

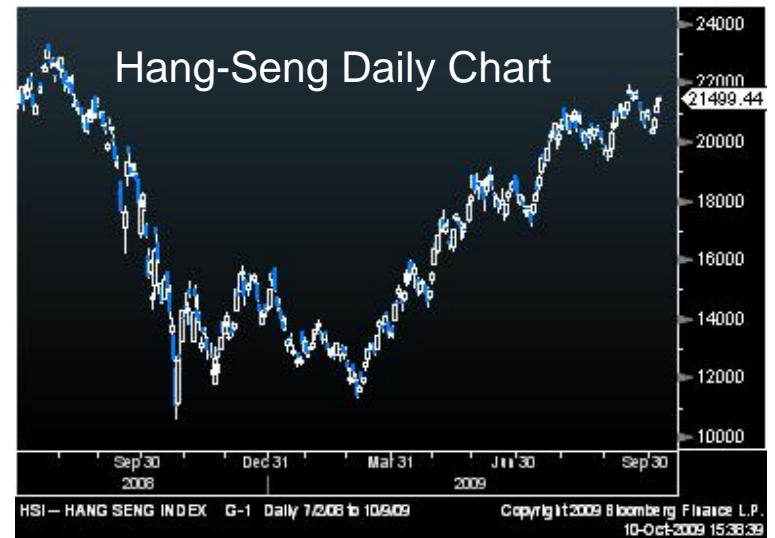
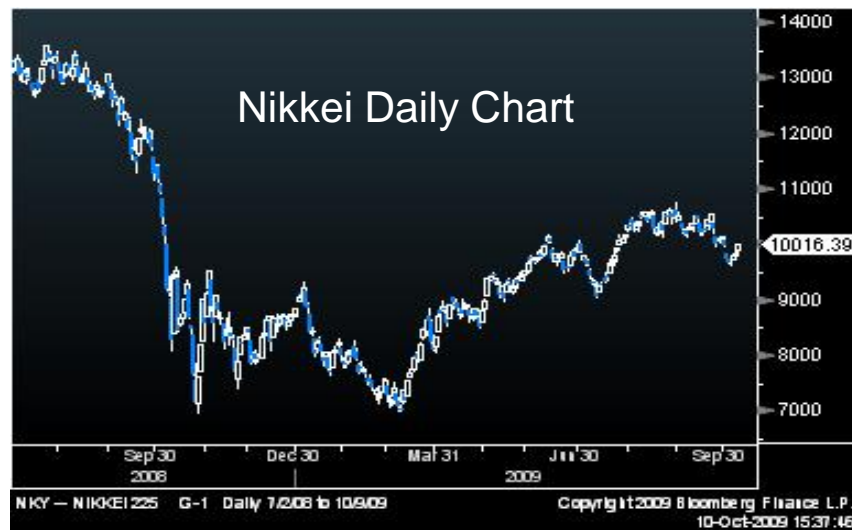
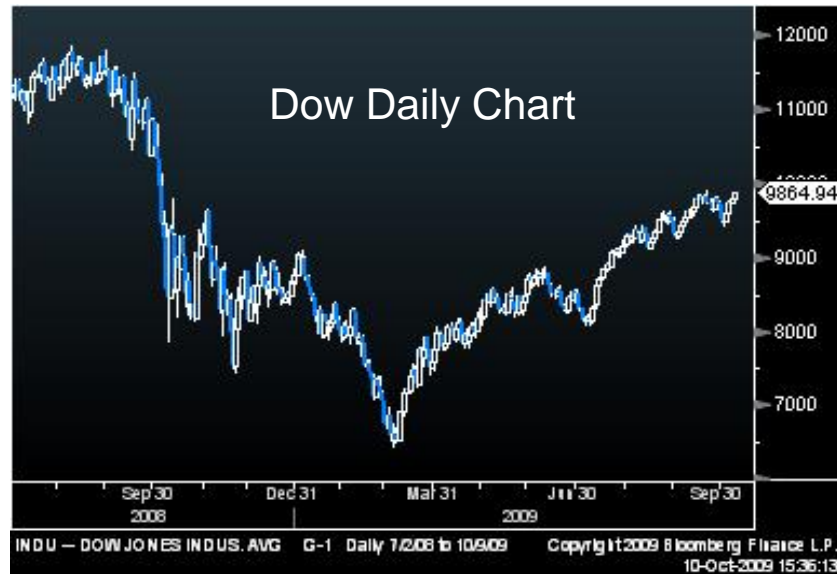
What's Happening ?
Next ?

October 2009

AGENDA

- What's Happening in the Markets.

WORLD INDICES NEAR YEAR HIGHS

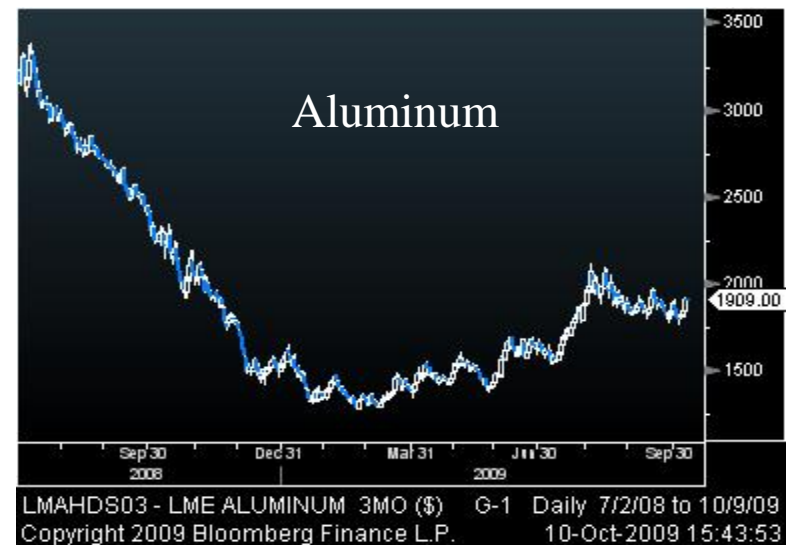
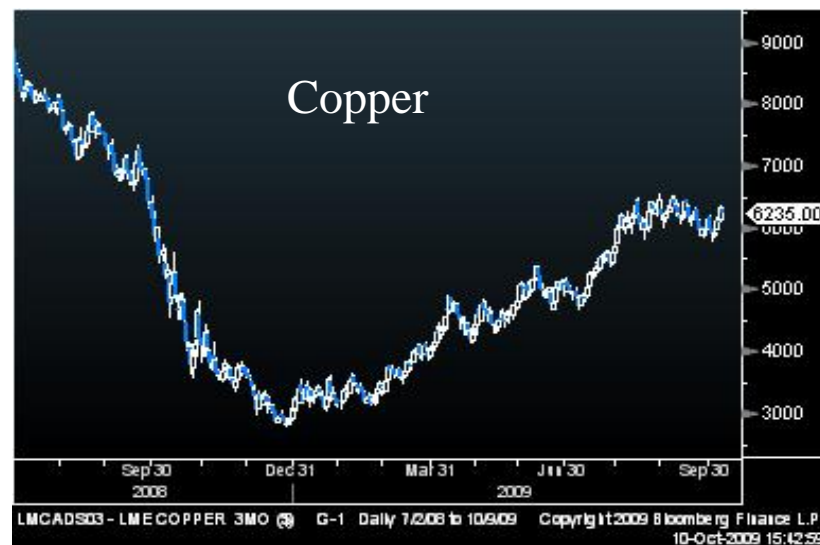
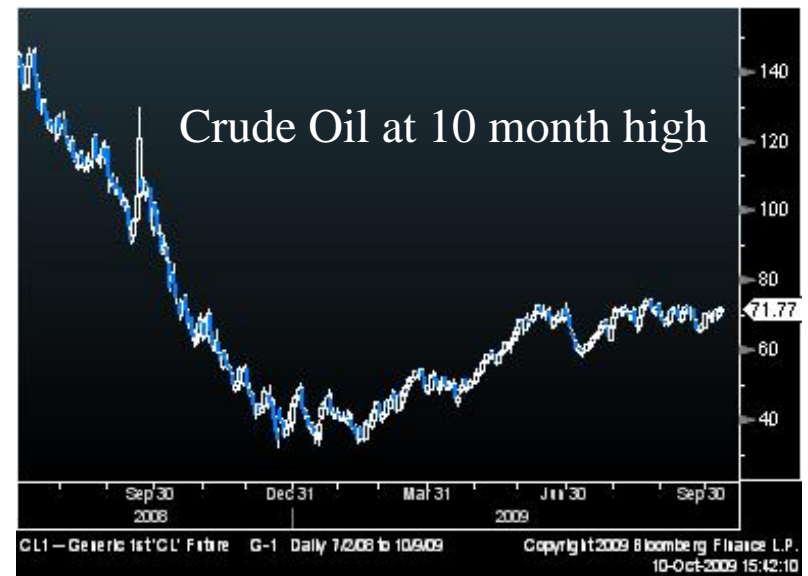
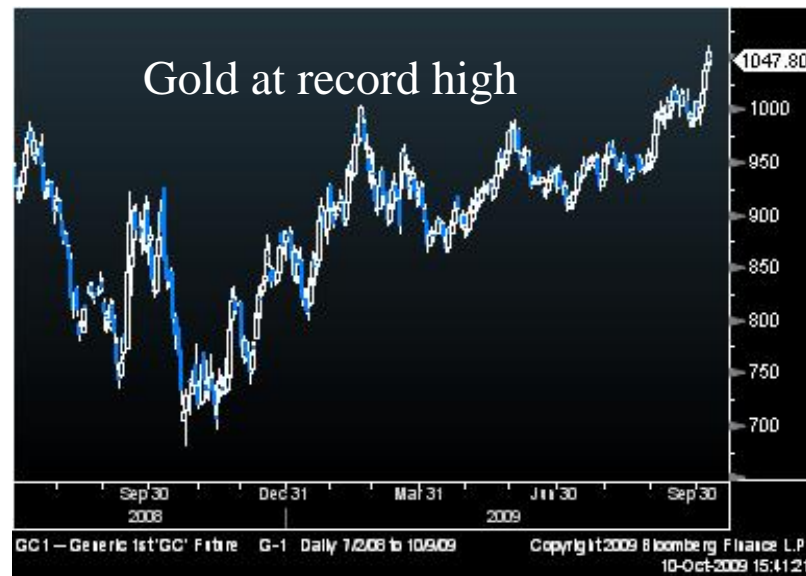


