Investor Insights & Outlook

DiVitas Capital

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Monthly Newsletter - Aug 2017

Market Update

Nifty	9913
Sensex	31702
10Y G-sec	6.50%
1Y CP	6.91%
CD	6.49%
USD	64.05
Gold	30112 (Rs/10gm)
Brent	47.00 $/bbl

Product Recommendations

EQUITY

- **Kotak Equity Arbitrage Fund**
- **ICICI Pru Equity Arbitrage Fund**
- **UTI Pharma & Healthcare Fund**
- **Mirae Asset India Opportunities Fund**
- **Franklin India Prima Plus Fund**
- **Kotak Select Focus**
- **IDFC Infrastructure**

DEBT

- **HDFC Corporate Debt Opportunities Fund**
- **Kotak Medium Term**
- **IDFC Corporate Bond**

Contact

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Strategy

Equity

Indian benchmark indices declined by 1.6% in August 2017 as FIIs sold equities across key emerging markets mainly on account of the perceived risk of the North Korean crisis escalating. The disappointment from quarterly earnings, Doklam standoff with China and expensive valuations were the key concern for Indian markets. Despite the expected revival in earnings growth, earnings remained lower than initial estimates. Our latest GDP growth numbers are at 3 year low for the first quarter, attributed to specific factors such as GST related destocking, rupee appreciation, weak agricultural activity and higher subsidy payout.

With expected improvement in corporate profitability, growth outlook and fall in interest rates, we remain positive on Indian markets with a medium to long term view. However, some intermittent volatility in near term cannot be ruled out as markets have gone up significantly. The large liquidity in the system continues to provide stimulant to buying at any fall.

We believe that India's robust macro story remains intact, and further improvement in earnings growth should continue to steer the market higher. We are optimistic about Indian equities in the long run and remain buyers of beaten down Pharma and select Infra stocks.

Debt

Yield on the 10-year benchmark paper (6.79% GS 2027) rose 6 bps to 6.53% from the previous month close of 6.47%. The Foreign Portfolio Investors (FPIs) remain buyers in the Indian debt market for the seventh month in a row with strong inflows of $2.4 billion in August 2017. We believe the fundamentals of Indian economy remain strong as the twin deficits have largely corrected.

Weaker than expected economic growth data for the first quarter of the current fiscal raised hopes that the Monetary Policy Committee (MPC) may announce a cut in the key interest rates in the next policy meet in Oct 2017.

We recommend existing investors to continue holding their present allocation and those with Gilt exposure over 3 years should consider reallocation to fixed coupon instruments. On the other hand, investors looking for fresh fixed income allocation should consider well-managed corporate bond, short term funds and perpetual bonds.