



# FRANKLIN TEMPLETON

‘When you are finished changing, you are finished’ – Benjamin Franklin

June 7, 2024

Dear Investor,

I hope this message finds you doing well. In the ever-evolving landscape of life and investments, change remains a constant companion. It is through accepting and adapting to change that we find resilience and growth, both personally and professionally. Change, whether in the form of market fluctuations or life transitions, often brings uncertainty. However, it also presents opportunities for innovation, learning, and advancement. By accepting change, we position ourselves to better respond to challenges and capitalize on new possibilities.

With that as background, here are five ways to manage market volatility:

1. **Long-term Perspective:** Focus on long-term goals rather than short-term market movements. History has shown that markets tend to recover over time. Patience and a long-term outlook can help weather volatility.
2. **Emotional Discipline:** Avoid making impulsive decisions based on market emotions. Emotional discipline is key to maintaining a strategic approach to investing.
3. **Diversification:** Spread investments across various asset classes and sectors. This not only mitigates risk but also balances potential returns. A well-diversified portfolio is less likely to experience significant downturns in volatile markets.
4. **Stay Informed:** Keep abreast of market trends and economic indicators. Knowledge empowers you to make informed decisions and react proactively to market changes.
5. **Consulting a Professional:** Leverage the expertise of financial advisors to guide your investment decisions. Their insights can provide clarity and direction during uncertain times.

At Franklin Templeton, we are committed to supporting you through these changes. Our team is dedicated to providing the resources, insights, and guidance needed to navigate market volatility effectively.

### Global Markets Update:

The specific forecasts below are driven by the more than 300 investment professionals within our organization. The findings reflect the average of the group. While each of our investment teams are independent and have different outlooks, the survey serves as a starting point in understanding Franklin Templeton’s aggregate views on the economy, equities, fixed income and alternatives:

- Global growth will be slower than consensus expectations across major regions.
- The yield curve in the United States will normalize as two-year Treasury yields decline.
- Inflation will continue to moderate, but at a slower pace than consensus and will remain above central-bank targets.
- Unemployment will rise from 3.9% to 4.3% but remain low in the United States.
- The US dollar will essentially remain unchanged this year.
- Equities likely to be flat in 2024 - Earnings will likely grow at 5.8% versus consensus 10.4%.
  - Favour:
    - US value, US small cap, and emerging markets.
    - Sector focus on technology ex the “Magnificent Seven,” health care, industrials and financials.



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- Factors to focus on include free cash flow yield, return on invested capital, and return on equity.
- Risks:
  - Geopolitics, earnings below expectations and recession
- As for India, current valuations are riding on the delivery of strong growth and corporate earnings. With policy continuity, our global experts see little risk India will be unable to deliver on the growth expectations for a much longer period in this cycle.
- Fixed Income will broadly benefit from declining interest rates in 2024 - Two-year Treasury yields will likely decline meaningfully, while 10-year yields are also expected to move lower, albeit more modestly.
  - Favour:
    - Due to its higher credit quality, investment- grade debt will be in favour, as default rates for high-yield debt are likely to tick higher toward their historical average.
    - Municipals will continue to be a high- quality, diversifying investment option with attractive tax-free yields.
  - Risks:
    - Fed policy, geopolitics and recession.

## India Markets Update:

Our CIO for Emerging Market Equities – India, Janakiraman. R recently shared his insights in an interview about the factors driving India’s equity markets and how investors can navigate market volatility. Highlights below:

- India is in a favourable macro environment. India’s attraction stands out because of its robust macro and earnings growth, prudent fiscal policies and improved macro stability.
- Small and midcap valuations are higher than historical levels and above large cap valuations.
- Robust earnings growth is expected to result in respectable equity returns.
- Investors with a long- term horizon and risk appetite may find it beneficial to continue considering systematic investing in these segments.
- After a decade of adjustment, the cyclical parts of the economy have turned growth enablers.
- The broader market expects political stability to continue.
- Identifying and investing in good quality businesses at an acceptable valuation, and a long-term philosophy are the core of our approach to investments. We have always been aware of the liquidity risk in mid- and small-cap funds and, hence, these products have been regularly assessed for their risk profile, well before it became mandatory.

[You can read the complete interview here.](#)

Our CIO – Fixed Income, Franklin Templeton India, Rahul Goswami, shared his outlook about the fixed income market and how investors can navigate this space in the current scenario. He also shed light on initiatives to expand the debt offerings of Franklin Templeton. Here are some of the take-aways:

- India is one of the high potential markets to operate in with political stability, policy continuity, and credible regulators like SEBI and RBI.



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- The market is pricing a probability of two rate cuts in the US this year, but we could see Bank of England and ECB moving first to reduce policy rates.
- There is a probability that the RBI may remain put on rates and not move much and therefore India could have a shallow rate cut cycle.
- Short term rates will remain high as liquidity tightness will continue and demand for money will remain elevated.
- There is more merit in remaining in a relatively shorter-to-medium duration bucket instead of the super-long-maturity bucket.
- Yields may remain at current levels for a reasonable period of time.
- Franklin Templeton India will cater to different types of market segments and will also focus on the high-grade credit strategy, which includes more on the duration play and interest rate play.

[You can catch the full article here.](#)

Hope you find these insights useful.

As always, you can directly write to me at [avisatwalekar@franklintempleton.com](mailto:avisatwalekar@franklintempleton.com) with any feedback and questions. I value your questions, and feedback and look forward to the opportunity of continuing to meet your investment needs.

Sincerely,

Avinash Satwalekar

President, Franklin Templeton Asset Management (India) Pvt. Ltd.

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#### Disclaimer:

Source: Analysis by Franklin Templeton Institute. The S&P CNX Nifty Index, also called the Nifty 50 or simply the Nifty, is a stock market index and one of several leading indexes for large companies, which are listed on National Stock Exchange of India. Past performance is not an indicator or a guarantee of future performance. Indexes are unmanaged and one cannot invest directly in an index. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

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**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**