 Fund

DEBT

- ◆ HDFC Corporate Debt Opportunities Fund
- ◆ Kotak Medium Term
- ◆ ICICI Pru Long Term Fund

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