MakeMore GUIDE

Monthly Update From Mansukh (For Private Circulation Only) Issue : September 2009

FROM THE DESK OF EDITOR

MARKETS- NEAR WALL OF WORRY

Key benchmark indices surged on the back of revival in monsoon and firm global stocks. The S&P CNX Nifty scales its highest level in nearly 15 months. The market rose in all the five trading sessions in the last week ended Friday, 28 August 2009. Global markets rallied to 10-month highs buoyed by renewed hopes that the global economic recovery is gathering pace. The BSE Sensex jumped 681.51 points or 4.47% to 15,922.34 in the last week ended 28 August 2009. The S&P CNX Nifty gained 203.55 points or 4.49% to 4732.35, its highest closing since 2 June 2008. Equities have risen sharply this year on the back of heavy buying by foreign funds. The Sensex is up 6275.03 points or 65.04% in calendar year 2009 as on 28 August 2009. From a 3-year closing low of 8,160.40 on 9 March 2009, the Sensex is up 7761.94 points or 95.11% as on 28 August 2009. FII inflow in calendar year 2009 totaled Rs 39,192 crore (till 27 August 2009). Meanwhile Investor optimism about the global economy soared to its highest level in nearly six years, with portfolio managers putting their cash back into equity markets, a global fund manager survey for August 2009 by a foreign brokerage house showed. A net 75% of survey respondents believe the world economy will strengthen in the coming 12 months, the highest reading since November 2003 and up from 63% in July 2009. Confidence about corporate health is at its highest since January 2004. A net 70% of the panel respondents expect global corporate profits to rise in the coming year, up from 51% last month.

In the meantime the debut of state-run hydropower firm NHPC would be closely watched as it would set the tone for other companies looking to mop funds through the primary market. The economy is forecast to have expanded further in the first quarter ended in June 2009, buoyed by services sector output and improving industrial activity..

Meanwhile, the revival in monsoon has lifted sentiment. India's monsoon rains were 5% below average in the week to 26 August 2009, coming in close to normal for the second successive week after a prolonged dry spell, the Meteorological Department said on 27 August 2009. Rainfall since 1 June to 26 August was 25% below normal, improving slightly from a deficit of 26% a week earlier. More than two-thirds of the people live in villages and 60% of the farm land depends on the annual monsoon rains running between June to September. In mid-August 2009, India Meteorological Department said that the country's monsoon rain will be 87% of the 50-year average, compared with 93% forecast in June. India's deficient monsoons may affect the inflation outlook more than growth prospects, the Reserve Bank of India (RBI) said on 28 August 2009 adding that prolonged expansionary fiscal and monetary policies threatened to push up prices and eventually crimp growth

LINE OF THOUGHT

While taking a close look on derivative segment, put-call ratio clearly indicates buying opportunities on lower levels. Moreover Nifty future indicates rise in open interest coupled with rise in price suggests long positions being built up over 4700 levels. Judging all the above factors, probability of consolidation around 4680-4700 would be on higher note after a 4.47% rise in the week ended Friday, 28 August 2009). Besides movements in global markets, foreign funds activity and progress of India's monsoon may continue to influence sentiment on the domestic bourses. Further we believe 4750-4760 would be act as major hurdles in near term. Any spurt above these levels would reap spot index to 4800-4820 though profit booking would not be ruled out in any case. More precisely valuations remain no longer cheap in domestic markets today. ***Hence possibility of fake break out above 4700 should be in mind before carrying any long positions. We suggest short targets of not more than 40-45 pts for any long in upcoming weeks. On any drift 4550 should provide vital support though scenario should be revalued before any suggestive buying opportunities. In addition to that Sensex clearly formed 'Bullish Island Reversal Gap' around 15263-15362 and doesn't fill the gap till yesterday's session. Hence it would be treated as vital support in near term.***

