

'Markets are testing investors' patience and conviction'

It has been a slow grind to lower levels for the markets in the past few months. **HIREN VED**, director and chief investment officer (CIO) of Alchemy Capital Management, tells **Puneet Wadhwa** in an email interview that broking volumes may get impacted by market conditions, especially if volatility leads to cautious investor sentiment, resulting in lower trading activity. Edited excerpts:

Will it be harder for investors and fund managers to generate returns from the markets in 2025?

2025 has been tough for the broader markets so far. Generating returns is never easy. Given where we stand today, it may seem like a challenging year; however, the economy and corporate earnings gained momentum after a cyclical slowdown in the second and third quarters (Q3) of 2024-25 (FY25). We foresee a more constructive market environment from the first quarter of 2025-26 (FY26), and the rest of 2025 could turn out to be a rewarding year for equities. Mid-teen returns in 2025 are quite possible.

Should investors hike allocation to the debt segment?

Investors should have adequate allocations to debt for any near-to-medium-term requirements, ensuring liquidity and stability in a volatile

environment. The best place to be for long-term wealth creation is in equities.

What has been the reaction of your clients to how the markets have played out? Is new money for

investment hard to come by? Are a bulk of your investors cashing out?

Investors have become more mature over time and understand that markets move in cycles. Human nature dictates a preference for upsides with minimal downside risks. While

volatility can create anxiety, we see fresh monies coming in, but investors may choose to stagger their investments. Despite market volatility, there are no meaningful outflows yet. Investors are willing to remain committed to their long-term goals.

Can tough market conditions trigger a consolidation phase for the

broking and wealth management industry over the next 12-18 months?

Broking volumes may be impacted by market conditions, especially if volatility leads to cautious investor sentiment, resulting in lower trading activity. Wealth managers play a crucial role in guiding clients through uncertain times. Their need is felt more during tough and volatile markets as opposed to when markets are moving in one-way bull runs.

Several investors who dabbled in the markets since 2020 were first-timers. With the recent correction eroding their gains considerably, what's your advice on how they should approach the markets now?

Most investors who came in 2020 are sitting on handsome gains. But they have never seen a greater-than-10-per cent correction until 2025. This will test their conviction, and those who struggle with volatility might be tempted to exit, but that isn't the right approach if they are invested in fundamentally strong stocks or well-managed funds.

It was easy when markets were going one way and volatility was low. Now, markets are facing headwinds in the near term. Markets are currently testing



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investors' patience and conviction. This is also a time when you realise that short-term trading and dabbling in derivatives may result in losses.

Have corporate earnings troughed?

I think Q3FY25 was the trough, and we should see an acceleration in the fourth quarter of FY25 and well into next year as government spending resumes, driving demand across sectors. The combination of tax cuts, lower interest rates, and improving liquidity should provide further support to corporate earnings. The global trade policy uncertainty may also subside in a month or two. So, I am quite confident that on a low base of FY25, FY26 earnings can revert to mid-teen growth.

To what extent are you using technology/algorithms (algos) in portfolio management services (PMS) at Alchemy? Has it gained industry-wide acceptance by now?

Yes, we have one of the oldest quantitative (quant)/algo-driven PMS strategies. We now have almost four PMS strategies that run on pure quant and quant + active across market capitalisations. We invested in these capabilities way back in 2012. We are in the early stages of the evolution of quant strategies. It should gain acceptance once investors can assess how this cohort of strategies performs during a full market cycle.



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