



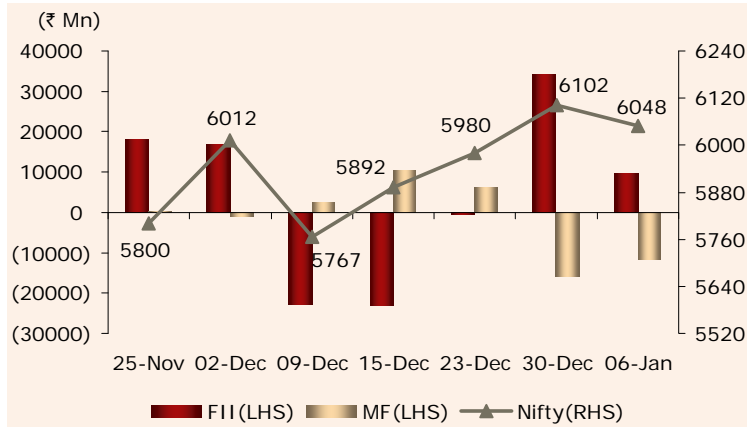
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## Major Event of the Week

Food Inflation increased to 18.3%, highest in 23 weeks.

## Nifty & Institutional Flow



Source: NSE  
Note: As per Thursday closing

## Top Nifty Movers Shakers

<b>Gail India</b> 2.3% ↑	<b>Hcl Tech</b> 2% ↑	<b>Tata Power</b> 1.7% ↑	<b>Sun Pharma</b> 1.7% ↑
<b>Reliance Ind</b> 0.6% ↑	<b>HUL</b> 0% ↑	<b>Power Grid</b> (0.5%) ↑	<b>Jindal Steel &amp; Power</b> (0.5%) ↑
<b>Ambuja Cement</b> (10%) ↓	<b>Tata Motors</b> (9%) ↓	<b>Icici Bank</b> (8.4%) ↓	<b>DLF</b> (7.9%) ↓
<b>IDFC</b> (7.5%) ↓	<b>SBI</b> (7.5%) ↓	<b>Unitech</b> (7.4%) ↓	<b>Acc Ltd</b> (6.8%) ↓

Source: NSE

Developed Equity Markets	Last Close	% Change	
		WTD	YTD
U.S. (S&P)*	1,274	1.3	1.3
UK (FTSE)*	5,988	1.5	1.5
Japan (Nikkei 225)	10,541	3.1	3.1

### BRIC Equity Markets

India (Sensex)	19,692	(4.0)	(4.0)
India (Nifty)	5,905	(3.7)	(3.7)
China (Shanghai)	2,839	1.1	1.1
Russia (Micex)*	1,688	0.0	0.0
Brazil (Ibov)*	70,579	1.8	1.8

### Asian Equity Markets

Hong Kong(HSI)	23,687	2.8	2.8
Singapore (Straits)	3,261	2.2	2.2
Korea (Kospi)	2,086	1.7	1.7

### BSE Sector

	Last Close	% Change	
		WTD	YTD
BSE Mid Cap	7,471	(4.3)	(4.3)
BSE Small Cap	9,363	(3.2)	(3.2)
Auto	9,486	(7.3)	(7.3)
Bankex	12,512	(6.5)	(6.5)
Capital Goods	14,682	(4.8)	(4.8)
Power	2,929	(2.0)	(2.0)
Realty	2,666	(6.7)	(6.7)
Technology	3,936	(2.7)	(2.7)
FMCG	3,642	(1.1)	(1.1)
Metal	16,944	(3.7)	(3.7)

### Institutional Activity

	Spot market		
	WTD	MTD	YTD
FII (Rs bn)*	15.2	9.0	9.0
MF (Rs bn)*	(12.8)	(11.9)	(11.9)

### Commodities Update

	Unit	Close	% Change	
			WTD	YTD
Crude Oil(NYME)**	\$/Bbl	89	(2.6)	(2.6)
Gold(OTC)**	\$/Oz	1,358	(4.4)	(4.4)
Silver(OTC)**	\$/Oz	28	(8.2)	(8.2)
Copper(LME)**	\$/MT	9,491	(1.7)	(1.7)
Aluminum(LME)**	\$/MT	2,506	1.8	1.8
Sugar(LIFFE)**	\$/MT	746	(1.5)	(1.5)

### Currency

	Close	% Change	
		WTD	YTD
INR/USD**	45.5	(1.7)	(1.7)
USD/EURO**	1.3	3.1	3.1
USD/JPY**	83.5	(2.9)	(2.9)

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



### Top Corporate News during the week

#### Govt defers decision on urea decontrol – Negative in short term for industry

The government has deferred its decision to free the prices of urea for now and bringing it under the Nutrient Based Subsidy (NBS) policy regime even as a panel of secretaries has been asked to work out a viable model for decontrolling the prices. Now, it is expected that there will be some announcement during budget and increase in urea price is also likely. We expect the reforms to place some times later, otherwise all the expansion and investment in the sector would come to halt and there will be increase in dependence on imports. The news is negative in short term for all the urea manufacturers.

#### L&T to be split into nine independent entities; positive in medium to long term.

L&T Chairman AM Naik has kicked off a restructuring plan that will divide the ₹370bn engineering and infrastructure behemoth into nine virtual companies. Each of these, being called 'independent companies', will have a full-fledged CEO, CFO and HR head, and will manage its own profit and loss account. Each will even have its own board of directors with at least three independent directors. Power, hydrocarbon, machinery & product, switchgear, heavy engineering, infrastructure, building & factories, metals & minerals and electrical businesses make up the nine independent companies. Mr. Naik also indicated that some of these independent companies could be spun out of L&T and listed on the bourses before 2015. The news is positive for the company since the restructuring exercise will make the job easier for his successor by streamlining L&T's complex web of 64 businesses and secondly boost the company's valuations (value unlocking).

#### Changes in Defence Procurement Policy; Major beneficiaries are Pipavv Shipyard, L&T and BEL

The indigenous aerospace and internal security industry received a major boost, as the government announced major changes in its defence procurement policy that are likely to encourage investments worth billions of dollars in these sectors. Under the Defence Procurement Policy (DPP), 2011, the scope of offsets has been enhanced to "include civil aerospace, internal security, training within the ambit of the eligible products and services for discharge of offsets obligations". Policies regarding the ship-building procedures have also been refined with an aim to encourage participation of private shipbuilding industry in India in defence contracts. We believe the change in policy is positive development for the companies like Pipavv Shipyard, L&T and BEL.