US ECONOMY SURPRISING PULLBACK

Less than a year after the eruption of financial crisis that wiped out nearly $30 trillion from the world stock markets the US economy appears poised to emerge from recession. The world's biggest economy is giving mixed signals as the manufacturing sector picks up and the housing market shows signs of steadying but retail sales remain sluggish. Manufacturing in the U.S. Mid-Atlantic region expanded in August for the first time in 10 months but new filings for unemployment benefits rose, an indication weak spending would constrain recovery. The Philadelphia Federal Reserve Bank said its business activity index rebounded to 4.2 in August, the highest since November 2007, from minus 7.5 in July. A reading above zero indicates growth. Philadelphia Fed's survey showed new orders rose to 4.2 from minus 2.2 in July, also the highest since November 2007. Survey shown manufacturing in New York grew this month for the first time since April 08; bode well for the factory sector. Manufacturing accounts for about 11.5% of U.S. economic activity. The index of leading economic indicators, which is supposed to forecast economic trends six to nine months ahead, rose for a fourth straight month in July.

The concern area for US economy is the sluggish consumer spending. The initial applications for state unemployment insurance rose 15,000 to a seasonally adjusted 576,000, tempering some of the optimism over an economy that is close or starting to pull itself out of the worst slump in 70 years and pointed to an anemic recovery. The employment index rose to minus 12.9 from minus 25.3 last month. Though the pace of layoffs has slowed markedly from early this year, unemployment remains high and continues to inflict big dents in household incomes. There are fears that consumer spending will be too tepid to drive the recovery. The Labor Department said the number of people collecting long-term unemployment benefits edged up 2,000 to 6.24 million in the week ended August 8. However, the four-week moving average declined 2,500 to 6.27 million. This rise in new claim for unemployment benefits indicates more job cuts in august by employers after reducing payrolls by 247,000 last month. Dwindling incomes as unemployment continue to rise are forcing many homeowners to default on their home loans.

MARKETS APPETIZER:-

The S& P 500 index rebounded more than 45% from the lows of 666 in March to above 1000 this week. We expect more than 15% upside in US markets, predicts DJIA into 9800-10000 and S & P in 1100 range towards year end. Flummox ricochet in US PMI (purchasing manager index) almost reap to the previous levels that triumphed last year before Lehman collapse. Also various other economic indicators such as job loss figures, S&P 500 earnings are expected to recuperate in upcoming quarters.

MANSUKH APPARITION

US economic evidence continues to surprise on upside particularly demand for housing and Auto rising consistently. On account of cyclical upturn we believe GDP for the second half of the year would inches towards 2.3-2.5% range. Moreover Fed has already purchased $650 bn of agency debts, MBS of more than $1.45 trillion and about $220bn of treasury debt. We expect Fed will not go beyond $300bn treasury debt in this year due to debt monetization and long term inflation outlook striking perfect balance to counterpart constructive economy.

