# Investor Insights & Outlook

DiVitas Capital

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Monthly Newsletter - Nov 2017

## Market Update

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|---|---|
| Nifty | 10044 |
| Sensex | 32597 |
| 10Y G-sec | 7.03% |
| 1Y CP | 7.20% |
| CD | 6.63% |
| USD | 64.44 |
| Gold | 29009 (Rs/10gm) |
| Brent | 63.09 $/bbl |

## Product Recommendations

**EQUITY**

- **Kotak Equity Arbitrage Fund**
- **ICICI Pru Equity Arbitrage Fund**
- **UTI Pharma & Healthcare Fund**
- **Mirae Asset India Opportunities Fund**
- **Franklin India Prima Plus Fund**
- **Kotak Select Focus**
- **IDFC Infrastructure**

**DEBT**

- **HDFC Medium Term-Fund**
- **Kotak Corporate Bond**
- **IDFC Corporate Bond**

## Contact

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## Strategy

### Equity

Our markets corrected 1% last month due to a fall in shares of metal firms and decline in IT stocks amid a sharp appreciation in the Rupee. The sentiments weakened further primarily due to growing concerns about the fiscal deficit and intermittent weak global cues.

India's GDP grew 6.3% YoY in the second quarter of FY18, better than 5.7% in the previous quarter led by higher growth in key manufacturing sector along with power, water and gas. Improved earnings, relaxation in GST provisions, PSU banks recapitalization and better economic data helped our markets to remain resilient. While policy reforms and robust liquidity have supported the market, valuations continue to remain elevated particularly midcaps.

We recommend investors to increase equity exposure in case there is a sharp fall in markets. Investors with SIPs should continue to invest and Arbitrage funds remain safe havens until new opportunities arise. We remain buyers of Pharma, PSU banks, Infra-related stocks and select Large caps with a long term view.

### Debt

Yield on the 10-year benchmark paper (6.79% GS 2027) rose 18 bps to 7.06% from the previous month close of 6.88% due to sharp rise in crude oil prices followed by release of critical macro data points. This rise in yields vindicates our view of investing in the short maturity corporate bonds as long dated bonds may continue to see some more volatility due to change in macro economic conditions.

The monetary policy committee (MPC) decided to keep policy repo rate unchanged at 6 percent and reverse repo rate at 5.75 percent. With RBI taking a long pause on the rate cuts, the current bond yields remain attractive but its trajectory is dependent on Government's fiscal deficit commitment.

We recommend existing investors to continue holding their present allocation and those with Gilt exposure over 3 years should consider reallocation to fixed coupon instruments. Investors looking for fresh fixed income allocation should consider well-managed corporate bond funds, short term funds and perpetual bonds.