Weekly Market Wrap

HDFC securities

Outlook for Week Ahead — Mar 8, 2010

This week, the Indian stocks may eye global cues in the absence of major domestic triggers as market enters a consolidation phase after a strong post-budget rally. Recent global economic data was mixed. Sovereign debt problems in the euro zone continue to haunt global markets. Closer home, the government's commitment towards reducing fiscal deficit, a thrust on infrastructure development, and plan to speed up disinvestments in the Union Budget for 2010-2011 has boosted market sentiments. Higher disposable income at the hands of individuals after the finance minister raised the tax slabs in the budget also opens up the possibility of some funds entering the market through the mutual funds route, which augurs well for the secondary market. However, with a spate of new and follow-on offerings to flood the market over the next few months, liquidity will be a major concern. The government has estimated Rs 40000 crore from disinvestments for FY 2010-11. The industrial output data for Jan 2010 due on March 12 will be keenly watched by the markets. Also, the fourth and the last installment of advance tax by India Inc due on 15 March 2010 will give a broad indication of fourth quarter earnings. However, the recent hike in petrol and diesel prices would further increase headline inflation, which could in turn put further pressure on interest rates & may impact corporate and consumer confidence.

The Week Gone By — Mar 8, 2010

Indian Markets

Investors gave thumbs up to Union Budget 2010-11 as the market witnessed a strong post-budget rally. Data showing a surge manufacturing & services activity in Feb 2010 & rise in exports for the third consecutive month in Jan 2010, also aided the rally. Finance Minister's budget proposals which offered to progressively cut fiscal deficit over the next three fiscal years, changed personal tax rates (which will lift disposable incomes) and reduced surcharge on corporate tax for domestic companies to 7.5% from 10% boosted sentiments. The market gained in three out of four trading sessions in the week ending March 05. The BSE Sensex & Nifty rose 3.4% each in the week. The BSE Mid-Cap & Small-Cap indices outperformed the Sensex, rising 5.3% & 5.4% respectively. Below are some key events, which took place during the week:

Exports remained in positive territory for third consecutive month with shipments in Jan growing 11.5% to $14.34 bn from $12.9 bn during Jan 2009. Exports had declined for 13 successive months till Oct 2009, following the global financial crisis and consequent demand slowdown in most overseas markets. However, cumulative exports for April 09-Jan 2010 declined by 17.8% in dollar terms over the same period last year. Commerce Ministry has indicated that total exports for 2009-10 will be around $162-164 bn, as against around $186 bn in 2008-09. Total imports rose for second consecutive month in Jan 2010 by 35.5% (Y-o-Y).

The business activity among Indian service companies grew at its fastest pace in 17 months in Feb 2010, climbing for third straight month as both output & new orders increased, a survey showed on Wednesday. The HSBC Markit Business Activity Index rose to 60.9 in Feb 2010, its highest since Sept 2008. The survey also showed that the manufacturing industry in Feb 2010 grew at its fastest pace in 20 months, expanding for the third month on account of expanding output and new orders. The HSBC Markit Purchasing Managers' Index rose to 58.5 in Feb, its strongest reading since June 2008, from 57.7 in Jan.

Cement sales continued to remain robust in February 2010 (Y-o-Y) on the back of good demand from the Government-sponsored projects, besides revival of some of the real estate projects. Ambuja Cements sales grew by 2.4%, while Shree Cement, JK Lakshmi Cement & JP Associates reported growth of 5.5%, 21% & 61% respectively. However, ACC sales slipped 2.3% due to widespread unrest in Andhra Pradesh over Telangana issue. Consequent to pick up in demand and increase in excise duty, cement companies across regions have hiked prices by Rs. 5-7 a 50 kg bag for the third consecutive month.

Auto companies reported robust sales numbers in Feb 2010 due to sustained buoyancy in the market, an expanding portfolio, rising exports and pre-Budget sale in anticipation of an excise duty hike. Maruti clocked its best ever sales, as it sold 96,650 units in Feb, 1,000 more units than what it sold in Jan. Domestic sales at 84,765 units, along with a 39% rise in exports at 11,885, were all-time highs. Hyundai Motor & Tata Motors too posted their highest-ever domestic sales in Feb by selling 31,001 and 26,985 units respectively. On the two-wheeler front, Hero Honda Motors sales grew by 16% (Y-o-Y), while Bajaj Auto & TVS Motors sales grew by 77% & 31% respectively (Y-o-Y).

