

From the CIO'S Desk

SIPs and Market Timing: What Really Works?

How to think about SIPs?

"When and how to buy & sell?" is as important a question as "where & what to invest in?"

There are two broad approaches to 'when and how?': (a) Timing the market and (b) Rupee cost averaging

If you believe you are really good at it, timing the market is perhaps one of the best options for maximizing your XIRR. But the truth is that very few people can do it well and consistently.

If you belong to the rest of the vast majority who can't time the market and know it, rupee cost averaging or doing an SIP in a mutual fund scheme from a long-term perspective is the one of the good alternatives to grow your money.

The only reason why someone may want to stop an SIP is if your medium to long term view on the market is negative and you believe the market would be lower than it is today in 3, 5, 10 years time.

If you are an SIP investor, trying to also time the market brings a risk of falling between two stools. There is a real chance of missing out on potential returns when the market eventually turns.

Of course, you should discuss periodically with your financial advisor whether your portfolio needs rebalancing.

Unless you are a great market timer, we believe you should sell part of your corpus only when you need the money to meet important requirements like buying a house or funding child's education.

If you believe in the bright long term prospects of Indian economy, corporates and equity markets (like we do) continue with your SIPs and let your fund manager make use of volatility and navigate the inevitable drawdowns to help meet your long term financial goals.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY

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