

Good Morning

From the Trading desk

- The Europe and the US market rallied following news of truce in violence between Israel and Hamas yesterday. Some of the positive macro numbers from the US that came out yesterday also helped the markets there. US manufacturing data for November grew at its quickest phase in five months, while the jobless claims dropped 41000 to a seasonally adjusted 410000. The Asian markets too traded firm led by Japan which rose to six months high on mounting expectations of aggressive policy action under a likely new government. The China HSBC Flash Manufacturing Purchasing Managers Index (PMI) rose to a 13-month high of 50.4 in November. A sub-index measuring output rose to 51.3, also the highest since October 2011. The IMF and EU also appear to have ironed out their differences over Greece's bailout and releasing the long-delayed latest instalment to Athens. So the global macro appears very positive and perhaps the Indian market is also expected to trade firm as some positive domestic macro headlines in the form of government allowing LIC to invest up to 25% in a listed entity would act as an additional booster. The government would begin its winter session today and its divestment move beginning with Hindustan Copper, which it plans to auction would maintain some bit of anxiety.

Corporate/Industry Snapshot's

- SpiceJet to issue up to 5.2 cr shares to promoter on preferential basis
- Wipro looking to overseas acquisition, zeroes in a Germany firm
- Alstom India finalizes demerger of its boiler arm into wholly owned subsidiary
- Hearing of DLF's plea against CCI deferred to November 29.
- ONGC to fund Azerbaijan oilfield stake buy with dollar bonds
- India to sell 4% stake in Hindustan Copper Friday

Economic Events

- Govt ups LIC investment limit to 30%
- High spectrum reserve price a mistake says Montek
- India to receive record \$ 70 bn remittances in 2012 says World Bank
- Indirect tax collection rises 17% in a April-Oct

Domestic Indices	Chg.%	Pt.	Close
SENSEX	0.7	131.1	18460
NIFTY	0.8	43.3	5615
MIDCAP	0.6	42.9	7757
SMLCAP	0.4	27.0	7015
BSE-500	0.6	44.6	7127
BSE-100	0.7	40.6	5630
NIFTY Junior	0.5	52.7	11128

Advances / Declines	BSE	NSE
Advances	1487	768
Declines	1362	726
Unchanged	135	74

Top 5 BSE 200 - GAINERS		
Company	Price (Rs)	% chg
Jet Air India	452	9.2
Union Bank	227	4.9
Pantaloon Retl	188	4.6
HDIL	105	4.6
Reliance Comm	62	4.5

Top 5 Nifty - GAINERS		
Company	Price (Rs)	% chg
JPASSOCIAT	89	3.1
CIPLA	391	3.0
SUNPHARMA	701	2.6
AMBUJACEM	200	2.3
ICICIBANK	1046	2.1

Top 5 BSE 200 - LOSERS		
Company	Price (Rs)	% chg
Hindustan Copp	239	(3.9)
NTPC	162	(3.5)
BHEL	222	(2.7)
Astrazeneca Phar	1425	(2.4)
Gujarat Fluo	307	(2.1)

Top 5 Nifty - LOSERS		
Company	Price (Rs)	% chg
NTPC	162	(3.9)
BHEL	221	(3.1)
POWERGRID	120	(1.7)
CAIRN	327	(1.4)
PNB	725	(0.8)

Currency Rate	Close	Pr. Close	Net
USD / INR	55.13	55.12	0.010
EUR / INR	70.82	70.71	0.106
CNY / INR	8.85	8.85	(0.005)
JPY / USD	0.01	0.01	0.000
USD / EUR	0.78	0.78	(0.001)

Global Indices	Chg.%	Pt.	Close
Dow Jones	0.4	48.4	12837
NASDAQ	0.3	9.9	2927
FTSE	0.1	3.9	5752

Market View

Gaza Ceasefire Contributes To Modest Strength On Wall Street - U.S. Commentary

After initially showing a lack of direction, stock moved modestly higher over the course of the trading day on Wednesday. The markets benefited from a positive reaction to news that Israel and Hamas agreed to a ceasefire in Gaza.

The major averages moved roughly sideways going into the close, hovering in positive territory. The Dow rose 48.38 points or 0.4% to 12,836.89, the Nasdaq climbed 9.87 points or 0.3% to 2,926.55 and the S&P 500 edged up 3.22 points or 0.2% to 1,391.03.

The choppy trading seen early in the session came on the heels of a mixed batch of U.S. economic data, including reports showing a drop in jobless claims and a substantial downward revision to consumer sentiment. Before the start of trading, the Labor Department released a report showing a notable decrease in initial jobless claims in the week ended November 17th, although the data continued to reflect distortions due to Hurricane Sandy. The report showed that jobless claims fell to 410,000 from the previous week's revised figure of 451,000, coming in line with analyst estimates.