On Wednesday, the Finance Ministry virtually ruled out any rollback of proposed hike in MAT even as some industry players had expressed concern over Budget proposal to raise the levy from current 15% to 18%.

Mutual funds attracted inflows across schemes in Feb when total AUMs rose 2.6%. The AUMs of 38 fund houses touched Rs 7,81,711 lakh crore in Feb, according to AMFI data. Meanwhile India's Forex reserves fell for 2nd consecutive week by $315 mn to $278.357 bn for the week ended Feb 26. The fall is due to the impact of the changes in currency valuation on forex reserves.

Weekly Statistics

Key Indices	Mar 05	% Chg
Sensex	16994	+3.44
Nifty	5089	+3.38
DJIA	10566	+2.33
Nasdaq	2326	+3.94
FTSE	5600	+4.58
DAX	5877	+4.98
Hang Seng	20788	+0.87
Shanghai	3031	-0.97
Nikkei	10369	+2.40
Bovespa	68847	+3.52
Indonesia – Jakarta	2579	+1.17
Singapore – Strait	2790	+1.43
MSCI Emerging Markets*	975	+4.17
MSCI World*	1170	+3.27

*= Data in US$

Metals (USD)	Mar 05	% Chg
Aluminum	2232	+6.92
Copper	7497	+5.67
Zinc	2280.	+4.88
Tin	17500	+4.79
Lead	2199	+1.38
Gold	1138	+1.70

Interest Rates	3 month	Chg bps
MIBOR	5.27	+30.00
10 yr bond yield	7.96	+10.00
LIBOR – UK	0.60	-1.00
LIBOR – USA	0.25	0.00
LIBOR – Europe	0.64	0.00

Exchange Rates	Value	% Chg
USD/INR	45.62	-1.02
USD/EURO	0.73	0.00
USD/YEN	90.26	+1.56
USD/POUND	0.66	+1.54
. DXY	80.43	+0.09

Other	Value	% Chg
RJ/CRB Index	276.93	0.79
Crude Oil ($ / Barrel)	81.50	+2.31
Baltic Dry Index	3242.00	+18.41

Turnover (Rs. Bn)	Week Mar 05	Week Feb 26	% Chg
BSE	195.3	182.4	+7.07
NSE	604.8	633.2	-4.49
Futures	1202.5	2261.9	-46.84
Index Options	1407.0	2563.4	-45.11
Stock Options	94.7	111.3	-14.91

Net Flows (Cr)	FII	MF
Feb 26 – Mar 04	4280.6	-835.7
Previous week	1030.5	-154.9

Volatility Index (ViX)	Nifty	CBOE
Mar 05	20.74	17.42
% Chg w-o-w	-13.66	-10.67

US Markets

All the three major US indices closed on a positive note for the week ending March 05, 2010. The Dow Jones ended higher by 1.6%, while Nasdaq & S&P ended higher by 2.3% & 2.1% respectively. Improved Retail Sales, slowing job cuts, rise in ISM service sector index & signs that Greece won't default on its debt fuelled the optimism during the week. Given below are some key events, which took place during the week.

The indices ended in the positive on Monday, as investors welcomed AIG's $35 bn asset sale and a pair of mergers in the pharmaceutical sector. Dow Jones gained 0.8%, while S&P & Nasdaq gained 1% & 1.6% respectively. Amongst the economic data, the ISM's manufacturing index fell to 56.5 in Feb from 58.4 in Jan. The construction spending declined 0.6% in Jan 2010 after falling 1.2% in Dec 2009. In another report, the personal income rose 0.1% in Jan (M-o-M), while personal spending jumped 0.5% (M-o-M).

Stocks ended with modest gains on Tuesday, giving up a bigger advance, as investors weighed February auto sales, some upbeat company news and signs that Greece won't default on its debt. Dow Jones ended just above unchanged, while S&P 500 & Nasdaq gained 0.2% & 0.3% respectively.

