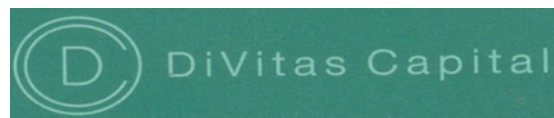


# Investor Insights & Outlook



04-Nov-2016

Monthly Newsletter - Oct 2016

## Market Update

Nifty	8485
Sensex	27430
10Y G-sec	6.82%
1Y CP	7.65%
CD	6.93%
USD	66.73
Gold	30448 (Rs/10gm)
Brent	46.48 \$/bbl

## Strategy

### Equity

With Donald Trump rapidly closing the gap in US Presidential election, the uncertainty over his policies could spark a correction across the equities. The fall in our markets by 4-5% reflects this fear. Federal Reserve policy makers left interest rates unchanged while setting the stage for probable rate hike in December 2016. Indian equities have reported withdrawal of \$745 million (Rs 5000 crore) by FIIs in the past month, the highest in the Asia Pacific market since February 2016. Growing risk from a probable rate hike by Fed and US Presidential election has prompted investors and Fund managers to raise their cash holdings.

A Clinton win on 8th November is seen as a positive for the global financial markets. A Republican Party (Trump) win could mean a change in the policy stance of US Govt. which could cause a knee jerk reaction in Emerging Markets. Putting these near term risks aside such as US election, Fed rate hike, GST implementation, global commodity prices, impact of 7th Pay Commission and so forth, India is heading towards structurally lower inflation and robust growth.

Our view is that equities are beginning to look attractive for those who have missed some earlier opportunities and certainly any serious fall (should Trump win) should be used to accumulate. The recent fall in large Pharma stocks has made the UTI Pharma & Healthcare Fund a very attractive buy.

### Debt

In the first policy review under Governor Urjit Patel and the newly constituted monetary policy committee (MPC) format, RBI cut rates by 25 bps, taking repo to 6.25%. Despite the rate cut, the ten-year benchmark bond yield closed the month just 2 bps lower at 6.79%, as market came under pressure in the second half tracking the rise in global yields, on fears of pause in global central bank easing programs and uncertainty of US elections.

Local triggers continue to remain bullish for bonds as RBI seems quite dovish. With good monsoon, inflation is expected to remain low over near term. Rates have fallen across the Fixed Income categories and investors should settle for moderate returns on fixed income investments for the next few years.

We would recommend short to medium duration or accrual funds for incremental allocation. Meanwhile, for tax efficiency, investors should stay invested in long duration funds.

### Product

#### Recommendations

##### DEBT

- ◆ HDFC Short Term
- ◆ L&T Resurgent India Corporate Bond Fund
- ◆ ICICI Pru Banking & PSU Debt Fund
- ◆ IDFC Corporate Bond

##### EQUITY

- ◆ ICICI Pru Banking & Financial Services Fund
- ◆ Kotak Select Focus Fund
- ◆ Franklin India Prima Plus Fund
- ◆ SBI Bluechip Fund
- ◆ UTI Pharma & Healthcare
- ◆ DSP BR Focus 25 Fund

### Contact

If you require any detailed information, please contact:

**Gurmeet Singh**  
gurmeet@divitascapital.com  
+91 - 98 73 010 019

**Ashish Tyagi**  
ashish@divitascapital.com  
+91 - 99 11 222 707

**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