

## Pair Strategy

August 19, 2011

### Long ICICI Bank & Short Nifty

Over the past two weeks, dampen sentiments on broader indices and fear of rate hike has resulted into a breakdown in the correlation between Nifty and ICICI Bank. Thus widening the historical price ratio relationship to Upper Band 3 at 5.81 (mean+3 standard deviation). We believe this widening is temporary and expect the historical price ratio relationship to be restored (retrace back to the mean at 5.32). In addition, on technical front, ICICI Bank seems to be nearing strong support zone, after forming series of red ticks and RSI touching 20 levels lowest in the past 2 years. On the other hand, Nifty near-term outlook remains weak. Thereby, we expect ICICI Bank to outperform Nifty in the coming weeks.

Traders are recommend to keep a SL of 5.88.

Recommendation*	Price	Qty	Fut lots
Long ICICI Bank (Sept Futs)	836	250	1
Short Nifty (Sept Futs)	4,857	50	1
ICICI Bank (Cash Neutral)	832	41	-

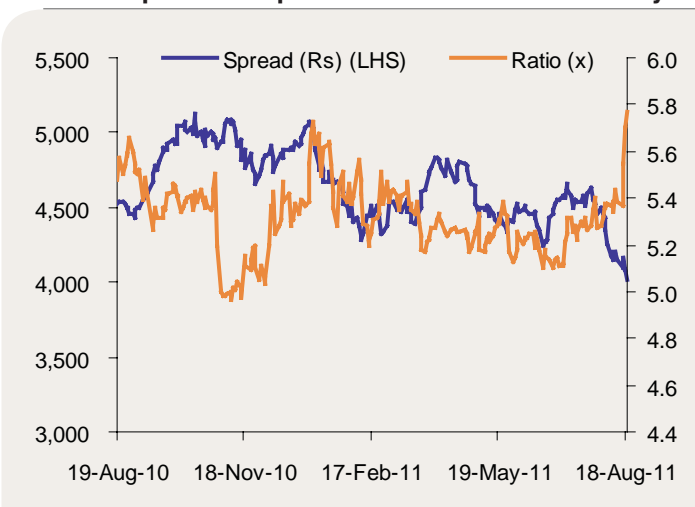
\*~Outflow(Rs1lacs), Time horizon - 30days, Expected return 5-10%

Spread Summary	1-Year	60 Days	21 Days
Last	5.81	5.81	5.81
Mean	5.32	5.30	5.39
Off Mean	0.49	0.51	0.42
Median	5.32	5.29	5.37
Standard Dev	0.15	0.15	0.14

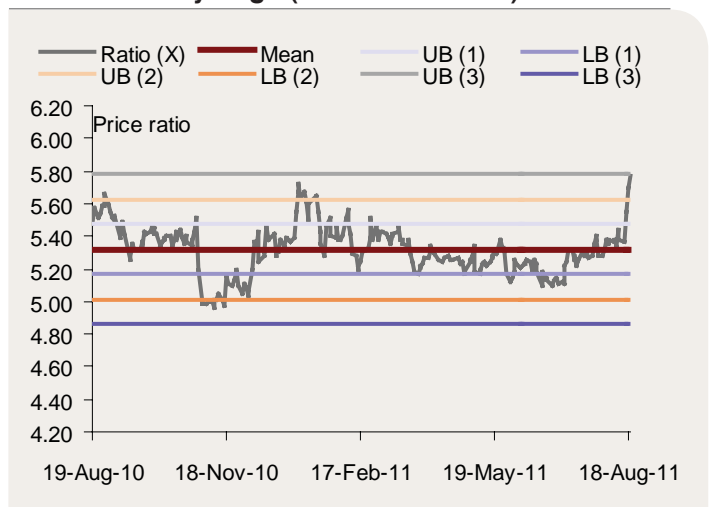
Spread Summary	1-Year	60 Days	21 Days
Correlation	0.90	0.96	0.97

