Investor Insights & Outlook

Monthly Newsletter - Mar 2021

31-Mar-2021

Market Update

Nifty	14691
Sensex	49509
10Y G-sec	6.33%
CD	3.95%
USD	73.49
Gold	43953 (Rs/10gm)
Brent	64.46 $/bbl

Product Recommendations

EQUITY

- **ICICI Pru Value Discovery Fund**
- **ICICI Pru Pharma Healthcare & Diagnostics Fund**
- **ICICI Pru Midcap Fund**
- **Kotak Small Cap**
- **Kotak Flexicap Fund**
- **ABSL Infra Fund**

DEBT

- **Axis Banking & PSU Debt Fund**
- **ICICI Banking & PSU Debt Fund**
- **Kotak Floating rate 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 equity markets had a volatile month but ended the month higher than the previous month with a gain of 60+ percent for the year after the savage fall last March on the breakout of the pandemic. The recovery was fuelled by the development of vaccines and the monetary and financial stimulus that generated abundant liquidity to drive stock prices higher.

Domestically, the second wave of coronavirus has dampened the market sentiment as the cases surged across the country. While there may be plausible disruption in economic activity owning to partial lockdowns, we believe that probability of a full-fledged lockdown remains very low except in certain pockets. Consequently, while sectors such as travel, retail and entertainment may be hit in the short term, they should revert to long term averages over the year. Globally, the rise in bond yields as well as partial lockdown in parts of Europe resulted in negative sentiment. The same is however mitigated as US Fed continued to maintain that the interest rates shall remain low for foreseeable future as the world economy reverts back to pre-covid levels in next few years. The Biden $2 billion infrastructure package will further fuel economic growth in the US that will improve general sentiment globally.

After a stellar FY21, we believe the markets will normalize next year but there is a need to remain cautious. The containment of coronavirus, vaccination drive and resumption of normal business activity remains key triggers for the market. We continue to believe that frontline indices and stocks are close to full valuation, while select opportunities exist in the mid and small cap space. Sector wise, we continue to prefer select commodities, capital goods sector and pharma, where the valuations appear favourable for medium to long term accumulation.

Debt

Our bond yields remain under pressure as bond markets price-in the higher inflation, along with the high fiscal deficit target, consequently leading to a massive borrowing program for FY22. The yield on the 10Y benchmark (5.77% GOI 2030) ended at 6.33% in March 2021 (as compared to closing value of 6.29% in February 2021), whilst rising to 6.41% during the month.

As economy shows early signs of recovery with COVID crisis still looming and India being no exception to that, we believe that RBI would ensure availability of abundant liquidity at low cost to jumpstart the economy. Central Bank is expected to keep the rates intact in the upcoming policy review as the policy rates are likely to remain in the current range with an upward risk.

We suggest investors with short to medium term horizon to opt for AAA rated short-duration funds. Investors with long-term horizon of 3 years and with higher risk appetite can opt for dynamically managed funds or can consider AAA fixed deposits for varying periods.