

Valtrust Momentum March 2024:

Elections and Volatility

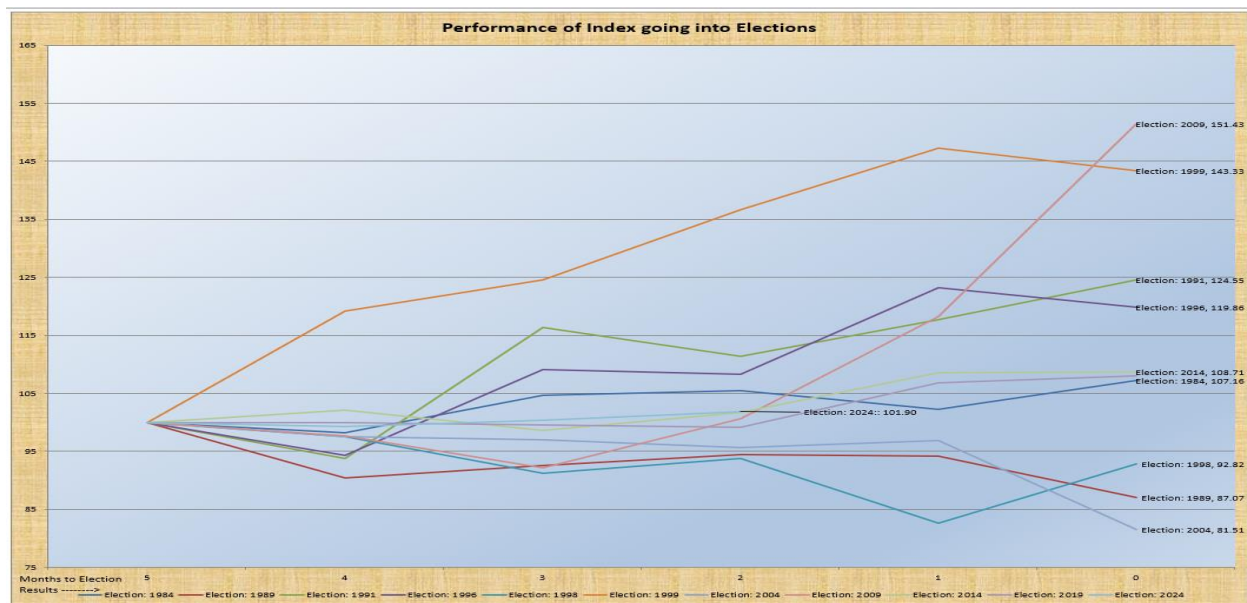
The nation shall see General Elections held over April to June to elect members of the 18th Lok Sabha. Coincidentally the US shall see its own election for the President and one that shall be held in November of this year.

For markets, elections, especially National elections are times when volatility is higher for there is both the fear of the unknown and the greed of hoping that a stable government shall be formed.

In 2004, a surprise loss by the ruling NDA plunged the markets into a selling frenzy with peak to trough drawdown peaking at 36%. The high of the markets set in January of 2004 took until December to be broken once again.

On the other hand, Congress gaining more than 200 seats on its own in the 2009 elections resulted in the markets shutting down as indices gained more than 20%. In many ways, this move was the catalyst for the exchanges to start with pre-market trading.

The chart below shows the performance of index prior to elections:



In 3 elections, markets had gone down prior to the election results - 1989, 1998 and 2004. Of them, only in 1998 markets ended in negative for the year. Most election years have ended on a positive note. This should give us hope that the future is not really as uncertain as pundits would want us to believe.

Our models, while not predictive, will react based on market trends. For now, the trend is bullish.