

Market Commentary

Our markets opened with a bang on Monday crossing the crucial 5,550 mark on the back of the US unemployment data which came in at 9.6% in-line with street estimates. The positive sentiment was boosted by short covering in trade which saw our indices heading above the 5,600 mark during the week. Internally, the key sectorial indices which performed well are: Metals, Bankex and Technology.

On the domestic news front, we saw the Indian primary article inflation number come in at 15.19% August 21 as against 14.75% in the previous week. On the international news flow front the German July factory order growth came in at -2.2% vs consensus estimates of 0.5%. On the US front, President Barrack Obama announced US\$ 50 billion stimulus package for infrastructure projects.

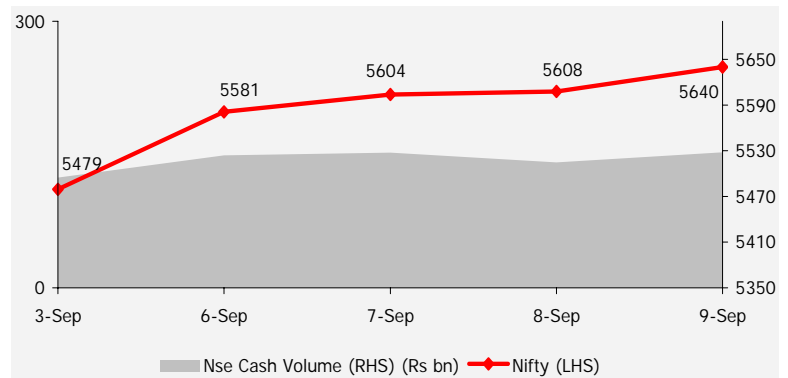
On the funds flow front, we saw FIIs buy to the tune of Rs 14.9 bn and DIIs bought to the tune of Rs 6.1 bn (data till Wednesday) in the cash market segment.

Market Statistics

Developed	Last Close	% Change	
		WTD	YTD
U.S. (S&P)*	1,099	(0.5)	(1.5)
UK (FTSE)*	5,477	0.9	1.2
Japan (Nikkei 225)	9,098	(0.2)	(13.7)
Dollar Index*	83	0.6	6.0
Emerging Markets			
India (Sensex)	18,800	3.2	7.6
India (Nifty)	5,640	2.9	8.4
China (Shanghai)	2,656	0.0	(18.9)
Russia (Micex)*	1,436	1.9	4.8
Brazil (Ibov)*	66,407	(0.4)	(3.2)
Asian Markets			
Hong Kong(HSI)	21,167	0.9	(3.2)
Singapore (Straits)	3,022	0.7	4.3
Korea (Kospi)	1,784	0.2	6.0
BSE Sector		% Change	
Last Close		WTD	YTD
BSE Mid Cap	8,051	2.4	19.8
BSE Small Cap	10,249	3.4	22.6
Auto	9,097	1.4	22.3
Bankex	12,984	4.1	29.4
Capital Goods	15,095	2.5	6.9
Power	3,121	1.6	(2.1)
Realty	3,554	1.9	(7.8)
Technology	3,563	3.4	8.7
FMCG	3,468	0.3	24.2
Metal	16,131	5.1	(7.3)
Institutional Activities		Spot market	
		WTD	MTD
FII* (Rs bn)	14.9	19.3	468
DII* (Rs bn)	6.1	6.6	(185.5)
Commodities Update		% Change	
Last Close		WTD	YTD
Unit	Close	WTD	YTD
Crude Oil(NYME)**	\$/Bbl 74.9	0.4	(5.6)
Gold(OTC)**	\$/Oz 1256.7	0.8	14.6
Silver(OTC)**	\$/Oz 19.9	0.4	18.3
Copper(LME)**	\$/MT 7659.7	0.3	4.3
Aluminum(LME)**	\$/MT 2130.7	0.5	(3.0)
Sugar(LIFFE)**	\$/MT 612	3.3	5.2

