MOSt wealth

A Monthly Newsletter on Wealth Management

SEPTEMBER 2010

MOTILAL OSWAL

From the desk of Manish Shah

"People tend to overreact to bad news and react slowly to good news"

Dear Investor,

In August, the Sensex continued to trade in a narrow range and climbed up to 18,475, adding just 103 points in the month.

The narrow movement has been due to indecision given that the valuations for the Sensex are at 22 times trailing EPS of ₹823 and 17 times forward on an estimated EPS of ₹1,050 for FY11. These valuations are above the 15-year average for the Sensex PE of 15. There has been caution due to worries about the vagaries of the monsoon and the rate of GDP growth. The Sensex has been held in place by inflows from FIIs. The Sensex has been up 3% YTD and the Dow has lost 4% over the same period. Thus, India continues to be an attractive destination for equities.

During August, some of the fears about the macro situation were allayed. The monsoon has come close to its long term average and a GDP growth figure of 8.8% has raised hopes that the Sensex could go higher. The range of 16,000 to 18,000 seen in the first quarter of the current financial year has moved to a higher bracket. FIIs continue buying and the tug of war between FII buying and domestic selling appears to be ending in favor of FIIs.

Automobile sales numbers are on a roll. PSU oil companies are expected to move up, having broken free from their shackles. PSU banks offer value because their prices are close to their book values. Autos outperform the market and should continue to do so. Realty is the dark horse and cement is waiting on the sidelines to make its move.

The mid-cap and small-cap indices are maintaining their lead over the Sensex, whose gradient has been muted. Once again, the big opportunity is in specific mid cap stocks and not indices or frontline stocks.

When liquidity drives a market, which is marginally overvalued, the main fear is of a speculative blow-out, especially when there is expectation of a correction. Participants entering the markets for fear of being left out will cause a blow-out. Participants waiting on the sidelines will ensure the markets will not correct beyond 7-8%.

Happy investing

Sincerely yours,

Manish Shah
Associate Director
Head Equities

Index

Top picks of the month

BHEL

BHEL's adjusted 1QFY11 EBITDA margin was 15%, higher than our estimate of 11.8%. BHEL's order book as at June 2010 was ₹1,480bn (up 19% YoY, up 3% QoQ). The company expects to maintain about 25% growth in earnings over FY10-13 and is among the fastest growing large-cap Indian companies. BHEL has countered competitive threats from Chinese and Korean players. With the environment in the power equipment industry turning favorable to domestic manufacturers, BHEL is well-placed to maintain and grow its market share. In the context of improved earnings visibility and strong industry tailwinds, BHEL is attractively valued.

M&M

M&M is the market leader in UV's and tractors, with a share of 50% and 40% respectively. M&M continues to dominate its core business of UV's and tractors, with favourable competitive dynamics and strong volume growth momentum. It would be one of the biggest beneficiaries of a normal monsoon. We believe the stock is the best way to play the agriculture theme as it has the triggers of attractive valuations, automobile upcycle and a well distributed monsoon to aid its major markets.

SBI

State Bank of India (SBI) is the largest commercial bank in India, with a balance sheet size of over ₹7tn. The bank, along with associate banks, has a network of over 14,000 branches in India and controls over 18% of the banking business. The government owns 57% of the bank, with FIIs owning 20% (maximum permissible is 20%). Over the past couple of years, SBI has been focusing on drawing significant synergies through an internal consolidation of its associate banks. SBI will command valuation premium for its size and for being a proxy to growth in the financial services space in the Indian economy. We assume consolidated RoE of 16-18% over FY09-12. We maintain Buy with a target price of ₹2,925.

Sterlite Industries

Sterlite Industries is India's largest non-ferrous metals and mining company. Sterlite Industries' adjusted 1QFY11 PAT increased 28% YoY to ₹8.6bn against our estimate of ₹10.7bn. Reported PAT of ₹10bn included ₹1.4bn of gains on FCCB as per AS30 (reported in other income). Results were below our estimates largely due to higher costs at Balco and VAL. The stock trades at 6.9x FY12E EPS and an EV of 4.1x FY12E EBITDA. It is available at a significant discount to its 6-year average P/E of 8x. Given our estimate of 30-35% CAGR in earnings growth, our bullish view on zinc prices, rising share of energy in consolidated earnings, we believe the stock is attractive.

Cummins India

Cummins India, the largest engine maker in India, is likely to post accelerated growth over the next 2 years, led by improving demand in the domestic market and strong rebound in exports due to increased outsourcing by its parent. A better product mix, healthy pricing environment, stable commodity prices and continuous cost-cutting initiatives will keep margins strong. CIL posted strong 26% earnings CAGR over the past 4 years, despite an uncertain global business environment. We expect the company to post 37% earnings CAGR over FY10-12. We believe the stock will command higher valuations due to long-term growth potential and possible upside to earnings expectations in the medium-term.

Opto Circuits

Opto Circuits is the largest medical device maker from India. It has a strong distribution network of 1,300 distributors across more than 50 countries. Despite rapid growth, the company remains a marginal player in the global medical devices industry, which gives it the opportunity to sustain its high revenue growth rate for several years going forward. We expect revenue CAGR of 23% over FY10-12 led by non-invasive and invasive business segments. We estimate FY11 EPS at ₹18.4 (up 38.8%) and FY12 EPS at ₹22.6 (up 22.6%) leading to EPS CAGR of 30% over FY10-12. Strong earnings growth and improving cash flows will favourably impact valuations.

Cummins India

25th August 10 / CMP: ₹698

Y/E MARCH	NET SALES (₹ BN)	EBITDA (₹ BN)	NP (₹ BN)	EPS (₹)	EPS GR.(%)	BV/SHARE (₹)	P/E (X)	P/BV (X)	EV/EBITDA (X)	EV/ SALES(X)	ROE (%)	ROCE (%)
2010	28.4	5.3	4.4	22.4	7.1	78.0	31.2	9.0	24.8	4.6	30.4	39.5
2011E	39.1	8.2	6.1	30.8	37.3	94.7	22.7	7.4	15.7	3.3	35.7	46.3
2012E	52.5	11.1	8.3	42.0	36.4	119.2	16.6	5.9	11.3	2.4	39.3	49.5

Strong demand to boost growth:

Cummins India (CIL), the largest engine manufacturer in India, is likely to post accelerated growth over the next 2 years, led by improving demand in the domestic market and strong rebound in exports on the back of increased outsourcing by its parent. Better product mix, healthy pricing environment, stable commodity prices, and continuous cost-cutting initiatives will keep margins strong.

Domestic business to grow at 26% CAGR over FY10-12:

After sluggish demand in FY09 and 1HFY10, the domestic engine market has shown impressive recovery. With growing power shortage, diesel engine demand for power-generation applications will continue to be strong. We expect robust demand pull from the industry segment as well, particularly from construction and mining.

Exports to grow 3x by FY12; parent raises guidance:

CIL is among Cummins Inc's leading manufacturing bases, and meets its global requirement for several key products and components. After reaching a high of ₹13bn in FY09, exports sharply declined to ₹4.8bn in FY10, as US and European economies shrank. However, buoyed by strong recovery in American and Asian markets, its exports have grown sharply since 4QFY10. We expect exports to reach ₹15bn by FY12. Cummins Inc has also raised its sales guidance for CY10 to US$13bn, which augurs well for CIL.

Superior product mix, cost-cutting boost margins; more surprises likely:

CIL has surprised markets by sharp improvement in margins during the last two years. In FY10, EBITDA margin expanded 410bp to 18.5%. The company has maintained strong margin momentum, posting 21.3% (up 290bp YoY) in 1QFY11. We believe that better product mix, healthy pricing environment, stable commodity prices and continuous cost-cutting initiatives will keep margins strong, going forward.

