HSBC Mutual Fund

Market Corrections = SIP Wins: Here's Why?

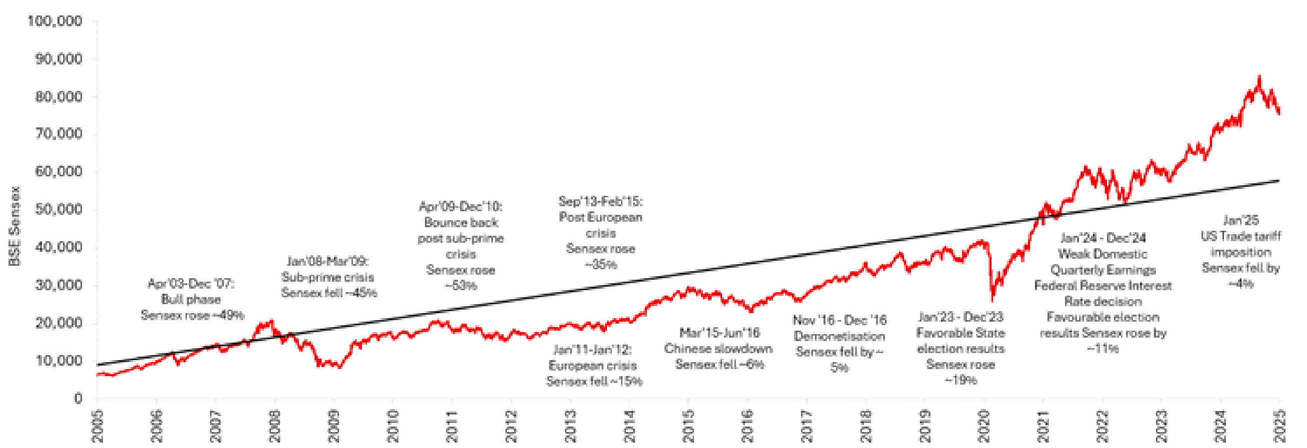
One of the major encounters that investors are facing these days is market corrections in the stock market. Investors are reviewing their portfolio and the first reaction to this correction is panic, but history tells us that corrections like these are completely normal. There can be various events that can lead to such swings – changes in government policies, pandemics, geopolitical tensions, unfavorable economic data, etc.

Being an investor, we can't control how these forces may impact the market, but we can take steps to mitigate their impact on your investment portfolio. One of the best ways to manage the impact of market volatility on your portfolio is to stick to financial goals and create a well-diversified investment plan as per the risk appetite.

Our advice to investors remains to look at the equity market for the long-term goals and not get swayed by the euphoria or short-term blips. We strongly believe that Systematic Investment Plan (SIP) remains to be one of the wisest ways to invest in the equity markets to average out the cost of investing over multiple market cycles.

Here's the Sensex journey over the years and why timing the markets is a myth. Historical data shows that despite market corrections, long term investors have benefited by staying the course.

When market falls, your SIP accumulates more units



Rupee cost averaging works well through SIPs as you don't need to time the market

Source: BSE, CRISIL Research, data for 2025 are till 31 January 2025.
Returns for period less than one year are absolute; otherwise, annualised
Past performance may or may not be sustained in future and is not a guarantee of any future returns

By staying invested through market lows, we can buy more units through monthly investments in an SIP. And as markets rise, it can buy fewer units. In the long run, this method acts as a shock-absorber for the investment. These intermittent corrections are crucial for the SIP to deliver healthy returns as one accumulates more units in weak market phases, its benefits become apparent when markets start to move up again. Investors who persist with ongoing commitments benefit in the long run.

Continuing the SIP through volatile phases help eliminate the urge to time the market for better returns in the long term. Infact, most investors trying to jump in at the right time have ended up missing the best days of the market, thereby, affecting their return potential. By staying invested, you also continue the good habit of saving a little each month.

Consulting your investment advisor is the best way to take any investment decisions before investing to understand all legal, financial and taxation implications.