

Sector updates

December 31, 2009

Oil Monthly Update

December 2009

Crude oil prices fall on a mom basis

Crude oil prices (WTI) were lower on a mom basis by 5.1%, but were higher by 71% yoy. In fact, crude oil prices are currently hovering around the US\$80/bbl mark. The current surge can be attributed to a strong winter season in the US translating into strong demand. Spread between Arab Light and Arab Heavy was higher in the current month by about US\$0.5/bbl, while the spread between Brent and Maya rose by US\$1.1/bbl.

Refining margins recover sequentially

Our calculated Singapore GRMs rose by about US\$1/bbl mom but were lower by US\$0.8/bbl yoy driven by fall in product spreads. On a sequential basis, fall of US\$0.7/bbl in diesel spread was more than offset by US\$3.5/bbl increase in naphtha spread. On a yoy basis, only naphtha spreads were higher while diesel and jet-kero spreads were lower by US\$11.2/bbl and US\$10.5/bbl respectively. On a yoy basis, situation was worsened for complex refiners on account of falling differential between sweet and sour crude varieties, along with lower spreads between heavy and light crude oils.

Under recoveries fall for all products except LPG

With lower crude oil prices sequentially, marketing margins for kerosene, diesel and petrol increased on a mom basis. While petrol under recoveries averaged Rs3/litre, diesel under recoveries was at Rs2/litre. Amongst cooking fuels, LPG losses increased to Rs263/cylinder, while Kerosene under recoveries was lower at Rs17/litre.

OPEC and IEA continue to upgrade demand estimates

IEA recently raised its global oil demand estimates for 2009 from 84.8mbpd to 84.9mbpd. For 2010, IEA raised its estimates from 86.2mbpd to 86.3mbpd. OPEC has maintained its estimates for 2009 at 84.31mbpd. For 2010, OPEC has raised its demand estimates from 85.07mbpd to 85.13mbpd. Since July-09 IEA has raised its demand estimates for 2009 and 2010 by 1.1mbpd each, while OPEC has raised by 0.47mbpd and 0.79mbpd respectively.

Key statistics

Price (US\$/bbl)	Dec-09	Dec-08	yoy (%)	Nov-09	mom (%)
WTI	74.0	43.3	70.8	78.0	(5.1)
Brent	74.7	43.7	70.8	76.5	(2.4)
Dubai	75.2	41.3	81.9	77.5	(3.0)
Spreads (US\$/bbl)	Dec-09	Dec-08	yoy	Nov-09	mom
Arab Light- Heavy	1.8	4.9	(3.2)	1.3	0.5
Brent - Maya	6.3	10.7	(4.4)	5.2	1.1
Gasoline - Dubai	3.2	(2.6)	5.8	2.4	0.9
Diesel - Dubai	5.8	17.0	(11.2)	6.5	(0.7)
Jet Kero - Dubai	7.7	18.1	(10.5)	7.3	0.4
Naphtha - Dubai	1.6	(10.5)	12.1	(1.9)	3.5
Singapore GRMs	1.3	2.1	(0.8)	0.2	1.0
Marketing margins	Dec-09	Dec-08	yoy (%)	Nov-09	mom (%)
Petrol (Rs/litre)	(3)	9	NA	(4)	(7.4)
Diesel (Rs/litre)	(2)	3	NA	(3)	(26.9)
SKO (Rs/litre)	(17)	(16)	8.9	(18)	(0.9)
LPG (Rs/cylinder)	(263)	(22)	1,117.7	(247)	6.6

Source: Bloomberg, India Infoline Research

Commodity Monthly Update

December 2009

The unprecedented run-up in base metals extended further in December, with most of the base metals ending at their respective year-highs. Most of the base metals have doubled from their 2008-09 lows and the rally shows no signs of exhaustion. Over the last one month, the performance of the base metals pack has surprised many as they managed to end on a strong note despite a stronger dollar and rising concerns over the state of a few European economies. Global inventory levels too have gradually inched up in the Q4 2009. Spot iron ore prices have rallied sharply over the last 45 days, rising towards its 2009 high. The rally in prices has been led by a surge in offtake by Chinese steel manufacturers and on expectations that contract prices for 2010 will be 20-30% higher than 2009. We believe that a strong demand recovery in the steel market in 2010 and a tight iron market will lead to iron ore contract price being settled at 30% higher than benchmark contracts in 2009.

