CEO's VIEW

KAILASH KULKARNI

CEO, L&T Mutual Fund

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January has seen some volatility in the Indian equity markets with multiple factors at play. The third wave spike in the country has brought back the sense of caution, however, this time around the vaccination coverage and the lesser virulency of the variant has helped to reduce negative impact across industries. While foreign investors have been net sellers in the last few months, domestic investors have been net buyers, which is a great signal of belief in the resilience of the domestic industries and the Indian economy. The expectation and uncertainty around the Union Budget also lead to a certain amount of volatility in the markets in Jan.

Having said that, the government has maintained its focus on longer-term priorities for the country with increased investment in infrastructure and support to domestic manufacturing in the Budget this year. Investors tend to wonder at the times of such corrections as to what would be the right approach for their portfolios.

The most common points being discussed around the equity markets amongst investors are:

"Is it the right time to invest?"

"How much should I invest and for how long?"

We at L&T Mutual fund would always advise investors to keep the financial goal in mind and not get hassled by the corrections in the market. Though no one can predict the markets, we have enough historical data points now that given the fundamentals which are in the right direction, the markets end up correcting. Hence long-term investment in the equity markets generally ends up creating more wealth for an investor compared to any other asset class.

Regular Investments (Systematic Investment Plan -SIPs):

As we look back at 2021, and despite the year gone by being one of the toughest years for all, the acceptance of SIP as a reasonable mode of investment into the equity markets has got strengthened by growing investor confidence. Inflows in SIP has increased significantly in 2021. The monthly run rate of SIPs rose from Rs 8,000 Cr in Jan 2021 to Rs 11,300 Cr in Dec 2021 (source: AMFI)

Hence, we would say the right time to invest in "Now".

If you have a long-term investment goal, one of the best ways to take advantage of the equity markets is through the SIP route which takes care of the intermittent dips in the markets and averages out the cost for the investor. Over a long period of time, SIP not just inculcates a healthy habit of regular savings but also helps in wealth creation opportunity.

While we still have a global backdrop as challenging with US Fed signalling likelihood of rate hikes from Mar'22 and surging crude oil prices which is going to impact the domestic markets also. However, growth rates for India should continue to remain strong in FY23 based on government and economist forecast. Overall, we continue to remain constructive on the economic recovery cycle and Indian equities going forward.

Hence stay invested and keep investing.

Source: AMFI, BSE, NSE, Internal