# Investor Insights & Outlook

DiVitas Capital

Monthly Newsletter - Apr 2021

30-Apr-2021

## Market Update

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|---|---|
| Nifty | 14631 |
| Sensex | 48782 |
| 10Y G-sec | 6.04% |
| CD | 4.13% |
| USD | 74.03 |
| Gold | 46753 (Rs/10gm) |
| Brent | 68.10 $/bbl |

### Product Recommendations

**EQUITY**

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

**DEBT**

- **Axis Short Term Fund**
- **ICICI Banking & PSU Debt Fund**
- **DSP Floating Rate Fund**
- **IDFC Dynamic Bond Fund**
- **IDFC Bond Fund - ST**
- **HDFC Ltd Fixed Deposit**
- **Bajaj Finance Fixed Deposit**

**Contact**

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## Strategy

### Equity

Indian equity markets continued to trade with heightened volatility in the month of April, with frontline indices – Nifty and Sensex ending the month marginally down. Financials were worst hit on the back of fears of increased NPAs, while select mid and small-cap stocks showed resilience after the outbreak of Covid 2.

Domestically, the rapid increase in covid cases hampered the market sentiment as state-level restrictions and local lockdowns hampered economic activity. However, some of this sentiment may get mitigated as the Government opens up the vaccination drive for virtually all affected segments, pointing to the return of normalcy sooner than later. Further, the quarterly results of many frontline companies, which were in line with market expectations also provided support.

Globally, the ease of lockdowns and reduction in covid cases in the US and many parts of Europe aided the market sentiment globally. Though that is positive from the global economic recovery point of view, the same may result in a reduction in liquidity in the global markets, which has been one of the significant factors in the bullish run-up in the Indian markets.

Overall, we remain cautious on the equity markets. While the medium to long term view remains positive due to structural changes and expected Capex envisioned in the Budget, at present there appears to be a disconnect between the current market levels and the broader economy only on account of Covid 2 and its impact on reforms. Further, with unfavorable election results for the BJP in Bengal, it is plausible that we may see some short-term correction.

We continue to believe that frontline indices and stocks are close to full valuation for the current situation, while select opportunities exist in the mid and small-cap space. The expected volatility in the markets maybe used to invest in a domestic economy facing sectors such as capital goods, commodities, infrastructure, and banking, which are expected to benefit as the economy moves towards growth in the next few years only on deep corrections.

### Debt

The yield on the 10Y benchmark (5.85% GOI 2030) ended at 6.04% down by 12 bps as compared to 6.16% in March 2021. As was widely expected, the MPC (Monetary Policy Committee) voted unanimously to continue accommodative stance and maintain the repo rate at 4.00%. The RBI decided to continue with the accommodative stance as long as necessary to sustain growth on a durable basis and continue to mitigate the impact of the second wave of COVID-19 on the economy while ensuring that inflation remains within the target going forward.

The RBI Governor also announced the G-sec acquisition programme (G-SAP) wherein RBI would make open market purchases of G-sec of ₹1 lakh crore in Q1FY2021-22. This likely to support and stabilize the long-term yields.

Going forward, the inflation trajectory will largely depend on the monsoon, oil prices & international commodity prices. In the short term, the rates may come down; however, continued monetary ease may lead to higher inflation and higher growth that may eventually result in the reversal of the rate cycle.

We continue to recommend low-duration funds, AAA short-term fixed deposits & Floating rate funds for the short term and as the cycle reverses, consider locking the money in the moderate to higher duration strategies. Investors with a higher risk appetite can consider dynamically managed funds.


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