



Investor Insights & Outlook

MARCH 2023

KEY HIGHLIGHTS & MARKET DEVELOPMENTS

EQUITY

- Indian equity markets remained range bound for the month of March, despite the heightened intermittent volatility on back of global cues.
- Nifty & Sensex remained flat for the month; however, weakness was witnessed in broader markets with mid and small caps underperforming.
- After couple of months of selling, FPIs turned net buyers for the month (largely owing to the inflows in Adani Group by US based PE firm).
- Global equity markets also saw high volatility as Silicon Valley Bank (SVB) and Credit Suisse collapsed, requiring Government intervention for bailout.

DEBT

- The 10-year benchmark yield settled at 7.32% in Mar'23 vs 7.44% in Feb'23, but rose marginally in early Mar'23 due to elevated US treasury yields.
- The Federal Reserve raised interest rates by a quarter percentage point at its Mar'23 meeting, indicating that hikes are coming to an end.
- The proposed Finance Bill 2023 states that investments in funds with 35% or less of their assets in domestic equities will be classified as Short-Term Capital Gains, effective April 1, 2023.
- The rise in yield was capped by increased bond buying by mutual funds due to taxation changes on debt-oriented mutual funds, effective April 1, 2023.
- The weak trend in domestic equity markets weighed on the local currency in Mar'23, but the currency saw some gains on a positive trend in the domestic markets and on hopes of dollar inflows ahead of the financial year end. However, the gains were partly offset by the rise in crude oil prices.

MARKET OUTLOOK

EQUITY

Overall, Indian equity markets had an overall subdued FY23 with Nifty remaining virtually flat for the year. While Mid-caps and Banks outperformed, the small cap index fell sharply, correcting about 15% for the financial year. Global cues such as hawkish US Fed, Banking crisis and Russia-Ukraine war hampered the overall market sentiment during the period.

Given the recent correction in valuation and relative underperformance in Indian markets over the last year, we believe the current levels provide a good entry point for medium to long term investment as inflationary pressures ease and rate hike cycle nears its end. Our positive view on Pharma (specially domestic companies), Banking and IT remains intact. Further, with easing of inflation, we expect domestic facing companies to rerate on better margins. Manufacturing and capital goods remain growth story for next few years on execution of strong orderbooks.

DEBT

In early March, bond yields went up in line with US bond yields after the US Fed made hawkish comments and there were heavy bond supplies due to state debt auctions. However, the fall in bond prices was limited due to weak demand for riskier assets following a sell-off in equities. Later in the month, the rescue of some US and European banks boosted yields. The Fed's 25 bps rate hike indicated that interest rate hikes are coming to an end. Currently, the yield curve remains flat, and we are still in the interest rate hike cycle, although we are nearing the end of it. The spike in oil prices needs to be monitored. Therefore, we recommend investing in short to medium duration schemes and dynamic duration and equity savings funds.

For short-term investors, ultra-short-term funds, low-duration funds, and short-term AAA fixed deposits are good options. Investors with slightly higher risk appetite may consider equity savings funds, which offer participation in the equity market with favorable equity taxation. Equity savings funds are hybrid funds that invest in debt, arbitrage, and equity.

For those with a longer investment horizon, dynamic duration funds can help earn higher returns with marked to market gains once the interest cycle reverses.

Unfortunately, the tax benefits relating to LTCG on debt instruments including Mutual Funds was removed w.e.f. 1 April 2023.

05 Apr 2023

Market Update

Nifty	17557
Sensex	59689
10Y G-Sec	7.27%
USD INR	82.18
Gold	61360 (Rs/10gm)
Brent	84.75 (\$/bbl)
Repo Rate	6.50%
Reverse Repo	3.35%

Product Recommendations

Equity

Nippon India Pharma Fund
Kotak Emerging Equity Fund
ICICI Pru Technology Fund
Mirae Asset Large Cap
ICICI Pru Banking & Financial Services Fund

Debt

ICICI Pru Equity Savings Fund
ICICI Pru Corporate Bond Fund
Bandhan Dynamic Bond Fund
Bandhan Gilt 2027 Index Fund
Kotak Nifty SDL Apr 2027 Top
12 Equal Weight Index Fund
HDFC Ltd Fixed Deposit
Bajaj Finance Fixed Deposit

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