Daily Voice: Markets will swing, but these 3 sectors are still a Buy, says top fund manager

The equity markets react to every move in the bond market and based on the circumstances where there has been Moody's downgrade on US securities, hence it's time to be cautious in the US markets, said Ashish Chaturmohta of JM Financial.

SUNIL SHANKAR MATKAR | MAY 30, 2025 / 07:29 IST

Ashish Chaturmohta is the Managing Director & Fund Manager, PMS at JM Financial

"We continue to remain bullish on defence, financials, and select PSU names," said Ashish Chaturmohta, Managing Director and Fund Manager, PMS at JM Financial, in an interview with Moneycontrol.

According to him, the defence sector is witnessing strong tailwinds, especially after India demonstrated its capability to produce indigenous defence equipment amid heightened India-Pakistan tensions.

"The RBI's liquidity push and rate cuts will support loan growth and provide greater flexibility for financials," he noted. "Additionally, several PSU companies have delivered impressive earnings in Q4FY25."

Chaturmohta believes that calendar year 2025 will be marked by volatility, as the world realigns its trade policies amid elevated US bond yields, which continue to act as a balancing force across markets.

Do you believe the Indian equity markets will continue to face an uncertain geopolitical environment for the remainder of 2025?

Indian markets have corrected in recent months due to a combination of micro and macro factors. On the micro side, tighter monetary policy by the RBI, lower government capital expenditure, and subdued private consumption contributed to the slowdown. Macro concerns such as tariff uncertainties, India-Pakistan tensions, and global supply chain disruptions also weighed on sentiment.

That said, many of the micro challenges now appear to be easing. We're seeing interest rate cuts, increased liquidity from the RBI, and a renewed push in government capex. Calendar year 2025 is likely to be marked by significant market swings, as the global trade order continues to realign and elevated US bond yields exert influence across economies.

While the macro headwinds persist, foreign inflows will remain a key driver. If they stay supportive, we could well see the Nifty scale new highs in the months ahead.

Do you think global markets are genuinely concerned about developments in tariff rates?

The global trade is undergoing a new trade reform and is streamlining itself based on the ongoing circumstances. There would be a few countries adjusting themselves to the new normal and some would be objecting to it, which again creates volatility. Hence, we have seen the consequences of how bad these Tariffs can hit, of what we saw in the early days of April 2025, therefore, global markets will be waiting for tariff clarity.

Is it time to be cautious about the US equity markets?

The US is grappling with massive debt obligations, and the current spike in bond yields reflects a clear signal: investors are unwilling to purchase US bonds at lower returns. Equity markets are closely tracking every movement in the bond market. With Moody's recently downgrading US securities, the situation calls for a more cautious approach toward US markets.

Do you think a US-China trade deal is unlikely to happen anytime soon?

As far as the deal between the top 2 world economies is concerned, the same needs to happen to ensure there is smooth global trade. On Perusal of several news articles, it is believed that discussions are ongoing and progressing well. Hence, since these two are large economies, there can be delays, but eventually it has to happen for the trade to settle.

Which sectors are currently on your radar for investment?

We remain bullish on defence, financials, and select PSU names. The defence sector is benefiting from strong tailwinds, especially after India demonstrated its capability to produce indigenous defence equipment amid the recent India-Pakistan tensions.

Additionally, the RBI's liquidity push and rate cuts are expected to support loan growth and provide greater flexibility for financials.

PSU stocks, which have corrected by 25–30 percent from their recent peaks, are also on our radar. Many of them delivered strong earnings in Q4FY25, and we expect this momentum to continue in the coming quarters.

Do you expect defence spending to increase significantly? If yes, does that make you bullish on defence stocks?

The defence stocks are in a multi-year bull run. The defence spending is likely to increase, given that India is trying to become an upcoming option for defence products, which has proved its ability and capability in the recent India-Pakistan Tensions. Hence, we are still somewhere in the middle of this multi-year bull run.

Are you comfortable with the inflation trajectory for this year? Do you foresee a 25 bps or 50 bps interest rate cut by the RBI?

The most recent inflation release was below the RBI tolerance bandwidth, which enables them to cut interest rates further. Hence, a few bps cut in the interest rate is possible.