Base metals end at their year-highs

The unprecedented run-up in base metals extended further in December, with most of the base metals ending at their respective year-highs. On a yoy basis, copper registered the highest gain followed by lead and zinc. Aluminium remained the underperformer amongst the base metals pack, registering gains of 45.4% yoy. Over the last one month, the performance of the base metals pack has surprised many as they managed to end on a strong note despite a stronger dollar and rising concerns over the state of a few European economies. Inventory levels of copper and zinc have witnessed a gradual rise over the last two months as strong prices of both the metals led to a rise in production levels globally.

Iron ore prices end firmly above the US\$100/ton mark

Spot iron ore prices have rallied sharply over the last 45 days, rising towards its 2009 high. The rally in prices has been led by a surge in offtake by Chinese steel manufacturers and on expectations that contract prices for 2010 will be 20-30% higher than 2009. The rally in spot prices has also been due to the restricted supply in the domestic market. Chinese iron ore imports continued to surge, registering a growth of 57% on a yoy basis and 10.4% on a mom basis. We believe that contract prices for 2010 will be 30% higher on a yoy basis, which is lower than the current spot price. Meanwhile, steel prices remained subdued over the last one month and Chinese HRC export prices remained below the US\$500/ton mark. The jump in global production has capped the upside for steel prices in the near term. November global steel production was 24% higher on a yoy basis.

Key statistics

	Dec-09	Dec-08	yoy (%)	Nov-09	mom (%)
Price * (US\$/ton)					
Aluminium	2,219	1,527	45.4	2,003	10.8
Copper	6,965	2,810	147.9	6,825	2.1
Zinc	2,503	1,127	122.1	2,200	13.7
Steel China HRC export	485	530	(8.5)	485	-
Iron ore China (cfr)	110	81	36.3	105	5.0

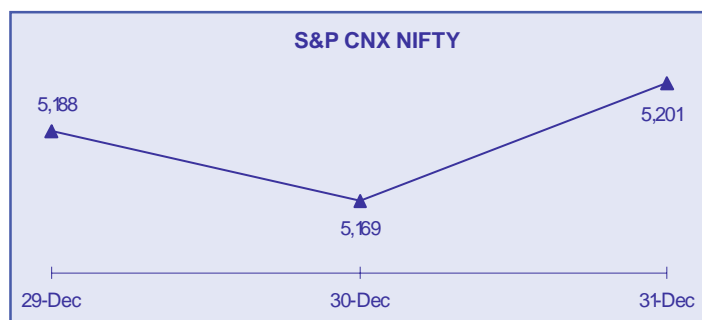
Source: Bloomberg, India Infoline Research

