



Emkay

Research Recommendations

January 2009



**Mr. Krishna Kumar Karwa,
Managing Director**

From the Managing Director's Desk

Dear Investors,

What has happened has happened. It is no use crying over spilt milk. For investors across all asset classes, the year 2008 is best forgotten. Let's move on and resolve not to repeat the mistakes of the last year-"GREED". Turbulent times differentiate the men from the boys. With the stimulus packages being implemented by all countries worldwide, you can either despair that the economic problems are insurmountable or if you are an optimist, you can hope that these packages will work. Your guess is as good as mine.

Asset prices have been on a roller coaster during 2008, as can be seen from the following table:

	Unit	Open on 1st Trading day of CY08	High During CY08	Low During CY08	Close on Last Trading day of CY08
Equity Indices					
Dow		13261	13729	7449	8776
Hangseng		27632	27853	10676	14387
Sensex		20325	21206	7697	9647
Nifty		6136	6357	2252	2959
Commodities					
Crude	\$/bbl	96.05	147.27	32.40	44.60
Gold	\$/ troy oz	833.30	1030.80	680.80	878.20
Silver	\$/ troy oz	14.78	21.24	8.42	11.30
Copper	\$/ton	6750.00	8940.00	2825.00	3090.00
Zinc	\$/ton	2380.00	2900.00	1038.00	1215.00
Steel	\$/ton	659.00	1203.00	592.00	592.00
Others					
Inflation	%	4.26	12.63	4.26	6.38
Rs-dollar	Rs for 1 USD	39.42	50.52	39.27	48.45
10 yr G-sec yield	%	5.26	7.53	9.47	5.26

Conti

The wild fluctuation in commodity prices and huge volatility in stock prices resulted in building asset bubbles. The result was high inflation. To tighten the goose of inflation, government resorted to tight monetary policy, resulting in an increase in interest rates. However, as soon as the commodity price bubble burst, liquidity dried up almost instantaneously, putting growth on a disastrous backward trajectory.

Today, commodity prices have crashed, Central Banks have drastically reduced interest rates and infused liquidity in the system. Inflation has come down significantly. The concern today is to jump start the slowing economy and bring back corporate and consumer confidence and banker's trust failing which, all stimulus packages will come to naught.

The biggest learning from the events of 2008 is on corporate governance and the conflict between professional managers and shareholder interests. I strongly believe that these issues will weigh heavily on investment decisions of fund managers and corporates with questionable corporate governance practices will suffer huge discounts on valuations. Issues like credit availability, unfinished capex, slowing demand, excessive leverage at corporate / promoter level and corporate governance will challenge Corporate India and 2009 will be a year of reckoning for many corporates.

For the last few years, growth investing was the overbearing theme with scant regard to other investment parameters like management quality, cash flows, return ratios etc. After the fiasco of 2008, and in an uncertain challenging economic environment, investors will place more than adequate emphasis on these parameters and not be taken in by growth itself. Businesses with strong and sustainable free cash flows with good corporate governance track record will be winners in the next few years. Apart from global economic recovery, the other key factor for our domestic bourses will be the outcome of the general elections, which will be held in the first half of 2009. Any political combination sans Left/BSP will be received positively by the bourses with high hopes on the next level of reforms, divestments etc. Public Sector Units (PSUs) as a theme, look interesting from an investment standpoint with relatively clean balance sheets, good managements, cheap valuations and ability to absorb huge investor interest.

Happy Investing in 2009.