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What's Happening.

COMMODITIES AT MULTI-MONTH HIGHS



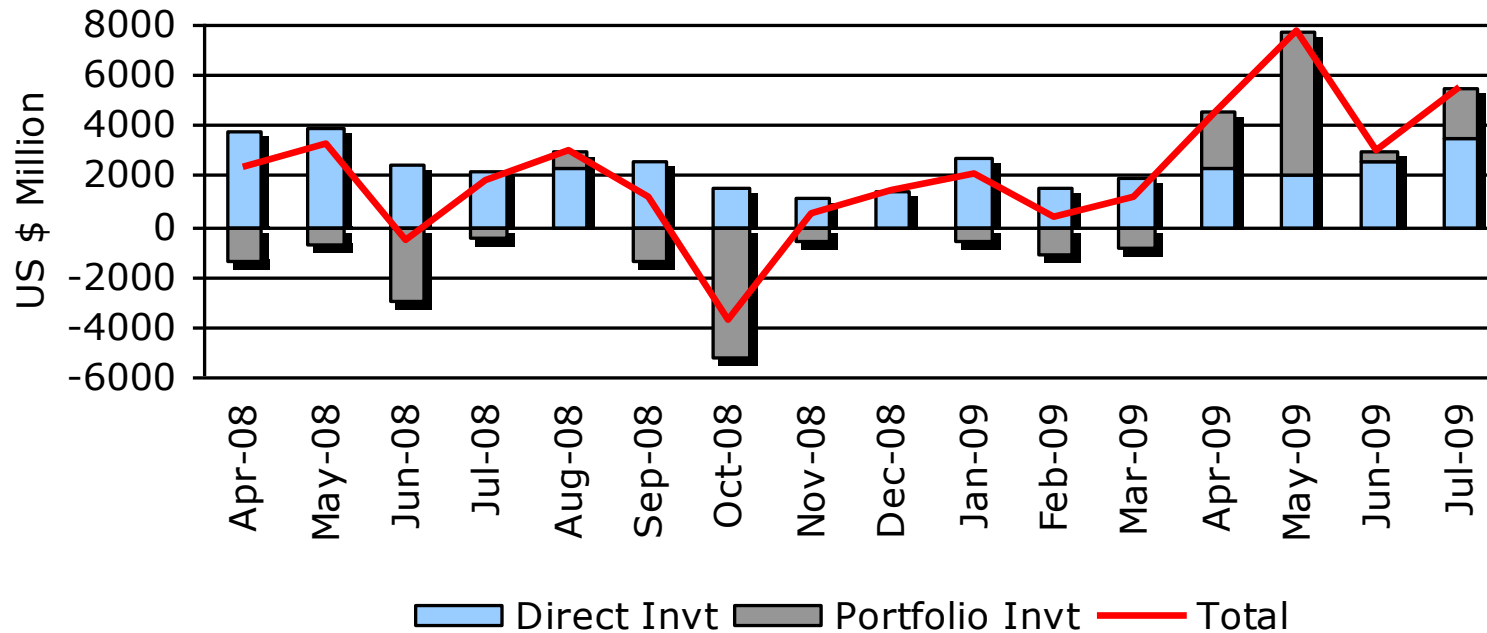
October 2009



What's Happening.

