Investor Insights & Outlook

DiVitas Capital

05-Oct-2017

Monthly Newsletter - Sep 2017

Market Update

Nifty	9889
Sensex	31592
10Y G-sec	6.72%
1Y CP	7.03%
CD	6.57%
USD	65.17
Gold	29426 (Rs/10gm)
Brent	56.00 $/bbl

Product Recommendations

EQUITY

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

DEBT

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

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

Strategy

Equity

Our markets corrected by 1.3% in September 2017 on concerns over economic growth, turnaround in corporate profitability, to and fro rhetoric on North Korea, volatility in crude prices and signs of a weakening Rupee against the Dollar. US markets continue to rise on optimism of the positive impact of US tax reforms.

GDP for Q1FY18 came in at a weak 5.7% vs 6.1% last quarter, primarily on account of implementation of the Goods and Service Tax (GST). However, the business sentiment remains robust despite the substantial channel disruption by demonetization and GST.

Domestic fund inflow remained strong and provided large liquidity in the system though the FIIs remained large net sellers in the market. We expect Q2FY18 to be better than Q1 as GST re-stocking and an early festive season boost demand but the rise will only be sustained if H2 will be better than H1FY18.

We remain optimistic on broader markets and remain buyers of beaten down Pharma, select Infra stocks and Large caps with a long-term perspective. Investors should remain alert to any major volatility in the markets and should use such opportunities to re-enter.

Debt

Yield on the 10-year benchmark paper (6.79% GS 2027) rose 11 bps to 6.64% from the previous month close of 6.53%. RBI maintained the status quo on the key policy rates in the fourth bi-monthly policy. Repo and reverse repo rate remain unchanged at 6% and 5.57% respectively. The inflation is projected to be higher in H2FY18, in the range of 4.2% to 4.6% driven by higher oil prices and a depreciating Rupee.

The possibility for further policy rate cuts later in the year may still exist though the future course of policy action will depend on a host of domestic and international economic developments. Global cues would be keenly watched especially developments from US with respect to direction of policy stance.

We recommend investors to consider accrual and short term bond funds for fresh allocation. Existing duration (Gilt) investors with over 3 years should consider reallocation to fixed coupon instruments such as perpetual bonds and corporate bond funds.