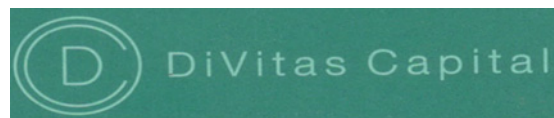


# Investor Insights & Outlook



01-Jun-2018

Monthly Newsletter - May 2018

## Market Update

Nifty	10696
Sensex	35227
10Y G-sec	7.87%
1Y CP	8.50%
CD	8.27%
USD	67.43
Gold	30545 (Rs/10gm)
Brent	77.50 \$/bbl

## Strategy

### Equity

India's broad market indices were range bound last month with spurts of volatility as a result of Karnataka state elections and fluctuations in crude oil prices. Q4 saw companies declaring a healthy set of numbers with most sectors experiencing growth as GDP growth came in at a seven quarter high of 7.7%. However we remain cautious on our equity outlook as valuations still remain overheated and uncertainty over the 2019 general elections will continue to cast its shadow over the markets.

In the last week of May crude oil prices turned lower and we will monitor it closely to determine whether it is a long term reversal, which could lead to a run up in equities in the short run.

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 cement and construction companies) with a long term view. Overtime, it may be sensible to reduce exposure to Modi friendly companies and consider opposition friendly businesses.

### Debt

Yield on the 10-year benchmark paper (6.79% GS 2027) remained stable in May 2018 to close at 7.87% unchanged from the previous month's close. This was due to a reversal in crude prices and subsequent strengthening of the Rupee.

RBI's monetary policy meet this week will give further guidance on the short term rates. Given that RBI holds short term rates, expect long term rates to remain capped as we are seeing a world-over flattening of the yield curve.

Our bond market outlook remains bearish in the medium to long term as we are seen entering a rising interest rate phase.

We recommend existing investors to continue holding their present allocation. Investors seeking fresh fixed income allocation should consider well-managed corporate bond funds, FMPs and short term funds as yields are elevated.

### 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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