

Market Commentary

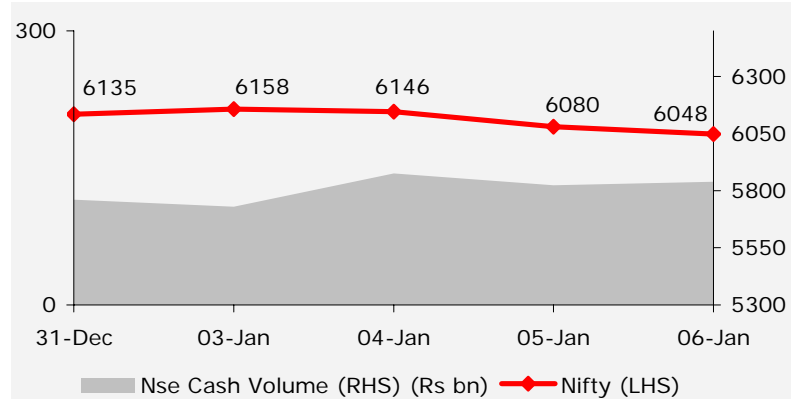
A heavy selling on bourses eroded over 800 points in BSE Sensex and ~ 230 points in NSE Nifty with BSE Sensex settling at 19692 levels while NSE Nifty above 5900 level after moving down to 5883 levels. All sectors witnessed heavy selling pressure with Metal, Auto, Consumer Durables, IT, Bank, Consumer Goods, and Oil and Gas contributing the largest to the fall. FII and DII would have continued to sell on Friday's trade creating more panic in the minds of investors.

Market Statistics

Developed	Last Close	% Change	
		WTD	YTD
U.S. (S&P)*	1,274	1.3	1.3
Dow Jones (DJIA)*	11,697	1.0	1.0
Dollar Index*	81	2.4	2.4
UK (FTSE)*	5,983	1.4	1.4
CAC40(France)*	3,877	1.9	1.9
Dax (Germany)*	6,968	0.8	0.8
Japan (Nikkei 225)	10,541	3.1	3.1
Emerging 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
Asian Markets			
Hong Kong(HSI)	23,687	2.8	2.8
Singapore (Straits)	3,172	3,261	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 Activities			
	Spot market		
	WTD	MTD	YTD
FII* (Rs bn)	9.6	4	881.8
DII* (Rs bn)	(11.8)	(3)	(429.9)
Commodities Update			
	Last Unit	% Change	
	Close	WTD	YTD
Crude Oil(NYME)**	\$/Bbl 88.8	(2.8)	(2.8)
Gold(OTC)**	\$/Oz 1359.2	(4.3)	(4.3)
Silver(OTC)**	\$/Oz 28.5	(7.9)	(7.9)
Copper(LME)**	\$/MT 9490.5	(1.7)	(1.7)
Aluminum(LME)**	\$/MT 2505.8	1.8	1.8
Sugar(LIFFE)**	\$/MT 746.7	(4.0)	(4.0)

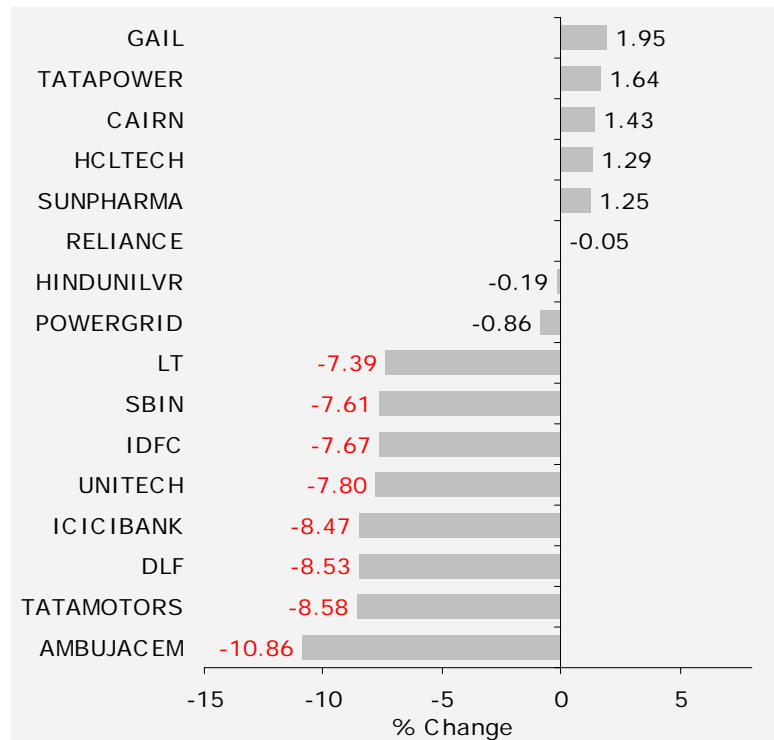
* As per Thursday closing
 ** As per Friday 16:30 hrs IST
 Source: Bloomberg

