

The global factors have taken a toll on Indian markets and the indices are at a two month low. We feel it is a temporary phase due to overhang of Global negativities. Indian Markets are in a highly advantageous position because of the following positive developments on macro front –

Sharp Drop in Oil Prices: Oil is near 4-year low on supply glut, having tumbled more than 20% since June this year. It is a very strong positive development as India imports near 70% of its oil requirements and this drop will help a big way in reducing its deficit.

Falling Gold Prices: Again, like oil, falling gold prices are helping us to cut import bill and reduce deficit

Falling Commodity Prices: Since India is a very large net importer of commodities, falling commodity prices are good for it. It reduces input costs for several key industries.

Stable Rupee: Strong Dollar inflows and a rising economy are expected to strengthen the Rupee in long run which is important for managing inflation and import costs.

Reduction in Inflation: Lower fuel and commodity prices and improvement in supply side are helping the inflation to come down. And it is expected that by next year RBI will be in a position to go for the long awaited reduction in interest rates – finally leading to resumption of growth cycle.

Business Friendly Government with Clear Mandate: Performance till now has indicated that current government is business friendly, and capable of rejuvenating economic growth in India.

Though many of these issues are negative for certain countries, like low oil price is disastrous for gulf countries and Russia, but these factors put us in a very strong position to kick start our economy – the situation could not have been better than this.

RECOMMENDATION:

We recommend investments in equity mutual funds at every correction.

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