### Absolute spread and price ratio - ICICI Bank vs Nifty



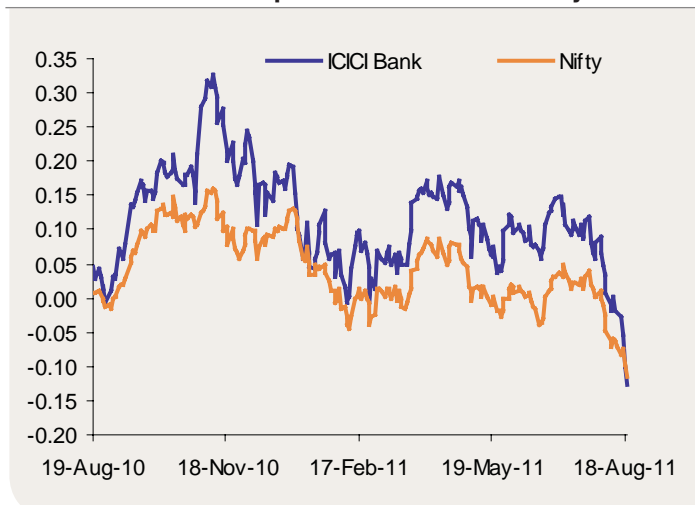
Source: India Infoline Research

### Price ratio at 1yr high (Mean + 3Std Dev)



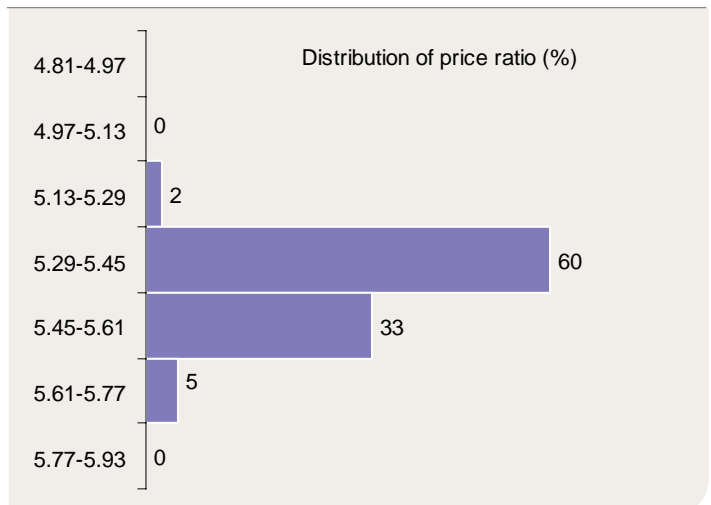
Source: India Infoline Research

### ICICI Bank has underperformed vis-à-vis Nifty



Source: India Infoline Research

### Maximum occurrence between 5.29-5.45



Source: India Infoline Research

# India Infoline Weekly Wrap

## Market Outlook

Another volatile week saw the main indices lose 4.5% apiece, as a global bloodbath dampened the sentiment even as worries prevailed about the moderation in the domestic economy. Morgan Stanley pruned its global growth forecast and warned that the US and Eurozone are close to being in recession. It also cut GDP projection for India as well as China. Talking of economy, India's Q1 FY12 GDP report will be out on August 31. But before that we will have to contend with the F&O expiry next week.

It will be tough to call the market's direction from here on given the heightened volatility and worsening global economic conditions. Only a sustained and solid recovery in the overseas markets can lift the pall of gloom. For that to happen, the markets need consistent dose of good news in terms of economic data and decisive policy action. For the time being the outlook appears murky and therefore calls for a measured approach. However, one may look at quality, long-term stories as valuations have come off quite a bit.

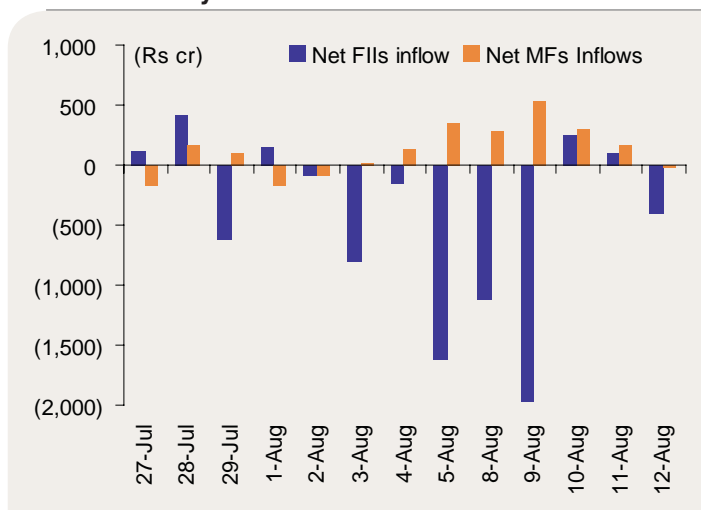
## Technical View

Markets extended losses for the fourth straight week on account of deteriorating global cues, closing below psychological support of 5,000 levels. The daily chart has formed 'Falling Wedge' on the daily chart, However the trend reversal would be confirmed on a closing above 4,970 levels. The quarterly line chart on Nifty indicate that 4,800 turns out to be a rising support line extended from lows of 2003 and hence any closing below the same would dampen sentiment going ahead.

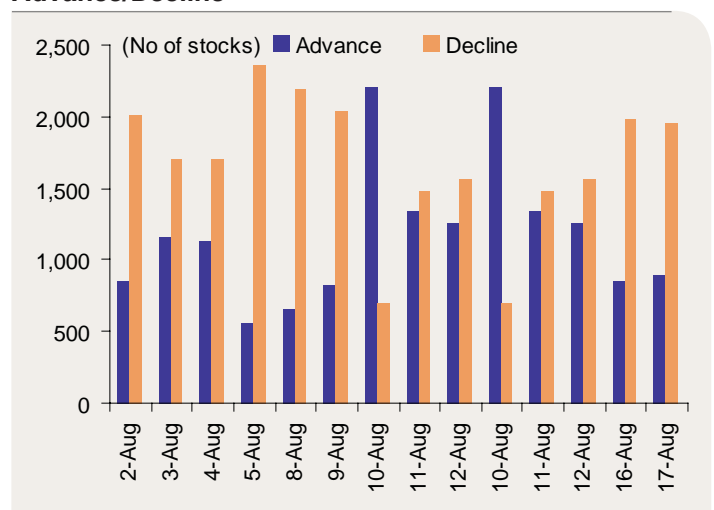
## F&O View

Huge shorting was witnessed in Nifty & Bank Nifty. Total OI in Bank Nifty now stands at ~20mn, which is highest in last 3 months. FIIs have been net sellers in Index futures & Cash market to tune of Rs 22bn & Rs 85bn, respectively; the ratio is at 1:4 which is almost year's high. On options front, writing is seen in 4800 Aug put and 5000 Aug Call. With India VIX trading above 200-DMA, we expect volatility to increase.