Nifty Performance



Source: NSE

Top Nifty Gainers and Losers (Weekly)



Source: NSE

Key events during the week

Corporate and other news

Coking Coal Contract Price May Rise 33% on Australian Floods

Steelmakers in Asia may be forced to pay as much as 33% more for hard coking coal after the worst floods in 50 years in Australia's Queensland state disrupted output from the world's biggest shipper of the fuel. This would be negative for steel manufacturing companies.

CNG to cost Rs 29 per kg in Capital

Auto-rickshaw drivers and owners of CNG-run cars were in for a surprise with the Indraprastha Gas Limited (IGL) increasing the price of compressed natural gas (CNG) by Rs 1.25 per kilogram in Delhi. The company has also increased the price of piped natural gas (PNG) by Rs 2 in the Capital. The new rates will be applicable from Saturday midnight.

Tata Steel, Nippon to ink Rs 2,400-cr JV by Jan-end

Tata Steel plans to ink an agreement with Japan-based Nippon Steel Corporation by the end of this month. It plans to set up a Rs 2,400-cr plant for producing auto-grade steel. The proposed joint venture (JV) facility is expected to commence operations in the next two years.

Pfizer drags DRL to court over Lipitor copy launch

Pfizer has taken Dr Reddy's Laboratories (DRL) to court to delay the launch of the Indian drug maker's low-cost version of atorvastatin sold under the Lipitor brand in the US market. Pfizer has asked the court to withhold approval of Dr Reddy's drug until one of its many patents for Lipitor expires in January 2017. The delay in launch of Dr Reddy's product will benefit Ranbaxy and Pfizer.

Peninsula lines up Rs 2,500 cr for land acquisition

Peninsula Land, part of the Ashok Piramal Group, is looking to spend over Rs 2,500 cr in the next 12 months on buying land, mostly in Mumbai, which will be financed through our internal accruals. In the next 12 months, the company is planning to launch approximately three million sq ft.

L&T to be split into nine independent entities

L&T has kicked off a restructuring plan that will divide the Rs 37,000-crore engineering and infrastructure behemoth into nine virtual companies. Power, hydrocarbon, machinery & product, switchgear, heavy engineering, infrastructure, building & factories, metals & minerals and electrical businesses make up the nine independent companies.

FDI inflows slip 7% in November

India-bound FDI dropped for the second consecutive month from a year ago in November. The country received FDI of \$1.6 bn in November 2010, down 7% from the \$1.72 in same month last year. The cumulative FDI inflow in the first eight months (April- November) of the current fiscal was \$14 bn, a drop of 27.4% over the \$19.32 bn in the corresponding year-ago period.

Macro Economic and Other News

Manufacturing growth slows in December

After growing at robust rates for most of the ongoing financial year, growth in Indian manufacturing activity slowed in December, primarily as the rate of incoming new orders decreased. The HSBC Purchasing Manager's stood at 56.7 in December, lower than a reading of 58.4 in November. However, the sector continued to expand at a slower pace, as a reading above 50 indicates expansion.

Exports up 26.5% in November

India's exports grew by 26.5% year-on-year to \$18.8 billion in November as against \$14.9 billion, on the back of rising demand in the developed economies, indicating that the exports would surpass the current fiscal's target of \$200 billion. However, imports rose by 11.2 per cent in November to \$27.7 billion, leaving a worrying trade deficit of \$8.9 billion.

Food inflation soars to 18.32%

India's food inflation, measured by wholesale prices, surged 18.32 percent in the week ended Dec. 25 from a year earlier, the highest since July.

International News

Germany manufacturing PMI comes in-line with estimates

Germany manufacturing PMI for the month of Dec came in at 60.7 vs consensus estimates of 60.9. This compares with a prior month figure of 60.9.

