

Outlook for Week Ahead

June 12, 2010

The tone next week will be dictated by global cues, risk appetite and corporate advance tax payments. The markets could head higher during the start of the week on the back of increased fund flows and an increase in risk appetite as the contagion fears of Europe's debt crisis settle down. Investors will also eye the first installment of the corporate advance tax payment which will give some clue about Q1 June 2010 corporate results. The first installment of corporate advance tax falls due on 15 June. Next, the monthly inflation data for May 2010 is to be released on Monday, 14 June 2010. The focus of investors next week will also be on whether the government decides to push ahead with energy reforms. An EGoM may meet on Thursday, 17 June 2010 to consider freeing petrol prices from government control and possibly giving limited autonomy to oil firms to price diesel closer to market rates. An increase in the price of LPG will also be considered. Lastly, the progress of the monsoon will also be tracked closely as it impacts over 60% of India's population.

The Week Gone By

June 12, 2010

Indian Markets

The week ended 11 June 2010 started on a weak note due to Euro zone debt worries, Hungary debt woes and the BP oil spill. However, towards the end of the week the markers recouped most of their initial losses as revival of monsoon rains, robust industrial production data and strong exports data from China, helped stocks bounce back. The BSE Sensex fell 53 points or 0.31% to 17,065 in the week ended 11 June 2010. The S&P CNX Nifty fell 16 points or 0.31% to 5,119. The BSE Midcap and Smallcap index outperformed as they lost 0.08% and 0.03% respectively.

Monsoon progress - India's monsoon delivered normal rainfall in the past week, the India Meteorological Department (IMD) said on 10 June 2010. Rainfall in the seven days to 9 June 2010 recovered to normal after an initial hiccup when cyclone Phet hindered the advance of the June-September monsoon, which irrigates 60% of farms in India. The IMD said the Southwest monsoon has advanced into some parts of Konkan & Goa, south Madhya Maharashtra and north interior Karnataka, remaining parts of coastal and south interior Karnataka, some more parts of Rayalaseema and coastal Andhra Pradesh. The June-September monsoon rains hit Kerala on 31 May 2010, a day ahead of schedule. The south-west monsoon usually covers the entire country by mid-July. The weather office late April 2010 said rainfall is likely to be 98% of the long-term average. Good monsoon rains would help raise farm output, boost rural incomes and lower food inflation.

Firing on all cylinders – Auto - Car sales rose an annual 30.4% in May 2010. Domestic firms sold 1,48,481 cars in the month, compared with 1,13,810 units a year ago, data from the Society of Indian Automobile Manufacturers (SIAM) showed. Sales of trucks and buses, a barometer of economic activity, rose 58% to 48,580 units in May 2010. However, this momentum is expected to slow as the base effect catches up and rising input costs make the end product more costly for the consumer.

Fuel price decision - The Indian government on Monday deferred till next week a decision on raising fuel prices, the second time in a year it has tripped on pushing politically-sensitive reform measures that could help trim a budget deficit. The Congress-led government held off the decision after two powerful ministers from coalition parties stayed away from a ministerial panel meeting, signalling opposition to the move on fears of voter backlash ahead of local polls over the next year. The panel was to review the possibility of freeing up petrol prices and cutting subsidies on diesel, kerosene and cooking gas which could help reduce the fiscal deficit from the projected 5.5% of 2010/11 GDP.

Rising inflation – The food price index rose 16.74% in the year to 29 May 2010, higher than the previous week's annual reading of 16.55% as fruits and potato prices rose. The fuel price index climbed 14.23% compared with an annual rise of 14.14% in the previous week.

IIP data beats estimates - Industrial output rose much faster than expected at 17.6% in April 2010 on the back of strong consumer demand and government spending. March's annual growth rate was revised upwards to 13.9% from 13.5%. Manufacturing output rose 19.4% in April 10. The industrial output rose 10.4% in FY10, faster than the 2.6% clocked in FY09.

