Investor Insights & Outlook

AUGUST 2022

01 Sep 2022

Market Update

Nifty	17543
Sensex	58766
10Y G-Sec	7.21%
USD INR	79.68
Gold	49896 (Rs/10gm)
Brent	92.36 ($/bbl)
Repo Rate	5.40%
Reverse Repo	3.35%

Product Recommendations

Equity

ICICI Pru Value Discovery Fund
ICICI Pru Banking & Financial Services Fund
Kotak Emerging Equity Fund
Mirae Asset Large Cap
ICICI Pru Pharma Healthcare & Diagnostics (PHD) Fund

Debt

ICICI Pru Equity Savings Fund
Axis Crisil SDL 2027 Debt Index Fund
IDFC Gilt 2027 Index Fund
Kotak Nifty SDL Apr 2027 Top 12 Equal Weight Index Fund
HDFC Ltd Fixed Deposit

Contact

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KEY HIGHLIGHTS & MARKET DEVELOPMENTS

EQUITY

- Indian markets showed resilience and outperformed most of its peers in month of August
- Nifty & Sensex gained > 3% for the month, while Bank Nifty outperformed; positive traction was also seen in mid and small cap space
- FII buying and decrease in commodity prices aided the market sentiment
- Indian GDP growth for Q1FY23 came at 13.5%, highest in last many years, although on a low base
- Global markets continued to show weakness as US Fed reiterated its hawkish stance on interest rates, signalling its intent to continue raising rates to curb inflation

DEBT

- Yield of the 10- year benchmark 6.54% 2032 settled at 7.18% in July 22 vis-à-vis 7.32% in June 22.
- JP Morgan is reportedly considering to add India to its widely tracked emerging-market bond index, setting the stage for significant inflows as the country's domestic market opens up to foreign capital.
- According to the RBI Governor, domestic inflation has peaked and is expected to moderate in the future. Further, he stated that the RBI's policy actions are primarily influenced by domestic circumstances. He also stated that the current goal is to keep inflation under 6%, with the ultimate goal of lowering it to 4%.
- Indian companies are flocking to the bond market in anticipation of rising policy rates and investor demand for higher-yielding assets. Domestic companies have already raised approximately Rs. 40,000 crore through bond private placements from August 1 to August 24, compared to an average monthly fund-raising of approximately Rs 33,500 crore in the first four months of FY23.

MARKET OUTLOOK

EQUITY

We remain cautious on the market at the current levels. Though India is expected to witness much stronger growth than its peers in the medium to long term, we believe that global liquidity cuts on back of rising interest rates may impact market valuations in the short term. Further, global slowdown may have an adverse impact on earnings of some Indian companies.

Sector- wise, we believe that Pharma & IT have started to show some value after the recent corrections. Any dips may thus be used for allocations in a staggered manner in these sectors. Further, our view continues to remain positive on Banks, as credit growth has expectedly picked up.

DEBT

In our opinion, fixed income markets may continue to be volatile due to dynamic external factors such as geopolitical developments, commodity prices, a strong dollar etc. Significant policy changes are also in the works. Interest rates have nearly returned to pre-pandemic levels, but liquidity has yet to return to pre-pandemic levels.

We reiterate our preference for Gilt/SDL Index Funds with medium duration (3-4 years); however, investors with a slightly higher risk appetite may consider investing in Dynamic Duration Debt funds, which may benefit from interest rate volatility.

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