



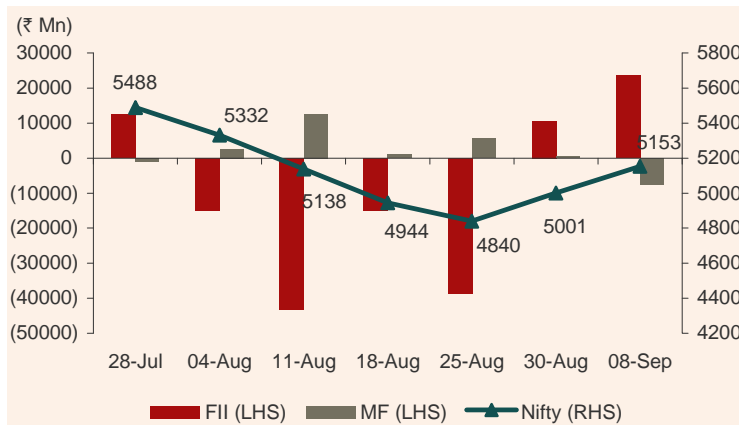
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Major Event of the Week

Cabinet clears National Land Acquisition and Rehabilitation and Resettlement Bill (R&R); a step closer to becoming a law

Nifty & Institutional Flow



Source: NSE
Note: As per Thursday closing

Top Nifty Movers Shakers

Jaiprakash Assoc 8.9% ↑	Suzlon 8% ↑	Hero Honda 7.2% ↑	PNB 6.2% ↑
Unitech 5.4% ↑	Larsen & Toubro 5.2% ↑	Ranbaxy Lab 4.8% ↑	HUL 4.1% ↑
Sun Pharma (4.6%) ↓	IDEA (4%) ↓	DLF (3.6%) ↓	Reliance Power (3.4%) ↓
Power Grid (3.3%) ↓	Hindalco Ind (3.1%) ↓	BPCL (2.9%) ↓	ITC (2.8%) ↓

Source: NSE

Developed Equity Markets	Last Close	% Change	
		WTD	YTD
U.S. (S&P)*	1,186	1.0	(5.7)
UK (FTSE)*	5,340	0.9	(9.5)
Japan (Nikkei 225)	8,801	(1.7)	(14.0)

BRIC Equity Markets	Last Close	% Change	
		WTD	YTD
India (Sensex)	16,867	0.3	(17.8)
India (Nifty)	5,059	0.4	(17.5)
China (Shanghai)	2,498	(1.2)	(11.1)
Russia (Micex)*	1,536	1.3	(9.0)
Brazil (Ibov)*	57,624	1.9	(16.9)

Asian Equity Markets	Last Close	% Change	
		WTD	YTD
Hong Kong(HSI)	20,071	(0.7)	(12.9)
Singapore (Straits)	2,825	(0.6)	(11.4)
Korea (Kospi)	1,839	(1.5)	(10.3)

BSE Sector	Last Close	% Change	
		WTD	YTD
BSE Mid Cap	6,435	1.8	(17.5)
BSE Small Cap	7,304	2.4	(24.5)
Auto	8,754	2.1	(14.5)
Bankex	11,098	1.4	(17.1)
Capital Goods	12,436	3.4	(19.3)
Power	2,206	(0.2)	(26.2)
Realty	1,776	0.4	(37.8)
Technology	3,154	(1.1)	(22.1)
FMCG	3,960	(0.9)	7.5
Metal	12,306	(1.0)	(30.1)

Institutional Activity	Spot market		
	WTD	MTD	YTD
FII (Rs bn)*	23.6	23.6	63.1
MF (Rs bn)*	(7.6)	(7.6)	50.5

Commodities Update	Unit	Close	% Change	
			WTD	YTD
Crude Oil(NYME)**	\$/Bbl	88	1.8	(3.7)
Gold(OTC)**	\$/Oz	1,836	(2.3)	29.4
Silver(OTC)**	\$/Oz	42	(2.4)	36.6
Copper(LME)**	\$/MT	9,096	0.4	(5.7)
Aluminum(LME)**	\$/MT	2,386	(0.6)	(3.0)
Sugar(LIFFE)**	\$/MT	763	2.5	21.9
ZINC(LME)**	\$/MT	2,251	2.6	(8.3)

Currency	Close	% Change	
		WTD	YTD
INR/USD**	46.5	(1.6)	(3.9)
USD/EURO**	1.4	3.0	(3.0)
USD/JPY**	77.5	(1.2)	4.4

* As per Thursday closing
** As per Friday 16:30 hrs IST
Source: Bloomberg

**Top Corporate News during the week****No prepayment penalty on floating home, auto loans – Competition to increase.**

In a meeting with the Reserve Bank of India, banks agreed to waive prepayment charges on floating rate loans. The removal of prepayment penalty will make it easier for customers to shift loans to other banks if they get a better interest rate. Also, it will increase competition among banks. The central bank is of the view customers should not be exposed to rate volatility and banks should be able to hedge their risk through appropriate instruments. However, the RBI has allowed banks to charge appropriate prepayment penalties in the case of fixed rate loans. Waiver of prepayment charges will also impact the margins of these banks as it constitutes a major chunk of their other income.

Govt thinking of removing STT on equity trade - If it becomes reality, then it will lead to increase in trading volume for equity market due to returning back of proprietary trading, arbitrageur and jobbers.

The Union finance ministry has taken up a review of the current Securities Transaction Tax (STT) regime after a meeting with top exchange officials. While a waiver of STT in the soon-to-be-launched small and medium enterprises (SMEs) segment of the exchanges is a done deal, a similar change of rule for the equity segment was being looked into. If it becomes reality, then it will lead to increase in trading volume for equity market due to returning back of proprietary trading, arbitrageur and jobbers.

