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Indian equities have been on a cyclical trajectory since the last one month following the mixed global cues, Q4 corporate results, macroeconomic data and ballooning crude oil prices. This month only, small-cap and mid-cap stocks saw massive declines after BSE placed more than 100 stocks from various groups under ‘additional surveillance measure’ and the uncertainty before [RBI](#)’s repo rate decision. [BSE Sensex](#) has rallied for two continuous days gaining over 550 points after the Reserve Bank of India (RBI) raised the interest rates for the first time in the last four-and-half-years on 6 June 2018.

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In the last two days, several mid-cap stocks have recovered fully while some shares have regained partly. Today only, as much as 10 mid-cap stocks rose more than 1%. Shares of Aurobindo Pharma (up 3.75%), Emami Ltd (up 3.67%), PNB (up 3.66%), Cadila Healthcare (up 2.78%) and Idea Cellular (up 2.43%) emerged as the top 5 gainers out of the 50 components of Nifty Midcap 50 index. Other shares which also surged include GIC (up 1.94%), NMDC (up 1.59%), D-Mart (up 1.24%), Marico (up 1.06%), ICICI Prudential Life Insurance Company (up 1.05%).

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Investors should focus on value-creation through good quality stocks especially from FMCG, private bank sector. “FMCG is top on the list given its outperformance and ability to add value to the portfolio with dividends. Private banks and specifically small and mid-cap private banks should be added along with exposure to NBFCs,” Mustafa Nadeem, CEO, Epic Research told FE Online. Midcap autos and construction as a sector should be amongst the watchlist for next 1-2 years, Mustafa Nadeem added.

Further, a balanced mix of large-cap and small-cap stocks will likely to reap benefits. “We need to have a mixture of both. There are blue-chips which are still available at lucrative levels while small cap has the tendency to grow the portfolio returns exponentially. So a balanced mixture of both should be seen as the best strategy to beat the benchmark indices, Mustafa Nadeem told FE Online.

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