

Published Date:	11 Aug 2022	Publication:	Business Insider India []
Journalist:	Bureau	Page No:	NA
Estimated Article Readership:	5	Expected Predicted Article Readership:	10
Website Readership:	7846251	Website Country Rank:	18
Website Global Rank:	286	Genre:	Net Magazine
Country:	India	Language:	English
Circulation:	0		

### Overnight funds witness inflows in July after a one-month pause: AMFI

IANS Overnight funds category witnessed heavy inflows in July after registering outflows in the previous month.

This is because of the rise in overnight rates which has made this category attractive for most investors.

According to the AMFI data, overnight fund saw inflows worth Rs 19,918.66 crore, as compared to Rs 20,668.02 crore outflows in the previous month. June remained the only month where the overnight funds had witnessed outflows.

"Two things have been happening simultaneously as far as overnight funds are concerned. Liquidity is being drained out as credit off take takes place and repo rate hikes are leading to higher overnight rates, making overnight funds favourable. Hence the inflow. Also uncertainty and volatility in other asset classes might prompt investors to be in overnight funds for a temporary period before switching to long term debt funds or equity, etc.," said Marzban Irani , CIO - Fixed Income, LIC Mutual Fund Asset Management Ltd.

Overnight funds are debt funds that invest in overnight assets or securities having a maturity of one day. This fund is considered safest among debt funds with zero interest rate risk and minimum credit risk.

These funds are suitable for risk-averse investors who want to invest their money in a fund, but only for a short time. These funds are better means to utilise one's idle money.

The tenor or maturity period of bonds plays a crucial role in the valuation of bonds alongside the movement of interest rates in the macroeconomic environment. Since these bonds mature in one day, they have little exposure to these factors, which makes it an even safer option to invest in.

Experts believe that category is used by investors to usually park their idle funds or for emergency corpus, so inflows into these funds are not predictable.

"Overnight funds are usually meant for emergency corpus. It will give you the lowest return, but gives you the highest safety. It flows into this segment completely depending on the situation of cash flows in the market,," said Rushabh Desai , founder of Rupee with Rushabh Investment Services

SEE ALSO :

SIMPLY PUT - where we join the dots to inform and inspire you. Sign up for a weekly brief collating many news items into one untangled thought delivered straight to your mailbox.