

Outlook for Week Ahead

March 13, 2010

The figures of advance tax payment by top Indian firms and inflation data for February 2010 will be in focus next week after strong post-Budget gains on the domestic bourses this month. Performance of global stocks will continue to have their bearing on the Indian equities. Investors will eye figures of advance tax payments by top Indian firms, which will give an indication of fourth quarter March 2010 earnings. After the latest data showing a surge in industrial production in January 2010, another key data to watch out is monthly inflation for February 2010 due on March 15. The headline inflation is seen surging to near 10% mark in February 2010 from 8.56% in January 2010. This has also raised some concerns over a possible interest rate hike. However, this is unlikely before the next scheduled policy review in April after RBI deputy governor Subir Gokarn recently said it would be premature to take any mid-term policy action. Market men see a 25 bps hike in repo & reverse repo rate each by the RBI at the April-2010 policy review. Higher interest rates may impact corporate & consumer confidence. Investors are also awaiting further insight into the state of the US economic recovery on March 12, when data on US retail sales & consumer sentiment figures will be out. Markets have been in a tight band for long and a breakout on either side is expected soon.

The Week Gone By

March 13, 2010

Indian Markets

The post-Budget rally on the domestic bourses continued on the back of sustained buying by foreign funds. The firmness on the domestic bourses was also due to positive trend in global markets. The rally was mainly in frontline counters. FII inflow in March 2010 totaled Rs 10,662 cr, while the total inflow in the calendar year 2010 totaled Rs 11,377.90 cr (till 10 March 2010), as per data from the SEBI. The figures include inflows into primary market and subscription by FIIs to qualified institutional placement of corporates. The BSE Sensex & Nifty rose 1% & 0.9% respectively in the week ended March 12, 2010. However, the BSE mid-cap and small-cap indices underperformed the Benchmark indices, falling by 0.5% & 0.8% respectively in the week. Given below are some key events, which took place during the week:

Bank credit as on February 26 increased by 15.8% to Rs. 30,98,323 cr Y-o-Y. This is much closer to the target set by the RBI, going by the fortnightly position of the scheduled commercial banks. This is the third fortnight in a row that bank credit has increased. Meanwhile, the Thirteenth Finance Commission, in its report, has recommended a revised roadmap for fiscal consolidation with a calibrated exit from the current expansionary fiscal policy. It wants both the Centre and the States to cut their respective fiscal deficit to 3% of GDP by 2014-15. The Finance Commission has also recommended that consolidated debt-to-GDP ratio of the Centre & States combined should be brought down to 62% by 2014-15 from the current level of 82%.

India's FDI declined by 25% to \$2.04 bn in January (Y-o-Y), snapping a trend of positive growth in the previous three consecutive months. In January 2009, FDI inflows were \$2.73 bn.

The continued buoyancy in India's industrial production in the current fiscal has got appreciation from the UNIDO, which has commended it for having emerged as one of the world's top-10 countries in industrial production in 2009. According to the Vienna-based UN body, in 2009, India overtook developed countries such as Canada and Mexico and emerging economies such as Brazil to move up to the ninth slot.

The annual Wholesale Price Index-based food inflation dipped marginally by 0.06% to 17.8% during the week ended February 27, even as fuel inflation shot up due to the hike in duties on petroleum products in the Budget. The index for 'Non-Food Articles' group rose by 0.1% due to higher prices of raw rubber (2%) and raw cotton and fodder (1% each).

Forex reserves rose \$74 mn to \$278.431 bn for the week ended March 5. The reserves have risen after falling for two consecutive weeks. Foreign currency assets increased by \$81 mn to \$254.07 bn. Gold reserves remained unchanged at \$17.92 bn, while the reserve position in the IMF fell \$1 mn to \$1.39 bn.