US Markets

The Dow posted its first weekly gain in a month for the week ended 11 June 2010, after hitting 7 month lows during the start of the week. The Dow closed up 2.8% at 10,211 while the Nasdaq shut shop at 2,244, up 1.1%. Weakness in the Euro and fears of a double dip recession have plagued the markets for the past few weeks.

Fed - The Federal Reserve Chairman said that he doesn't expect the U.S. economy to fall back into a recession again. In addition, he said that the steps European leaders were taking to control rising deficits were helping. The Federal Reserve's "Beige Book," a reading on activity in

Weekly Statistics

Key Indices	June 11	% Chg
Sensex	17065	-0.31
Nifty	5119	-0.31
DJIA	10211	+2.81
Nasdaq	2244	+1.10
FTSE	5164	+0.74
DAX	6048	+1.83
Hang Seng	19872	+0.47
Shanghai	2563	+0.35
Nikkei	9705	-1.98
Bovespa	63605	+3.13
Indonesia – Jakarta	2802	-0.76
Singapore – Strait	2796	-0.36
MSCI Emerging Markets*	917	+0.40
MSCI World*	1081	+1.92

*= Data in US\$

Metals (USD)	June 10	% Chg
Aluminum	1930	-0.62
Copper	6322	-2.45
Zinc	1724	+1.80
Tin	16545	-3.95
Lead	1675	+1.52
Gold*	1229	+1.04

*= Data calculated from Friday to Friday, Rest % Chg calculated from Friday to Thursday

Interest Rates		Chg bps
MIBOR	5.98	+38.00
10 yr bond yield	7.61	+10.00
LIBOR – UK	0.73	+2.00
LIBOR – USA	0.54	0.00
LIBOR – Europe	0.64	+1.00

Exchange Rates	Value	% Chg
USD/INR	46.85	-0.02
USD/EURO	0.83	-1.11
USD/YEN	91.66	-0.27
USD/POUND	0.69	-0.54
DXY	87.51	-0.82

Other	Value	% Chg
RJ/CRB Index	255.92	+2.80
Crude Oil (\$ / Barrel)	73.78	+3.17
Baltic Dry Index	3288.00	-14.46

Turnover (Rs. Bn)	Week June 11	Week June 04	% Chg
BSE	180.1	188.3	-4.35
NSE	588.4	613.0	-4.01
Futures	1589.6	1452.2	+9.46
Index Options	2614.4	2002.9	+30.53
Stock Options	159.6	136.0	+0.17

Net Flows (Cr)	FII	MF
June 04 – June 10	-278.9	161.7
Previous Week	1183.6	819.3

Volatility Index (ViX)	Nifty	CBOE
June 11	25.10	28.79
% Chg w-o-w	+1.54	-18.86

the nation's 12 economic districts, showed that economic activity continued to improve in May, though many districts reported only modest growth.

BP – BP faces political and financial pressure as a result of the ongoing fallout from the oil spill in the Gulf. Earlier in the week, BP said it was having some success with its latest attempt to stop the flow of oil following the explosion and sinking of the Deepwater Horizon rig. But investors remained wary after published reports looked at the slim, but possible risk of bankruptcy for BP in the wake of the disaster. The rig was operated by Transocean and contracted to work on an oil well leased by BP. Another issue bothering investors is whether BP will manage to pay out dividend this time round.

Jobless claims – Jobless claims fell 3,000 to 456,000 last week. Economists surveyed by Briefing.com expected filings to slide to 450,000. Meanwhile, the number of Americans filing for ongoing unemployment insurance sank by 255,000 to the lowest level since December 2008.

Trade deficit - The Commerce Department said the trade deficit increased 0.6% in April, widening to \$40.3 billion from a downwardly revised \$40.0 billion the previous month. That was lower than the \$41.3 billion that analysts surveyed by Briefing.com expected. The Treasury reported the 20th consecutive monthly deficit, with a \$136 billion shortfall in its May budget. Economists were expecting the government's budget to be \$142 billion in the red during the month.