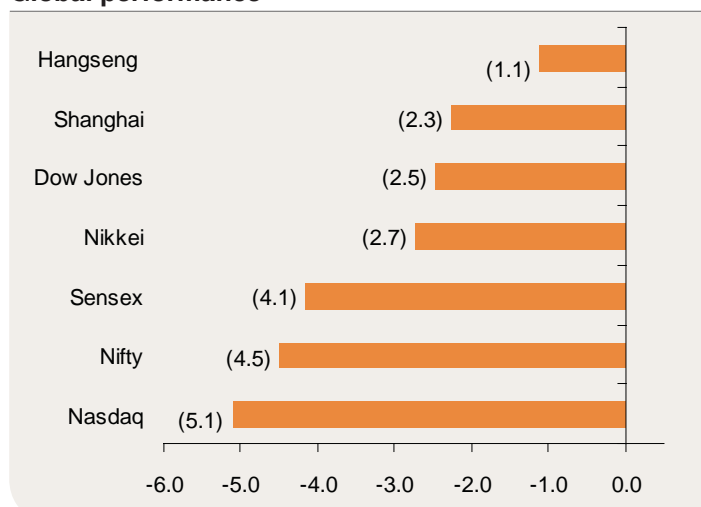
## FIIs/MFs activity



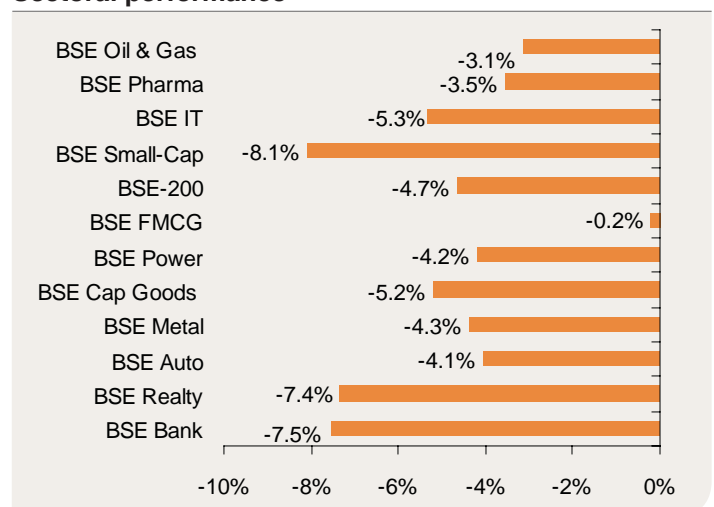
## Advance/Decline



## Global performance



## Sectoral performance



# India Infoline Weekly Wrap

## Technical Check

### Nifty 50 & CNX 500 top 10 gainers

NSE Nifty			CNX 500		
Company	CMP (₹)	% Chg	Company	CMP (₹)	% Chg
Hero Motocorp	1,994	5.5	Jubilant Food.	931	2.0
Ambuja Cements	132	0.6	VIP Inds	839	8.7
ITC	199	0.6	Hero Motocorp	1,994	5.5
HUL	316	0.2	Sterling Bio	65	3.3
-	-	-	Aventis Pharma	2,088	2.8
-	-	-	Dabur India	104	2.7
-	-	-	Gujarat Fluoro.	459	2.5
-	-	-	McLeod Russel	232	2.4
-	-	-	Coal India	393	2.1
-	-	-	Petronet Lng	170	2.0

### Nifty 50 & CNX 500 top 10 Losers

NSE Nifty			CNX 500		
Company	CMP (₹)	% Chg	Company	CMP (₹)	% Chg
Reliance Com	74	(12.3)	IVRCL	35	(26.8)
Reliance Infra	426	(11.8)	Allied Digital	27	(26.7)
Axis Bank	1,070	(11.5)	Educomp Sol.	220	(23.5)
ICICI Bank	832	(11.5)	Koutons Retail	18	(22.3)
Reliance Cap	387	(11.4)	SKumars Nation	42	(22.1)
Tata Motors	712	(11.0)	Jindal Poly	218	(21.2)
IDFC	107	(10.5)	Great Offshore	142	(21.2)
Reliance Power	83	(9.1)	Jet Airways	296	(21.0)
PNB	992	(8.6)	Moser Baer	22	(20.9)
Jindal S & P	485	(7.6)	Panacea Biotec	139	(20.4)

### Technically strong

Company	CMP (₹)	10 days Moving Average (₹)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Hero Motocorp	1,994	1,869	0.7	0.4
Ashok Leyland	25	25	14.4	7.3
Petronet Lng	170	169	4.5	3.5
LIC Housing Fin	207	207	19.2	8.5
Welspun Corp	145	146	2.5	1.4

### Technically weak

Company	CMP (₹)	10 days Moving Average (₹)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Cipla	285	296	1.3	1.1
Torrent Power	210	218	0.3	0.3
Indiabulls Real	79	83	21.9	15.9
Reliance Ind.	731	771	7.9	7.2
NHPC	23	25	17.1	11.7

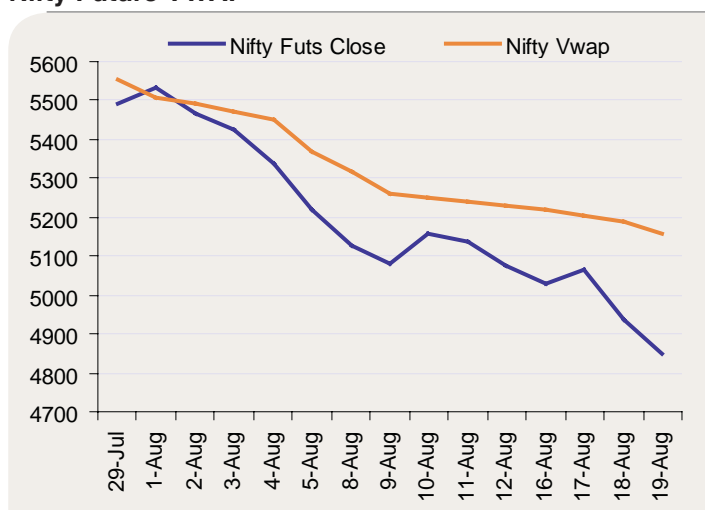
### Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
16-Aug	I PRO Fund	Acropetal Tech	S	7.5	15
16-Aug	L&T Finance	K S Oils Limited	S	57.0	9.1
16-Aug	India Deep Vale	Piramal Life Scie	B	2.0	90.0
17-Aug	Rel Cap Growth	Escorts India Ltd.	B	7.3	67.6
17-Aug	Macquarie Bank	Ibulls Real Estate	B	27.2	73.9