MARKET SURGED ON FOREIGN FLOWS

Foreign Investment Inflows

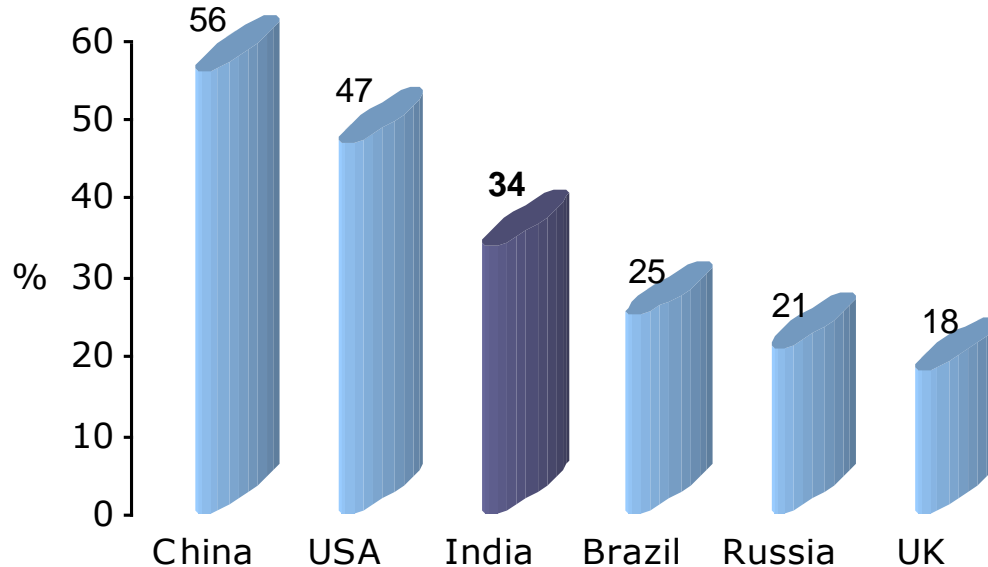


Source: RBI

Direct investment influenced more in June & July months

FDI TURNED TO BRIC COUNTRIES

Top Destinations for FDI 2009-11



Source: UNCTAD

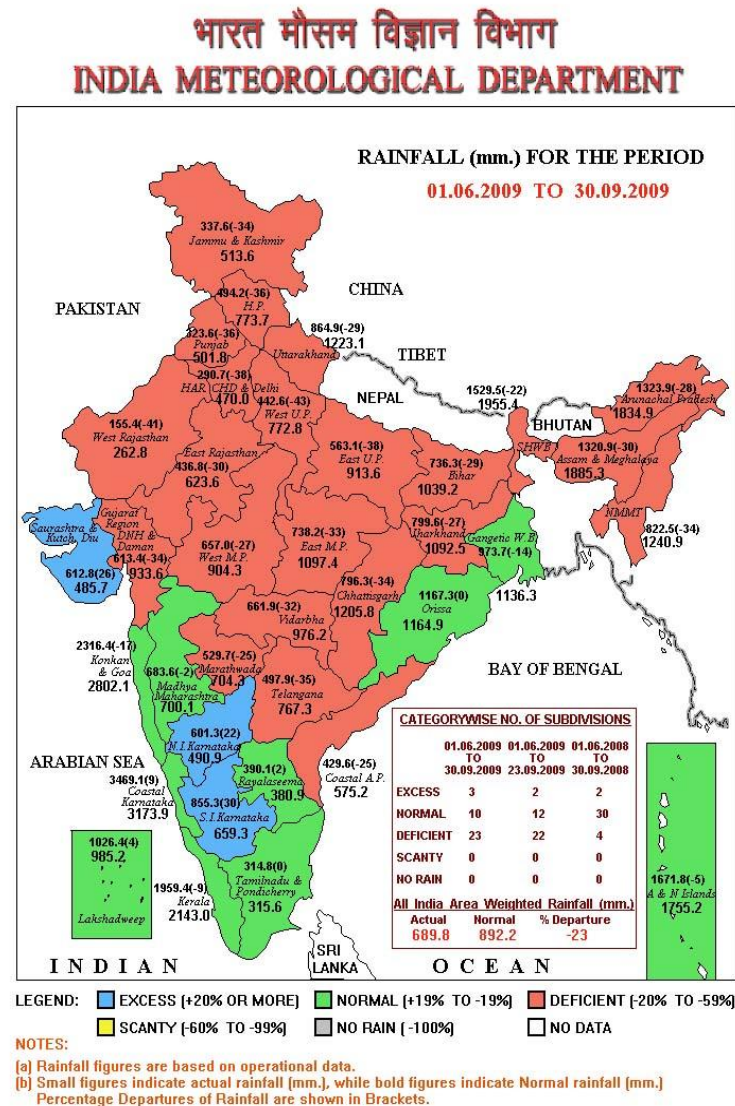
According to UNCTAD report, BRIC countries are the most favorite destinations for investments with the highest voting to China. India stood third with 34% votes, indicating continued inflows of investment for India in coming years.

AGENDA

- What's Happening in India.

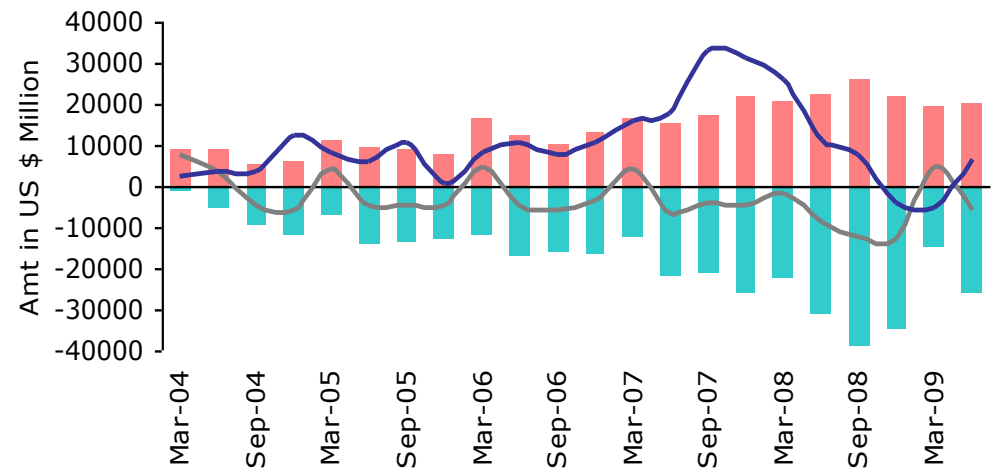
MONSOON IN INDIA WORST IN 37 YEARS

- India's monsoon this year was the worst since 1972 with 23 per cent less rainfall than average.
- When there is more than 10 per cent rainfall deficiency, and more than 20 per cent of the area of the country is under drought, the situation is called “**all-India Drought**”
- 2009 is a Drought year with 23% Deficiency.



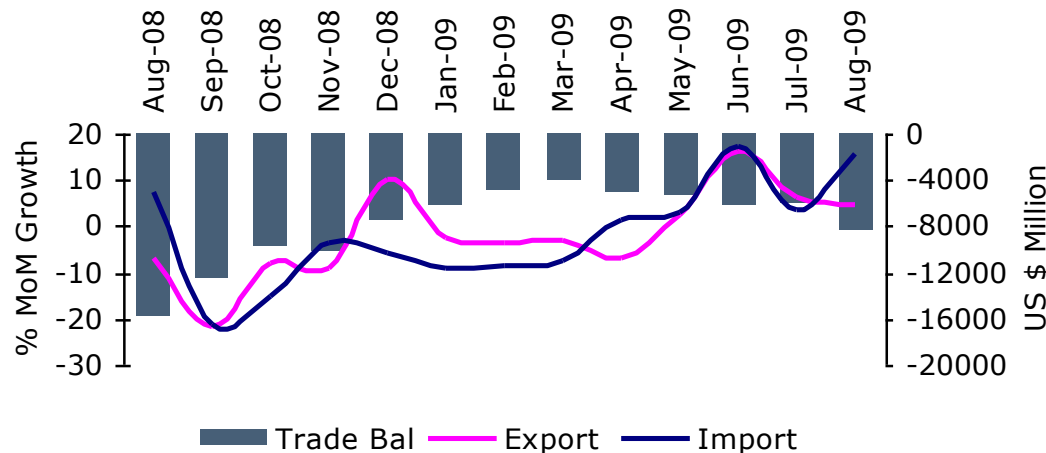
CAPITAL ACCOUNT IN SURPLUS AFTER TWO QUARTERS

Thanks to Foreign Investment Flows, that led to capital account in surplus after two quarters at \$ 6.74 Bl. However, after a quarter of current account surplus, current account balance was in deficit during April-June 2009 as trade deficit widened due to higher imports.



Trade Bal Invisible Bal Current Acc Bal Capital Acc Bal

Trade Deficit



Christmas sales in the US and Europe are expected to pick up, making western super stores buy more from countries like India in coming months.

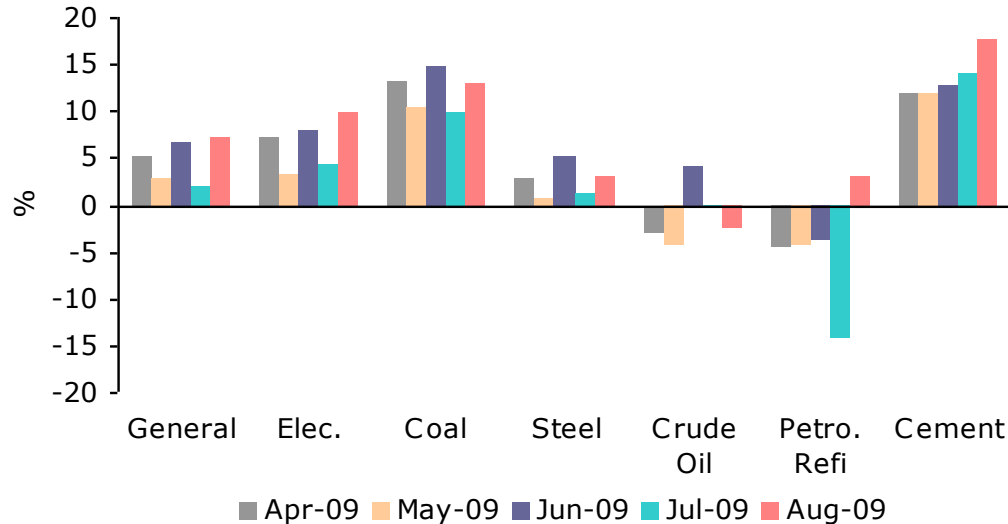
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What's Happening.

