Investor Insights & Outlook

Monthly Newsletter - Sep 2020

05-Oct-2020

Market Update

Nifty	11533
Sensex	39110
10Y G-sec	5.99%
1Y CP	4.50%
CD	4.05%
USD	73.18
Gold	51648 (Rs/10gm)
Brent	40.11 $/bbl

Product Recommendations

EQUITY

- **ICICI Pru Bluechip Fund**
- **Mirae Asset Large Cap Fund**
- **ICICI Pru Banking & Financial Services Fund**
- **SBI Banking & Financial Services Fund**
- **Kotak Standard Multi-cap Fund**
- **Axis Bluechip Fund**

DEBT

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

Strategy

Equity

Post a very strong month of August, the Indian equity markets witnessed a weak start to September on back of global selloff and technical correction but recovered in the last week.

Domestically, the Government continued with its unlock stance, alleviating the fears of another lockdown. The Government's decision to waive interest on interest during the moratorium period will provide much relief to the Banks, which have underperformed the broader markets on fears of increased NPAs. Also, the Government amended the labor laws and passed the historic farm bill, which is expected to increase farm income, thus uplifting the demand in the rural areas. Globally, the markets continued to show recovery as economic activities picked up and Central Banks in Europe and US Fed continued to push liquidity into the markets.

We believe that the outcome of US elections, update on coronavirus vaccine, resolution of Indo-China border issues and RBI's stance on interest rates will drive equity markets in the short term. The run up to the elections is expected to cause volatility this month.

We continue to recommend private banks and NBFCs on corrections. While, there is uncertainty with respect to effect of loan moratoriums whose effect will only be known by the last quarter of the current financial year, we believe much of these negative is already priced in and therefore the risk reward appears very favorable. Pharma continues to be a defensive which has positive sentiment as a tailwind to continue with its strong performance. The infrastructure space, which is now trading at multi-year lows is also a space which offers deep value for medium to long term accumulation.

Debt

The 10Y benchmark (5.77% GOI 2030) closed at 6.03% in September as compared to 6.13% in August.

In the first half of FY21, Government bond supply has remained high which is likely to reduce in the second half of the year. Also, RBI is expected to conduct more OMOs (open market operations) to help the yields ease in upcoming months.

This coupled with good monsoon and favourable base effect, food inflation could see some relief which could bring down the retail inflation to well within the RBI's comfort level which may open some space for policy action. The large supply of Government bonds have kept the bond market rally on hold; however, with supply expected to normalize the bond markets may outperform in the short-term.

We 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.

Contact

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