



IMPACT OF POLITICS ON SENSEX

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ABSTRACT

There are many factors which contribute towards fluctuation in Indian capital market. Different macro economic variables can make sensex up or down with high fluctuations. Politics and decision taken by various ministries or winning of one party in election affects Bombay Stock Exchange with great effect. In this paper sensex which is a index of BSE helps in showing politics play a huge role capital market of india. In past few months stock market has shown unpredictable fluctuations after Lok Sabha elections in 2014 in india. One question arises why politics affect capital market? Does it will help economy? Does it will help particular industry or company?. In this paper data of 2014 is taken to show the impact of politics in indian capital market.

KEYWORDS : Sensex, Economy, stockmarket,

INTRODUCTION

Efficient market is one which fluctuates with every information. BSE sensex is considered as barometer of Indian economy. It is important to note loosing or winning in politics affects sensex. Speculators tries to gain on immediately with every information. In this paper will talk about when BJP declared its prime ministerial candidate, when BJP won elections and various decision taken by BJP

government few months back, how all this affected sensex.

The political decisions under various parliamentary sessions that take place are mainly budgetary decision, factors affecting FDI/FII s cash flows, export import policies, short term long term plans, regulatory amendments to various regulatory bodies and general political decisions etc.

The S&P BSE SENSEX (S&P Bombay Stock Exchange Sensitive Index), also-called the BSE 30 or simply the SENSEX, is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on Bombay Stock Exchange. The 30 component companies which are some of the largest and most actively traded stocks, are representative of various industrial sectors of the Indian economy.

OBJECTIVE

1. To show effect of politics on sensex in recent months
2. To show how decisions related to budget affects sensex

IMPACT OF DIFFERENT NEWS ON SENSEX

The benchmark Sensex index hit a record high of 28,027.96 in early trading on 9 november,2014 after Mr Modi expanded his cabinet and council of ministers in preparation for a fresh push of economic reforms, closing the day almost flat at 27,874.73

The naming of Narendra Modi as the BJP's prime ministerial candidate in September 2013 triggered a bull run in Indian stock

markets that culminated with the BSE Sensex hitting an all-time high of 25,375.63 on May 16, the day when election results were announced.

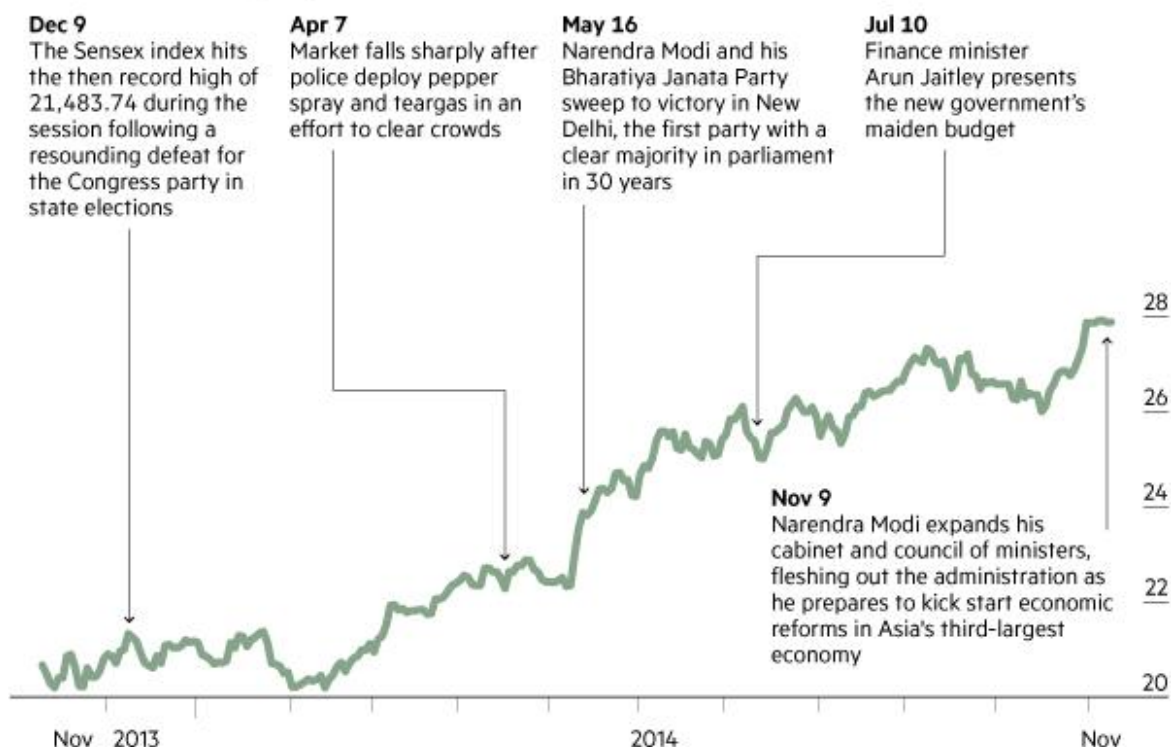
The Sensex is up almost 25 per cent since mid-September and in a span of six-eight months India has gone from one of the most vulnerable emerging countries to one of the favourites among foreign investors; overseas funds have poured more than \$20 billion into Indian stocks and bonds in the past six months.

“A change in government, preferably led by a large national party like BJP, would be welcomed by markets as it would be a fresh mandate and hopefully a fresh perspective on policy making,” Macquarie Research said in a note

As many as 172 stocks of the 779 counters comprising the BSE S&P Mid-cap, Small-cap and BSE-500 indices have risen by more than 100 per cent – meaning they've more than doubled – since September 13, 2013, when the Bharatiya Janata Party named Narendra Modi its prime ministerial candidate.

Indian equities

S&P BSE Sensex index ('000)



Source: Thomson Reuters Datastream

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STOCKS IN THE 200%-PLUS CLUB

Some of the stocks that have surged more than 200 per cent since Narendra Modi was named the BJP's PM pick on September 13 last year

Stock	Sep 13, '13	May 26, '14	% chg
BF Utilities	138.25	690.55	399.5
KEC International	26.85	119.80	346.2
Kitex Garments	59.15	244.00	312.5
BEML	152.90	610.70	299.4
Ceat	113.05	444.00	292.7
Gati	24.95	97.25	289.8
TVS Motor Co	32.05	124.30	287.8
NCC	20.15	76.90	281.6
Texmaco Rail	30.10	114.85	281.6
Sintex Industries	23.35	84.20	260.6

Prices on the BSE in ₹

Data compiled by BS Research

Source: BS research

CONCLUSION

It is clear from the above data from various sources that how much politics affect capital market. Various decisions taken by government can affect capital market. There are many stocks which gained more than 200%. This year sensex reached at its peak and many industries are looking for growth. Decisions taken for various industries help shares of that industry to gain momentum.

Bad or unfavourable news always let market to come down but news which may help industry or economy to grow always helps in gaining for that share.

Its not only one factor that affects but every macro economic variable affects economy or industry and in turn that is reflected in share price of that company which is related to that industry.

There are cases when share of most companies of same industry increases or decreases because of reason that particular industry is affected.

Many analyst predicted if BJP won shares will go up reason considered was industries may see growth in coming years.

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