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Investment strategies to tide over volatile conditions

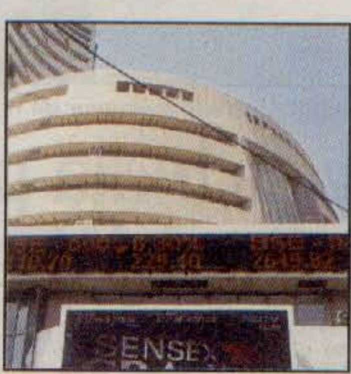
By **B. S. Srinivasalu Reddy** in Mumbai

DESPITE several measures taken by the Centre and the Reserve Bank of India (RBI) to ease liquidity, markets seem to be mired in continued concerns over global recession and credit crisis, and their impact.

Even the seasoned punters are keeping their fingers crossed at this juncture about the direction of the market. While some feel that the markets could improve in a couple months time, others are skeptical about such a prospect even in a year or two. So, what an investor can do, is the question.

Some investors have already shifted focus to the time-tested secure investment vehicle like bank fixed deposits. That is despite the risk of losing investment above Rs one lakh that is guaranteed, in case the bank fails.

For those market savvy, it is quite a challenging task to strike at a right strategy. First thing one has to keep in mind during the volatile times is not to make an investment in one stroke.



Even seasoned punters are keeping fingers crossed.

"An investor should chose to invest in six or seven instalments (or monthly basis) till the middle of 2009," says Ashish Kapur, CEO of Invest Shoppe. By doing so, he/she does not have to take the risk of timing the market and at the same time one can take advantage of the intermittent falls to average the cost of investment. "I feel the market might have seen a new bottom by then," Kapur adds.

Another way is to avoid slip ups in selecting the best stock. This can be done by investing in the index itself. Stating that it is very difficult to predict the market movements, Akhikesh Singh, headof wealth management of Emkay Global Financial Services says, "The best way is to bet on investing in the index, instead of specific stocks at this juncture. The risk is spread out over 50 stocks instead of a few."

If one understands derivatives well, one can also invest in Nifty futures. Else, exchange traded funds or mutual funds focusing on indices would be better. Sectoral funds could prove to be a worst choice in volatile markets.

S. A. Narayan, MD, retail, Kotak Securities refuses to hazard a guess on the market direction in the next few months. Though he is ready to set an upper limit for the Sensex at 11,500 points, setting a bottom is difficult given the change of possible huge selling pressure, he adds.