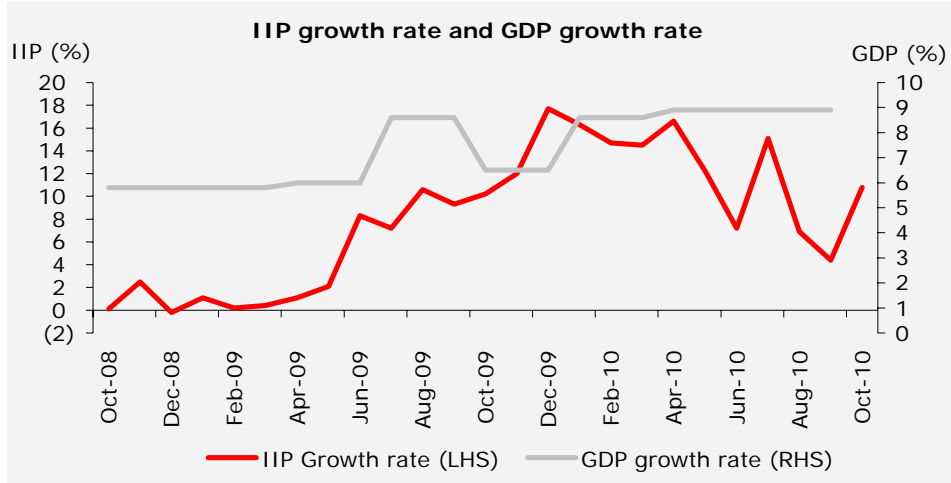
US initial jobless claims rises

The US initial jobless claims for the week ended Jan 1 came in at 409,000 vs consensus estimates of 408,000. This compares to the prior month figure of 388,000.

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

Macro Watch

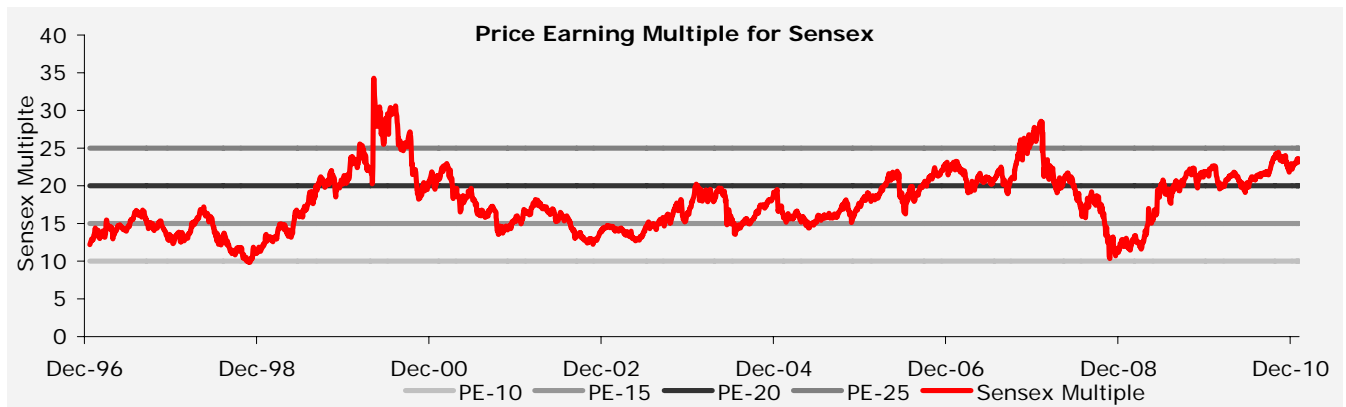
IIP growth rate and GDP growth rate



IIP in Oct grew by 10.8% YoY and GDP grew by 8.9% YoY in Q2 FY11

Source: Bloomberg
Note: IIP numbers are revised from April 2010

Sensex Valuations (Trailing Earnings)



Source: Bloomberg

Market Outlook

Rising inflation and interest rates continues to be concern on India's economic growth resulting into outflow of FII funds. We expect market sentiment continue to remain downbeat even in coming week. The heavy buying from DII and strong results from IT and Banks with upward earning guidance for FY11 would strengthen the market sentiments. Our view remains neutral to bearish.

