No change in repo rate to benefit medium to long-term debt and gilt funds.

MFDs should recommend medium to long duration funds to their clients, believe experts.

Team Cafe mutual Feb 9, 2024

RBI has kept the repo rate unchanged at 6.50%. This decision, taken by the 6-member MPC in its bi-monthly policy review, was in line with the market expectations.

We spoke to top MF experts to understand what should MFDs do for debt allocation of their clients.

Vishal Dhawan of Plan Ahead Wealth Advisors, Mumbai said that the decision is likely to benefit a few debt fund categories like medium to long-term debt funds and gilt funds. He; however, expects a rate cut in the second half of the year.

Pankaj Pathak, Fund Manager- Fixed Income, Quantum Mutual Fund expects short term money market rates to remain elevated due to tight liquidity environment. “This should be supportive for liquid funds that rely on interest accruals on short term debt instruments. Investors with 2-3 years investment horizon can consider dynamic bond funds to potentially benefit from the falling bond yields. Conservative investors with shorter holding period should stick with liquid funds.”

Dhawal Dalal, President & CIO - Fixed Income, Edelweiss Mutual Fund suggests investors to increase duration in their fixed income portfolios through sovereign bonds maturing in the 10-year segment.