Indian industry has posted a robust 16.7% growth in January (Y-o-Y) on the back of spectacular increases in the output of capital goods and consumer durables. This rise in IIP has been partly aided by a low base. Among the IIP's three major constituents, the index for 'manufacturing' has grown by 17.9% in January (1% growth in January 2009), with these amounting to 14.6% for 'mining' and 5.6% for 'electricity' respectively. Production of capital goods was up 56.2% in January Y-o-Y, on top of an annual increase of 15.9 per cent for the same month of the previous fiscal. Likewise, consumer durables output rose 31.6%.

On Friday, Mr Pranab Mukherjee rejected opposition demands for rollback of the post-Budget price hike in petroleum products, stating that the Centre's financial condition does not permit withdrawal of the duty hikes proposed for the petroleum sector in the Budget.

Weekly Statistics

Key Indices	Mar 12	% Chg
Sensex	17167	+1.01
Nifty	5137	+0.95
DJIA	10624	+0.55
Nasdaq	2368	+1.78
FTSE	5526	+0.46
DAX	5945	+1.15
Hang Seng	21117	+1.58
Shanghai	3051	+0.67
Nikkei	10751	+3.69
Bovespa	69341	+0.72
Indonesia – Jakarta	2667	+3.40
Singapore – Strait	2881	+3.26
MSCI Emerging Markets*	993	+1.82
MSCI World*	1187	+1.45

*= Data in US\$

Metals (USD)	Mar 11	% Chg
Aluminum	2226	-0.27
Copper	7410	-1.17
Zinc	2336	+2.46
Tin	17550	+0.29
Lead	2260	+2.77
Gold*	1107	-2.68

*Data from Friday to Friday, rest Friday to Thursday

Interest Rates	3 month	Chg bps
MIBOR	5.69	+42.00
10 yr bond yield	7.99	+3.00
LIBOR – UK	0.60	0.00
LIBOR – USA	0.25	0.00
LIBOR – Europe	0.64	0.00

Exchange Rates	Value	% Chg
USD/INR	45.44	-0.39
USD/EURO	0.73	-0.44
USD/YEN	90.55	+0.32
USD/POUND	0.66	-0.33
. DXY	79.77	-0.82

Other	Value	% Chg
RJ/CRB Index	273.31	-1.31
Crude Oil (\$ / Barrel)	81.24	-0.32
Baltic Dry Index	3506.00	+8.14

Turnover (Rs. Bn)	Week Mar 12	Week Mar 05	% Chg
BSE	250.3	182.4	+37.23
NSE	669.0	633.2	+5.65
Futures	1294.9	2261.9	-42.75
Index Options	1675.0	2563.4	-34.66
Stock Options	114.7	111.3	+3.05

Net Flows (Cr)	FII	MF
Mar 05 – Mar 11	4677.0	-1283.2
Previous week	4280.6	-835.7

Volatility Index (ViX)	Nifty	CBOE
Mar 12	19.73	17.58
% Chg w-o-w	-4.87	+0.92

US Markets

All the three major US indices closed on a positive note for the week ending March 12, 2010. Dow Jones ended higher by 0.6%, while Nasdaq & S&P gained 1.8% & 1% respectively. Strength in the financial services sector, upbeat report on January wholesale inventories and a surprise rise in February retail sales were some of the events which fuelled optimism during the week.

The indices ended little changed on Monday as investors weighed corporate deals, a stronger dollar and weaker commodity prices ahead of key economic news. The Dow Jones fell by 0.1%, while Nasdaq ended higher by 0.3%. S&P ended flat. Amongst the corporate deals, MetLife agreed to buy troubled insurer AIG's American Life Insurance unit, known as Alico, in a \$15.5 bn cash-and-stock deal. Further Royal Dutch Shell and PetroChina made a bid to buy Australia's Arrow Energy for \$3 bn in cash and stock.

Stocks managed gains on Tuesday at the end of a choppy session as investors mulled the latest corporate deal and profit news on the anniversary of the bear-market bottom. Dow Jones & S&P rose marginally by 0.1% each, while Nasdaq gained 0.4%.