Powerful tailwind; aggressive capacity expansion:

Given quality standards and cost benchmarks that CIL has established, Cummins Inc will enhance the product portfolio that it outsources from India. To meet domestic demand and export requirements, CIL will spend around US$300mn at its new mega-site near Pune over the next 5 years, which will add capacity at 20% CAGR. This is a significant positive for the company's growth.

Earnings CAGR at 37%; stock trades at 17x FY12E earnings; Buy:

CIL has exhibited strong 26% earnings CAGR over the last 4 years, despite uncertain business environment globally. We expect the company to post a robust 37% earnings CAGR over FY10-12. We believe that the stock will command higher valuations due to long-term growth potential and possible upside to earnings expectations in the medium-term. We upgrade the stock to Buy, with a target price of ₹840 (20x FY12E earnings).

Stock Performance (1 Year)

Extract

IL&FS Investment Managers Limited (IIML)

IIML is unique play as it is only listed private equity asset management company in India. An investment of ₹10 in year 2000 would have yielded ₹62 as cumulative dividend till the end of FY 2010. Apart from this stock has returned 56% CAGR since 2002. The company has delivered gross returns in excess of 27% for its largest fully divested AIG India Sectoral Fund. The Leverage India Fund, which is in divestment mode now, has delivered gross returns of ~40%. The AMCs generally trade at a 5-10% of their AUMs. IIML currently trades at ~8% of its AUM for FY2010 and 7% of its AUMs for FY12E. At our target price of ₹65 the stock will trade at around 9.5%/8.4% of its FY11E/FY12E AUMs, which will be around 30% premium to median valuation range of 7% for the last 8 years.

Gujarat Apollo Equipment Ltd

The National Highway Authority of India (NHAI) has stepped up awarding of projects since November 2009 leading to award of 34 road projects in FY10. The government has set a target of building 35,000 kms new roads by 2014. Of this roughly 12,000 kms in 92 projects will be awarded in FY11. Gujarat Apollo provides equipment necessary for second and third stage of road development i.e. after the area has been cleared of trees, etc. It has 3,500 units in use by over 1,400 customers. We expect both consolidated revenues and earnings to grow by 18% CAGR over FY10-FY12E. For a company with 20%+ ROE for the past few years, Gujarat Apollo Equipments Ltd. is available cheap at close to 7XFY2012E standalone earnings. We set a price objective of ₹265 at 9x FY12 estimated earnings.

Eclerx Services Limited

Eclerx focuses on scalable business segment of data analytics within the overall BPO/KPO industry and not on the higher end of market like Investment Banking Support/Equity Research support, which suffer from lack of scalability for offshore players due to high requirement of domain specialists and good presence of captive units for big investment banks. The company has maintained strong growth momentum since its inception. The revenue of the company has multiplied 13 times since FY2003 to ₹2.6bn in FY 10.Still it has got very negligible presence in the overall BPO/KPO market size of $12-15 bn as per various industry estimates. The company has always maintained operating margins in excess of 35% even after operating in the relatively low end of overall market place. The company is currently quoting at 11x/10x of FY11E/FY12E earnings. It has always maintained a dividend payout of around 50%, giving a dividend yield of around 3% at CMP. At our target price stock will be trading at around 14x/13x of FY11E/FY12E earnings.

Deepak Fertilizers and Chemicals

Deepak Fertilizer and Chemicals manufactures and markets the following major products: Iso-Propyl Alcohol - used in Pharamceuticals and Cosmetics, Ammonium Nitrate (AN)- used as explosives in mines and Nitro Phosphate (23:23) - Complex fertilizer containing Nitrogen and Phosphorous. The company is expanding capacity by 300,000 tonnes at a cost of ₹6.55 bn. Sales volumes from the new plant to be commissioned in Sept'10\Oct'10 are likely to be 50000 tonnes in FY11E and around 240,000 tonnes in FY12 with exports of 50,000 tonnes in FY12. This will help drive revenues. Revenues are likely to rise over FY10-FY12E at 24% CAGR with ROE likely to be improve to 19%. Valuations are currently attractive at 6xFY12E earnings and a 3% dividend yield for FY11E. We recommend BUY with a target of ₹200 valuing the company at 8.5XFY12E earnings.

Unichem Laboratories Ltd

Unichem stands to gain from a Domestic formulations market growth of 12-15% CAGR over FY10-FY12E. Unichem has a presence in only 25% of therapeutic segments in the Indian market and is working on expanding its therapeutic coverage. Turnaround in its UK subsidiary and growth in revenues in the US are likely to aid margin expansion. Revenue growth of 10% CAGR over FY10-FY12E and margin expansion is estimated to lead to 18%+ CAGR in earnings over FY10-FY12. The company pays out one third of its earnings as dividend and has had a consistent dividend payment record since 1962. Unichem has announced a split of its share from ₹5 face value to ₹2 face value. With an ROE of 23% and greater than ₹60 per share in cash and cash equivalent estimated at FY12E end, the stock is extremely attractive at less than 10xFY12E and more than 3% FY12E dividend yield. We recommend a BUY with a target price of ₹560 - 12xFY12E earnings.

Select the portfolio that best suits your risk profile

AGGRESSIVE - High Risk, High Returns

Scrip	MBP*	Wtg.*	
SBI	2,800	H	TOP PICK
BHEL	2,500	H	TOP PICK
M&M	650	H	TOP PICK
ICICI Bank	950	H	
MRF	8900	M	
Apollo Tyre	85	M	
Idea	66	M	
JSW Steel	1,150	M	
Lupin	360	M	
Nagarjuna Construction	176	M	
Prakash Industries	225	M	
Sterlite Industries	172	M	
Cash		20	
Total Investment%		80	

Our Aggressive Portfolio works on the principle of 'no pain no gain'. The target returns are high at 30%+. Portfolio includes commodity, cyclical and small-cap stocks.

MODERATE - Medium Risk, Medium Returns

Scrip	MBP*	Wtg.*	
SBI	2,800	H	TOP PICK
BHEL	2,500	H	TOP PICK
M&M	650	H	TOP PICK
Hero Honda	1,800	H	
Bank of Baroda	820	M	
Cipla	330	M	
GSK Consumer	1,500	M	
GSK Pharma	1,800	M	
Idea	66	M	
HPCL	500	M	
BPCL	700	M	
IOC	430	M	
JSW Steel	1,150	M	
Nagarjuna Construction	176	M	
Prakash Industries	225	M	
Sterlite Industries	172	M	
Total Investment%		100	

Some moderation is achieved in this portfolio by investing in large and growth stocks available at value. The aim is to generate 20%+ annualized returns with less risk.

DEFENSIVE - Low Risk, Low Returns

Scrip	MBP*	Wtg.*	
SBI	2,800	H	TOP PICK
BHEL	2,500	H	TOP PICK
M&M	650	H	TOP PICK
Blue Star	400	H	
Gail	480	H	
Hero Honda	1,800	H	
HPCL	500	M	
BPCL	700	M	
IOC	430	M	
Bank of Baroda	820	M	
Cipla	330	M	
GSK Consumer	1,500	M	
GSK Pharma	1,800	M	
Idea	66	M	
Total Investment%		100	

Our Defensive portfolio works on the principle of balanced growth to outperform the market. The aim is to get annualized returns in excess of 15% taking minimal risks.

MBP : Maximum Buying Price. One should not buy the stock if Price is above MBP.*
Wtg. :Weightage refers to the size of the position recommended. H-10%, M-5%*

The Sensex gained 103 points (5%) to close at 18,032 during August. Impressive 1QFY11 results and a normal monsoon in most parts of India boosted market sentiment. Most of the global markets were subdued due to concerns about slower growth in the US and China. But India's GDP growth for 1QFY11 was in line with expectations of 8.8%. FIIs were net buyers of equity worth ₹72.68bn and DIIs were net sellers of equity worth ₹45.14bn. In the commodities space, crude oil slipped by almost 10% and base metal prices on the LME declined modestly.