INDIAN ECONOMY - ON THE ROAD AHEAD

Economy Update

Index for industrial production (IIP) bounced back sharply in the month of June 2009 and surprised most analyst. IIP witnessing a growth of 7.8% as against growth of 2.7% in the previous month (May 2009) led by a smart recovery in manufacturing sector. The Index has registered an increase of 9.5% (m-o-m) during June 2009 as against an average decline of 5.6% m-o-m during the last three years and average decline of 2.4 since 1993-94, she said. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of June 2009 stand at 183.3, 311.5, and 234.4 respectively, with the corresponding growth rates of 15.4%, 7.3% and 8.0% as compared to June 2008. The cumulative growth during April-June, 2009-10 over the corresponding period of 2008-09 in the three sectors have been 7.3%, 3.2% and 6.0% respectively, which moved the overall growth in the General Index to 3.7%. Sectoral growth rates in June 2009 over June 2008 are 10.1% in Basic goods, 11.8% in Capital goods and 7.9% in Intermediate goods. The Consumer durables and Consumer non-durables have recorded growth of 15.5% and 0.3% respectively, with the overall growth in Consumer goods being 4.0%. In terms of industries, as many as twelve out of the seventeen industry groups have shown positive growth during the month of June 2009 as compared to the corresponding month of the previous year. The industry group `Other Manufacturing Industries` have shown the highest growth of 32.4%, followed by 26.3% in `Wood and Wood Products; Furniture and Fixtures` and 13.2% in `Paper & Paper Products and Printing, Publishing & Allied Industries`. On the other hand, the industry group `Jute and Other Vegetable Fibre Textiles (except cotton)` have shown a negative growth of 31.1% followed by 8.5% in `Metal Products and Parts, except Machinery and Equipment` and 4.1% in `Beverages, Tobacco and Related Products. Meanwhile the deficit in the monsoon in the recent period does not augur well for the Indian economy at this juncture and could turn out to be a major impediment in the revival phase. Rural demand which has shown some sign of improvement recently is likely to be negatively impacted and the industrial sectors depend on rural consumers may be the hardest hit. Given the fragile nature of consumer sentiment in India, drought-like situation will have negative impact on overall demand. Another factor which is expected to affect consumer demand is surging prices of food grains. Exports have declined by 26% in June for tenth month in a row due to less demand from the global markets. With European and Asian countries like France, Germany and Hong Kong trying to pull them out of the downward spiral, Indian exporters can expect a reasonable growth in the upcoming quarter. In a survey conducted by Federation of Indian Chamber of Commerce and Industry, majority of respondents said exports are expected to be in positive terrain by December this year.

New Tax Regimes

The new direct tax code announced during the month, may become law by 2011, was designed to completely overhaul and simplify the existing tax proposals for individual tax payers,

corporate houses and foreign residents. It will replace the existing Income Tax Act that was enacted in 1961, which had replaced an earlier legislation of 1922 enacted prior to the country's independence.

Review and Analysis

Individuals

Increase in tax slab for personal income tax if implemented will increase the disposal income of the individual, benefiting FMCG and other domestic consumption stores. Under the new tax code all capital gains will be taxable at the applicable marginal tax rate for the tax-payer's total income. The new tax code has proposed to increase the tax deduction limit on savings from Rs 1lakh at present to Rs 3lakh. However, on the negative side the tax incentives on Interest paid on home loans is proposed to be withdrawn. On a further negative note, the code also proposes to tax the savings in various instruments including PPF, Insurance, etc. at the time of withdrawal, meaning investment in tax saving instrument will only lead to a postponement of tax liability. Moreover, retirement benefits such as gratuity will be tax-free only if deposited in specified retirement benefit schemes.

Corporate

Proposal to reduce corporate tax if implemented would benefit the Indian companies across the industry and increase the shareholders value. Government has proposed to reduce the corporate tax from 33% at present (including surcharge) to 25%. It has also proposed to allow companies to carry forward the business losses indefinitely. However it has wished-for withdrawal of various tax incentives available to sectors such as exports, infrastructure, area-based tax holidays, etc. Moreover, the allowable Depreciation rate on plant and machinery is also proposed to be brought down to 15%. The key negative of the new direct tax code is that MAT will be paid at a specified percentage of Gross assets of a company, leading to Companies suffering genuine losses or sub-normal RoCE due to initial gestation period or cyclical downturn would also have to pay MAT at 2% of gross assets and Moreover, MAT credit will not be available, making the provisions all the more onerous. The specified percentage is 0.25% for banking companies and 2% for all other companies.

MANSUKH Investment & Trading Solutions

TECHNICAL ANALYSIS

BRFL:

MANSUKH APPARITION:

BRFL is one of the leading, vertically integrated textile companies having diversified verticals of design, yarn dyeing, weaving, fabric processing, garment manufacturing and retail. On fundamental grounds, company recorded more than 80% jump in its top line as well as in bottom line too. We expect EPS growth of 25% in FY10 helped by new capacities coming on stream by March'09. These capacities would enjoy several fiscal benefits making them globally cost competitive, which should help BRFL gain market share.

On technical perspective stock currently shaped into higher top higher bottom formation from the lows of 140. After consolidating around 180 level, it shows clear volume break out and has broken stiff resistance level of 200 in previous session. Currently this stock is trading above all the three moving averages and the technical indicators MACD and RSI also revealed the same story. Hence investors are advised to *BUY* this stock for the target of 225-240 in one month.

