

## Exploring the Impact of Lok Sabha Elections on Indian Financial Markets

We have analyzed data spanning from 1999 onward, covering five election cycles. During these cycles, the UPA was victorious in two elections, while the NDA won three.

- **Significance of Elections:** Elections are major political events that can lead to changes in government policies and economic strategies.
- **Investor Interest:** The stock market's performance around election periods is closely watched by investors, analysts and policymakers.
- **Market Behavior:** Elections influence investor sentiment, impacting market behavior.
- **Historical Data Analysis:** This report examines Nifty index returns before, on, and after election result dates for the past five elections.
- **Pattern Identification:** The analysis aims to identify patterns and trends in market responses to elections.
- **Investment Insights:** Understanding historical market dynamics can help in making informed investment decisions during election periods.

| Election Result Date | Nifty Returns before Election Result Date |          |          |         | Nifty Returns After Election Result Date |         |          |          |          |
|----------------------|---|----------|----------|---------|--|---------|----------|----------|----------|
|                      | 6 Months                                  | 3 Months | 2 Months | 1 Month | Result Day                               | 1 Month | 2 Months | 3 Months | 6 Months |
| 06-Oct-1999          | 34.60%                                    | 10.80%   | 4.70%    | -0.90%  | 1.06%                                    | -2.00%  | 3.60%    | 16.10%   | 4.30%    |
| 13-May-2004          | 8.30%                                     | -10.60%  | -5.60%   | -8.90%  | 0.37%                                    | -12.20% | -10.40%  | -6.90%   | 9.10%    |
| 16-May-2009          | 27.90%                                    | 26.20%   | 29.40%   | 6.60%   | 2.18%                                    | 23.00%  | 15.20%   | 24.70%   | 37.80%   |
| 16-May-2014          | 17.60%                                    | 17.80%   | 9.50%    | 6.70%   | 1.12%                                    | 4.60%   | 5.90%    | 8.20%    | 16.50%   |
| 23-May-2019          | 11.50%                                    | 8.80%    | 2.50%    | 1.40%   | -0.69%                                   | 0.60%   | -2.80%   | -7.10%   | 2.20%    |
| **04-June-2024       | 8.90%                                     | 0.60%    | 0.10%    | 0.20%   |  |         |          |          |          |

\*\* Nifty returns for 2024 elections are calculated considering 31st May 2024 as base date rather than 4th June 2024.

### Summary of Key Findings

**On Election Result Date:** Returns are typically modest and show no significant spikes, indicating that the market had already priced in the anticipated election results or waiting for analysis of the final verdict. Returns on the election result day are generally positive, with the highest return of 2.18% in May 2009 and the lowest being -0.69% in May 2019.

**Trend Continuity:** The trend of returns 1 month before and 1 month after the election remains the same.

**Short-term Performance:** The Indian markets' short-term performance post-election is often influenced by the returns from the month preceding the election results.

**Market Behavior Before Elections:** If the market remains subdued or range-bound with low returns prior to elections, it is possible that post-election returns also tend to remain subdued or range-bound.

**Importance of Pre-Election Rally:** A strong market rally before the election may lead to good returns after the elections.

It is important to note that our analysis is based on limited data. The actual outcome may be surprising and could set a new direction for the Indian market.