

Investor Insights & Outlook



02-Dec-2020

Monthly Newsletter - Nov 2020

Strategy

Market Update

Nifty	13114
Sensex	44618
10Y G-sec	5.91%
1Y CP	4.02%
CD	3.65%
USD	73.95
Gold	48850 (Rs/10gm)
Brent	47.61 \$/bbl

Product Recommendations

EQUITY

- ♦ ICICI Pru Value Discovery Fund
- ♦ ICICI Pru Pharma Healthcare & Diagnostics Fund
- ♦ ICICI Pru Midcap Fund
- ♦ SBI Banking & Financial Services Fund
- ♦ Kotak Standard Multicap Fund
- ♦ ABSL Infra Fund

DEBT

- ♦ Axis Banking & PSU Debt Fund
- ♦ ICICI Banking & PSU Debt Fund
- ♦ IDFC Dynamic Bond Fund
- ♦ IDFC Bond Fund - ST
- ♦ HDFC Ltd Fixed Deposit
- ♦ Bajaj Finance Fixed Deposit

Equity

Indian markets witnessed very strong performance in the month of November with front-line indices rising more than 11% during the month on the back of a series of positive developments with respect to a COVID vaccine and liquidity in global markets. Eventually, the Bank Nifty and mid & small cap space outperformed the broader markets.

Domestically, the FPI inflows in the month of November were the highest ever recorded, propelling the equity markets to record highs accentuated by a weakening Dollar. This was despite selling by DIIs during the month. Further, the RBI panel suggestion for giving licenses to large NBFCs & corporate groups and allowing the increment in promoter stake in Banks aided the market sentiment towards financials, resulting in significant outperformance. Also, the mid and small caps started their catch-up rally after underperformance over the last few years.

Globally, the conclusion of US elections saw the Democrat win the majority, ending the uncertainty overhang for global markets. However, with the President-elect expected to resume office in January, it remains to be seen how his China stance and global outlook will effect emerging markets like India. Elsewhere, while the lockdown in some parts of Europe hurt economic activity and sentiment, the markets however remained resilient taking cues from positive developments over a plausible vaccine.

We remain cautious of the markets especially the large caps which are close to more than fair valuations given current circumstances. On corrections, pharma, well run PSUs, telecom, and mid & small cap will be our preferred picks.

Debt

The yield on the new 10Y benchmark (5.77% GOI 2030) ended flat in November at 5.89% as compared to 5.87% in October. The overall systemic liquidity continued to remain in surplus although the bond yields remained in a tight range in absence of firm cues as market players awaited the release of domestic GDP figures for the September quarter.

The Rupee strengthened against the US dollar as news of early rollout of potentially effective Covid-19 vaccine boosted the sentiments for emerging markets with a hope of swifter global economic recovery. A formal approval secured by Biden from the current administration for the transition further aided the sentiment.

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On the domestic front, Inflation remained a key concern as retail inflation (based on CPI) hit a nearly six and a half year high of 7.6% in October, with food inflation registering a steep rise. We believe that RBI may keep the key policy rates unchanged in the upcoming policy meet as high inflation will likely outweigh the other concerns.

We continue to recommend short term and AAA corporate bond funds for investors looking for stable returns and the ones with higher risk appetite can consider higher duration and dynamically managed funds.

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