

Investor Insights & Outlook



01-Nov-2015

Monthly Newsletter - Oct 2015

Market Update

Nifty	8066
Sensex	26657
10Y G-sec	7.64%
1Y CP	8.40%
CD	7.60%
USD	65.52
Gold	26499 (Rs/10gm)
Brent	47.63 \$/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
- ◆ Franklin India Bluechip Fund
- ◆ Franklin India Prima Plus Fund
- ◆ SBI Bluechip Fund

Contact

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Strategy

Equity

Indian equity markets staged a recovery from lower levels during October'15 on the back of Fed deferring a rate increase. However, markets have lost ground towards the month-end on account of below expectation corporate performance and uncertainty of NDA winning the Bihar assembly elections. The trigger provided by the rate cut of 50 bps by RBI was short-lived. A pickup in corporate earnings growth, fall in interest rates and expanding return on equity (RoE) for corporate India should be the key drivers in the medium to long term. We strongly believe that the Indian economy is on the cusp of a strong uptrend that could herald 7-8% GDP growth per annum over the next 5-10 years. The uncertainty on the extent and timing of rate hike by US Federal Reserve has deferred the market response. We believe that India is the only country with highest growth rate globally and China slowing down is potentially favorable for us. While intermittent volatility may continue due to global events, investors should use any correction to increase the equity allocation.

Debt

Given the strong underlying interest, bond yields have remained in a relatively narrow band despite heightened global volatility over the past month. While volatility is likely to continue, we strongly feel that the downside at current levels would be limited. In the short term, markets should remain volatile on the back of global developments in US Fed action, China and resultant fund flows.

Going forward we expect that lower inflation and growth relative to potential will allow rates to be further reduced in the medium term. This intermittent volatility is an ideal opportunity for a long term investor to build positions given the wide variance between 10Y yield and repo rate.

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