Weekly outlook

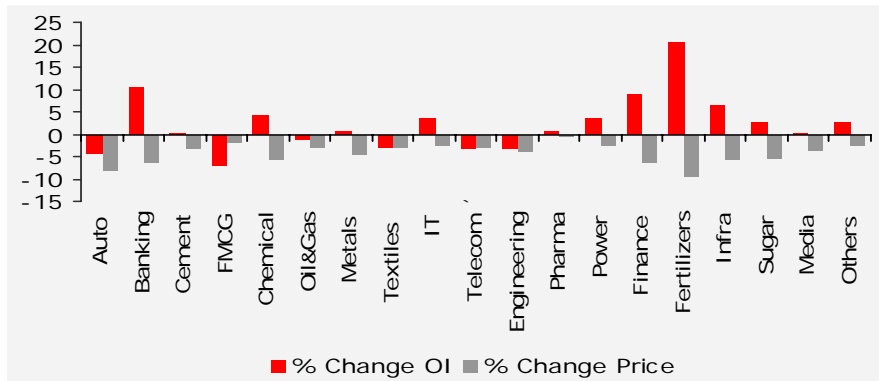
Scrip	Price Change(%)	OI Change(%)	Vol Change(%)
Nifty	-4.03	5.21	181.59
Bank Nifty	-6.40	3.72	128.58
CNX IT	-1.82	-8.57	200.00

Source: nseindia.com

Highlights:

- Indices succumb to heavy selling pressure on high volumes
- Fresh shorts noted in Nifty & Bank Nifty & long liquidation pulls down CNXIT

Sectoral Movement

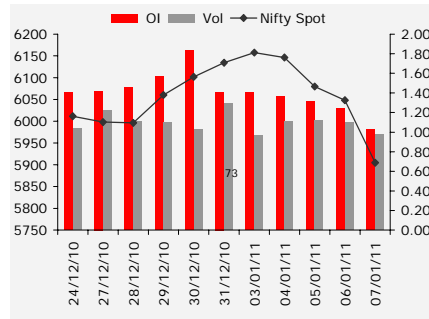


Highlights:

- Short Positions noted in Banking, Chemicals, IT, Finance, Fertilisers, Infra & Sugar
- Long Liquidation noted in Auto, FMCG, Oil&Gas, Textiles, Telecom & Engineering

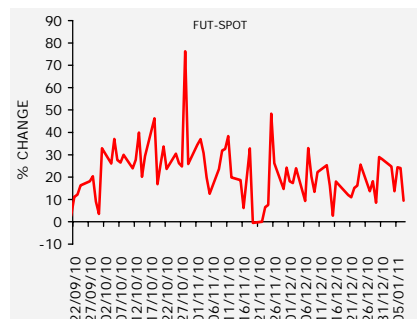
Source: nseindia.com

PCR Movement



Source: nseindia.com

Premium/Discount



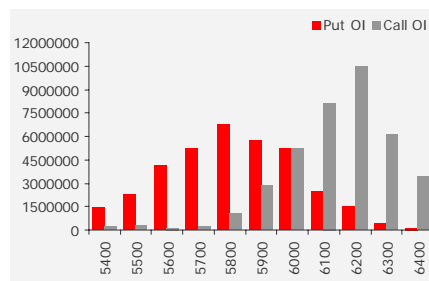
Source: nseindia.com

Highlights:

- PCR for Nifty based on OI was down at 1.03 & on volumes too was seen down at 0.98 over the previous week
- Nifty future trades at a premium of around 9-10 points to the Spot

