

Market Commentary

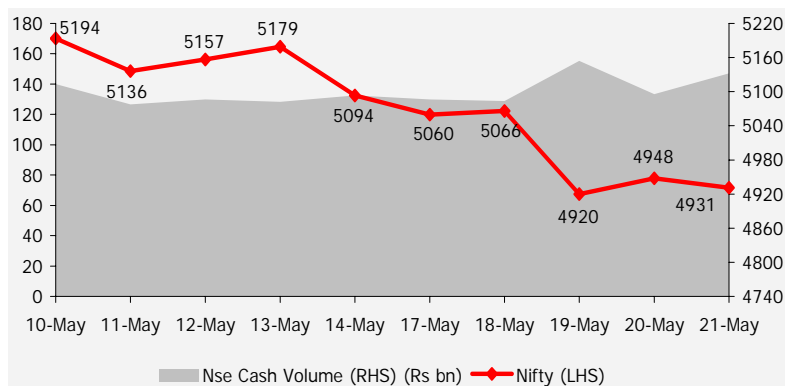
Globally, equity as an asset class continued to be under pressure. During the early part of the week, markets were down over lingering concerns on Greece's possible default and breakdown of the Eurozone. While towards the end of the week they faced pressure as the US was bogged down by more-than-expected jobless claims and the Senate passed the Finance Bill to strengthen oversight of derivative trading and ban proprietary trading at banks. US and Europe equity markets were down 5-7% while China declined 4.2%. Our indices were down 3.2%, and sectorally the high beta space of metals and mining and real estate continued to see heavy selling; they declined 6.5% and 8.8% respectively. The 3G auction brought in Rs 680bn, though not a single operator won the pan India license. The high bidding weighed down telecom stocks. The oil and gas sector was up as the government raised the price of natural gas produced by state-owned Oil and Natural Gas Corp (ONGC) and Oil India Ltd to USD 3.82 per mmBtu from USD 1.79/mmBtu, thereby affecting a hike of 113%. FIIs continued to withdraw their funds from the Indian markets with net outflow at Rs 37.2bn.

Market Statistics

Developed		% Change	
	Last Close	WTD	YTD
U.S. (S&P)*	1,072	(5.6)	(3.9)
UK (FTSE)*	4,995	(5.1)	(7.7)
Japan (Nikkei 225)	9,785	(6.5)	(7.2)
Dollar Index*	86	(0.3)	10.3
Emerging Markets		% Change	
India (Sensex)	16,446	(3.2)	(5.8)
India (Nifty)	4,931	(3.2)	(5.2)
China (Shanghai)	2,584	(4.2)	(21.2)
Russia (Micex)*	1,257	(7.0)	(8.2)
Brazil (Ibov)*	58,192	(8.2)	(15.2)
Asian Markets		% Change	
Hong Kong (HSI)	19,546	(3.0)	(10.6)
Singapore (Straits)	2,701	(5.4)	(6.8)
Korea (Kospi)	1,600	(5.6)	(4.9)
BSE Sector		% Change	
	Last Close	WTD	YTD
BSE Mid Cap	6,688	(3.7)	(0.4)
BSE Small Cap	8,415	(4.5)	0.7
Auto	7,399	(5.1)	(0.5)
Bankex	10,394	(4.2)	3.6
Capital Goods	13,386	1.2	(5.2)
Power	2,922	(3.4)	(8.4)
Realty	2,999	(8.8)	(22.2)
Technology	3,073	(3.6)	(6.2)
FMCG	2,876	(0.4)	3.0
Metal	14,861	(6.5)	(14.6)
Institutional Activities		Spot market	
		WTD	MTD
FII (Rs bn)*	(38.6)	(66.7)	220.8
MF (Rs bn)*	1.5	(7.5)	(79.1)
Commodities Update		% Change	
	Unit	Last Close	WTD
Crude Oil(NYME)**	\$/Bbl	70	(2.5)
Gold(OTC)**	\$/Oz	1,180	(4.3)
Silver(OTC)**	\$/Oz	18	(8.7)
Copper(LME)**	\$/MT	6,583	(4.5)
Aluminum(LME)**	\$/MT	1,961	(5.7)
Sugar(LIFFE)**	\$/MT	495.10	6.2

