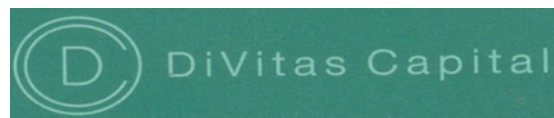


Investor Insights & Outlook



05-Apr-2016

Monthly Newsletter - Mar 2016

Market Update

Nifty	7603
Sensex	24883
10Y G-sec	7.46%
1Y CP	8.00%
CD	7.35%
USD	66.32
Gold	28665 (Rs/10gm)
Brent	37.50 \$/bbl

Strategy

Equity

The Index nearly fell 12% in January and February this year in addition to the near 8% fall from 1st April 2015 before recovering around 10% in March. This was clearly overdone considering global markets were making a recovery and our macros were considerably superior than they have been in the past. A cut in the repo rate of 25 basis points with increased liquidity, improved earnings outlook and a strong reform push will provide the impetus for markets to reverse.

In addition, there has been a strong rebound in FII flows after a prolonged period of selling in the last 6 months. We retain our view to invest in the beaten down Banking sector as it still provides a good bargain in the current scenario while remaining alert to opportunities to buy large caps.

Debt

The 10 year G-Sec has rallied almost 40 bps and closed the financial year at 7.46%. There may be volatility in the interim but the interest rate trend is clearly downwards that should be used as an opportunity to invest in duration funds. We believe the market is oversold on supply concerns and we remain convinced that we are in an easing cycle.

We believe that our macroeconomic fundamentals are better than what the fixed income markets are pricing in. Having said that, the duration journey will not be secular since there will be demand supply mismatch every so often, which might cause spikes but should be used to invest in duration funds. Investors with a lower risk appetite can look at Short term funds and those at the highest tax bracket must buy tax free bonds (that can now also be purchased through the stock exchange).

Product

Recommendations

DEBT

- ◆ Tax free bonds
- ◆ HDFC Short Term
- ◆ IDFC - GSF IP
- ◆ ICICI Pru Income Opp.
- ◆ IDFC Corporate Bond Fund

EQUITY

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

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