#### Suzlon bags ₹ 8.6bn order from Hindustan Zinc; positive in short term.

Suzlon won an ₹ 8.6bn order from Hindustan Zinc to set up wind farms which will together generate 150 megawatt (MW). The project entails setting up 150 mw capacity in Karnataka, Maharashtra, Rajasthan and Tamil Nadu by September, besides operating and maintaining the mills. First 50 MW will be completed by March and the remaining by September, the company said, adding the output will be purchased by discoms of the respective states under a long-term PPA (power purchase agreement). We believe the news to be positive for the company.

### Macro Economy & Other News

#### Domestic

##### Indian Economy will grow 8.4% for next 5 yrs: Crisil

Strong domestic demand will enable the Indian economy to register an average annual growth of 8.4% during next five fiscals, a report by ratings firm Crisil. The Economy faced five key constraints which if addressed would accelerate growth to 10% annually on a sustained basis.

##### Food inflation rose to 18.3%

Food inflation rose to 18.3% for the week ended Dec 25, its highest level in 23 weeks. Onion prices rose 23.1% from the previous week, followed by other vegetables at 16.22%

##### Forex reserves slips below external debt after 7 yrs: FinMin

After a gap of seven years, India's foreign exchange reserve slipped below its total external debt during the qtr ended Sep 2010. The external debt was \$295.85bn exceeding the forex reserve by about \$ 3bn.

#### International

##### China manufacturing growth slows as Interest Rates Rise to Curb Inflation

China's manufacturing grew at the weakest pace in three months in Dec after the government tightened monetary policy to restrain inflation. The Purchasing Managers' Index fell to 53.9 from 55.2 in Nov the first decline in five months.

##### UK manufacturing activities at 16-yr high

UK manufacturing expanded at the fastest pace in 16 years in Dec10 as exports drove orders suggesting the economic recovery maintained momentum last qtr. The Markit/Chartered Institute of Purchasing & Supply Purchasing Managers' Index came in at 58.3 up from a downwardly revised 57.5 in Nov10

##### U.S. Service Sector Expands At Faster Rate in December

The ISM for non-manufacturing index rose to 57.1 in Dec from 55.0 in Nov with a reading above 50 indicating growth in the service sector. The business activity index jumped to 63.5 from 57.0 while the new orders index rose to 63.0 from 57.7.

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

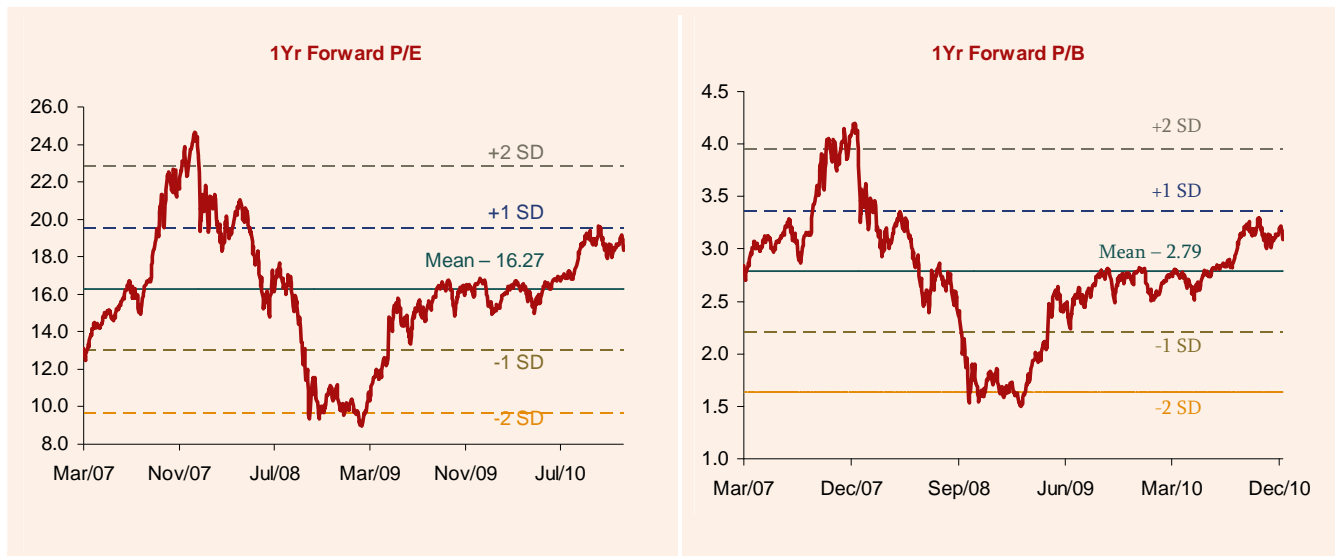


## Global Equity Indices & Sectoral Performance

Developed		Index value	Index Return	Technology	Basic Materials	Financials	Telecom	Industrials	Utilities	Oil & Gas	Health Care	Consumer Goods
				%	%	%	%	%	%	%	%	%
US	DOW	11697	1.03	2.58	1.84	5.66	1.4	1.33	---	1.7	2.91	-1.44
UK	FTSE	5993	1.57	6.55	-1.09	4.03	5.33	2.25	1.45	1.98	1.64	0.15
GERMANY	DAX	6981	0.97	0.92	-3.03	3.6	2.71	0.77	0.88	3.53	2.66	-0.22
FRANCE	CAC	3886	2.12	0.92	-3.03	3.6	2.71	0.77	0.88	3.53	2.66	-0.22
JAPAN	NIKKEI	10541	3.05	1.52	3.04	2.4	2.2	4.86	0.57	4.21	0.95	3.63
<b>BRIC</b>												
BRAZIL	BOVESPA	70579	1.84	---	5.74	0.52	2.31	-0.23	2.44	-0.06	---	-0.34
RUSSIA	MICEX	1688	0.00	---	2.92	-2.39	1.08	---	-0.8	-0.39	---	---
INDIA	NIFTY	5905	-3.75	0.43	1.13	-3.33	-0.8	-2.64	1.6	-0.01	1.92	-0.42
CHINA	SANGHAI	2839	1.09	2.1	5.52	1.11	1.93	4.09	2.28	6.76	1.83	2.51
<b>Asian</b>												
HONK KONG	H S I	23687	2.83	5.06	5.19	3.15	0.67	5.63	-0.22	2.98	---	5.46
KOREA	KOSPI	2086	1.72	-0.9	5.28	-0.97	-1.65	1.55	-2.88	-1.05	-2.22	5.32
SINGAPORE	STRAITS	3261	2.24	---	---	2.79	0.2	4.53	---	0.87	---	0.53
TAIWAN	TWSE	8783	-2.12	-0.3	0.3	2.22	-1.53	-0.64	0.8	-4.22	-0.01	0.08