We suggest booking profit in oil marketing companies in our aggressive portfolio after the recent rally. Most of the OMCs touched their respective all time highs after an appreciation of nearly 30-40% after decontrol of petrol prices. We have also booked profit in Bombay Rayon in our aggressive portfolio.

We have added MRF and Apollo Tyre in aggressive portfolio. Most of the tyre players have increased capacity recently. Imported rubber prices have also declined after the government's reduction of import duty, which will benefit the tyre industry. We expect this industry will provide a significant upside in 6-12 months.

We are bullish on BHEL, M&M and SBI. We expect M&M will be major beneficiary due to a good monsoon. The stock trades at attractive valuations of 9x FY12E adjusted P/E. We expect SBI to benefit from higher loan growth, continued deposits repricing and a strong CASA base. We expect BHEL to benefit from the possibility of large orders from NTPC and DVC.

After these changes we will be invested to the tune of 80%, 100% and 100% in the Aggressive, Moderate and Defensive portfolios, respectively.

Sector	Allocation (%) Agg.	Mod.	Def.
Automobiles	10	20	20
Auto Ancillaries	10	-	-
Banking	20	15	15
Pharma	5	10	10
Telecom	5	5	5
Others	-	-	10
FMCG	-	5	5
Metals	15	15	-
Infrastructure	5	5	-
Oil & Gas	-	15	25
Engineering	10	10	10
Cash	20	-	-
Total	80	100	100

Additions or deletions of stocks are being communicated through our morning conference calls, Most Market Action emails or on AWACS during market hours.

At the cross roads...

The Nifty started August on a positive note, with a 100-point rally in the first week of August crossing its July high of 5,477 and reaching a new high of 5,492 points on 9th August 2010. Thereafter, the Nifty consolidated between 5,370 and 5,490, before reaching the high of the month on 23 August at 5,549 points. But profit-taking ensued and the Nifty fell sharply to close August at 5,402, a gain of 35 points. Sectoral gains were seen in automobiles, banks, FMCG and consumer durables. The sectoral losers were metals, oil & gas, realty, power and health care.

Going forward...

Intermediate term - The intermediate trend of the Nifty is at a cross-road. The 50-dma (5,394) support has held though there was an intraday violation on the last trading day of August. The intermediate long positions should be held due to the Nifty maintaining a seven-week support of about 5,340 through August. Fresh positional longs can be attempted only if the Nifty sustains above the August high of 5,550. On the downside, the first support will be at 5,257, which is a 38.2% retracement of the rise from 4,786 to 5,549 points. The second crucial support is at 5,170, which is the 50% retracement of the rise plus the 200-dma.

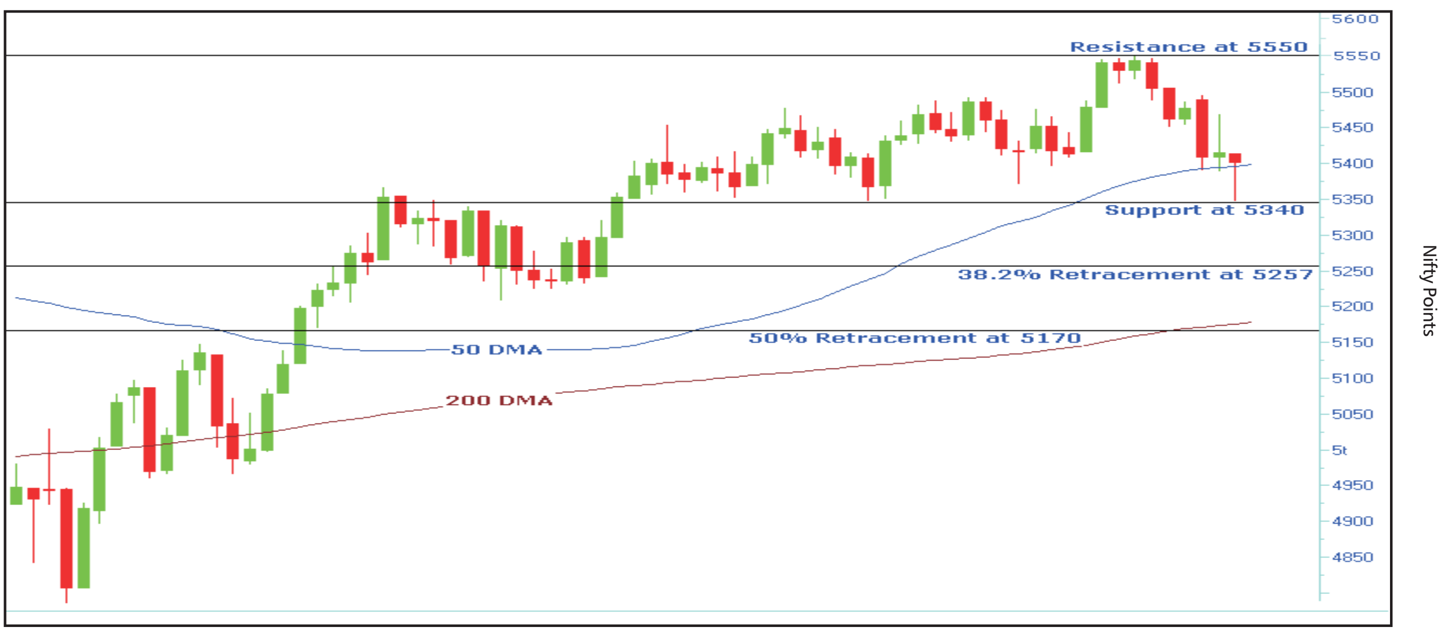
Long Term - The long term bullish trend is in place as the Nifty continues to make higher tops and bottoms and trades in a rising channel. The bull market will reverse only if the Nifty closes below the May 2010 low of 4,786 points. The 0.618 retracement of the bear market decline from 6,357 (January 2008) to 2,252 (October 2008) is at 4,818 points, which will also provide crucial long-term support. On the upside, the Nifty can test the upper end of the rising channel at 5,750 points if it sustains above 5,550 points for at least a month.

Actionables:

In the current scenario the actionables would be:

1. Exit trading longs if the Nifty breaks 5,340 points on a closing basis.
2. Simultaneously initiate trading shorts with a stop of 5,470 with first target of 5,258 and second target of 5,167 points.
3. Fresh trading longs can be created above 5,470 and positional longs can be taken above the 5,550 points with a stop of 5340 points.
4. Investment buying is advised around the 200-dma at 5,174 with a stop loss of 4,818 and target of 5,750 points.

Daily Chart



The above views are based on Technical analysis and could differ from our fundamental views.
For further ideas on Technicals contact: Tel.: +91 22 30896833

Derivatives & Options Trading

The August expiry saw one of the laziest movements on the Nifty. The index had gradual increments through the first half, while the momentum picked up in the second half and the index topped out in the beginning of the expiry week. Nervousness towards the end led to a mere 1.5% increment in the Nifty for the expiry. The August series ended with a stock rollover of 86% (6 month average 84%) and a Nifty rollover of 74 % (6month average 68%). Stock futures had decent increments but this time mid-cap stocks added more than their larger counterparts did. The participation of stock futures went up to 2.3bn shares, nearing the January 2008 participation. A decent set of rollovers on top of this led us to open the September expiry with over 17% increments in the stock futures participation. The Nifty also had the highest rollover in 7 months. This coupled with over 4mn shares in participation towards the end resulted in one of the highest opening participations for the Nifty in recent times. August began with the Nifty option composition favouring bulls, which could be inferred by the Open Interest Put Call Ratio (OIPCR) of over 1.5 for the first half of the expiry. Similarly, implied volatilities inferred as the risk barometers of the markets, was low for the month. A heavy build-up in 5,300-5,400 puts and 5,00 calls justified the range bound movement during the August series.

