



DEZERV

Elections 2024

Exit polls indicate a landslide victory for NDA

As we eagerly await the official results, the NDA's significant lead in the exit polls is a promising sign. This suggests political stability and continuity in economic policies.

Macroeconomic stability

With policy continuity, the overall government-led capex and investment cycle will certainly continue to gain momentum.

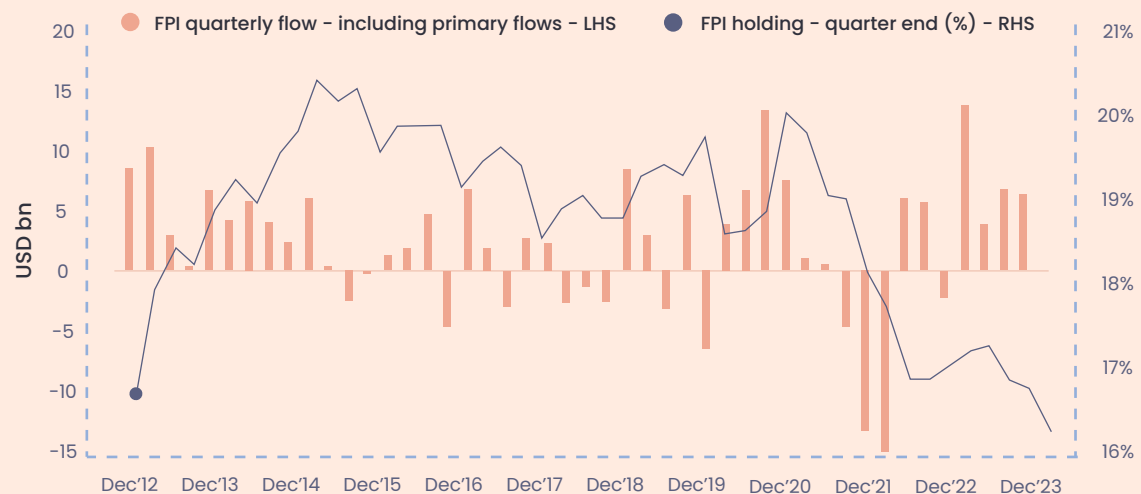
Additionally, the private sector capex is also likely to gain pace. The BJP Manifesto promises to promote global manufacturing hubs in electronics, defence, mobile, automobiles, railways, semiconductors, aviation, EMS, pharmacy, and toys.

Overall, infrastructure and manufacturing are critical themes.

The continuous focus on economic reforms can increase GDP growth from 6-7% to 7-9%

FPI flows

FPI holding of Indian Equities hits decadal low



Source: ICICI Securities Note

Foreign Portfolio Investment (FPI) ownership of Indian equities is running at a multi-year low. Over the last few months, they have consistently sold India equity. However, their view on the Indian markets will likely change owing to the following factors:

- Higher-than-expected GDP growth
- Political stability and continuity of economic policies
- Reversal in the interest rates
- Strong macro and micro performance
- China+1 driven supply chain diversification

Overall, country risk has been reducing, as reflected in the low spread between the US 10Y and the Indian 10Y.

As the uncertainty reduces the implied volatility starts falling back towards normal levels. Today IndiaVIX is down by ~15%.

Resultant impact

In the last three years, we have witnessed robust corporate earnings growth that has resulted in high equity returns, and we expect the earning growth momentum to continue. Investors should consider the following data points

- 1 We expect the earnings growth trajectory to improve from 12-15% pa to a higher level.
- 2 Nifty is trading at a premium to its average historical P/E. However, the higher growth should justify the current premium valuations that the Indian markets are enjoying.

Our take

Investors waiting for clarity on the event can start investing in the equity market. **We recommend a 50% upfront investment and use the remaining 50% in equal installments over the next three months** to take advantage of the potential volatility around the budget.