

General Elections 2019 will, undoubtedly, be the biggest event when India would go to vote between April and May 2019. Even as the momentum of election would pick up in a few months from now, if we look at history, then an equity market rally in the run-up to the General elections in 2019 is most probable.

Nifty Before and After Lok Sabha Polls							
Year	1st Day of Polls	Nifty Levels before polls 6 Months	% Change in Nifty before polls	1st day of polls	Nifty Levels after polls 6 Months	% Change in Nifty after polls	% Total Change in 12 months (Pre and Post Polls)
			6 Months	6 Months		6 Months	12 Months
1999	5th Sep	1055	30.4	1375	1656	20.4	50.8
2004	20th Apr	1543	19.5	1844	1790	-2.9	16.6
2009	16th Apr	3269	3.1	3370	5142	52.6	55.7
2014	7 th Apr	5906	13.4	6695	7852	17.3	30.7

As can be seen in the above table, in past, markets have significantly rallied 6 months before the elections and post a favorable result the rally has continued further. For e.g. in 2009 for a 12 month period during election (6 months before and 6 months post polling start) market delivered almost 55% absolute returns; however, in 2004, where the outcome was not as expected for a 12 month period during election, market delivered 17% absolute return.

We have analyzed the three possible election outcome that one can expect in 2019:

- ✓ *NarendraModiled BJP coming to power* – The current ruling government.
- ✓ *Rahul Gandhi led Congress coming to power*- The current opposition party, UPA led by Congress.
- ✓ *Third Front coming to power* – This refers to a coalition of regional parties coming to power where there is complete uncertainty of who would be the Prime Minister.

Let us see, what is the most logical outcome of above choices?

NarendraModiled BJP returning to power for a second term seems like the most logical & sensible outcome.

Furthermore, we have studied state elections of last 8 years to understand how much logic contributes in voter behavior and its resultant outcome.

As it turns out, ***in our study of 48 recent state elections, 43 of them i.e. 88% of the outcomes indicate that voters followed logical reasoning before voting for a party.*** Voters in India reward or punish the government by logically assessing the report card of the government.

So, if we take the outcome of the state elections analyzed as a benchmark, then there is high probability of logical outcome in the forthcoming general elections in 2019 that is NarendraModi-led BJP government retaining its power for a second term.

Lastly, if the outcome is as stated above, then markets are likely to celebrate the Modi victory. In fact, as mentioned earlier, the equity market will eventually factor in the 2019 general election in advance and take its own course of movement.

Below is the detailed study of the voter behavior and outcome of each of these 43 state elections held since 2011:

Election Year	State	Political Party That Won	Was the outcome logical?
2018	Chattisgarh	Congress	Yes. Poor governance and administration as well as no action by government on lower MSP prices went against the ruling BJP that was in power for last 15 years.
2018	Mizoram	MNF	Yes. The voters voted in favour of MNF as they were unhappy about the non-performance, under development of state and lack of efforts towards job creation by the ruling Congress.
2018	Telangana	TRS	Yes. In line with expectation, the incumbent TRS came back to power. The voters reposed faith in TRS after looking at their efforts to improve health and education of people as well as for the farmers in form of insurance and irrigation schemes.
2018	Madhya Pradesh	Congress	No. BJP retaining power seemed logical, however, the voting outcome was favouring Congress with close to majority seats. The gain for Congress came in due to their promises to farmers to resolve their distress.
2018	Rajasthan	Congress	Yes. Anti-incumbency played out in the state as has always been in last 15 – 20 years. BJP lost on account of caste politics, ignoring farmer distress and other voter issues. Congress on the other hand won on the promise of providing farm loan waivers as soon as it comes to power.
2018	Karnataka	Coalition	No. The voting outcome with maximum seats to BJP seemed a logical outcome, but the hung mandate is likely to result in an alliance between Congress and JD(S).
2018	Tripura	BJP	Yes. Anti-incumbency played out in the state. Also the voters acknowledged the need for development of the state and consequently employment opportunities which was missing with the CPI (M) government
2018	Nagaland	BJP	Yes. BJP won on the back of a strong development agenda which was missing in Nagaland as was in most north eastern states as well as a promising solution to Naga politics.
2018	Meghalaya	NPP led Alliance	Yes. BJP emerged as a party with clean image while Congress was known for its corrupt ways and inefficiency towards building infrastructure and tourism was reflected in the voting pattern.
2017	Punjab	Congress	Yes. Once again in Punjab anti-incumbency came to play where voters selected Congress who addressed critical issues like farmer suicides, illicit drug trade and unemployment which were lacking in Akali Dal government.
2017	Goa	BJP and Alliance	Yes. BJP retained power though in alliance. BJPs focus on employment and development of state worked in their favour.
2017	Uttarakhand	BJP	Yes. Corruption charges against CM Rawat as well as

