

Investor Insights & Outlook



03-Mar-2020

Monthly Newsletter - Feb 2020

Strategy

Market Update

Nifty	11303
Sensex	38624
10Y G-sec	6.37%
1Y CP	6.40%
CD	5.80%
USD	72.24
Gold	43413 (Rs/10gm)
Brent	52.53 \$/bbl

Product Recommendations

EQUITY

- ◆ ICICI Pru Mid Cap Fund
- ◆ IDFC Sterling Value
- ◆ Aditya Birla Midcap Fund
- ◆ Mirae Asset Large Cap Fund
- ◆ Kotak Standard Multi-cap Fund
- ◆ Axis Bluechip Fund

DEBT

- ◆ L&T Banking & PSU Debt Fund
- ◆ ICICI Banking & PSU Debt Fund
- ◆ Axis Banking & PSU Debt Fund
- ◆ IDFC Banking & PSU Debt Fund
- ◆ L&T Triple Ace Fund

Contact

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Equity

There has been a savage fall in equity prices this month on fear that the Coronavirus could spread globally in countries outside China, disrupting the global economy. There is no conclusion on whether this can be contained. According to estimates, some \$7 trillion of global wealth has been eroded, the worst weekly fall in over a decade post the financial crisis.

Our GDP and economic growth continue to remain sluggish, and events will be dominated by resolutions to Vodafone Idea and Yes Bank. The political narrative remains a head wind as well.

With the severe correction taking place across the market, valuations are at abysmally low levels and those with risk appetite can continue to build a good long term Portfolio. While we have remained positive on the mid and small-cap space owing to very attractive valuations, this market dip gives an opportunity to even accumulate the large caps which too have corrected significantly.

Debt

Yield on the 10Y benchmark (6.45% GOI 2029) ended at 6.39% in February as compared to 6.59% in January. Persistent concerns about the spread of the coronavirus dampened the risk appetite of investors in equities as they rushed to fixed income products and bonds rallied globally as a result. As bond prices rose, the yields dropped. However, the concerns of economic slowdown resulted in the sharp weakness in Rupee which dented the sentiment. The Rupee weakened against the US Dollar to settle at a six month low, weighed by aggressive Dollar purchases by some banks towards the end of the month. However, crude oil prices continued to drop on global growth concerns that should be a positive in the future.

Earlier in the month, RBI kept the benchmark interest rates unchanged in the policy review. However, the Central Bank kept the door open for future policy easing and announced an overhaul of its liquidity management framework to aid monetary policy transmission to end consumers. Overall, the systemic liquidity continued to remain in surplus. The bond prices also saw an uptick after the Central Bank announced that long-term repo auctions of three-year tenors would be conducted on March 2 and March 9 for a notified sum of Rs 50,000 crore.

We reiterate our view for investors looking for stable returns to remain in short duration AAA debt funds or AAA fixed deposits although income expectations have dropped on account of falling interest rates globally.

Disclaimer: Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved. Please read the Statement of Additional Information and Scheme Information Document carefully before investing. CIN : U74140DL2007PTC164346