As far as the coming month is concerned, one needs to keep in mind that the Nifty futures attracted many hedges towards the end of the series, which seems to be carried forward in September as well. This indicates a degree of nervousness among participants at current high levels. Among stock futures over 80% stocks rolled at positive rollover costs, indicating long bias being carried forward into the September series. Select FMCG, power and fertilizer stocks had MoM additions led by higher rollovers at positive rollover cost, indicating expectation of further upside. Going forward, looking at the Nifty September series composition it seems we may not have any great downside. But implied volatilities have risen, advocating caution, hence we recommend hedging strategy: Nifty Bear Ratio Spread.

INDEX: NIFTY **LOT SIZE: 50**

View : Hedging

Rationale : 1. The rise in IVs advocate caution.
2. In case of a rise without correction, no additional cost is incurred.
3. On the downside the Puts written in 5,300 through 5,000 are expected to halt a major fall

Premium Inflow: : NA

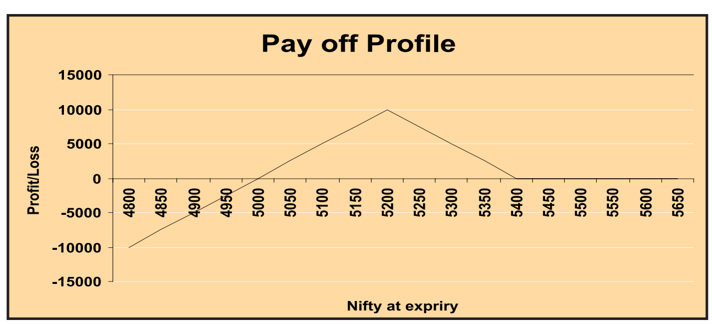
Span Margin: : ₹28,000.00 (Approximately)

Strategy: Nifty Bear Ratio Spread

Buy/Sell	Scrip	Series	Option Type	Strike Price	Reco Price
BUY	NIFTY	SEP	PE	5400	₹116
SELL 2	NIFTY	SEP	PE	5200	₹58

Pay off Profile On Expiry

Break Even Point	Maximum Profit	Maximum Loss
N.A.	₹10000 at 5200	Unlimited Below 5,000



Summary

MOSt 3x3

1st week (7th Aug, 2010)

Large Cap	CMP(₹)
GAIL	438
SBI	2,620
Sterlite Industries	176
Mid Cap	
Bombay Rayon	265
Tulip Telecom	182
Vijaya Bank	73

2nd week (13th Aug, 2010)

Large Cap	CMP(₹)
Hindalco	166
LIC Housing	1,225
GAIL	453
Mid Cap	
Indiabulls Real Estate	194
Opto Circuits	272
Vijaya Bank	77

3rd week (21st Aug, 2010)

Large Cap	CMP(₹)
Hindalco	178
LIC Housing	1,225
GAIL	468
Mid Cap	
Birla Corp	365
Indiabulls Real Estate	192
Opto Circuits	271

4th week (28th Aug, 2010)

Large Cap	CMP(₹)
Sterlite Industries	152
LIC Housing	1,207
GAIL	459
Mid Cap	
Cummins India	729
Indiabulls Real Estate	172
Opto Circuits	282

CMP: current market price

Blue Colour: New entry in MOSt 3x3

Red Colour: Re - entry in MOSt 3x3

Debt Overview

In August 2010, the 10-year benchmark 7.80%, 2020 bond hardened by 13bp and settled at ₹99.10 or a 7.93% yield against a 7.80% yield or ₹99.97 from July levels. The rate touched 8.08% on 25th August 2010, the highest since April. The 5-year GSec paper was up 7bp and closed at 7.70%. Corporate bonds yields remained range-bound during the month. The 5-year AAA closed the week at 8.55% (in the previous month it closed at 8.52%) and the 10-year AAA closed at 8.78% (in the previous month it closed at 8.82%). The 10-year bond rose the most in more than 3 weeks, paring a monthly loss, on speculation investors will opt for the safety of debt as signs that the global economic recovery is faltering reduced the allure of shares. Yields on benchmark debt trimmed this month's increase to 13bp after a report showed personal income in the US rose less than economists predicted. The RBI raised interest rates 4 times this year to cool inflation. In the last quarter the economy expanded at the fastest pace since 2007, the government said.

Inflation data point towards further easing in prices of primary articles. The index was marginally down at 14.74%. In an annual reporting for FY10, the RBI reaffirmed that the policy focus had shifted towards warding off risks emanating from inflation. It also outlined some of the other domestic headwinds facing the economy such as supply bottlenecks.

The Indian economy grew by 8.8% in the 3 months to June due to robust manufacturing growth. However, certain sectors like financial services, which grew 6% in the 3 months to June, reined in economic growth. Agriculture and allied activities grew 2.8%, against 1.9% a year earlier, but it is nowhere near the government target of 4%. Manufacturing expanded by 12.4% in April-June 2010 against 3.8% a year earlier. Construction grew by 7.5% against 4.6% a year earlier. Among services, financial, insurance and real estate services expanded by 8% against 11.8% a year earlier, and community social and personal services growth slowed down to 6.7%, from 7.6% a year earlier. But trade, hotels and communication services rose by 12.2% from 5.5% a year earlier. The government expects the economy to grow by 8.5% this fiscal. Though the GDP numbers for the April-June quarter are higher than those in the previous quarter (8.6%), they lag the expectations of 8.9-9.4% forecasts by experts.

Overview of funds

Equity Funds

In August 2010, FIIs were the net buyer of equity worth ₹187.02bn and domestic mutual funds were net seller of equity worth ₹28.17bn. In the Equity Diversified category, Reliance Equity Opportunities Fund - Growth topped the charts with 1-year absolute returns of 53.80%. In the Equity Large Cap category, Canara Robeco Emerging Equities - Growth topped the charts with 1-year returns of 44.51%. Among index funds, ING Nifty Plus Fund - Growth stood first with 1-year absolute returns of 17.49%. In the sector funds category Reliance Pharma Fund topped the charts with 1-year absolute returns of 60.70%. In the ELSS category L&T Tax Advantage Fund - Series I topped the charts with 1-year absolute returns of 44.17%.

Category	6 Mths(%)	1 Yr(%)	3 Yrs(%)
Equity Diversified	17.55	30.09	7.11
Equity Large Cap	13.51	22.55	8.34
Index Funds	10.07	15.54	5.00
Sector Funds	16.76	31.08	10.66
ELSS Funds	15.12	25.92	7.53

<1 year absolute >1 year CAGR

Debt Funds

In August 2010 the 10-year bond yield moved in the range of 7.81% to 8.07%. The 7.80% 2020 paper closed at ₹99.10 or 7.9% yields as on 31st August 2010 against ₹99.97or 7.8% yield as on 30th July 2010. As on 31st August 2010 under the Gilt Long Term category, Baroda Pioneer Gilt Fund - Growth topped the charts with 1-year returns of 15.17%. In the Income category the topper was IDFC SSIF - MTP - Plan A - Growth. In the Debt MIP category, HDFC Multiple Yield Fund - Plan 2005 - Growth topped the charts with 1-year returns of 14.77%. In liquid category Escorts Liquid Plan - Growth topped with 1Year returns of 5.04%. In the Short-Term Income category, Templeton India STIP Scheme topped the charts with 1-year returns of 6.02%.

