Sanctum View

October 08, 2018

General Elections FY19

Attractive Times for Investing for Long Term Wealth Generation

While CY17 was a secular bull-run for equities, YTDCY18 has proved to be starkly different with sentiment nowhere near the euphoria of the last year. Arguably, valuations, global liquidity, trade conflict, rising interest rates and crude oil can be attributed as root causes. However, while post facto analysis and attribution is important, pre-emption i.e. rationally building a case for the future is equally if not more critical.

The Election data suggests that investors rarely lose money investing Pre-Elections

Across 7 elections in the last 27 years, whenever an investor entered the markets 6 months before the general elections and held on for 2 years, the investor made on average annualized returns of 23%, with most money made in the 2009 elections when the UPA Government held fort. While the least return has been a positive 1.5% in 1999 (when the incumbent party i.e. BJP won), this strongly implies that the 27-year track record has never yielded principal erosion when entering pre-elections.

Equities Deliver Stellar Returns During Changes at the Central Government

General Election Year	6m Prior	Held for 24m	CAGR NIFTY
1991	Dec-90	Dec-92	48.9%
1996	Dec-95	Dec-97	8.6%
1998	Nov-97	Nov-99	13.0%
1999	Apr-99	Apr-01	1.5%
2004	Nov-03	Nov-05	26.0%
2009	Nov-08	Nov-10	51.9%
2014	Nov-13	Nov-15	14.3%

Source: Bloomberg.

Net-net, **irrespective of the incumbent Government remaining in power or a change at the centre**, markets have shown resilience in the periods encompassing general elections over the past 27 years.

Current Scenario

While India benefitted from a trinity of lower CAD, Inflation and Interest rates in the previous 3 years, these were amongst the best prints in recent times. In 2018, CAD was at 2.4% in Q1FY19 and averaged 1.6% in the previous six quarters. However, in Q3FY13, India's current account deficit was 6.8% of GDP and averaged 4.3% in the previous six quarters. Oil prices were high but stable in 2013 and are rising from lows in 2018. Interest rates were high in 2013 and are not very far from levels in 2018. Inflation, however, was much higher in 2013 and is relatively benign in 2018. Hence the current macro scenario, is normalising for India, while markets continued gaining momentum earlier this year on the presumption of stable macros. On valuations, Indian equities still trade at nearly 11-13% premiums vs. 10-yr. history, however they have currently fallen nearly -12% from recent highs seen in the last couple of months. For the long run, equity markets turn out to be resilient wealth generators and given general elections are about 6-7 months away, the case for investing in these uncertain times becomes a bit clearer if we take past election period performance into consideration.

Sanctum Wealth Management

Investment & Advisory

Sunil Sharma
Chief Investment Officer & Executive Director
97177 19898,
sunil.sharma@sanctumwealth.com

Hemang Kapasi
Portfolio Manager
983322 7605
hemang.kapasi@sanctumwealth.com

Ashish Chaturmohta
Chief Advisor – Technical Strategies
77386 48833
ashish.chaturmohta@sanctumwealth.com

Rohit Laungani
Investment Analyst, Investment Office
93241 68860
rohit.laungani@sanctumwealth.com

Viraj Vajratkar
Investment Analyst, Investment Office
98334 95395
viraj.vajratkar@sanctumwealth.com

Anway Bhujbal
Technical & Derivative Analyst
98702 12498
anway.bhujbal@sanctumwealth.com

Offices

Mumbai
Sanctum Wealth Management Private Limited
Unit 1501, Tower 2B, One Indiabulls Centre, 841, Jupiter Mills, Off Senapati Bapat Marg, Lower Parel, Mumbai – 400013
Telephone: +91 22 61064800

Delhi
Sanctum Wealth Management Private Limited
812 – 816, 8th Floor, Narain Manzil,
23, Barakhamba Road, New Delhi – 110001
Telephone: +91 11 6612 5713

Bengaluru
Sanctum Wealth Management Private Limited
Unit 1102, 11th Floor, HMG Ambassador, 137, Residency Road, Bengaluru – 560025
Telephone: +91 80 67427900

Chennai
Sanctum Wealth Management Private Limited
Level 4, Suite no. 503, Apeejay Business Centre, 39/12, Haddows Road, Nungambakkam, Chennai - 600006
Telephone: +91 44 28224949

Kolkata
Sanctum Wealth Management Private Limited

Regus Business Centre Office no. 131, The Legacy, 1st Floor 25-A, Shakespeare Sarani Kolkata – 700017 West Bengal

Telephone: +91 33 44000509