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

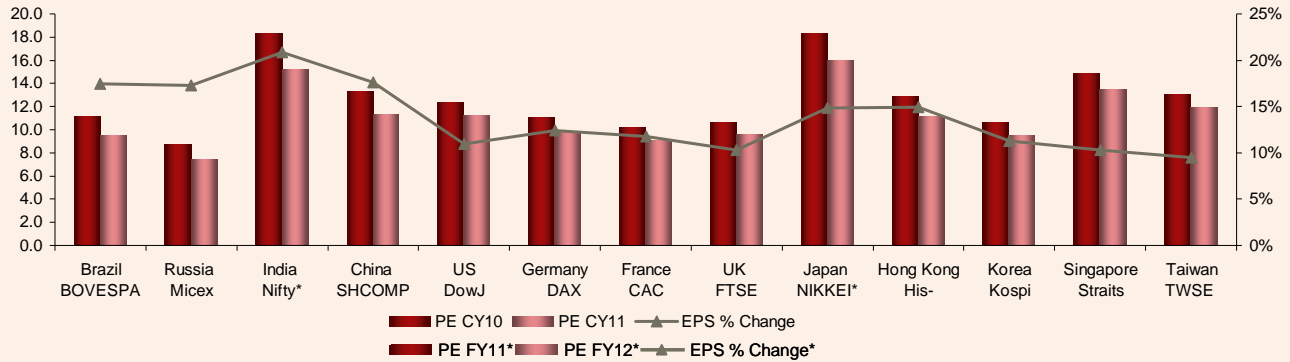
## Nifty Relative Valuation Metrics (1 Year Forward)



Source: NSE, ABML Research

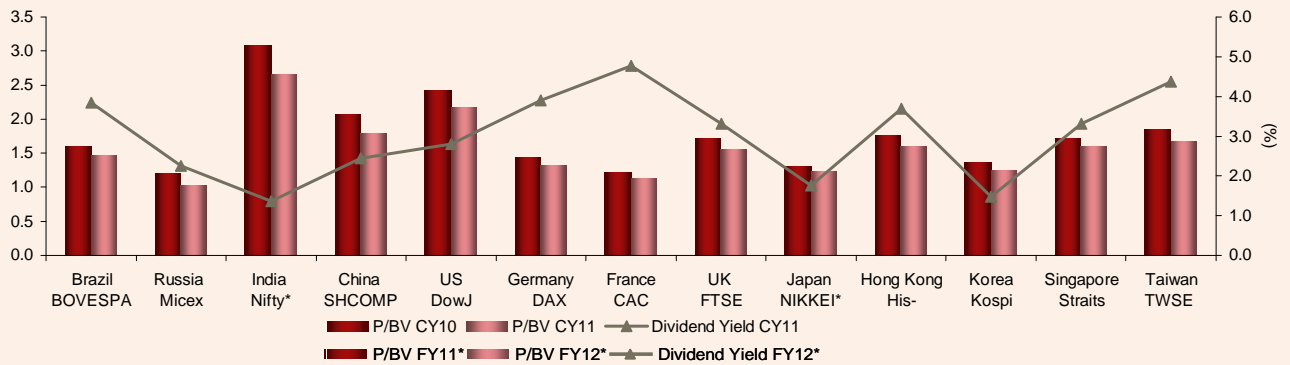


## Global Indices Forward P/E



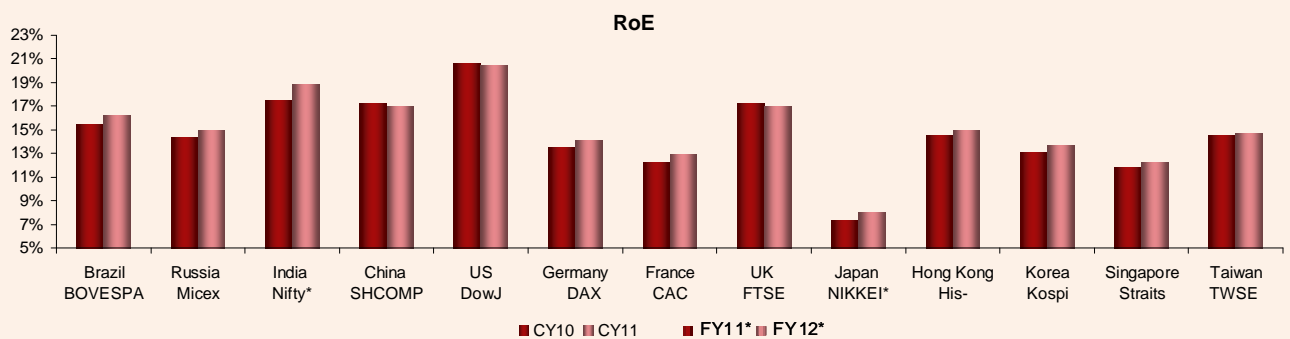
Source: Bloomberg, ABML Research  
Note: As per Friday 16:30 hrs IST