CORE SECTOR GROWTH ZOOMED TO 7.1%

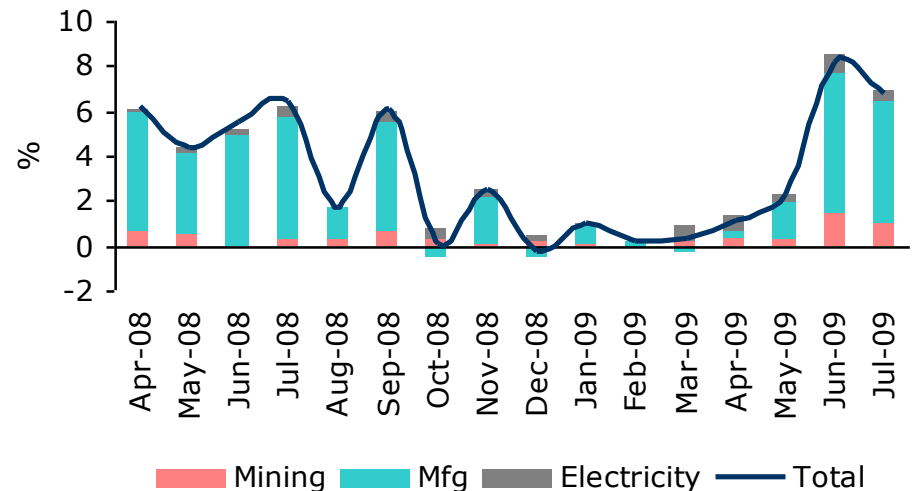
Infra Growth



Showing a decisive recovery, six core infra sector growth for August month jumped to 18 months high level at 7.1% with cement sector on the top of the table.

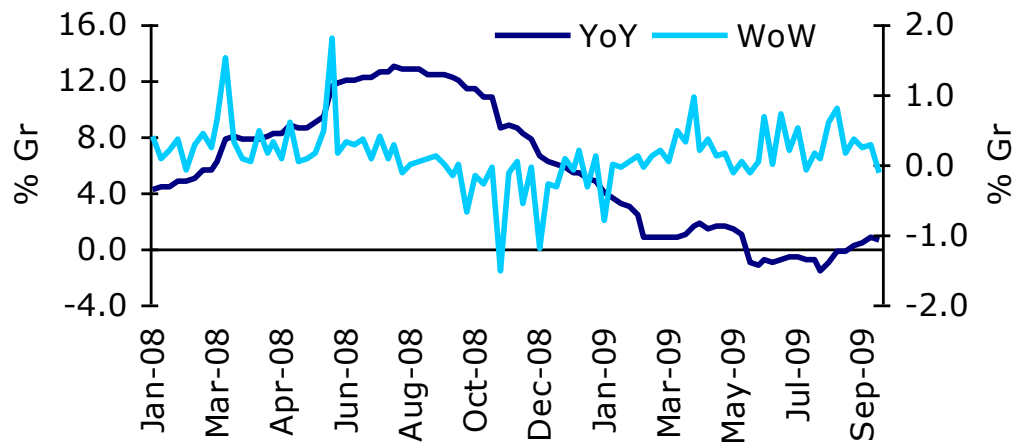
Robust performance shown by Mining & Mfg sector assisted IIP numbers to recover sharply from its low of -0.2% of Dec08.

Index of Industrial Production



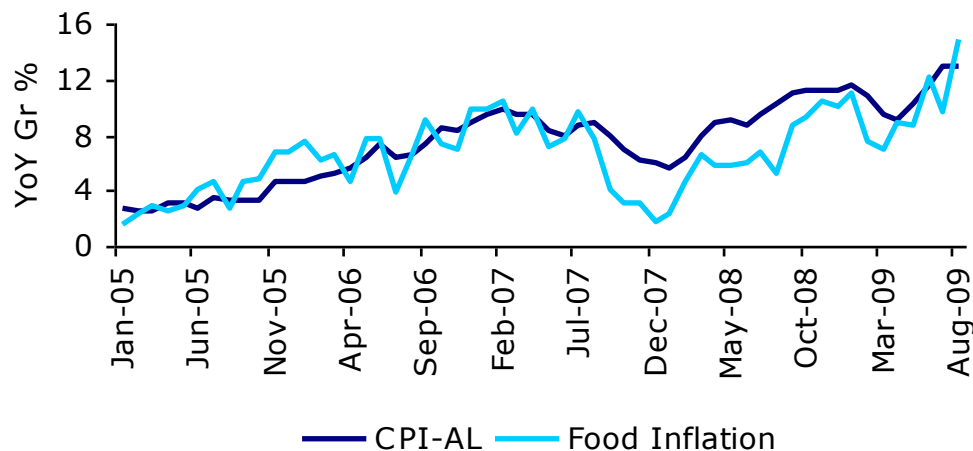
BURGEONING WPI- IMPEDIMENT FOR GROWTH

Wholesale Price Index



Mainly on account of hoarding and fears of shortage due to poor monsoon, Food inflation surged to 16.32% in Mid Sep and that is the reason of early turnaround of WPI inflation from negative to positive figure.

Consumer Price Index

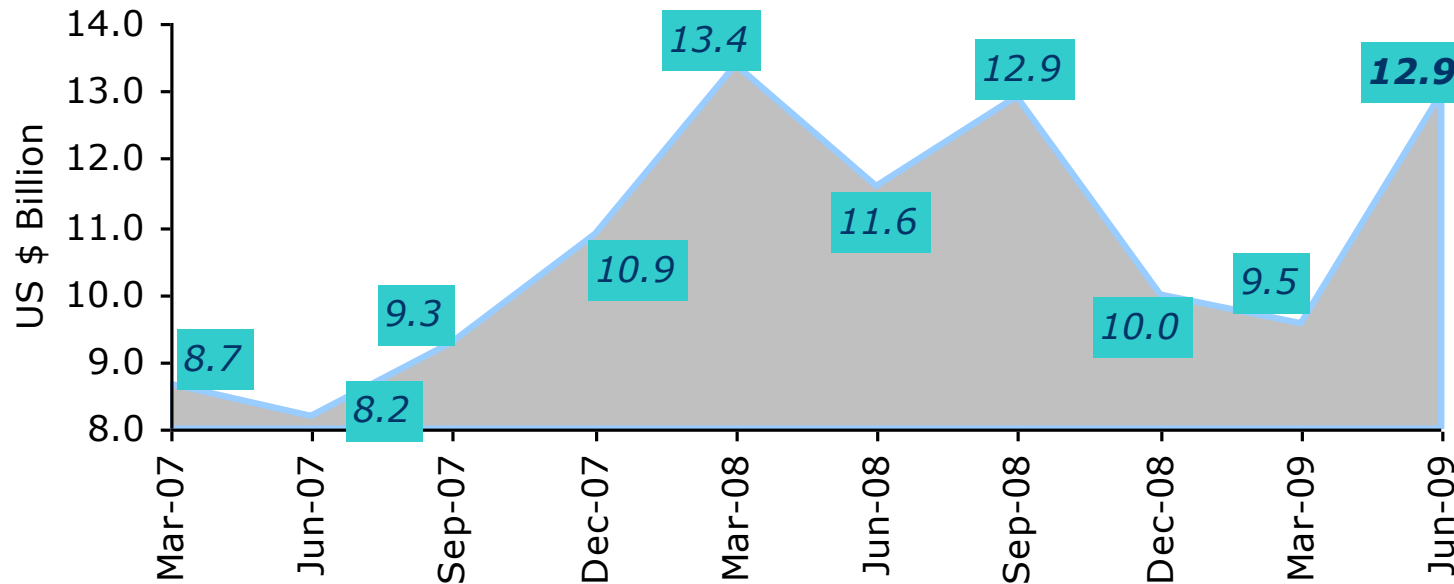


CPI for AL jumped to 12.9% while CPI for UNME went above 13% in the recent months.

