

# Investor Insights & Outlook



28-Feb-2018

Monthly Newsletter - Feb 2018

## Market Update

Nifty	10493
Sensex	34184
10Y G-sec	7.90%
1Y CP	8.17%
CD	7.58%
USD	65.10
Gold	30356 (Rs/10gm)
Brent	64.73 \$/bbl

## Strategy

### Equity

Our equity markets fell 5% in February 2018 in the wake of the country's biggest banking fraud reported by PNB coupled with a combination of negative factors such as the sliding Rupee against the Dollar that arose due to a greater than expected trade deficit, and a global correction during the first half of the month. However, there has been a slight recovery in global markets coupled with some recovery in crude oil prices that boosted the investor sentiment globally. Furthermore, volatility has risen due to the ongoing speculation over a faster pace of interest rate hikes by the US Federal Reserve.

After the stellar performance in early 2018, particularly in the mid and small caps segment, there is a need to remain cautious until an improvement in earnings materializes.

We maintain our view to raise exposure to equities only on a deep correction in the markets. We remain buyers of Pharma and select large caps (particularly infra companies) with a long term view, and PSU banks (SBI and Bank of Baroda) for the risk takers.

### Debt

Yield on the 10-year benchmark paper (6.79% GS 2027) rose 47 bps in Feb 2018 to close at 7.90% from the previous month close of 7.43%. Our bond markets sentiment remains bearish amid absence of any fresh triggers as well as low participation from state-run banks.

We believe that our bond markets are already pricing in a 50 bps rate hike reflected by rising bond yields which we believe is an overshoot and an ideal opportunity (with limited risk) to seize this high yield on short duration bonds. The rise in US Treasury yields and crude oil prices globally also weighed on the sentiment.

We recommend existing investors to continue holding their present allocation. Investors looking for fresh fixed income allocation should consider well-managed corporate bond funds, FMPs and short term funds during March when yields are elevated.

### Product

#### Recommendations

##### EQUITY

- ◆ Kotak Equity Arbitrage
- ◆ ICICI Pru Equity Arbitrage Fund
- ◆ UTI Pharma & Healthcare Fund
- ◆ Mirae Asset India Opportunities Fund
- ◆ Reliance Pharma Fund
- ◆ Franklin India Prima Plus Fund
- ◆ Kotak Select Focus
- ◆ IDFC Infrastructure
- ◆ Kotak PSU Bank ETF
- ◆ Sundaram Rural India

##### DEBT

- ◆ HDFC Medium Term Fund
- ◆ Kotak Corporate Bond
- ◆ IDFC Corporate Bond
- ◆ IDFC SSIF - ST
- ◆ ICICI Pru Long Term Plan

## Contact

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