Govt allows export of 2 mn tonnes of wheat and rice exports; extend zero import duty on crude palm oil and 7.5% on refined palm oil by 1 year

The government has lifted a four-year-old ban on wheat exports. The empowered group of ministers on food also allowed exports of non-basmati rice but did not impose any minimum export price, or MEP. The panel left the zero import duty on crude palm oil and 7.5% import duty on refined edible oil unchanged. Both rice and wheat would be freely exportable under the open general licence.

Macro Economy & Other News**Domestic****CACP suggests sharp hike in cane FRP**

In view of rising production costs, the CACP has recommended a 17.25% increase in the fair and remunerative price for sugarcane to 170/quintal for 2012-13 sugar year (Oct-Sep). The FRP for sugarcane in the 2011-12 sugar year has been fixed at ₹ 145/quintal.

Rupee at 1-Yr low of 46.16 v/s dollar

The rupee settled at 1-Yr low of 46.16/17 against the US currency as sustained dollar demand from importers and some banks erased its early gains.

Food inflation eases to 9.55%

Food inflation slipped to 9.55% for the week Aug 27 from a 5-month high of 10.05%. Prices of pulses fell by 1.56% and wheat by 1.04% YoY. Vegetables became 22.42% costlier.

Monsoon rains 39% above normal in past week

Monsoon rains were 39% above normal in the week to Sept. 7, strengthen from 18% above average in the previous week. The monsoon rains were 3% above average since the start of the Jun-Sep in line with forecast.

International**Swiss franc opens a new round of currency war**

The Swiss National Bank's decision to cap the franc's rate for the first time since 1978 marked a bid to protect trade hurt by the currency that last month reached a record high against the euro and the dollar. The franc plunged 8.4% against the euro, the most since the creation of Europe's single currency.

Italy's Senate approves Austerity plan

Italy's Senate approved an austerity package designed to avert a wider sovereign debt crisis and preserve the European monetary union. The upper house voted 165-141 with three abstentions to reduce the country's deficit by more than EUR 54 bn over three years.

ECB and BoE kept key rates unchanged

Both ECB and Bank of England left its key rates unchanged at 1.50% and 0.50% respectively amid weakening economic growth prospects, waning inflationary pressure and a lingering sovereign debt crisis.

Source: Economic Times, Business Line, Business Standard, Times of India, DNA Money, Mint, Financial Express, Bloomberg



Global Equity Indices & Sectoral Performance

Developed		Index value	Index Return	Technology	Basic Materials	Financials	Telecom	Industrials	Utilities	Oil & Gas	Health Care	Consumer Goods
				%	%	%	%	%	%	%	%	%
US	DOW	11117	-1.09	-1.08	-3.13	-5.91	-1.21	-2.94	---	-0.63	-0.5	0.29
UK	FTSE	5286	-0.12	2	-0.47	-3.82	-0.47	-1.32	-0.22	0.06	-1.2	-1.51
GERMANY	DAX	5305	-4.21	-2.02	-6.74	-8	-5.56	-5.68	-5.38	---	0.18	-5.94
FRANCE	CAC	3022	-4.02	-8.55	-3.38	-10.01	-4.22	-6.71	-5.37	-1.96	-3.11	-3.76
JAPAN	NIKKEI	8738	-2.38	-2.88	-3.09	-5.6	1.97	-5.58	3.71	-5.1	0.81	-3.29
BRIC												
BRAZIL	BOVESPA	56694	0.29	---	1.11	-2.42	-0.35	-1.51	1.19	-1.43	---	-0.56
RUSSIA	MICEX	1522	0.40	---	0.86	0.1	-3.8	---	0.86	-0.41	---	---
INDIA	NIFTY	5059	0.39	-0.16	6.21	3.31	0.15	5.01	-0.87	4.17	2.04	1.61
CHINA	SANGHAI	2498	-1.21	-3.75	-2.34	-1.03	-0.17	-3.1	-1.97	-4.62	-2.64	-2.89
Asian												
HONG KONG	H S I	19867	-1.71	-0.69	-3.66	-3.2	2.22	-3.37	0.23	-2.21	---	-3.36
KOREA	KOSPI	1813	-2.94	2.4	-1.03	-4.5	2.11	-5.33	0.07	-7.32	-3.46	0.02
SINGAPORE	STRAITS	2825	-0.63	---	---	-0.08	1.2	-2.52	---	-4.1	---	0.13
TAIWAN	TWSE	7611	-1.89	-0.78	-3.63	-5.75	0.38	-3.05	0.06	-3.5	-2.2	-3.3

Source: Bloomberg, ABML Research
Note: As per Friday 16:30 hrs IST

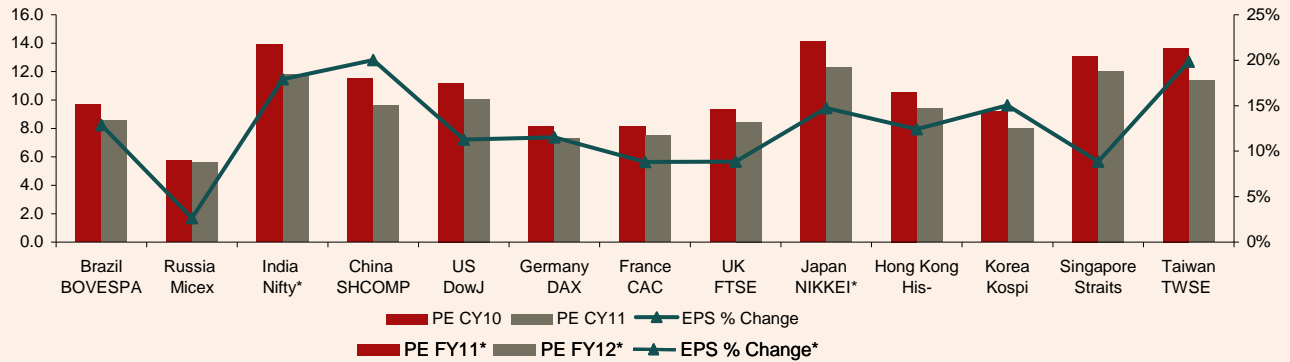
Nifty Relative Valuation Metrics (1 Year Forward)



