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TWIST IN THE TALE

ELECTION SUMMARY AND MARKET REACTION: OUR ANALYSIS

Date : 07th Jun 2024

Election Summary and Market Reaction: Analysis from June 2024

- ❑ **Overview of the 2024 Indian General Election:** Significance of coalition governments in India's political landscape
- ❑ **Importance of Analyzing Election Outcomes and Market Reactions:** Implications for political stability and economic forecasts



Down the memory lanes

Back in 2004

- ❑ The morning of May 17, 2004, remains vivid in my mind, even after 20 years.
- ❑ I had just entered the Corporate Office of Castrol India in Technopolis Park, Mumbai, for my summer internship in the Finance Department when the red screen of CNBC caught my eye.
- ❑ The Congress had formed a coalition government with many big and small allies supporting it both inside and outside the government

June 2024

- ❑ As the vote counting continued on June 4, 2024, the market seemed to be heading towards a similar scenario- another “Mili-Juli Sarkar” (coalition government), whether by the NDA or the INDIA alliance.
- ❑ Nervousness was palpable across stocks, indices, and among experts.
- ❑ The reasons were clear: policy paralysis, political instability, lower economic and earnings growth, and multiple de-ratings

The way forward

- ❑ By evening, the Telugu Desam Party (TDP) had clarified its support for the NDA, alleviating fears of horse-trading and hard negotiations. This led to a sharp market bounce on June 5, 2024.
- ❑ Now portfolio allocation on June 9, 2024 and later budget are key events

The Verdict

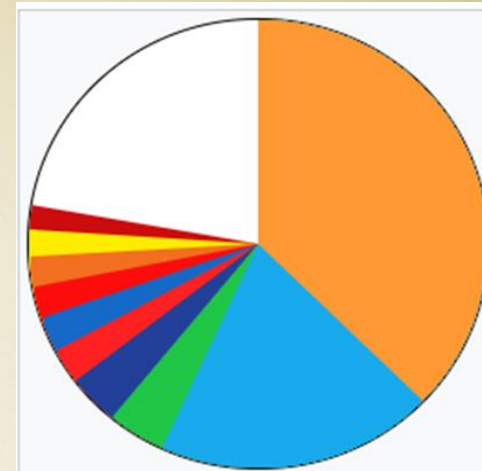
- State-wise Performance:** BJP faced losses in Uttar Pradesh and Maharashtra; SP gained from anti-incumbency in Uttar Pradesh; TMC held its ground in Bengal; BJP failed to make significant inroads in southern states.

BJP Performance 2019 v/s 2024							
State/UT	Total constituencies	2019	2024	State/UT	Total constituencies	2019	2024
Andaman and Nicobar Islands	1	0	1	Lakshadweep	1	0	0
Andhra Pradesh	25	0	3	Madhya Pradesh	29	28	29
Arunachal Pradesh	2	2	2	Maharashtra	48	23	9
Assam	14	9	9	Manipur	2	1	0
Bihar	40	17	12	Meghalaya	2	0	0
Chandigarh	1	1	0	Mizoram	1	0	0
Chhattisgarh	11	9	10	Nagaland	1	0	0
Dadra and Nagar Haveli and Daman and Diu	2	1	1	Odisha	21	8	20
Delhi	7	7	7	Puducherry	1	0	0
Goa	2	1	1	Punjab	13	2	0
Gujarat	26	26	25	Rajasthan	25	24	14
Haryana	10	10	5	Sikkim	1	0	0
Himachal Pradesh	4	4	4	Tamil Nadu	39	0	0
Jammu and Kashmir	5	3	2	Telangana	17	4	8
Jharkhand	14	11	8	Tripura	2	2	2
Karnataka	28	25	17	Uttar Pradesh	80	62	33
Kerala	20	0	1	Uttarakhand	5	5	5
Ladakh	1	0	0	West Bengal	42	18	12

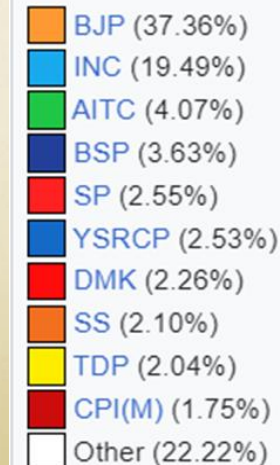
Election Outcome

- ❑ **Coalition Government Formation:** India heads towards a coalition government, led either by NDA or INDIA alliance, causing market nervousness
- ❑ **Vote Share Dynamics:** Despite maintaining similar vote share, BJP saw a sharp drop in seats due to anti-BJP vote consolidation favoring Congress and allies

