

Following are the key factors that may affect market direction in short to medium term –

1. **Corporate Results:** Results will be the key trigger for markets in short term. 4<sup>th</sup> quarter results will start coming soon with TCS and Reliance results on 16<sup>th</sup> and 17<sup>th</sup>. The other results that the market would look out for this week will be ACC, IndusInd Bank, Mindtree and Crisil.
2. **Inflation:** Despite a damage to the spring harvest, the food prices have come down and inflation was lower in march due to low food and energy prices. It raises hopes that RBI will further cut rates. If the monsoon remains normal and oil prices do not spike, we expect 50-75 basis point rate cuts in this year.
3. **Rising manufacturing:** India's factory output accelerated to a three month high at 5% in February against 2.8% a month ago and car sales grew for the first time in three years in March, signalling a sustained turnaround in the industrial activities. These data point that slowdown in production may be ending.
4. **Fiscal position:** Though Moody's upgraded India's outlook but there are concerns about its fiscal strength in case of an external shock. Government still faces high subsidy and debt burdens.
5. **Monsoon:** It is being estimated that there are 70% chances of El Nino, which may cause lower rainfall
6. **Global issues:** Any major development related to global deflation, US rate hike, mid-east unrest can affect Indian markets in short term as well as medium term

**Recommendation:** Though most indicators are positive for Indian markets, the real effect of reforms has yet to take place and more work has to be done to take the reform agenda forward. Revival of growth needs public spending before private sector arrives to the scene. But government is restrained to spend due to high subsidy burden and low tax collections. Also one needs to watch out for any sharp reversal in crude oil prices or deterioration in domestic financial sector – both of critical importance.

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