

Perspective

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A. Balasubramanian
Managing Director & CEO
Aditya Birla Sun Life AMC Limited



Dear Readers,

The new financial year brings hope for success and growth to businesses and individuals. The financial markets are looking ahead to the business expectations, new strategies, and business models being adopted by companies for the new financial year. The government is also looking forward to implementing the new budget and boosting economic growth.

The bygone financial year was a year of consolidation for both businesses and policymakers. Central Banks around the globe, led by the Federal Reserve, have reversed their dovish/accommodative monetary policies and have increased interest rates to tame inflation levels. Businesses have consolidated their spending while focusing on increasing margins and productivity. The collapse of a couple of banks has led to turmoil in the banking system of some advanced economies, with fears of financial contagion, but effective measures by respective policymakers have largely contained its impact.

India has also undertaken an accommodative monetary policy to lend support to the economy. Supply-side factors combined with loose policies have resulted in high inflation levels causing the RBI to raise the policy consecutively on six occasions to curtail inflation within the target framework. In the latest meeting, the Monetary Policy Committee surprised the market by keeping the policy rate unchanged but maintained the stance of withdrawal of accommodation. The MPC has taken a wait-and-watch approach and wants to see the impact of the policy actions undertaken so far. The government, through its budget implementation, aims to boost infrastructure, startups, agriculture, and other sectors along with encouraging private investment to aid growth and development.

The global economy, while expected to grow, faces issues such as inflation, supply chain disruptions and constraints, increasing fragmentation, and geopolitical tensions. India has been relatively resilient and cushioned off from the impact of global events. India is expected to grow at ~7.8% in Q1 FY24. High-frequency indicators such as passenger vehicle sales and consumer durables have largely displayed an upward movement. The Consumer Sentiment Index indicates continued recovery, supply chain pressures have eased and are conducive to growth. PMIs (Purchasing Managers Index) have been improving month-on-month and continue to stay in an expansion phase, capacity utilization levels remain above long-term average levels. Financial conditions continue to remain stable.

Asset allocation with a balance between liquid, debt, and equity based on the time horizon and risk profile continues to remain a key determining factor for an investor. While the equity markets are subject to fluctuations in the short term, in the long term, they have largely displayed a rising upward trend. Investors with high-risk appetites and long investment horizons should capitalize on the downward market movements. With respect to the recent change in the taxation for debt schemes, we believe this asset class will continue to remain relevant from an asset allocation point of view. Hybrid funds are expected to gain more popularity given that they provide a mix of equity and debt assets.

The debt and liquid markets have become attractive due to the interest rate movements, especially for the short to the medium horizon. Funds such as banking and Balance Advantage, Equity Savings, PSU debt, corporate bond, dynamic bond look favourable in the medium term while ultra short-term, low duration, and floating rates look favourable in the short term.

We at Aditya Birla Sun Life AMC Limited works tirelessly to cater to the varied investment needs of a diversified investor pool. We have product offerings across the categories to cater to all risk profiles and investment horizons. We remain committed to providing the best experience to our investors.

Regards,
Bala

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.