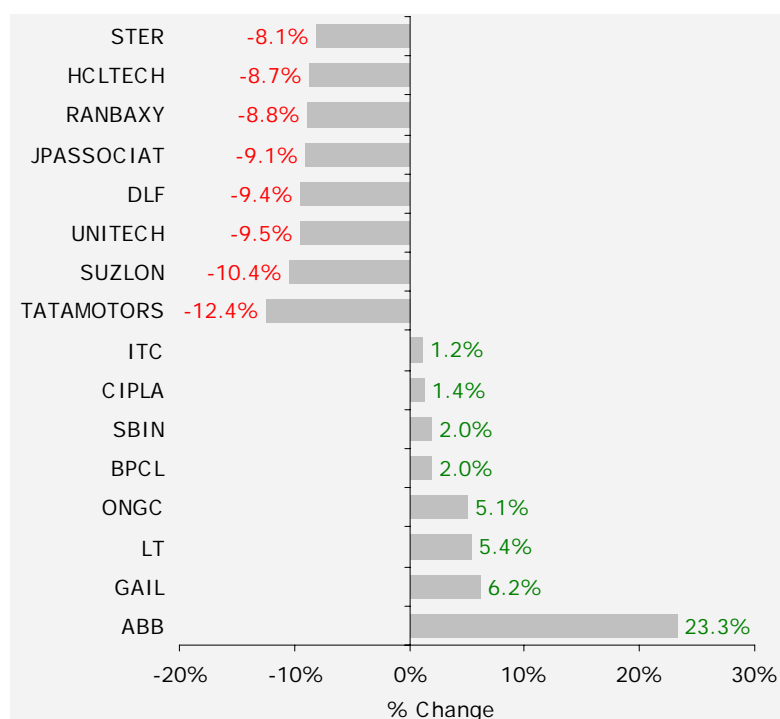
* As per Thursday closing
 ** As per Friday 16:30 hrs IST
 Source: Bloomberg

Nifty Performance



Source: NSE

Top Nifty Gainers and Losers (Weekly)



Source: NSE

Key events during the week

Macro Economic and Other News

Indian food inflation continues to accelerate

An index measuring wholesale prices of agriculture products including lentils, rice and vegetables compiled by the commerce ministry rose 16.44% in the week ended 1 May from a year earlier. It gained 16.04% the previous week.

3G auction closes without any pan India winner

The 3G auctions concluded on Wednesday raking in close to Rs 700bn for the exchequer. Bharti along with Reliance Communication (RComm) won the maximum number of circles (13) with no operator winning the pan India license. Analysts say that this is largely in line with what the industry was hinting at that operators would be choosy in bidding due to the increased prices. The 3G investments and license fee will be earning dilutive in the near term for the next three–four years along with premium amounts being charged for the same.

International News

UK trade deficit widens in March

The UK trade deficit widened in March as imports jumped the most in six months, led by demand for goods from cars to engineering equipment. The goods-trade gap was GBP 7.5bn (USD 11.1bn), compared with GBP 6.3bn in February. Imports jumped 5.2% to an 18-month high, outpacing a 1% increase in exports.

Dubai World creditors crack a deal for \$ 23.5bn debt

Dubai World, the state-owned holding company, finally reached an agreement with its creditors under which Dubai World will pay USD 4.4bn of the loans in five years and the remaining USD 10bn over eight years and convert the remaining amount into equity of Dubai World. Banks will be paid 1% interest on the loans maturing in five years. Lenders have three options under the eight-year maturities, with at least 1% interest and varying additional rates from 1.5% to 2.5% at maturity.

Corporate and other news

Abbot to acquire Piramal Healthcare for USD 3.72bn

US-pharma major Abbott on Friday announced to acquire Piramal Healthcare for USD 3.72bn (about Rs 18,000 crore) to become the largest drug manufacturer in India. Abbott said it would pay USD 2.12bn upfront and the remaining amount would be paid in four annual installment of USD 400mn for the domestic business only.

