Investor Insights & Outlook

DiVitas Capital

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Monthly Newsletter - Nov 2018

Market Update

Nifty	10877
Sensex	36194
10Y G-sec	7.60%
1Y CP	9.05%
CD	8.35%
USD	69.69
Gold	30269 (Rs/10gm)
Brent	59.70 $/bbl

Product Recommendations

EQUITY

- **Kotak Equity Arbitrage**
- **ICICI Pru Equity Arbitrage Fund**
- **ICICI Pru Small Cap Fund**
- **Mirae Asset India Equity Fund**
- **Reliance Pharma Fund**
- **Kotak Standard Multi-cap Focus**
- **IDFC Sterling Value**
- **ICICI Pru Bluechip Fund**
- **Sundaram Rural India**

DEBT

- **HDFC Corporate Bond**
- **Kotak Corporate Bond**
- **IDFC Corporate Bond**
- **Tax Free Bonds**
- **Fixed Maturity Plans**

Contact

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Strategy

Equity

India's large cap indices bounced back in November, with the Nifty 50 index rising almost 5% during the month. This was mainly driven by a 20% fall in crude prices as US' sanctions on Iran failed to cause a supply shortage. Further the US Fed chairman in his recent speech indicated a slowdown in the Fed's rate hike pace.

Domestically too, the situation in India's finance sector is seen improving as the Government announced a Rs. 40,000 Crore PSU bank recapitalization plan, the RBI pushed the deadline for implementation of BASEL III norms (more time for banks to raise capital) and the securitization norms for NBFCs were eased, allowing them to securitize and sell a larger proportion of their book.

We continue to remain confident in the potential of Indian equities to provide healthy long term gains provided global headwinds ease and crude remains soft. The valuations in the broad market have become attractive, and allocations should be made to both large and mid-cap funds. Steel, Cement, select Financials (including NBFCs and PSU banks) and Pharma are our top picks.

Debt

Yield on the 10-year benchmark paper (7.17% GSec 2028) declined from 7.85% to 7.6% in November. This as the burden on India's CAD was eased significantly by falling crude oil prices and US Fed guiding for an easing pace of rate hikes.

However, our bond market outlook continues to remain bearish in the medium to long term, as rates are rising across the world. In the short term though, as we witnessed in November, proactive action by RBI could spur confidence among foreign investors and lead to some gains.

We recommend existing investors to continue holding their present allocation. Investors looking for fresh fixed income allocation should consider well-managed corporate bond funds, FMPs and short term funds as yields across tenures are going up and are expected to remain elevated.