

Oil Monthly Update

October 2009

Crude oil prices on a rising trend

Crude oil prices (WTI) were higher on a mom basis by 2.3%, but were lower 17% yoy. In fact, crude oil prices are currently hovering around the US\$80/bbl mark. The current surge can be attributed to weakening of US Dollar against major global currencies. Spread between Arab Light and Arab Heavy was lower in the current month by about 10%, while the spread between Brent and Maya was higher by about 19%.

Refining margins fall further

Our calculated Singapore GRMs fell by about US\$2/bbl mom and were lower by US\$6.2/bbl yoy driven by sharp fall in product spreads. While gasoline spread fell by 57% mom, naphtha spreads were lower by ~US\$7/bbl. Falling differential between sweet and sour crude varieties along with lower spreads between heavy and light crude oils have worsened the impact for complex refiners.

Under recoveries fall mom for MS and HSD but rise for LPG and SKO

Marketing margins petrol and diesel was lower mom, while that for LPG and SKO was higher. While petrol under recoveries averaged Rs2/litre, diesel under recoveries was at Rs0.3/litre aided by rupee appreciation. Amongst cooking fuels, LPG losses were at Rs206/cylinder and Kerosene under recoveries was at Rs17/litre.

OPEC and IEA continue to upgrade demand estimates

IEA has upgraded global oil demand estimates for 2009 from 84.4mbpd to 84.6mbpd. For 2010, IEA raised its estimates from 85.7mbpd to 86.1mbpd. Similarly, OPEC too has raised its estimates for 2009 to 84.24mbpd from 84.05mbpd. For 2010, OPEC has raised its demand estimates from 84.56mbpd to 84.93mbpd.

Upstream stocks outperform the broader markets

For the month of October, ONGC, Cairn and GAIL outperformed the broader indices. While ONGC and Cairn gained on back of rising crude oil prices, GAIL rose on the back of possibility of government allowing GAIL to earn marketing margins. Another notable outperformer was GSPL, which surged on back of removal of the clause to share 30% of PBT for socio-economic projects. OMCs underperformed as higher crude oil prices led to increase in under recovery estimates.

Key statistics

US\$/bbl	Oct-09	Oct-08	yoy (%)	Sep-09	mom (%)
Crude price					
WTI	72.3	87.1	(17.0)	70.7	2.3
Brent	70.1	82.9	(15.4)	69.4	1.0
Product spreads					
Gasoline - Dubai	2.9	9.9	(70.4)	6.8	(57.2)
Diesel - Dubai	6.1	16.9	(64.0)	7.0	(13.0)
Jet Kero - Dubai	6.9	22.2	(69.1)	6.6	3.7
Naphtha - Dubai	(3.9)	(10.7)		(0.8)	
Singapore GRMs	0.3	6.5	(94.9)	2.3	(85.5)
Marketing margins					
Petrol (Rs/litre)	(2)	(4)	(59.0)	(4)	(59.9)
Diesel (Rs/litre)	(0)	(8)	(96.1)	(2)	(83.1)
SKO (Rs/litre)	(17)	(28)	(38.9)	(17)	1.0
LPG (Rs/cylinder)	(206)	(278)	(25.8)	(161)	28.6

Source: Bloomberg, India Infoline Research

Commodity Monthly Update

October 2009

After taking a minor pause in September, base metals extended their rally to fresh 2009 highs in October. The rally in the metal prices has been fueled by the weakness in the US dollar against major currencies. The US dollar has been under pressure for the past one and a half months and most commodity prices have risen over the same period. Inventory levels of major base metals ballooned further for the third consecutive month as the growth in supply has outpaced the pick-up in demand. The favorable commodity prices have led to an oversupply situation in the last one quarter. The demand-supply scenario for copper turned into a surplus state for the first time since January '09. As a result of the rising inventories, copper prices slipped below the \$6,000 mark during the month. However, with the dollar index sliding to fresh 2009 low, commodity prices rallied in the second half of the month to new highs. We feel that the upside for metal prices would be capped on account of the present supply overhang.

Base metals bounce back

Base metals which were under pressure last month on account of the rising inventory levels, managed to bounce back to fresh 2009 highs in the month of October. The rally in the base metal prices has been mainly due to the weakness in the dollar and some positive economic data points indicating a revival in demand. Copper prices initially slipped below the \$6,000 mark as inventory levels continued to pile up. Zinc with a mom gain of 23% outperformed other base metals in October. It is also the first metal amongst the base metal pack which has doubled on a yoy basis.