Aurobindo Pharma gets tentative approval from US FDA for Rosuvastatin Calcium tabs

Aurobindo Pharma announced that it received tentative approval for Rosuvastatin Calcium tablets 5mg, 10mg, 20mg and 40mg from the US FDA. Rosuvastatin Calcium Tablets is indicated for the treatment of high LDL cholesterol, total cholesterol and falls under cardio vascular (CVS) therapeutic category.

GCPL to acquire remaining 51% stake in Godrej Sara Lee Ltd (positive in long term)

Godrej Consumer Products Ltd (GCPL) entered into an agreement to acquire the remaining 51% stake in Godrej Sara Lee Ltd, owned by its joint venture partner Sara Lee Corp for Rs 10.55bn. The acquisition will help GCPL consolidate its position in the Indian FMCG space making it the largest home and personal care company. Along with the Megasari acquisition in Indonesia, this transaction makes GCPL as the second-largest household insecticide company in Asia (outside Japan). We view this as long-term positive for GCPL. The stock has already reacted positively, so short term upside seems to have been already captured.

ABB offers \$965 mn for more of its Indian subsidiary (Monday's price movement has factored-in the news)

ABB Asea Brown Boveri Ltd and ABB Ltd have made an open offer to the shareholders of the Indian company ABB Ltd to acquire up to 48,510,997 equity shares, being 22.89% of the share capital. The offer price is Rs 900/share. The open offer opens on 8 July 2010 and closes on 27 July 2010. Post this offer the stake of the parent would rise to 75% and would give the parent better control on the business of the company.

ICICI announces merger with Bank of Rajasthan

Bank of Rajasthan (BoR) will merge with ICICI Bank in a share swap deal where in ICICI Bank would give 25 shares for 118 shares of BoR. BoR has a book value of Rs 64 where as the price paid is close to Rs 184. This values the bank at nearly 3 times its current book value. The share swap will lead to an equity dilution of 3.07% for ICICI Bank. On the price to book this deal seems expensive however, if we look at the management statement, it will be paying close to Rs 6.5 crore for each branch and BoR has a branch network of 463 branches. Apart from this BoR's gross NPAs stand at 2.84% which is on the higher side making this deal look a little expensive on the valuation front.

Telecom operators bat for Chinese equipment suppliers

The telecom operator fraternity in India has come out in the open to back the Chinese equipment suppliers particularly stating the fact that companies like Huawei and ZTE are not only cost efficient but have also pioneered telecom equipment technology globally.

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

Macro Watch

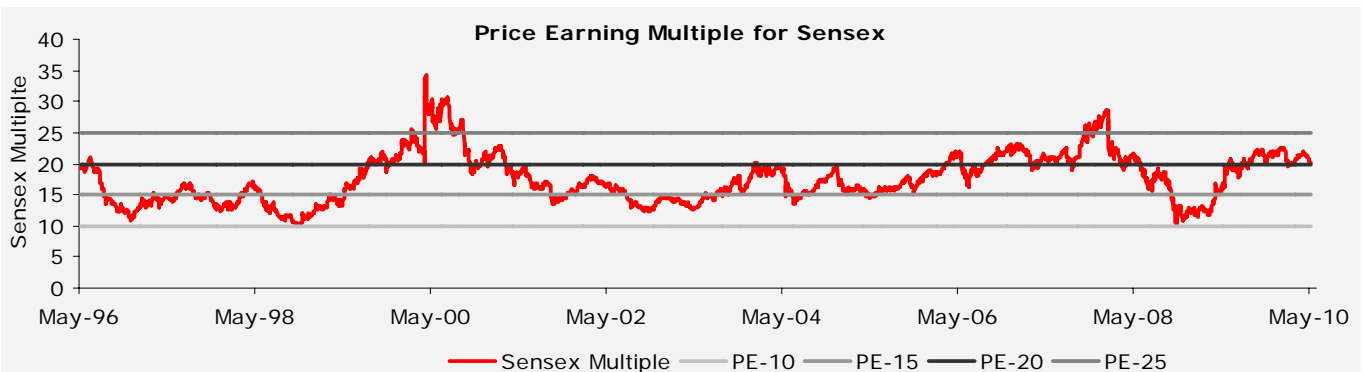
IIP growth rate and GDP growth rate



IIP in February YoY grew by 15.1% and GDP grew by 6.0% YoY in Q3 FY10

Source: Bloomberg

Sensex Valuations (Trailing Earnings)



Source: Bloomberg

Market Outlook:

Broad markets and indices would track global cues in the very short-term and are likely to move in the direction of their western counterparts. It would be a while before the out-performance of our market gets reflected. Domestically, the development on monsoons would become very important amidst the recent global financial crisis as investors are banking on the domestic consumption growth story of India. FII inflows into the emerging markets space would be keenly watched. Stability of the global financial markets would be the key factor driving reversal of flows into India.

