



WHAT ARE YOU SELLING IN FIXED INCOME FUNDS THIS MONTH

Bond markets were largely upbeat during the month. In the first half, subdued inflation and RBI liquidity measures supported the yields. Expectations of Modi government winning a second term aided sentiment in the second half. With the results beating expectations, markets continued their rally.

While 10Y sovereign bond yields fell from 7.40% at start of the month to 7.13%, the rally was also seen in corporate bonds with the 10Y AAA PSU bonds dropping by 25-30 bps. Globally, US Mexico tariff related surprise coupled with concerns over US China trade war and cooling oil prices led to risk aversion. Consequently, yields of US 10 year, German 10 year fell sharply.

HOW DID FUNDS REACT?

Gilt funds reported stellar returns in the last one month as 10-year g-sec yields fell amidst global risk aversion and expectation of rate cut by RBI.

We talked with a few fund managers to understand their expectation on near term market triggers and outlook expectation.

LIKELY TRIGGERS



Avnish Jain
Head Fixed Income, Canara Robeco MF

- RBI policy – possibility of stance change to ‘accommodative’ while holding rates
- New government policies in run up to the budget
- US China trade war
- Oil prices
- Global rate cycle



Bekxy Kuriakose
Fixed Income, Principal MF

- RBI monetary policy - rate action and liquidity measures
- Recommendations by Jalan Committee on RBI’s capital and reserves position
- New finance minister announcement
- Fiscal deficit target



Dhawal Dalal
CIO – Fixed Income, Edelweiss MF

- RBI monetary policy
- Update on US Mexico tariff announcements
- News surrounding US China trade war
- Oil prices



Suyash Choudhary
Head-Fixed Income, IDFC MF

- RBI policy – rate action and liquidity stance
- Fiscal consolidation path
- Budget 2019

WHAT TO EXPECT?



Avnish

- Overall scenario for debt market remains good
- Further steps expected by RBI to increase system liquidity
- Union budget is likely to stick to fiscal targets outlined in the interim budget
- Government may further continue with disinvestment targets



Bekxy

- +ve : If RBI cuts rates, gives guidance on boosting liquidity and shares measures for alleviating stress in NBFC sector
- -ve: RBI maintains a status quo



Dhawal

- Next technical level for G-sec is 6.75% to 6.80%
- Global risk aversion



Suyash

- Expectation of a monetary easing by RBI over the next 6 to 12 months

WHAT SHOULD YOU RECOMMEND TO YOUR CLIENTS?



Avnish

- Low duration, short duration or corporate bond funds investing in high quality papers
- Favours corporate bonds over sovereigns



Bekxy

- Conservative investors - high quality ultra-short term, low duration and short-term categories
- High risk appetite - Well managed credit risk funds and dynamic bond funds



Dhawal

- 10 year and higher sovereign bonds and SDL (State Development Loan)
- Long duration PSU bonds



Suyash

- Core portfolio – AAA short to medium term funds
- Satellite investment (riskier) – dynamic bond funds