# Investor Insights & Outlook

Monthly Newsletter - Mar 2019

03-Apr-2019

## Market Update

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|---|---|
| Nifty | 11644 |
| Sensex | 38877 |
| 10Y G-sec | 7.28% |
| 1Y CP | 7.85% |
| CD | 7.30% |
| USD | 68.65 |
| Gold | 32570 (Rs/10gm) |
| Brent | 69.19 $/bbl |

## Product Recommendations

**EQUITY**

- **DSP Small Cap Fund**
- **ICICI Pru Small Cap Fund**
- **IDFC Sterling Value**
- **Mirae Asset India Equity Fund**
- **Kotak Standard Multi-cap Fund**
- **ICICI Pru Bluechip Fund**
- **Reliance Pharma Fund**
- **DSP Healthcare Fund**

**DEBT**

- **HDFC Corporate Bond**
- **Kotak Corporate Bond**
- **IDFC Corporate Bond**
- **Axis Banking & PSU Debt Fund**
- **Tax Free Bonds**
- **Fixed Maturity Plans**

## Contact


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## Strategy

### Equity

There was a strong positive upmove in Indian markets during March, with both major indices - NIFTY and Sensex rising more than 7.6% each during the month. The Bank Nifty outperformed the indices, rising more than 12%. There was strong buying in the mid and small cap space, indicating broad based buying in the market.

The rally in the market was led by expectation that the NDA will return to power, strong buying by the Financial Institutional Investors (FII's) triggered by the US Federal Reserve's decision to maintain status quo on interest rates in its March meeting and indication of no further hikes for the remaining part of the year. This resulted in FII money flowing to emerging markets, especially India, which had underperformed its peers. The FII flows also resulted in the Rupee strengthening. Domestically, there is also expectation of the RBI cutting interest rates by at least 25 basis rate cut in the upcoming meeting scheduled for 4 April.

With elections starting in less than a fortnight and pending outcome of the US-China trade deal, we continue to expect volatility in the markets. Despite strong upmoves in the month, we remain positive on select companies across Pharma, Financials and Commodities (such as steel) and the mid/small cap space, wherein the cycle seems to be reversing. The large caps and index appears fully priced.

### Debt

Yield on the 10-year benchmark paper (7.26% G-Sec 2029) dropped from 7.39% to 7.32% in March 2019. We have witnessed heightened volatility in last few months owing to higher crude, weakening of Rupee and fears of higher fiscal deficit due to upcoming elections. However, the changing narrative of global economic growth is a matter of concern for Central Banks which can be witnessed from the changing stance of Central Banks across globe. In the last policy, RBI changed the stance from tightening to neutral with a rate cut based on benign inflation outlook and moderation in growth.

On the backdrop of improved macroeconomic environment and expectation of further rate cut by RBI, the normalcy seems to have returned with stability in INR but there is need for caution as Brent crude prices have risen significantly this quarter.

We recommend aggressive investors to have measured exposure to interest rate risk products and conservative investors should lock-in yields and should stick to debt funds with low maturity profile and AAA credit quality.