Technically, the immediate major support exists at 4,784; market on a bounceback would find resistance at 5020 and 5115.

Weekly outlook

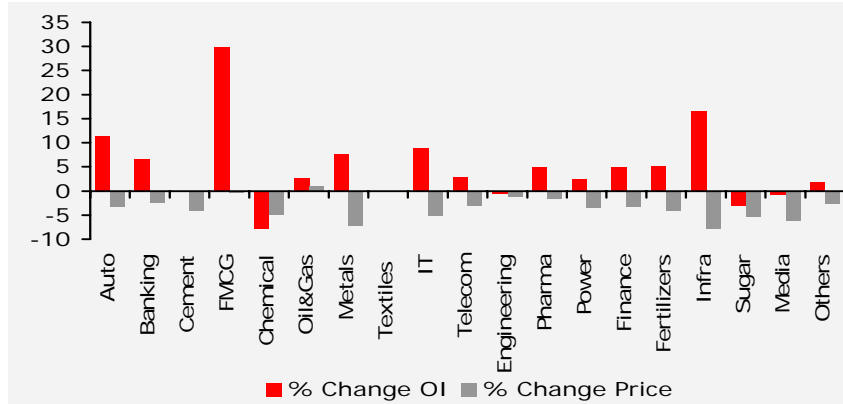
Scrip	Price Change (%)	OI Change (%)	Vol Change (%)
Nifty	-3.05	5.46	25.20
Bank Nifty	-4.46	-17.63	-2.37
CNX IT	-4.30	-15.98	-63.28

Source: nseindia.com

Highlights:

- Selling action seen in Nifty
- Long Unwinding seen in Bank Nifty and CNX IT

Sectoral Movement

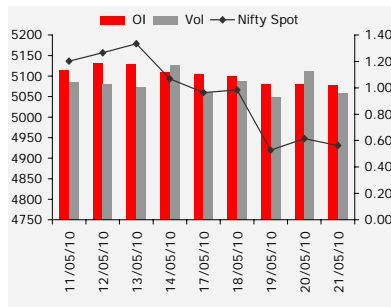


Source: nseindia.com

Highlights:

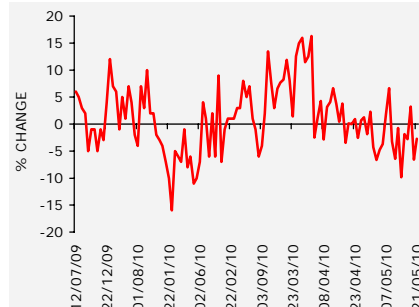
- Selling action seen in Auto, Banking, Metals, IT, Pharma, Finance, Fertilizers and Infra.
- Long Unwinding seen in Chemicals and Sugar.

PCR Movement



Source: nseindia.com

Premium/Discount



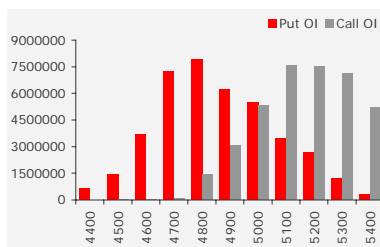
Source: nseindia.com

Highlights:

- PCR for Nifty based on OI was down at 1.02 & on volumes was up at 0.96 respectively over previous week
- Nifty future trades at a discount of around 2-3 points to the Spot