Global steel prices decline following lower Chinese export prices

Domestic steel prices in China have gained 2-3% over the last 15 days in October, after a 15% correction since the start of September '09. However, Chinese export prices remained flat on a mom basis. Inventory levels in China have surged to its all time high as production levels soar, recording an all time high of 52.3mn tons in August. Exports from China have picked up in the last one month pressuring global steel prices. Steel prices in various regions have started to weaken on account of the increase in Chinese exports. Iron ore prices have picked up in the last one month, after witnessing a sharp fall in the month of September. Imports of iron ore in August jumped unexpectedly to its all time high of 64.5mn tons. We believe that both steel and iron ore prices would remain steady around the current levels in the near term and then witness a gradual rise in FY10.

Key statistics

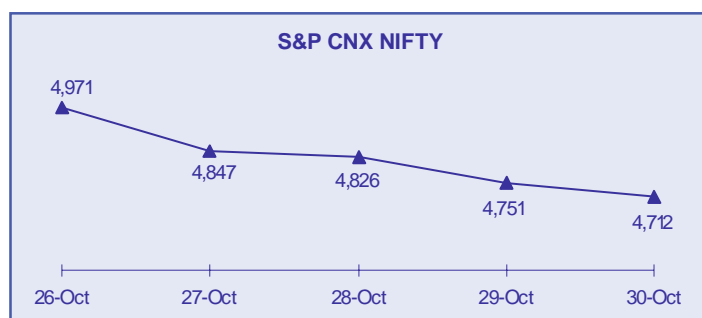
	Oct-09	Oct-08	yoy (%)	mom (%)
Global commodity indices*				
DJ-UBS comdty	389	347	12.1	4.0
DJ-UBS agriculture comdty	61	55	10.8	6.2
DJ-UBS energy comdty	136	183	(25.5)	12.5
DJ-UBS metals cmdty	160	120	33.6	11.3
Price * (US\$/ton)				
Aluminium	1,950	2,054	(5.1)	8.4
Copper	6,555	4,136	58.5	9.3
Zinc	2,288	1,120	104.2	23.6
Steel China HRC export	500	620	(19.4)	-
Iron ore China (cfr)	91	68	34.8	8.3

Source: Bloomberg, India Infoline Research * Prices as on 27th October, 2009

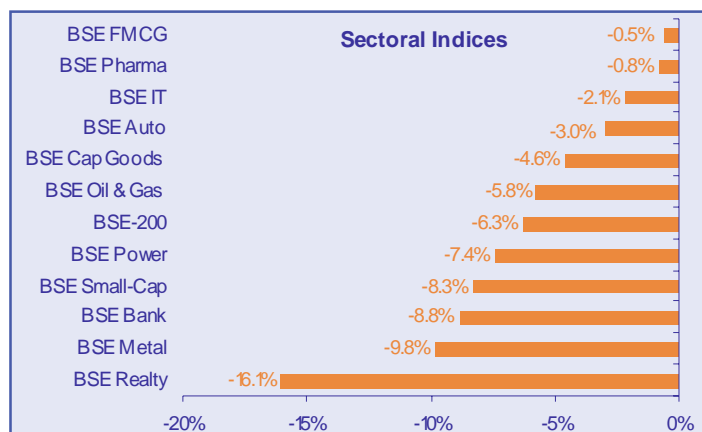
India Infoline Weekly Wrap

Market review

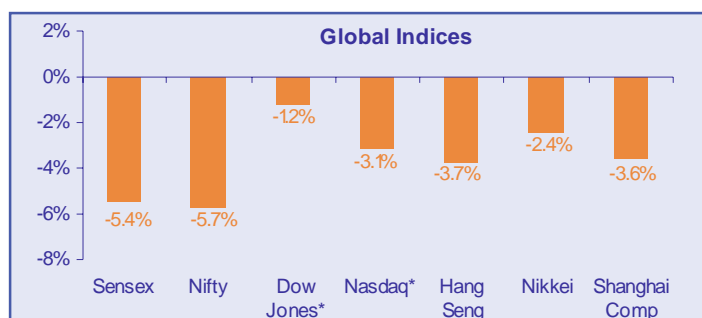
The world suddenly seemed worried this week with bulls resorting to sell-off across the board globally. Some respite came in for the global markets on Thursday after US GDP showed some expansion. All that it could do for the local market was to give it a good start after which the main indices came tumbling into the red. Less enthusiastic earnings coupled with Hawkish stand unveiled in the RBI's mid-year policy review added to the sharp fall on Dalal Street. Finally, the NSE Nifty closed the week lower by 5.7% and BSE benchmark Sensex was down by 5.4%.



Realty and banking stocks were among the worst hit this week after the central bank tightened norms for these sectors. RBI hiked the statutory liquidity ratio and increased the provisioning norms for advances to commercial real estate sector and tightening non-performing asset norms for banks. Weak financial performance by metal majors such as Tata Steel and SAIL in the September quarter aggravated the selling in the metals space.



