# Investor Insights & Outlook

NOVEMBER 2021

02nd December 2021

**Market Update**

| | |
|---|---|
| Nifty | 17402 |
| Sensex | 58461 |
| 10Y G-Sec | 6.35% |
| USD INR | 75.05 |
| Gold | 47581 (Rs/10gm) |
| Brent | 69.80 ($/bbl) |

**Product Recommendations**

**Equity**

ICICI Pru Value Discovery Fund
Mirae Asset Large Cap
Kotak Emerging Equity Fund
Nippon India Pharma Fund
Kotak Infrastructure & Economic Reform Fund

**Debt**

ICICI Pru Equity Savings Fund
DSP Floater Fund
Kotak Floating Rate Fund
Kotak Dynamic Bond Fund
IDFC Dynamic Bond Fund
ICICI Pru Equity Arbitrage Fund
HDFC Ltd Fixed Deposits
Bajaj Finance Fixed Deposits

**Contact**

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## EQUITY OUTLOOK

The benchmark BSE Sensex and Nifty indices fell nearly 4 percent in November, marking their worst monthly performance since March 2020. There was more weakness in the broader markets, wherein the Bank Nifty corrected ~ 12% and Mid & small caps too witnessed significant drawdowns during the month.

Domestically, FIIs continued to sell equities for the second straight month, pulling about 40,000 Cr from equity markets during this period. The economic activity, however, continued to remain on an upward trajectory, indicated by the strong GDP data for Q2, on back of strong private expenditure and government spending. Globally, the increased covid cases and the detection of the Omicron variant, believed to be more transmissible than the Delta variant, resulted in lockdown in many countries especially in Europe. Also, the US Fed, which has been maintaining that the high inflation was transitory, also signalled that it may be ready to pull the plug on liquidity. This further hampered the market sentiments.

For many months, we have been maintaining our view that equity markets appeared stretched and therefore there were possibilities of a swift correction. November has vindicated this view. Post this correction, much froth from the markets seemed to have reduced, with many quality companies correcting significantly from their recent highs. We believe this offers a good opportunity to start fresh allocations, especially in sectors such as Banks/NBFCs which have witnessed the brunt of market action last month. Categorically, we continue to like mid and small cap space, which also has started to offer good entry points for medium to long term accumulation.

## DEBT OUTLOOK

The yield on the new 10Y benchmark (6.10% GOI 2031) went down to 6.31% from closing of 6.37% in the previous month as inflation dropped below 5% and strong government revenues reduced the fears of extra borrowings. Further, the excise rate cut and correction in oil prices have allayed some of the concerns which markets have on the inflation side. However, global cues remain negative with tapering and expectation of rate hikes.

In the near term the debt markets will take cues from RBI December policy & global developments. In our view, short term rates may move higher due to the central bank's normalization process; however the long-term rates may continue to derive support from RBI' accommodative stance, cut in fuel taxes & robust government revenues.

We recommend investors to continue to stay invested across debt strategies and for incremental debt allocation we recommend accrual and dynamic duration funds, which may help in navigating the current market.