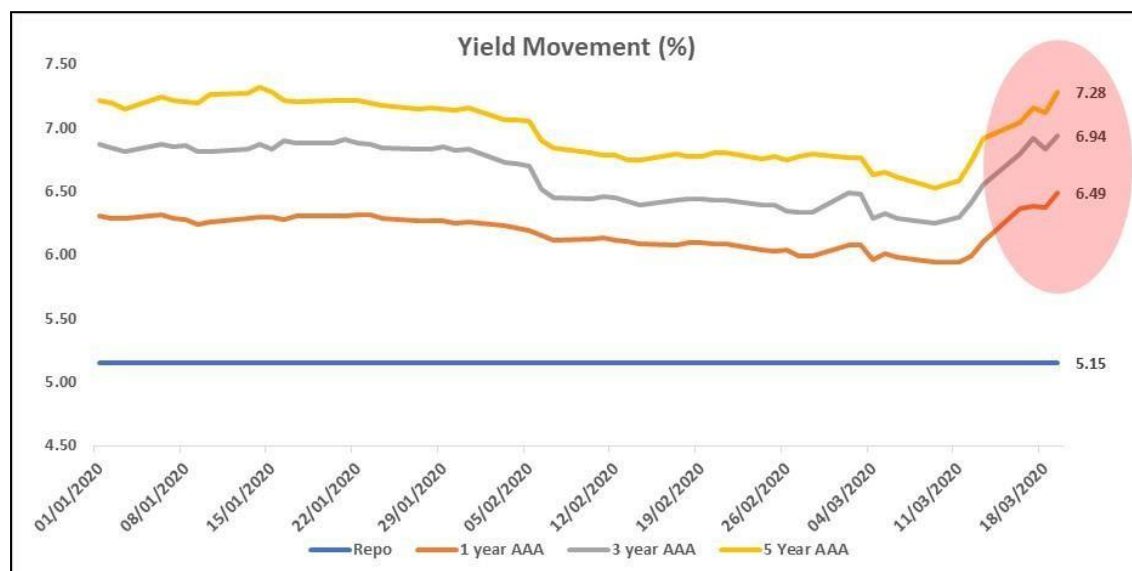


Our views on Fixed Income Markets

What is the situation now?

- Segments of debt markets have witnessed a liquidity crunch in the last couple of weeks amidst heightened volatility
- The liquidity crunch has been exacerbated because of selling by FPIs in corporate bonds and also due to the year end March effect where we generally see some outflows, coupled with some selling by domestic mutual fund too
- As a result, spreads both in the short term and long term have widened in a very short span of time



(Source: Bloomberg)

What we Expect

- We continue to expect further policy response from the regulators, including further liquidity support and a possible interest rate cut if the situation worsens further
- Investor who are not sure about their investment horizon can do well to park money in overnight fund
- Investor with visibility of investment horizon of atleast March crossing, can stay invested in Liquid Fund
- Investor with investment horizon of upto 6 months can look at ultra short fund, savings fund and low duration fund. Investor with longer time horizon of 1 year or more can also look at corporate bond fund, as the AAA spreads have widened and

are at attractive levels currently