Investor Insights & Outlook

31-Mar-2014

Monthly Newsletter - March 2014

Market Update

Nifty	6704
Sensex	22386
10Y G-sec	8.81%
1Y CP	9.60%
CD	9.15%
USD	60.04
Gold	28439 (Rs/10gm)
Brent	107.22 $/bbl

Product Recommendations

DEBT

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

EQUITY

- **HDFC Mid Cap Opportunities Fund**
- **Tata Infrastructure Fund**
- **ICICI Infrastructure Fund**
- **Pinebridge Infrastructure & Economic reforms fund**
- **JP Morgan Greater China**

Contact

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Strategy

Equity

As anticipated, and strongly advocated in our previous newsletters, equities have begun to rally particularly financials, midcaps and infrastructure. As a recovery emerges and the economic cycle recommences, asset owners will begin to realise fair values that will enable them to raise capital to repay debt. This will begin to value companies fairly and reduce the threat of rising NPAs affecting the banking sector.

To facilitate economic growth, improving infrastructure will be one of the top priorities of the Government. Further, within equity markets, while the Sensex constituting large-cap companies has now fully recovered surpassing its previous high of 2008, mid-caps and smaller companies represented by the BSE Midcap Index, are still battered thus providing attractive investing opportunities. Due to under-ownership of equities particularly mid-caps, stocks in this segment are trading at multi-year lows. With indicators now clearly favouring equity especially mid and small caps, investors must return to equities in order to participate in future gains.

Debt

10 year yields have remained stubborn despite improving macros and sentiment. India's perception amongst global investors has seen a remarkable turnaround over the past few months. This is evidenced in the remarkable stability in the rupee even amidst emerging market (EM) rumblings and recent Ukraine related geo-political risks.

So far in 2014, the rupee ranks amidst the top 5 emerging market currencies in terms of performance. Commentary from global researchers for the most part also expects the currency to retain its new found resilience. With currency stabilizing and vegetable prices cooling off, we expect inflation to trend downwards. **Bond yields now stand a better chance of trending lower considering the overall macro situation. We recommend investing in an actively managed Gilt fund as they are best suited to capture the entire shift in rates.**