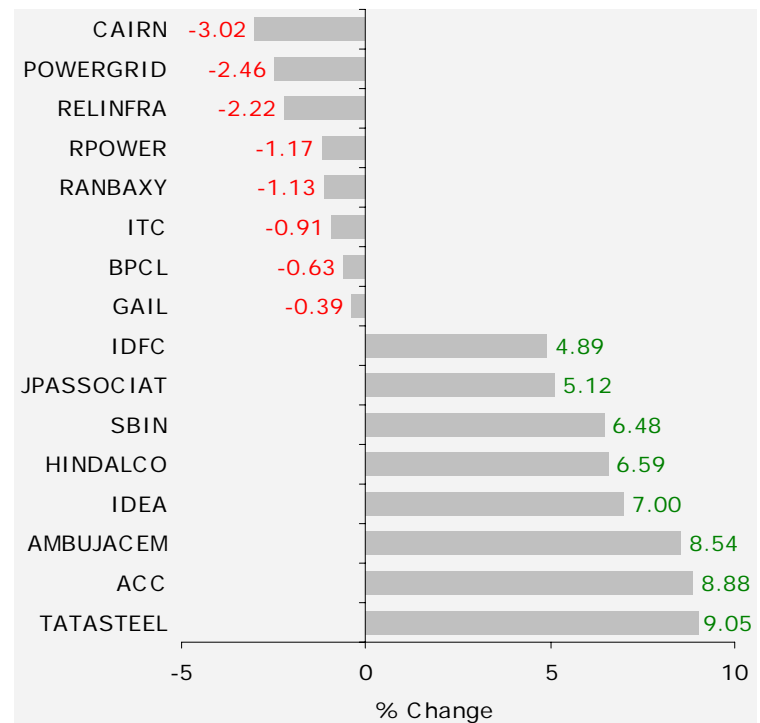
* As per Thursday closing
 ** As per Friday 16:30 hrs IST
 Source: Bloomberg

Nifty Performance



Source: NSE

Top Nifty Gainers and Losers (Weekly)



Source: NSE

Key events during the week

Corporate and other news

Oil Ministry agrees for stake dilution in ONGC, IOC (Positive)

The petroleum ministry has approved part-sale of government's stake in Oil and Natural Gas Corporation (ONGC) and Indian Oil Corporation (IOC), a move that could fetch the government over Rs 240bn this financial year.

Renuka sugars, HPCL plan ethanol unit in Maharashtra (Positive for Renuka Sugars)

Shree Renuka Sugars is looking to set up an integrated sugar-cum-ethanol plant with oil marketing company Hindustan Petroleum Corporation (HPCL) in Maharashtra. This would be the first such tie-up between a sugar and a petroleum company.

PVR to sell Phoenix Mills multiplex for 1000 mn

PVR has put its multiplex at Phoenix Mill mall in central Mumbai on the block with a price tag of 800-1000 mn. Phoenix, the multiplex, has a sprawling 65,000 square feet of area. It is the only property that the theatre chain owns.

Spice Jet to launch international flights (Positive)

Spice Jet has announced commencement of international operations from October, becoming the country's first dedicated low fare airline to do so.

Tata Steel in talks to sell South African unit (Positive)

Tata Steel Ltd is looking for a buyer for its South African unit after agreeing to sell its Teesside operations in the UK.

Maruti Suzuki plans 3rd plant at Manesar (Positive)

Maruti Suzuki is planning expand its capacity to 1.75 mn units pa by setting up its third plant at Manesar at capex of Rs 19.4 bn (\$416 mn). Currently, the company is running at full capacity and capacity expansion demand is on the back of rising demand from domestic market.

REC may form SPV with a global bank for banking licence

Rural Electrification Corporation may form a special purpose vehicle to apply for a banking licence and is likely to be joined by a global bank in the endeavour. It is already raised its limit for FDI stake to 35% from 24% previous limits.

Vedanta looking for Gandhamardhan bauxite deposits

Vedanta group which has sought the expeditious allotment of bauxite mines is open to source bauxite from the state-owned Orissa Mining Corporation (OMC).