Meanwhile, a separate report from Thomson Reuters and the University of Michigan showed that consumer sentiment improved by substantially less than initially estimated in the month of November. The report said the consumer sentiment index for November came in at 82.7, down sharply from the preliminary reading of 84.9. With the downward revision, the index was only just above the final October reading of 82.6. Stocks moved more firmly into positive territory following the news that Israel and Hamas agreed to a ceasefire following an Egyptian-mediated peace negotiation to end the weeklong cross-border hostilities that led to the deaths of at least 150 people. The deal was announced by Egyptian foreign minister Mohamed Kamel Amr at a joint press conference with U.S. Secretary of State Hillary Clinton in Cairo. Lingering concerns about the situation in Europe helped to limit the upside for the markets, however, as finance ministers once again delayed a decision on providing additional financial assistance to Greece. A lack of volume also contributed to choppy trading on Wall Street, with many traders getting a head start on tomorrow's Thanksgiving Day holiday.

Asian markets trading higher; Hang Seng, Nikkei up

At 7: 42 am (IST), Asian markets were trading higher. Hong Kong's Hang Seng was up 0.38% or 82.70 points at 21,607.06. Japan's Nikkei gained 1.19% or 109.78 points at 9,332.30. Singapore's Straits Times added 0.49% or 14.56 points at 2,974.86. South Korea's Seoul Composite was up 0.76% or 14.39 points at 1,898.43. Taiwan's Taiwan Weighted rose 0.51% or 36.02 points at 7,124.51. China's Shanghai Composite was down 0.62% or 12.65 points at 2,017.67.

ADR Price Movement				
Company	Price (US\$)	Volume	Pr. Day Price	Change (%)
HDFC Bank	40.2	848628	39.1	3.0
ICICI Bank	38.2	1163400	37.7	1.4
Dr. Reddy	31.6	168735	31.8	(0.4)
Sterlite	7.1	218273	7.0	1.1
Wipro	8.1	352698	8.1	0.6
Infosys	42.4	1035768	42.1	0.7
MTNL	0.9	17124	1.0	(5.3)
Tata Comm	8.3	7820	8.5	(1.8)
Tata Motors	24.2	1198940	24.4	(0.6)

Asian Indices	Chg.%	Pt.	Close
Nikkei	0.9	79.9	9223
Hang Seng	1.4	296.1	21524
Straits Times	0.1	1.5	2960
SGX CNX Nifty	0.6	36.2	5620
South Korea	(0.3)	(6.1)	1884
Taiwan	(0.8)	(57.3)	7088

Commodity Prices	Chg.%	Close	Chg.
Aluminium (USD/MT)	(0.5)	1900	(10.0)
Zinc (USD/MT)	(1.2)	1940	(23.0)
Gold (\$/oz)	0.2	1729	3.1
Silver (\$/oz)	0.1	33	0.0
Light Crude (USD/bbl)	0.1	111	0.1
Sugar (USD/MT)	0.4	531	2.3
Copper (USD/MT)	(1.2)	7783	(91.0)

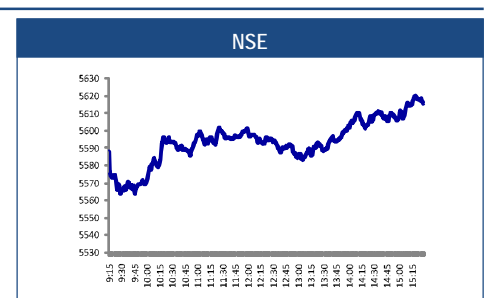
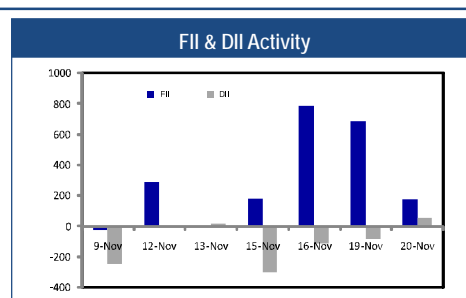
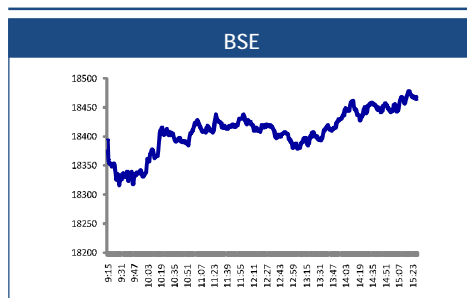
Net Inflow (Rs. cr.)	20 Nov.	MTD	YTD
FII	174	4995	99049
DII	54	(1017)	(16168)

Volatility Index	Close	Pr. Close	Chg. %
Volatility Index	15.5	15.8	(2.2)

