Investor Insights & Outlook

DiVitas Capital

Monthly Newsletter - Oct 2020

04-Nov-2020

Market Update

Nifty	11888
Sensex	40538
10Y G-sec	5.90%
1Y CP	4.15%
CD	3.80%
USD	74.33
Gold	51203 (Rs/10gm)
Brent	38.88 $/bbl

Product Recommendations

EQUITY

- **ICICI Pru Value Discovery Fund**
- **ICICI Pru Banking & Financial Services Fund**
- **SBI Banking & Financial Services Fund**
- **Kotak Standard Multi-cap Fund**
- **ABSL Infra Fund**

DEBT

- **Axis Banking & PSU Debt Fund**
- **ICICI Banking & PSU Debt Fund**
- **IDFC Dynamic Bond Fund**
- **IDFC Bond Fund - ST**
- **HDFC Ltd Fixed Deposit**
- **Bajaj Finance Fixed Deposit**

Contact

If you require any detailed information, please contact:

Gurmeet Singh
gurmeet@divitascapital.com
+91 - 98 73 010 019

Ashish Tyagi
ashish@divitascapital.com
+91 - 99 11 222 707

Strategy

Equity

The Indian markets continued their strong performance in October, with frontline indices: Nifty and Sensex rising more than 3.5% each. This was mainly due to better than expected performance by the large banks. The mid and small caps, however, underperformed the broader markets.

Domestically, the economic indicators such as the PMI, fuel consumption, automobile sales and steel demand showed signs of reversal. The consumer demand too improved heading into the festive season with online majors reporting record sales during the period. This revival was visible in the second quarter results of companies, which in most cases were either in-line or beat the street estimates. However, we remain cautious until further evidence is available on the momentum over the next few months (as the effect of pent-up demand fades).

Globally, the increased Corona cases and imposition of fresh lockdown measures in parts of Europe including Germany and France coupled with last leg before the US elections will increase volatility in the markets.

We continue to watch private financials (Banks & NBFCs), who have performed better than market expectations and started showing signs of reversals. Capital goods and infrastructure are other sectors at attractive valuations for medium to long term investment. The large caps are close to fully valued.

Debt

The 10Y benchmark (5.77% GOI 2030) closed at 5.85% in October as compared to 6.03% in September. The yield on the benchmark fell after RBI announced forward guidance of retaining the “accommodative stance” for the current fiscal as well as for the next financial year. The size of each OMO (Open market operations) doubled from Rs. 10,000 cr. to Rs. 20,000 cr. to help to bridge the demand-supply gap. Further, no hike in the borrowing numbers announced for the second half, announcement of various measures, and surplus system liquidity are expected to keep the rates at the lower range.

The RBI has so far overlooked near term challenges on inflation and stayed focussed on reviving growth. Inflation so far has been supply-side driven and we hope the Government will ensure that it is brought under control through appropriate supply-side measures so that the massive monetary effort made so far doesn’t need to be reversed.

Our suggestion to investors looking for stable returns is to continue investing in short duration strategies (i.e. Corporate Bond, Short Term Bond and Banking & PSU Debt Funds). Investors with a slightly higher risk appetite can consider dynamic duration funds.

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