SCRIP NAME	TRIGGER PRICE	TARGET 1	TARGET 2	STOP LOSS	DURATION
BRFL	190-195	220	240	170	1 Month

PFC :

MANSUKH APPARITION:

With more than 20 years of experience in lending to the power sector, **Power Finance Corporation (PFC)** has witnessed strong toehold in loan endorsement over the last few years and currently has outstanding sanctions of more than Rs 1.1tn. A large fraction of these will be disbursed over FY10-FY12 which provides brawny intensified visibility. We expect PFC to clock a 21% CAGR in loan disbursals over FY10-FY12 and consequently a 24% CAGR in its loan book to Rs 800bn by FY10. Subsequently we expect more than 10% rise in tis EPS by FY10.

On technical viewpoint, stock currently in the 'B' Wave of retracement from the lows of Rs 85 and retraced more than 61.8%. According to Fibonacci theory of retracement it will retrace up to the previous highs from where retracement has started in last year. Currently stock shaping into Shaven Bottom formation coupled with positive signals from all the technical indicators i.e. MACD and RSI… Hence investors are advised to '*ACCUMULATE*' this stock on any dip for the price target of Rs 280 in near term.

SCRIP NAME	TRIGGER PRICE	TARGET 1	TARGET 2	STOP LOSS	DURATION
PFC	220-230	270	305	190	1 Month

FUNDAMENTAL PICK

Reliance Industries Ltd **Target Price: 2170**

Y/E March (Rs Cr)	2009	2008	2007
Net Sales(Rs Cr)	146291	133443	111693
PBIDT (Rs Cr)	25058	28934	20524
Net Profit (Rs Cr)	15279	19458	11943
EPS (Rs)	101	133.90	82.20
Dividend (%)	0	130	110
Equity(Rs Cr)	1574.00	1454.00	1394.00
P/E (x)	15.08	17.16	16.24
P/BV (x)	2.16	4.17	3.11
EV/EBIDTA	13.84	12.49	10.56
Key Financials			
Current Market Price (31.08.2009)			2005
Market Cap(Rs Cr)			315560.81
Face Value (Rs)			10.00
Beta (Sensex)			1.20
Latest Book Value (Rs)			705.58
Dividend Yield (%)			0.54
Stock Data			
52-Week H/L Range (Rs)		2490/930	
Major Shareholders as on 30 June 2009			
Promoters (%)			49.03
Domestic Institutions (%)			9.13
Foreign (%)			20.29
Public and others (%)			16.77
Average Monthly Volume			1112065

ASSUMPTIONS	FY08	FY09	FY10E
PETROCHEM PROD (MT)	11	11.6	11.8
BLENDED MARGIN (US$/T)	442	361	275
REFINING CAPACITY (MT)	31.8	31.8	30.5
RPL CAPACITY (MT)	-	1.8	25.3
GRM (US$/BBL)	-	10.7	8.9
KG/MA-GAS (MMSCMD)	-	1.4	40
PRICE (US$/MMBTU)	-	4.2	4.2

Current Updates

RIL-RNRL Verdict: According to the latest ruling by Bombay High Court in the RIL-RNRL verdict, RIL is directed to adhere the MOU between the two parties. The judgment will require Reliance to sell 28mmscmd of natural gas to ADAG at $2.4/mmbtu for 17 years. Given that the government has mandated $4.2 as a floor price for contractual levies. The MOU had also allowed ADAG to get a further 12mmscmd if the proposed contract with NTPC did not fructify; however the current court judgment does not explicitly rule if this should also be at $2.34. However the case is in Supreme Court for final hearing.

Positive territory for Diesel refinery: RIL's diesel-heavy, complex refinery is likely to outperform its Gasoline-heavy peers as diesel demand growth remains in the positive territory, while gasoline demand growth continues to be negative. Diesel margins are expected to remain better than gasoline due to still positive demand growth of diesel, especially from Asian economies (India and China).

