



MARKETS: GST, Earnings, and Valuations

27th Jul, 2016

Markets have rallied so far on hopes of a GST clearance. There was a disagreement on the GST rate but now there is broad consensus among states that GST Council should decide the rate. GST will come up for discussion next week and almost all opposition parties are in its support.

On the earnings front, there are hardly any signs of acceleration in corporate earnings in current season which makes market overvalued at Nifty's PE ratio of 23.56.

Considering that GST is a long term positive factor which may have already been discounted in current rally, investors should pay attention to the corporate earnings to watch if there is any improvement in valuation levels.

Upside seems to be capped considering the current valuations and any negative development could lead to sharp reactions.

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