

There have been a number of positive developments on domestic front, but at the same time there are rising risks in the global markets –

Global risks - In short term, markets will be strongly affected by US Fed's rate decision next week. Rising expectations of fed rate hike is causing a rise in global volatility. Higher rates in US will cause an outflow of foreign capital from India from both equity as well as debt markets.

Positive Domestic Developments – Though the monsoon has been 5% below normal so far but still the crop production is expected to improve much better than previous years. There are several other positive developments like the exports have stabilized, current account deficit is at 9 years low, inflation is stable, cleanup of banks would augment credit creation capacity of banks, and consumption & government spending will drive the economy forward.

Conclusion – Growth in consumption coupled with government's infra spending will provide a downside cap to the markets but any rise in markets will need net positive effects which at present are not yet totally clear and conclusive and because of that the markets are expected to move in a trading zone of 8300 – 9000.

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