Regards

Krishna Kumar Karwa

Monthly Technical Perspective

Nifty Monthly Chart



Indices	28-11-08	31-12-08	%Change
Nifty	2755	2959	7.40
Sensex	9092	9647	6.10
Bank Nifty	4291	5001	16.55
CNX IT	2499	2187	-12.48
Junior	3848	4555	18.37

Indices	Support	Resistance	200 EDMA	View
Nifty	2812	3110	3857	Bullish
Sensex	9162	10188	12878	Bullish
Bank Nifty	4677	5226	5843	Bullish
CNX IT	2066	2352	3339	-
Junior	4269	4695	6339	Bullish

Nifty

Last month Nifty opened on a flat note and after taking support at 2570 on 2nd December, it started its northbound journey. On 11th December Nifty made a high of 2945, but there some profit booking was witnessed and Nifty fell sharply and it made a low of 2812 on 12th December. Thereafter it took support and on 15th Dec it tested our mentioned target of 2958 and further continued its upside journey and on 22nd December it made a high of 3110. Thereafter some profit booking was witnessed and Bulls were unable to sustain and Bears took the lead. Nifty fell sharply and on 24th December it broke the mentioned support of 2922 and further continued its southbound journey and on 29th it retraced 61.80% of the recent rally from 2812 to 3110 and made exactly took support at 2812. Thereafter Nifty recovered its losses and retraced 61.80% of the recent fall from 3110 to 2812 and made a high of 3002. Finally Nifty closed at 2959 with a gain of 7.40% on m-o-m basis. We still believe that in the coming days we will see further upside in Nifty and in the immediate term we maintain our upside target of 3110. However on the daily chart Nifty is forming "**Inverse Head and Shoulder**" pattern, and the breakout of the neckline comes at 3100, thus in short-term if Nifty starts trading above this level then it can test 3759. However level of 2812, will play as a strong support for short-term.

Sensex

Last month Sensex opened on a positive note and made a high of 9326, but thereafter some profit booking was witnessed and made a low of 8476 on 2nd December, thereafter it took support and it started its northbound journey. On 11th December Sensex made a high of 9746, but there some profit booking and on 12th Dec it made a low of 9281, again buying was witnessed and on 15th Dec it tested our mentioned target of 9941 further continued its upside journey and on 19th December it made a high of 10188 and thereafter some profit booking was witnessed and Bulls were unable to sustain and Bears took the lead. Sensex fell sharply and on 24th December it broke the mentioned support of 9633 and further continued its southbound journey and on 29th it retraced 61.80% of the recent rally from 9281 to 10188 and made low of 9162. Thereafter Sensex recovered its losses and retraced 61.80% of the recent fall from 10188 to 9162 and made a high of 9825. Finally Sensex closed at 9647 with a gain of 6.10% on m-o-m basis. We still believe that in the coming days we will see further upside in Sensex and in the immediate term we maintain our upside target of 10188. However on the daily chart Sensex is forming "**Inverse Head and Shoulder**" pattern, and the breakout of the neckline comes at 10110, thus in short-term if Sensex starts trading above this level then it can test 12246. However level of 9162, will play as a strong support for short-term.

Conti

Monthly Technical Perspective

Bank Nifty

Last month the Bank Nifty opened on a positive note and made a high of 4441, but thereafter it could not sustain on higher levels and selling pressure was witnessed and it on 2nd Dec it made a low of 3919, thereafter it took support and recovered its losses and on 11th Dec it tested our mentioned target of 4623 and further continued its upside journey and on 19th Dec it made a high of 5226. Thereafter profit booking was witnessed and this index made a low of 4684, and took support over there and again recovered all its losses and finally closed at 5001 with a gain of % on m-o-m basis. This index is looking strong on the charts and now if it starts trading above 5226, then it will give neckline breakout of Inverse Head and Shoulder pattern and then it can test 6561 in the short-term. However level of 4677, will play as a strong support for short-term.

CNX IT

As expected the CNX IT index opened on a positive note and broke the mentioned resistance of 2483 and made a high of 2543, which was very near to our mentioned target of 2560. There it face lot of resistance and profit booking was witnessed in this index and it started its southbound journey. There was no respite in the selling and this index continuously forming "Lower tops and Lower bottoms" on the daily chart. On 29th December this index further fell sharply and it broke the two month old mentioned support

of 2125 and further fell sharply and made a low of 2066. Thereafter it took support and recovered some of its losses and finally closed at 2187 with a loss of 12.48% on m-o-m basis. Now this index is having support at 2066 and resistance at 2352 levels, thus now either side breakout will decide the next move.