Source: NSE, ABML Research

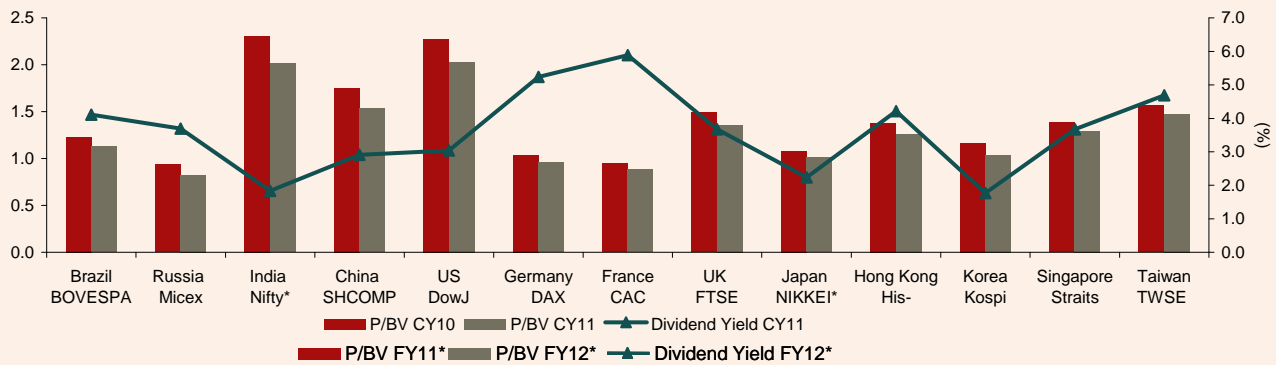


Global Indices Forward P/E



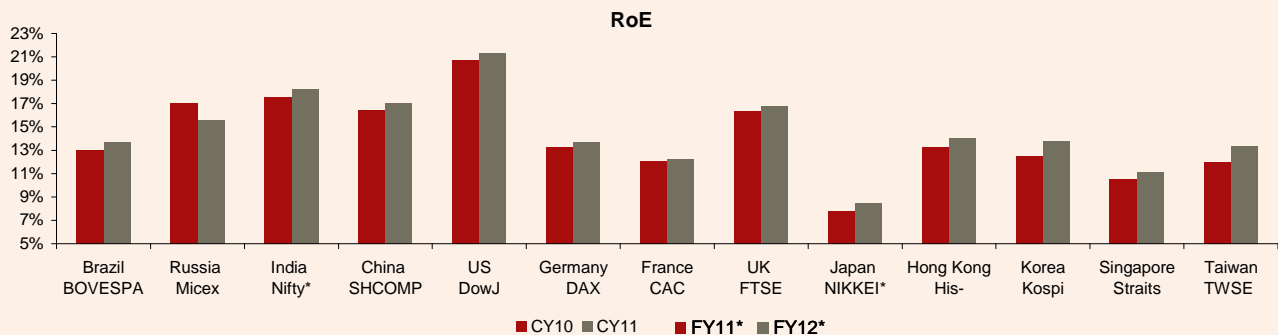
Source: Bloomberg, ABML Research
Note: As per Friday 16:30 hrs IST

Global Indices Forward P/BV



Source: Bloomberg, ABML Research
Note: As per Friday 16:30 hrs IST

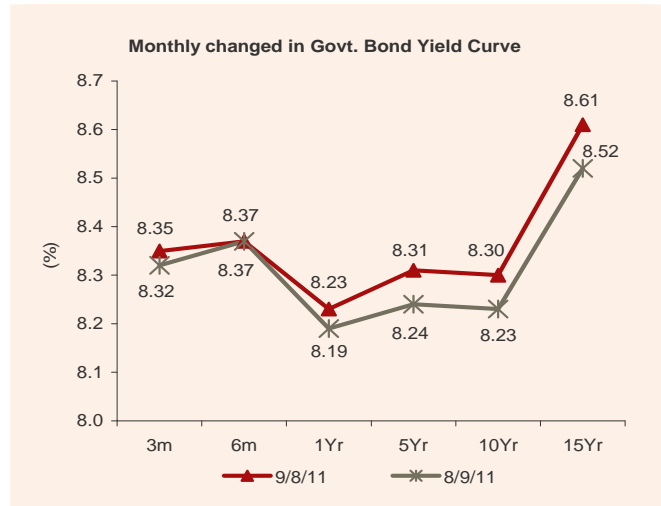
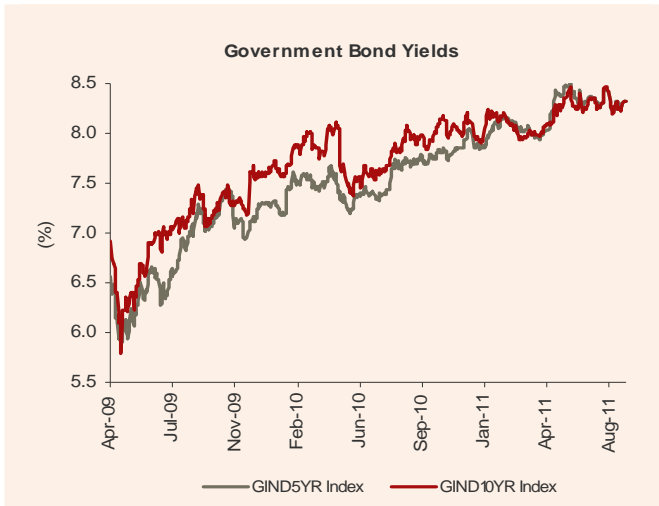
Global Indices RoE