Rise in Consumer Confidence; Drop in retail sales - The University of Michigan's consumer sentiment index rose to 75.5 in June, up from 73.6 in May. Economists were expecting the figure to rise to 74.5. Retail sales tumbled 1.2%, in the first drop since September 2009. Economists surveyed by Dow Jones Newswires were expecting a 0.2% increase.

Week ahead – The markets could remain choppy, as Europe's debt crisis, BP's oil mess, stubbornly high unemployment and recent volatility weigh on stocks. The quadruple expiration of futures and options Friday could add to volatility. The once rock steady energy sector will remain a focus, as President Obama meets with BP's chairman and CEO Wednesday on the still-unfolding Gulf oil disaster, and oil executives testify before Congress Tuesday and Thursday. Producer and consumer inflation data Wednesday and Thursday are the big economic reports of the week. FedEx, a barometer for the economic activity, reports earnings Wednesday.

Other Markets

Markets across the globe ended mixed in the week ended 11 June 2010. The FTSE and DAX closed higher by 0.74% and 1.83% while the Nikkei and Indonesia Jakarta closed lower by 1.98% and 0.76% respectively. Amongst other indices, the Brazilian Bovespa, Shanghai and Hang Seng also closed higher by 3.1%, 0.35% and 0.47% respectively. Upbeat economic data in China, optimism over global growth, a decent appetite for debt issued by struggling European nations, better than expected GDP data from Japan etc helped the markets recover during the latter part of the week. Spain on Thursday sold 3.9 billion euros of a 3-year benchmark bond seeing strong demand, a positive sign for investors worried about appetite for debt from struggling European nations.

World Bank - The World Bank said a double-dip recession could not be ruled out in some countries if investors lose faith in efforts in Europe and elsewhere to tackle rising debt levels. The World Bank's Global Economic Prospects 2010 report said slower growth in developed economies would deprive developing countries of healthy markets for their goods and would cut into investment. For the moment, worries that Greece's fiscal woes could spread to other highly-indebted countries, such as Spain and Portugal, has not affected growth in developing countries. The World Bank forecast that developing economies would expand at between 5.7% and 6.2% each year from 2010 to 2012 - more than twice the growth rate of advanced economies.

Japan – reported better-than-expected GDP data for the first quarter. GDP expanded by an annualized 5.0% in the first quarter of 2010. That was better than last month's preliminary reading for a 4.9% gain. On quarter as well, GDP was unrevised at 1.2% higher, shrugging off forecasts for a 1.0% increase. This, clubbed with a slight weakening in Japanese Yen made the benchmark Nikkei 225 recover some of its losses. Further on the economic front, the Cabinet Office revealed that consumer sentiment in the country improved for the fifth consecutive month in May. The consumer confidence index rose to 42.7 from 42.1 in April. Households' consumer confidence also improved in May to 42.8 from 42 in April. Economists had expected the index to remain unchanged at 42.

Next, core private sector machinery orders rose sharply for the second straight month in April. As per the report, orders were up 4% in April compared to the previous month, following the 5.4% surge in March. Compared to a year ago, core private sector machinery orders increased 9.4% compared to the same month in the previous year in April. It followed a 1.2% increase in the prior month. On the flipside, the Cabinet Office announced that the country's leading index dropped for the first time since Feb 2009 in April. As per the report, the index fell to 101.7 in April from 101.9 in March. The expected reading for April was 102.5. Lastly, Prime Minister Naoto



Weekly Gainers	CMP (Rs)	% Rise
Tata Metalik	145.80	20.40
Kothari Prod	478.60	20.25
KPIT Infosys	132.75	19.38
Sonata Software	51.35	16.57
Swaraj Mazda	348.20	14.73

Weekly Losers	CMP (Rs)	% Fall
Consolidated Sec	56.95	33.82
Himalayan Futuristic	11.35	29.94
Mukta Arts	49.40	21.09
Rajesh Exports	77.15	14.85
Mah Scooters	341.50	12.65

Kan on Friday pledged a fiscal policy overhaul to reduce the country's massive public debt mountain, saying that the country's outstanding public debt is huge.