Tata Power eyes InterGen

Tata Power Company is in talks to acquire a majority stake in the UK based power generator InterGen from GMR Infrastructure to scale up its global presence. InterGen, has power generation capacity of over 6,300mw, has power plants in UK, Netherlands, Mexico, Philippines and Australia.

Macro Economic and Other News

India's food and fuel inflation edges higher

Inflation for the Food Articles group stood at 10.86% in the week ended August 21 as against 10.05% in the previous week. It was at 14.86% in the comparable week last year. The index for Food Articles group rose by 1.8% to 303.3 in the week ended August 21. Inflation for the Primary Articles group also rose to 15.19% from 14.75% in the week ended August 14, the data revealed. It stood at 8.87% during the week ended Aug. 22, 2009.

Direct tax collections rise 13.9% in April-August

Net direct tax collections during April-August registered a growth of 13.91%, at Rs 1,001.12bn, compared with Rs 878.88bn in the corresponding period of the previous financial year. This was mainly attributed to the growth in revenue receipts from the corporate sector.

International News

Obama announces new stimulus package

US President Barrack Obama announced a new infrastructure stimulus package worth US\$ 50 billion. This newest stimulus will call for a six-year investment period and will require congressional approval. The new stimulus package aims to create jobs over the long-term by rebuilding 150,000 miles of roads, 4,000 miles of rail, and 150 miles of airport runways.

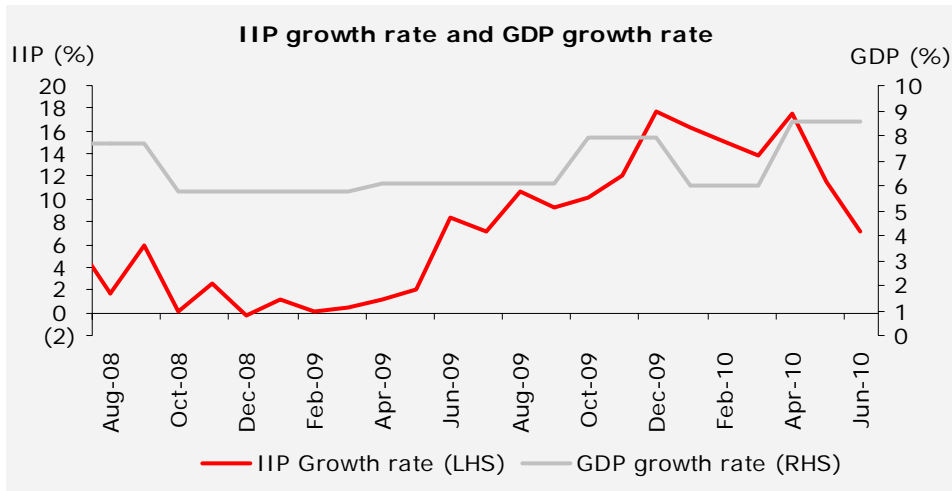
Germany factory order data surprises on the negative side

The Germany factory order data for the month of July came in at -2.2% m-o-m vs consensus estimates of 0.5%. German growth has been the strong hold of European growth so far and is a key to Europe recovery.

