DIVITAS CAPITAL MONTHLY NEWSLETTER

Investor Insights & Outlook

APRIL 2024

02 May 2024

Market Update

Nifty	22605
Sensex	74483
10Y G-Sec	7.16%
USD INR	83.68
Gold	72270 (Rs/10gm)
Brent	83.62 ($/bbl)
Repo Rate	6.50%
Reverse Repo	3.35%

Product Recommendations

Equity

Nippon India Pharma Fund
Parag Parikh Flexi Cap Fund
ICICI Pru Bluechip Fund
ICICI Pru Banking & Financial Services Fund
Tata Banking & Fin. Ser. Fund
ICICI Pru Balanced Advantage Fund

Debt

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

Contact

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KEY HIGHLIGHTS & MARKET DEVELOPMENTS

EQUITY

- The Nifty index has demonstrated remarkable resilience, touching a historic peak of 22,783 and closing above the 20-week average at 22,605.
- Notably, the DIIs continue to absorb the selling by FIIs indicating consistent momentum and investor confidence.
- The robust results of the auto and banking industries, which were driven by stellar March quarter earnings, provided impetus for the April surge. IT sector lagged due to financial results and lower-than-expected revenue guidance.
- The Reserve Bank of India continued its crackdown on another banking major that led to some added volatility.

DEBT

- The 10-year benchmark 7.26% GS 2033 bond yield closed at 7.19% as of April 30, 2024, up from 7.05% in March 2024.
- Bond yields increased in response to a rise in US Treasury yields, driven by robust economic data that reduced expectations of a rate cut by the US Federal Reserve.
- Bond prices faced further decline following the RBI's decision to maintain its main lending rate, accompanied by cautionary remarks on inflation.
- India's Index of Industrial Production (IIP) reached a four-month high of 5.7% in February, compared to 3.8% in January.
- A Reserve Bank of India report in April highlighted the Government's focus on infrastructure development, alongside optimistic business sentiment, which could fuel a sustained revival in the investment cycle.

MARKET OUTLOOK

EQUITY

In April 2024, the Indian stock market exhibited a mixed performance across various sectors. While some sectors faced notable challenges, others demonstrated resilience amid adversity.

Given the current electoral landscape, there exists a likelihood of profit booking in anticipation of market shifts. However, in the long run, a stable Government will foster positive sentiment from companies and investors.

We believe that opportunities exist in certain Banking and NBFC companies as they continue to witness some volatility as a result of regulator pro-activism. Whilst we witnessed the upswing in Pharma post Covid led by revival in earnings that has translated into phenomenal returns over a period, it is wise to book partial profits in Pharma. FMCG which has remained unenthusiastic is a potential alternate theme.

The volatility in the near term cannot be ruled out on the back of high valuation, but overall, we remain bullish on the outlook of Indian markets in the upcoming months. We remain buyer of equities on every dip.

DEBT

During its April monetary policy meeting, the RBI's Monetary Policy Committee (MPC) opted to maintain the policy repo rate at 6.50%, with the standing deposit facility remaining unchanged at 6.25%.

The RBI's decision to hold rates steady was influenced by several factors: robust economic growth, declining core inflation, and the ongoing challenge of incomplete monetary policy transmission. Growth and inflation projections for the entire fiscal year 2024-25 were retained, with particular emphasis on the sustained decrease in core inflation and deflationary pressures from fuel prices. However, recent fluctuations in crude oil prices and volatile food prices were noted as potential concerns.

Given the RBI's stable outlook for real GDP growth, an immediate rate cut was not anticipated. While quarterly inflation figures remain elevated, factors such as agricultural output, rainfall patterns, and global crude oil prices will shape future policy decisions.

The timing of any change in policy stance could be challenging, especially considering the anticipated increase in systemic liquidity in June due to global bond index inclusion, which may necessitate careful adjustment. Moreover, global central banks are managing market expectations regarding the timing and extent of potential interest rate adjustments later in the year.

For investors, this environment presents an opportunity for those comfortable with high volatility and with a long-term perspective to consider active duration strategies opportunistically. Meanwhile, conservative investors may prefer shorter-duration and money market-focused funds for their portfolios.