Investor Insights & Outlook

OCTOBER 2023

07 Nov 2023

Market Update

Nifty	19407
Sensex	64942
10Y G-Sec	7.28%
USD INR	83.26
Gold	61510 (Rs/10gm)
Brent	83.33 ($/bbl)
Repo Rate	6.50%
Reverse Repo	3.35%

Product Recommendations

Equity

Nippon India Pharma Fund
Kotak Emerging Equity Fund
Parag Parikh Flexi Cap 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

- Indian markets (Nifty) fell sharply (around 3%) in October 2023 on account of expected fallout from the Israel – Hamas conflict and fear of higher rates for longer.
- Foreign portfolio investors (FPIs) sold Indian stocks worth over Rs 25,000 crore in October, the second highest in 2023.
- US Treasury yield touching the 5 percent mark triggered the panic button, which led to a fresh bout of selling.

DEBT

- On October 31, 2023, the 10-year benchmark 7.26% GS 2033 bond settled at 7.34%, up from 7.21% in September 2023.
- The increase in yield was in response to a spike in US Treasury yields, driven by positive private jobs data.
- Bond prices experienced a decline after the RBI surprised the market with its intention to conduct open market sales of bonds via auctions.
- Intermittent gains in global crude oil prices, linked to rising geopolitical tensions in the Middle East, added pressure to bond prices.
- Throughout the month, the local currency was under pressure due to surging crude oil prices amid the escalating Middle East crisis and rising US Treasury yields.

MARKET OUTLOOK

EQUITY

The sentiment in financial markets remained jittery, with the Israel-Hamas conflict adding pressure on markets at one end and the Federal Reserve's tight policy impact on the other. Indian equity markets remained volatile in October 2023 as FII's continued to sell.

While earnings continue to be the main factor influencing stock-specific action, we believe that investors become cautious if there is any slowdown in a market with high valuations. The aforesaid risks together with the upcoming elections in India will result in volatility unless there is a global recovery in markets. Indian businesses and sentiment remains robust though. Thus, any further deep corrections should be used to accumulate well run businesses as longer-term trends continue to favour an investment led earnings cycle in India.

We remain positive on certain pockets such as large banks, pharma, and chemicals (after recent fall) as they continue to trade at reasonable valuations for accumulation from medium to long term perspective.

DEBT

RBI's Monetary Policy Committee (MPC) upheld the GDP growth forecast at 6.50 percent and maintained a headline inflation target of 5.40% for FY24. These projections consider the resilient domestic economic activity while being cautious about potential risks, including geopolitical tensions, financial market volatility, erratic monsoons, and a global economic slowdown.

The recent announcement of the inclusion of Indian Government Bonds in JP Morgan's Government Bond Index for Emerging Markets (GBI EM) with a 10% weight cap has been positively received by the market, although it has not significantly impacted bond yields. This inclusion process will begin in June 2024, with a gradual increase of 1% per month until March 2025, potentially bringing in around US$ 20-30 billion.

The RBI remains watchful of volatile crude oil prices and the strengthening US dollar. They plan to maintain tighter liquidity by initiating Open Market Operations-sales, involving the sale of government securities to absorb liquidity through auctions.

Presently, funds with an accrual strategy are offering a favorable risk-reward balance. For investors with a longer-term horizon, actively managed short and medium maturity funds continue to be an attractive option.