* Prices as on 23rd December, 2009

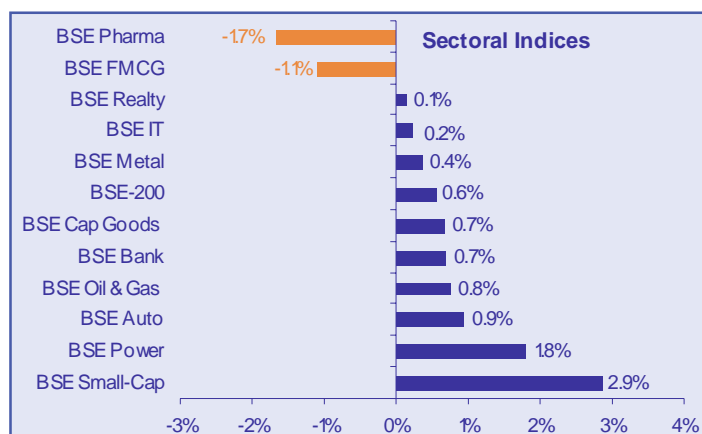
India Infoline Weekly Wrap

Market review

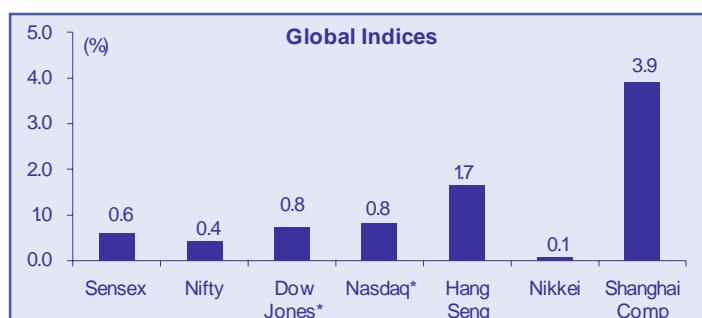
Though the Nifty made a new high for 2009 during the week, the markets were pretty much in a holiday mood. The market fell on Tuesday, was flat on Wednesday and closed up on Thursday. Factors like rising inflation, an impending hike in interest rates and high fiscal deficit were ignored by the bulls. Finally, the BSE Sensex added 0.6% and NSE Nifty rose 0.4% during the week.



Small-cap and Mid-cap stocks continued to hog the limelight this week as traders capitalised on a shallow market. Power stocks had a good run led by Reliance Power after the company started generating power at its Rosa project on Dec. 28. NTPC gained after reports it may get to sell 10% of power at market rates. Auto shares also advanced.



The Dow, S&P 500 and Nasdaq hit fresh 2009 highs on reports of improved retail sales and rising consumer confidence. Globally, the general sentiment for equities was positive. Trading was subdued amid thin volumes as several market players opted for longer year-end holidays. Japan's Nikkei eked out a 4-month high.



*As per previous close

FII & MF activity

(Rs cr)

Date	FII Net Investment	MF Net Investment
23-Dec	1,354	101
24-Dec	811	145
29-Dec	385	201
-	-	-
-	-	-
Total 2009	84,071	(4,454)

BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Hindalco Inds	161	12.9	Apollo Hospitals	656	10.5
Reliance Infra	1,147	10.7	Videocon Inds	241	7.1
NTPC	236	9.7	Sintex Indus	273	6.3
Tata Motors	792	9.1	Cummins	428	5.6
M&M	1,081	7.0	Castrol	606	5.6

BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Dr Reddy's Labs	1,147	(5.0)	GT Offshore	472	(16.9)
Ranbaxy Labs	518	(1.0)	Amtek Auto	173	(4.9)
-	-	-	Piramal HC	372	(4.6)
-	-	-	DCHL	164	(3.9)
-	-	-	OBC	250	(3.9)

Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
24-Dec	CPR Cap	ITI Ltd	S	1.6	51
29-Dec	LIC	Amtek Auto	B	24.0	168
29-Dec	Amif I Ltd	Gammon Infra	S	151.1	20
30-Dec	Lotus Global	Asian Oil Field	B	1.5	64
-	-	-	-	-	-

Insider trades

Company	Name	B/S	Qty (€000)
BSEL Infra	Daksha Kanakiya	S	211.7
HCL Tech	Ajai Chowdhry	S	100.0
Easun Reyrolle	K Bala	B	50.0
CCCL	S Siva	B	5.0

Book closures and record dates

Company	Date	Purpose
Avaya Global	4-Jan-10	Dividend
Lanco Infra	4-Jan-10	Stock Split
Titagarh	7-Jan-10	Amalgamation
Balrampur Chini	12-Jan-10	Dividend