Source: Bloomberg, ABML Research
Note: As per Friday 16:30 hrs IST

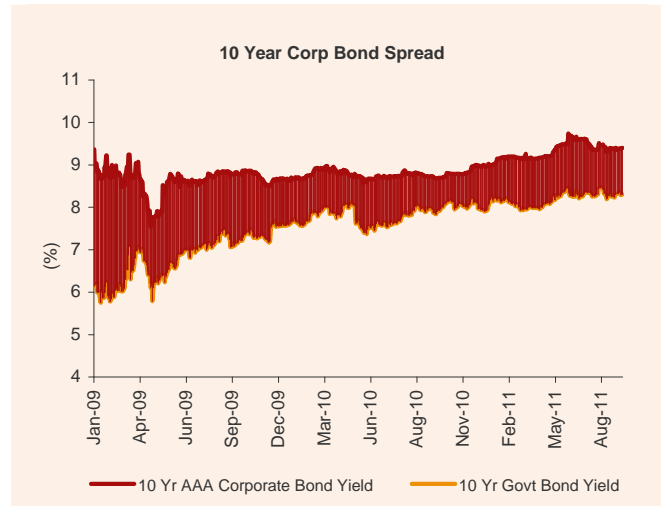
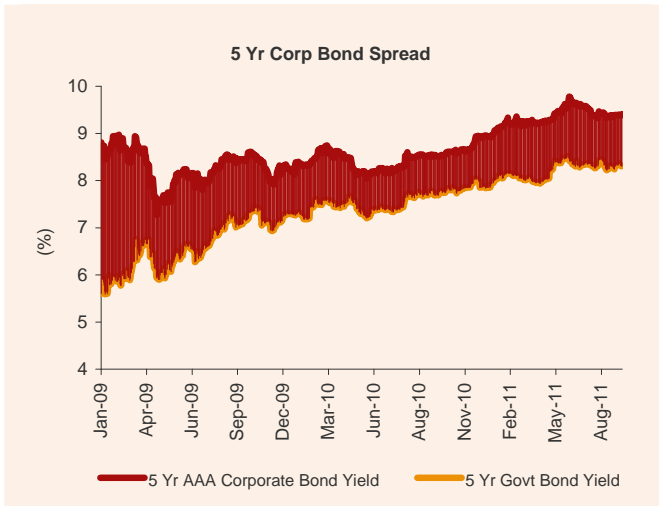


Government Bond Yield (India)



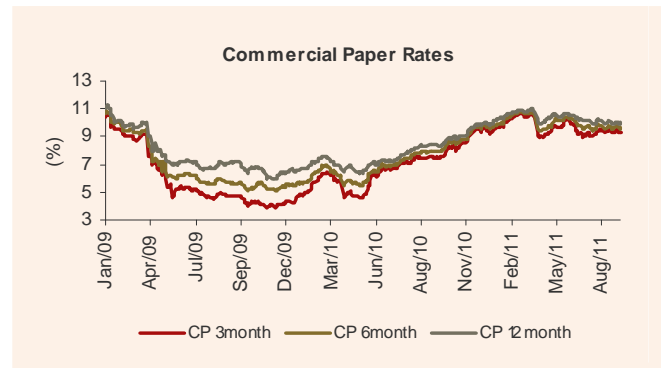
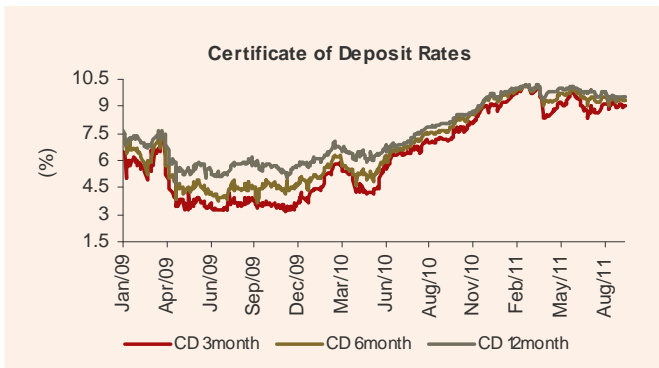
Source: Bloomberg, ABML Research

G-sec – AAA Corporate Bond — Spread (India)



Source: Bloomberg, ABML Research

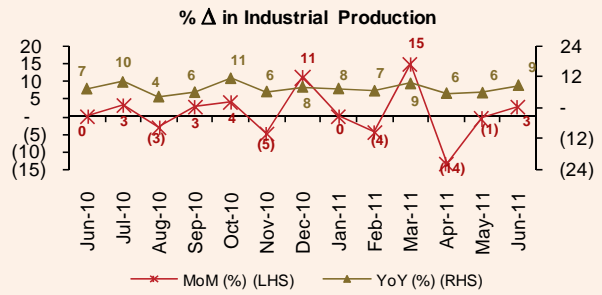
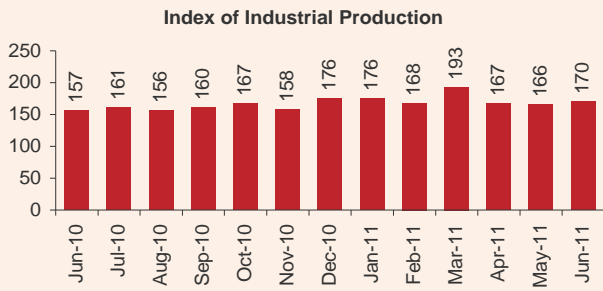
CD & CP Rates Movement



