Monday Chronicles: Reflections and Opportunities Post-Election

Dear Valued Clients,

I hope this message finds you well. Over the past two months following the elections, we have witnessed remarkable performance in our portfolios. I am proud to say that our portfolio stands among the top performers in India.

The recent budget has been favorable, and the outlook remains positive. While current market valuations are not inexpensive, we have seen a correction in our stocks, particularly in the railway and defense sectors, following the budget. We believe this correction presents a prime opportunity to add to the markets and capitalize on the leader sectors. As the markets become more expensive, we may consider increasing the cash component in your portfolio.

The budget emphasizes fiscal prudence, with a disciplined approach targeting a reduction in the fiscal deficit to 4.9% of GDP in FY25 and aiming for 4.5% by FY26. This commitment to fiscal sustainability is crucial for long-term economic stability.

Sector-specific incentives, such as reduced customs duties on essential raw materials and capital goods, will enhance the competitiveness of key industries like manufacturing, technology, and agriculture. The focus on education, skilling, and employment is set to benefit over 4.1 crore youth in the next five years, driving job creation and improving workforce quality.

It's often said that a bull market feeds on bad news. When negative news emerges in a bull market, it typically presents an opportunity to buy. This is exactly what we are seeing with the recent budget. Although there has been a hike in long-term capital gains tax, the market has digested this news and is moving forward. The 2.5% increase in long-term capital gains tax is not expected to have a significant impact. In fact, it may encourage us to avoid short-term decisions merely to save on capital gains.

The budget also places a significant focus on infrastructure, with an 11% increase in capital expenditure. This allocation of ₹11.1 lakh crore (3.4% of GDP) towards infrastructure will drive economic growth and create job opportunities, boosting consumption and demand. The rural economy receives a boost with ₹1.52 trillion allocated for agriculture and allied services, creating more rural jobs and reviving the rural economy.

Given this context, I believe it is a good time to top up your portfolio. According to our technical study, we foresee the Nifty reaching 26,300 levels. However, please treat this as a technical analysis and not as definitive guidance.

Please remember, as your Portfolio Management Service (PMS), when your portfolio is held in cash and cash equivalent status, such as liquid and arbitrage funds with mutual funds, we do not charge any fees.

I hope your investment journey with us has been rewarding. We are committed to living up to your expectations by working diligently and giving our 100%.

Thank you for your continued trust and investment with INVasset PMS.

Best regards,
Anirudh Garg

Fund Manager, INVasset PMS