Investor Insights & Outlook

NOVEMBER 2023

05 Dec 2023

Market Update

Nifty	20133
Sensex	66988
10Y G-Sec	7.26%
USD INR	83.35
Gold	63110 (Rs/10gm)
Brent	77.20 ($/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

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

- Nifty gained around 5.50% in Nov'23 reaching closer to the market highs owing to the recovery in global markets.
- Mid & small caps resumed their positive momentum with increased volatility.
- US inflation for October came in slightly lower than expected, leading the market to swiftly conclude that the peak in the Fed's policy rate had been reached and cuts are expected in 2024.
- With the Ukraine and Israel-Palestine conflicts not spilling over to other countries, markets globally have shown some resilience.

DEBT

- As of November 30, 2023, the 10-year benchmark 7.26% GS 2033 bond settled at 7.27%, down from 7.34% in October 2023.
- The Fed held rates unchanged for second straight months, raising investors' expectations that the rate hikes have peaked.
- Yield declined mirroring the fall in US Treasury yields on increasing anticipation that the Federal Reserve (Fed) may start reducing rates in the first half of 2024 following soft US inflation data.
- Global oil price decrease contributed to elevated bond prices. Domestically, strong bond demand in weekly RBI auctions kept yields stable.
- Fixed Income markets are awaiting a decision on the inclusion of Indian bonds in the Bloomberg Global Aggregate, after JPMorgan added the GOI bonds to its emerging market index in September.
- The finance ministry said the combination of rapid reversal of rate hike expectations in the US, the slide in the 10-year US treasury yield and the decline in global oil prices is positive for India and other emerging markets.

MARKET OUTLOOK

EQUITY

Indian markets witnessed a phenomenal recovery in November 2023 on the expectation that the Fed may cut interest rates next year and weak Chinese data boosted hopes for more policy support.

Additionally, the better-than-expected decline in inflation in the US has given the market confidence to assume that the Fed is done with rate hikes. Consequently, the US bond yields have declined sharply as also the DXY (USD Index) that forced the FIIs to slow down their selling.

Our markets will get further momentum as the outcome of state election results strengthened BJP's position in the Hindi heartland and India's GDP number for the third quarter was higher than expected.

We believe that there is an opportunity in select banking stocks which FII's have been selling during the last many months and a large-cap led recovery is likely with the election results as FIIs get better visibility of the outcome to the General elections next year. We remain buyers of equities in the broad market only on deep corrections whilst it is prudent to book partial gains as valuations increase further with this expected momentum.

DEBT

As of November 30, 2023, the 10-year benchmark 7.26% GS 2033 bond settled at 7.27%, down from 7.34% in October. The Fed's decision to maintain rates signals a potential peak in rate hikes. Falling global oil prices and robust domestic bond demand have stabilized yields.

The Finance Ministry sees positive signals for India from the swift reversal of US rate hike expectations, declining US Treasury yields, and lower global oil prices. Fixed Income markets eagerly anticipate the decision on the potential inclusion of Indian bonds in the Bloomberg Global Aggregate, following JPMorgan's September addition of GOI bonds to its emerging market index.

India's macroeconomic fundamentals remain robust, notably with well-behaved services inflation compared to Western counterparts. The positive-sloping yield curve in India, coupled with favourable demand-supply dynamics for government bonds, suggests a conducive environment for fixed income investments.

Given the anticipated rise in international interest and strong local macros, now appears to be an opportune time for medium-duration allocations to quality fixed income, particularly AAA-rated securities. More aggressive investors may consider allocating a larger portion of their fixed income portfolio to dynamic duration or long-duration strategies.