Source: Bloomberg, ABML Research

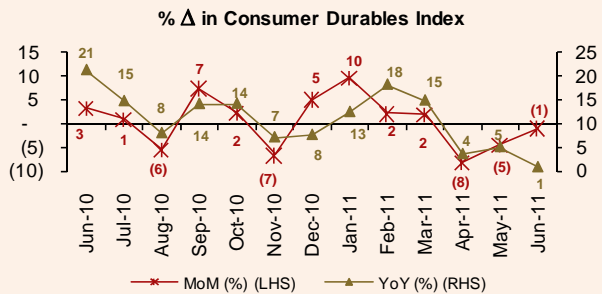
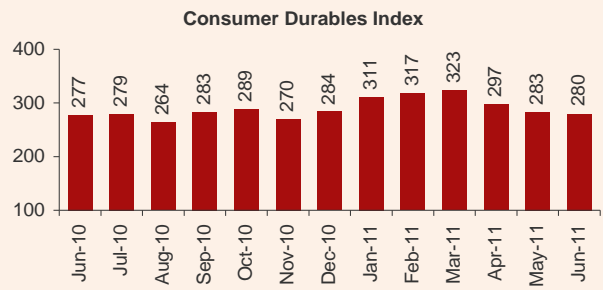


Index of Industrial Production



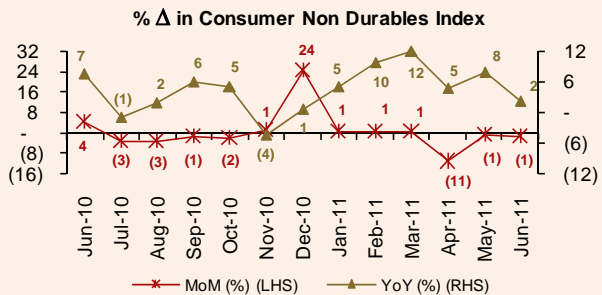
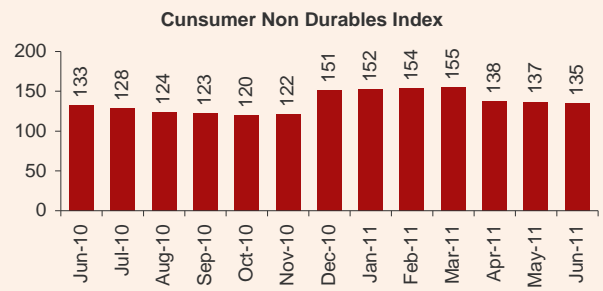
Source: Bloomberg, ABML Research

Consumer Durables



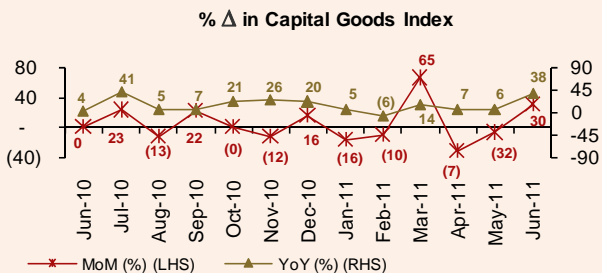
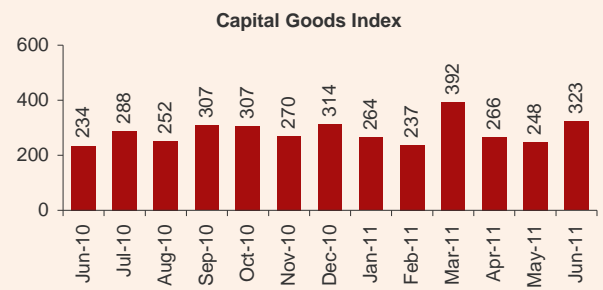
Source: Bloomberg, ABML Research