Nervousness was seen in US during the start of the week following weaker new home sales report. However, US stocks rallied on Thursday as a strong report on economic growth in the Q3 reassured investors that the recovery was on track. Similarly, Asian indices snapped their losing streak after the US economy broke out of a year-long slump, spurring hopes of improved demand for the region's exports.



*As per previous close

FII & MF activity

Date	(Rs cr)	
	FII Net Investment	MF Net Investment
22-Oct	(296)	(558)
23-Oct	(49)	(309)
26-Oct	191	(474)
27-Oct	1,341	(638)
28-Oct	28	439
Total 2009	69,892	(2,816)

BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Tata Motors	567	7.2	Crompton Greaves	382	10.4
Dr Reddy's Labs	1,011	5.4	Balrampur Chini	149	8.4
Ranbaxy	390	4.8	Shree Cement	1,593	6.1
Wipro	606	2.9	United Spirits	1,069	5.2
Grasim	2,184	1.6	LMW	1,350	4.0

BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
R Com	176	(23.3)	Suzlon	67	(20.6)
DLF	370	(18.6)	Ispat Inds	19	(19.1)
Reliance Infra	1,058	(14.0)	Sterling Biotech	90	(17.7)
Hindalco	122	(13.7)	Karnatak Bank	130	(17.6)
ICICI Bank	790	(12.7)	NIIT Ltd	60	(17.4)

Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
26-Oct	Merrill Lynch	Magma Fincorp	B	3.2	155
27-Oct	Citigroup Global	PVP Ventures	B	20.0	47
27-Oct	Citigroup Global	Sujana Tower	S	2.5	59
28-Oct	Reliance MF	Bajaj Hind	B	19.5	215
29-Oct	Credit Suisse	Dish TV	S	28.2	35

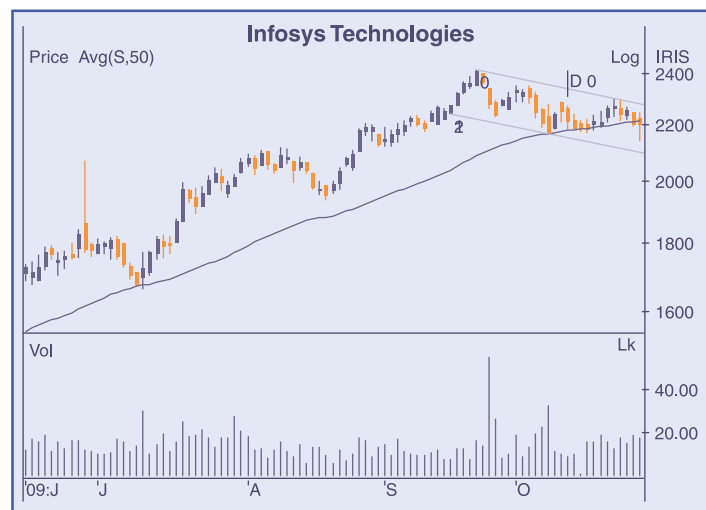
Book closures and record dates

Company	Date	Purpose
Shr Gane	04-Nov-09	Stock Split
MindTree	05-Nov-09	Interim Div
Crisil	05-Nov-09	Interim Div
Madhucon	05-Nov-09	Stock Split

India Infoline Weekly Wrap

Technical ideas

Infosys **SELL**
CMP Rs2,206

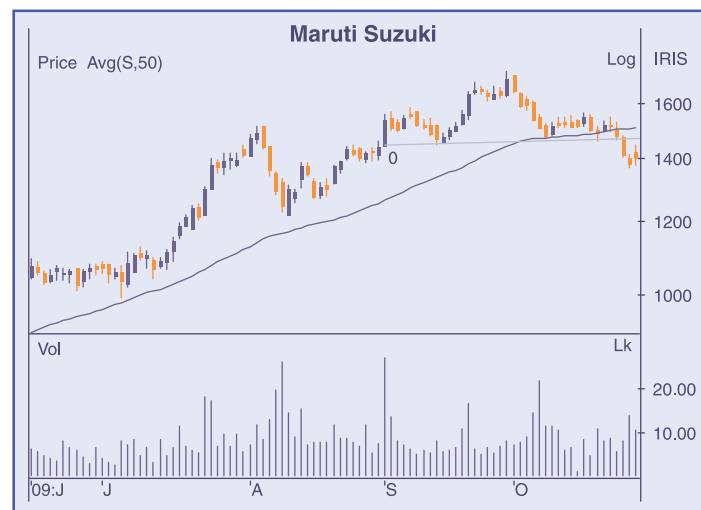


On the weekly chart, the stock has been forming the pattern of lower high and lower lows since September 2009. We expect the downtrend to continue in the near term based on following arguments:

- Weekly chart suggests that the price movement has occurred in a well defined Channel Formation. On Friday, the stock struggled to cross past the upper descending trendline of the channel;
- The stock closed below its 50-DMA since March 2009; and
- The weekly RSI as well as the MACD are depicting a negative trend.