Nifty Option Tracker

Jan Expiry



Source: nseindia.com

Jan expiry

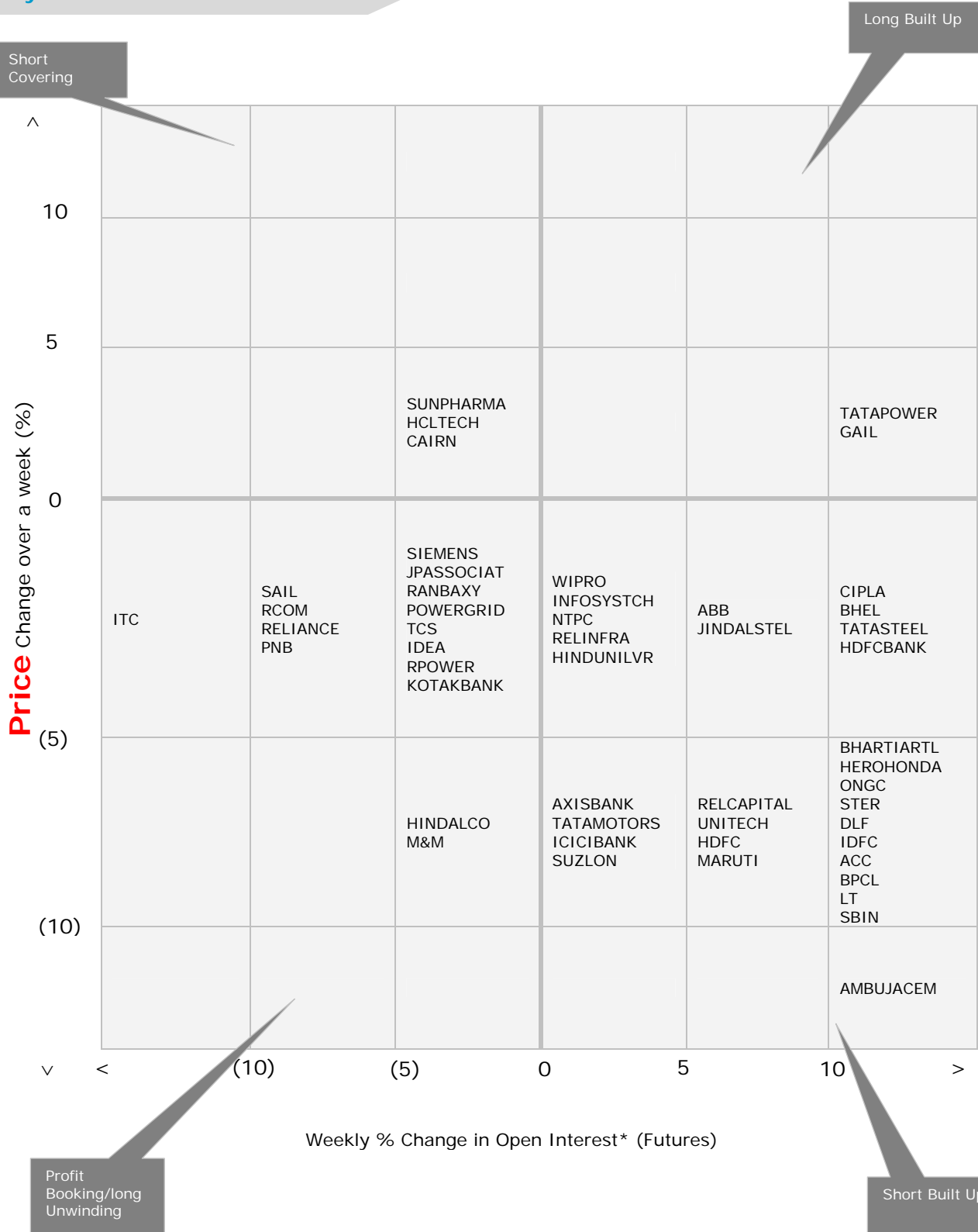
Strike	CE/PE	IV	Premium
6200	CE	19.04	15.15
6100	CE	19.23	31.00
6300	CE	19.17	8.00
5800	PE	19.00	70.50
5900	PE	17.42	106.20
6000	PE	15.33	160.75

Source: Bloomberg

Highlights:

- High activity seen at strikes of 6200/6100 in call & 5800 in puts for Jan series
- Supports seen at 5800/5700 and resistance seen at 6000/6100

