Investor Insights & Outlook

DiVitas Capital

31-Oct-2017

Monthly Newsletter - Oct 2017

Market Update

Nifty	10335
Sensex	33213
10Y G-sec	6.86%
1Y CP	7.13%
CD	6.57%
USD	64.77
Gold	29180 (Rs/10gm)
Brent	54.00 $/bbl

Product Recommendations

EQUITY

- **Kotak Equity Arbitrage Fund**
- **ICICI Pru Equity Arbitrage Fund**
- **UTI Pharma & Healthcare Fund**
- **Mirae Asset India Opportunities Fund**
- **Franklin India Prima Plus Fund**
- **Kotak Select Focus**
- **IDFC Infrastructure**

DEBT

- **HDFC Medium Term-Fund**
- **Kotak Corporate Bond**
- **IDFC Corporate Bond**

Strategy

Equity

Indian equity markets continue to rise driven by the Government's mega Rs 2.11 trillion recapitalization plan of PSU banks. The strengthening Rupee, renewal of FII buying and affirming signs of recovery in domestic earnings season further supported buying interest. As expected, infrastructure, public sector banks and auto stocks performed well owing to the stimulus package.

Although FII's sold in the early part of the month, the selling was absorbed by the strong inflows from Mutual Funds and DII's. India remains one of the few emerging economies with a reasonable corporate governance structure, strong regulations, stable currency and good economic growth. We believe that as the effect of these bold reforms materialize, corporate results will reflect improvements.

We maintain our optimism on Indian equities in the long run and remain buyers of beaten down Pharma and select Large caps. Given the abundant liquidity and ongoing near-term disruptions, investors should use corrections to increase the exposure to equities.

Debt

Yield on the 10-year benchmark paper (6.79% GS 2027) rose 24 bps to 6.88% from the previous month close of 6.64% mainly on account of RBI's neutral to hawkish policy outcome and concerns over the likely supply of bank recapitalization bonds and the risk of the Government exceeding its fiscal deficit target for FY18. Markets participants also remained on the sidelines ahead of the outcome of the US Federal Reserve's monetary policy review due in early November.

The future course of rate cuts is dependent on the inflation trajectory and GDP growth. The Q2 GDP data is expected at the end of November and may raise the expectation of a rate cut.

We recommend existing investors to continue holding their present allocation and those with Gilt exposure over 3 years should consider reallocation to fixed coupon instruments. Investors looking for fresh fixed income allocation should consider well-managed corporate bond funds, short term funds and perpetual bonds.

Contact

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