India Infoline Weekly Wrap

Technical ideas

Videocon Industries BUY CMP Rs241

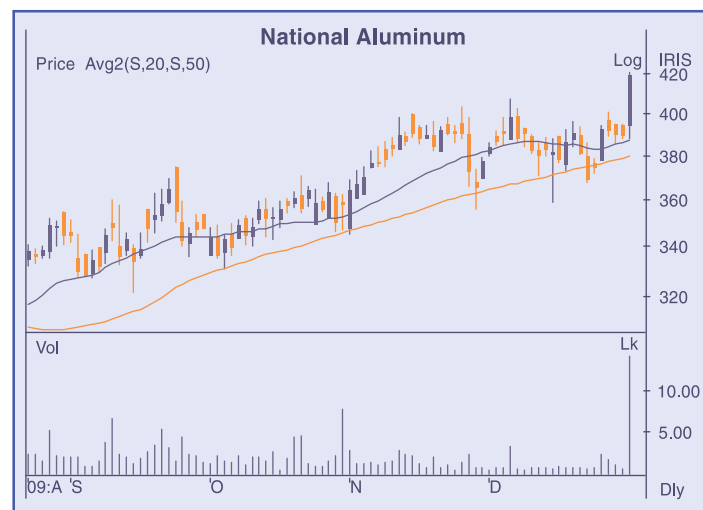


The stock had been trading within a Channel of Rs232-211 in the past one month. The channel is a corridor, within which the price keeps fluctuating within the context of the upper and the lower boundary line. Generally, a breakout on either side (Up/Down) sets the trend for the future.

On Thursday, the stock gave an upside breakout. This was accompanied by smart surge in volumes. We expect the rangebound trading to come to an end and will resume its uptrend. The stock rallied by 6% during Thursday confirming the bullish set up. Moreover, the stock has given a close above its 20-DMA.

We recommend traders to buy the stock in the range of Rs236-245 with a stop loss of Rs224 for target of Rs265 and Rs270.

National Aluminum BUY CMP Rs418



On the daily chart, the stock has given a trendline breakout after closing at its 52-week high. The stock has rallied sharply over the past few weeks holding on to its short-term support trendline. This week, we saw Nalco gaining fresh upside momentum after crossing over its stiff technical resistance levels of Rs404-407 accompanied by high volumes.

On Thursday, the stock rallied by 7% in a rangebound market, confirming the bullish set up. The other supportive technical oscillators RSI and Stochastic are exhibiting positive divergence which signifies the up move may extend to the levels of Rs460.

Based on above observations, **we recommend high risk traders to buy the stock in the range of Rs410-423 for target of Rs455 and Rs465. It is advisable to maintain a stop loss of Rs400 on all long positions.**

Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
BEL	1.9	21.7	301.1
Praj Ind	4.8	11.9	183.6
Opto Circuit	1.0	9.4	120.3
Ashok Ley	1.6	8.7	94.2
Neyveli Lignite	1.6	8.1	154.8

Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Federal Bank	(0.9)	35.2	73.0
Tata Com	(1.8)	25.4	10.3
Jindal Steel	(1.4)	20.3	(11.4)
Orient Bank	(1.5)	19.3	117.3
APIL	(0.6)	17.1	2.1

Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Neyveli Lignite	153	147	15.6	8.2
SBI	2,269	2,183	31.3	22.0
Indusind Bank	143	138	23.7	10.4
Bharat Forge	272	266	18.7	5.3
Bank of Baroda	514	505	11.9	6.2

Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Orchid Chem	184	195	33.9	84.7
Amtek Auto	174	182	11.9	8.9
Gammon India	226	235	1.7	5.0
Cipla	335	346	18.0	25.6
Dr Reddy's Labs	1,147	1,176	3.6	5.7

India Infoline Weekly Wrap

Mutual fund round-up

India Infoline picks

Mutual Funds	Assets (Rs Cr)	NAV (Rs)	Absolute return (%) as on December 30, 2009							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
Birla SL Frontline Equity Fund (G)	1,444	79.3	(0.1)	1.2	5.9	25.6	89.2	(2.5)	55.9	231.1
DSP-BR Equity Fund - RP (G)	1,552	14.6	0.6	2.8	7.9	31.0	89.5	(4.7)	--	--
HDFC Prudence Fund (G)	3,314	174.0	0.6	1.4	8.1	27.6	84.6	6.8	52.5	201.3
ICICI Prudential Dynamic Plan (G)	1,753	91.7	0.8	3.8	9.4	31.5	79.4	(1.0)	38.1	249.8
ICICI Prudential Tax Plan (G)	972	120.9	0.9	4.6	12.0	40.2	110.6	(7.4)	28.9	178.0