China - Chinese equities managed to close the week slightly higher after strong economic data, which bought back worries of monetary tightening. China reported its May exports climbing the most in six years while the inflation in the country accelerated to 3.1% in last month, the quickest pace in 19 months, indicating the world's fastest-growing major economy faces overheating risks. Worries over a property bubble also continue to fan after China's property prices rose at the second-fastest pace on record in May. The 12.4% gain in prices compared with a record 12.8% increase in April from a year earlier means that still plenty of softening is needed in the overheated market.

Australia - The business confidence index in the country unexpectedly slumped 8 points in May to a reading of 5. The fall means the sentiment indicator has fallen below its long-term average of 7. On the economic front, a report released by the Australian Bureau of Statistics revealed that unemployment rate in the country unexpectedly declined in May to a seasonally adjusted 5.2% from 5.4% reported for the previous month. A year ago, the unemployment rate stood at 5.8%. Some 600,900 Australians were unemployed by the end of May, a decrease of 25,400 from April.

Commodities

Copper hit an eight month-low this week to end lower by 2.5% as investors sold off riskier assets on mounting fears over the euro zone economy's health. Chinese trade data released this week showed only a modest fall in copper imports and confirmed leaked reports that the nation's total exports rose almost 50%. Imports of copper at around 397,000 tonnes came in slightly below forecasts, but analysts had expected a drop from April's 436,345 tonnes as measures to cool growth rates and slow property speculation took hold. Leaked Chinese industrial output numbers confirmed slowing growth - suggesting a 16.5% rise in May from a year earlier, falling short of expectations for 17.1% growth. An unexpected drop in U.S. retail sales in May added to broader market fears that the economic recovery was losing momentum.

BDI lost 14.5% this week. It has been on a downward journey, after touching a high of 4,209 points in the last week of May, its highest level in CY2010 to date. Supply of ships is higher than the demand. Thus, charter rates are not improving, leading to volatility in the BDI. Also slow scrapping of ships and addition of new ships at a faster pace has led to excess supply in the market.

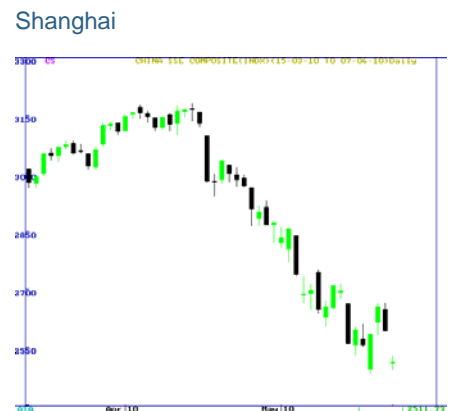
Crude oil jumped to the highest level in four weeks on Thursday as equities surged after economic reports from China, Japan and Australia indicated that the global recovery is strengthening. It finally closed 3.2% higher than last week. Oil rose as the dollar weakened and the International Energy Agency raised its demand forecast. Worldwide oil use in 2010 will rise by 1.7 million barrels a day, or 2%, to a record 86.4 million barrels, the Paris-based agency said in its monthly market report. The IEA bolstered its projection for supplies from outside the Organization of Petroleum Exporting Countries by 65,000 barrels a day. Non-OPEC producers, responsible for about 60% of world supplies, will provide an average 52.3 million barrels of oil per day this year, or 800,000 barrels more than in 2009, according to the IEA report. The revision is based on higher output from the North Sea.

Currencies

Euro appreciated vs the US Dollar by 1.1% this week as investors and markets found more confidence and optimism in Europe's economic recovery. The recovery was possible due to backing comments, the latest made by ECB President Jean-Clue Trichet who confirmed that the ECB will continue to offer three-month emergency loans until September. Trichet welcomed the decision taken by European countries to formally establish a European Financial Stability Facility. Also, European governments with the highest deficits and increased debt levels have adopted additional fiscal consolidation measures and set out more ambitious fiscal targets. Upbeat economic reports also boosted investors' optimism in recovery, and attracted them to riskier assets away from the dollar, the traditional safe haven.