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NET REMITTANCES-SECOND HIGHEST EVER

Net Remittances to India



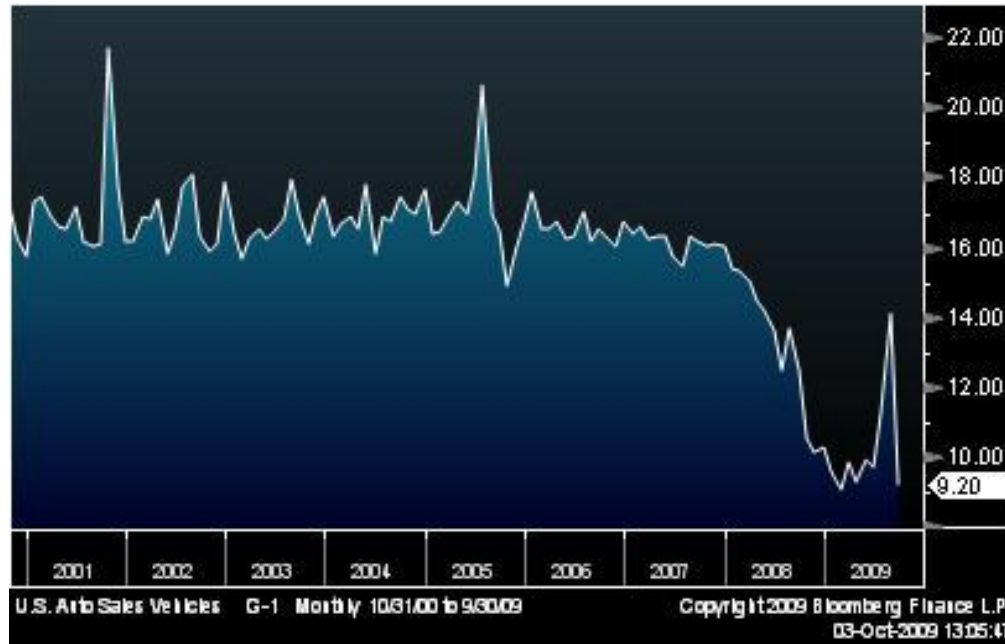
Source: RBI

The figures shows the resilience of remittances from Indians working overseas and local withdrawals from NRI (non-resident Indian) rupee deposits , following the global crisis.

AGENDA

- What's Happening in the World

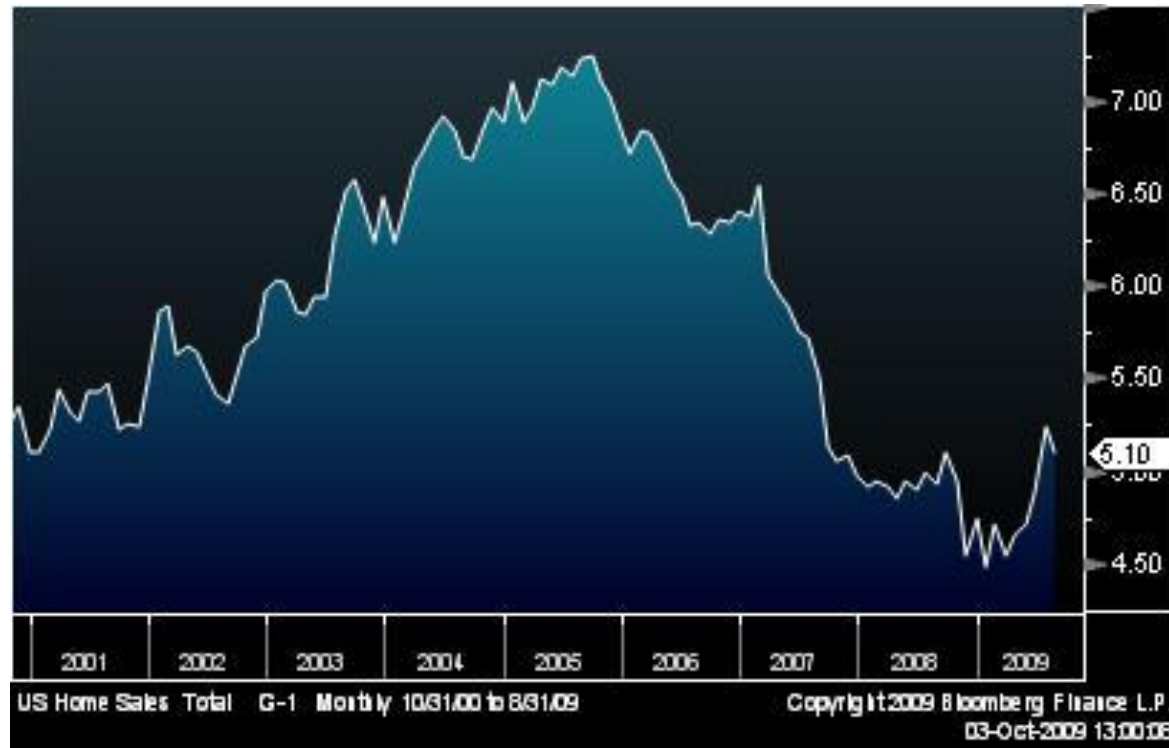
US AUTO SALES PLUNGED IN SEPTEMBER



Source : Bloomberg

- After the shopping binge inspired by the government's "Cash for Clunkers" incentive program ended on 24th August, U.S. auto sales plunged in September and the industry sunk back to the depths from which it started.
- The reports of monthly sales numbers confirmed predictions that some of the spectacular gains of August had merely been achieved by moving up sales that would have happened in September. The results raised doubts from some economists about the effectiveness of the \$3 billion federal program as a stimulus.