Fund this week: ICICI Prudential Dynamic Plan

Fund snapshot		Asset allocation (%)	
Fund Manager	Sankaran Naren	Equity	84.0
Latest NAV	Rs91.7	Debt	0.0
NAV 52 week high/low	Rs92/44	Cash/call	16.0
Latest AUM (cr)	Rs1,753	Top 5 holdings (%)	
Type	Open-ended	Reliance Inds.	10.0
Class	Equity - diversified	Infosys Tech.	8.5
Options	Growth & dividend	Bharti Airtel	5.5
Min investment	Rs5,000	TCS	4.2
Entry load	Nil	Cadila Healthcare	4.0
Exit load	1%<1yr	Top 3 sectors (%)	
Benchmark	S&P Nifty	IT - Software	14.3
No. of stocks	48	Refineries	10.0
Expense ratio	1.9%	Pharmaceuticals	9.3

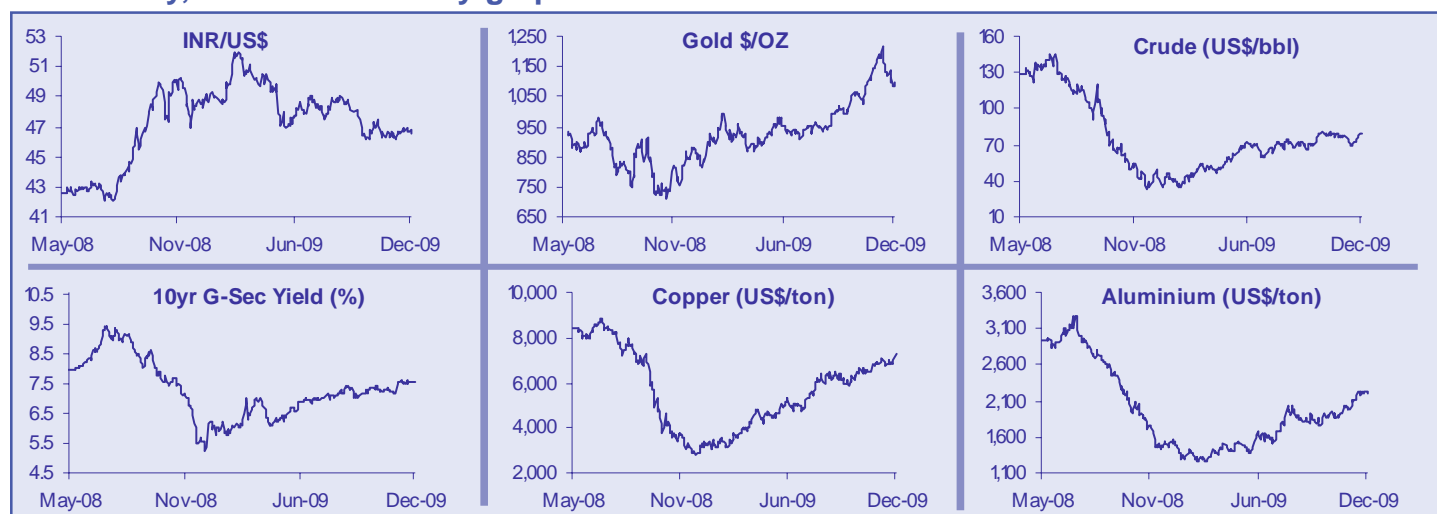
NFO update

Fund Name	Close	Type	Class
FT FTF - Sr XIII - 3Yrs - Plan A	20-Jan	CE	Debt - FMP
-	-	-	-
-	-	-	-

Dividend update

Mutual Fund	Dividend %	Record date	Class
JP Morgan India Alpha Fund	1.0	04-Jan	Equity - Div
JM Interval Fund - Qrtly 2	100.0	04-Jan	Debt - FMP
-	-	-	-

Commodity, debt and currency graphs



* As per previous close

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