DIVITAS CAPITAL MONTHLY NEWSLETTER

Investor Insights & Outlook

MARCH 2024

02 Apr 2024

Market Update

Nifty	22453
Sensex	73904
10Y G-Sec	7.11%
USD INR	83.41
Gold	69110 (Rs/10gm)
Brent	88.87 ($/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 equity indices wrapped up the financial year 2023-2024 with notable gains as the Nifty 50 soared by 29%, while the Sensex jumped 25% during FY24.
- The oil and gas sector saw a slight upswing primarily due to stable oil prices; nevertheless, the major development was Goldman Sachs' upgrade of Reliance Industries.
- Auto sector continued to be robust on the back of demand hopes and the hope that RBI will cut rates in H2-2024.
- Whilst the IT and Pharma sector remained sub-dued, Banking and FMCG continued in the positive territory but were relatively more subdued compared to oil & gas or auto.

DEBT

- The 10-year benchmark 7.26% GS 2033 bond yield dropped to 7.05% as of March 31, 2024 from 7.07% in February 2024.
- Bloomberg Index Services unveiled that it would include 34 Indian government bonds eligible for investment via the country's fully accessible route (FAR) in its Emerging Market Local Currency Index from January 31, 2025.
- India collected Rs 1.68 lakh crore in goods and services tax (GST) in February, up 12.5% on year while around 3.3% lower than upwardly revised Rs 1.74 lakh cr in January.
- Reserve Bank of India Governor Mr. Shaktikanta Das said India's pace of economic expansion in FY24 could be close to 8%, likely topping earlier official estimates.
- S&P Global Market Intelligence said India’s economy will likely grow 6.8% in fiscal 2025, up from 6.5% projected earlier, on the back of stronger growth momentum and improving global prospects.

MARKET OUTLOOK

EQUITY

The positive sentiment on D-street continued in March 2024 with some intermittent pullbacks and bouts of volatility. The performance of the Indian market in FY24 has remained robust, in contrast to many global counterparts, which can be attributed to domestic investors (DIIs). Each downturn has been bought by DIIs, countering the selling pressure from FIIs.

The mid and small-cap stocks that had run up too fast, witnessed some selling pressure last month on comments by SEBI. This led to the sector or segment-wise rotation of money as many large-cap stocks, specially in Banking sector are still in the value territory. We believe that such sharp corrections offer opportunities to buy (re-enter) pockets where substantial froth has been cleared.

Looking forward, India’s robust economic growth and earnings potential position it well. The fall in interest rates may lead to a lower cost of capital and increased money supply coming into global equities. As a result, India is expected to outperform its peers in the equity markets. However, in circumstances where the General Elections are less than a month away and from a fundamental standpoint, the market appears overvalued. Investors should remain vigilant and adopt a long-term approach (with buy on dips) to mitigate the volatility. The market appears to have priced in a strong BJP performance. Any surprise or lower than expected win could cause a steep fall.

DEBT

Domestically, the Q3FY24 GDP number came in at 8.4%, surprising markets which had expected around 6.6%. This higher GDP figure was driven by lower subsidies and increased tax collections during the quarter. Overall, growth numbers have consistently surpassed expectations, indicating a broad-based improvement in the economy.

During a recent media interaction, the RBI Governor hinted that fourth-quarter GDP numbers are also likely to exceed consensus expectations. Furthermore, RBI's growth projections for FY25 are higher than the market consensus.

On the inflation front, the RBI MPC continues to stress the importance of maintaining headline CPI at the 4% level consistently. Liquidity remains in deficit. Despite a global uptick in yields, domestic yields have remained soft. Factors contributing to this include the inclusion of Indian bonds in global bond indexes and the absence of populist measures in the interim budget, reflecting the government's commitment to fiscal discipline. The overall G-sec yield curve has remained relatively flat. Demand from Provident Fund and Insurance companies has helped stabilize the long end of the yield curve.

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.