Investor Insights & Outlook

MAY 2023

05 June 2023

Market Update

Nifty	18594
Sensex	62787
10Y G-Sec	6.99%
USD INR	82.52
Gold	60330 (Rs/10gm)
Brent	76.71 ($/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

Contact

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KEY HIGHLIGHTS & MARKET DEVELOPMENTS

EQUITY

- Indian markets witnessed strong uptick during the month - frontline indices Nifty and Sensex ended the month about 2.5% higher; the mid and small caps also witnessed strong momentum – on the back of a resolution to the US debt ceiling and better than expected corporate results.
- Indian GDP rose 6.1% in Q4 for FY23, much above the market expectations.
- FIIs bought equities worth ~27,800Cr during the month, aiding the market sentiment.
- Global markets remained volatile on back of mixed signals from US Fed on future interest rate hikes.

DEBT

- The 10-year benchmark 7.26% GS 2033 bond settled at 6.99% on May 31, 2023, compared to 7.12% on April 28, 2023.
- Bond prices saw a decline, supported by easing consumer price inflation data.
- The Reserve Bank of India's announcement regarding the withdrawal of high-value currency notes (Rs 2,000 denomination) led to expectations of surplus cash for banks, resulting in a recovery in bond prices.
- Brent crude price experienced an 8.73% fall, closing at $72.6 per barrel on May 31, 2023, in contrast to $79.54 per barrel a month ago.
- The Consumer Price Index (CPI) based inflation in the country eased to 5.66% in March and further slowed to 4.7% in April 2023, marking the lowest rate since October 2021.
- The rupee depreciated by 1.1%, settling at Rs 82.73 on May 31, 2023, compared to Rs 81.83 on April 28.

MARKET OUTLOOK

EQUITY

Indian equity markets continued the positive momentum after the high volatility witnessed during the Adani-Hindenburg issue and US banking crisis. However, we expect the markets to continue to be volatile in upcoming months as global macros such as inflation, US Fed decisions, Russia-Ukraine war etc., will continue to impact market sentiment. Domestically, the build up to the next year's general elections remains a key event to watch out as Modi's re-election is vital for sustained market recovery.

We believe that buy-on-dips is the optimum strategy in the current scenario as the long-term prospects of the economy remain strong. Therefore, any significant dips can be used to increase equity allocations. Sector-wise, we remain optimistic on recovery of Pharma and IT as some margin reversal is already evident in both these sectors. Further, Banks, domestic consumption, capital goods and manufacturing continues to be theme for medium to long term.

DEBT

In May 2023, bond yields continued to decline, supported by surplus banking liquidity and an expected pause in rate hikes by the Monetary Policy Committee of the RBI. The benchmark 10-year G-Sec decreased to 6.99% on May 31, 2023, a decrease of 13 basis points over the month.

Given the fall in high inflation growth, it is likely that the RBI will maintain an extended pause on rate hikes. Both India's inflation dynamics and the global commodity price environment have improved, providing favourable conditions. However, the impact of weather on food prices remains uncertain.

Considering the slowing global demand environment, there may be limited scope for further monetary policy actions. We believe that interest rates have reached a plateau and are expected to move within a range in the near future. In this context, active duration management is useful.

The appeal of fixed income as an asset class has significantly increased, presenting investment opportunities in both accrual funds and duration funds. We anticipate 2023 to be a comeback year for debt markets in India and globally.

For aggressive investors, allocating a higher amount to dynamic mutual funds or long duration funds may be worth considering. Conservative and moderate investors may opt for medium-term funds or corporate bond funds, allocating a higher portion of their investments accordingly.