

Investor Insights & Outlook



09-June-2015

Monthly Newsletter - May 2015

Market Update

Nifty	8433
Sensex	27828
10Y G-sec	7.81%
1Y CP	8.65%
CD	8.25%
USD	63.79
Gold	26845 (Rs/10gm)
Brent	61.42 \$/bbl

Product Recommendations

DEBT

- ◆ ICICI Long Term Gilt
- ◆ IDFC - GSF IP
- ◆ UTI Gilt Advantage Fund - LTP

EQUITY

- ◆ HDFC Mid Cap Opportunities Fund
- ◆ ICICI Pru Banking & Financial Services Fund
- ◆ ICICI Value Discovery
- ◆ JP Morgan Small & Mid-cap Fund
- ◆ JP Morgan India Equity Fund

Contact

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Strategy

Equity

Last month was dominated by the high-decibel debates on “one-year of Modi Government”.

Over the last few weeks we have seen significantly higher volatility in both equity and fixed income markets. The key equity indices have corrected by 10% from the peak in January 2015.

India has been a consensus trade for a while. FII's were net sellers during May. Volatility in equity markets was driven by weak earnings and lower than expected corporate profits in spite of a decline in commodity prices. Volatility in oil prices and global uncertainty have added to the weak results season, thereby triggering a broad sell off.

We may be close to an intermediate bottom provided there are no global triggers. We expect following quarters to reflect improvement in earnings. We feel current market weakness and volatility presents a long-term investment opportunity for equity investors, and any drop represents buying opportunities.

Debt

RBI front loaded its rate cut program by cutting repo rate by 25 basis points, which was widely expected by market participants. This has been the third rate cut this calendar year taking the aggregate reductions to 75 basis points till date. However, the tone was hawkish that triggered volatility in bond markets.

There is general insistence that duration remains that best strategy at this moment despite rising yields. The reaction to bond yields was surprising. We expect these to come off as global markets settle, monsoons expectations are met, interest rate reduction are transmitted and volatility in global prices settle. We continue to strongly recommend long duration Gilt funds.