## Global Indices Forward P/BV



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

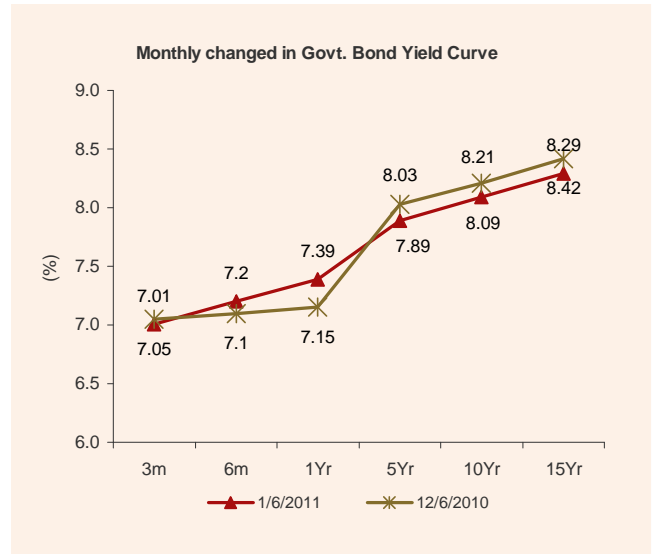
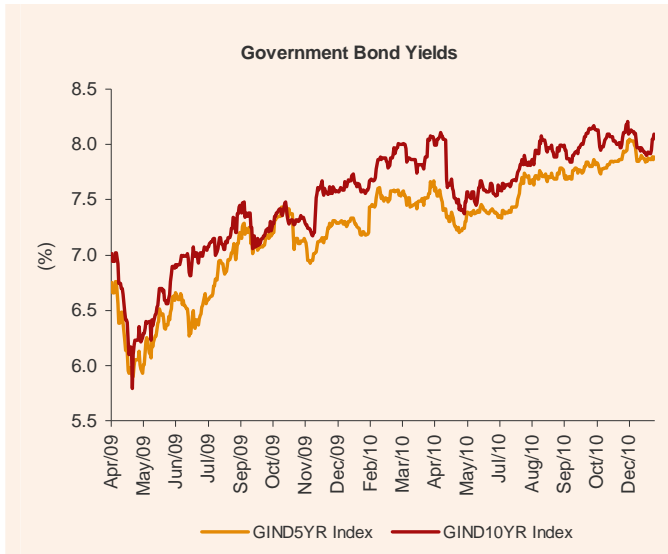
## Global Indices RoE



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

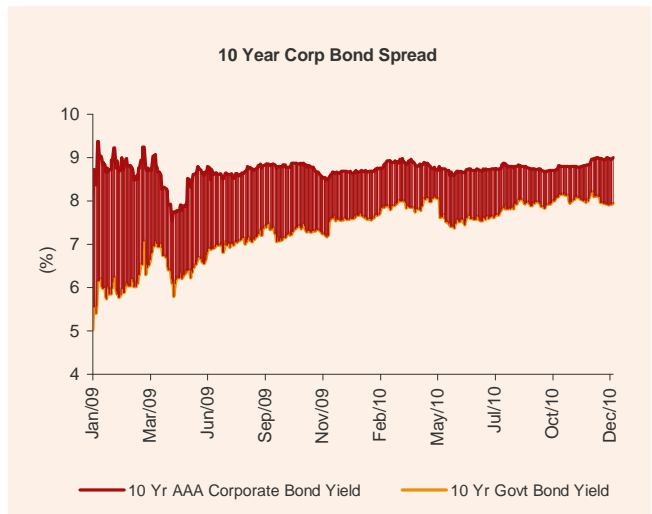
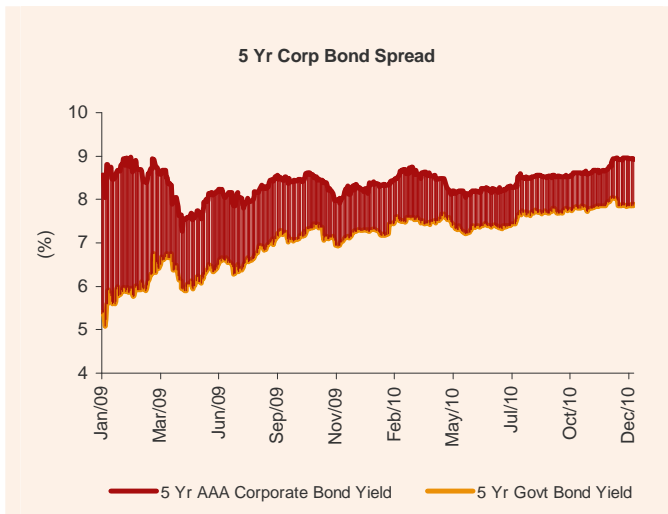


## Government Bond Yield (India)



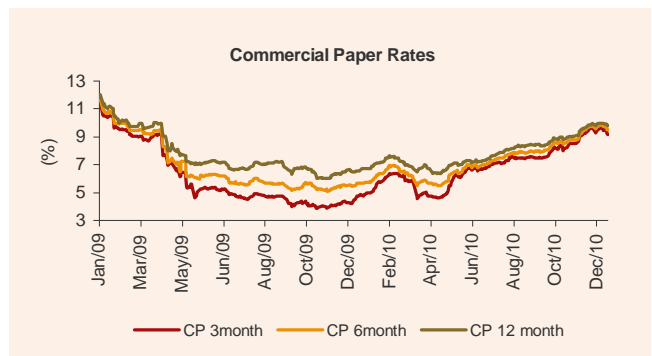
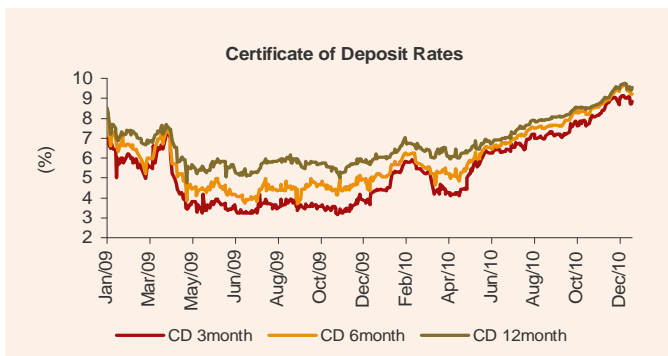
Source: Bloomberg, ABML Research

