

Investor Insights & Outlook



01-Nov-2013

Monthly Newsletter - October 2013

Market Update

Nifty	6307
Sensex	21196
10Y G-sec	8.65%
1Y CP	9.75%
CD	8.90%
USD	61.75
Gold	31400 (Rs/10gm)
Brent	108.93 \$/bbl

Product Recommendations

DEBT

- ◆ IDFC SSIF—ST
- ◆ Birla Sunlife ST Fund
- ◆ NTPC & NHB Tax free Issue (Expected Launch: 15 Nov 2013)

EQUITY

- ◆ ICICI Pru Banking & Financial Services Fund
- ◆ UTI Banking Sector Fund
- ◆ HDFC Mid-Cap Opportunities Fund
- ◆ SBI Emerging Businesses Fund

Contact

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Disclaimer

Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved. Please read the Statement of Additional Information and Scheme Information Document carefully before investing.

Strategy

Debt:

Yields have remained elevated on account of repo rate increases but volatility has reduced as the measures taken by the RBI (in July) are being reversed (MSF). Efforts by RBI's new governor to bolster India's foreign-exchange reserves have encouraged investors. RBI has made it easier for Indian banks to borrow dollars cheaply overseas, and offered programs that entice overseas Indians to put money into local bank deposits. The central bank has received \$10.1 billion via these measures. **Current tax free offers extremely attractive returns of up to 9% tax free (12+% gross @ 30% tax rate) with opportunities to make a significant gain once inflation and rates start falling.**

Equity:

Indian markets have outperformed the global markets and rose by 13.5% in the last two months. Indian stocks, and the rupee, have rallied sharply in the last two months as foreign investors have poured money into the markets. Strong monsoon is expected to be supportive for agriculture and boost rural demand and income. The rally has begun to extend to beaten down mid-caps. Whilst certain volatility will remain, the emergence of Narendra Modi as a likely winner will bolster stock prices once state election results confirm the outcome, barring any global accidents. The large caps are fully valued but mid caps and financials offer long term opportunities.