Nifty Option Tracker

May expiry



Source: nseindia.com

May expiry

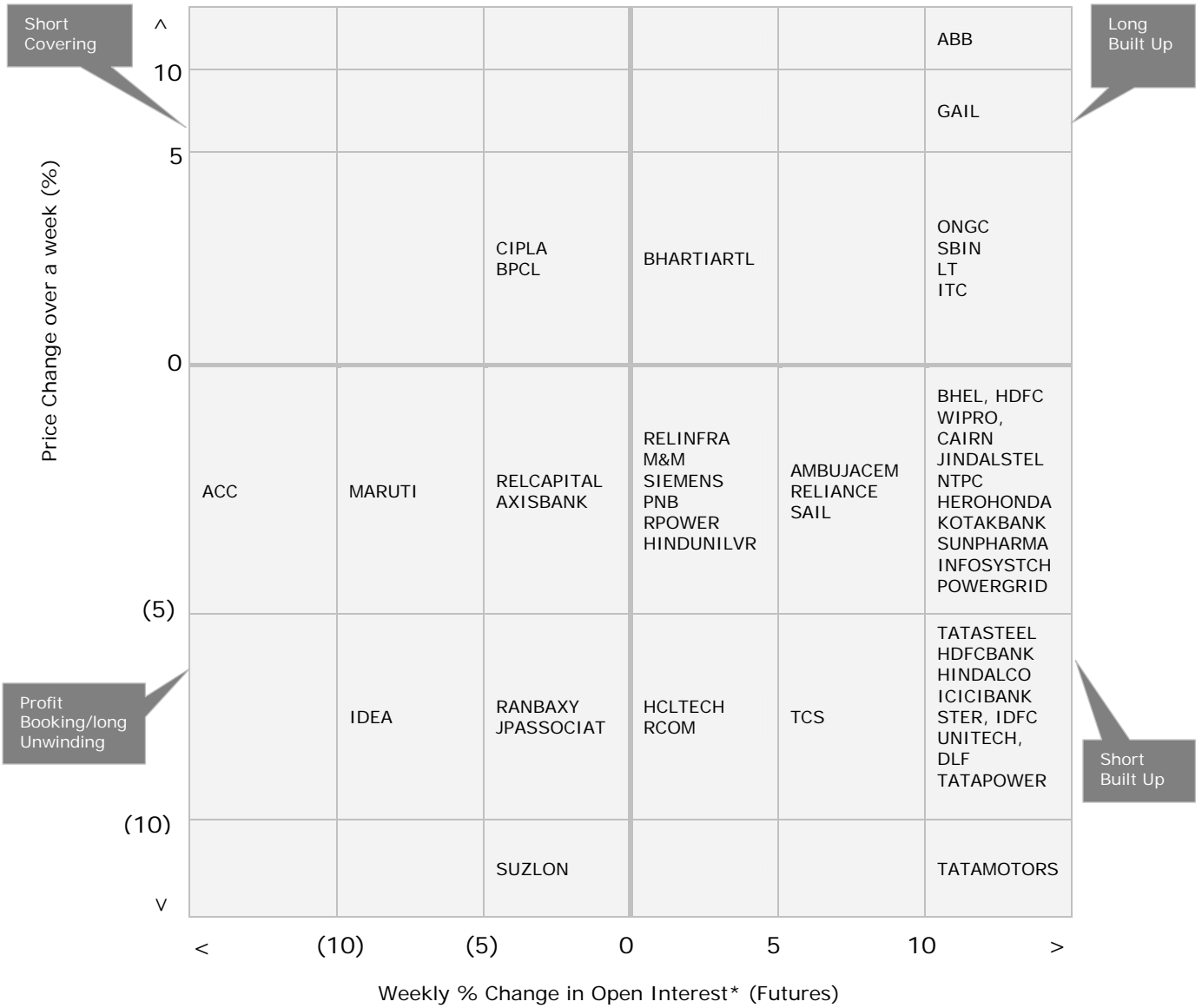
Strike	CE/PE	IV	Premium
5100	CE	22.99	8.80
5000	CE	25.30	34.20
4900	CE	26.16	80.10
4900	PE	26.31	53.45
4800	PE	28.43	24.60
4700	PE	30.57	10.50

Source: bloomberg

Highlights:

- High activity seen at strikes of 5100 & 5200 in calls & 4800 & 4700 in puts for May series
- Supports seen at 4800 and resistance seen at 5100 for May series

