31-Jan-2014

# Investor Insights & Outlook

Monthly Newsletter - January 2014

## Market Update

| | |
|---|---|
| Nifty | 6090 |
| Sensex | 20514 |
| 10Y G-sec | 8.80% |
| 1Y CP | 10.15% |
| CD | 9.60% |
| USD | 62.70 |
| Gold | 30600 (Rs/10gm) |
| Brent | 108.47 $/bbl |

### Product Recommendations

**DEBT**

- **IDFC Govt. Securities Fund—IP**
- **ICICI Long Term Gilt**

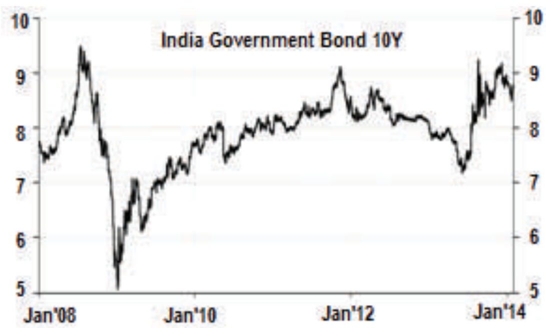
**EQUITY**

- **ICICI Pru Banking & Financial Services Fund**
- **UTI Banking Sector Fund**
- **HDFC Mid-Cap Opportunities Fund**
- **Tata Infrastructure Fund**
- **ICICI Infrastructure Fund**
- **JP Morgan Greater China**

## Strategy

### Debt

Consequent to the recent increase of 0.25% in interest rates by RBI, the benchmark 10 Year G-sec yield hardened to 8.8%. The Governor was astute in recognizing the effect of tapering on emerging markets. At the current levels of 8.7% - 8.8%, the benchmark bond is fairly valued relative to repo rate. Going forward as inflation declines, the market will begin to price-in the rate cuts which would allow for capital gains. **We continue to strongly recommend investment in Gilt funds.** Gilt offers the advantage of not having an exit load that allows one to capture profits easily.





### Equity

Global fears have once again spooked the Indian markets. The impending, and feared, tapering of the US Fed bond buyback has weakened several EM currencies, including the Indian rupee. The broad market dropped significantly during January offering yet another opportunity.

Our investment focus for 2014 will continue to be towards mid-caps, infrastructure and banking as they appear to be grossly undervalued from a medium to long term perspective. We believe this is probably one of the last few opportunities to accumulate mid-caps, infra and banking prior to the elections.

**Contact**

If you require any detailed information, please contact:

**Gurmeet Singh**
gurmeet@divitascapital.com
+91 - 98 73 010 019

**Ashish Tyagi**
ashish@divitascapital.com
+91 - 99 11 222 707