

MARKETS: Another EXIT threat – bears take charge

2nd Dec, 2016

Similar to Britain's exit vote, Italy would be undergoing a referendum on Sunday, 4th Dec. The vote is to decide whether the government should undertake reforms or not. Italy's prime minister has offered to resign if the voters go for 'No' vote. The risk is that in that case the other parties and PM candidates are strongly in favor of exiting from euro zone. Even bigger risk is that it may then lead to more exits and ultimately breakup of euro zone and euro currency.

It will be a major long term disaster for global economy and geo-political stability.

Polls as well as the general public sentiments in Italy are indicating clear lead of 'No' voters – and it is also being reflected in European markets today.

A negative vote will immediately impact markets globally, including Indian markets. Markets had recovered to near 8300 as expected by us where we had recommended to shift from equity to debt. A negative vote may cause Nifty to test 7900 - 8000 level again. Next major support below 8000 is 7750.

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