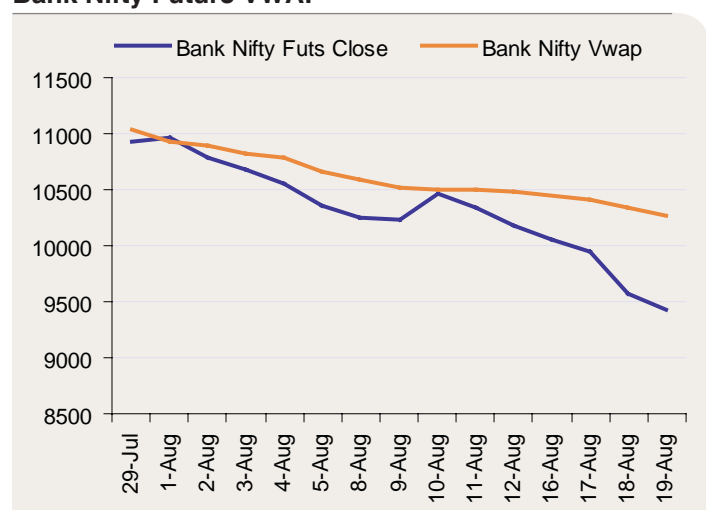
### Book closure and record date

Company	Date	Purpose
Tulip Telecom	23 Aug 2011	Final Dividend
Maruti Suzuki	24 Aug 2011	Final Dividend
Hero Motor	25 Aug 2011	Final Dividend
Motherson Sumi	25 Aug 2011	Dividend
Ultratech Cem	25 Aug 2011	Final Dividend
Engineers India	26 Aug 2011	Final Dividend

### Nifty Future VWAP



### Bank Nifty Future VWAP



# India Infoline Weekly Wrap

## Commodity Corner

### Base metals

Base metals remained suppressed this week, weighed down by weaker economic numbers on the US front and lingering debts concerns in Europe. Manufacturing activity in US is showing clear signs of shrinking; with output on a drastic decline. On speculative front, things are not rosy as well, with the latest CFTC position report (through August 9) revealed that funds reduced long side bets by the greatest amount cutting net-long positions in COMEX copper by some 61%. Copper prices have lost the impetus to move higher, with prices constrained in a range during this week. Market participants will keep an eye on the bifurcation of the Chinese import numbers for July, which will convey signals regarding the health of Chinese appetite for the metals. Moreover, weakening demand is changing the global supply-demand equation in copper markets. In this respect, WBMS reported that global copper market had a surplus of 107,400 tons in the first six months of this year, compared with a surplus of 84,000 tons for the whole of last year. In case of Aluminium, global surplus narrowed to 221,300 tons in the first half of the year, compared with a surplus of 516,200 tons in the same period last year.

**On the price outlook, we remain wary and advocate selling at current levels, considering the bleak global economic backdrop. Prevalent scenario seems not be conducive for bulls to thrive.**

*Note: This market commentary is written at 12:30 PM IST*

### MCX prices

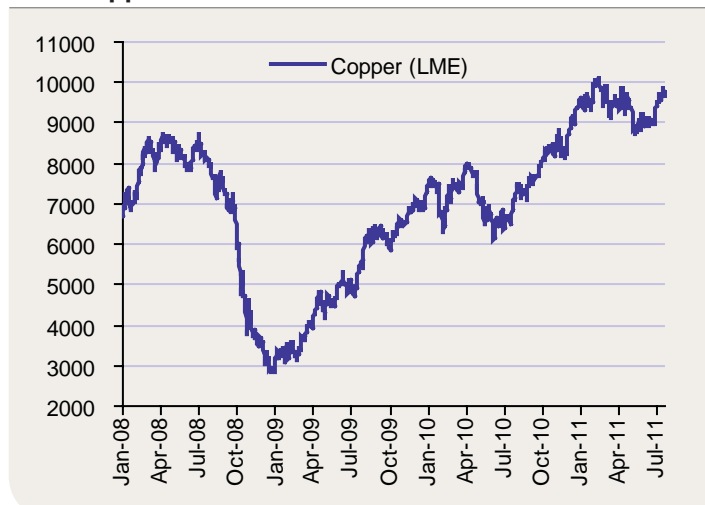
Base Metals	High	Low	LTP*	Chg (%)
Copper	407	396	402	(0.0)
Nickel	1,000	963	977	(0.1)
Zinc	101	97	99	0.8
Aluminium	109	106	106	(2.1)
Lead	110	106	106	(1.6)

Precious Metals	High	Low	LTP*	Chg (%)
Gold	27,887	25,410	27,795	8.4
Silver	62,790	57,786	62,614	6.3