Nifty Movers and Shakers



Events to Watch

Monday	Tuesday	Wednesday	Thursday	Friday
10-January China Trade Balance for Dec Japan	11-January UK BRC Retail Sales Monitor for Dec	12-January Japan Trade Balance for Nov US ABC Consumer Confidence for Jan 9 UK Trade Balance for Nov Germany GDP for 2010	13-January Japan Machine Orders for Nov US Initial Jobless Claims for Jan 8 US Continuing Claims for Jan 1 US Trade Balance for Nov UK Industrial Production for Nov India Weekly Inflation for Jan 1	14-January India Monthly Wholesale Prices for Dec US Advance Retail Sales for Dec US Industrial Production for Dec
17-January US	18-January UK Core CPI for Dec	19-January HK Composite Interest Rate UK Unemployment Rate (3 mths) for Nov US ABC Consumer Confidence for Jan 16	20-January US Initial Jobless Claims for Jan 15 US Continuing Claims for Jan 8 US Leading Indicators for Dec India Weekly Inflation for Jan 8	21-January China Real GDP for 4Q Japan All Industry Activity Index for Nov UK Retail Sales for Dec
24-January Germany GDP (Annual Growth Rate) for Dec 31	25-January India Repo, Reverse Repo and CRR HK Trade Balance for Dec Japan BOJ Target Rate US Consumer Confidence for Jan	26-January Singapore Industrial Production for Dec US ABC Consumer Confidence for Jan 23 US New Home Sales for Dec US FOMC Rate Decision India	27-January India Weekly Inflation for Jan 15 Japan Merchandise Trade Balance for Dec US Initial Jobless Claims for Jan 22 US Continuing Claims for Jan 15 US Pending Home Sales for Dec	28-January Japan Jobless Rate for Dec
31-January Singapore Unemployment Rate (sa) for 4Q Japan Vehicle Production for Dec US PCE Core for Dec	1-February India Exports and Imports for Dec US ISM Manufacturing for Jan UK PMI Mfg for Jan Germany Unemployment rate (s.a.) for Jan	2-February Singapore PMI for Jan China PMI for Jan US ABC Consumer Confidence for Jan 30 China	3-February India Weekly Inflation for Jan 22 HK PMI for Jan US ICSC Chain Store Sales for Jan US Initial Jobless Claims for Jan 29 US Continuing Claims for Jan 22 Singapore China HK	4-February US unemployment rate for Jan Singapore China HK

Source: Bloomberg.

Red Font: Stock Exchange Holiday

Our Current Recommendations

Date	Stock	Product	Reco	Reco Price	Target Price	Closing Price (Rs) (07 Jan 11)
15-May-09	PVR	Smart Idea	Buy	83	218	142
26-May-09	Crompton Greaves	Smart Idea	Hold	257	359	299
02-Jun-09	Lupin	Smart Idea	Buy	162	506	474
10-Jul-09	Blue Star Ltd	Smart Idea	Hold	333	478	411
19-Aug-09	Godawari Power & Ispat	Smart Idea	Buy	109	253	196
20-Aug-09	Cosmo Films	Smart Idea	Buy	97	164	131
04-Sep-09	JK Tyre & Industries	Smart Idea	Buy	92	137	129
06-Oct-09	BEML Ltd	Smart Idea	Buy	1,071	1,226	987
12-Nov-09	Jubilant Organosys Ltd	Sector Report	Buy	274	340	279
16-Nov-09	Mcleod Russel India Ltd.	Smart Idea	Hold	235	254	208
25-Nov-09	Jagran Prakashan Ltd	Smart Idea	Buy	119	160	126
23-Dec-09	Usha Martin	Smart Idea	Buy	73	103	70
26-Mar-10	Firstsource Solutions Ltd	Smart Idea	Buy	29	35	23
19-May-10	NIIT Technologies Ltd	Smart Idea	Buy	189	252	200
08-Jun-10	Gujarat NRE Coke	Smart Idea	Buy	59	76	68
25-Aug-10	Glenmark Pharma Ltd	Smart Idea	Buy	292	360	360
06-Sep-10	Development Credit Bank	Smart Idea	Buy	52	62	54
04-Oct-10	Dish TV	Smart Idea	Buy	56	75	66
08-Oct-10	Jyothy Laboratories Ltd	Smart Idea	Buy	268	332	274
26-Oct-10	Escorts Ltd	Smart Idea	Buy	228	241	161
01-Dec-10	IFCI	Smart Idea	Buy	61	92	60
09-Dec-10	Tata Metaliks	Smart Idea	Buy	121	157	132
05-Jan-11	Alok Industries	Smart Idea	Buy	29	36	26

Source: HISL Advisory, NSE, BSE.