Category	1 Mth(%)	6 Mths(%)	1 Yr(%)
Liquid	5.03	4.44	3.96
Liquid Plus	4.85	4.74	4.46
Income Funds	4.13	5.10	4.92
Debt MIP	5.82	8.58	7.92
Debt - Short Term	4.14	4.87	4.93
Gilt - Long Term	2.84	5.44	4.62

Performance of recommended equity schemes as on 31st August 2010

Scheme Name	Returns (P2P %) 6 Mths	1 Yr	2 yrs	3 Yrs	5 Yrs	Daily Rolling returns (1 Yr)	3 Yrs SIP Returns (%)
EQUITY DIVERSIFIED - LARGE CAP							
Fidelity Equity Fund - Growth	17.41	35.42	23.82	12.14	22.29	0.0878	26.20
Franklin India Bluechip - Growth	10.75	27.03	22.10	11.57	21.56	0.0600	23.35
HDFC Top 200 - Growth	16.13	30.56	26.03	17.54	26.12	0.0696	28.82
ICICI Prudential Focused Bluechip Equity F-Ret-G	13.33	29.31	26.26	--	--	0.0624	--
SBI Magnum Sector Umbrella - Contra - Growth	8.95	19.95	18.55	9.70	21.26	0.0347	19.71
EQUITY DIVERSIFIED FUNDS							
HDFC Equity Fund - Growth	20.16	43.27	31.04	17.39	26.01	0.1038	34.34
HDFC Premier Multi - Cap Fund - Growth	18.36	39.71	25.73	11.72	18.78	0.0883	29.55
IDFC Small & Midcap Equity Fund - Growth	24.60	47.42	44.77	--	--	0.1317	--
Reliance Equity Opportunities Fund - Growth	23.44	55.81	33.24	15.33	23.44	0.1403	36.37
Religare Contra Fund - Growth	10.10	26.10	28.60	12.58	--	0.0693	27.88
EQUITY DIVERSIFY -SMALL & MID CAP FUND							
Birla Sun Life Dividend Yield Plus - Growth	22.18	41.91	39.25	21.73	20.18	0.106	36.61
DSP BlackRock Small and Midcap Fund - Growth	23.04	53.03	34.28	16.74	--	0.126	38.43
HDFC Mid-Cap Opportunities Fund - Growth	21.18	48.66	29.53	13.94	--	0.121	33.54
ICICI Prudential Discovery Fund - Growth	15.43	40.68	36.60	20.07	20.87	0.094	40.05
UTI Mastershare - Growth	10.57	23.68	16.53	9.63	17.06	0.051	18.21
THEMETIC - INFRASTRUCTURE FUND							
DSP BlackRock India Tiger Fund - Growth	14.45	23.31	17.36	7.16	22.15	0.0583	18.86
ICICI Prudential Infrastructure Fund - Growth	7.36	13.43	10.06	9.64	--	0.0213	13.80
Tata Infrastructure Fund - Growth	12.12	19.68	11.10	6.35	21.62	0.0420	15.54
ELSS							
Fidelity Tax Advantage Fund - Growth	18.86	37.75	25.05	13.73	--	0.0920	27.88
HDFC Taxsaver - Growth	17.66	39.82	27.58	12.75	19.36	0.0973	30.67
Reliance Tax Saver (ELSS) Fund - Growth	19.30	39.11	27.97	10.92	--	0.0991	27.74
INDEX FUND							
Canara Robeco Nifty Index - Growth	7.78	16.26	11.37	5.88	16.65	0.0290	14.20
HDFC Index Fund - Sensex Plan	7.12	15.28	9.11	2.40	15.06	0.0280	12.89
SBI Magnum Index Fund - Growth	8.13	16.73	11.34	4.69	15.87	0.0181	14.20
BALANCED							
DSP BlackRock Balanced Fund - Growth	13.77	26.35	20.22	14.56	20.85	0.0633	21.95
HDFC Prudence Fund - Growth	18.16	40.35	30.95	16.94	22.82	0.0999	31.83
Reliance RSF - Balanced - Growth	15.73	32.02	30.67	20.16	17.56	0.0867	30.18

<1 yr Absolute, >1 CAGR   " – " means no history

• *Source: MFI Explorer*

Performance of recommended debt schemes as on 31st August 2010

Scheme Name	Returns (P2P %)					Daily Rolling Return (1Yr)
	2 Wks	1 Mth	3 Mths	6 Mths	1 Yr	
MIP AGGRESSIVE						
HDFC MIP - LTP - Growth	0.33	1.49	3.89	7.72	14.11	0.0358
Reliance MIP - Growth	0.30	1.08	3.00	6.39	13.24	0.0332
UTI Monthly Income Scheme - Growth	0.11	0.60	1.65	4.13	9.91	0.0262
INCOME FUND						
Birla Sun Life Dynamic Bond Fund - Ret - Growth	0.25	0.40	0.93	2.98	6.21	0.0170
IDFC SSIF - MTP - Plan A - Growth	0.17	0.31	0.71	3.83	9.10	0.0267
Reliance RSF - Debt - Growth	0.10	0.33	0.84	2.81	6.68	0.0192
GILT FUND						
Birla Sun Life G Sec Fund - LT - Growth	0.22	0.68	0.90	6.55	11.30	0.0374
DSP BlackRock Government Securities Fund - Growth	-0.19	-0.03	-0.26	2.90	5.58	0.0153
Templeton India GSF - LTP - Growth	-0.27	-0.19	-1.29	0.08	2.97	0.0047
SHORT TERM						
Canara Robeco Short Term Fund - Growth	0.14	0.28	0.86	2.39	4.54	0.0128
Religare Short Term Plan - Regular - Growth	0.15	0.41	1.16	2.46	4.69	0.0128
Templeton India STIP - Growth	0.20	0.44	1.05	3.23	7.30	0.0197
ULTRA SHORT TERM						
HDFC Cash Mgmt Fund - Treasury Advantage - Ret - G	5.30	5.30	5.15	4.96	4.76	0.0127
IDFC Money Manager - Invest Plan - Plan A - Growth	5.24	5.10	4.76	4.88	4.92	0.0131
Kotak Floater - LT - Growth	5.09	5.08	5.25	5.14	5.03	0.0135
LIQUID FUND						
HDFC Cash Mgmt Fund - Savings Plan - Growth	5.38	5.39	5.28	4.96	4.67	0.0125
IDFC Cash Fund - Plan A - Growth	5.09	5.09	4.98	4.54	4.10	0.0110
Kotak Liquid - Regular - Growth	4.73	4.59	4.40	4.05	3.78	0.0102
FLOATING RATE						
Reliance FRF - ST - Growth	5.32	5.44	5.85	5.33	4.93	0.0130
UTI Floating Rate Fund - STP - Growth	4.96	5.00	4.97	4.82	4.65	0.0125

MIP Aggressive,Income Fund ,Gilt Fund, Short Term < 1 year Absolute,> 1 Year CAGR

Ultra Short Term Fund,Liquid Fund,Floating Rate Fund < 1 year Simple Annualised,> 1 Year CAGR .

• Source: MFI Explorer

Reliance Equity Opportunities Fund

Reliance Equity Opportunities Fund is a multi-cap, low risk diversified equity fund that invests in stable large-cap and growth oriented mid and small cap companies. The companies will belong to emerging themes and sectors. Reliance Equity Opportunities Fund is a trend-based fund with the flexibility to be overweight on a sector depending on its potential.

Sector call: Emerging theme and opportunities not appreciated by the market

- Different sectors give different returns over time.
- A broader mandate helps take timely sector calls to maximize returns.
- Investment is based on a sector view, not on sector weights of the benchmark index.
- Deep research in a sector where there is limited market interest.
- For an emerging theme, valuation on traditional parameters might appear expensive but they carry intrinsic value.

Stock call: Across market caps to diversify the portfolio

- Investment in large caps helps to capture market movements and ensure liquidity in volatile times.
- Investment in niche mid/small cap companies has a scalable business models.

Deep value stock: Mispriced by market

- Stocks that are undervalued and under-researched.
- Low valuation, quality management and attractive sector fundamentals.
- Investment over the long term.

The scheme has an average 1-year daily rolling return of 0.1403%, beta of 0.82 and standard deviation of 0.85. The fund has also generated higher risk-adjusted returns compared with its benchmark and other schemes in its peer group. This is reflected by a higher Sharpe ratio of 0.1585 compared with its benchmark, which has a Sharpe ratio of 0.0286.