On Wednesday, the indices erased gains & ended flat to marginally lower, as relief about the day's economic news gave way to concerns about the job and manufacturing reports due out over the next two days. Dow Jones fell 0.1%, while S&P 500 and Nasdaq ended little changed. Payroll services firm ADP said employers in the private sector cut 20,000 jobs from their payrolls in February. The ISM services sector index rose to 53 in February from 50.5 in January, hitting the highest point since Dec 2007, at the start of the recession. Meanwhile Greece announced a $6.5 bn plan to help it cut its ballooning deficit.

Stocks ended a volatile session higher on Thursday as investors welcomed improved retail sales and a report showing that the pace of job losses is slowing. Dow Jones gained 0.5%, while S&P & Nasdaq ended higher by 0.4% & 0.5% respectively. The number of Americans filing new claims for unemployment fell to 4.69 lacs last week from a revised 4.98 lacs in previous week. Total retail sales rose 4% in Feb. In another report, factory orders climbed 1.7% in Jan. However, January pending home sales index plunged 7.6% as brutal storms on East Coast kept potential buyers on the sidelines.

The indices rallied on Friday, with the Nasdaq ending at an 18-month high, after a government report showed employers cut fewer positions last month than had been expected, in the latest sign that the pace of job cuts is slowing. The Dow Jones rose 1.2%, while S&P & Nasdaq ended higher by 1.4% & 1.5% respectively. Employers cut a net total of 36,000 jobs last month, after jobs fell by 26,000 in January. The unemployment rate, generated by a separate survey, held steady at 9.7%, versus forecasts for a rise to 9.8%. In another news, Broadband services firm RCN agreed to be taken private by ABRY Partners, in a deal worth $536 mn in cash plus the assumption of debt. Shares of RCN rallied almost 23%.

Bulls may get more room to run this week on the anniversary of the March 2009 lows, if U.S. stock investors see more signs of stability. The catalysts could be Feb retail sales and March consumer sentiment. Besides that data, investors will have weekly jobless claims and the international trade deficit to mull over. Investors will also keep their radar trained this week on Greece's debt problems, which could keep a lid on sentiment.

Other Markets

Asian stocks rose for a second week, almost erasing the MSCI Asia Pacific Index's losses this year, as reports on global semiconductor sales, Indian manufacturing & U.S. jobless claims boosted optimism for an economic revival. The MSCI Asia Pacific Index gained 1.9% this week, paring its decline this year to 0.1%. Given below are some key events, which took place during the week:

According to JPMorgan Chase & Co. strategists, China's stocks may be hurt in the "short term" by a slowdown in the nation's money supply growth, the outlook for inflation and speculation that the government may slow down investment projects to cool economic growth. The Ministry of Commerce said in a statement during the week that China needs to promote the growth of both external and domestic demand. The ministry said that China will maintain its export rebate policies. The nation is against any form of trade protectionism & urged U.S. and Europe to relax controls on the export of technology products to China.

U.K. consumer confidence jumped in Feb to a 2 year high. The index of sentiment increased six points from the previous month to 80. U.K. producer prices rose in Feb (Y-o-Y) by the most since Dec 2008 as higher costs from gasoline to food fed inflation. The cost of goods at factory gates increased an annual 4.1%. Prices climbed 0.3% from January, gaining for a 12th month.

German factory orders (adjusted for seasonal swings and inflation) surged 4.3% in January (M-o-M) boosted by demand for goods such as machinery and equipment.

Sensex

Weekly Gainers	CMP (Rs)	% Rise
Maytas Infra	187.45	22.40
Jet Airways	492.15	22.09
Rain Commodities	218.70	20.16
Gujarat NRE Coke	87.60	20.08
United Breweries	274.70	19.98

Weekly Losers	CMP (Rs)	% Fall
Sh Ashtavinayak	12.54	11.06
Amtek Auto	171.00	7.44
NMDC	414.50	3.98
BPCL	540.10	3.97
Penland Ltd	78.55	3.50

Japan’s wages rose for the first time in 20 months by 0.1% in January Y-o-Y as the economic recovery prompted employers to add working hours.