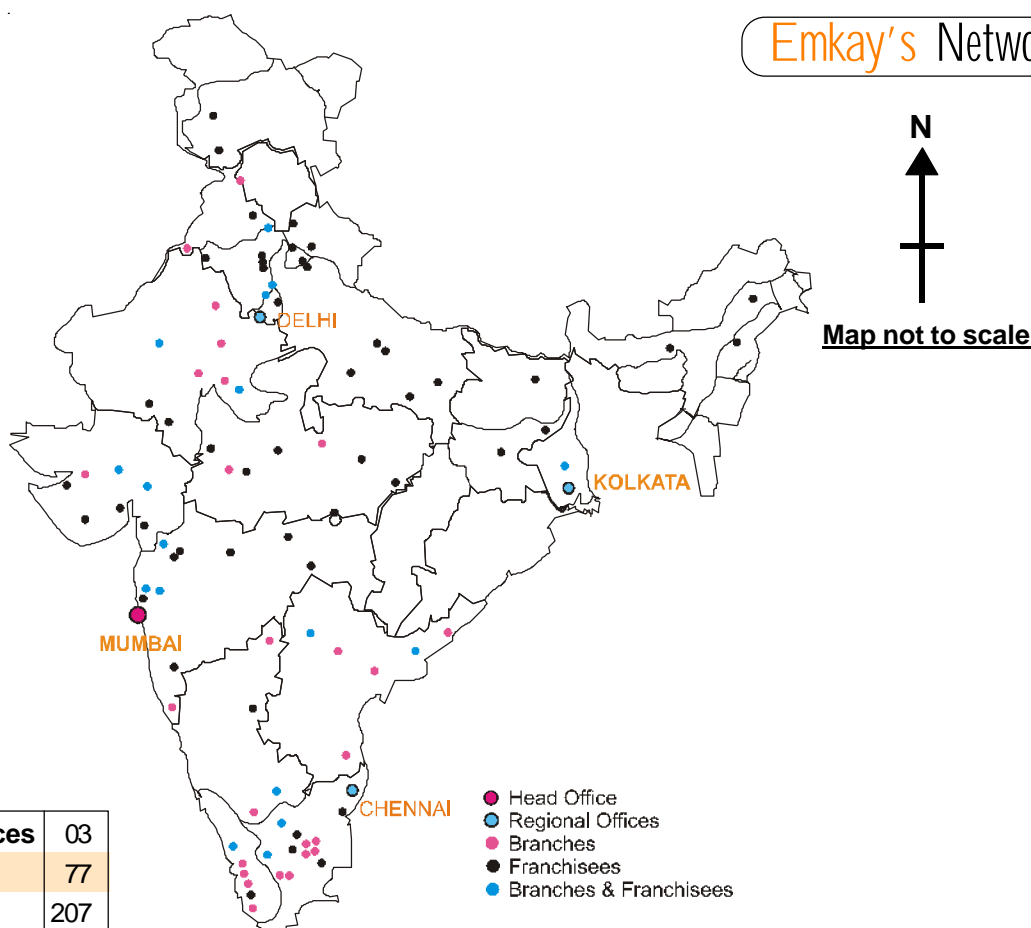
Junior

As expected Nifty Junior opened on a positive note and it broke the mentioned resistance range of 3875 to 3956 and made a high of 3960, but there it face lot of resistance and selling pressure was witnessed and it made a low of 3675, thereafter again it took support at these levels and buying was witnessed in this index and it started its northbound journey. On 17th Dec Nifty Junior made a high of 4559 but again on higher levels some profit booking was witnessed and it corrected 38.20% retracement level of the recent rally from 3675 to 4695 and made a low of 4269. However it took support over there and again buying was witnessed and Nifty Junior recovered all its losses and finally closed at 4555 with a gain of 18.37 % on m-o-m basis. Now if this index starts trading above 4695, then we may see further upside in this index and it will give neckline breakout of Inverse Head and Shoulder pattern and then it can test 5786 in the short-term. However level of 4269, will play as a strong support for short-term.

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