The scheme has a diversified equity portfolio of 36 securities. The top 10 shares account for 41.95% of the portfolio with the highest allocation of 5.12% going to State Bank of India. The top 5 sector accounts for 49.92% of the portfolio with highest allocation of 13.35% going to Oil Software and Consultancy Services.

Scrip Name (TOP 5)	Allocation (%)
State Bank of India	5.12
Divis Laboratories Ltd.	5.07
Tata Consultancy Services Ltd.	5.02
Trent Ltd.	4.73
Aventis Pharma India Ltd.	4.64
Indian Metals & Ferro Alloys Ltd.	3.76
Larsen & Toubro Ltd.	3.48
Torrent Power Ltd.	3.41
HCL Technologies Ltd.	3.38
Cox & Kings (India) Ltd.	3.34

Data As on 31st July, 2010

Sector Name (TOP 5)	Allocation (%)
Software and Consultancy Services	13.35
Pharmaceuticals & Biotechnology	12.90
Banks	8.25
Retailers	8.05
Auto & Auto Ancillaries	7.37
Steel and Ferrous Metal	7.21
Engineering and Capital Goods	5.95
Media and Entertainment	4.19
Utilities - Gas, Power	3.41
Transportation	3.34

Data As on 31st July, 2010

Performance (%)		
Duration	Reliance Equity Opportunities Fund - Growth	BSE 100
3 Months	16.24	7.18
6 Months	24.70	8.05
1 Year	59.06	18.93
2 Years	33.86	12.12
3 Years	15.80	7.15
5 Years	24.17	18.24

Data As on 31st Aug, 2010

Source: MFI Explorer

IRDA regulations – Investors to benefit

The recent spat between insurance industry regulator, IRDA, and capital markets regulator, SEBI, created an outcry in the market as each party held its own over a much sought and widely circulated insurance product, Unit Linked Insurance Products (ULIPs). The government of India passed an ordinance supporting IRDA regulation over ULIPs, ending market speculation that SEBI might treat ULIPs at par with mutual funds.

Fresh from its victory, the IRDA announced regulations. With the expansion of the insurance sector and more innovative insurance products, particularly ULIPs, entering the insurance products list, the IRDA has been sensitive to the changing scenario.

The IRDA, in a note, stipulated that insurers must provide prospects/ policyholders with relevant information regarding amounts deducted towards charges for each policy year so that the prospect can make an informed decision. The IRDA also raised concerns about mis-selling and distance marketing. The IRDA set up an exclusive Customer Affairs Department to focus on consumer-related issues and initiatives including grievance redressal and consumer education through insurance awareness campaigns. It is perhaps the most important step to safeguard the interests of policyholders.

Recent regulatory proposals

ULIPs are hybrid instruments that combine elements of mutual funds and insurance. In most cases, the insurance amount is capped to 5times the initial insurance premium. Recently, the IRDA laid down guidelines governing ULIPs, explaining how such products are sold/bought; or how ULIPs can be better financial instruments for providing risk coverage. Some ULIP-related regulations are:

1) **Level playing field:** All regular premium/limited premium ULIPs shall have a uniform/level playing field for premiums. Any additional payments shall be treated as single premium for the purpose of insurance cover.

2) **Compulsory cover:** There are several ULIP schemes in which the maximum insurance cover is up to five times the premium paid, or schemes with no insurance cover. Now it has been recommended that the life insurance component must be at least 10 times the premium paid for policies up to 10 years and at least 1.05 times the annual premium for policies of 20 years and above.

For policies between 10 and 20 years, there is another option: insurance cover of 0.5 times the policy term, multiplied by the annual premium. But if the insurers are uncomfortable with either of these, they will be required to provide health cover of at least ₹100,000 for each year of ULIP. The following tables explain in detail.

a) The minimum mortality cover should be as follows:

Minimum sum assured for entry at below 45 years	Minimum sum assured for entry at 45 years and more
Single premium (SP) contracts: 125% of single premium	Single premium (SP) contracts: 110% of single premium
Regular premium (RP) including limited premium paying (LPP) contracts: 10 times the annualized premiums or (0.5xTx annualized premium), whichever is higher. At no time the death benefit shall be less than 105% of the value of the premiums (including top-ups) paid.	Regular Premium (RP) including limited premium paying (LPP) contracts: 7times the annualized premiums or (0.25xTx annualized premium), whichever is higher. At no time the death benefit shall be less than 105% of the value of the premiums (including top-ups) paid.

(In case of whole life contracts, term (T) shall be taken as 70 minus age at entry)

b) The minimum health cover per annum should be as follows:

Minimum annual health cover for entry at below 45 years	Minimum annual health cover for entry at 45 years and more
Regular premium (RP) contracts: 5times the annualized premiums or ₹100,000 a year, whichever is higher. At no time the annual health cover shall be less than 105% of the value of the total premiums paid.	Regular premium (RP) contracts: 5times the annualized premiums or ₹75,000 a year, whichever is higher. At no time the annual health cover shall be less than 105% of the value of the premiums paid.

IRDA regulations – Investors to benefit (Cont...)

3) **Lock-in period increased to five years:** IRDA has increased the lock-in period for ULIPs from 3-5 years, including top-up premiums, thereby making them long-term financial instruments that provide risk protection.

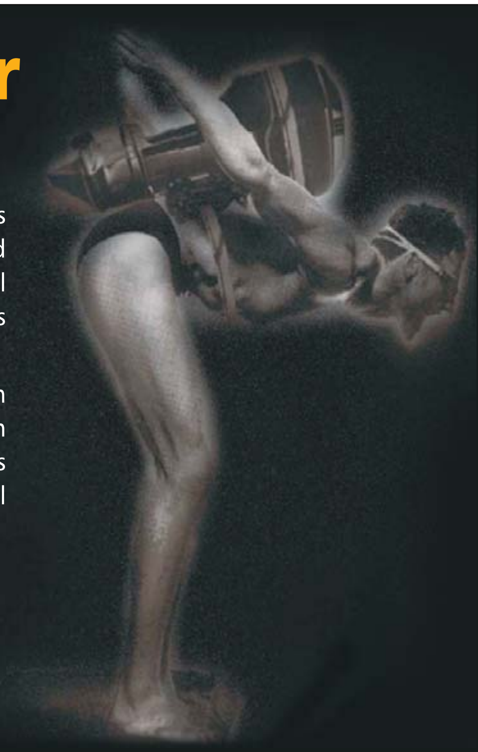
4) **Minimum premium paying term of 5 years:** All limited premium ULIPs, other than single premium products, shall have a premium paying term of at least 5 years.

5) **Even distribution of charges:** Charges on ULIPs are mandated to be evenly distributed during a lock-in period, to ensure that high front ending of expenses is eliminated.

6) **Pension plans to have guaranteed returns:** All ULIP pension/ annuity products shall offer a minimum guaranteed return of 4.5% a year or as specified by IRDA from time to time. This will protect the life savings of pensioners from adverse fluctuations at the time of maturity.

7) **Rationalization of cap on charges:** With a view to smoothen the cap on charges, the capping has been rationalized to ensure that the difference in yield is capped from the fifth year. This will not only reduce the overall charges on these products, but also smoothen the charge structure for the policyholder.

Though these regulations have been rolled out for the benefit of policyholders, the insurers will have a level playing field with other players and will benefit in the long run.



Overview

India's 2QFY11 GDP growth came in at 8.8%. Agriculture posted 2.8% due to a good Rabi crop in the last season, the services sector posted 9.7%, emerging from a slowdown, and industry grew by 10.3% despite deceleration during the quarter.