Consumer Non Durables



Source: Bloomberg, ABML Research

Capital Goods

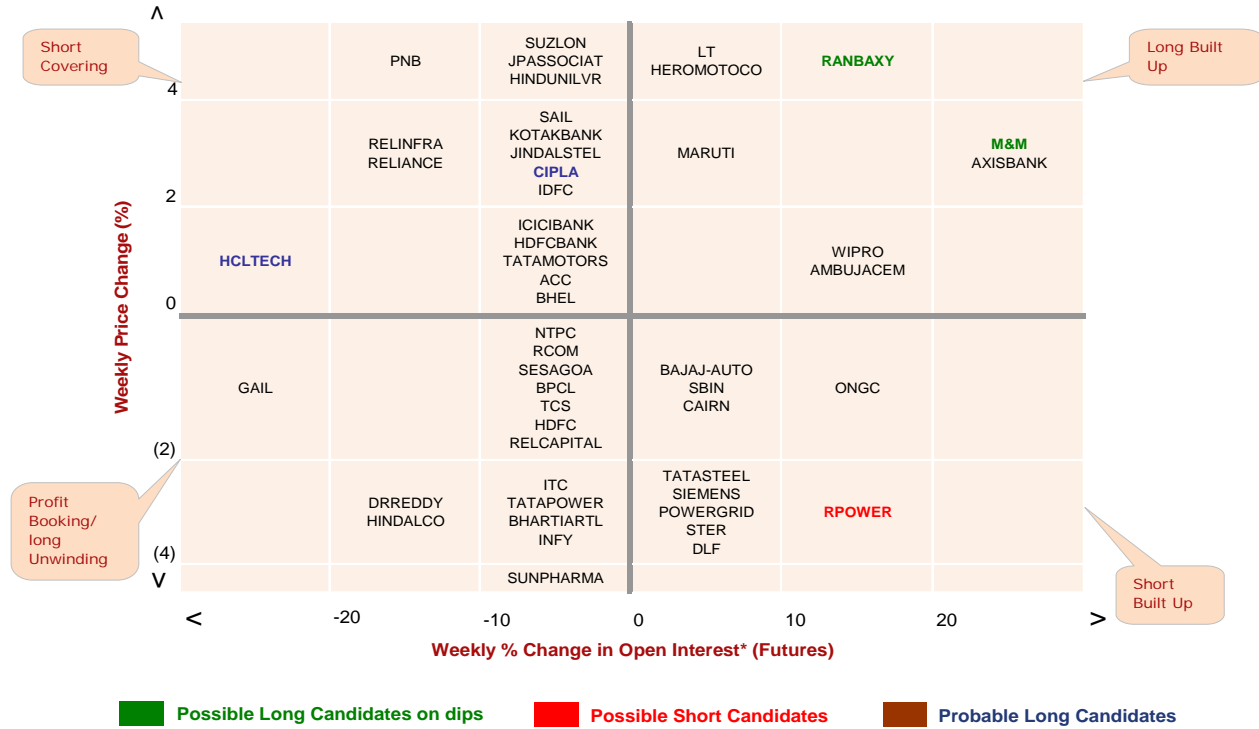


Source: Bloomberg, ABML Research



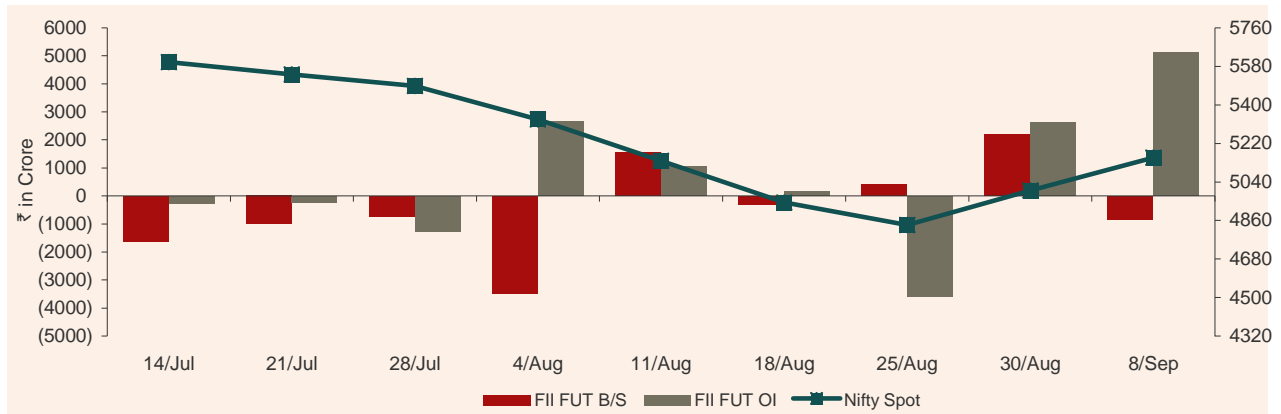
Derivatives Corner

Nifty Grid — % Change in OI & Price



Note 1: Summation of three series of future.
 Note 2: Take positions with proper stop losses.

FII Deri Watch



Source: NSE



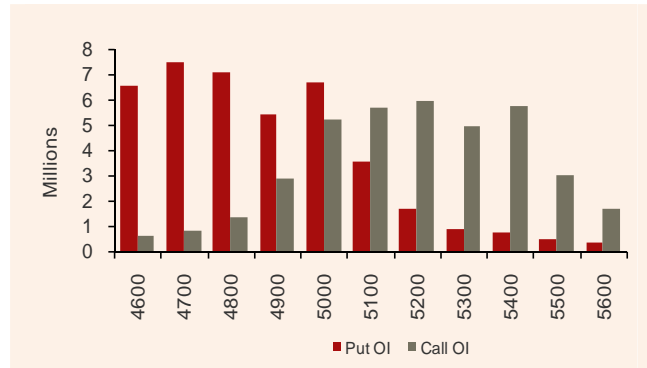
Nifty Synopsis

Particulars	Spot	Future	Prem. / Disc.	Futures OI	PCR OI	PCR VOL	VIX (%)
Current	5059.45	5052.5	-6.95	27557400	1.36	1.11	28.15
Previous	5040	5034.1	-5.90	25579750	1.35	1.15	26.09
Change (%)	0.39	0.37	-	7.73	-	-	7.90

Outlook

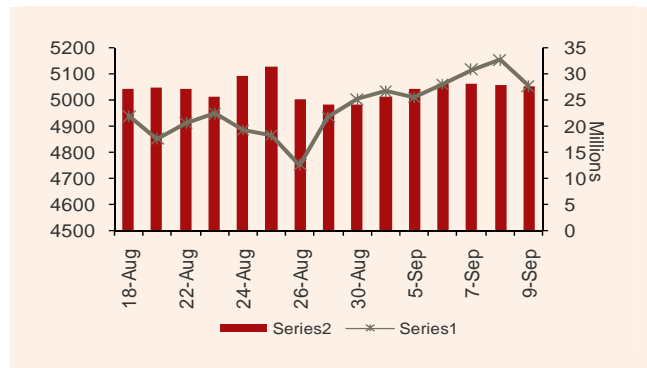
- High put option open interest build up of around 6.6 mn and 5.3 mn is seen at 5000 and 4900 strikes respectively, indicating that they will act as strong supports.
- High call option open interest build up of around 5.9 mn and 4.9 mn is seen at 5200 and 5300 strikes respectively, indicating that they will act as strong resistances.
- Nifty is trading at a discount of 6-7 points as compared to a premium of 1-2 points as of the previous trading week.
- The PCR for Nifty based on open interest is up at 1.36 as compared to 1.35 as of the previous trading week.
- The PCR for Nifty based on Volumes is down at 1.11 as compared to 1.15 as of the previous trading week.
- Nifty Futures open interest saw an increase of around 7.73%.
- In Index Futures FII's were net sellers to the tune of ₹ 846 Cr with an open interest increase of around ₹ 5,131 Cr as compared to net buying to the tune of ₹ 2,188 Cr with an open interest increase of around ₹ 1,448 Cr as of the previous trading week.