Discounting lower margins; cut FY10 EPS by 9%: We have incorporated lower refining and petrochemical margins in FY10 earnings. This led to reduce FY10 EPS by 9% and profits by 1.26%. However gas production in KGD6 and production from RPL refinery would be next value drivers from company's perspective and expects it's to add more stability in RIL's cash flow in upcoming years. Further we expect 35% contribution from E&P segment in FY10 as compare to 8% in FY08. Moreover recent notification by Indian Govt regarding hike in MAT and uncertainty on NELP 1-5 blocks on Tax holidays would further plunged its bottom line by 4-5%.

Valuation

RIL is building in relatively lower GRMs and crude throughput in FY10. They build in a startup of KG-Gas in April-2009. Moreover we assume that Reliance will sell all its KG-D6 Gas at $4.2/mmbtu.

Key Assumptions: As the current credit crisis improves and crude/product prices stabilize, we expect the global trade of polymers and petroleum products to resume. In addition, we also expect operating rates of refineries to be cut, moving the demand-supply equation towards a balanced one. Both these factors are expected to improve refining margins from the current levels

SENSITIVITY OF RIL GRM TOWARDS EPS		
% Change in GRM	Change in EPS (Rs/Share)	
8.9	122.37	
9.9	131.69	
10.9	141.01	
11.9	150.36	
USD/BBL	FY09	FY10E
REFINING MARGINS	10.7	8.9

Analyst View: The Company is aiming at 40mmscmd by end-Jun and 80mmscmd by end-FY10. We believe demand slowdown in developed countries may pressurize its refinery segment over next 12 months. Given the track record of past exploratory success and the evolving portfolio (much beyond KG-D6), we value RIL's E&P business as a going concern and accord it a value of Rs 965/share on traditional DCF multiples, at a 35% premium to NAV of known reserves. RIL is currently traded at 18x FY10 expected earnings; hence we advised our investors to *Hold & Accumulate* this stock at lower levels with price target of Rs 2170 in next 12 months..

MUTUAL FUND ANALYSIS & CORPORATE TRACKER

MUTUAL FUND ANALYSIS

Top 5 Open Ended -Diversified Funds -Period (Last 3 Years)

Sr	Scheme Name	Date	NAV (Rs.)	Last 3 Years %
1	IDFC Premier Equity Fund - Plan A - Growth	Aug 28 , 2009	22.4	27.57
2	Reliance Regular Savings Fund - Equity - Growth	Aug 28 , 2009	23.98	21.9
3	DBS Chola Opportunities Fund - Cumulative	Aug 28 , 2009	37.13	21.02
4	Tata Equity P/E Fund - Growth	Aug 28 , 2009	36.88	19.79
5	Sahara Growth Fund - Growth	Aug 28 , 2009	70.86	19.05

Top 5 Open Ended -Sector Funds - Period (Last 3 Years)

Sr	Scheme Name	Date	NAV (Rs.)	Last 3 Years %
1	Reliance Diversified Power Sector Fund - Growth	Aug 28 , 2009	70.39	36.76
2	Reliance Banking Fund - Growth	Aug 28 , 2009	63.4	27.39
3	ICICI Prudential Infrastructure Fund - Growth	Aug 28 , 2009	26.79	21.47
4	Sahara Infrastructure Fund - Variable Pricing - Growth	Aug 28 , 2009	16.57	21.17
5	UTI Thematic Banking Sector Fund - Growth	Aug 28 , 2009	27.8	20.53

Top 5 Open Ended -Tax Funds - Period (Last 3 Years)

Sr	Scheme Name	Date	NAV (Rs.)	Last 3 Years %
1	Taurus Taxshield - Growth	Aug 28 , 2009	28.6	20.91
2	Sundaram BNP Paribas Taxsaver - (Open Ended Fund) - Growth	Aug 28 , 2009	38.15	19.24
3	Sahara Taxgain - Growth	Aug 28 , 2009	29.46	17.31
4	Fidelity Tax Advantage Fund - Growth	Aug 28 , 2009	15.84	14.71
5	Principal Personal Taxsaver	Aug 28 , 2009	79.4	13.47

