

# Investor Insights & Outlook

06-Aug-2014

## Market Update

|           |                 |
|-----------|-----------------|
| Nifty     | 7746            |
| Sensex    | 25908           |
| 10Y G-sec | 8.85%           |
| 1Y CP     | 9.35%           |
| CD        | 9.00%           |
| USD       | 61.04           |
| Gold      | 28114 (Rs/10gm) |
| Brent     | 103.70 \$/bbl   |

Monthly Newsletter - July 2014

## Strategy

### Equity

After the euphoria of the election results and budget, the Indian market is now consolidating until the next trigger is visible : reforms, macros or improvement in quarterly results. The recent correction has shifted the focus on global events, as the green shoots seen in the domestic economy have largely been priced in. There is little reason to be perturbed by the correction which was overdue after the sharp rally. The underlying long term view on equities continues to be positive.

The markets will increasingly tend to reward companies which meet earnings estimates. We maintain our stance on equities **to buy on every dip** to re-invest in India's growth story, and in particular : midcaps, financials, capital goods and infrastructure.

### Debt

The RBI kept the policy rate (repos rate) on hold at 8%, in line with consensus and our expectations. The likelihood of any rate cut in the short term will be dependant upon control on inflation. The timing of the rate cuts would continue to be largely data dependent as the RBI has also stated that they would not hold rates longer than necessary.

Gilt continues to trade at elevated levels and **remains an attractive first choice** to those without a fixed income exposure. Additionally, these elevated levels should also be used to increase allocation to **blue chip preference share issues** (offering 8+% net of tax returns).

### Product

#### Recommendations

##### DEBT

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

##### EQUITY

- ◆ HDFC Mid Cap Opportunities Fund
- ◆ IDFC Infrastructure Fund
- ◆ ICICI Infrastructure Fund
- ◆ ICICI Pru Midcap Fund
- ◆ UTI Midcap Fund

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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.

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