\* Last Traded Price

### LME Copper



### Precious metals

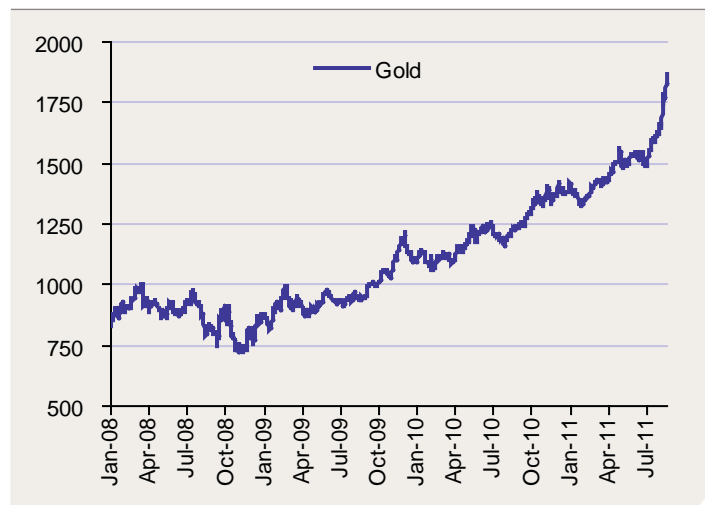
Precious metals continued to register stellar performance, with the yellow metal in pursuit of registering new life time highs every week. Gold seemed to be the best bet, wherein risk aversion is high, considering the turmoil in global equity markets and other asset classes. Global economic concerns continued to augment the safe have appeal for the yellow metal. On European front, German Q2 GDP grew at abysmal 0.1%, as compared with 1.3% growth in the previous quarter. In respect with the Euro zone crisis, Franco-German summit yielded no lasting solution to the regional debt problem. Moreover, several economic forecasts have been revised, stating that developed economies like US and Europe are close to contraction.

**On the price front, we reiterate our bullish stance on precious metals, considering the gloomy economic scenario across the globe. Weaker performance in other asset classes will continue to call for diversification of funds in to Gold as a safe haven. Gold prices will continue to register new highs, underpinned by strong investor appetite and anticipated growth in jewellery fabrication demand in India, during the festive season in September & October.**

### Weekly inventory update

	Tons	Abs Chg.	Chg (%)
Copper (LME)	462,975	1,200	0.3
Nickel (LME)	103,092	(498)	(0.5)
Zinc (LME)	872,675	(8,850)	(1.0)
Aluminium (LME)	4,565,425	1,200	0.0
Lead (LME)	318,125	9,600	3.1
Tin (LME)	23,235	455	2.0
Shanghai Copper	112,014	(8,805)	(7.3)
Shanghai Zinc	421,192	20,742	5.2
Shanghai Aluminium	140,693	(8,731)	(5.8)

### COMEX Gold



# India Infoline Weekly Wrap

## Mutual Fund Round-up

### India Infoline picks

Mutual Funds	Assets (₹ Cr)	NAV (₹)	Absolute return (%) as on August 19, 2011							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
HDFC Top 200 Fund (G)	11065	192.7	(2.6)	(8.8)	(6.5)	(6.5)	(5.7)	29.7	49.7	106.5
ICICI Prudential Dynamic - (G)	3,814	97.8	(3.0)	(9.9)	(7.7)	(7.9)	(4.2)	31.8	36.2	88.6
IDFC Small & Midcap Fund (G)	1155	17.7	(3.5)	(7.7)	(2.6)	0.7	(5.9)	50.3	88.4	NA
Fidelity Tax Advantage (G)	1,239	20.6	(1.5)	(6.7)	(3.4)	(3.9)	(4.3)	39.2	48.9	99.4
HDFC Prudence Fund (G)	6,407	208.1	(1.4)	(4.7)	(1.4)	0.8	0.3	47.5	72.8	115.9
Reliance equity opportunities(G)	3,032	34.1	(2.5)	(8.2)	(2.8)	(0.6)	(5.1)	58.8	65.7	95.3
IDFC Premier Equity-A(G)	2411	32.5	(0.3)	(1.9)	3.1	6.6	(1.5)	56.6	68.7	210.1

### Funds this week: HDFC Top 200 Fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Prashant Jain	Equity	92.0
Latest NAV	₹192.74	Debt	2.5
NAV 52 high/low	₹236/187	Cash/call	5.5
Latest AUM (cr)	₹11,065	Top 5 holdings (%)	
Type	Open-ended	State Bank Of India	6.9
Class	Equity - Diversified	ICICI Bank Ltd.	6.4
Options	Growth & dividend	Infosys Ltd.	5.9
Min investment	₹5,000	ITC Ltd.	4.6
Benchmark	BSE 200	Reliance Industries Ltd.	4.1
No. of stocks	66	Top 3 sectors (%)	
No. of sectors	30	Banks	23.1
Expense ratio	1.8%	Consumer Non Durables	11.1
Exit load	1% before 1 year	Software	10.8

### Reliance equity opportunity fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Viral Belawala	Equity	93.3
Latest NAV	₹34.15	Debt	-
NAV 52 high/low	₹39.86/31.80	Cash/call	6.7
Latest AUM (cr)	₹3,032	Top 5 holdings (%)	
Type	Open-ended	Divi'S Laboratories Ltd.	5.1
Class	Equity - Diversified	Aventis Pharma Ltd.	4.8
Options	Growth, Dividend & Bonus	Infosys Technologies Ltd.	6.7
Min investment	₹5,000	ICICI Bank Ltd.	5.9
Benchmark	BSE 100	HDFC Bank	4.3
No. of stocks	34	Top 3 sectors (%)	
No. of sectors	21	Banks	22.1
Expense ratio	1.85%	Consumer Non Durables	10.8
Exit load	1% before 1 year	Software	9.9

### NFO update

Fund Name	Close	Type	Class
Axis hybrid series 2	30-Aug	CE	Hybrid-Debt
DSP Blackrock FMP-Series 8-3M	25-Aug	CE	Debt - FMP
SBI Gold	5-Sep	OE	Gold:ETF
ICICI Prudential Multiple yield Fund Plan D	2-Sep	CE	Hybrid-Debt

