

# Debt Instruments Hold Huge Promise

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CIO - FIXED INCOME INVESTMENT, RELIANCE MUTUAL FUND

**L**iquidity Outlook amid FCNR  
**Outflows:** Core liquidity actually turned positive last year itself, primarily aided by forex flows. Last year, it was forex flows, and this year it is the Reserve Bank through its open market operations by buying bonds. Now, because of the policy changes in April, RBI has ensured that liquidity remains positive irrespective of what's been happening on the forex side. Even when we are talking about FCNR, I am sure the RBI will do whatever possible to make sure core liquidity remains positive. Barring an unforeseen crisis — globally or locally — we are going to see more and more liquidity from RBI. If we look at now and December, or now and March, we would be back in a positive liquidity position.

## Overseas Inflows

If you look at commercial real estate, road projects, transmission projects, viable power projects, there has been a lot of interest to invest in them. There has been a lot

of action in the private space rather than in the public space. Last year was a record year in terms of FDI (foreign direct investment) — the focus is shifting from foreign institutional investors to foreign direct investment. You will see a lot more flows coming through. It is an annuity income. There is absolutely no problem for good projects. If you talk about asset sale, if you see the kind of



demand we saw in the recent assets sale, a lot of road projects have been sold.

## Debt Market Investors

If you stay in dynamic bond funds for three years, the average return would be close to 9%, and the lowest return close to 7%.

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