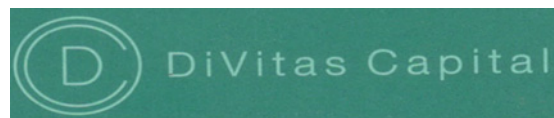


Investor Insights & Outlook



01-May-2018

Monthly Newsletter - Apr 2018

Market Update

Nifty	10739
Sensex	35160
10Y G-sec	7.87%
1Y CP	8.10%
CD	7.70%
USD	66.81
Gold	30912 (Rs/10gm)
Brent	74.19 \$/bbl

Product Recommendations

EQUITY

- ♦ Kotak Equity Arbitrage
- ♦ ICICI Pru Equity Arbitrage Fund
- ♦ HDFC Equity Fund
- ♦ Mirae Asset India Equity Fund
- ♦ Reliance Pharma Fund
- ♦ Franklin India Prima Plus Fund
- ♦ Kotak Select Focus
- ♦ IDFC Infrastructure
- ♦ ICICI Pru Focused Bluechip Fund
- ♦ Sundaram Rural India

DEBT

- ♦ Axis Short Term Fund
- ♦ Kotak Corporate Bond
- ♦ IDFC Corporate Bond
- ♦ IDFC SSIF - ST
- ♦ DSP BR Bond Fund

Contact

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Strategy

Equity

India's broad market indices staged a steady recovery, rising 6% in April on the back of strong earnings being declared by leading large cap firms and a recovery in global markets on account of positive geo-political narrative. So far, Indian equities have shrugged off the negative implications of increase crude prices on inflation, current account deficit and gross fiscal deficit. These factors could come into play in the short term as now weaker companies will declare their results in May 2018.

Additionally, state elections in Karnataka will further add to volatility as we enter the run-up to the 2019 General Elections.

We maintain our view to raise exposure to equities only on a deep correction in the markets. We remain buyers of Pharma and select Large caps (particularly infra companies) with a long term view.

Debt

Yield on the 10-year benchmark paper (6.79% GS 2027) rose 54 bps in April 2018 to close at 7.87% from the previous month close of 7.33%. This happened mainly due to rising crude oil prices and a falling Rupee leading to concerns over the country's Fiscal and Current Account deficit rising.

This being an election year, the Government's options will be restricted in terms of spending cuts. GOI's intent of entering the shorter duration (1 to 5 years maturity) will see a crowding out effect on issuances of CDs and is already manifesting itself in the flattening of the yield curve.

Our bond market outlook remains bearish in the medium term as we are seen entering a rising interest rate phase globally, to add to India's fiscal concerns. In the short term though, bond yields will fall on account of the recently announced RBI measures.

We recommend existing investors to continue holding their present allocation. Investors looking for fresh fixed income allocation should consider well-managed corporate bond funds, FMPs and short term funds during May 2018 when yields are elevated. All those in Gilt or long bonds should use this opportunity (of bond yields falling in the short term) to book profits or liquidate positions.

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