PE Ratio	PE	Chg.%*	Chg.%^
SENSEX	15.5	(3.5)	22.0
NIFTY	15.5	(3.4)	23.9
Dow Jones	12.9	(6.0)	14.3
NASDAQ	19.8	(8.5)	19.9
FTSE	14.7	(4.0)	13.3
Nikkei	24.3	(9.1)	14.6
Hang Seng	11.1	(2.4)	22.7
Straits Times	11.3	(4.3)	14.2
South Korea	18.2	(7.8)	8.4
Taiwan	23.1	(13.1)	7.5

* % change from 52 week high

^ % change from 52 week low



Industry

Finance minister nod clears decks for market-based drug pricing

The national drug pricing policy, which had got stuck with a series of objections raised by the finance ministry, was finally approved by an inter-ministerial panel on Wednesday. Sources said finance minister P Chidambaram who attended Wednesday's meeting as a special invitee gave his green signal to fix the prices of essential drugs on a market-based approach, with certain modifications. The Cabinet is likely to discuss the policy on Thursday. The finance ministry has also softened its stance on the span of price control by agreeing to strictly stick to the National List of Essential Drugs (NLEM), sources said. This clearly implies that combination drugs using NLEM ingredients and strengths not mentioned in the list may remain out of the price net. However, sources indicated that some fundamental changes have been made to the main formula recommended earlier by the group of ministers led by agriculture minister Sharad Pawar. Earlier, the GoM had decided to fix the prices of essential drugs based on the weighted average price (WAP) of all brands with over 1% market share in any therapeutic category. Sources said that at Wednesday's meeting, the WAP formula may have been changed to simple average of all drugs in a therapeutic category. This would drag down the ceiling price to median value of drugs and if this is approved by the Cabinet, it may hit the industry hard. The finance ministry, which was not part of the GoM, had raised objections when the Cabinet note outlining the proposal was circulated recently. The finance ministry also sent its objections to the Prime Minister's Office (PMO) and the Cabinet secretariat. The North Block wanted all combination drugs using one or more ingredients and all strengths of essential medicines and bulk drugs included in the price net. It was also in favour of continuing with the cost-based formula to fix the prices of essential drugs. The PMO subsequently instructed the GoM to meet the finance minister to resolve the differences before the matter is taken up by the Cabinet. The finance ministry had held that excluding active pharmaceutical ingredients from price control could lead to cartelisation and raise bulk drug prices. It had also said that almost all of the 25 best-selling drugs are 'irrational combinations' and that it may not be a prudent idea to leave out combination drugs out of price control. Implementing the new policy could prompt more firms to market combination drugs, many of which could be irrational, the finance ministry had said. It had faulted market-based pricing, saying it factors in the value of the 'brand' as a component in fixing prices, which amounts to considering more than the actual costs of inputs of drugs. Implementing such a formula may 'distort prices (of essential drugs) upwards', it had said. The government has promised the Supreme Court that it would notify its decision on the national pharma pricing policy by November 25 and would inform the apex court about it in its next hearing scheduled on November 27

Cipla to bid \$215 million for control of S.Africa affiliate

Cipla had offered \$215 million for a majority stake in South Africa's Cipla Medpro to strengthen its presence in Africa's fast-growing market for cheap, generic versions of branded drugs. The proposed bid for a 51% stake in South Africa's No.3 drug company highlights international pharmaceutical firms' growing interest in the continent, particularly as a market for low price versions of medicines that are off patent. Cipla, which supplies the bulk of Cipla Medpro's drugs but has so far not owned a stake in the business, sells generic drugs to treat HIV and cancer in emerging markets. The proposal also highlights the rise of so-called south-south deals, where Indian and Chinese firms buy into Africa, lured by its rising incomes and a surging population. Like most industries with a heavy focus on developed markets, pharmaceuticals are struggling to find growth. Many are looking to Africa to build up their distribution pipeline. It's not surprising that Cipla are trying to consolidate their position in South Africa, he added British drugs giant GlaxoSmithKline is also ramping up its business in Africa, aiming to lift sales volume over the next five years by cutting prices. Cipla plans to offer 8.55 rand a share for a 51% stake in Cipla Medpro, the Cape Town-based firm in a statement. Cipla Medpro said it would express a view to shareholders on the Indian firm's proposal when it had received a firm offer. The proposed offer, worth 1.9 billion rand (\$215 million) according to Reuters calculations, is 11 percent above Cipla Medpro's closing share price on Tuesday and values the company at around 3.8 billion rand. Cipla said it would fund the deal via its own cash. By revenue, Cipla Medpro has a compound annual growth rate of around 20%. The supply deal between the two firms was spearheaded by Cipla Medpro founder and former chief executive Jerome Smith, who quit last month following charges of gross misconduct for approving pay rises and bonuses for himself without board approval. There had been some speculation Smith's departure could impact Cipla Medpro's relationship with the Indian company. Cipla Medpro is being advised by the investment banking arm of South Africa's Absa, while Morgan Stanley is advising India's Cipla.

Thought for the Day

Clear thinking requires courage rather than intelligence.

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