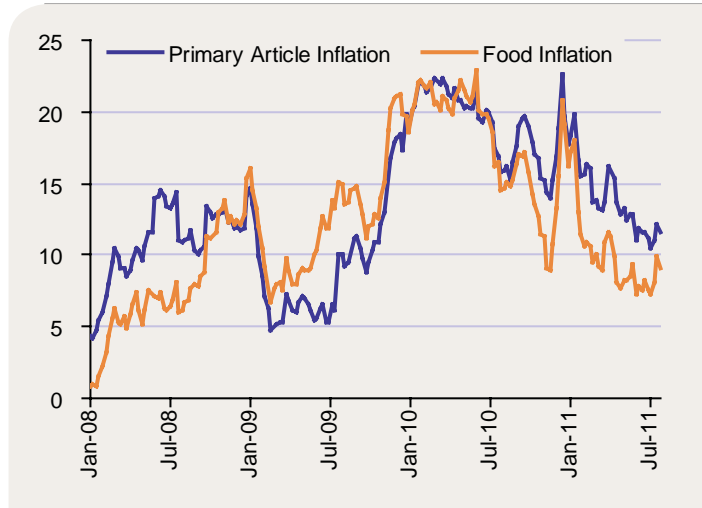
### Dividend update

Mutual Fund	Dividend %	Record date	Class
IDFC FMP-Yearly series 32	100% of distributable surplus	19-Aug	Debt-FMP

