DIVITAS CAPITAL

MONTHLY NEWSLETTER

Investor Insights & Outlook

OCTOBER 2024

04 Nov 2024

Market Update

Nifty	23995
Sensex	78782
10Y G-Sec	6.79%
USD INR	84.16
Gold	80550 (Rs/10gm)
Brent	75.23 ($/bbl)
Repo Rate	6.50%
Reverse Repo	3.35%

Product Recommendations

Equity

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

Debt

ICICI Pru Money Market Fund
ICICI Pru Equity Savings Fund
Kotak Gilt Fund
Kotak Dynamic Bond Fund
HDFC Ltd Fixed Deposit
Bajaj Finance Fixed Deposit

Contact

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KEY HIGHLIGHTS & MARKET DEVELOPMENTS

EQUITY

- The markets fell over 6% this month and 8% from the highs, with Nifty 50 closing at 24205 and Sensex at 79389.
- FPIs withdrew more than Rs 1,00,000 crore, marking the largest monthly outflow since March 2020 neutralising the inflows since the start of the calendar year.
- The attraction of the China trade and the high valuation environment increased the market's sensitivity to any disappointments in corporate earnings, as investors became cautious.
- The market was also affected by geopolitical tensions and probable outcome of US Presidential Elections.

DEBT

- The 10-year benchmark 7.26% GS 2033 bond settled at 6.84%, rising from 6.74% in September 2024.
- The RBI kept the policy rate unchanged at 6.50% during its October 2024 monetary policy review, with a decision made by a majority of 5 to 1.
- The Monetary Policy Committee (MPC) unanimously decided to shift the stance from 'withdrawal of accommodation' to 'neutral.'
- Bond prices fell after the RBI Governor indicated that discussing rate cuts would be premature and risky at this stage. Additionally, a spike in the US Treasury yield added pressure on bond prices.
- The persistent outflow of foreign funds also weighed on the Rupee and kept bond yields elevated.

MARKET OUTLOOK

EQUITY

October 2024 was a challenging month for the Indian stock market after reaching the all-time highs in September. The Nifty 50 and Sensex faced significant declines, marking one of the steepest corrections since the COVID-19 pandemic. High valuations, foreign portfolio investor (FPI) withdrawals, and weak corporate earnings were the primary factors behind this downturn.

The volatility was further exacerbated by the economic stimulus measures proposed by the Chinese government, which led to some FPI outflow. However, India's GDP growth and domestic demand remain strong. If corporate earnings surpass projections in the next quarters, this steadiness could help to underpin a comeback.

Overall, the Indian stock market showed resilience amid global turmoil, but the high valuations and external headwinds caused consolidation and correction that perhaps was long overdue. Supported by strong domestic fundamentals, we remain optimistic on Indian stock markets and the outlook largely depends on factors such as corporate earnings in key sectors, potential fiscal policy support, and global risk factors.

We remain cautious with buy on dips strategy. Further volatility is possible in the following week due to the likely outcome of the US Presidential Elections and the US Fed's monetary policy review. Large cap and Banking funds remain attractive opportunities.

DEBT

India's positive growth and inflation outlook has prompted the RBI to adopt a neutral stance. Strong macroeconomic indicators, such as rising rural consumption and robust investment, support steady growth. An above-average monsoon is expected to further boost rural demand, while increased government spending and solid bank and corporate balance sheets could drive GDP growth. On the external front, resilient services exports and strong remittances help maintain a manageable current account deficit, with forex reserves at $705 billion.

The RBI has kept policy rates unchanged at 6.50%, unanimously shifting its stance to neutral. This decision strikes a balance between growth prospects and inflationary pressures, allowing flexibility to adapt to changing economic conditions. The RBI remains vigilant about risks, including geopolitical tensions and commodity price fluctuations, given their potential impact on trade dynamics and the current account balance. This proactive and prudent approach underscores the need to balance macro-stability, inflation, and growth carefully. While immediate rate cuts are unlikely, a dovish stance could still support market gains.

For conservative investors, we suggest focusing on accrual assets such as money market funds and AAA-rated fixed deposits. For those comfortable with higher volatility and a long-term perspective, we recommend considering the long duration funds (i.e. Gilt).

Disclaimer: Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved. Please read the Statement of Additional Information and Scheme Information Document carefully before investing. CIN : U74140DL2007PTC164346