

Budget a mixed bag for markets

Sensex gains 213 points in volatile trade; auto, FMCG, realty sectors rally as banking stocks see correction

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The benchmark indices ended with gains on Budget day, after the government took steps to boost consumer spending. However, the gains came off sharply from the day's highs amid concerns around the fiscal math.

After rising 521 points (1.44 per cent) in intra-day trade, the Sensex ended just 213 points, or 0.6 per cent, higher at 36,778 — with stocks in the automobile, fast-moving consumer goods (FMCG), and realty sectors rallying.

The Nifty closed at 10,894, up 0.6 per cent or 63 points, but off 100 points from the day's high.

Banking stocks — which account for over a fourth of the index weightage — saw sharp losses as spike in government bond yields weighed on investor sentiment.

"After the initial euphoria, the markets settled with steady gains," said Motilal Oswal, Chairman and Managing Director of Motilal Oswal Financial Services. He added that announcements such as the cut in income tax should help boost corporate earnings.

Hero MotoCorp and Maruti Suzuki India gained 7.5 per cent and 5 per cent respectively — the most among Sensex and Nifty stocks. On the other hand, banking stocks including YES Bank, State Bank of India, and ICICI Bank were among the biggest losers, each declining over 3 per cent.

"The swing in markets is not surprising. The budgetary stimulus is positive, on one hand, and there are mild concerns over possible extra borrowing on the other hand," said Sundeep Sikka, executive director and chief executive officer of Reliance Mutual Fund. Investors hoped that the plan to pay ₹75,000 crore to farm-

ers and tax up breaks on income up to ₹500,000 would spur consumer spending.

"The government has relied on its tried and tested lever for GDP growth — consumption — which sparked a cheerful outlook for equities," said Rajesh Cheruvu, CIO, WGC Wealth.

"Farm equipment, two-wheeler, tractors and agriculture stocks should benefit from the farm package, despite it undershooting expectations. FMCG and consumer durable



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How markets fared on Budget day under the Modi government

	Sensex	Change	
		in pts	in %
July 10, 2014	25,373	-72	-0.3
February 28, 2015	29,362	141	0.5
February 29, 2016	23,002	-152	-0.7
February 1, 2017	28,142	486	1.8
February 1, 2018	35,907	-58	-0.2
February 1, 2019	36,469	213	0.6

stocks should also likely gain from the fillip to consumption via income tax reduction," he said. Along with auto shares, other consumer-focused stocks such as Asian Paints and Hindustan Unilever also saw huge buying interest.

Meanwhile, the push to

affordable housing and tax tops to developers and consumers triggered buying in realty shares. During the Budget speech, shares of real estate companies including DLF, Godrej Properties and Oberoi Realty saw huge rallies. However, most of them gave up

bulk of the gains to end moderately higher.

A day earlier, the Sensex had posted its biggest jump in three months after the US Federal Reserve indicated a pause in rate-increase cycle.

Most global markets rejoiced the Fed's decision, hoping the move will help boost capital flows into risky assets. After pumping in ₹3,000 crore on Thursday, overseas investors bought shares worth another ₹1,316 crore amid the Budget announcements. Domestic institutional investors were marginal net sellers.

The benchmark indices ended flat in January, even as the MSCI Asia Pacific index rose 5 per cent. The underperformance was on account of domestic concerns such as high corporate indebtedness and sluggish earnings growth.

In addition, the IL&FS crisis, along with the sell-offs at Zee and DHFL, raised fears of contagion.

Market players said the fall in banking stocks could be also on account of exposure to troubled companies such as Zee Entertainment and Dewan Housing Finance (DHFL).

Shares of Zee fell 7.3 per cent and DHFL plunged 18 per cent on Friday.

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