



Lok Sabha poll outcome: May 13 will be a bigger event than May 16, say analysts

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NEW DELHI: Although May 16, when election results are expected to come out, is supposed to be a very big and important day for the markets, but analysts feel that the big move in the [markets](#) may come in from May 13th onwards when the outcome of the exit polls starts trickling in.

"We have moved higher in the past couple of months with [benchmark](#) indices gaining over 6 per cent since March 2014. The basis of this euphoria on the street is the result of opinion polls, predicting a BJP-led government. But will the BJP have a clear and absolute majority remains to be seen," say experts.

The exit poll data could be used as a proxy or foreshadowing of the actual results on May 16th and investors or traders might start taking action early.

"Whatever is the result of the exit polls, it will start impacting the markets from May 13 onwards. It is also possible that there is some privately carried out exit poll information for their private consumption available to some sophisticated investors," said Dr. Vikas V Gupta (Head-Research & [Product](#) Development) at ArthVeda.

The recent run-up seen in benchmark indices confirms the fact that the markets are pricing in some probability of the BJP-led NDA government at the Centre. If the exit poll numbers are in favour of NDA, there is a possibility of a sharp up-move while a vice-versa situation could be disastrous for the markets, say analysts.

"I agree that 13th May would be a precursor to 16th May Lok Sabha elections results. If the exit poll numbers are in favour of NDA and Narendra Modi, the market will zoom and touch a all-time high on 13th itself," said Rajesh Sharma, Director, Capri Global Capital Limited.

"However, if the numbers reveal the probability of the hung Parliament, then the market will certainly tank by more than 500 points in a day, as the market had been moving up in anticipation of NDA coming to power at the Centre," he added.

The euphoria ahead of elections results due in mid-May cannot be ruled out in the markets. The Indian markets have got support from strong inflows from foreign institutional investors ([FIIs](#)) who are almost certain of a Narendra Modi-led NDA government after the general elections.

Amid hopes of a stable and reform-oriented government after the general elections, foreign investors pumped in Rs 9,600 crore in Indian [stocks](#) in April, the eighth consecutive month of inflows, as per latest data.

Analysts feel the time period between 13th and 15th May will be very crucial for the markets and wild swings can be expected on either side. The strong expectations of the BJP-led government and extensive media coverage over exit polls would keep the sentiments positive. However, investors would prefer to hold a certain portion of their [liquidity](#) to cover unexpected results.

"Exit poll throws the ball park figure of the next government which the markets would react to immediately. Between 13 and 15th May 2014, the markets would be volatile and react to exit poll results and show a direction going forward," said Siddharth Sedani, Vice President (PMS) at [Microsec](#) Capital Ltd.



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Shashank Khade, Director and Chief Equity Advisor, Entrust Family Office Investment Advisors, is of the view that a knee-jerk reaction is possible if exit polls show an outcome away from the consensus.

"Any government getting constructed backed by majority shall be cheered by the markets. Any risk of an unstable government which can lead to slow decision making shall lead to a knee-jerk reaction in the short term," he added.

Most of the opinion polls are now predicting that NDA should be able to bag over 240 seats, if we include the recently-announced coalition between the BJP and the Telegu Desam Party (TDP).

In such a situation, the NDA can garner support from independents and very small parties with less than two seats (in 2009 they got more than 25 seats) and may not require support from any large regional party, said a Standard Chartered report.

With a stable and cohesive government, the chances of the NDA following its growth-oriented economic programme will be higher. Hopes of economic recovery and reduced uncertainty should encourage investor flows to India, say analysts.

What will happen on the D-day (May 16)?

The exit poll data could be used as a proxy or foreshadowing of the actual results, but the real action will take place on May 16th. If the exit polls throw any doubt on the possibility of a stable government, then it could lead to a correction.

However, if the exit polls from different sources throw an unambiguous stability mandate, then some calm in the markets can be expected, but not a euphoric move, say experts.

"The D-day of 16th May would be absolutely critical as it would either consolidate the rally or slump sharply in an event of an unexpected outcome," said Tushar Pendharkar, Equity Strategist at Right Horizons Financial Services.

"The probability of marginal change to the indices after election results appears remote. Index fluctuation on the result day could be significant in either direction," he added.

The last two national elections in 2004 and 2009 saw the markets hitting the circuit limits when trading was halted on the day of the poll results.

As per analysts, considering the fact that the markets have already run-up ahead of elections in quick time, a euphoric response on the results' day is a little far-fetched idea.

Anil Singhvi, Chairman, Ican Investment Advisors, is of the view that the event to a very large extent has already been discounted for. It could be a short-lived rally.

"However, if BJP, NDA put together get 270 or 280 seats, then the next rally is going to be far bigger and a better rally than what we are seeing under the next 10 days' situation," he added.

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