Investor Insights & Outlook

NOVEMBER 2022

02 Dec 2022

Market Update

Nifty	18701
Sensex	62835
10Y G-Sec	7.22%
USD INR	81.58
Gold	55552 (Rs/10gm)
Brent	88.20 ($/bbl)
Repo Rate	5.90%
Reverse Repo	3.35%

Product Recommendations

Equity

Nippon India Pharma Fund
Kotak Emerging Equity Fund
ICICI Pru Technology 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
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

KEY HIGHLIGHTS & MARKET DEVELOPMENTS

EQUITY

- Indian equity markets continued the uptrend, with Nifty and Sensex closing at record highs; Banks continued the up move, while mid and small caps also witnessed some positive momentum .
- Globally, US Fed has moderated its hawkish stance, which resulted in a muted recovery in stocks that reversed months of dollar strength.
- China is witnessing growing unrest over the strong Covid curbs still prevailing in the country
- Overall, inflation, Russia-Ukraine war and easing of curbs in China remain the immediate triggers for markets

DEBT

- The 10-year benchmark yield of 7.26% 2032 settled at 7.28% in November 22 versus 7.44% in October'22.
- Fed hiked the policy rates by 75 bps to 3.75 to 4% range in line with market expectations. The Fed has indicated that the pace of rate hikes may be slowed depending on upcoming data.
- On the back of a better CPI print, the US treasury benchmark yield fell from 4.05% to 3.61%.
- Domestically, the shorter end of the curve has been under constant pressure, primarily due to very strong credit growth, which has remained in the range of 17% to 18% compared to deposit growth of 9% to 9.5%.
- Long-term yields continue to be supported by overall positive global sentiment and strong demand from long-only investors.
- Crude oil and other base metals have risen as a result of news that China is relaxing its Zero Covid policy.

MARKET OUTLOOK

EQUITY

Indian markets have continued the outperformance over global markets, who have reeled under the pressure of higher inflation and interest rate hikes. While, domestic demand continues to be strong, global outlook remains sub-optimal as energy prices and higher interest rates have started to impact demand across various economies.

We continue to remain cautious at these elevated market levels, as the markets appear stretched. Therefore, we expect some intermittent volatility in the overall uptrend. However, there are spaces in markets which still look attractive purely from valuation. Pharma and IT continue to remain our top picks. Also, despite the frontline indices being at all time highs, mid and small caps have not shown significant up moves and remain far from their highs reached last year. Therefore, allocation to these parts may be a prudent strategy at this point as well.

DEBT

We continue to believe that the global rates and currency outlook will influence the RBI's short-term policy decisions. We anticipate the RBI will take smaller steps to tighten monetary policy than the Fed and ECB unless there is a dramatic change in the inflation-driving fundamentals or the external account. As the RBI combats currency volatility in response to global cues, liquidity shortages may prevail in the near future. In addition, we anticipate that the RBI will contemplate raising rates as long as inflation remains over the RBI's comfort level; and also to counter the US Federal Reserve's rate hikes in an effort to defend the INR against a stronger US currency. This is beneficial for investors in fixed income, as debt becomes an attractive investment option.

As yields rise, we continue to favor staggering investments in GILT/SDL with a medium term, both from an initial accrual viewpoint and a possible capital gains perspective.