

Investor Insights & Outlook

30-Apr-2014

Market Update

Nifty	6696
Sensex	22418
10Y G-sec	8.82%
1Y CP	9.50%
CD	9.15%
USD	60.34
Gold	28480 (Rs/10gm)
Brent	109.19 \$/bbl

Monthly Newsletter - April 2014

Strategy

Equity

The stock markets are consolidating at current levels in anticipation of the outcome of the ongoing general election. The BJP led NDA is widely expected to form the next government. There is still a sense of denial that this rise is sustainable. In reality, markets (Sensex) is still undervalued trading at about 14.1 times one-year forward (earnings). The long-term trading average is 14.6. The battered sectors and stocks are at single digit valuations which is not reflected in the Sensex price-earning ratio.

As advocated earlier in our newsletters, the current market scenario makes a strong case for ownership of equities particularly financials, mid-caps and infrastructure.



Debt

The recent events (Bi-monthly policy) should not be looked at as reactionary to the past few data points. Instead, in our view, one has to focus on the underlying policy framework which in turn is focused on achieving a set of medium term outcomes. We believe that if BJP comes to power, long term yields could see a rally of 25-30 basis points as Mr. Modi and BJP is seen as somebody who could address the supply side infrastructure concerns to tame the inflation and make a case stronger for a rate cut. Volatility seen in the Gilt funds in the past few months are often looked at as the hazard of investing in this asset class. However, we see a large opportunity in that volatility. We continue to recommend investing in long term Gilt funds.

Product Recommendations

DEBT

- ◆ Axis Constant Maturity Fund
- ◆ ICICI Long Term Gilt

EQUITY

- ◆ HDFC Mid Cap Opportunities Fund
- ◆ Tata Infrastructure Fund
- ◆ ICICI Infrastructure Fund
- ◆ Pinebridge Infrastructure & Economic reforms fund
- ◆ JP Morgan Greater China

Contact

If you require any detailed information, please contact:

Gurmeet Singh
gurmeet@divitascapital.com
+91 - 98 73 010 019

Ashish Tyagi
ashish@divitascapital.com
+91 - 99 11 222 707

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