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



Source: Bloomberg, ABML Research

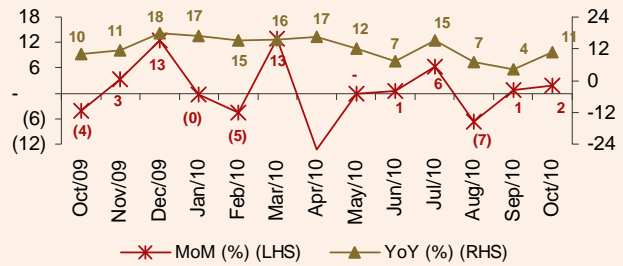
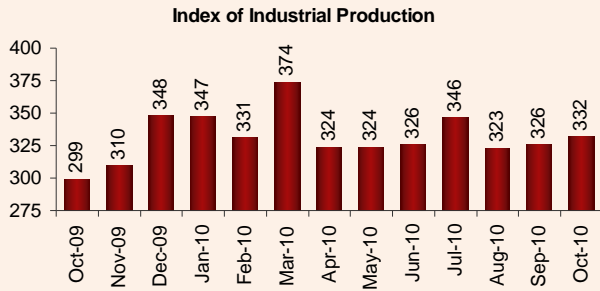
## CD & CP Rates Movement



Source: Bloomberg, ABML Research

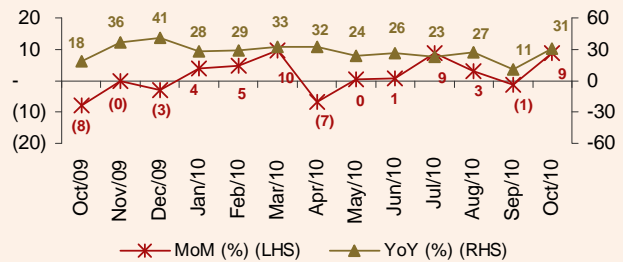
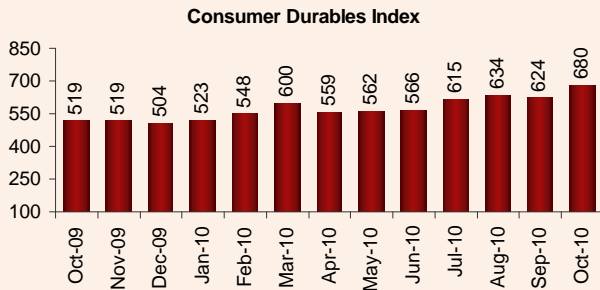


## Index of Industrial Production



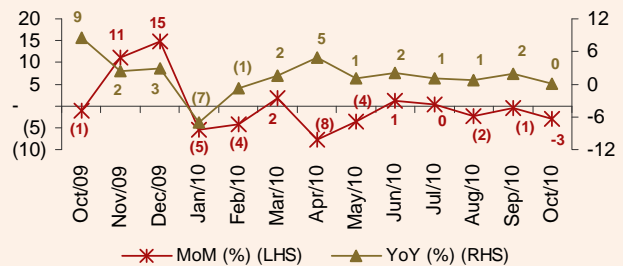
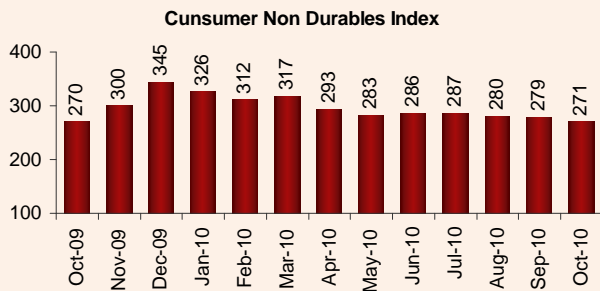
Source: Bloomberg, ABML Research

## Consumer Durables



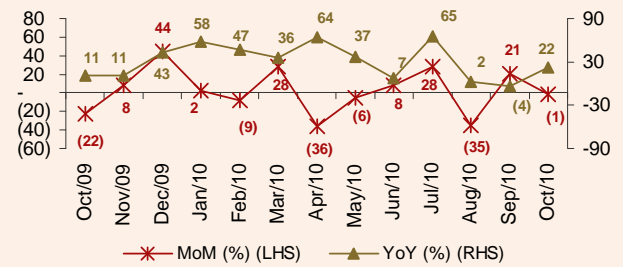
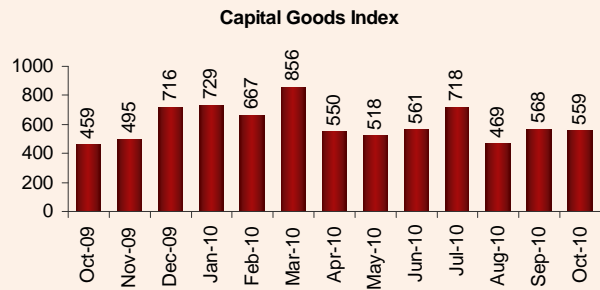
Source: Bloomberg, ABML Research

