Investor Insights & Outlook

Monthly Newsletter - Oct 2019

31-Oct-2019

Market Update

Nifty	11877
Sensex	40129
10Y G-sec	6.66%
1Y CP	6.75%
CD	5.99%
USD	70.98
Gold	38582 (Rs/10gm)
Brent	60.86 $/bbl

Product Recommendations

EQUITY

- **ICICI Pru Mid Cap Fund**
- **IDFC Sterling Value**
- **HDFC Midcap Opportunities Fund**
- **Mirae Asset Large Cap Fund**
- **Kotak Standard Multi-cap Fund**
- **HDFC Equity Fund**

DEBT

- **L&T Banking & PSU Debt Fund**
- **ICICI Banking & PSU Debt Fund**
- **Axis Banking & PSU Debt Fund**
- **IDFC Banking & PSU Debt Fund**
- **ICICI Pru Constant Maturity Gilt Fund**

Contact

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Strategy

Equity

Continuing with the recent trends of high volatility, Indian markets ended the month on a positive bias with the frontline indices – Nifty and Sensex showing strong recovery from the lows during the initial part of the month. Further after prolonged weakness, the mid and small cap indices closed about 5% and 2.5% higher respectively for the month.

Globally, the 'first phase' of trade deal agreement between US and China eased some pressure of the markets. This resulted all Asian markets, including India, to trade with positive sentiment in second half of the month. Further, The US Federal Reserve cut interest rates for the third time this year to ensure the US economy weathers a global trade war without slipping into a recession. This should further aid the inflows in the next few months.

Domestically, the effect of lower corporate taxes reflected positively in quarterly results of companies and on sentiment. Also, there is an expectation that domestic consumer demand picked up during the festival season as reported by automobile players and online e-tailers. This fuelled hopes of demand revival. Further, the possibility of further tax rationalization, in the form of reduction in personal tax rates, which would directly boost the consumer demand.

We reiterate our view that the equity markets have seen their bottom. The valuations of mid and small caps are at historic lows and the gap between these and the large cap continues to be extremely high. With all the macros in place – INR stability, low oil prices, low yields and low inflation, it is likely that the markets should return to normalcy sooner than later.

Debt

Indian financial market had already factored in the rate cut of 25 bps by RBI in early October. The bond prices rose by 10 bps after the rate cut, as old bonds with higher yields became more attractive. As investors chased those bonds, the prices shot up. Yield on the 10Y Benchmark paper (7.26% G-Sec 2029) remained elevated during the month to close at 6.66% in October 2019.

The current economic slowdown, low inflation and a change in the monetary policy stance suggests that the interest rates will continue to remain low in the short term.

We recommend investors looking for stable return to remain in short duration debt products. On the other hand, investors with higher risk appetite may start allocating to dynamic debt strategies that have higher duration. This is a good time to lock-in to higher yielding products.