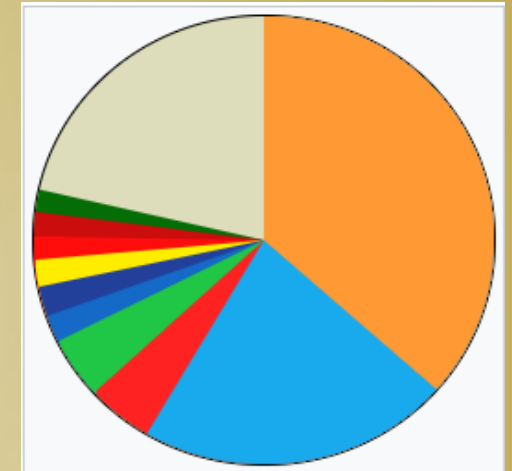
2019



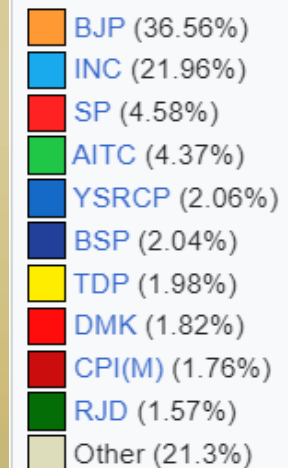
Vote share of parties in the election



2024



Vote share of parties in the election



Market Movements and Derivatives Impact

Direction was result driven, not magnitude

- ❑ Markets witnessed extreme volatility across 3rd June to 5th June as the options open interest was multifold more than futures, and historical average
- ❑ This created sharp movements as stop losses got triggered and delta hedgers had to come for hedging

Options and Futures Data:

- ❑ Daily options volume 400 times that of futures; high activity in call and put options
- ❑ Even end of the day OI across options was more than 40x of futures

Economic and Fiscal Impact:

- ❑ Potential risks from fiscal deficit and unplanned expenditure; balancing growth with populism will be the key going forward

Mutual Funds Adjustments:

- ❑ As on 30th April 2024, MF industry reported Equity AUM of ₹23.5 lakh crores.
- ❑ Combined gross purchase by MFs on 4th and 5th June was total Rs.550 bn, and sell of less than Rs.500 bn, implying a 2% churn. This was double the average daily volume of DIIs

Government Formation and Policy Implications

- ❑ **Coalition Composition:** BJP, TDP, and Janta Dal forming a coalition comfortably above the 272-seat majority.
- ❑ **Policy Direction:** We believe that there could be Increased populist measures, though quantum wont be too high ; pro-growth stance from TDP and Nitish Kumar should settle the nerves for market
- ❑ **Economic and Fiscal Impact:** Potential risks from fiscal deficit and unplanned expenditure; balancing growth with populism will be the key going forward
- ❑ **Modi-Shah Strategy Impact:** Increased accountability to the alliance; focus on acceptable policies will be the mantra

