

JUNE 2019

Though elections only have short-term impact on market sentiment, but investors do care about outcome. Well, to start with Sensex rallied 40,000 + in favour of a strong and stable government.

Valuation: Overall valuations got stretched and some metrics like Nifty P/E touched the highest level, considering the history of Indian markets. At some point of the time market will start following economic fundamentals.

Union Budget 2019 June and Equity: Market response was negative due to the proposal to increase public shareholding from 25 percent to 30 percent and the imposition of a 20 percent tax on buybacks by promoters. At present, of the BSE 500 companies, 100 companies have promoter stakes above 65. Data compiled by brokerage Centrum Broking showed that promoters in 1,174 listed companies will have to offload their stakes to meet this requirement. At current market prices, the total quantum of sale that needs to be done by these 1,174 companies works out to be Rs 3,87,000 crore. With an increased disinvestment target of Rs 1 lakh + crore, the government would need a buoyant market to offload its holding. Foreign fund inflows are critical to absorb supply shock but the hike in surcharge in the Union budget will have an adverse impact on FPI/FII because the effective rate of peak long term capital gain increases to 14.25 percent compared to 11.96 percent earlier and short term capital gains to 21.37 percent as against 17.94. This potentially reduces the post-tax attractiveness of India, vis-a-vis other markets.

Union Budget 2019 June and Debt: The government fiscal discipline along with government's decision to look for overseas markets for borrowing, could have a sobering impact on interest rates and bond yields may go lower if monsoon turn out to be more or less normal, thereby less worry about food inflation. For the troubled NBFC sector, the regulatory mandate has been given solely to the central bank for closer scrutiny and greater regulation which is in the long term interest of the financial system.

Kya lag raha hain market ? Kya karna chahiye ?

From a valuation perspective, markets are not even at their fair value. In the long term, the market seeks direction from macro-economic indicators and underlying earnings of the companies. Hopefully market will forget about budget and short to medium term direction will be triggered by Quarter 1 and Quarter 2 results, geo-politics development and momentum in global markets.

Young Investors (30s) : Do nothing and invest as much as possible at very fall.

(40s) something investor : Investing for future goals likes retirement, children's education and need money in 10-15 years should reduce his equity exposure to 50 % if market rallies in coming month/year and valuations became further elevated.

(50s) , Retirees and Any other Investor who is having time horizon less than 5 year should reduce his equity exposure to 30 %.

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