Nifty Movers and Shakers



* Summation of three series of future

Events to Watch

Monday	Tuesday	Wednesday	Thursday	Friday
24-May Japan All industry activity index for March	25-May US Consumer confidence for May	26-May Singapore Industrial production for April US ABC Consumer confidence for May 23 US New home sales for April	27-May US Initial Jobless Claims for May 22	28-May Japan Jobless rate for April Japan National CPI for April Singapore
31-May India Quarterly GDP for Q1 US UK	1-June India Exports & Imports data for April Japan Vehicle sales for May	2-June US ABC Consumer confidence for May 30	3-June US Total vehicle sales for May US Initial jobless claims for May 29	4-June US Unemployment rate for May
7-June	8-June	9-June US ABC Consumer confidence for June 6 UK Nationwide consumer confidence for May UK Total trade balance for April	10-June Japan Consumer confidence for May US Trade balance for April US Initial jobless claims for June 5 UK BoE rate announcement	11-June India Industrial production for April UK Industrial production for April
14-June India Wholesale prices for May Hong Kong Industrial production for Q1	15-June UK Consumer price index for May	16-June US ABC Consumer confidence for June 13 US Industrial production for May UK Jobless claims change for May China Hong Kong	17-June Hong Kong Unemployment rate for May US Consumer price index for May US Initial jobless claims for June 12	18-June

Source: Bloomberg.

Red Font: Stock Exchange Holiday

Our Current Recommendations

Date	Stock	Product	Reco	Reco Price	Target Price	Closing Price (21 May 10)
13-Jan-09	Rain Commodities	Smart Idea	Buy	77.1	243.0 *	150.0
13-Feb-09	Hind.Dorr-Oliver	Smart Idea	Accumulate	13.5	149.1*	119.4
12-Mar-09	Noida Tollbridge	Smart Idea	Hold	20.7	44.6	27.4
23-Mar-09	Mercator lines	Smart Idea	Accumulate	25.6	44.6 *	46.8
11-May-09	Piramal Healthcare	Smart Idea	Accumulate	252.0	418*	502.8
15-May-09	PVR	Smart Idea	Hold	83.0	168	150.4
19-May-09	INOX	Smart Idea	Buy	38.0	69	56.3
21-May-09	Bharat Electronics	Smart Idea	Buy	1233.0	1765.0 *	1733.8
26-May-09	Crompton Greaves	Smart Idea	Accumulate	257.0	434.0 *	228.1
26-May-09	Siemens India	Smart Idea	Sell	455.0	-271	660.8
02-Jun-09	Lupin	Smart Idea	Buy	810.0	1726 *	1814.2
19-Jun-09	Sadbhav Engg.	Smart Idea	Hold	625.0	747	1277.8
10-Jul-09	Blue Star Ltd	Smart Idea	Accumulate	333.0	368.0 *	381.1
23-Jul-09	Sesa Goa	Smart Idea	Buy	227.2	537 *	340.7
24-Jul-09	Panacea Biotec	Smart Idea	Buy	124.7	252*	169.4
28-Jul-09	S A I L	Smart Idea	Accumulate	175.5	182.3 *	203.0
04-Aug-09	Mercator lines	Update	Accumulate	44.6	68 *	46.8
18-Aug-09	Rico Auto Industries	Smart Idea	Buy	26.0	37	26.2
19-Aug-09	Godawari Power & Ispat	Smart Idea	Buy	109.2	328*	215.9
19-Aug-09	Areva T&D	Smart Idea	Hold	295.0	336	238.6
20-Aug-09	Cosmo Films	Smart Idea	Buy	96.5	187	112.2
21-Aug-09	Sanghvi Movers	Smart Idea	Accumulate	145.8	243*	193.9
02-Sep-09	Patel Engg.	Smart Idea	Buy	437.8	558	388.2
18-Sep-09	Swaraj Engines	Smart Idea	Buy	302.0	450	313.1
04-Sep-09	JK Tyre & Industries	Smart Idea	Buy	92.0	222 *	174.2
06-Oct-09	BEML Ltd	Smart Idea	Buy	1071.0	1,372.00	995.4
16-Oct-09	Sarda Energy and Mineral	Smart Idea	Book Profit	195.4	292.2*	248.7
12-Nov-09	Dishman Pharmaceuticals	Sector Report	Accumulate	219.0	252*	222.5
12-Nov-09	Divi's Laboratories Ltd	Sector Report	Accumulate	581.0	654*	690.5
12-Nov-09	Jubilant Organosys Ltd	Sector Report	Buy	273.6	398*	340.1
16-Nov-09	McLeod Russel India Ltd.	Smart Idea	Hold	235.0	243*	195.6
25-Nov-09	Jagran Prakashan Limited	Smart Idea	Accumulate	119.1	143	107.8
21-Dec-09	DCHL	Smart Idea	Buy	158.0	202	123.8
23-Dec-09	Usha Martin	Smart Idea	Buy	73.0	120*	76.9
04-Jan-10	Zylog Systems	Smart Idea	Buy	354.0	475	463.5
08-Jan-10	Nectar Lifesciences	Smart Idea	Buy	34.0	55.1*	37.8
25-Jan-10	HeidelbergCement India Ltd	Smart Idea	Buy	45.9	58	47.2
10-Feb-10	Subros Limited	Smart Idea	Buy	46.6	61.6	43.6
15-Feb-10	C&C Constructions Limited	Smart Idea	Buy	228.7	340	229.1
15-Mar-10	Adhunik Metalik Limited	Smart Idea	Buy	117.4	164.3	99.8
26-Mar-10	Firstsource Solutions Limited	Smart Idea	Buy	28.9	40	26.3
23-Apr-10	DB Corp Ltd	Smart Idea	Accumulate	252.1	292	235.0
19-May-10	NIIT Technologies Limited	Smart Idea	Buy	189.2	290	184.2