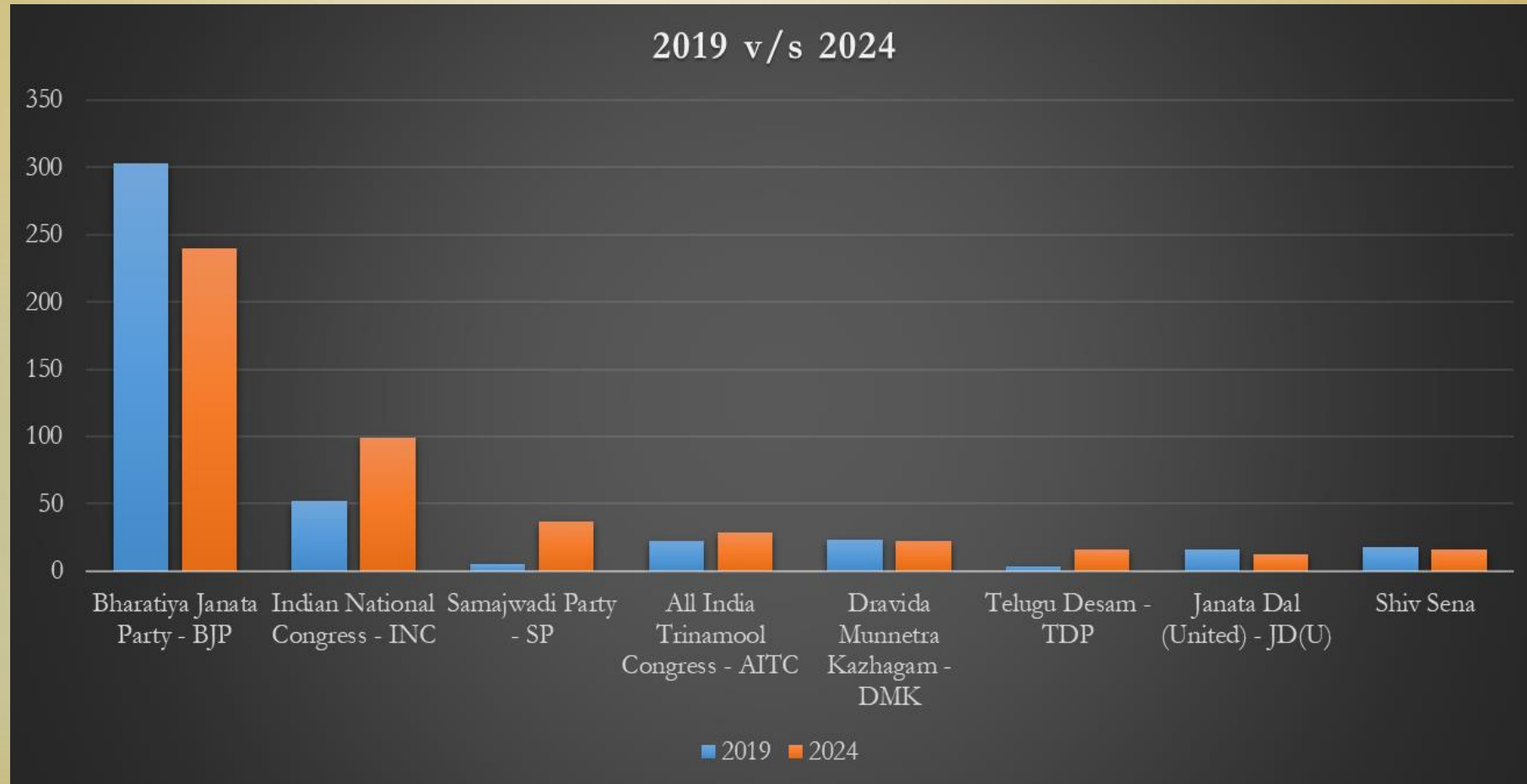


Portfolio Strategy and Economic Outlook

- ❑ **Economic Growth Outlook:** Positive long-term trajectory driven by demographic factors; no major policy overhaul expected.
- ❑ **FII Flows:** Phased and policy-driven; focus on quality, earnings-driven stocks.
- ❑ **Budget Expectations:** Crucial for setting policy direction; possible shift towards populist measures.
- ❑ **Portfolio Adjustments:** No immediate changes; potential shift to rural consumption stocks if budget policies shift towards populism



Election Results 2019 v/s 2024



Monthly Performance of Sectors

Sectorial Monthly Return															
Indices	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Nifty 50	4.06	2.6	3.53	2.94	-2.53	2	-2.84	5.52	7.94	-0.03	1.18	1.57	1.24	-0.33	0.4
Bank Nifty	6.46	2.07	1.4	2.02	-3.64	1.35	-3.9	3.82	8.57	-4.75	0.27	2.18	4.82	-0.84	0.14
NIFTYOILGAS	4.8	-0.8	1.39	8.03	-5.06	2.25	-3.71	11.39	12.03	12.98	6.79	-0.14	3.37	-1.7	-5.36
Nifty 500	4.55	3.59	4.21	3.83	-0.79	2.18	-2.84	7.06	8.01	1.92	1.45	0.82	3.66	0.51	-0.23
Nifty Energy	4.03	0.59	3.44	8.73	-4.21	6.22	-1.96	9.37	14.25	9.8	5.69	0.47	3.45	-0.28	-3.83
Nifty Financial Services	6.11	1.48	3.15	1.42	-3.66	1.09	-3.06	4.43	7.14	-4.61	-0.44	2.85	4.06	-0.56	-0.16
Nifty Auto	7.72	7.66	6.68	3.7	-0.24	3.28	-1.66	10.28	6.08	3.27	6.16	4.93	4.95	4.18	3.69
Nifty FMCG	4.16	6.75	2.26	0.85	-2.93	1	-0.66	3.42	7.5	-3.36	-1.92	-0.12	0.54	-0.25	6.39
Nifty IT	-3.45	5.82	0.83	1.24	4.13	1.99	-3.78	6.54	9	3.16	2.95	-7.48	-4.86	-2.45	2.17
Nifty Infra	5.21	1.93	5.11	6.56	-2.75	4.97	-2.36	8.04	10.9	7.62	2.87	3.09	2.87	1.08	-3.05
Nifty Media	0.87	2.39	-0.69	18.22	11.23	-1.09	-3.05	4.43	3.99	-9.93	-4.7	-12.4	5.4	-1.18	0.16
Nifty Metal	5.49	1.56	5.42	8.84	-1.46	2.7	-5.66	8.76	13.69	-0.06	-0.64	4.23	11.12	5.97	-2.33
Nifty MidCap 100 Free	5.86	6.19	5.9	5.5	3.7	3.63	-4.1	10.37	7.63	5.17	-0.48	-0.54	5.81	1.65	-0.85
Nifty Pharma	4.97	0.51	8.59	8.9	0.69	2.17	-4.79	10.59	3.65	6.58	5.93	-0.04	-0.13	-0.92	2.58
Nifty Realty	14.91	7.57	8.6	8.99	-1.47	3.09	4.75	18.34	9.73	9.34	6.35	-1.09	8.06	4.74	-1.82
Nifty Smallcap 100 Free	7.54	5.1	6.6	7.99	4.62	4.12	-0.77	12.03	6.86	5.83	-0.31	-4.42	11.4	-1.85	-2.44
NiftyConsu	4.76	6.23	4.38	1	-1.23	1.95	-1.51	7.87	6.57	0.52	1.85	3.29	2.73	0.63	3.65

