

STAY INVESTED, SAVE MORE

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On the 23rd of January, 2020, the BSE Sensex stood at an all-time high of 41,386.

On the 23rd of March, 2020, as the dreaded Corona Virus ravaged the world, the Sensex had plunged to 25,981.

And on 26th of June, with the number of cases and deaths still rising across India, the Sensex had come back to 35,171!

For even hardened investors, this was an opportunity seen but lost. The markets moved so suddenly that few could grab their wallets in time. Legendary investor Mark Mobius told me last week, he was lucky to be in cash and used the falls to buy Stocks going cheap. But that's what makes him legendary. Most of us are neither Mobius nor have cash!

Calling it India's fourth and likely worst recession since Independence, rating agency Crisil said we could lose 10% of our Gross Domestic Product (GDP) permanently this year. Because economic growth would clock at negative 5% for 2020-21.

The International Monetary Fund or IMF predicts India's economy to contract by 4.5% due to an extended lockdown and a slower recovery of economic activity.



Bottomline: The overall economic outlook is very weak whoever you ask. And this in turn would impact your savings and investment. So the first takeaway is that staying invested allows you to ride through volatile market cycles and you could actually be protected by Equity.

The other silver lining is that while it is difficult if not impossible to sustain incomes in an uncertain environment, your expenses are also likely to have dropped.

Admittedly, for many, prospects of income are gloomy. There would be a significant change to your work-life. Many of you may work from home. You may have to prepare yourself for a more extended period of uncertainty. That is likely to be a new 'normal' which as a well-known American late night show host said, "It is neither new, nor normal".

In regular times, Financial Advisors would tell you to keep savings of six-month expenses handy as an emergency fund. However, the ongoing crisis shows you may have to spend less and save more for much longer than six months. You have to do that without causing a significant dent to your long-term investments meant for retirement or your child's professional education.

UTI Swatantra content in this edition and the future will explain it all. We are happy to support your effort for a better financial future.