

Investor Insights & Outlook

14-July-2014

Market Update

Nifty	7454
Sensex	25007
10Y G-sec	8.78%
1Y CP	9.35%
CD	9.00%
USD	60.07
Gold	28150 (Rs/10gm)
Brent	106.94 \$/bbl

Monthly Newsletter - June 2014

Budget Special

Strategy

Equity

Sensex traded in a narrow range hit by a weak start to the southwest monsoon and high crude oil prices and subsequently by disappointment with the announcements in the Union Budget. Although the latest batch of domestic economic report has been supportive, there is some amount of caution given the run up of the last few months.

The recent correction in small and mid-caps has given investors a godsend opportunity to accumulate these. When the economy expands, small-cap stocks gain the most as they were the worst sufferers when the market slid. After nearly half a decade of lacklustre stock market returns and benign returns on shareholder equity, investors are now more likely to do well. We strongly suggest that one should use this golden opportunity to re-invest in growth.

Debt

Indian debt markets were spooked by the surge in oil prices, events in Iraq and now a possible Portuguese bank default. The RBI monetary policy announcements were along the expected lines except for the SLR cut. The direction of 10 year benchmark yield was largely influenced by demand from FIIs. In the interim, with supply schedule for current fiscal drawing to close, bond yield may trade in a range.

As mentioned before, we are maintaining a strong buy on gilt funds and will be the only instrument in the short term to outperform fixed deposits after the taxation of debt mutual funds in the budget.

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

Contact

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