

## Pre-budget and Post-Budget Analysis of Indices

### BUDGET EFFECT - OBSERVED TREND IN INDIAN INDICES

- Union Finance Minister Nirmala Sitharaman is all set to present the Budget 2022 on February 1. Budget is one of factors that affect the stock market. The budget tends to create quite a lasting effect in the form of fluctuations in overall indices, the change in the market stance and much more.
- Two years back, we published one report on Pre-Budget and Post-Budget Analysis of Indices and Sectors in January, 2020. We mentioned some simple observations over last 14 years regarding behaviour of market indices before and after Budget in the report. We have updated all the returns till now to validate the trend observed for last 14 years.
- We have mentioned those observations as follows:
  - It is observed that return movement correlation (up and down) is highly negative for Midcap Index in case of Pre-Budget 3 months returns and Post-Budget 3 months returns (Considered Budgets presented in Feb and March Month). Since there is -3.93% returns in midcap index for last 3 months of Pre-Budget 2022, positive returns is possible in midcap index during Post-Budget 3 month in year 2022 if the same trend were to be repeated.
  - Similarly, return movement correlation (up and down) is highly negative in Small Cap index and Nifty index.

#### Percent Change in Nifty 50 Index

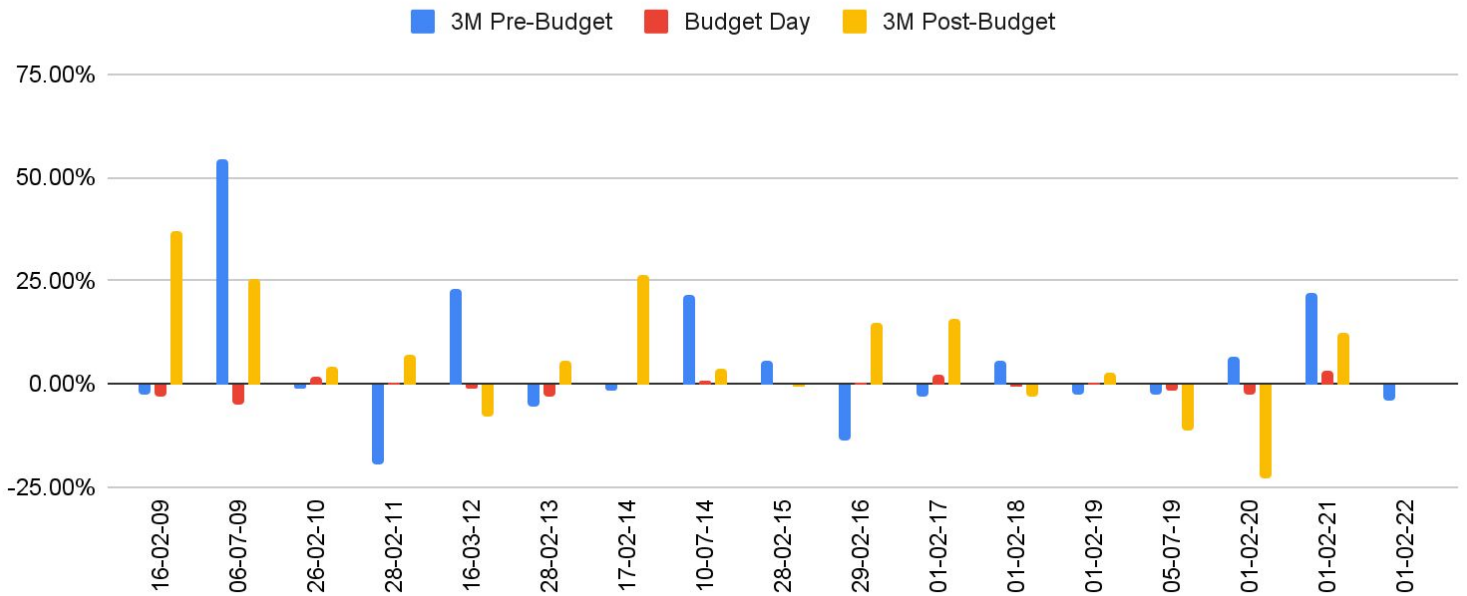
Budget Day	Pre-Budget				On Budget Day	Post -Budget			
	3 Month	2 Months	1 Month	15 Days		15 Days	1 Month	2 Months	3 Months
16-02-09	4.91%	-3.07%	4.24%	6.57%	-3.39%	-6.10%	-2.50%	18.29%	51.77%
06-07-09	35.85%	22.05%	-3.55%	4.46%	-5.84%	8.08%	10.08%	14.82%	20.69%
26-02-10	-2.91%	-6.15%	-2.96%	0.68%	1.29%	4.36%	7.31%	8.13%	-0.10%
28-02-11	-11.03%	-11.55%	-3.78%	-2.79%	0.56%	3.72%	6.64%	8.48%	2.68%
16-03-12	15.67%	10.39%	-2.56%	0.76%	-1.16%	-0.42%	-1.72%	-8.64%	-3.36%
28-02-13	-1.26%	-1.89%	-4.57%	-2.29%	-1.79%	3.79%	-0.18%	5.38%	7.35%
17-02-14	-2.27%	-1.48%	-3.41%	0.78%	0.41%	2.44%	7.30%	11.63%	18.60%
10-07-14	11.60%	8.14%	-0.93%	0.21%	-0.23%	3.47%	0.77%	6.96%	3.86%
28-02-15	2.98%	6.77%	-0.78%	0.44%	0.65%	-3.02%	-3.55%	-6.92%	-6.55%
29-02-16	-11.63%	-11.34%	-7.06%	-1.86%	-0.61%	7.90%	8.73%	12.35%	17.07%
01-02-17	-0.75%	4.50%	4.67%	1.94%	1.81%	0.10%	2.63%	5.98%	6.85%
01-02-18	5.62%	8.95%	5.67%	2.22%	-0.10%	-4.28%	-5.07%	-7.31%	-2.71%
01-02-19	4.34%	-0.49%	-0.73%	-0.68%	0.58%	-1.55%	-0.28%	7.12%	7.63%
05-07-19	2.41%	3.00%	0.87%	0.97%	-1.14%	-3.32%	-8.03%	-8.16%	-5.80%
01-02-20	0.17%	-0.71%	-1.81%	-3.16%	-2.51%	3.87%	-3.95%	-29.22%	-15.45%
01-02-21	16.84%	4.01%	-2.74%	-4.53%	4.74%	7.24%	3.36%	4.10%	2.47%
01-02-22	-4.62%	-1.72%	-2.97%	-5.58%	NA	NA	NA	NA	NA

