# Is it the right time to invest in mutual funds?

The impact of COVID-19 isn’t just limited to our health; the global economy too has borne the brunt of it. From April onwards, stock markets around the world have contracted, some of them witnessing sharp dips as the world went into lockdown. With the economy on pause, do mutual funds offer a ray of hope amidst the gloomy outlook in the stock markets? Let’s find out!

**Understanding the situation in the current context**

To understand the context better, we have to look at similar incidents that brought the market to its knees in the past. History shows us that past crashes, like the ones in 1992 and 2008, were short-lived. The markets bounced back strongly soon after.

To be more specific, we can look at how past outbreaks have impacted the Indian stock market. During the SARS outbreak in 2003, the BSE Sensex witnessed a 10% dip. However, it reached a staggering high of 83% after the outbreak.

Similarly, when the Zika outbreak occurred in 2015-2016, the Sensex slumped by 6%. A year after, it had gained over 21%.

**What to expect?**

We can extrapolate and infer a similar pattern here. The point is that there are short-term setbacks, but eventually, the market will steady itself and move forward.

Many stock markets experts have already suggested that the market is likely to stage a recovery in a period of 3-4 months after the crisis ends.

In India’s case particularly, there is plenty to cheer about. It is one of the largest and most diverse economies in the world today with a population of 1.3 billion. The size of India’s market is massive, which is a big advantage. India can leverage this aspect to spur domestic demand and revive the economy on its own.

**What should you do?**

Many investors panic when situations like these arise. They resort to panic selling because they are fearful of their wealth in the short term.

However, this can be a golden opportunity for long-term mutual fund investors. When markets are down, stocks become available at attractive valuations. This translates to more value for money!

The point is markets go through cycles like these regularly. But mutual funds negate the volatility of the market through cost averaging. This means you purchase more units when markets are down and fewer units in a booming market to average out the cost. This is a neat approach to create considerable wealth in the long run.

The bottom line is that markets will bounce back strongly. So investing in mutual funds after due research is a good idea at present. Of course, to cash in on the benefits, you need to pick the right funds such as balanced funds and large-cap funds. These low-risk funds invest wholly or partly in well-established companies making them a safer option as opposed to mid-cap and small-cap funds.

If you are considering investing in mutual funds, take the plunge right now. Consult a financial adviser for assistance in selecting the right funds and start investing.

