Information Research

BUDGET 2016: Markets Neutral with Focus on State Elections

29th Feb, 2016

The budget 2016 allocates its most to the rural sector, shifting its focus from Make in India, keeping in view the future state elections in 2017-18 in UP, Punjab, and Gujarat, all of them with heavy concentration of rural farming population.

The focus on agriculture may push up rural demand but will not create jobs as required in economy. The contribution of agriculture to GDP is just 17%, compared to 25% of industry and 58% of services; and from job creation perspective, industry is the top sector.

The budget has not given the much required boost to real estate sector which could have been a major contribution to job creation. Budget has maintained trend of allocation for manufacturing and infrastructure, the driving forces of jobs and growth, but that makes it only an average budget.

Overall the budget has not increased taxes and has attempted to streamline the tax assessment process. However the introduction of tax on dividend is a dampener of the stock market.

Conclusion: Markets were saved from hitting its next support of 6800 by expectation of a rate cut. The expected rate cut may take the markets up by 2-4% after which the markets will be totally dependent on global cues.

We strongly recommend investing into long term debt funds in the current markets.