Nifty Options OI built up (Current expiry)



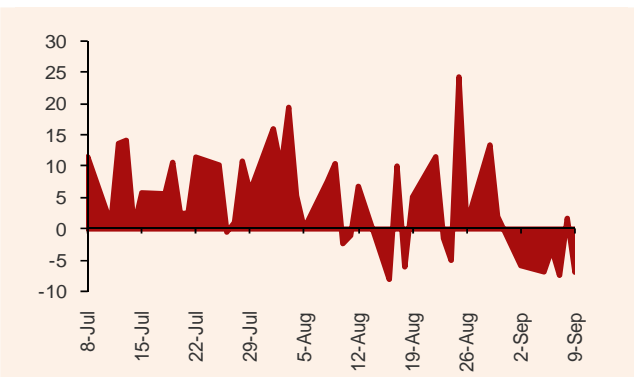
Source: NSE

Nifty open interest vs Nifty Futures



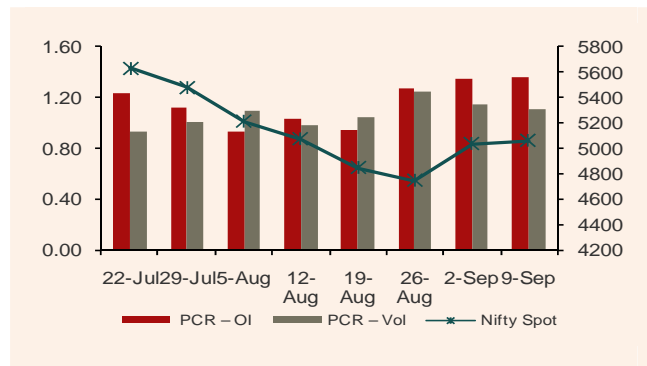
Source: NSE

Nifty Premium / Discount



Source: NSE

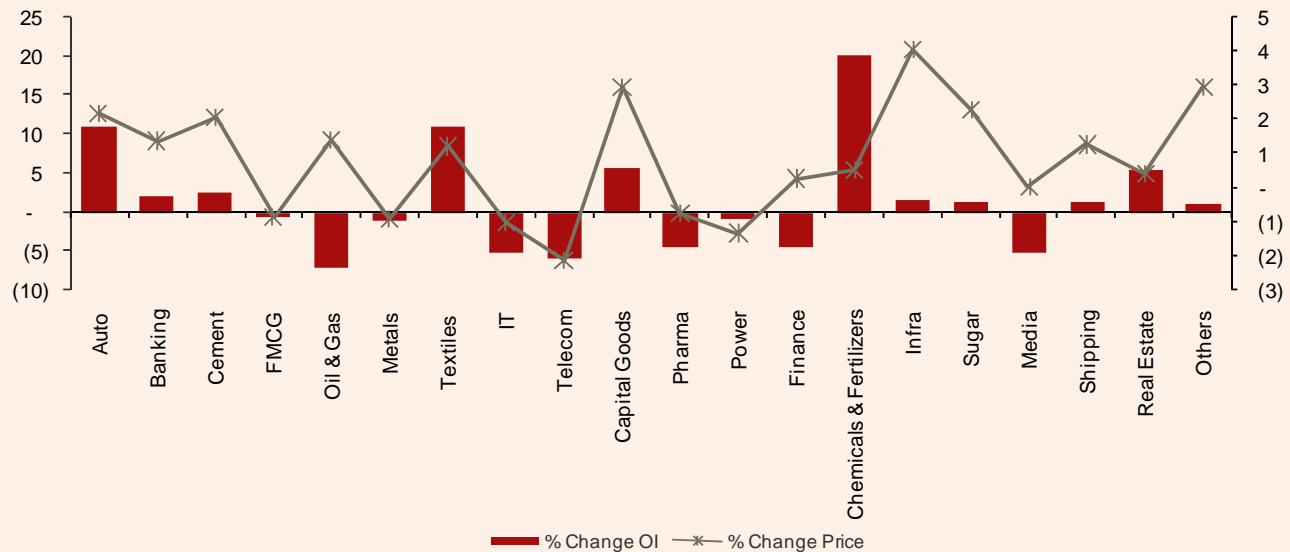
Nifty Spot vs PCR



Source: NSE



Sectoral Movement



Source: NSE

- Long build up was seen in Auto, Banking, Cement, Textiles, Capital Goods, Chemical & Fertilizers, Infra, Sugar, Shipping and Real Estate.
- Short Covering was seen in Oil & Gas, Finance and Media.
- Long Unwinding was seen in FMCG, Metals, IT, Telecom, Pharma and Power.

