DIVITAS CAPITAL MONTHLY NEWSLETTER

# Investor Insights & Outlook

JUNE 2024

05 July 2024

### Market Update

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|---|---|
| Nifty | 24324 |
| Sensex | 79997 |
| 10Y G-Sec | 6.99% |
| USD INR | 83.49 |
| Gold | 73240 (Rs/10gm) |
| Brent | 86.93 ($/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 benchmark Nifty 50 index gained 6.56% in June 2024 amid volatility, continuing the winning streak supported by an election outcome that suggested continuity.
- Although the Lok Sabha Elections 2024 delivered a less decisive mandate, the market remained resilient driven by large caps particularly banking.
- Despite this, a number of stocks and sectors have demonstrated robust performance in 2024 with market players keen to invest in businesses with solid fundamentals.

### DEBT

- The 10-year benchmark 7.26% GS 2033 bond settled at 7.00%, up from 6.98% in May 2024.
- The RBI kept policy rates unchanged at 6.50% and decided to remain focused on withdrawing accommodation while ensuring that inflation aligns with the target, supporting growth.
- The Purchasing Manager Index continues to grow at a robust rate of 57.5, the highest globally. Buoyed by expansion activity, the services PMI also remained strong at 60.2 in May 2024.
- The upward revision in FY25 GDP to 7.2% is largely due to continued momentum in economic activities.
- The RBI, in its latest monthly bulletin, stated that the goal of aligning inflation with the target of 4% will remain a work in progress as long as food price pressures persist.

## MARKET OUTLOOK

### EQUITY

Indian markets defied global trends and continued the upward trajectory, with benchmark indices setting new records primarily on account of favourable election outcome. This resilience comes despite a mixed performance in global markets, showcasing the robust strength of the Indian market.

The rally was broad-based, particularly in the IT and financial sector. Notably, companies from the infrastructure and oil industries also rose, adding to the overall gains in the market. We believe that during the next five years, policies that support the expansion of domestic production and the development of infrastructure will persist.

Sectoral position shifts are expected to coincide with the upcoming results calendar as we enter the earnings season. The uncertainty over the outcome of the Lok Sabha poll in 2024 has subsided, and now investors are focusing on the budget and quarterly earnings, which are expected to be released in the coming weeks.

We reiterate that amidst the concerns of high valuations, we believe that certain sectors that were ignored earlier provide an excellent entry opportunity for long term. Banking, IT, FMCG and Consumer-focused Industries are few of them.

### DEBT

The recent RBI MPC review was along expected lines, noting global growth resilience in 2024 supported by a rebound in global trade. While inflation is easing, the final stages of this disinflation journey may be challenging.

Domestically, economic activity in 2024-25 has shown resilience, with manufacturing gaining momentum due to strong domestic demand. Private consumption is recovering steadily, with discretionary spending rising in urban areas, and rural demand improving due to better farm sector activity. The RBI is likely to be vigilant about inflation risks from sub-par monsoons, global commodity prices, and domestic demand conditions. The threshold for cutting rates appears higher, as the governor emphasized that the RBI aims to reach and maintain a 4% inflation target before considering rate cuts.

Bond yields swiftly reacted to the RBI's Open Market Operations purchases, highlighting the central bank's ability to address demand-supply imbalances by adjusting liquidity through bond transactions.

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