The monsoon has been good. According to the IMD, the cumulative rainfall (1st June-25th August) was just 2% below the long-period average (LPA). The monsoon is expected to be normal for the rest of the season. A normal monsoon this year will be good for domestic consumption, besides playing a part in moderating inflation and reducing interest rates in coming months.

The Direct Taxes Code (DTC) Bill introduced by the Finance Minister in Parliament was a non-event for the market. Most of the provisions of the previous code have been retained.

All this leads us to be far more bullish this month than we were last month. Our sense is that Indian markets will do very well in the next 6 months. All this is due to strong domestic macro-economical and international factors. Among international factors, the bullishness comes due to statements by Ben Bernanke, Chairman of the US Federal Reserve. He admitted, in a speech, that "Incoming data suggest the recovery has slowed in recent months", but he insisted that preconditions were in place for a vigorous recovery, by next year. He said that if that did not happen, the FOMC "Is prepared to provide additional monetary accommodation especially if the outlook were to deteriorate significantly". The US economy grew at a 1.6% annualized rate in the second quarter, lower than experts' forecasts.

Bernanke claimed additional purchases of long term securities would be effective in easing financial conditions. Borrowing costs in credit markets are not the problem they were during the crisis and mortgage rates are at record lows. Another stimulus will debase the US dollar, but the US will not let consumption slacken. There is not going to be a double dip, in our opinion.

This implies there will be robust inflows into emerging markets through dollar carry trade, from which India will stand to benefit. The rupee will appreciate and we are also staring at a very strong asset inflation coming up in India in some time. With the cheap cost of money in the world system and a disconnect between the physical market for commodities based on demand and supply and the paper (futures) market for these commodities, we would not be surprised that global commodities will begin to rise again. Thus, gold, silver, crude oil, ferrous and non ferrous metals, agricultural commodities, real estate and equities will move up.

Going forward, for Indian equity markets, the contrarian sectors is where there is a maximum money making opportunity currently.

Action taken during the month

Value Strategy

During the month, the Value Strategy booked handsome profits in Bharat Electronics. Surplus cash was deployed in Bosch by increasing its weight to 9.25% in strategy. The strategy invested 1.5-2% of strategy in the M50 ETF, which we think should generate better returns than a liquid fund. The ETF investment will be liquidated once a worthwhile fresh investment idea is zeroed in on. The Value Strategy was on 1.8% cash as of August 2010.

Bull's-eye Strategy

During the month, the Bull's-eye Strategy booked profits in Bharat Electronics & HCL Tech and exited Nagarjuna Const.. The strategy introduced Tata Motors, Central Bank of India and West Coast Paper Mills. The strategy was fully invested as of August 2010.

NTDOP Strategy

During the month, NTDOP Strategy booked profit in Bharat Electronics, Dena Bank, Vijaya Bank and Petronet LNG. The strategy introduced J&K Bank, Cummins, Bajaj Auto Finance and Eicher Motors. The strategy was fully invested as of August 2010.

Optima Strategy

During the month, Optima Strategy booked profit in Infosys and State Bank of India and introduced State Bank of Mysore and PNB and increased the weightage of Bharti Airtel. The strategy was on 2.5% cash as of August 2010.

Focus-III Strategy

During the month, this Strategy booked profits in HDFC and HCL Tech and exited Sun Pharmaceuticals. The strategy introduced Jai Prakash Associates, RIL and Tata Motors. Focus-III strategy was fully invested as of August 2010.

Focus-IV Strategy

During the month, there was no transaction in Focus-IV Strategy. Most clients in this strategy received 15% returns (automatic payout option). The strategy was fully invested as of August 2010.

Invest India Strategy (IIS)

During the month, IIS booked handsome profits in Sobha Developers and Petronet LNG and replaced it with Godrej Properties and Reliance Industries. The strategy was fully invested as of August 2010.

Review and outlook

Gold:

Related News

- Commodities continued to be driven by macroeconomic events. Gold glittered while economically sensitive commodities like crude and base metals fluctuated between gains and losses as further evidence of a US slowdown reduced investors' risk appetite. Gold prices continued to climb after finding a trough at US$1,155 an ounce. The rise in gold was mainly supported by speculations about the FED's quantitative easing and China's relaxation of rules in gold trading.
- MCX Gold for October delivery posted a gain of more than 6% as concerns about a global economic slowdown remained and showed signs of intensifying in August. US data were once again below market expectations. Consumer spending, pending home sales and factory orders all came below consensus and exacerbated worries about a US slowdown. At the August FOMC meeting, the Fed downgraded the US economic outlook as the pace of economic recovery has slowed in the recent months and a recovery was expected to be more modest in the near term than anticipated.
- A report by the World Gold Council showed gold demand rose to 4,005 metric tonnes in 2QCY10. This was the highest level since 4QCY08 and was driven by robust growth in investment demand. Retail investment and investment in gold ETFs rose 28.9% and 413.8% respectively in 2QCY10 from a year earlier. The report also stated that Indian imports reached 348 metric tonnes in 1QCY10 against 559 metric tonnes during all of 2009.
- On the physical demand front India had shown signs of improvement due to the ongoing festive season, which kicked off with Raksha Bandhan on 24 August 2010 and will extend until Dhanteras in November, an auspicious day to buy gold. Besides, consumption in China gained 4% to 75.4 metric tonnes and consumption in Russia rose 17% to 16.3 metric tonnes. We expect Indian demand will be boosted by demand in the festive season in the third quarter.

Outlook for this month

- Worries over an economic slowdown and uncertainty should drive demand for safe-haven investments, which will be positive for gold prices. But at the same time, a broad-based decline in commodity prices and fear of deflation may threaten the yellow metal.

Copper:

Related News

- The red metal, mainly used in wires and construction, continued to rise in August for the second consecutive month despite slowing economic growth concern in the US and China, which are the major consumer of the metal. The counter traded in a consolidated range in the first couple of weeks but positive US GDP numbers and encouraging statements by Federal Reserve Chairman Ben Bernanke boosted the metal.
- The rally in copper was firmly supportive of a rise in imports from China, the world's top copper consumer. Data from the General Administration of Customs reported that China's imports of refined copper rose 6% in July from a month earlier, the first increase in 4 months. Imports of refined copper were 224,723 tons in July against 211,957 tons in June, recovering after a 24.2% fall in the previous month. The imports of metal were in line with the forecast of 220,000-250,000tons.
- The International Copper Study Group, in its monthly report, said the world's refined copper market had a deficit of 190,000 tons in January-May 2010 against an 8,000-ton surplus a year earlier. The agency reported that world refined copper output in the first 5 months of 2010 was 7,828mn tons and consumption was 8,018mn tons.
- Chile, the world's No1 copper producer, said its July copper output rose 6.3% YoY to 454,178 tons. In June, Chile's copper output dropped 0.6% YoY to 465,033 tons, according to data released last month by the National Statistics Institute. Big and medium-sized companies increased their output in July, mostly of concentrate copper, which has multiple uses from power lines to water pipes.

Outlook for this month

We expect copper futures undergo some profit booking in the first couple of weeks after rising for the second consecutive month. But the dips should be used as a buying opportunity mainly due to the anticipation of a rise in refined copper demand in the coming months, mainly in China after summer as fabricators increase purchases, which is likely to boost spot imports. Updates on a deficit and human uncertainties like mine strikes will boost copper prices further.