Top 5 Open Ended -Index Funds - Period (Last 3 Years)

Sr	Scheme Name	Date	NAV (Rs.)	Last 3 Years %
1	HDFC Index Fund - Sensex Plus Plan	Aug 28 , 2009	180.78	13.48
2	ICICI Prudential Index Fund	Aug 28 , 2009	43.83	13.03
3	Franklin India Index Fund - BSE Sensex Plan - Growth	Aug 28 , 2009	44.84	11.35
4	Franklin India Index Fund - NSE Nifty Plan - Growth	Aug 28 , 2009	37.25	11.28
5	UTI Nifty Fund - Growth	Aug 28 , 2009	29.67	11.01

CORPORATE TRACKER

Sr	Company	Ex Divid Date	Dividend	CMP	Market Cap	Face Value	Yield%	Divid Rs
1	**Andhra Sugars**	4/9/09	60%	143	365.44	10	6.12	6
2	**Container Corpn**	4/9/09	80%	1174	16096.07	10	2.14	8
3	**Jai Corp**	11/9/09	50%	225	3902.01	1	0.19	0.5
4	**Mastek**	22/09/09	150%	314	891.06	5	2.75	7.5
5	**Natl. Aluminium**	4/9/09	15%	348	21655.26	10	1.33	1.5
6	**O N G C**	11/9/09	140%	1179	253167.34	10	3.26	14
7	**Phoenix Mills**	11/9/09	50%	158	2095.98	2	0.26	1
8	**Power Fin.Corpn.**	7/9/09	13.50%	241	25910.91	10	2.16	1.35
9	**Radico Khaitan**	4/9/09	15%	103	893.88	2	0.46	0.3
10	**United Spirits**	22/09/09	20%	951	10028.08	10	0.10	2

EVALUATION PARAMETERS

The contemporary psychology in world stock markets is lucid. A growing number of markets have returned to their pre-Lehman levels in mid September 2008. The Sensex is up 25% since the result of the poll was publicized on 17 May, only 29% below its all-time high of 21,206 and 7% above the level reached prior to the Lehman collapse. There are thousands of stocks in the market to choose from, how to determine the one that maximize the profit will be difficult to pick. Picking stocks is a difficult work. It takes time and patience to learn all of the jargon and other tricks of the trade. But when the day is done, you'll be glad to see that your hard work is paying off. For investment purpose here are some pivot strategies based on the strength of financial position of the company.

Company History

It is better to invest in companies that have in existence from minimum 10 years. If a company can survive the bad times for at least ten years then they are more likely to handle future bad times with equivalent skill. But remember along with this you have to consider other factors also.

Dividend

A dividend is an amount paid out by the company to its existing share holders. Dividends can be paid out at various times of the year, most of the times it seems to be given out on a quarterly basis. These dividends are especially useful for long term investors because your dividends will compound over a period of time.

Market Cap

A market cap is basically how much sales a company will generate in a given year. Invest only in companies with a market cap of a hundred million or more. Anything less than this and the company might go bankrupt if their sales don't pick up.

Cash Flow

Cash flow generally indicates how much profit the company makes per year. If the company has a good cash flow then they are more likely to avoid bankruptcy. And it is great news for investors. Financial institutions can be great stocks.

Price Earnings ratio (P/E)

P/E stands for Price Earnings Ratio. This generally tells you what people expect from this stock. If the P/E ratio is between 10 and 30 then it is considered a reasonably stable stock. On the other hand, if it is really high then that means people have high expectations on this stock. So if the stock has a high P/E ratio just be aware of the possible outcomes. If the stock is above 25 then it is usually considered as high.

Return on Assets & Return on Equity (ROA & ROE)

ROA stands for Return on Assets and ROE stands for Return on Equity. Normally, investors like to see both of these figures going up or staying stable over a period of years. If the ROA or ROE is negative or falling, you should think twice about purchasing that stock.

