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Debt funds: What to expect in November

Prashant Pimple of JM Financial AMC, Sandeep Agarwal of Sundaram MF and Shriram Ramanathan of L&T MF share with us their outlook on the debt market.



Abhishek Kumar Oct 29, 2021



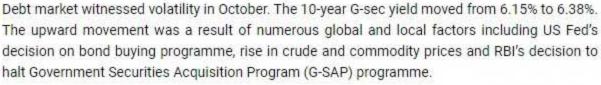




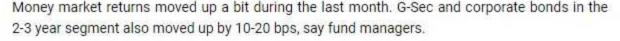




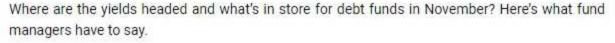














What to expect

Prashant Pimple - CIO Debt, JM Financial AMC

- RBI to prioritise growth and ensure adequate liquidity in the system to support the economic recovery
- Lower inflation means RBI sticking to the accommodative stance for some more time
- 10-year G-sec yield to rise gradually. Shorter end of the curve may come under pressure if rate hikes start

Sandeep Agarwal, Sr. Fund Manager - Fixed Income, Sundaram Mutual Fund

- Expect yields to gradually move upwards with short end of the curve outpacing the long end
- Inflation is back in RBI's comfort zone providing the central bank enough time for gradual policy normalisation
- · RBI likely to take further steps to bring down market liquidity
- 10-year G-sec expected to trade in the range of 6.25%-6.50%

Shriram Ramanathan, Head of Fixed Income - L&T Mutual Fund

- RBI is likely to move further towards policy normalisation. The next steps could be further absorption of excess liquidity, change in stance to 'neutral' and finally a rate hike
- · Shorter end of the curve (0 to 5 years) is likely to remain under some pressure
- Long term yields (5+ years) face pressure due to the halt in GSAP programme but the likely inclusion of Indian government bonds in global indices will lend support
- 10-year G-sec yield may move into the 6.5-7% range over the next few quarters

What to recommend

Prashant Pimple

· For investment horizons of 36 months or more, dynamic bond funds is a good option

Sandeep Agarwal

- Ultra-low duration funds best suited for an investment horizon of 1 to 3 months
- · For 3 to 6 months horizon, low duration funds are most suited
- Short term, banking & PSU and Corporate bond funds are suitable for an investment horizon of 1 to 3 years

Shriram Ramanathan

- Short term bond funds and banking & PSU funds are best suited for investors looking to ride the upward rate cycle over the next 2-3 years
- · For long term investment, distributors can recommend corporate bond funds