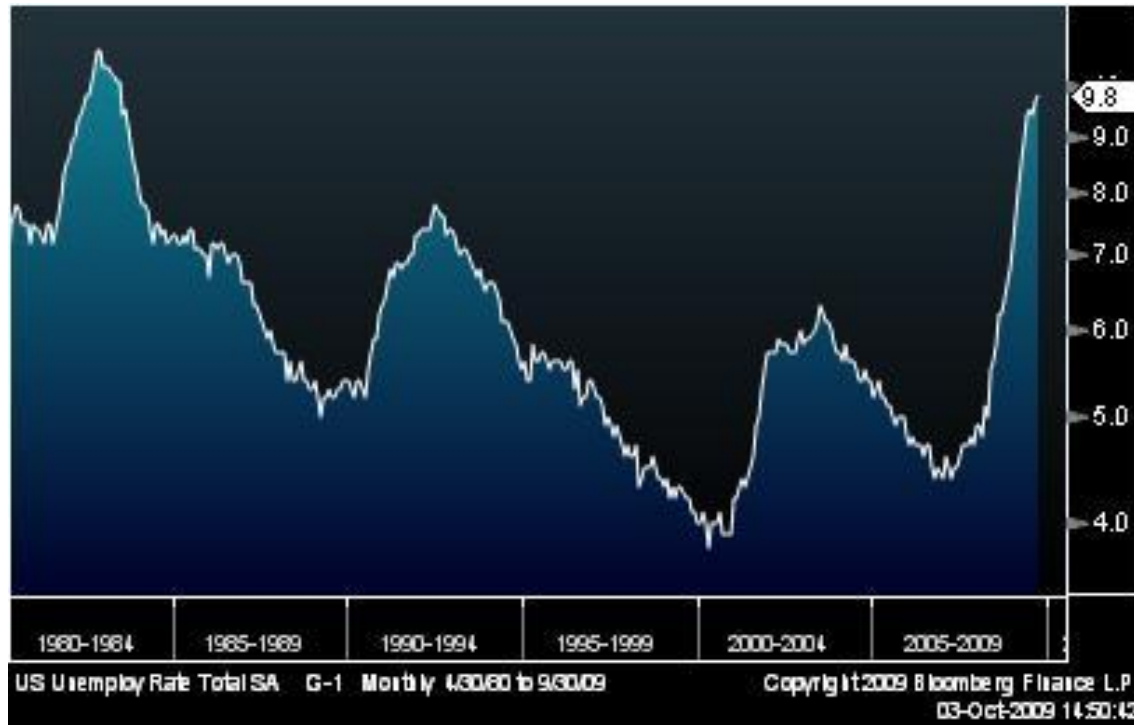
US EXISTING HOME SALES LOSE MOMENTUM



Source : Bloomberg

- Sales of previously owned homes fell in August by 2.7% to an annual rate of 5.1 million units, the first decline in five months .
- Three independent sources [new home sales, housing starts, and existing home sales reports] are telling us the market weakened in August.

US UNEMPLOYMENT HIGHEST IN 26 YEARS



Source : Bloomberg

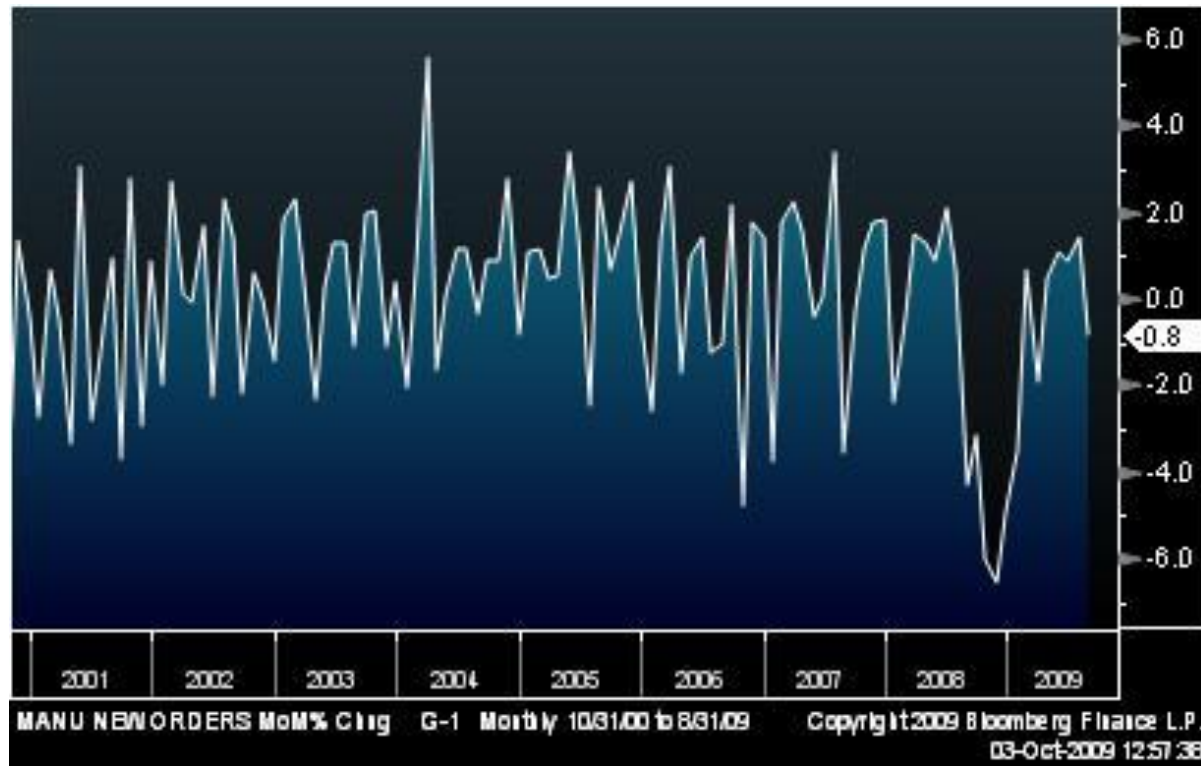
- Last month's jobless rate, rose to a 26-year high of 9.8 percent, up from 9.7 percent in August. Employers cut a total of 263,000 jobs, far worse than analysts had expected, raising fresh concerns about the nation's ability to sustain the budding economic recovery in August.
- In addition to the 15.1 million people counted as officially unemployed, another 9.2 million workers last month were relegated to part-time work because their employers had scaled back their hours or they simply could not find full-time jobs.

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What's Happening.

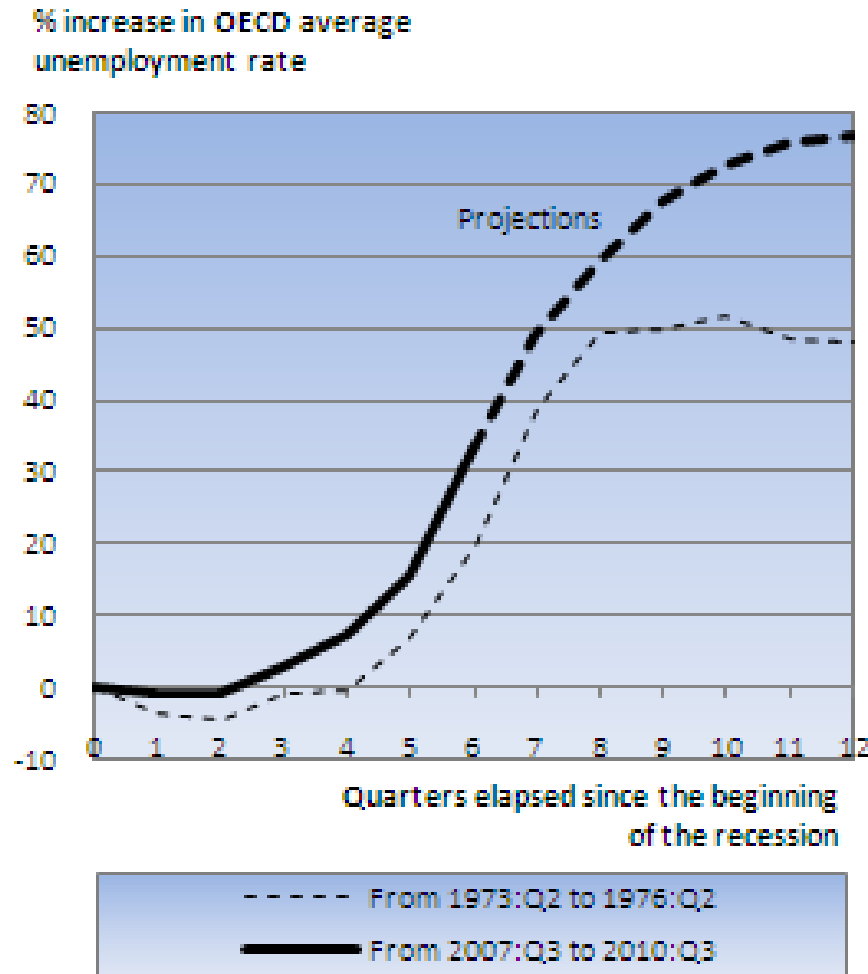
US FACTORY ORDERS POST FIRST DROP SINCE MARCH



