



PERSPECTIVE

October 2021

Dear Investor,

This month marks the beginning of a long festive season that culminates at the end of the harvest season. This should provide an impetus for growth on account of a pick-up in urban demand expected with the onset of the festive season. The equity market continues to show buoyancy on the back of surplus liquidity and improving domestic economic fundamentals.

The government has stepped up expenditure towards infrastructure while bringing reforms in the automobile sector which is very encouraging. Globally raw material prices especially those used in infrastructure have been on the rise, India too has been witnessing hikes in coal prices indicating an onset of economic revival. The government also have been taking steps in containing the fiscal deficit. Expanding the list of goods and services under the gambit of the GST is one such measure. The RBI MPC, unanimously, decided to keep policy rates unchanged while retaining an accommodative stance given that economic activity was gaining traction. The MPC retained its FY 2022 real GDP growth estimate at 9.5% ¹.

On the other side, central bankers across the globe are still playing the wait and watch game without hiking interest rates despite inflation levels being on the edge of caution. Therefore, liquidity continues to be a driver of sentiment in global markets.

In times like this, there exists a dilemma where one must choose between predicting the market and investing based on those predictions or to play the wait and watch game and delay the investments. In fact, our internal research team has analyzed the market behaviour over the last 20 years and has identified that the market goes through a cycle roughly every three years but the long-term trend has been an upward trend despite many volatile movements in the short term. For example, between 2001 – 03, the lowest was 2600 points and the maximum being 5839 points. In the subsequent cycle, the lowest being 4505 points and the highest being 13972 points ². As can be inferred from the above whether one invests in the high or low, in the long run, one will experience reasonable returns and wealth generation.

Let me conclude by wishing each one of you and your loved ones a happy prosperous festive season.

Regards,

A. Balasubramanian

Managing Director & CEO,

Aditya Birla Sun Life AMC Limited



¹ Monetary Policy Statement, 2021-22 Resolution of the Monetary Policy Committee (MPC) October 6-8, 2021

² BSE Sensex Historical returns, BSE INDIA