Source: HISL Advisory, NSE, BSE.

* Revised Target Price.

HSBC Recommendations

Sr. No.	Name of Company	Recommendation	Target Price (Rs)	Closing Price (21 May 10)
1	Indiabulls Real Estate	Overweight (V)	252	154
2	Kalpataru Power Transmiss	Overweight (V)	1,150	1030
3	Jsw Steel Ltd	Overweight (V)	1,265	1085
4	HCL Technologies	Overweight (V)	455	367
5	MindTree Ltd	Overweight (V)	750	537
6	Jindal Saw Ltd	Overweight (V)	260	187
7	Shree Renuka Sugars	Overweight (V)	335	53
8	Cesc Ltd	Overweight (V)	518	368
9	Housing Development & Inf	Overweight (V)	419	214
10	Shree Cements	Overweight (V)	1,748	1997
11	Hero Honda	Overweight (V)	1,980	1855
12	DLF Ltd	Overweight (V)	386	269
13	Gitanjali Gems Ltd	Overweight (V)	121	96
14	Infosys Technologies	Overweight (V)	3,100	2582
15	Maruti Suzuki India Ltd	Overweight (V)	1,880	1239
16	Jyoti Structures Ltd	Overweight (V)	170	133
17	Balrampur Chini Mills Ltd	Overweight (V)	185	73
18	TCS	Overweight (V)	890	719
19	HDFC Bank	Overweight (V)	2,068	1827
20	Simplex Infrastructure	Overweight (V)	606	474
21	Bajaj Auto	Overweight (V)	1,900	2099
22	Tata Power	Overweight (V)	1,525	1260
23	Union Bank Of India	Overweight (V)	335	290
24	Mphasis	Overweight (V)	770	636
25	Nagarjuna Construction	Overweight (V)	186	158
26	Oil & Natural Gas Corp.	Overweight (V)	1,425	1095
27	IRB	Overweight (V)	297	264
28	Welspun Gujarat Stahl Roh	Overweight (V)	335	231
29	ICICI Bank	Overweight (V)	1,025	835
30	Bajaj Hindusthan	Overweight (V)	310	102
31	Axis Bank Ltd	Overweight (V)	1,389	1216
32	Triveni Engineering & Ind	Overweight (V)	160	98
33	Canara Bank	Overweight (V)	445	413
34	Nestle India	Overweight (V)	2,950	2788
35	ITC	Overweight (V)	295	271
36	BHEL	Overweight (V)	2,850	2289
37	Dabur India	Overweight (V)	190	183
38	Asian Paints	Overweight (V)	2,125	2022

Source: HSBC Securities and Capital Markets (India) Private Limited

Note: We have included stocks with overweight only.

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