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

Macro Watch

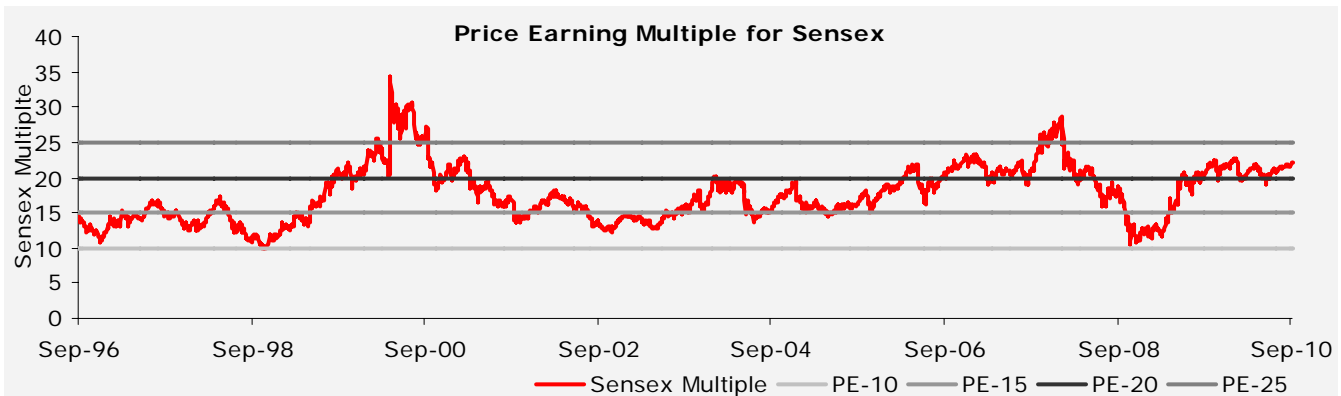
IIP growth rate and GDP growth rate



IIP in June YoY grew by 7.1% and GDP grew by 8.8% YoY in Q1 FY10

Source: Bloomberg

Sensex Valuations (Trailing Earnings)



Source: Bloomberg

Market Outlook

Going forward we will be closely watching out if our markets sustain above the critical level of 5,600 on the Nifty. Markets will largely be driven by global news flow. We expect the global recovery to slow down in the second half of 2010, however, our markets have witnessed robust FII flows in the past couple of weeks. The key events to watch out for in the coming week are: US Industrial Production, China Industrial Production, and India Industrial Production (for the month of July estimated at 7.8% y-o-y). The direction of the market is likely to be driven by the scheduled macro indicators.

Weekly outlook

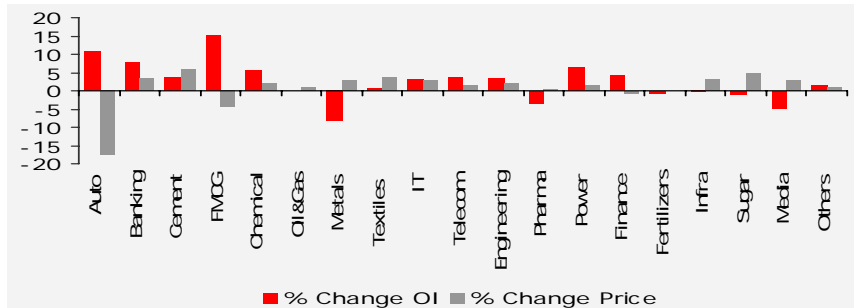
Scrip	Price Change(%)	OI Change(%)	Vol Change(%)
Nifty	2.68	9.93	34.56
Bank Nifty	3.74	7.44	122.21
CNX IT	3.38	-15.49	15.26

Source: nseindia.com

Highlights:

- Buying action seen in Nifty & Bank Nifty
- Short covering pulls up CNX IT

Sectoral Movement

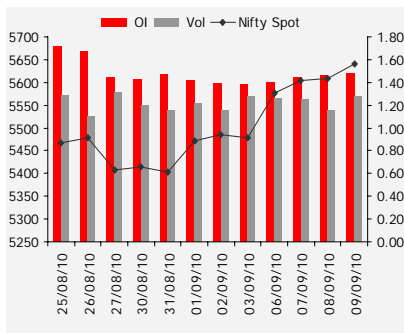


Source: nseindia.com

Highlights:

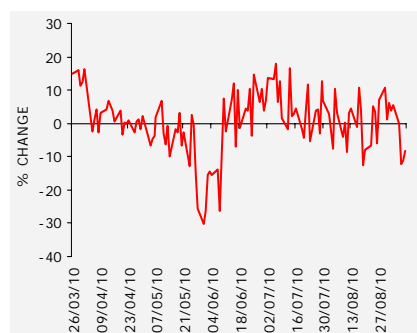
- Short Positions noted in FMCG & Finance
- Long Positions noted in Banking, Cement, Textiles, Chemical, IT, Telecom, Engineering, & Power

