Mutual Fund Distributor

IS TIMING THE MARKET INTERRUPTING YOUR SIP?

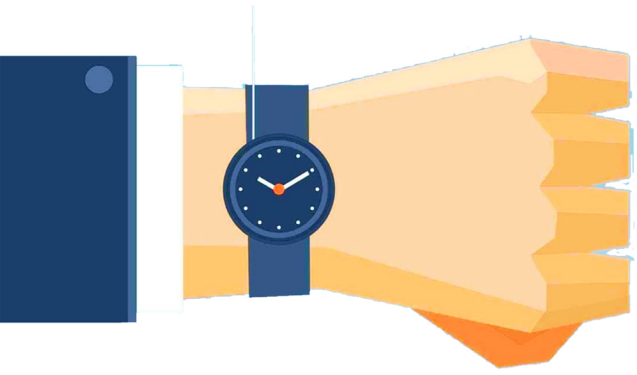
Many of us try to invest at the lowest and sell at the highest market points to maximise our profits. Theoretically, this is not a bad idea. However, in practice, it is incredibly difficult to do so. No one can consistently time the markets and get their investment decisions spot on every time. Moreover, while trying to do so, we delay important investment decisions and may miss out on good opportunities. When we start our investment journey, we should think about being disciplined and try to regularly invest and give enough time for our investments to grow. Timing the markets should not be a priority.



A study done shows there is not much impact on the valuation or return in the long term if you have invested regularly & the investments get a pretty good time to grow.

Monthly SIP Amount	Total Investment in 10 yrs	SIP done on Nifty lows every month		SIP done on 15th of every month		SIP done on Nifty Highs every month	
		Investment value after 10 years	IRR	Investment value after 10 years	IRR	Investment value after 10 years	IRR
₹10,000	₹12,00,000	₹21,97,485	11.71%	₹21,27,663	11.11%	₹20,68,261	10.59%

Study on SIP in Nifty50 Index. SIP period - 01/04/2013 to 31/03/2023. Valuation date 31/03/2023





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As seen from the table, if someone started an SIP 10 years back in Nifty50 Index and invested at every month's low(best possible timing) they earn an IRR of 11.71% and someone who starts in the same period but invests at every month's high(worst case) earns an IRR of 10.59%. If the SIP is done on a random date (say 15th of every month) then the investor is able to achieve an IRR of 11.11%.





The data concludes that even if you time the market consistently for 10 years you will be able to generate only 0.60% higher IRR than an investor whose only intention was to invest constantly. Moreover, it is not practically possible to pick the lowest point of the month and deploy funds manually and consistently for such a long time. Instead, an ideal strategy should be to be disciplined and patient with your investments and save time and effort trying to time the market.

Disclaimer: Mutual Fund investments are subject to market risks. Please read the scheme related documents carefully before investing. Returns are not guaranteed. The above is for illustration purposes only.

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