

(BFW) INDIA STREET WRAP: 'Market Revelry' to Continue After Exit Polls

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By Ameya Karve

May 13 (Bloomberg) -- Main opposition BJP, allies will win 249-340 seats, according to 6 exit polls released yday, with 272 needed for majority.

- * Ruling Congress party, allies projected to win 70-148 seats; results will be announced on May 16

JPMORGAN:

- * Expects "market revelry" to continue after exit polls
- * Sees pressure from rupee strengthening to "be more contained" due to "sustained intervention" by RBI
- * BJP-led National Democratic Alliance wouldn't be reliant on any new ally after elections if exit poll nos. "go through"
- * History suggests several parties would offer unconditional support on such occasions, boosting governing coalition's tally

CREDIT SUISSE:

- * Recent stk rally has priced in ~240 seats for NDA; exit poll results seem to be still higher
- * Mkt may "stay supported" after polls, May 16 can "still throw surprises"
- * Remains cautious on cyclical

UBS:

- * "A sharp move" today can't be ruled out based on exit poll results ahead of actual results on May 16
- * "Major directional move" may happen only on and after May 16
- * Unpredictability of election outcomes in India "remains overhang" for investors
- * More euphoric sentiment among investors as NDA approaches 272 would "imply higher multiples" for Nifty; rally would sustain on actual delivery in policymaking hopes
- * Sees Nifty reaching as high as 7,800 in "this euphoric scenario"
- * Larsen & Toubro, Bharat Heavy Electricals, ICICI Bank, Shriram Transport and LIC Housing remain preferred cyclical

picks

NOMURA:

- * Majority for NDA govt will be taken very positively by mkts
- * Exit polls confirm, strengthen Nomura's "baseline expectation" of stable NDA-led govt
- * Stable govt, gradual improvement in growth outlook in 2015, credible central bank and easing macro-imbalances "bode well" for India's medium-term economic prospects

MACQUARIE:

- * NDA should be able to form stable govt even if it gets 230-240 seats
- * Absolute majority for NDA will boost Sensex price-earnings ratio to ~16x-17x from ~14x; Larsen, State Bank of India, Axis Bank, IRB Infra and Adani Ports are top picks
- * Cyclical, high beta stks such as Crompton Greaves, Punjab National Bank, Shriram Transport, Sesa Sterlite and Jindal steel will be "in focus"

HSBC:

- * Near majority for NDA could make it easy to form govt if actual verdict on May 16 is similar to exit polls
- * Exit polls indicate BJP will comprise 85%-90% of NDA seats; should mean "minimal pulls and pressures" on policy

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