PCR Movement



Source: nseindia.com

Premium/Discount



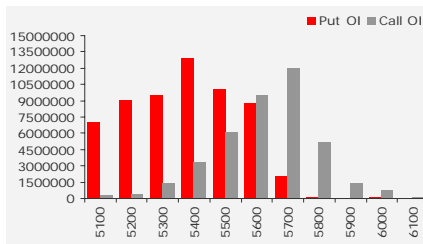
Source: nseindia.com

Highlights:

- PCR for Nifty based on OI was up at 1.48 & on volumes was unchanged at 1.28 respectively over previous week
- Nifty future trades at a discount of around 8-9 points to the Spot

Nifty Option Tracker

Sep expiry



Source: nseindia.com

Sep expiry

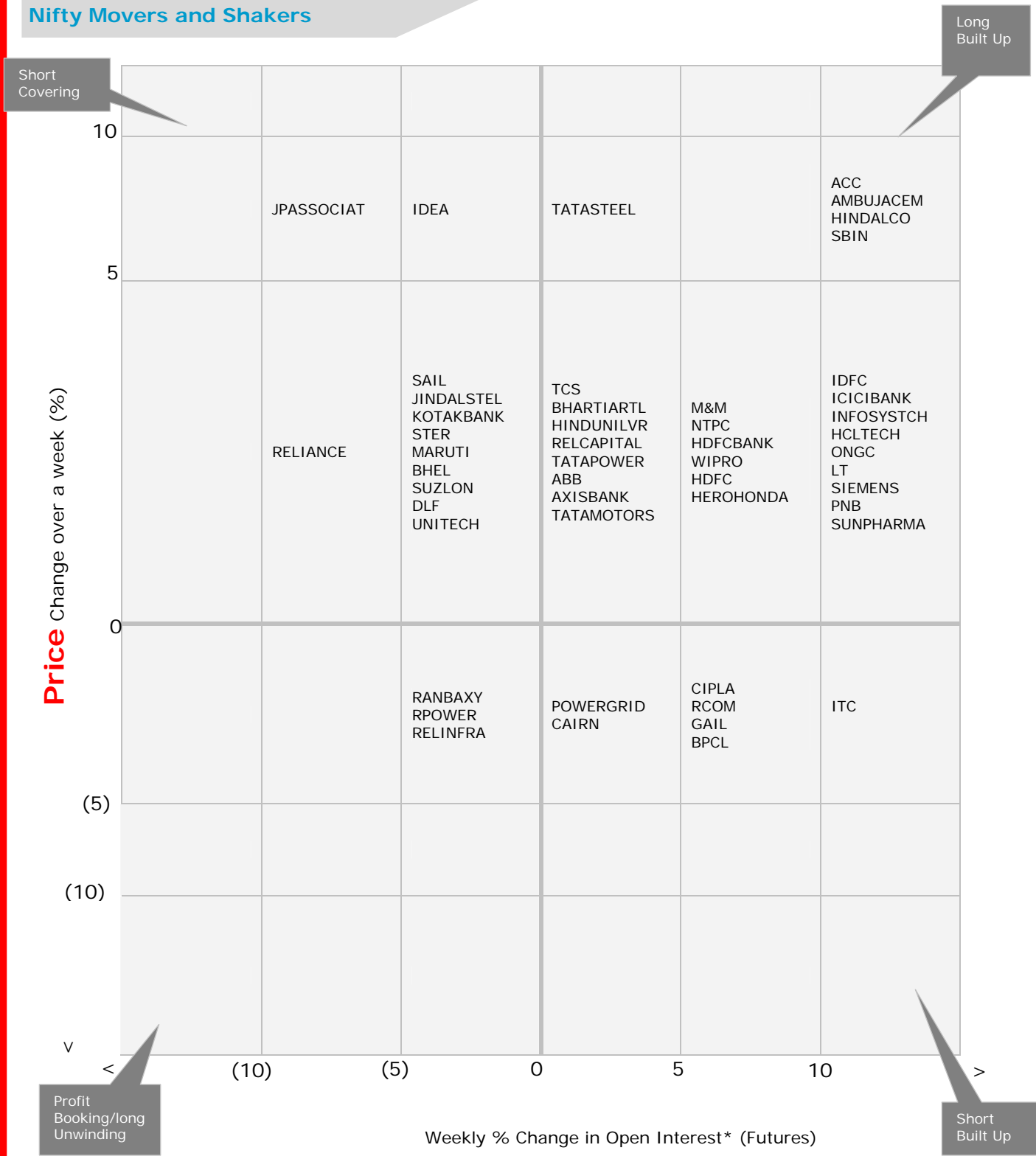
Strike	CE/PE	IV	Premium
5600	CE	12.33	79.80
5700	CE	11.40	31.65
5500	CE	13.92	152.00
5400	PE	15.85	14.70
5500	PE	14.05	26.75
5600	PE	12.13	52.00