Review and outlook

Crude

Related News

- Crude futures traded with a negative bias in August mainly due to easing concerns over economic growth in major oil consuming countries like the US and China, and fragile commodity-specific fundamentals. Weak economic indicators, slowing economic worries and bulging crude oil inventories slashed oil prices to an 11-week low below US$71 a barrel on the Nymex. Besides, easing weather conditions in the Gulf of Mexico in mid-August also pushed the counter downwards.
- The US government agency Energy Information Administration (EIA) in its monthly report boosted its forecast for global oil demand growth this year and next, with developing countries driving consumption despite a slower outlook for the US economy. In its latest monthly report, the EIA raised its estimate of 2010 world oil consumption growth by 10,000 barrels per day or 1.57mbpd to 85.91mbpd. The agency also revised up by 40,000bpd world oil demand growth for 2011, forecast to rise 1.51mbpd from 2010 to 87.42mbpd.
- The EIA data at the end of the month reported US June oil demand was 48,000 bpd less than previously estimated, but still up 463,000 bpd from a year earlier. US oil demand in June was revised down by 0.25% to 19.291mbpd from EIA's earlier estimate of 19.339mbpd. Demand was up 2.46% from 18.828mbpd posted a year earlier.
- The recent rebound in crude price is mainly due to uneasiness of stormy weather in the Atlantic Ocean. The US National Hurricane Centre is monitoring the Atlantic Ocean and the Gulf of Mexico for tropical storms and those that strengthen might push up crude prices.

Outlook for this month

- We expect crude prices to trade with a positive bias in the early days of the month due to apprehension of stormy weather and comments by US Federal Reserve Chairman Ben Bernanke that the FOMC will support crude prices. But concerns about slowing economies in major oil consuming countries will not let crude prices sustain at higher levels.

Guar seed

Related News

- Indian Guar futures extended losses in August due to rains in Rajasthan and subdued demand for byproducts of guar seed. Churi and korma, the byproducts of guar seed are used as cattle feed and its demand falls during the rainy season due to sufficient availability of green grass.
- Guar seed sowing in Rajasthan, India's biggest producer, picked up helped by widespread rainfall in the last week of July, which accelerated sowing operations. Sowing has been completed on 1.86mn hectares, up 29% until 30 July, against 1.44mn hectares a year earlier according to officials from the state farm department.
- Area under guarseed in Rajasthan was up 71% from a year earlier as widespread rains in the last week of July accelerated sowing operations, a state government official said. As on 4 August, farmers sowed on 2.479mn hectares, against 1.448mn hectares a year earlier.
- Output is expected to be higher than it was last year but other factors like weather and yields will also affect prices. Industry officials were quoted by Reuters as saying guar output was expected to be 0.8mn to 1mn tons in 2010, against 0.3mn tons a year earlier.
- Planting of guar starts from the beginning of June in irrigated areas and farmers in non-irrigated areas sow after mid-June, when the monsoon rain reaches Rajasthan. Rajasthan accounts for about 80% of India's guar acreage followed by Haryana, with 11%. The rest of India's guar comes from Gujarat and Uttar Pradesh. India's monsoon rains were about 3% above normal in July. Heavy rain since the third week of July brought readings above normal for the first time this monsoon season, according to weather office data.

Outlook for this month

- Fundamentals are bearish. Prices are likely to trade under pressure as the expectation of crops is higher. Acreage will be higher this year as rains were very good. Prices may remain under pressure on hopes of higher output. But prices may get some support at lower levels as demand for guar gum is very good.

Technical snapshot:

Gold

On the MCX the gold contract for October delivery is trending upwards after finishing 50% retracement from its top of ₹19,200. The 9-day MA is trading above the 18-day MA, indicating short-term bullishness. The RSI is near the overbought zone, indicating slight caution to the bulls. A dip towards ₹18,500-18,300 would be a good value zone to create long positions for an upside target of ₹19,200-19,400. Strong support is pegged at ₹17,800.

Copper

Copper in August fluctuated between gains and losses. Later in the month prices advanced and moved towards resistance of ₹359. The 9-day MA is trading above the 18-day MA indicating short term bullishness in the counter. RSI is nearing the overbought zone, signaling some profit booking in the near term. The next upside target is pegged at ₹359. Resistance: ₹352-₹359 and Support: ₹335-₹329-324.

Crude oil

Crude oil on the MCX continues to consolidate at ₹3,800-₹3,200 since 3QCY09. The recent consolidation pattern is set to continue until the range is broken. The 9-day MA is trading above the 18-day MA, indicating short-term bullishness. RSI is in the neutral zone, indicating a sideways move in prices. We expect prices to trade sideways at ₹3,600-₹3,300. Resistance: ₹3,585-₹3,724 and Support: ₹3,367-₹3,210.

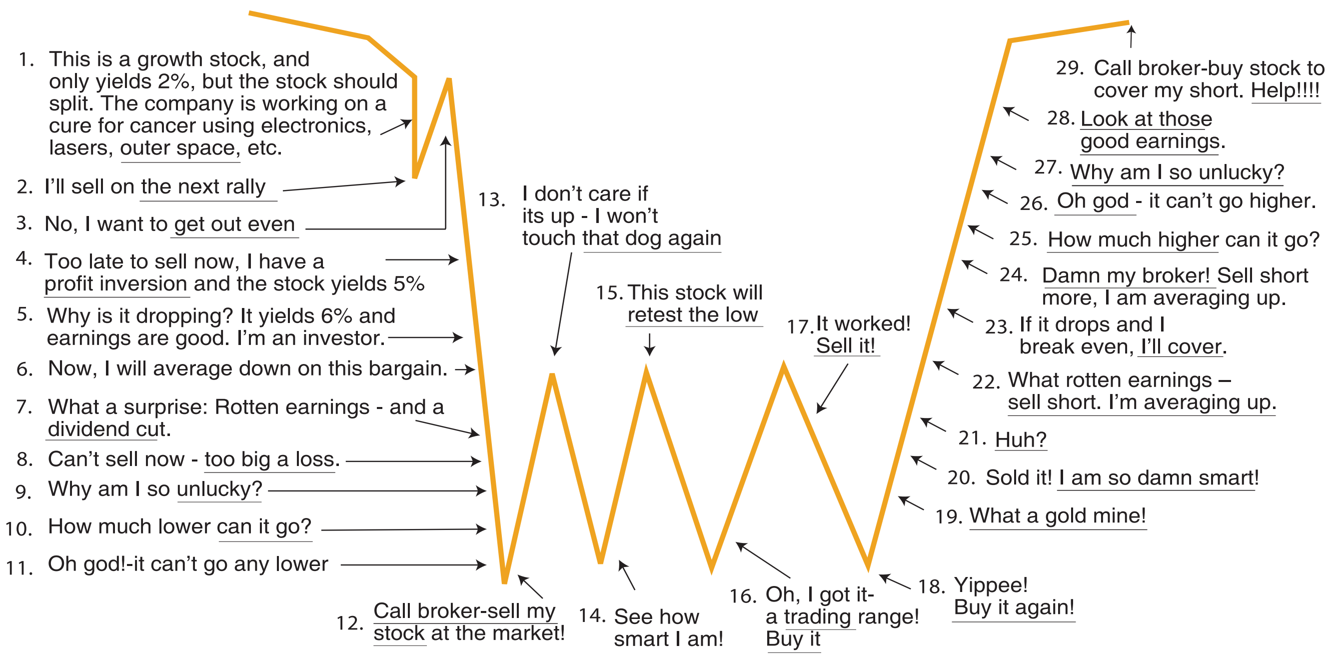
Guar Seed

NCDEX guar futures broke the sideways range in August and traded below the support line. As seen from the chart, guar futures were trading in a range of ₹2,600-₹2,200 since start of the year. The 9-day MA is trading below the 18-day MA, indicating the short term trend has turned down.RSI is in the oversold zone, indicating some short covering is possible in the near term. A rise towards ₹2,200 can be used to create short positions for a profit objective of ₹1,900-₹1,850. Strong resistance is pegged at ₹2,300.

The above views are based on Technical analysis and could differ from our fundamental views.
For further ideas on Technicals contact: Tel.: +91 22 30896806

The Saga Of An Investor

Read these comments typically made during a stock's decline and rise.
If you have ever said any of them, know you are emotionally normal (In stocks, atleast) and be on guard should you ever utter them again. You will be on notice that you are losing your grip on things.



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