Source : Bloomberg

- **New orders received by U.S. factories posted their first drop in five months in August . Orders fell 0.8 percent after rising 1.4 percent in July.**
- **Inventories are still too high and some additional inventory liquidations will still be needed over the next several months, either by lower production or higher shipments. US Unemployment Rate and Factory Data have raised Concerns About recovery.**

WORST UNEMPLOYMENT HIKE IN RECENT DECADE

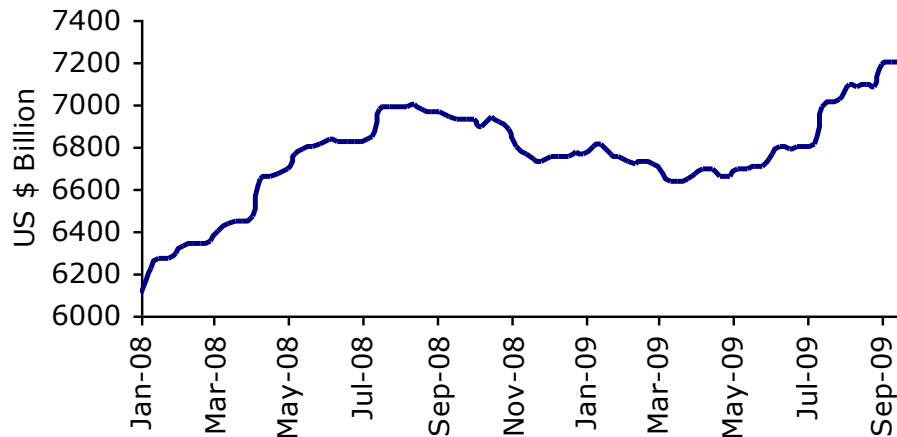
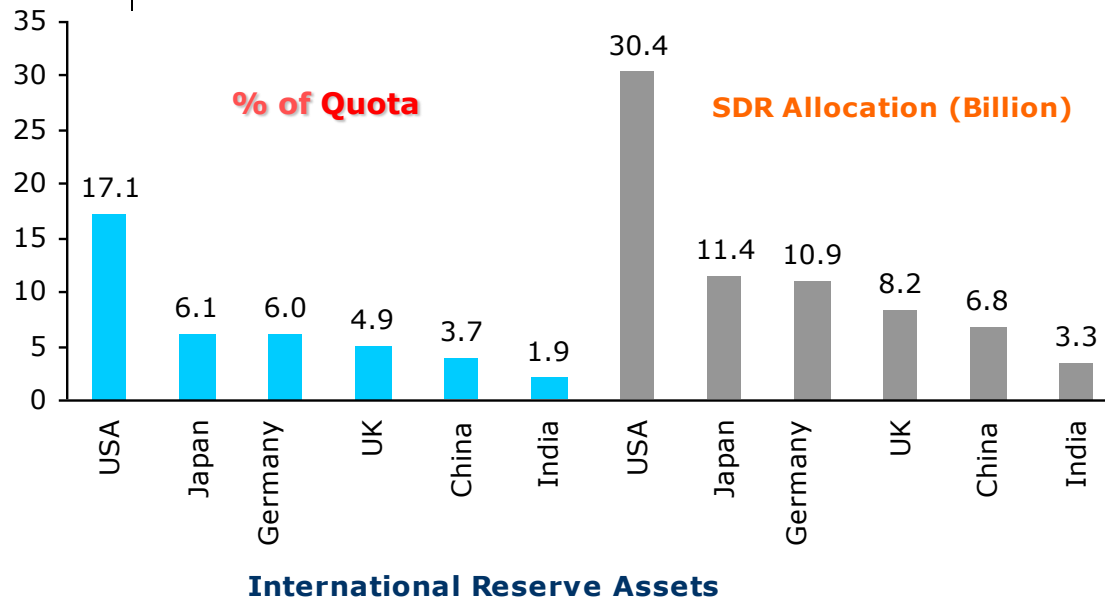


The unemployment rate in the OECD area reached 8.5% in July 2009 and it could approach 10% by 2010. This is the steepest increase in the post-war period.

Most countries have scaled up resources for labour market and social policies to support the rapidly growing number of unemployed, but additional funds are often rather limited and governments are facing difficult choices on how best to respond to the different demands. elapsed

Source: OECD

COSTLESS ASSETS ALLOCATED BY IMF



With much of the world still mired in recession, the IMF took action to bolster its members' reserves through an allocation of SDRs equivalent to \$250 billion. It means potential access to unconditional financial resources that could limit the need for adjustment through contractionary policies and allow greater scope for countercyclical policies in the face of recession and rising unemployment.

Source:IMF

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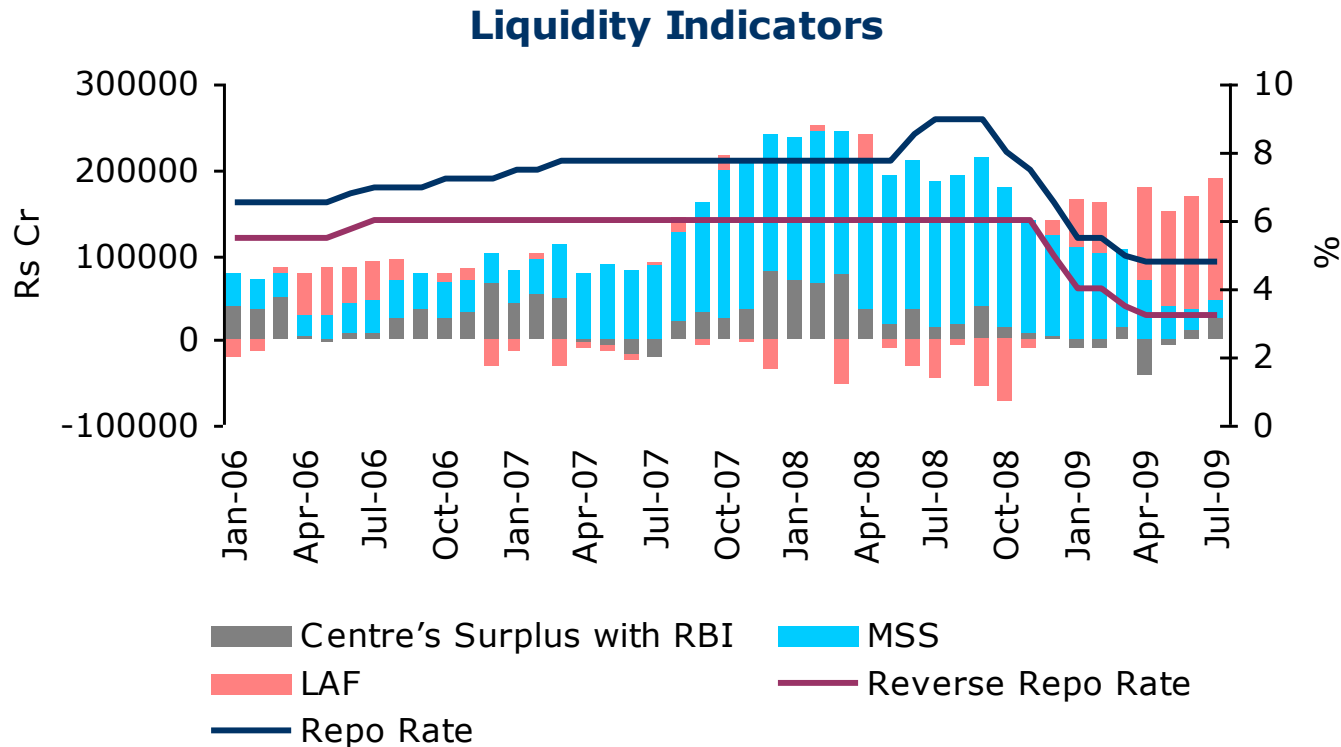


What's Happening.