Source: Bloomberg

Highlights:

- High activity seen at strikes of 5600 & 5700 in calls & 5400 & 5500 in puts for Sep series
- Supports seen at 5400 and resistance seen at 5700 for Sep series

Nifty Movers and Shakers



* Summation of three series of future
ITC - bonus issue

Events to Watch

Monday	Tuesday	Wednesday	Thursday	Friday
				10-September India Industrial Production for July China Imports, Exports and Trade Balance for Aug Japan GDP 2Q India Japan
13-September China Industrial Production for Aug HK Industrial Production for 2Q	14-September UK retail price Index for Aug US Advance Retail Sales for Aug	15-September UK Claimant Count Rate for Aug UK Jobless Claims Change for Aug US ABC Consumer Confidence for Sep 12 US Industrial Production for Aug	16-September India CRR, Reverse Repo and Repo HK Unemployment Rate SA for Aug US Initial Jobless Claims for Sep 11 US Continuing Claims for Sep 4 US Current Account Balance for 2Q	17-September HK Composite Interest Rate for Aug UK Retail Sales Ex Auto Fuel for Aug US Consumer Price Index for Aug
20-September US NAHB Housing Market Index for Sept UK Right House Prices for Sep Japan	21-September US Housing Starts for Aug US FOMC Rate Decision	22-September Japan All Industry Activity Index for July US ABC Consumer Confidence for Sep 19 China	23-September US Initial Jobless Claims for Sep 18 US Continuing Claims for Sep 11 US Leading Indicators for Aug US Existing Home Sales for Aug Japan HK	24-September Singapore Industrial Production for Aug HK Balance of Payment for 2Q US Capital Goods Orders Nondef Ex Air for Aug US Durable Goods Orders for Aug US New Homes Sales for Aug
27-September US NAHB Housing Market Index for Sept UK Right House Prices for Sep Japan Trade –Exports and Imports for Aug HK Trade Balance for Aug Japan HK	28-September US Housing Starts for Aug US FOMC Rate Decision	29-September Japan All Industry Activity Index for July US ABC Consumer Confidence for Sep 26 China	30-September US Initial Jobless Claims for Sep 18 US Continuing Claims for Sep 18 Japan Industrial Production for Aug Japan HK	

Source: Bloomberg.

