

Investor Insights & Outlook



30-Jun-2017

Monthly Newsletter - June 2017

Market Update

Nifty	9521
Sensex	30922
10Y G-sec	6.51%
1Y CP	7.17%
CD	6.65%
USD	64.74
Gold	28452 (Rs/10gm)
Brent	47.54 \$/bbl

Strategy

Equity

The markets remained strong through the month but with some volatility in the last few days. The markets closed at the same levels as in the previous month although mid caps fell considerably. Mutual funds continue to attract strong inflow of domestic money on expectations of a normal monsoon and favorable macroeconomic factors.

Our Government is set to accelerate private investment in Infrastructure by major policy interventions such as fast-track dispute resolution, setting up dedicated financial institutions for big projects and flexible structuring of Public Private Partnership (PPP) projects. Government's willingness for fast-track reforms and implementation of such policies entails our faith in this sector and we further believe that fall in interest rates over a long term period will be beneficial for Infrastructure companies to expand capacities.

With the roll-out of GST, we believe that the domestic equity markets are likely to remain neutral to negative. However, the roll-out may impact first quarter earnings of India Inc., as companies may take some time to align their production processes with new framework and adjust to the input tax credit system. Our markets seem to discount these events relatively quickly.

Our view is that the markets will remain strong on account of the abundant domestic liquidity with a correction dependent upon global events. We continue to recommend Large cap, Pharma & Infra funds for investors with high risk appetite with a view of three to five years. We further recommend investors to use intermittent volatility to increase equity exposure. Investors with SIPs should continue to invest and Arbitrage funds remain safe havens until new opportunities arise.

Debt

The new 10Y benchmark (6.79% 2027) settled at 6.51% as compared to previous month close of 6.66%.

The underlying sentiment remained upbeat on hopes of an interest rate cut by the RBI in the near term taking the positive cues from the minutes of the RBI monetary policy committee's meet. Low inflation, improving current account and fiscal deficits coupled with expectations of normal monsoon have bolstered the bond market sentiments that may lead to moderation in interest rates in the near term.

We recommend existing investors to continue holding their present allocation. Investors looking for fresh allocation should consider well-managed corporate bond funds, short term funds and perpetual bonds.

Product

Recommendations

EQUITY

- ◆ Kotak Equity Arbitrage Fund
- ◆ ICICI Pru Equity Arbitrage Fund
- ◆ ICICI Pru Banking & Financial Services Fund
- ◆ Mirae Asset India Opportunities Fund
- ◆ Franklin India Prima Plus Fund
- ◆ Kotak Select Focus
- ◆ IDFC Infrastructure

DEBT

- ◆ HDFC Corporate Debt Opportunities Fund
- ◆ Kotak Medium Term
- ◆ IDFC Corporate Bond

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