HSBC Recommendations

Sr. No.	Name of Company	Recommendation	Target Price (Rs)	Closing Price (Rs) (07 Jan 11)
1	Asian Paints	overweight	2,954	2,776
2	Axis Bank Ltd	overweight	1,900	1,281
3	Cairn India Limited.	overweight	360	340
4	Canara Bank	overweight	814	607
5	Cesc Ltd	overweight	475	376
6	Dabur India	overweight	114	100
7	HCL Technologies	overweight	545	465
8	HDFC Bank	overweight	2,850	2,269
9	ICICI Bank	overweight	1,350	1,049
10	Indusind Bank	overweight	400	230
11	Infosys Technologies	overweight	3,830	3,371
12	Jindal Steel & Power	overweight	820	708
13	Kalpataru Power Transmission	overweight	250	167
14	Larsen & Toubro	overweight	2,341	1,846
15	Sterlite Industries	overweight	210	176
16	Tata Power	overweight	1,565	1,389
17	TCS	overweight	1,300	1,143
18	Tulip Telecom	overweight	235	175
19	Yes Bank	overweight	534	270
20	DLF Ltd	overweight (v)	386	269
21	Educomp Solutions	overweight (v)	740	512
22	Gitanjali Gems Ltd	overweight (v)	341	198
23	Hindustan Construction	overweight (v)	53	45
24	Housing Development & Inf	overweight (v)	357	184
25	Hero Honda	overweight (v)	2,340	1,880
26	Hindalco	overweight (v)	260	233
27	Indiabulls Real Estate	overweight (v)	252	125
28	IRB	overweight (v)	355	222
29	Jet Airways	overweight (v)	1,000	758
30	Jindal Saw Ltd	overweight (v)	285	211
31	Jyoti Structures Ltd	overweight (v)	185	132
32	Maruti Suzuki India Ltd	overweight (v)	1,450	1,341
33	NIIT	overweight (v)	85	57
34	Nagarjuna Construction	overweight (v)	204	132
35	Polaris Software Lab	overweight (v)	235	171
36	PTC India	overweight (v)	161	117
37	Sesa Goa	overweight (v)	390	332
38	Tata Steel Ltd	overweight (v)	730	661
39	Welspun Corp	overweight (v)	335	167

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

Note: We have included stocks with overweight only.

Advisory Group

Karun Mutha

SVP & Head - Equity & Derivatives Advisory

Tel +91-22-67897833

Email: karun.mutha@hsbcinv.com

Fundamental Team	Designation/Sectors covered		
Supriya Madye	AVP Analyst–Auto, Cement, Infra	022 39673815	supriya.madye@hsbcinv.com
Deepan Sankaranarayanan	Analyst–Media, Logistics	022 39673818	deepan.sankaranarayanan@hsbcinv.com
Jignesh Shial	Analyst– Financials, Real Estate	022 39673820	jignesh.shial@hsbcinv.com
Hitesh Punjabi	Analyst–IT, Pharma	022 39673823	hitesh.punjabi@hsbcinv.com
Prerna Jhunjunwala	Analyst–Retail, FMCG, Capital Goods	022 39673822	prerna.jhunjunwala@hsbcinv.com
Chetan Thacker	Associate Analyst–Metal, Mining, Agri	022 39673821	chetan.thacker@hsbcinv.com
Priyanka Rai	Assistant Manager (Production)	022 39673852	priyanka.raai@hsbcinv.com

Quantitative Team

Tina Khetan	Derivative Analyst	022 67897828	tina.khetan@hsbcinv.com
Akshay Bhagwat	Derivative Analyst	022 67897830	akshay.bhagwat@hsbcinv.com
Nikunj Shah	Derivative Analyst	022 67897831	nikunj.shah@hsbcinv.com

Technical Team

Mukesh Singh	Vice President- Technical Analyst	022 67897816	mukesh.singh@hsbcinv.com
Rahul Randeria	Technical Analyst	022 67897817	rahul.randeria@hsbcinv.com
A.SenthilRaj	Technical Analyst	022 39673998	a.senthilraj@hsbcinv.com

Advisory Support

Tony Nawani	Manager	022 67897825	tony.nawani@hsbcinv.com
Prakash Modi	Assistant Manager	022 67897826	Prakash.modi@hsbcinv.com

Disclaimer:

Issuer of the Document:- HSBC InvestDirect Securities (India) Limited*

Registered Office: -

Dhana Singh Processor Premises
J B Nagar Andheri - Kurla Road
Andheri (East)
Mumbai – 400 059
Telephone: +91 22 6789 7830
Fax: +91 22 6789 7700
Website: www.hsbcinvestdirect.co.in

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