## Consumer Non Durables



Source: Bloomberg, ABML Research

## Capital Goods

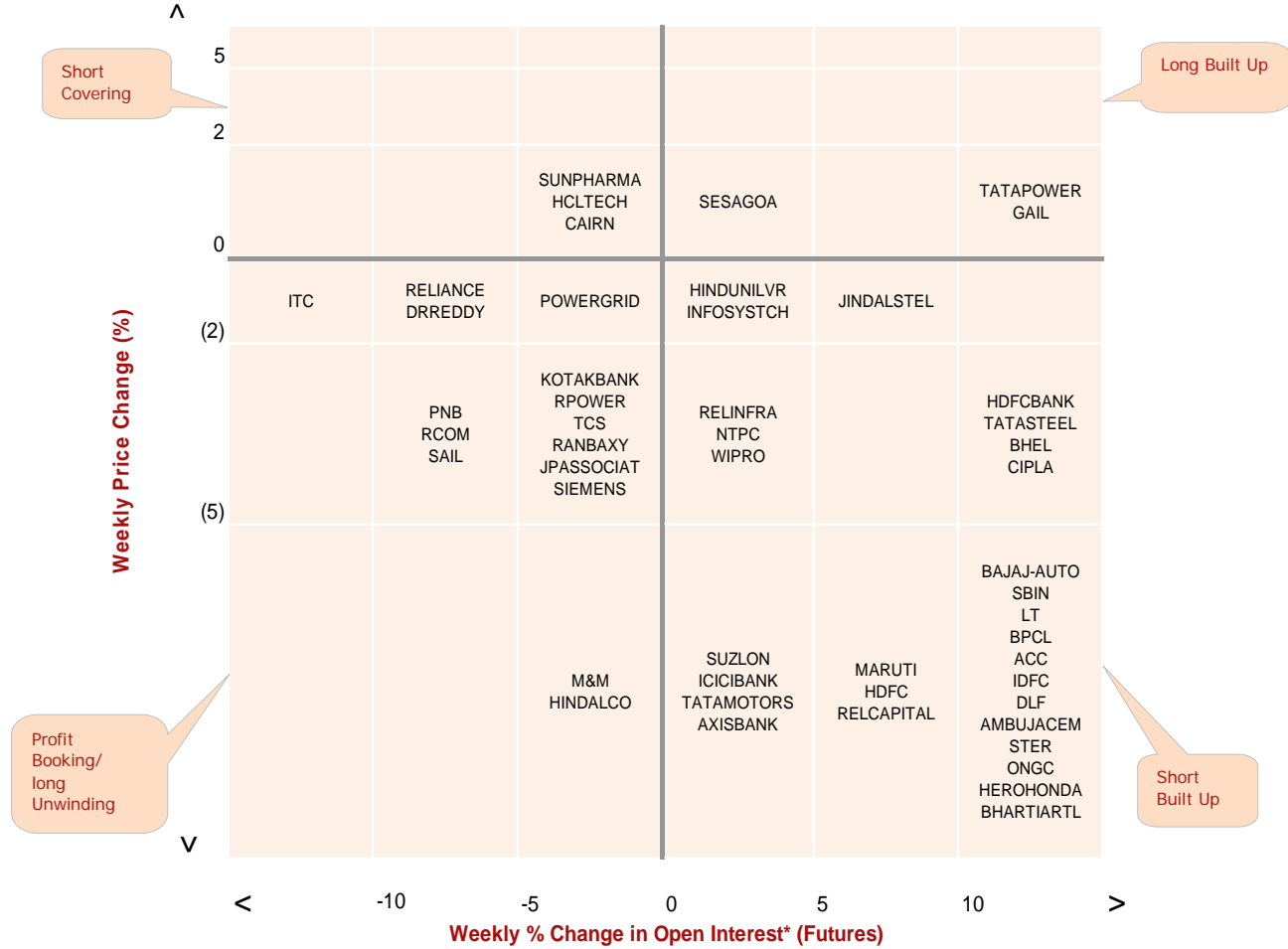


Source: Bloomberg, ABML Research



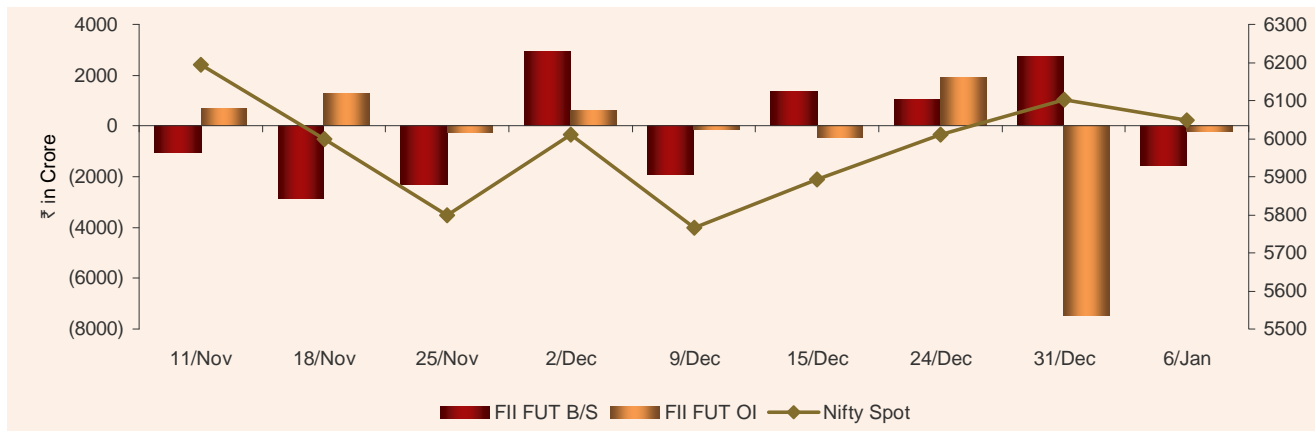
## Derivatives Corner

### Nifty Grid — % Change in Price



\* Summation of three series of future

### FII Deri Watch



Source: NSE



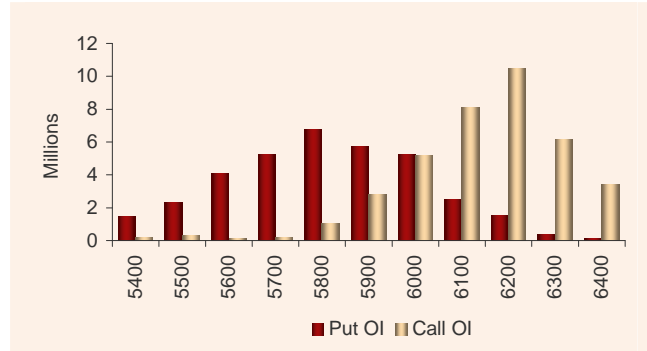
## Nifty Synopsis

Particulars	Spot	Future	Prem. / Disc.	Futures OI	PCR OI	PCR VOL	VIX (%)
Current	5904.6	5914.15	9.55	21604900	1.03	0.98	20.82
Previous	6134.5	6162.55	28.05	20202550	1.41	1.29	16.56
Change (%)	-3.75	-4.03	-	6.94	-	-	-

## Outlook

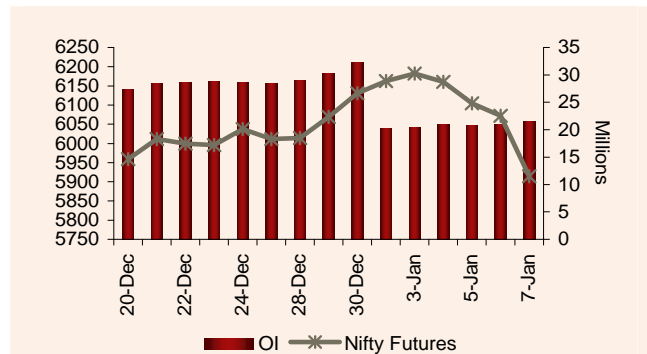
- High put option open interest build up of around 6.7 mn and 5.2 mn is seen at 5800 and 5700 strikes respectively, indicating that they will act as strong supports.
- High call option open interest build up of around 8.1 mn and 10.4 mn is seen at 6100 and 6200 strikes respectively, indicating that they will act as strong resistances.
- Nifty is trading at a premium of 9-10 points as compared to a premium of 28-29 points as of the previous trading week.
- The PCR for Nifty based on open interest was down at 1.03 as compared to 1.41 as of the previous trading week.
- The PCR for Nifty based on Volumes was down at 0.98 as compared to 1.29 as of the previous trading week.
- Nifty Futures open interest saw a increase of around 6.94%.
- In Index Futures FII's were net sellers to the tune of ₹ 1558 Cr with an open interest decrease of around ₹ 192 Cr as compared to net buying of ₹ 2726 Cr with an open interest decrease of around ₹ 7472 Cr as of the previous trading week.