We recommend traders to Sell the stock between Rs2,220-2,195 for a target of Rs2,100 and Rs2,070. A stop loss of Rs2,260 is recommended on all short trading positions.

Maruti **SELL**
CMP Rs1,403



On the daily chart, the stock seems to have appeared at an interesting juncture i.e. breaking below the neckline of a bearish Head and Shoulders formation. The bearish Head and Shoulders occurs when the stock reverses sharply and breaks its neckline while in a bullish trend. We believe Maruti will head lower after it broke its neckline (critical support level) at Rs1,445.

During this week, the stock witnessed a sharp sell-off and falling below its 50-DMA for the first time since January 2009. This further justifies our view that the stock is under pressure and will slide in the near future. The candlestick pattern also suggests that the stock may re-test its August lows.

The daily MACD has generated a crossover **Sell** signal, suggesting build-up of momentum on the downside. Further, the weekly RSI is showing a downtrend. **We recommend traders to Sell the stock between Rs1,390-1,410 with a stop loss of Rs1,445 for a target of Rs1,260.**

Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Sintex	2.2	16.7	224.0
Bank of India	4.1	15.9	1,458.2
Allahabad Bank	2.5	11.6	127.2
Yes Bank	5.0	10.7	2,710.1
Colgate	1.1	7.6	201.6

Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Ashok Leyland	(4.8)	22.0	596.8
ABB	(3.2)	20.1	1,060.3
NALCO	(1.2)	15.8	1,033.2
IOB	(2.3)	13.8	910.8
IVRCL Infra	(2.0)	12.8	1,825.3

Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
PNB	853	852	18.0	6.7
M&M	922	913	38.0	16.1
United Spirits	1,069	1,016	21.9	10.6
Wipro	606	593	28.5	15.9
Crompton Grv	382	353	17.9	12.3

Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Hexaware	77	84	7.6	20.9
Ultratech Cem	768	792	1.2	3.2
Raymond	182	197	1.4	3.7
Chennai Petro	212	229	2.1	5.4
SRF	186	201	6.9	17.2

India Infoline Weekly Wrap

Mutual fund round-up

India Infoline picks

Mutual Funds	Assets (Rs Cr)	NAV (Rs)	Absolute return (%) as on October 29, 2009							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
Birla SL Frontline Equity Fund (G)	1,217	73.0	(2.2)	(1.2)	10.0	53.0	89.1	(1.2)	54.4	257.4
Birla SL Tax Relief (D)	1,034	79.6	(4.0)	(1.8)	11.6	62.6	95.8	(24.0)	28.3	174.3
HDFC Equity Fund (G)	4,836	377.6	(5.1)	(4.0)	8.6	49.1	73.0	(4.8)	51.1	315.8
ICICI Pru Focused Equity Fund (G)	798	12.6	(2.4)	(1.7)	9.0	44.5	92.6	--	--	--
Reliance Growth Fund - RP (G)	5,987	209.6	(3.7)	(1.0)	13.1	57.7	90.0	0.7	50.4	278.8

Fund this week: ICICI Prudential Focused Equity Fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Prashant Kothari	Equity	94.0
Latest NAV	Rs12.6	Debt	0.0
NAV 52 high/low	Rs13/6	Cash/call	6.0
Latest AUM (cr)	Rs798	Top 5 holdings (%)	
Type	Open-ended	Reliance Inds	8.2
Class	Equity - diversified	Axis Bank	7.6
Options	Growth & dividend	TCS	6.4
Min investment	Rs5,000	ITC	6.1
Entry load	Nil	Bharti Airtel	6.0
Exit load	1%<1yr	Top 3 sectors (%)	
Benchmark	S&P Nifty	Banks	19.6
No. of stocks	21	Oil & Gas, Petroleum & Refinery	16.8
Expense ratio	2.2%	Software & Consultancy Services	15.1

NFO update

Fund Name	Close	Type	Class
Fortis FTP - Sr-16 Plan B -RP	03-Nov	CE	Debt - FMP
ICICI Pru FMP Sr49-3yr-B	05-Nov	CE	Debt - FMP
Tata FMP Sr 25 Sch-C -RIP	04-Dec	CE	Debt - FMP

Dividend update

Mutual Fund	Dividend %	Record date	Class
SBI Debt Fund Sr. - 8 M - 3	100.0	02-Nov	Debt - FMP
IDFC FMP - Yearly Sr. 27	100.0	03-Nov	Debt - FMP
-	-	-	-

Commodity, debt and currency graphs



* As per previous close

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