\* Returns calculated till 28/01/2021

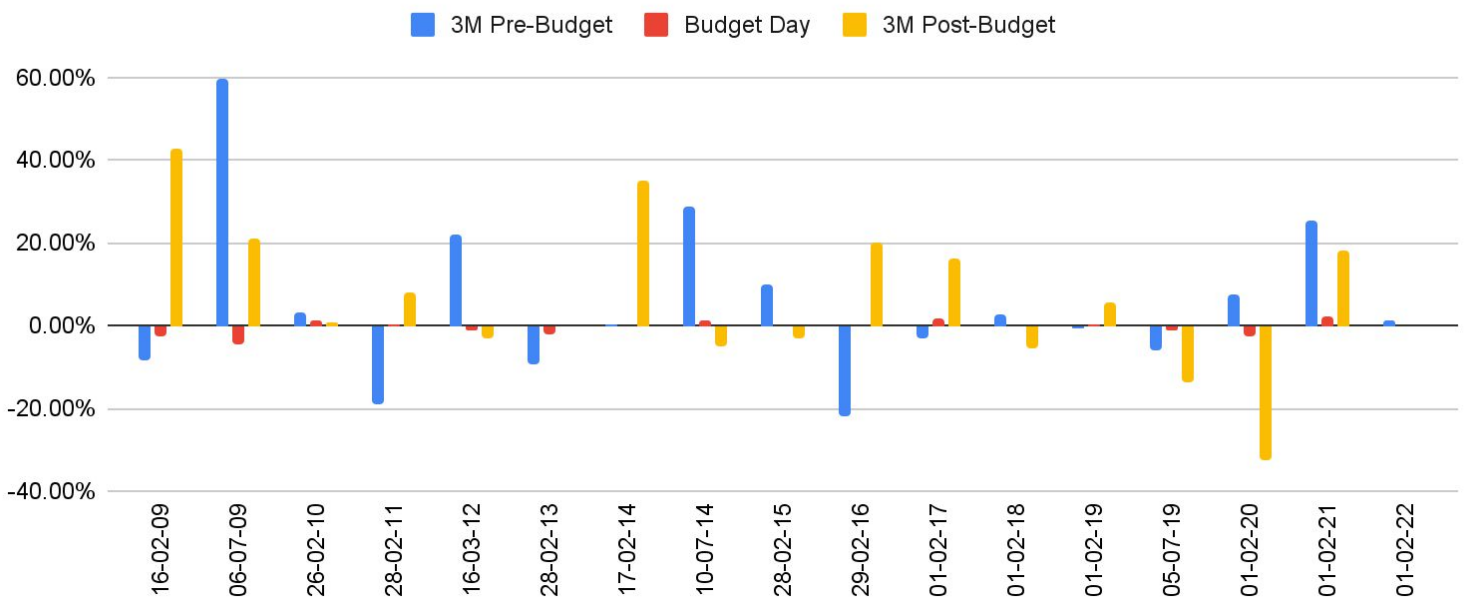
- Average returns of Nifty on budget day for last 14 years is -0.42%.
- Returns of Nifty Index for last 3 months of Pre-Budget (till 28th Jan) is -4.62% so we can expect positive returns for Post-Budget 3 months period based on past trends.
- Last year was exception for this analysis as both Pre-Budget 3 months returns and Post-Budget 3 months returns are positive.

# Midcap and Smallcap Returns Chart

## Percent Change in Midcap



## Percent Change in Smallcap



\*3M denotes a period of 3 months pre or post budget

Returns of Midcap Index for last 3 months of Pre-Budget ( till 28th Jan) is -4.34%. Returns of Smallcap Index for last 3 months of Pre-Budget ( till 28th Jan) is 1.01%. There is possibility of positive returns in next 3 months of Post-Budget if past trend remains same.