## Nifty Options OI built up (Current expiry)



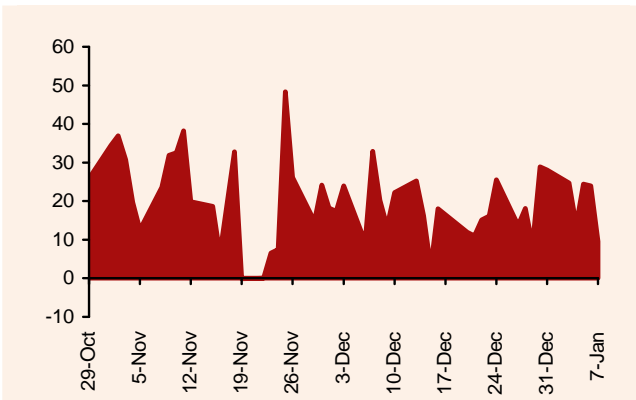
Source: NSE

## Nifty open interest vs Nifty Futures



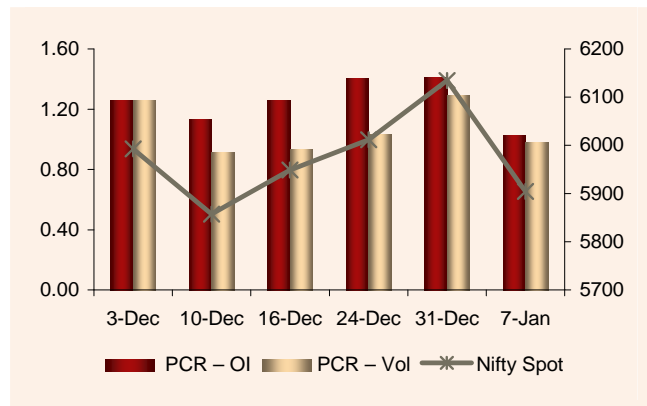
Source: NSE

## Nifty Premium / Discount



Source: NSE

## Nifty Spot vs PCR

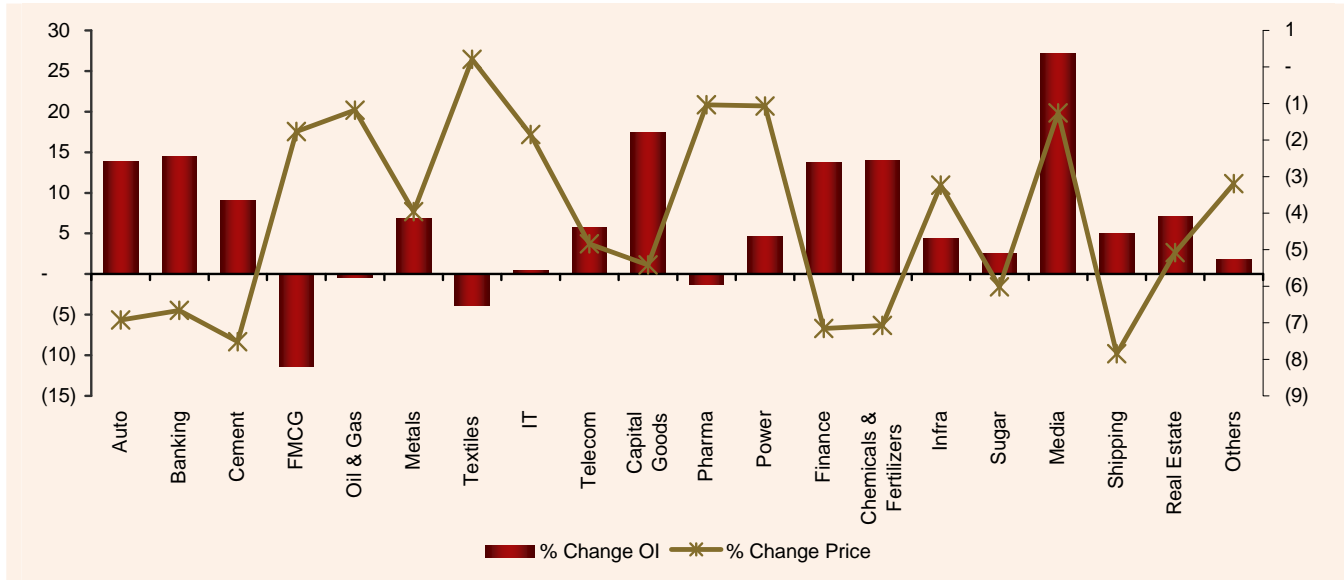


Source: NSE





## Sectoral Movement



Source: NSE

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

## Open Interest Gainers

### Long Buildup

Scrip	Price	% Price Change	% OI Change
BATAINDIA	387.60	6.18	186.27
BOSCHLTD	6439.20	1.76	22.55
TATAPOWER	1390.00	1.64	18.64
HEXAWARE	118.90	1.54	16.41
JINDALSAW	209.70	14.47	11.66

Source: NSE

### Short Buildup

Scrip	Price	% Price Change	% OI Change
BAJAJ-AUTO	1324.50	-13.77	70.43
OPTOCIRCU	240.35	-10.87	67.11
EXIDEIND	159.85	-4.91	51.77
YESBANK	271.90	-13.79	47.88
RECLTD	270.35	-9.94	46.56

Source: NSE

## Open Interest Losers

### Short Covering

Scrip	Price	% Price Change	% OI Change
CAIRN	340.10	1.43	-3.96
GRASIM	2396.05	1.47	-4.88
INDHOTEL	99.10	2.27	-13.58
CESC	376.25	2.12	-15.32
JISLJALEQS	223.80	5.52	-22.98