AGENDA

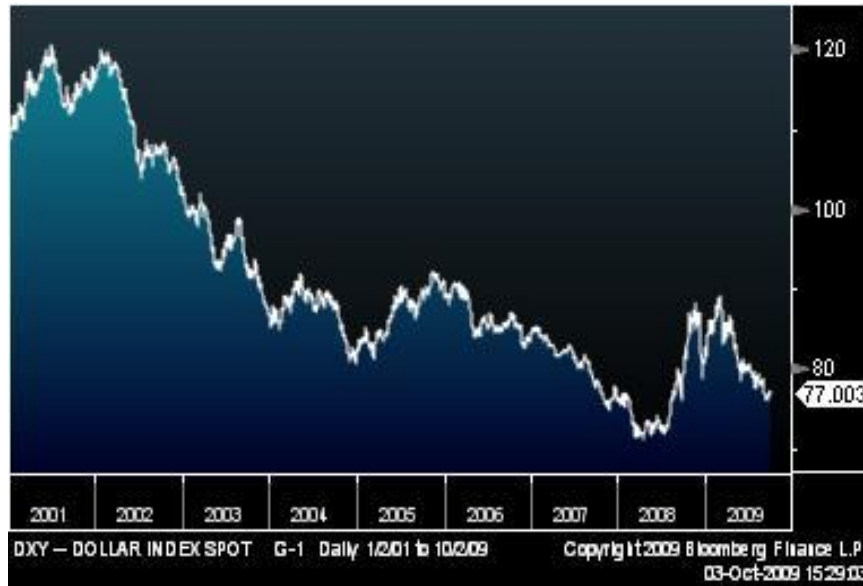
- What's Next ?

RBI - TO CONTINUE WITH SOFT POLICY



RBI is expected to continue with its soft policy in the coming quarterly review on 27th Oct following the high amount of Govt borrowings and low credit off take however early global economic revival and burgeoning inflation may compel the bank to step up rates in the beginning of the next calendar year.

WHATS NEXT FOR DOLLAR : 85 OR 70



- **US Dollar Index (DXY)** registered at 1 year low of level 76 in September.
- **Investors have sold the dollar heavily last month as recovery hopes diminished safe-haven demand. The prospect of low U.S. yields and concerns about the U.S. fiscal deficit fueled the dollar selling.**
- **US Large Debt, Trade Deficit, spending for Sub prime Mortgage crisis has resulted in Dollar Depreciation and role of the dollar reserve's status has been criticized by China and Russia.**
- **But Dollar has depreciated 15% in 2009 and we could see some rebound in this quarter.**



October 2009

What's Happening.

DIWALI AND OCTOBER RETURNS

	% Return	
Year	1 Month before Diwali	1 Month After Diwali
2008	-35.1	0.9
2007	22.2	3.4
2006	3.5	6.9
2005	-8.6	12.6
2004	4.1	5.1
2003	9.2	1.9
2002	-0.3	7.4
2001	4.6	7.7
2000	-10.3	3.0
1999	-2.3	5.8
1998	-7.8	3.9
1997	0.2	-6.4
1996	2.1	-9.2
1995	3.3	-15.5
1994	-0.3	-5.3
1993	3.1	24.0
Average	-0.8	2.9

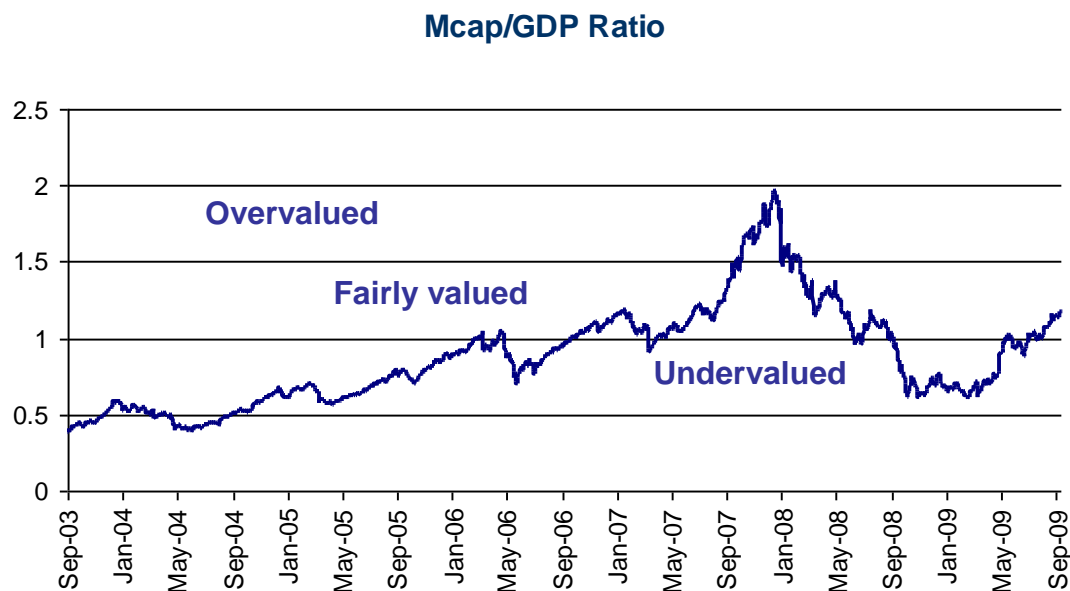
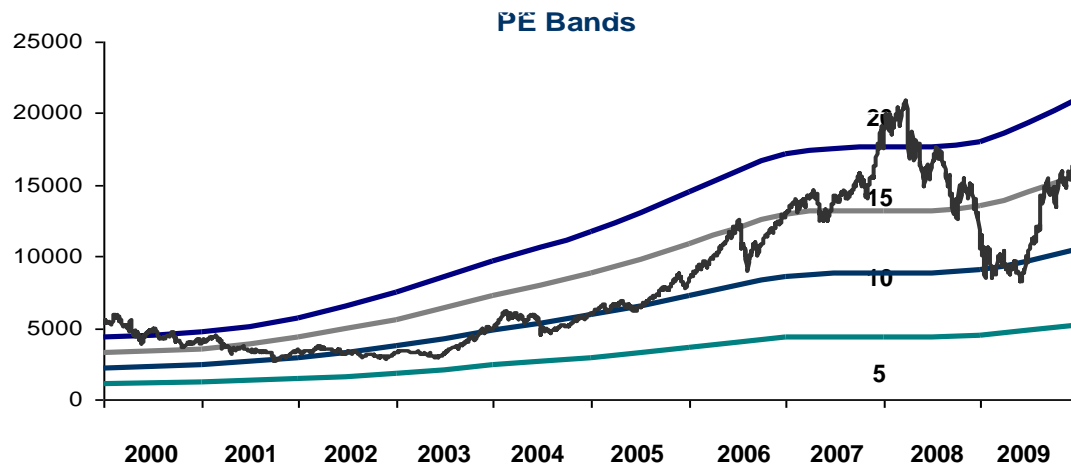
Year	October
1995	-2
1996	-2.34
1997	-2.53
1998	-9.34
1999	-6.71
2000	-9.27
2001	6.32
2002	-1.41
2003	10.19
2004	1.59
2005	-8.6
2006	4.07
2007	14.73
2008	-23.89
2009	
Avg.	-2.81
Mod. Avg.	-2.32

October 2009



What's Happening.

MARKETS MOVING FROM UNDERVALUED TO FAIRLY VALUED ZONE



October 2009

AGENDA

- What's the Outlook?

Outlook & Strategy.

- Dollar weakness is fuelling flows into commodities and emerging markets equity.
- Markets seems to be running ahead of fundamentals, moving from undervalued to fairly valued zone.
- Investors should wait for a large pullback before committing fresh resources to equities.
- Learning from History, we anticipate markets to remain lackluster till Diwali.
- Major resistances for the nifty lies at 5200 and support lies at 4750.
- Markets trading in a range between 4920 to 5050.
- On break beyond the range, traders should play for 4780 or 5170 via October Nifty options.