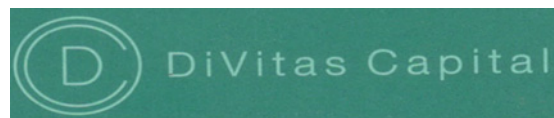


# Investor Insights & Outlook



05-Sep-2018

Monthly Newsletter - Aug 2018

## Market Update

Nifty	11477
Sensex	38018
10Y G-sec	8.05%
1Y CP	8.50%
CD	8.10%
USD	71.72
Gold	30350 (Rs/10gm)
Brent	77.56 \$/bbl

## Strategy

### Equity

India's large cap indices continued to gain in August, with the Nifty 50 gaining 3%. India's June quarter GDP numbers came in at 8.2% YoY, a 2 year high. These numbers were primarily led by growth in private consumption, an encouraging sign of steam in the economy. However, valuations remain uncomfortably stretched. Small and mid-cap companies reversed earlier losses in August as DII purchases continued to outweigh FII selling.

We maintain our view to raise exposure to equities only on a deep correction in the markets and use these rises to reduce exposure particularly in large caps and over-valued midcaps. We remain buyers of Pharma and select large caps (particularly cement and construction companies) with a long term view.

### Debt

Yield on the 10-year benchmark paper (7.17% GSec 2028) rose from 7.71% to 7.95% as rising oil prices and concerns over India's trade deficit pushed Rupee to all time low levels of Rs.71 vs the US Dollar. Further rise in oil prices as US's Iran Sanctions come into effect and higher domestic inflation numbers could push Rupee further lower.

Our bond market outlook remains bearish in the medium to long term, in line with a rising interest rate phase globally. However in the short term, proactive action by RBI could spur confidence among foreign investors and lead to some gains.

We recommend existing investors to continue holding their present allocation but with little exposure to Gilt or long duration funds. Investors looking for fresh fixed income allocation should consider well-managed corporate bond funds, FMPs and short term funds during August when yields are elevated.

### Product

#### Recommendations

##### EQUITY

- ♦ Kotak Equity Arbitrage
- ♦ ICICI Pru Equity Arbitrage Fund
- ♦ DSP Small Cap Fund
- ♦ Mirae Asset India Equity Fund
- ♦ Reliance Pharma Fund
- ♦ Franklin India Prima
- ♦ Kotak Standard Multi-cap Focus
- ♦ IDFC Infrastructure
- ♦ ICICI Pru Focused Bluechip Fund
- ♦ Sundaram Rural India

##### DEBT

- ♦ Axis Short Term Fund
- ♦ Kotak Corporate Bond
- ♦ IDFC Corporate Bond
- ♦ Tax Free Bonds
- ♦ Fixed Maturity Plans

## Contact

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