

# Investor Insights & Outlook



01-Nov-2018

Monthly Newsletter - Oct 2018

## Market Update

Nifty	10387
Sensex	34442
10Y G-sec	7.85%
1Y CP	9.18%
CD	8.50%
USD	73.90
Gold	31740 (Rs/10gm)
Brent	74.60 \$/bbl

## Strategy

### Equity

India's large cap indices continued to struggle in October, with the Nifty 50 correcting another 5% this month. The mid-caps corrected significantly more. Equity markets continued to remain constrained as the IL&FS crisis has morphed into a short term liquidity crisis for NBFCs, who, over the past couple of years have picked up the slack of commercial banks in terms of credit to the economy. This has led to concerns of an immediate slowdown in the economy. However, we are seeing healthy numbers now from commercial banks, both, in terms of credit growth and acceleration of NPA resolutions. The NBFC crisis too has eased.

Global macros, primarily rising crude prices and strengthening US dollar still remain causes of concern for the Indian economy. But in October we witnessed a pause in these trends as crude prices eased towards the end of the month and the Rupee stabilized at 73 levels versus the US Dollar.

We remain confident in the potential of Indian equities to provide healthy long term gains. The valuations in the broad market have become extremely attractive, and aggressive 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 8% to 7.85% in October as the RBI was able to hold rates in a globally rising rate environment, as inflation numbers continued to remain manageable. Recently, oil prices have declined giving Rupee some stability which has led to further gains in our domestic bonds.

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 October, 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.

### 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

- ◆ Axis Short Term Fund
- ◆ Kotak Corporate Bond
- ◆ IDFC Corporate Bond
- ◆ Tax Free Bonds
- ◆ Fixed Maturity Plans

## Contact

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