

Disclaimer :- This was originally published on 6th October 2023 and is part of our Q2FY24 letter. Link to the letter [here](#)

What will happen to the Indian markets if the BJP loses the 2024 election? How does Solidarity's process incorporate such an outcome?

This is again a question where one is trying to position the portfolio on a macro variable.

First order thinking suggests that there should be a market sell-off and PSUs and infrastructure sectors should be worst hit. However, as we discussed in the prior question, even when one can predict an event, the outcome could be very different over time. Partners may remember that the markets struggled when the NDA lost in 2004 and opened gap up when UPA won re-election in 2009. However, returns over the next 5 years were healthy and broadly in the same ball-park range.

Index performance post results announcement				
Time	2004	2009	2014	2019
1 week	-8%	15%	3%	2%
1 year	16%	38%	16%	-23%
5 year CAGR	16%	14%	10%	

We won't dig ourselves in this rabbit hole. We focus on businesses which we believe will do well over long periods, weathering different macroeconomic events and cycles. Our portfolio has no business which we would sell premised on an election outcome. And we will continue with our bottom-up approach and act when prices are in favour, without waiting for clarity on election results.