The positive momentum continued on Wednesday on strength in the financial services sector and an upbeat report on wholesale inventories. Dow Jones rose marginally by 0.1%, while Nasdaq & S&P gained 0.5% & 0.8% respectively. The U.S. Commerce Department said wholesale inventories fell 0.2% in January (lesser than what the economists expected), after a 1% drop the month before, raising expectations that consumer demand is strengthening. The Treasury Department said the government suffered a record \$220.9 bn budget deficit in Feb (17th consecutive monthly deficit), after a shortfall of \$42.6 bn in Jan.

Stocks gained on Thursday, erasing earlier losses to lift the Nasdaq and S&P 500 to 18-month highs as investors eyed the day's jobs and trade news and the direction of the U.S. dollar. Dow Jones rose 0.2%, while Nasdaq & S&P ended higher by 0.1% & 0.5% respectively. The Labor Department reported that the number of Americans filing new claims for unemployment fell to 462,000 from a revised 468,000 the previous week. The January trade gap narrowed to \$37.3 bn from a revised reading of \$39.9 bn. Another report showed that foreclosure rates rose 6% in February Y-o-Y, but fell 2% from the previous month.

Indices ended Friday's session on a flat note as investors welcomed a report that showed a surprise rise in retail sales, but showed caution as the Dow, Nasdaq and S&P 500 lingered below 18-month highs. The Dow Jones gained 0.1%, while Nasdaq & S&P 500 both ended flat. Retail sales rose 0.3% in February. Excluding auto sales, the rise was 0.8% in February. The University of Michigan consumer sentiment index fell to 72.5 in early March from 73.6 in Feb. In other news, business inventories were unchanged in February.

Investors will try to track another leg on to the year-long U.S. stock rally, looking to next week's economic data and statement from the central bank for evidence the recovery is still on track. The main event of the week will be the Fed Reserve's assessment of the economy at the end of its interest rate-setting meeting on Tuesday. The Fed is expected to hold benchmark rates near zero and reiterate its pledge to keep them low for an "extended period. Investors will be alert for a change in language that could signal when the Fed will begin to tighten its monetary policy, particularly after it raised the discount rate last month. Key economic reports on tap include regional manufacturing for March, leading economic indicators for February, housing starts for February, the Producer Price Index and the Consumer Price Index, both for February, and weekly initial jobless claims. Market watchers will also have their eyes on Washington, where Senate Banking Committee Chairman Christopher Dodd is expected to unveil his bill on an overhaul of financial regulation.

Other Markets

Asian stocks rose, driving the MSCI Asia Pacific Index higher by 2.4% this week (third weekly gain), as better than estimated U.S. jobs data and easing concern over Greece's debt spurred confidence in a global economic recovery.

Japan's machinery orders dropped 3.7% in January (M-o-M) indicating a subdued appetite among the nation's companies to ramp up capital spending even as manufacturing passed its worst. The economy's GDP rose by 3.8%, which was lower than initially estimated in the fourth quarter as companies pared spending and stockpiles as deflation deepened.

China's consumer prices rose 2.7% in Feb (Y-o-Y) (16- month high). This has started to erode household savings, threatening to spur purchases of property and stocks and fuel asset-price pressures. Its industrial output climbed 20.7% in the first two months of the year after an 18.5% gain in Dec. The economy's lending fell in Feb after government told banks to limit credit growth & raised reserve requirements.

As per the Government's reports on Friday, Greece's budget deficit narrowed in the first two months of the year. The Jan-Feb deficit dropped 77% to 903 mn euros (\$1.2 bn) compared with

Sensex



Weekly Gainers	CMP (Rs)	% Rise
Man Industries	73.25	22.49
Monnet Ispat	427.50	12.22
Pidilite Industries	240.80	11.64
Anant Raj Industries	141.35	11.26
Core Projects	258.20	10.63

Weekly Losers	CMP (Rs)	% Fall
REI Six Ten	82.25	17.91
Balrampur Chini	93.20	16.71
Renuka Sugar	154.05	15.05
BF Utilities	977.55	12.70
NMDC Ltd	362.70	12.50

a year earlier. Ordinary revenue climbed 7.8% to 9.4 bn euros, less than the target, while spending fell 9.6% to 8.9 bn euros.

