

Flash Notes 20/05/2019

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In the middle of a dark market environment, India rose 3.75% last night.

- Indian shares surged to a record high on Monday, with gains spread across most sectors after exit polls indicated Prime Minister Narendra Modi would retain power with an even bigger mandate than in 2014.
- Exit polls predicted an **overwhelming victory** for Modi's National Democratic Alliance (NDA), which is expected to win between 339 and 365 seats in the 545-member lower house of parliament when votes are counted on Thursday.
- The benchmark BSE index .BSESN closed up 3.75% at 39,352.67. The broader NSE index .NSEI ended 3.69% higher at 11,828.25.

Outlook

- Decisive policy initiatives from a Modi's (stronger than expected) government, such as continuing with the quick consolidation and re-organisation of the banking system, or continue with land and labor reforms, will help the markets to sustain its upward trend.
- Beyond fundamental analysis, local technical analysts point that the NSE index at an RSI level above 60, is indicative of further upside.
- We keep unchanged our 2019 fundamental target price at 40.850 in 2019, with an exit point at 42.885. Below this level, the recommendation is to overweight.