Financial Leverage

Financial leverage generally tells us how much the company has acquired in debt. You should try to avoid investing in companies that have a financial leverage higher than 5. But again, it is normal for banks and other financial institutions to have a financial leverage ratio more than 5.

Reduce your Risk by Diversifying

Reduce your risk in stock investments by diversifying. Purchase good stocks from different industry, this will help you to reduce the investment risk because if one stock fails badly, the other will generate profit this will help you to avoid the overall loss.

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Investment & Trading Solutions

CRUDE OIL - POSITIVELY BULLISH IN COMING DAYS

After the epic crash last year, the price of oil is stabilising and it should rise exponentially over the following years. Over the past year, global consumption has stayed weak, however once the economy recovers, crude oil should resume its secular bull-market.

Despite the demand destruction hype, it is interesting to note that during this severe global recession, worldwide oil usage has dropped by a minuscule 2.7%. So, what will happen when the world comes out of this recession? Who will rise up to the challenge and meet our insatiable thirst for energy? These are critical questions which are enough to support our view.

According to the US Department of Energy, liquid fuel demand in the developed nations peaked in August 2005 at 41.89 million barrels per day. Since then, it has plunged by 3.6 million barrels per day to 38.27 million barrels per day. However, we may want to note that despite these tough economic conditions, consumption has been extremely resilient in the emerging world. For instance, demand in the developing countries peak in October 2008 at 46.33 million barrel per day and it is down by only 0.36 million barrels per day! We do not know about others but we are amazed that the worst global recession in decade has barely managed to shrink energy demand in the developing world. **Whilst this is wonderful news for the energy investor, it is a terrible sign for society.**

At present, our world is using up roughly 84 million barrels of liquid fuels per day and for the moment at least, there is sufficient supply to meet demand. However, when economic activity picks up, it won't take much for demand to zip right past supply. Remember, it is much easier to increase usage, but takes a long time to ramp up production. So, unless this is a permanent global recession (which we doubt).

Therefore, it is inevitable that the price of oil will go up significantly over the medium to long term.

On the supply side of the equation, let me be clear. If we were asked to pick the biggest threat to sustainable economic recovery, 'Peak Oil' would top that list .Remember,' Peak Oil' doesn't mean that we are running out of oil reserves, crude will be around for decades. However 'Peak Oil' does imply that we are dangerously close to peak global oil production. 'Peak Oil' also means that rather than experiencing a burst in oil supplies as many expect, from here onwards, we will witness sharp declines in global flow rates.

Now, many sceptics will argue that if 'Peak Oil' was real, the price of oil would not have dropped to roughly US$30 per barrel in last autumn's stunning crash. Valid point: but let us not forget that the spectacular plunge occurred at a time when global economic activity virtually came to a standstill. Let us also keep in mind that last autumn's crash in asset prices was caused by a total freeze in credit and the associated asset liquidation. Whilst we agree that the final action

In crude oil's parabolic blow-off last July smacked of speculation, we can assure you that speculation alone couldn't have created a multi-year boom whereby the price of crude oil went up by almost 1500%! As per one report of Energy department of USA, supply clearly had fell short of demand between 2005 and 2008 and this is why we had a magnificent bull market in crude oil.

In a nutshell, the era of cheap energy is over and the price of crude oil will rocket higher over the coming decade.

MANSUKH SECURITIES & FINANCE LTD. : NSE: INB/INF230781431, NSDL: IN-DP-NSDL-140-2000
MANSUKH COMMODITY FUTURES PVT. LTD : MEMBER NCDX-CO-04-00187& MCX: 10615(FMC:NCDEX/TCM/CORP/0293 & MCX/TCM/CORP/0740

Printed & Published on behalf of
Mansukh Securities & Finance Ltd.
Publication Address : 308, Pratap Bhawan, 5, Bahadur Shah Zafar Marg, New Delhi-110002
Ph. : 011 - 30123450/1/3/5, 30117777 (30 lines), Fax : 011 - 23739851, E-mail : contact@maneysukh.com
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