			efforts by BJP during the past few years in addressing issues like stopping migration from hills, fighting unemployment and increasing tourism worked in their favour making it clear that voters are taking note and want government that is working towards resolving their issues.
2017	Uttar Pradesh	BJP	Yes. The voters perceived BJP as leaders who are reform oriented and focus on growth and development.
2017	Manipur	BJP	Yes. Growing dissatisfaction among the people against the weakening administration by the 3 term CM and his government was the main reason for BJP emerging victorious along with allies in the state.
2017	Himachal Pradesh	BJP	Yes. Poor governance, increasing unemployment and deteriorating law and order was finally noticed by voters who voted for BJP.
2017	Gujarat	BJP	Yes. Modi's popularity and his past track record was one of the prominent reasons for BJP's victory.
2016	Assam	BJP	Yes. Voters were losing confidence in the Congress government that had been ruling for 15 years. There was growing annoyance against CM Tarun Gogoi who faced corruption charges and had started losing connect with the people. BJP's projection as harbingers of change, good governance and development worked in their favour.
2016	West Bengal	AITC	Yes. Mamata Banerjee led Trinamool Congress had been consistently performing since the time they came to power in 2011, making them the clear favourites. They spent a lot of money and effort on rural welfare like Kanyashree and KhadyaSathee.
2016	Kerala	CPI(M)	Yes. The UDF government was charged with corruption and was involved in various scandals. Clean image of CPI (M) veteran VS Achuthanandan helped CPI (M) gain majority.
2016	Puducherry	Congress	Yes. There was a strong anti-incumbency wave against the existing AINRC Government due to increasing unemployment on account of shutting down of factories, rising corruption and its failed promise of statehood for Puducherry. All of these factors worked in favour of the Congress-DMK alliance.
2016	Tamil Nadu	AIADMK	Yes. AIADMK enjoyed an extremely loyal rural voter bank due to various initiatives by Jayalalitha like Amma water, Amma canteen, Amma pharmacy, farm benefits and loan waivers that helped people. DMK, the rival, was accused of nepotism and their involvement in various scams was recognized.
2015	Delhi	AAP	Yes. Arvind Kejriwal's image as an anti-corruption crusader and strong connect with voters with visible efforts at resolving issues at grassroot level helped the party.
2015	Bihar	JDU and Alliance	Yes. Nitish Kumar enjoyed a loyal voter base across caste lines due to a positive track record of ensuring better law and order in the state, women empowerment schemes and schemes for school children.

2014	Andhra Pradesh	TDP - BJP Alliance	Yes. Massive resentment against Congress for bifurcation of the state and the allegations of corruption against YSR Congress as well as the TDP Chief N Chandrababu Naidu's image of a development-oriented leader and tough administrator led to the voters in believing that he is the best bet to develop the state, post bifurcation.
2014	Odisha	BJD	Yes. Clean sweep for Naveen Patnaik who was sworn in for the 4th consecutive term as CM. His win can be attributed to his populist measures for the people and clean image.
2014	Sikkim	SDF	Yes. A comfortable win for Pawan Chamling, the CM who has been running the state since 1994. Under his leadership the state has witnessed overall development, peace and eradication of poverty this led to voter confidence in him for the next term.
2014	Maharashtra	BJP	Yes. CM Ashok Chavan faced allegation of corruption and the sword of disqualification hung over him. Resentment against Congress helped BJP conquer in Maharashtra.
2014	Haryana	BJP	Yes. BJP benefitted from the Dalit vote bank who were tired of highlighting the issue of rising atrocities to the state government but it fell on deaf ears. Also the perception of BJP being development oriented party worked in their favour.
2014	Jammu and Kashmir	PDP -BJP	Yes. Rampant corruption, growing unemployment, lack of transparency were some of the reasons that led to increasing resentment against the Congress government and worked in favour of BJP and PDP coalition.
2014	Jharkhand	BJP	Yes. After 14 years, the voters gave a decisive mandate to a single party. The voters looked at BJP as that vehicle of change that would put development and growth for the people.
2013	Karnataka	Congress	Yes. Congress won on back of frustration of voters with BJP's bad governance. It is however important to note that this was in spite of a strong anti-congress wave across the country. BJP's CM Yediyurappa faced Lokayukta's stick on multiple corruption charges and BJP's central committees' dilly dallying on taking action against CM Yediyurappy followed by allegations of falling for unreasonable demands of Yediyurappa led to voters choosing congress against BJP.
2013	Madhya Pradesh	BJP	Yes. BJP's come back can be credited to good governance work and various welfare initiatives taken by ShivrajChouhan. He was also able to stay away from any corruption allegations & communal politics.
2013	Chhattisgarh	BJP	Yes. This was a close fight. BJP's comeback can be credited to their various development and social welfare initiatives undertaken in the last few years. Once again CM Raman Singh's good governance & non corrupt image helped a comeback in spite of sympathy vote swing expected to benefit congress due to the Maoist attack on Congress leaders in May-2013.

