

- **SENSEX has gained 5.8% in past two months whereas 12 month profit projections have climbed 7.2% (according to about 800 analyst forecasts compiled by Bloomberg)**
- **SENSEX is valued at 15.5 times estimated profit (forward PE), down from this year's high of 16.3, and it makes Sensex cheap compared to its average**
- **Major positives –**
 - **Falling crude oil prices are reducing import costs**
 - **Rising confidence that policies will revive economy**
 - **Main positive policy changes are – reduction in bureaucracy, faster project approvals, lower income taxes, attracting more FDI, working on land acquisition laws, focus on reducing coal shortage, initiatives on digitization and corruption free government, focus on roads and other infra, focus on manufacturing sector and job creation**
 - **Results of government actions will take time but there are clear signs of action, focus, and accountability – and it has improved business sentiment**

Technical View

Nifty has maintained its uptrend and if it sustains above 7850, it may cross 8000 which is 161.8% Fibonacci Level. RSI is also indicating a bullish trending market. Above 8000, Nifty has a target of 8300.

Below 7850, it has strong support at 7730 and 7650.

RECOMMENDATION:

Several midcap, small-cap, and infrastructure stocks have fallen sharply, offering excellent opportunity to investors to enter.

The markets still offer opportunities for medium to long term investors in Equity Mutual Funds.

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