



STATSGURU: How markets reacted to the Budget

HOW HAVE the markets reacted to the Union Budget? As Table 1 shows, the Sensex – already high – is up marginally. Table 2 suggests this is true also of small- and mid-cap indices – though public sector companies, as shown in Table 3, may be losing most of what they gained.

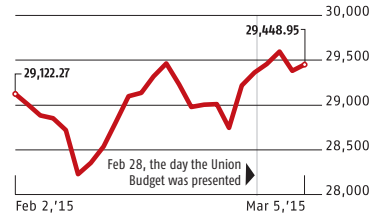
The Budget came in a period when good news was otherwise scarce. As Table 4 shows, credit growth still is slow, and not keeping up with deposit growth. Meanwhile, foreign flows into India, while

solid on debt (Table 5), have been volatile on equity (Table 6).

The sector-specific market response, diagrammed in Table 7, is illuminating. Health care and banking have done well. But bank shares' climb is driven by private banks; PSU Bank Index has gone negative. Also, in spite of the finance minister's push to infrastructure and demand, indices for infra and FMCG sectors have declined in value. As Table 8 shows, FMCG was already relatively expensive.

1: SENSEX IS UP marginally AFTER UNION BUDGET...

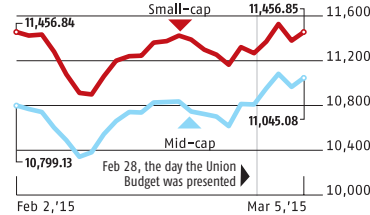
S&P BSE Sensex



Source: Bloomberg

2: ... SMALL- AND MID-CAPS, TOO, HAVE GAINED...

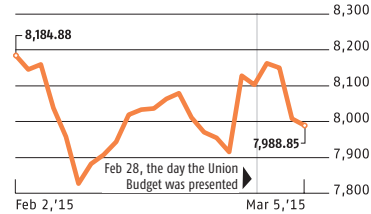
S&P BSE Mid-cap & S&P BSE Small-cap



Source: Bloomberg

3: ... BUT PSU STOCKS HAVE SHED MOST GAINS

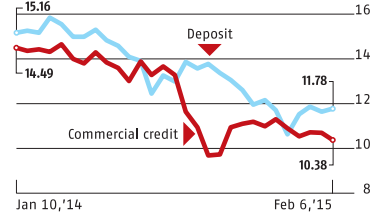
S&P BSE India PSU



Source: Bloomberg

4: CREDIT HASN'T KEPT PACE WITH DEPOSIT GROWTH

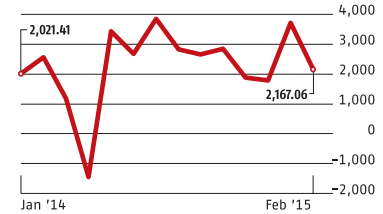
Credit and deposit growth (y-o-y in %)



Source: Bloomberg

5: FOREIGN INVESTMENT IN DEBT IS STRONG...

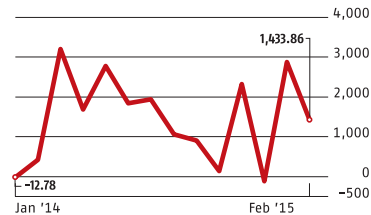
Fil's monthly investment in debt



Source: Sebi

6: ... BUT THEIR INVESTMENT IN EQUITY HAS BEEN VOLATILE

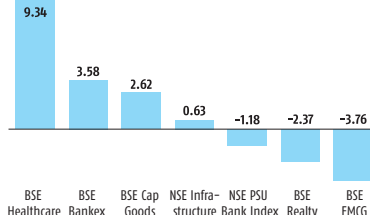
Fil's monthly investment in equity



Source: Sebi

7: HEALTH CARE HAS DONE WELL, PVT BANKS ON A HIGH

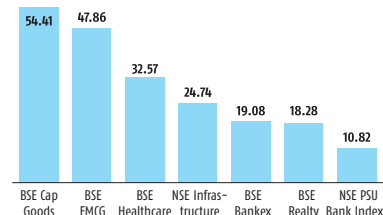
Change seen in indices since Budget



Source: Bloomberg

8: FMCG STOCKS WERE ALREADY RELATIVELY EXPENSIVE

Price-to-earnings ratio after Budget



Source: Bloomberg