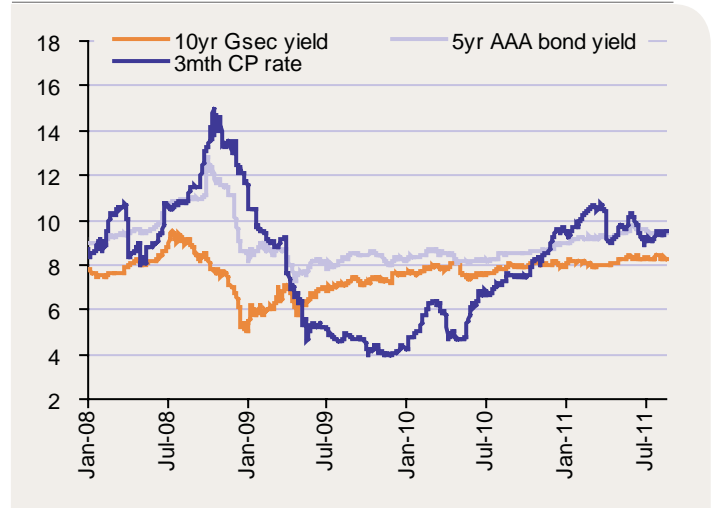
# India Infoline Weekly Wrap

## Chartbook

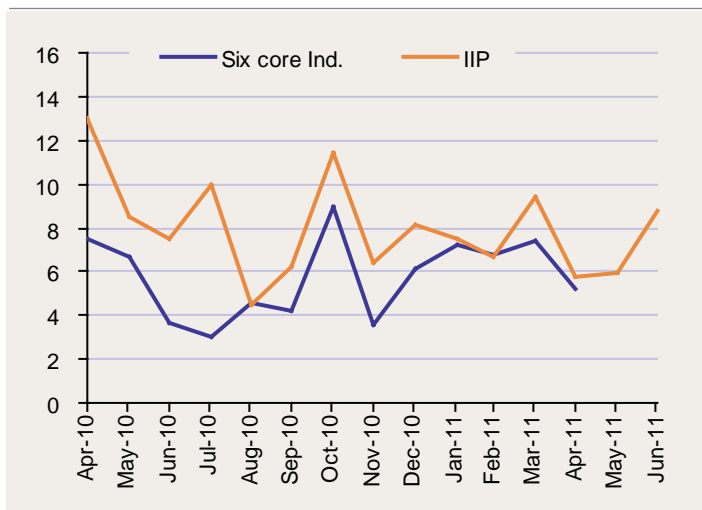
### Weekly Inflation



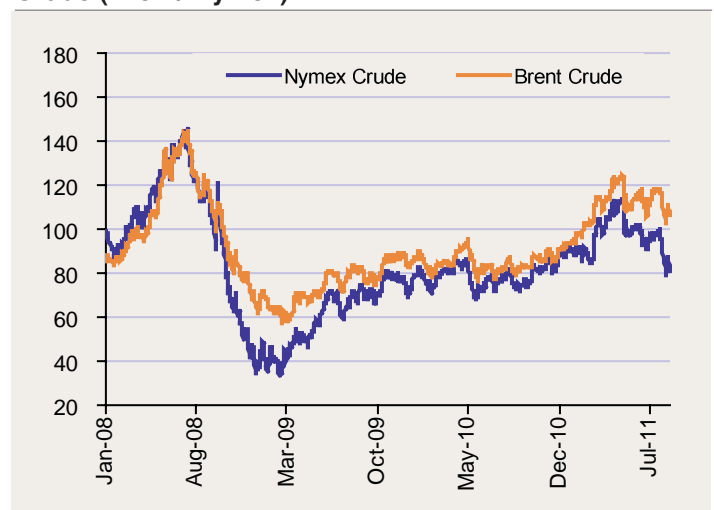
### Interest Rate



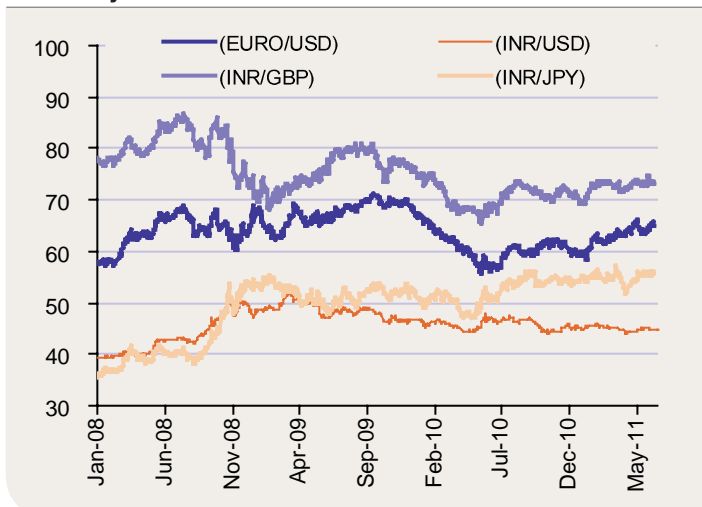
### IIP and Six core Industries



### Crude (Brent/ Nymex)



### Currency Movements



### Dollar Index

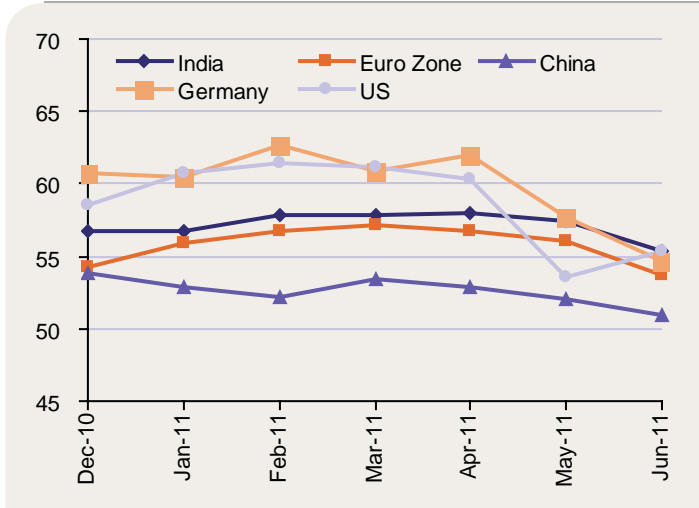


Source: Bloomberg

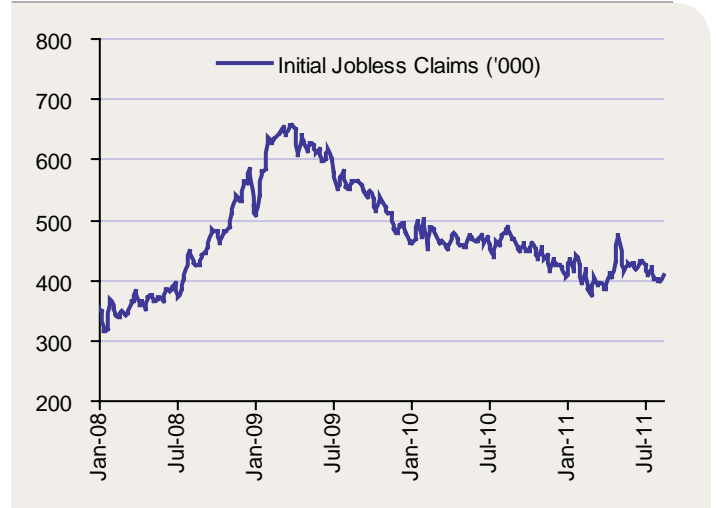
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## Chartbook...

