

# Investor Insights & Outlook



30-Apr-2017

Monthly Newsletter - Apr 2017

## Market Update

Nifty	9304
Sensex	29918
10Y G-sec	6.96%
1Y CP	7.30%
CD	6.60%
USD	64.21
Gold	28873 (Rs/10gm)
Brent	51.44 \$/bbl

## Strategy

### Equity

Our benchmark indices hit their lifetime highs this month on the back of strong domestic liquidity and global cues. The quarterly corporate earnings declared so far were better than expected as the formal economy has likely benefitted from demonetization and the forecast of a normal monsoon added to the sentiment.

The record rally has pushed up the valuations further and markets look expensive. There is a need for caution on the economic effects of the potentially disruptive policies of Trump in US.

Though our Indian equity markets may continue to rise driven by global risk appetite and liquidity, more importantly, the key factors such as sustainability of corporate earnings and valuations remain risks.

We maintain our view and recommend investors to systematically book profits at every rise. While we remain bullish in the long run, investors with SIPs using a staggered approach should continue to invest. Arbitrage funds remain safe havens until opportunities arise in equities again.

### Debt

The yield on the 10Y benchmark bond (6.97% G-Sec 2026) has risen by 28 bps to close at 6.96% compared to previous month close of 6.68%. Our Government bonds declined as minutes of the Central bank's latest meeting in April 2017 signaled the possibility of an interest-rate hike. The 10Y yield is expected to remain range bound in the first quarter of the current fiscal year.

However, overseas investors have been investing in our fixed income asset class lured by economic expansion among emerging and global peers and hopes of more economic reforms under PM Modi.

We believe this sharp pull back of yields to be temporary as there is ample liquidity from FIs and domestic banks post demonetization. This coupled with recent dovish Fed commentary augurs well & will stimulate demand for G-Sec going forward. We recommend fixed income investors to stay invested. Perpetual bonds remain attractive.

### Product

#### Recommendations

#### EQUITY

- ◆ Kotak Equity Arbitrage Fund
- ◆ ICICI Pru Equity Arbitrage Fund
- ◆ ICICI Pru Banking & Financial Services Fund
- ◆ Franklin India Prima Plus Fund
- ◆ Kotak Select Focus
- ◆ ICICI Pru Value Discovery Fund

#### DEBT

- ◆ HDFC Corporate Debt Opportunities Fund
- ◆ Kotak Medium Term
- ◆ IDFC Corporate Bond Fund

## Contact

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