Source: NSE

### Long Unwinding

Scrip	Price	% Price Change	% OI Change
HINDZINC	1347.15	-2.05	-16.97
ASHOKLEY	62.05	-3.57	-17.12
PRAJIND	82.75	-2.59	-18.61
ITC	172.95	-1.42	-23.85
OIL	1338.10	-4.53	-26.06

Source: NSE



## Outlook

The market overall came under heavy selling pressure, preceded by banking and financials and ended the week with a sharp fall in metals and autos. Interest rate sensitives like autos and real estate underperformed while defensives like FMCG, Utility, IT and Pharma outperformed the market generally. Apart from the likelihood of higher cost of consumer credit going forward, the high prospect of fiscal incentives like excise duty cuts being further phased out in the upcoming budget in the wake of high inflation and worry of high fiscal deficits going forward also put autos under pressure. The recent upswing in food and commodity prices at the global level is a concern for domestic inflation and interest rates. The current account deficit has been deteriorating and funding of this through volatile capital flows is also a cause of concern. The biggest worry, however, is the functioning of the parliament and consequently the policy overhang, which brings apprehension regarding the pace of reforms.

However, some of these concerns are not structural and the ambiguity should sooner or later come to an end. The market is still attractive from a medium and long term perspective and investors can start looking selectively at frontline stocks which have corrected.

Technically, in the near term, the market is likely to find support at 5870 & 5820 levels and would face resistance at 6030 & 6060 levels.

## Event Calendar

Economy	Monday 10 <sup>th</sup> Jan	Tuesday 11 <sup>th</sup> Jan	Wednesday 12 <sup>th</sup> Jan	Thursday 13 <sup>th</sup> Jan	Friday 14 <sup>th</sup> Jan
<b>Domestic</b>			Industrial Production YoY Nov (Prior 10.80%)	Food Articles WPI YoY (1-Jan) (Prior 18.32%) Fuel Power Light WPI YoY (1-Jan) (Prior 11.63%) Primary Articles WPI YoY 1-Jan (Prior 20.20%)	WPI YoY% Dec (Prior 7.48%)
<b>Global</b>	France: Industrial Prod (MoM) Nov (Prior -0.80%) (YoY) Nov (Prior 4.7%) France: Manuf. Prod (MoM) Nov (Prior -0.8%) (YoY) Nov (Prior 4.5%) Greece: Industrial Prod (YoY) Nov (Prior -4.2%) Mexico: Trade Balance Nov F (Prior -814M) Japan: Official Reserve Assets Dec (Prior \$1101.0B) Australia: Trade Balance Nov (Exp 2050M, Prior 2625M)	Japan: Leading Index CI Nov P (Exp 100.9, Prior 97.7) Russia: CPI Core MoM Dec (Prior 0.70%) Russia: Core Inflation YTD Dec (Prior 5.80%) Mexico: Industrial Prod. (YoY) Nov (Exp 2.90%, Prior 3.70%) US: ABC Consumer Confidence 9-Jan (Prior -45) South Korea: Unemployment Rate (SA) Dec (Exp 3.2%, Prior 3.2%) Japan: Current Acc Bal YoY% Nov (Exp -11.80%, Prior 2.90%) Japan: Trade Balance - BoP Basis Nov (Exp ¥297.7B, Prior ¥912.9B)	Germany: GDP (Ann Gr Rate) (Exp 3.60%, Prior -4.70%) UK: Total Trade Balance (GBP/Mln) Nov (Exp -£3800, Prior -£3946) Euro Zone: Ind. Prod wda (YoY) Nov (Exp 5.70%, Prior 6.90%) (MoM) Nov (Exp 0.50%, Prior 0.60%) Brazil: Retail Sales (YoY) Nov (Exp 9.80%, Prior 8.80%) (MoM) Nov (Exp 0.20%, Prior 0.40%) US: MBA Mortgage App (Prior 2.30%) US: Fed's Beige Book Japan: Machine Orders (MoM) Nov (Exp 2.00%, Prior -1.40%) YOY Nov (Exp 17.40%, Prior 7.0%) South Korea: BoK Monetary Policy Committee Meeting South Korea: 7-Day Repo Rate (Exp 2.50%, Prior 2.50%)	France: CPI (MoM) Dec (Prior 0.1%) CPI (YoY) Dec (Prior 1.6%) UK: Industrial Prod. (MoM) Nov (Exp 0.50%, Prior -0.20%) (YoY) Nov (Exp 3.30%, Prior 3.30%) Greece: Unemployment Rate (Monthly) Oct (Prior 12.60%) UK: BOE Asset Purchase Target Jan (Exp 200B, Prior 200B) UK: BOE Announces Rates 13-Jan (Exp 0.50%, Prior 0.50%) Euro Zone: ECB Interest Rates 13-Jan (Exp 1.0%, Prior 1.00%) US: Initial Jobless Claims 8-Jan (Exp 405K, Prior 409K) US: Continuing Claims 1-Jan (Prior 4103K) US: PPI (MoM) Dec (Exp 0.80%, Prior 0.80%) (YoY) Dec (Exp 3.80%, Prior 3.50%) US: Trade Balance Nov (Exp -\$40.9B, Prior -\$38.7B)	Germany: CPI (MoM) Dec F (Exp 1.0%, Prior 1.0%) (YoY) Dec F (Exp 1.70%, Prior 1.70%) Spain: CPI (Core Index) (MoM) Dec (Prior 0.50%) (YoY) Dec (Prior 1.2%) Euro-Zone CPI (MoM) Dec (Exp 0.6%, Prior 0.1%) (YoY) Dec (Exp 2.2%) Euro-Zone Trade Balance Nov (Prior 5.2B) US: CPI (MoM) Dec (Exp 0.40%, Prior 0.10%) (YoY) Dec (Exp 1.3%, Prior 1.1%) US: Advance Retail Sales Dec (Exp 0.80%, Prior 0.80%) US: Industrial Prod Dec (Exp 0.40%, Prior 0.40%) US: U. of Michigan Confidence Jan P (Exp 75.4, Prior 74.5) US: Business Inventories Nov (Exp 0.70%, Prior 0.70%)

Source: Bloomberg



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