

Indian Market Outlook

It Takes More Than a Modi Win

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Indian stock market celebrated in style the Modi win. Benchmark indices are up nearly 7% (pre and post poll), while the index is up 9.3% for the year so far, far better than MSCI Emerging Market Index which is up 2.2%. Can this euphoria be sustained? What is the short-term and long-term outlook for the Indian market?

It is indeed tempting to connect the market performance to election results. A resounding pro-incumbency vote much larger than the earlier term does signal enormous confidence in Narendra Modi as a leader who can pursue

reforms without fear or favor. However, it is not advisable to link election results to market performance. Election results since 1979 have produced governments that lasted only 13 days (Vajpayee) to 10 years (Manmohan Singh) and hence they may not be comparable. The best market performance happened during V P Singh's tenure that lasted 11 months where Sensex soared 73%! While the worst performance happened during I K Gujral's government that lasted 10 months and Sensex moved only by 1.3%. Hence, I wouldn't dare to connect the two dots.