Investor Insights & Outlook

DiVitas Capital

Monthly Newsletter - May 2021

02-Jun-2021

Market Update

Nifty	15576
Sensex	51849
10Y G-sec	6.02%
CD	3.98%
USD	73.08
Gold	49079 (Rs/10gm)
Brent	70.65 $/bbl

Product Recommendations

EQUITY

- **ICICI Pru Value Discovery Fund**
- **ICICI Pru Multicap Fund**
- **Kotak Small Cap Fund**
- **DSP Healthcare Fund**
- **Kotak Infrastructure and Economic Reform Fund**

DEBT

- **ICICI Pru Equity Savings Fund**
- **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 their upward trajectory this month too on the back of liquidity, US and Euopean recovery, and vaccination drive globally. The frontline indices Nifty and Sensex rose about 6.50% each for the month, while strong moves were also seen in mid and small cap space.

Domestically, the stringent local lockdowns impacted the sentiment as well as the economic activity. The second corona wave has been more disruptive than the first wave as the rural economy, which earlier had been the consumption driver, has been severely impacted. However, the markets continued to build optimism from the expected pick up in vaccination drive in coming months and the example that recovery post pandemic will be sharp as seen in the US and globally. US Fed's mixed signals on interest rate hikes resulted in some volatility in the markets.

We continue to retain our cautious view on the markets. While we do believe that the growth shall return with ease of restrictions from Q2 onwards, we cannot rule out a short term - time and value correction. Consequently, we believe that it is best to approach the markets with buy on dips strategy from a medium to long term perspective. Sector wise, as evident from early data in US and China, the hospitality and tourism sector is making a strong comeback after the easing of restrictions. Also, we like select NBFCs, PSU banks and infrastructure which corrected after the second corona wave and will lead the recovery.

Debt

The yield on the 10Y benchmark (5.85% GOI 2030) remained range bound in the absence of any fresh triggers and ended at 6.02% in May 2021 as compared to 6.04% in April 2021. RBI has managed to keep the G-Sec yields low with the help of the G-Sec acquisition program and helped the Govt. borrow at lower costs. With focus on lower yields, RBI will continue to maintain its accommodative stance by keeping interest rates low to facilitate the ambitious borrowings plan.

Money market rates have remained low as RBI has committed to maintaining comfortable liquidity in the system to support economic recovery amid covid-19 resurgence.

Global interest rates have moved upwards in response to improving economic situation, which may also put some pressure on domestic rates. While interest rate decisions in India have been largely dependent on domestic factors, global clues are often picked up by the market when pricing bonds.

Additionally, the market would also be keenly watching the policy announcements and revision in growth estimates by the RBI. Given this backdrop, we continue to recommend low-duration funds, AAA short-term fixed deposits & floating rate funds for the short term until there is further clarity on interest rates for the longer term. Investors with a higher risk appetite can consider dynamically managed funds.