The pound reached its highest level in more than a week against the dollar before a report economists say will show producer prices rose last month, adding to evidence the U.K.'s recovery is gathering pace. The cost of goods at factory gates rose 5.8 percent from a year earlier, the most since October 2008. The pound climbed to its strongest level this week against the dollar after the Bank of England maintained its bond-buying program amid signs the economic recovery is taking hold.

Global Indices Charts




Sectoral Analysis
June 12, 2010

The BSE 30-share Sensex fell by 0.3% to 17,065 for the week ended June 11, 2010. The S&P CNX Nifty too registered a fall of 0.3% to 5,119. The BSE Mid-Cap index lost 0.1% at 6,885, while the BSE Small-cap index fell by 0.03% to 8,638. The indices ended on a mixed note. The major losers were Realty, IT and Metals, which lost 4%, 2.6% and 2.4% respectively. The major gainers were Auto and Healthcare, which gained 1.6% and 1.5% respectively.

Realty

Major losers in the Realty index were DLF, Indiabulls Real Estate and Unitech, which lost 6.9%, 6.4% and 4.3% respectively. Industrial output rose much faster than expected at 17.6% in April 2010 from a year earlier on strong consumer demand and government spending. This could result in hike in interest rate and this fear led to the realty sector declining the most during the week.

IT

In the IT index, major losers were Patni Computer, Infosys and Wipro, which lost 4%, 3.6% and 1.3% respectively. IT stocks fell on weak economic data in the US, the biggest market for the Indian IT firms.

Metals

In the Metals index, major losers were NMDC, Hindalco and Sesa Goa, which lost 6.6%, 5.6% and 4.3% respectively. NMDC's iron ore output has dropped nearly 36% a day since early June at a key mine, after night freight trains were suspended to avoid Maoist attacks.

Auto

The major gainers in the Auto index were Bajaj Auto, M&M and Bharat Forge, which rose by 5%, 3.3% and 2.6% respectively. Car sales in India jumped 30.4% to 1.48 lakh units in May 2010 over May 2009, as rising incomes and a rapidly expanding economy offset the impact of price increases, data released by the Society of Indian Automobile Manufacturers showed. It was the highest sales in May ever, the industry body said. Sales of trucks and buses, a barometer of economic activity, rose 58% to 48,580 units in May 2010.

Healthcare

Major gainers in the Healthcare index were Pfizer, Dr Reddys and Cipla, which gained 6.3%, 4.3% and 3.8% respectively. Dr Reddy's Laboratories has got tentative approval from U.S. regulators to launch the generic version of AstraZeneca's Accolate, used to treat asthma. The company is currently working on manufacturing plans for zafirlukast, the generic name of Accolate, and will decide the time of its launch after getting the final approval from the U.S. Food & Drug Administration.

Weekly Statistics

Sectoral Index - BSE	Value	% Chg
BSE Sensex	17065	-0.31
BSE Midcap	6885	-0.08
BSE Smallcap	8638	-0.03
BSE 500	6827	-0.26
BSE Auto	8018	+1.57
BSE Bankex	10748	-0.24
BSE Capital Goods	13931	+0.89
BSE Consumer Durable	4424	-1.74
BSE FMCG	3022	-1.53
BSE Health care	5590	+1.46
BSE IT	5162	-2.55
BSE Metals	14431	-2.42
BSE Oil and Gas	10172	+0.22
BSE Power	3038	+0.14
BSE PSU	9046	-1.37
BSE Realty	2976	-4.04
BSE Teck	3178	-1.90

Sectoral Index - NSE	Value	% Chg
S&P CNX Nifty	5119	-0.31
CNX Nifty Junior	10914	-0.07
S&P CNX 500	4247	-0.38
Bank Nifty	9452	-0.04
CNX IT	5739	-2.47

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