2013	Rajasthan	BJP	Yes. Complete anti-congress mood in Rajasthan was reflected in a landslide victory for BJP. CM Ashok Ghelot of Congress had lost face for the party with multiple corruption allegations alleging his use of power to undue favour for his family members.
2013	Delhi	BJP	Yes. Congress three times CM Sheila Dikshit losing to AAP leader ArvindKejriwal says it all. Sheila Dikshit facing graft charges over 2010 Commonwealth Games coupled with bad governance dethroned Congress making BJP the single largest party in Delhi.
2013	Tripura	CPI (M)	Yes. The communist a party ruled Tripura for last 25 years as CM Manik Sarkar effectively restored peace and harmony and ended violent insurgency in the state.
2013	Meghalaya	Congress led Alliance	No. Congress led alliance retained its power in the state on the back of focusing on development in a state which is hugely development deficit.
2013	Nagaland	NPF	Yes. NPF's proactive role on the vexed Naga issue helps it win the popular mandate to govern Nagaland for a third consecutive term.
2012	Uttar Pradesh	SP	Yes. Most expected this to be a SP win with a coalition but Voters gave a single party mandate choosing Akhilesh Yadav over CM Mayavati. Mayavati was embroiled with multiple corruption charges, this coupled with complete lack of governance led to voters choosing new generation leadership which Akhilesh' s charm seems to have appealed the voters.
2012	Punjab	Akali Dal	Yes. Anti-incumbency historic formula predicted a close contest between Akali and Congress, Akali had a comfortable win mainly because of its successful implementation of administrative reforms and rural development initiatives.
2012	Goa	BJP	Yes. Multiple mining scam's during the tenor of incumbent Congress government urged voters to choose BJP over Congress.
2012	Gujarat	BJP	Yes. As predicted, his successful development and governance model got him support and NarendraModi came back to power in his 3rd consecutive term as CM.
2012	Himachal Pradesh	Congress	No. The Anti –incumbency formula seems to have played out in these state elections. In spite of corruption charges against Congress lead campaigner Virabhadra Singh voters chose Congress over the ruling BJP.
2012	Uttarakhand	Congress	Yes. This was a photo finish with congress emerging as a single largest party with a lead of just 1 seat to BJP.BJP was quick in changing the CM Ramesh PokhriyaNishank who had been facing multiple corruption charges but this seems to have not helped in pleasing the voters.
2011	West Bengal	Trinamool Congress	Yes. Voters voted for change choosing Trinomool Congress with its promise of good governance putting an end to the 34 year history of Communist party.

2011	Assam	Congress	Yes. Clean sweep for Tarun Gogoi who was sworn in for the 3rd consecutive term as CM. His win can be attributed to his success of bringing the state out of militant violence and ensuring financial stability and development of the state.
2011	Kerala	Congress led UDF	No. The results proved to be one of the closest elections in Kerala's history, with the UDF beating the LDF by a margin of 4 seats. While the popular CM V S Achuthanandan was expected to do a comeback and break the long standing anti-incumbency track record of the state, reports claim that religious polarization (minorities voting for UDF) and infighting within LDF helped UDF defeat ruling LDF by a close margin.
2011	Tamil Nadu	AIADMK	Yes. As was envisaged, AIADMK had a comfortable win against Karunanidhi government which was involved in 2G spectrum scam. This was also in line with the anti-incumbency formula that plays out in this state.

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