Price action of Nifty 50 Stocks

As on 04-06-24									
Name	High	Low	Close	Deviation	Name	High	Low	Close	Deviation
ADANIENT	3520.00	2733.95	2941.25	26.7%	INFY	1415.00	1358.35	1393.65	4.1%
ADANIPTS	1558.00	1188.00	1248.95	29.6%	ITC	426.30	402.85	415.20	5.6%
APOLLOHOSP	5963.75	5693.20	5845.70	4.6%	JSWSTEEL	914.00	823.80	841.85	10.7%
ASIANPAINT	2897.00	2775.75	2857.65	4.2%	KOTAKBANK	1715.50	1602.45	1637.95	6.9%
AXISBANK	1224.00	1101.55	1131.25	10.8%	LT	3898.00	3320.00	3403.20	17.0%
BAJAJ-AUTO	9372.85	8808.00	9246.75	6.1%	LTIM	4675.95	4513.55	4630.65	3.5%
BAJAJFINSV	1569.20	1419.05	1477.30	10.2%	M&M	2639.00	2448.20	2572.90	7.4%
BAJFINANCE	6915.95	6375.70	6509.55	8.3%	MARUTI	12597.20	11561.45	12176.05	8.5%
BHARTIARTL	1397.00	1219.05	1299.70	13.7%	NESTLEIND	2438.00	2327.45	2427.75	4.6%
BPCL	670.00	566.70	580.20	17.8%	NTPC	391.90	313.95	331.25	23.5%
BRITANNIA	5414.40	5127.05	5325.10	5.4%	ONGC	285.00	223.00	236.30	26.2%
CIPLA	1476.95	1418.55	1462.55	4.0%	POWERGRID	334.95	279.75	295.95	18.7%
COALINDIA	512.40	410.80	441.90	23.0%	RELIANCE	2996.10	2718.60	2794.55	9.9%
DIVISLAB	4422.60	4180.50	4324.15	5.6%	SBILIFE	1402.70	1307.70	1338.85	7.1%
DRREDDY	5827.35	5600.00	5730.80	4.0%	SBIN	897.00	731.95	775.20	21.3%
EICHERMOT	4706.85	4253.85	4495.40	10.1%	SHRIRAMFIN	2540.00	2193.00	2260.70	15.3%
GRASIM	2365.20	2171.60	2256.40	8.6%	SUNPHARMA	1476.30	1377.20	1429.85	6.9%
HCLTECH	1325.00	1235.00	1303.55	6.9%	TATACONSUM	1092.60	1028.90	1087.00	5.9%
HDFCBANK	1559.00	1454.00	1483.15	7.1%	TATAMOTORS	948.00	855.40	903.90	10.2%
HDFCLIFE	555.00	511.40	534.45	8.2%	TATASTEEL	174.65	148.15	158.95	16.7%
HEROMOTOCO	5349.00	4920.25	5310.70	8.1%	TCS	3745.00	3591.50	3715.00	4.1%
HINDALCO	697.00	594.25	649.05	15.8%	TECHM	1253.70	1193.65	1239.30	4.8%
HINDUNILVR	2510.05	2342.10	2496.30	6.7%	TITAN	3295.20	3055.65	3238.95	7.4%
ICICIBANK	1159.40	1053.55	1071.45	9.9%	ULTRACEMCO	10498.50	9534.95	9918.30	9.7%
INDUSINDBK	1521.90	1363.55	1391.50	11.4%	WIPRO	445.90	417.00	438.15	6.6%

Thank You!