DIVITAS CAPITAL

MONTHLY NEWSLETTER

Investor Insights & Outlook

JULY 2023

04 Aug 2023

Market Update

Nifty	19517
Sensex	65721
10Y G-Sec	7.19%
USD INR	82.68
Gold	60100 (Rs/10gm)
Brent	82.82 ($/bbl)
Repo Rate	6.50%
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 Banking & Financial Services Fund
ICICI Pru Balanced Advantage Fund

Debt

ICICI Pru Equity Savings Fund
ICICI Pru Corporate Bond Fund
Bandhan Dynamic Bond Fund
Kotak Dynamic Bond Fund
HDFC Ltd Fixed Deposit
Bajaj Finance Fixed Deposit

Contact

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KEY HIGHLIGHTS & MARKET DEVELOPMENTS

EQUITY

- Nifty and Sensex scaled to record highs in July, rising about 3% for the month.
- Broader markets witnessed even stronger momentum with mid and small caps outperforming.
- Earnings season kicked off with most large corporates declaring healthy numbers, in line with market expectation.
- FIIs continued to buy into equity markets with net purchases of about 14,000 Cr.

DEBT

- On July 31, 2023, the 10-year benchmark 7.26% GS 2033 bond settled at 7.17%, up from 7.11% on June 30, 2023.
- India's forex reserves have surged by USD 12.74 billion, reaching USD 609.02 billion.
- Domestic inflation has remained below the RBI's upper tolerance limit of 6% for the past four months, with notable headwinds in food prices due to supply-side disruptions.
- The Asian Development Bank (ADB) has maintained India's economic growth forecast at 6.4% for the current financial year and 6.7% for the following year, citing strong domestic demand as a supporting factor in the region's recovery.
- The European Central Bank has raised interest rates for the ninth consecutive time, setting its deposit rate at 3.75%, the highest since 2000.
- US Fed raised interest rates by 25 bps, in-line with market expectations, which further aided the market sentiment.

MARKET OUTLOOK

EQUITY

Indian equity markets scaled to record highs on back of easing of global inflationary pressures and strong FII flows. The domestic economy continues to remain strong, led by government and private capex. Although there is some weakness in the consumption sentiment, the same started to ease and we expect this to further improve in H2 as election spending takes the forefront.

As has been the case in last few months, we remain positive on the long term structural story, but see intermittent volatility as some consolidation is expected after strong run-up and evolving geo-political factors and uncertainties. We remain positive on domestic sectors like Banks, Auto, Capital Goods, Manufacturing, etc.; IT & Pharma too looks good given reasonable valuations.

DEBT

On the domestic front, the economic growth remains resilient, and the inflation growth rate has also been within the tolerance band set by the RBI. The 10-year G-sec yield has been fluctuating within a range, influenced by evolving global and domestic macroeconomic factors.

Globally, the trend of cooling inflation levels in advanced economies has instilled optimism for a soft landing of the US economy. Rate cuts, if any, are anticipated in the next calendar year. Our expectation is that interest rates will continue to move sideways within this range. As for the monetary policy, we anticipate the RBI to maintain its pause on rate hikes.

Considering the present scenario, potential returns can mainly be derived through accruals or by tactically adjusting the duration. It's worth noting that the lower term premium in longer-dated bonds makes them less attractive for strategic investing at this juncture. With the 10-year G-sec yield showing range-bound movement, a tactical approach seems more appropriate.

We recommend investing in the 1Y to 3-year duration range to minimize duration volatility and better manage risk. Aggressive investors may consider allocating a higher amount to dynamic duration funds.