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Why you must continue with SIPs in current market conditions

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Time has proven it is impossible to time the peak and bottom of the market and accordingly SIP remains the most time-tested approach for retail investors, Ankur Maheshwari, CEO, Equirus Wealth Management told Moneycontrol's Sunil Shankar Matkar in an interview. Edited excerpts

Q. How should an investor allocate one's portfolio in current market conditions?

A. Asset allocation is a function of individual's risk profile and should not be influenced by varying market conditions. In the current market condition (or any such instance where market turns volatile), one should continuously monitor the same and aim to restore it back to one's defined allocation, which would have got distorted in such market conditions. That will always remain the basic principle of wealth management.

Q. Is it the right time to go shopping for stocks? What are the sectors to look at and avoid after the recent correction? Do you advice retail investors to continue with SIP or maintain cash levels?

A. There are many stocks and sectors, which have corrected in the recent crash. In such conditions, sometimes negative sentiment dominates the fundamentals and hence the price gets distorted temporarily, including fundamentally sound companies.

A gradual accumulation of such stocks/sectors could be a good opportunity over long-term in such market conditions.

For retail investors, SIP (systematic investment plan) is an evergreen approach towards building long-term portfolios and hence they should continue with their SIP. Time has proven it is impossible to time the peak and bottom of the market and accordingly SIP remains the most time-tested approach for retail investors.

Q. Is it a good time to buy gold, that corrected 8% in the last one year, or equity after the sharp fall in the last one-and-half-month?

A. It shall be inappropriate to compare two different asset classes and the expected returns from them. A portfolio is always recommended to be well-diversified across different asset classes keeping in mind the risk-profile and time horizon of the investor. This approach shall always be helpful for an investor over long-term.

A correction in any asset class always provides with a good opportunity to buy. However, how much to buy and which one to buy is more or less always a function of asset allocation of every individual.

Q. US bond yields is one of the major reasons for the fall in emerging markets. Will India be able to overcome this factor and move on?

A. Movement of any stock market is a function of multiple variables, US bond yields being one of them. It can have some bearing on the performance but cannot determine the behaviour of the market completely. Movement of Indian stock market shall be linked to various other domestic and global economic, financial and geopolitical parameters and the direction of same shall be determined basis a combination of same.

Q. What should be dos and don'ts for long-term investors during current market condition?

A. I would like to repeat the comment made above: Asset allocation is a function of an individual's risk profile and should not be influenced by varying market conditions.

In the current market condition (or any such instance where market turns volatile), one should continuously monitor the deviation in asset allocation compared to one's defined ratio and aim to restore it back. That will always remain the basic principle of wealth management.

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