European industrial output rose 1.7% in January (M-o-M), the most in two decades, as the reviving global economy prompted companies to boost production of goods including steel and machinery parts. Meanwhile, the German exports unexpectedly slumped 6.3% in January (M-o-M), erasing December's jump and ending a four-month streak of gains.

Commodities

The Reuters/Jefferies CRB Index of 19 commodities slumped 1.3% this week, led by energy contracts, and has dropped every day this week. Speculators may have bought futures to close bets that prices would fall, after wheat dropped to a one-month low.

Gold fell by 2.7% as strengthening of the dollar reduced demand for the metal as an alternative asset. Gold fell, as a drop in U.S. consumer sentiment fueled concerns that China will further tighten access to money offset a weaker dollar. Gold also fell as pre-weekend position squaring more than offset a weaker dollar and a report showing an unexpected increase in U.S. retail sales in February. The U.S. deficit in international trade of goods and services in January decreased 6.6% to \$37.29 billion from a revised \$39.90 billion the month before. The January deficit was lower than Wall Street expectations for a \$41.0 billion shortfall.

Copper dropped by 1.2% as China's inflation in Feb accelerated at the fastest pace in 16 months, fueling concern that the world's largest consumer of industrial metals may take further steps to cool down the economic growth that boosted demand for copper and aluminum. China's consumer prices rose 2.7 percent from a year earlier and new loans exceeded forecasts adding to the case for the government to cut stimulus measures. The People's Bank of China hasn't raised benchmark interest rates since December 2007, before the financial crisis deepened.

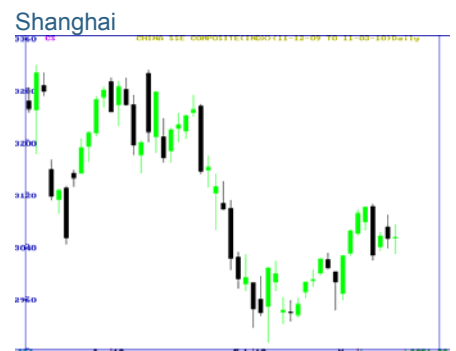
Currencies

India's rupee rose for a fifth week by 0.4%, the longest winning stretch since October, as overseas funds added to holdings of local stocks to take advantage of the nation's economic recovery. Global funds bought \$2.3 billion more of local shares that they sold through March 10, according to exchange data. Reserve Bank of India Deputy Governor Subir Gokarn said the economy is showing signs of recovery and the rupee's appreciation is its outcome. The Indian rupee extended gains tracking a sharp fall in the dollar versus major currencies, and buoyed by gains in the local stock market, which raised hopes for more capital inflows.

The euro rose by 0.4% this week as a report showed European industrial output rose in January the most since August 1989. Output in the economy of the nations using the currency jumped 1.7 percent from December, the European Union's statistics office in Luxembourg said. The euro touched a one-month high during the week versus the greenback as stocks gained for a second week. European Central Bank President Jean-Claude Trichet said that Greece's plan to cut the euro-region's largest budget deficit will win the backing of investors and credit-rating companies. Euro-zone gross domestic product growth slowed to 0.1% on the quarter in the final three months of last year from 0.4% in the three months to the end of September.

The Japanese Yen was under pressure last week while demand for higher-yielding currencies was robust after better-than-expected U.S. jobs data supported optimism about an economic recovery. The yen fell by 0.3% as Japanese officials said the government is ready to intervene to keep the currency from strengthening. Yen fell versus most of their major counterparts after U.S. retail sales unexpectedly rose last month, boosting investors' appetite for assets that benefit from global growth. Prime Minister Yukio Hatoyama said a strong yen doesn't reflect the condition of Japan's economy and industries and policy makers "need to take firm measures against such yen strength." Japanese Finance Minister Naoto Kan said in parliament the government is ready to intervene in the foreign-exchange market if movements are abrupt. Japanese authorities haven't stepped into the currency market since they sold 14.8 trillion yen (\$163.4 billion) in the first quarter of 2004. The reason for yen weakness stems largely from the fact that Chinese export data for February saw a huge 46% surge over the previous year.