Commodities

Crude oil rose by 2.3%, a third weekly gain in four, on optimism fuel demand will increase amid improved prospects for an economic recovery in the U.S., the world’s biggest energy consumer. Oil also gained on a report that the Organization of Petroleum Exporting Countries will cut shipments by 2.3% in the month ending March 20. Crude oil surged to the highest level in almost eight weeks and gasoline rose after U.S. employment declined less than forecast in February, bolstering optimism that fuel demand will climb. Oil increased after the Labor Department reported that payrolls dropped 36,000 last month. The total was forecast to fall by 68,000. The number of jobless Americans held at 9.7% of the workforce in February, Labor Department figures showed. The unemployment rate was projected to increase to 9.8%. Total U.S. fuel demand, averaged over the past four weeks, rose 219,000 barrels to 19.3 million barrels a day, the Energy Department said. The total has increased for four consecutive weeks.

Gold rose, capping a weekly gain of 1.7%, on investment demand for the metal as an alternative to holding currency. Gold moved to its highest level in nearly seven weeks on Wednesday as the euro rose after Greece's government announced plans to deal with the country's budget deficits, leading to improved risk appetite in markets generally. Gold also benefited as U.S. equities rose modestly amid the improved mood for risk, on the back of the Greek news plus better-than-forecast U.S. economic data.

Copper rose by 5.7%, a third weekly gain in four weeks, on speculation that demand may improve after metal stockpiles tracked by exchanges fell. Copper also rose on speculation that demand may strengthen as stockpiles decline and bookings to remove metal from warehouses climb. Inventories tracked by the London Metal Exchange fell for a second straight week, the first back-to-back declines since July. Copper hit its highest in more than five weeks on Monday, after a massive earthquake in top producer Chile closed up to one fifth of the country's output, stoking speculation the metal could revisit a 2010 peak. The metal used in power and construction earlier jumped as much as 5.6 percent to $7,600, its highest since January 20, and is in line for its biggest one-day increase in two weeks.

The Baltic Dry Index, a measure of shipping costs for commodities, rose 18.4% last week. The exchange gained for second consecutive week while clocking in the steepest advance since June 2009. Global steel production has been seen rising leading to higher iron ore prices. Increased demand and firm iron ore prices are driving freight rates higher. The BDI is showing signs of recovery in the new financial year. During the depth of the global economic crisis in 2008, the BDI shed 90% of its value.

Currencies

The dollar posted its biggest five-day gain versus the yen of 1.6% in two weeks as fewer Americans lost jobs last month than economists forecast, increasing the likelihood that the U.S. economic recovery remains on track. The dollar rose 1.6% this week to 90.28 yen, from 88.97 on February 26, 2010. Economists had forecast that job losses may have accelerated last month, partly because of blizzards on the East Coast and winter storms in the South that closed some businesses and prompted temporary shutdowns. Japan’s currency fell this week against all 16 of the most traded currencies tracked by Bloomberg as signs that the global recovery were still on track spurred demand for riskier assets.

Sterling fell last week against the dollar by 1.5% as the prospect of a hung parliament continued to pressure the currency, though it stayed above a ten-month low against the dollar hit on March 1, 2010. The pound hit a 10 month low on Monday as a weekend poll indicated the ruling Labour Party could remain in power but without a clear majority, as the opposition Conservatives' lead was slashed. The prospect that an election expected in May could result in no one party having a clear majority has raised concerns that any incoming government may not be able to take harsh measures needed to cut the UK's ballooning budget deficit. Concerns about a weak economy and the possibility that the Bank of England may opt to expand asset purchases under quantitative easing also weighed on sentiment toward the pound.

Brazil’s real headed for its fourth gain in five weeks as new share offerings and speculation foreign investment in the country’s stock and bond markets will increase. Brazil's real gained ground to end stronger against the dollar as investor risk appetite improved alongside encouraging signs from abroad and tame local data. Traders said the local currency began the session gaining strength as investors showed enthusiasm over statements from Chinese government officials pledging initiatives to promote consumption while also maintaining the economy at a controlled pace of growth. Brazil’s industrial output rebounded in January after contracting for two consecutive months, cementing expectations policy makers will start raising borrowing costs no later than April to keep a lid on inflation.

Global Indices Charts

Dow

FTSE

Shanghai