Open Interest Gainers

Long Buildup

Scrip	Price	% Price Change	% OI Change
COLPAL	999.70	2.06	65.75
ARVIND	91.50	12.96	43.38
M&M	789.80	3.13	29.58
IBREALEST	86.15	5.71	27.14
AXISBANK	1104.00	2.45	26.09

Source: NSE

Short Buildup

Scrip	Price	% Price Change	% OI Change
JUBLFOOD	917.95	-8.25	39.18
TATACHEM	332.25	-1.37	34.89
EXIDEIND	136.85	-7.31	34.16
ALBK	170.70	-3.07	30.80
ROLTA	98.00	-2.54	18.69

Source: NSE

Open Interest Losers

Short Covering

Scrip	Price	% Price Change	% OI Change
HCLTECH	405.60	1.91	-25.57
SOUTHBANK	22.55	8.67	-25.10
RELIANCE	827.55	2.76	-15.89
JETAIRWAYS	291.00	3.12	-15.62
MRPL	67.55	6.04	-15.61

Source: NSE

Long Unwinding

Scrip	Price	% Price Change	% OI Change
DRREDDY	1468.65	-2.89	-10.91
IOC	302.65	-2.06	-9.57
INFY	2271.30	-2.04	-8.18
BHARTIARTL	400.15	-2.16	-7.98
TATAPOWER	1001.65	-2.15	-7.76

Source: NSE



Outlook

Our markets gave up most of the gains made early in the week on the last day, rising 0.3-0.4% for the week. With the uncertainty surrounding (1) a liquidity crisis in the European Financial system (European banks have been withdrawing funds and depositing it with the US Fed and inter-bank lending being strained), (2) whether monetary and fiscal stimulus in the US would be adequate to stave off a possible double dip recession or near-recession level growth and (3) whether RBI would continue a hawkish stance on monetary policy given high food inflation, profit booking took place to cash on the gains made over the past few days. There were also unfounded rumours of a possible change in guard in the government which affected the sentiments. Infrastructure and capital goods had a smart rally as these were oversold and it was further supported by hopes that the land acquisition bill would ease constraints in infrastructure and economic capacity creation going forward. Mid-caps had a good rally too, playing catch-up with the run up in the large-cap stocks last week. FII net inflows were good at ₹23.6bn, whereas DII net outflows were at ~₹7.6bn. After withdrawal of ~₹94bn in August, the FII flows have quietly picked up in September.

Markets are likely to continue to follow global cues till the RBI monetary policy meeting on 16th Sept. 2011. Our investment strategy is to continue to stick to companies with quality management, good corporate governance, low debt and high focus on domestic consumption. Long term investors with some risk appetite could dabble in some infrastructure stocks with good parentage. Technically, market is likely to find support at 5020 & 4894 levels and would face resistance at 5146 & 5200 levels.

Event Calendar

Economy	Monday 12 th Sep	Tuesday 13 th Sep	Wednesday 14 th Sep	Thursday 15 th Sep	Friday 16 th Sep
Domestic	Industrial Production YoY Jul (Exp 6.20%, Prior 8.80%)		Monthly Wholesale Prices YoY Aug (Exp 9.64%, Prior 9.22%)	WPI YoY Week 03-Sep Food Articles (Prior 9.55%) Fuel Power Light (Prior 12.55%) Primary Articles (Prior 13.34%)	RBI Monetary Policy Repo Rate (Exp 8.25%, Prior 8.00%) CRR (Exp 6.00%, Prior 6.00%) Reverse Repo Rate (Exp 7.25%, Prior 7.00%)
Global	Mexico: Industrial Prod. (YoY) Jul (Exp 3.60%, Prior 3.70%) Mexico: Industrial Prod. (MoM) Jul (Prior -0.60%)	France: CPI (MoM) Aug (Exp 0.30%, Prior -0.40%) France: CPI (YoY) Aug (Exp 2.00%, Prior 1.90%) Spain: CPI (MoM) Aug (Prior -0.50%) Spain: CPI (YoY) Aug F (Prior 2.90%) UK: CPI (MoM) Aug (Exp 0.60%, Prior 0.00%) UK: CPI (YoY) Aug Exp 4.50%, Prior 4.40%	Japan: Industrial Prod. (MoM) Jul F (Prior 0.6%) Japan: Industrial Prod. YoY Jul F (Prior -2.80%) Japan: Machine Tool Orders (YoY) Aug F (Prior 15.30%) Euro Zone: Ind. Prod. wda (YoY) Jul (Exp 4.60%, Prior 2.70%) Euro Zone: Ind. Prod. sa (MoM) Jul (Exp 1.20%, Prior -0.80%) US: MBA Mortgage App. (Prior -4.90%) US: PPI (MoM) Aug (Exp -0.10%, Prior 0.20%) US: PPI (YoY) Aug (Exp 6.40%, Prior 7.20%) US: Advance Retail Sales Aug (Exp 0.20%, Prior 0.50%)	Euro Zone: ECB Publishes Sept. Monthly Report Hong Kong: Industrial Prod (YoY) 2Q (Prior 3.50%) Hong Kong: Producer Price (YoY) 2Q (Prior 8.20%) Euro Zone: CPI (MoM) Aug (Exp 0.20%, Prior -0.60%) US: CPI (MoM) Aug (Exp 0.20%, Prior 0.50%) US: CPI (YoY) Aug (Exp 3.60%, Prior 3.60%) US: Initial Jobless Claims 9-Sep (Prior 414K) US: Continuing Claims 3-Sep (Prior 3717K) US: Industrial Production Aug (Exp 0.10%, Prior 0.90%) US: Philadelphia Fed. Sep (Exp -15, Prior -30.7) Greece: Unemployment Rate 2Q (Prior 15.90%)	Euro Zone: Trade Balance sa Jul (Prior -1.6B) Euro Zone: Trade Balance Jul (Exp 2.0B, Prior 0.9B) US: U. of Michigan Confidence Sep P (Exp 56.3, Prior 55.7) Japan: Cabinet Office Monthly Economic Report

Source: Bloomberg



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