Global Indices Charts



Sectoral Analysis

March 13, 2010

The BSE 30-share Sensex closed higher by 1% to 17,167 in the week ended March 12, 2010 while the S&P CNX Nifty too rose by 1% to 5,137. The BSE Mid-Cap index fell 0.5% to 6,701, while the BSE Small-cap index too fell by 0.8% to 8,433.

The major gainers were IT, Bankex and Oil & Gas, which rose 2.1%, 1.4% and 0.6% respectively. The major losers were Realty, Metals and Power, which lost 2.1%, 1.6% and 1.2% respectively.

IT

In the IT index, major gainers were Patni, TCS and Wipro, which rose 5.9%, 4.5% and 3.2% respectively. IT stocks rose on strong US economic data. US is the biggest market for Indian IT firms. TCS's Asia-Pacific chairman reportedly indicated that the company hopes to quadruple its market share in Asia outside India within five to seven years.

Bankex

Major gainers in the Bankex were Axis Bank, ICICI Bank and HDFC Bank, which rose 4.5%, 3.9% and 2.2% respectively. RBI Governor D Subbarao said inflation should moderate in the coming months. He said the central bank will ensure that interest rate levels do not have a negative impact on the competitiveness of the economy.

Oil & Gas

In the Oil & Gas index, major gainers were Cairn India, Gail India and RIL, which rose by 3%, 2.3% and 1.1% respectively. Cairn India plans to increase its production capacity at the Mangala, Bhagya and Aishwarya (MBA) fields from less than 30,000 barrels per day to 1,25,000 barrels per day in one step by mid-2010, as against the earlier plan of a two-step expansion during the first half. At full production in 2011, the three fields will account for around 20% of the country's total crude production.

Realty

The major losers in the Realty index were HDIL, Unitech and DLF, which fell 5.3%, 4.4% and 2% respectively. Realty shares fell on profit taking. The Budget has proposed to impose service tax on the realty sector both on commercial rentals as well as on sale of under-construction housing units. The service tax would come to be about 3.5% of the cost of the apartment that includes the value of the land and also the cost of construction, realty body Credai said recently.

Metals

The major losers in the Metals index were NMDC, Gujarat NRE Coke and Sesa Goa, which fell 12.5%, 7.7% and 3% respectively. Metal stocks edged lower as a gauge of six metals traded on the LME showed weakness. NMDC fell after the company's follow-on offering (FPO) received a tepid response.

Power

The major losers in the Power index were Suzlon, GVK Power and NTPC, which fell 6%, 5.9% and 2.8% respectively.

Weekly Statistics

Sectoral Index - BSE	Value	% Chg
BSE Sensex	17167	+1.01
BSE Midcap	6701	-0.51
BSE Smallcap	8433	-0.79
BSE 500	6789	+0.21
BSE Auto	7573	+0.26
BSE Bankex	10341	+1.39
BSE Capital Goods	13784	-0.73
BSE Consumer Durable	4144	+0.37
BSE FMCG	2795	+0.42
BSE Health care	5061	+0.22
BSE IT	5338	+2.10
BSE Metals	17272	-1.64
BSE Oil and Gas	9827	+0.61
BSE Power	3050	-1.20
BSE PSU	9072	-2.70
BSE Realty	3388	-2.09
BSE Teck	3295	+1.19

Sectoral Index - NSE	Value	% Chg
S&P CNX Nifty	5137	+0.95
CNX Nifty Junior	10509	-1.47
S&P CNX 500	4253	-0.40
Bank Nifty	9173	+1.49
CNX IT	5961	+2.01

RETAIL RESEARCH Fax: (022) 3075 3435 Corporate Office

HDFC Securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Fax: (022) 3075 3435 Website: www.hdfcsec.com
Email: hdfcsecretailresearch@hdfcsec.com

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