

# Investor Insights & Outlook



01-Dec-2015

Monthly Newsletter - Nov 2015

## Market Update

Nifty	7955
Sensex	26169
10Y G-sec	7.71%
1Y CP	8.45%
CD	7.65%
USD	66.46
Gold	25091 (Rs/10gm)
Brent	43.52 \$/bbl

## Strategy

### Equity

The market began to correct as the possibility of the NDA's loss in the Bihar election became visible. This affected investor sentiment considerably as constitutional reforms would become harder to pass through the Rajya Sabha. Simultaneously, the corporate earnings for Q2FY2016 remained lacklustre. We are expecting the results to start improving from the next quarter, which will gather pace thereafter improving the outlook for the markets.

Going by the assertions of US Federal Reserve last month and stronger US payrolls data, a policy rate hike in US now looks a near certainty in December. If it is packaged with a dovish statement, it will have only a temporary impact. We remain alert to opportunities to buy large caps (including Funds) in any further correction.

**Seize opportunities to switch mid cap funds into large cap funds; and to raise exposure to GILT funds at these elevated 10Y yield levels.**

### Product Recommendations

#### DEBT

- ◆ ICICI Long Term Gilt
- ◆ IDFC - GSF IP
- ◆ IDFC Dynamic Bond Fund

#### EQUITY

- ◆ ICICI Pru Banking & Financial Services Fund
- ◆ Franklin India Bluechip Fund
- ◆ Franklin India Prima Plus Fund
- ◆ SBI Bluechip Fund
- ◆ ICICI Value Discovery

## Contact

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### Debt

Having delivered a 50 bps rate cut in September, the RBI expectedly kept the rates on hold while reiterating the accommodative stance of monetary policy. RBI stated that the timing of future rate cut will depend on multiple factors such as the impact of pay commission, GST impact and commodity prices.

RBI would now increasingly focus towards rate transmission and mitigating the impact of external risks. The Government is examining linking the small savings interest rates to market interest rates and this will increase room for further rate cuts into 2016.

10 Y Gilt has lost all its gains since the last rate cut of 50 bps. This is largely due to the fear of an imminent Fed rate hike and large supply of Gilt via weekly auctions. However, we believe that current markets are oversold and present an opportunity for long term investors.

We continue to recommend actively managed bond and gilt funds.

**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. CIN : U74140DL2007PTC164346