Investor Insights & Outlook

01-Oct-2014

Monthly Newsletter - September 2014

Market Update

Nifty	7965
Sensex	26630
10Y G-sec	8.49%
1Y CP	9.45%
CD	9.05%
USD	61.94
Gold	27129 (Rs/10gm)
Brent	93.85 $/bbl

Product Recommendations

DEBT

- **Axis Constant Maturity Fund**
- **ICICI Long Term Gilt**
- **IDFC - GSF IP**

EQUITY

- **HDFC Mid Cap Opportunities Fund**
- **IDFC Infrastructure Fund**
- **ICICI Infrastructure Fund**
- **ICICI Pru Midcap Fund**
- **UTI Midcap Fund**

Strategy

Equity

With the economy back on recovery and the current account deficit narrowing, India is the best structural story among emerging markets. The recent flows into countries such as India, China and Korea have been driven by country-specific policy measures and earnings estimates. PM Modi and Governor Rajan have set in motion an apparent virtuous cycle: increasing business confidence, accelerating economic growth, deficit reduction, receding inflation, a stable currency and inbound investment. These fundamental drivers will further continue to drive inflows notwithstanding resolving policy ambiguities.

We await execution of PM Modi's initiatives and policy resolutions particularly relating to coal mine allocations and FDI. Until then, our underlying long term view on equities continues to be positive. We reiterate our bullish stance on infrastructure, midcaps and financials.

Debt

In line with our expectations, RBI kept repo, reverse repo and MSF rates unchanged at 8%, 7% and 9% respectively. The RBI is, and has been since January 2014, fully committed to achieving its inflation targets. For this reason, we expect that the Central Bank will continue to lag consensus market expectation of rate cuts. This is largely on account of its threshold for monetary easing continuing to be far higher than what the consensus of market will expect. However, what is also true is that for the first time in many years there is now visibility that average inflation over the next few years will be much lower than what it was in the past. Therefore, we believe that with lower inflation, structural positive liquidity, stable currency, lower current account deficit and improving Government finances, interest rates will be much lower from their current levels over the next two years and strongly recommend investors to invest in duration funds, i.e. Gilt funds.

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

CIN : U74140DL2007PTC164346