Red Font: Stock Exchange Holiday

Our Current Recommendations

Date	Stock	Product	Reco	Reco Price	Target Price	Closing Price (Rs) (09 Sep 10)
13-Feb-09	Hind.Dorr-Oliver	Smart Idea	Hold	14	149	138
15-May-09	PVR	Smart Idea	Buy	83	194	182
19-May-09	INOX	Smart Idea	Buy	38	69	75
21-May-09	Bharat Electronics	Smart Idea	Buy	1,233	1,765	1,709
26-May-09	Crompton Greaves	Smart Idea	Hold	257	434	304
26-May-09	Siemens India	Smart Idea	Sell	455	271	710
2-Jun-09	Lupin	Smart Idea	Buy	162	345	376
10-Jul-09	Blue Star Ltd	Smart Idea	Hold	333	368	463
23-Jul-09	Sesa Goa	Smart Idea	Buy	227	438	311
18-Aug-09	Rico Auto Industries	Smart Idea	Buy	26	37	29
19-Aug-09	Godawari Power & Ispat	Smart Idea	Buy	109	300	219
20-Aug-09	Cosmo Films	Smart Idea	Buy	97	187	133
2-Sep-09	Patel Engg.	Smart Idea	Buy	438	558	400
18-Sep-09	Swaraj Engines	Smart Idea	Buy	302	450	440
4-Sep-09	JK Tyre & Industries	Smart Idea	Buy	92	222	192
6-Oct-09	BEML Ltd	Smart Idea	Buy	1,071	1,226	1,206
12-Nov-09	Jubilant Organosys Ltd	Sector Report	Buy	274	398	362
16-Nov-09	Mcleod Russel India Ltd.	Smart Idea	Hold	235	254	259
25-Nov-09	Jagran Prakashan Limited	Smart Idea	Buy	119	160	136
21-Dec-09	DCHL	Smart Idea	Buy	158	202	133
23-Dec-09	Usha Martin	Smart Idea	Buy	73	103	87
26-Mar-10	Firstsource Solutions Limited	Smart Idea	Buy	29	40	27
23-Apr-10	DB Corp Ltd	Smart Idea	Hold	252	292	276
19-May-10	NIIT Technologies Limited	Smart Idea	Buy	189	290	183
8-Jun-10	Gujarat NRE Coke	Smart Idea	Buy	59	76	63
25-Aug-10	Uflex Limited	Smart Idea	Buy	172	200	183
25-Aug-10	Glenmark Pharma Limited	Smart Idea	Buy	292	338	285
6-Sep-10	Development Credit Bank	Smart Idea	Buy	52	62	52

Source: HISL Advisory, NSE, BSE.

HSBC Recommendations

Sr. No.	Name of Company	Recommendation	Target Price (Rs)	Closing Price (Rs) (09 Sep 10)
1	Tata Power	overweight	1,525	1,260
2	BHEL	overweight	2,850	2,477
3	Bank of Baroda	overweight	789	843
4	Canara Bank	overweight	534	565
5	HDFC Bank	overweight	2,313	2,245
6	ICICI Bank	overweight	1,180	1,050
7	Axis Bank Ltd	overweight	1,625	1,379
8	Jindal Saw Ltd	overweight	285	213
9	Jyoti Structures Ltd	overweight	170	139
10	Kalpataru Power Transmiss	overweight	1,300	205
11	Welspun Gujarat Stahl Roh	overweight	335	257
12	GAIL	overweight	509	462
13	Cairn India Limited.	overweight	360	326
14	Jet Airways	overweight	580	751
15	Cesc Ltd	overweight	518	399
16	Gitanjali Gems Ltd	overweight	140	212
17	Infosys Technologies	overweight	3,200	2,895
18	TCS	overweight	925	875
19	Simplex Infrastructure	overweight	590	498
20	Mphasis	overweight	770	645
21	Nestle India	overweight	3,110	3,170
22	Union Bank Of India	overweight	378	356
23	Godrej Consumer Products	overweight	415	399
24	Hero Honda	overweight (v)	2,340	1,733
25	Maruti Suzuki India Ltd	overweight (v)	1,450	1,315
26	Nagarjuna Construction	overweight (v)	248	160
27	Punjab National Bank	overweight (v)	1,226	1,222
28	Yes Bank	overweight (v)	402	321
29	Indiabulls Real Estate	overweight (v)	252	179
30	DLF Ltd	overweight (v)	386	322
31	Unitech Ltd	overweight (v)	94	82
32	Housing Development & Inf	overweight (v)	419	279
33	HCL Technologies	overweight (v)	455	410
34	Steel Authority of India	overweight (v)	256	200
35	Jsw Steel Ltd	overweight (v)	1,280	1,217
36	IRB	overweight (v)	355	291
37	Educomp Solutions	overweight (v)	740	570
38	NIIT	overweight (v)	85	67

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

Note: We have included stocks with overweight only.

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