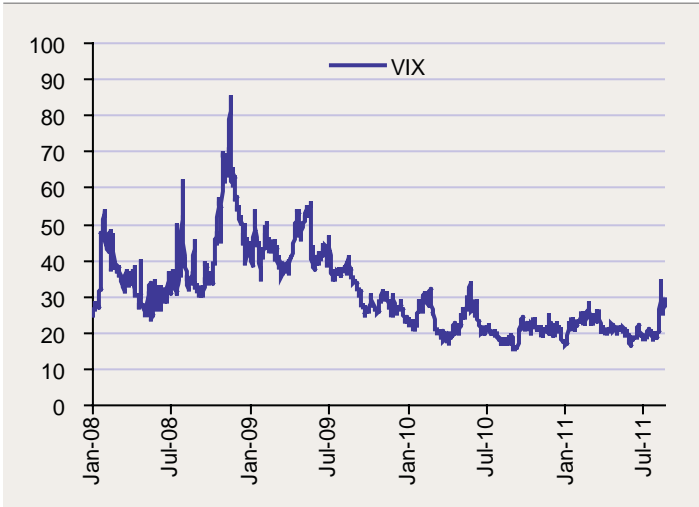
PMI



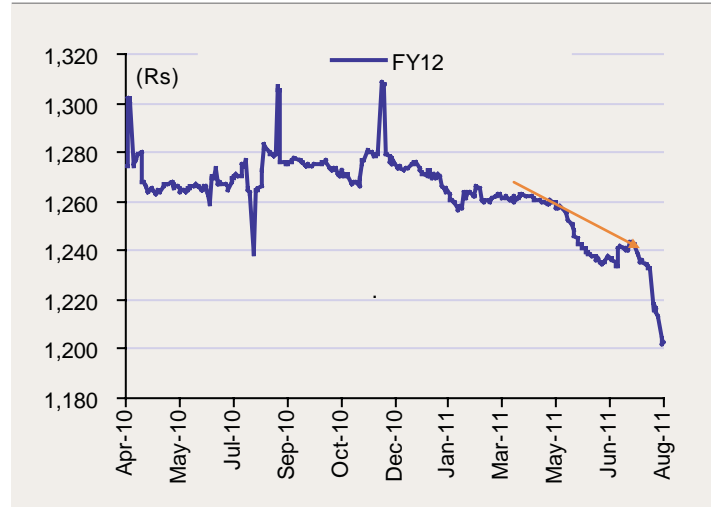
US Initial Jobless Claims



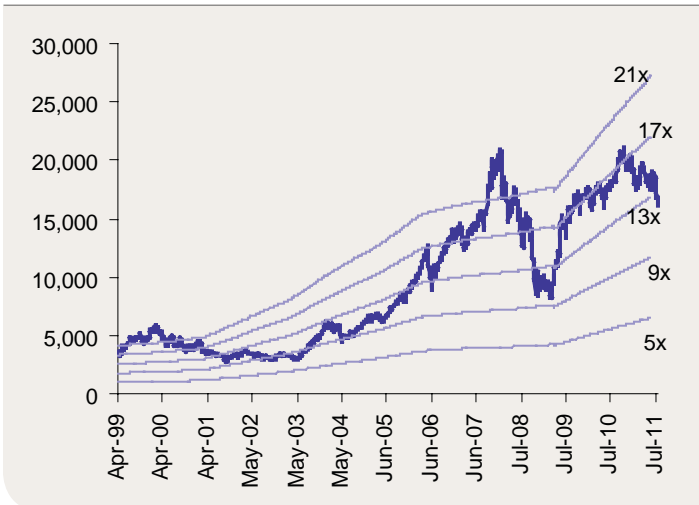
Volatility Index



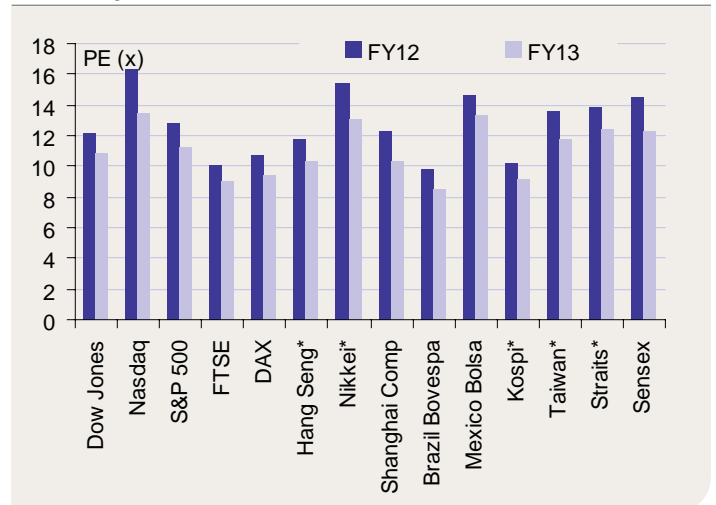
Sensex Earning Estimates



Sensex PE Band



PE Comparison



Source: Bloomberg

# India Infoline Weekly Wrap

## News Recap

### And, the turmoil continues in world markets.....

After few days of relief, world equity markets slumped anew amid no sign of a rebound in the US economy and lingering worries over the eurozone debt problems. The market turmoil was sparked by renewed fears of major financial upheavals in Europe, and growing concerns that the US might slipping into another recession.

Morgan Stanley slashed its global growth outlook for 2011 and 2012, adding that the US and Europe are hovering dangerously close to a recession. The Wall Street bank estimates expansion of 3.9%, down from a previous forecast of 4.2%. Citigroup cut its 2011 GDP growth forecast for the US economy while Deutsche Bank lowered its outlook on China.

### Anna Hazare at Ramlila Maidan for a 15-day stir

Anna Hazare walked out of the famous Tihar Jail on Friday morning and landed at the Ramlila Maidan to begin a 15-day fast protest for a stronger Lokpal Bill. The anti-corruption crusader is already on a hunger strike ever since he was sent to the Tihar Jail on Tuesday. Thousands of people, many of them school children, stormed into the Ramlila Maidan despite rains to support Hazare in his fight against corruption. Hazare and his associates can carry out their fast at Ramlila Maidan till September 2 under some conditions.

### CMIE cuts FY12 GDP growth forecast to 8.1%

The Centre for Monitoring Indian Economy (CMIE) said that it has revised its real GDP growth forecast for FY12 downwards - from 8.6% to 8.1%. The forecasts for all major sectors have been scaled down, the independent economic think tank said.

### Narayana Murthy to log out of Infosys

Nagavara Ramarao Narayana Murthy, better known as N.R. Narayana Murthy, the current Chairman of Infosys Ltd. is retiring from his post on 20th August. Murthy, 65, is retiring after a 30-year long stint at Infosys. He is the founder and chairman Emeritus of the IT giant.

## Event Calender

### Period : 22<sup>nd</sup> - 26<sup>th</sup> Aug

#### US

- ⊕ Q2 Mortgage delinquencies (22-27 Aug)
- ⊕ July Nw home sales mom (23 Aug)
- ⊕ July Durable goods orders (24 Aug)
- ⊕ Q2 House price purchase index QoQ (24 Aug)
- ⊕ Q2 GDP QoQ annualized (26 Aug)

#### India

- ⊕ Food Articles WPI YoY (25 Aug)
- ⊕ Primary Articles WPI YoY (25 Aug)
- ⊕ Fuel Power Light WPI YoY (25 Aug)

#### China

- ⊕ July Leading Index (25-28 Aug)
- ⊕ July Industrial Profits YTD YoY (27 Aug)

#### Euro Zone

- ⊕ Aug Euro-Zone GDP YoY (23 Aug)
- ⊕ June Industrial New Orders NSA YoY (24 Aug)
- ⊕ Aug PMI Manufacturing (24-28 Aug)

### Period : 29<sup>th</sup> Aug - 2<sup>nd</sup> Sept

#### US

- ⊕ Aug Consumer Confidence (30 Aug)
- ⊕ July Factory Orders (31 Aug)
- ⊕ Q2 Nonfarm Productivity (1 Sept)
- ⊕ Aug Total vehicle sales (2 Sept)
- ⊕ Aug Unemployment rate (2 Sept)

#### India

- ⊕ July Exports YoY% (1 Sept)
- ⊕ July Imports YoY% (1 Sept)
- ⊕ Food Articles WPI YoY (1 Sept)

#### China

- ⊕ Aug PMI Manufacturing (1 Sept)

#### Euro Zone

- ⊕ Aug Euro-Zone Consumer Confidence (30 Aug)
- ⊕ Aug Euro-Zone Economic Confidence (30 Aug)
- ⊕ July Unemployment rate (31 Aug)
- ⊕ Aug PMI Manufacturing (1 Sept)

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