Market Update

December 7 – 13

Week that was...

On Friday, the Sensex closed at 17,119 down 70 points after seeing a day's range of 17,056-17,351. The Nifty slipped 17 points to end at 5,117 after reaching a new 52-week high of 5,182 and a low of 5,089. The decline happened despite fairly impressive industrial production data for October 2009. For the week Nifty ended flat. Concerns over a possible hike in interest rates in the near future appeared to have forced investors on to a highly defensive mood.

The economy will be affected by the weak monsoon in the September quarter, Finance Minister Pranab Mukherjee told parliament on Friday and further added that the government will meet its tax revenue collection target in the current fiscal year on higher direct tax collection and despite lower indirect tax revenues. The Lok Sabha on Friday approved additional spending of 27,000 crore rupees for the fiscal year ending March 2010. The government will conduct the auction for 3G wireless spectrum as scheduled, Communications Minister Andimuthu Raja, said on Friday on January 14.

The Rupee strengthened to 46.54/55 a dollar, aided by a weak dollar against major units, traders at the interbank foreign exchange said here. The dollar's losses against other currencies too supported the domestic unit. The Indian unit, quoted against global currencies like Euro ended at 68.65/67 per unit, Pound closed at 75.75/77 per unit and Yen touched 52.30/32 per 100 units.

The Wholesale price index increased 0.9% to 284.4 from 281.9 for the previous week. For the year so far average inflation was 13.90% compared to 11.57% in the period a year ago. Food prices index increased 19% from a year ago at the end of last week. The food prices jumped at the fastest pace in the last eleven years according to Commerce Ministry. The Reserve Bank of India Governor D Subbarao said capital flows into India are in line with requirement and he does not see asset bubble pressures.

The Oct IIP grew by 10.3% in Oct 09 as compared to 9.6% in Sept and market expectations were at 12.5%. Manufacturing production rose 11.1% in October 2009 from a decline of 0.6% a year earlier. September's annual industrial growth rate was revised upward to 9.6% from 9.1% previously.

Concern over debts at Dubai's utility provider and losses at Nakheel, a builder of the emirate's palm-shaped islands, hit markets on Wednesday, drowning out assurances by top officials that Gulf economies were always sound.

The improving trend in the job market and the decline in the October trade deficit in the U.S. reassured the investors that the economy was on a steady growth path.
On the sectoral front, Banking declined the most by around 1.22%. Capital Goods increased in value by 760.03 points which is +0.64 % change from last week’s Rs.13117.92 as buying was seen in Capital Goods and select Power stocks (.59%) while selling pressure remained in Banking(-1.22%), Reality (-.94%) and Telecom stocks(-.58%).

<table>
<thead>
<tr>
<th>Index</th>
<th>Current Value</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CG</td>
<td>13,877.95</td>
<td>0.64</td>
</tr>
<tr>
<td>POWER</td>
<td>3,052.59</td>
<td>0.59</td>
</tr>
<tr>
<td>AUTO</td>
<td>7,199.17</td>
<td>0.25</td>
</tr>
<tr>
<td>METAL</td>
<td>16,419.26</td>
<td>0.24</td>
</tr>
<tr>
<td>CD</td>
<td>3,549.43</td>
<td>0.23</td>
</tr>
<tr>
<td>IT</td>
<td>4,900.47</td>
<td>0.02</td>
</tr>
<tr>
<td>PSU</td>
<td>9,306.83</td>
<td>-0.34</td>
</tr>
<tr>
<td>OIL&amp;GAS</td>
<td>10,368.86</td>
<td>-0.53</td>
</tr>
<tr>
<td>TECK</td>
<td>3,159.49</td>
<td>-0.58</td>
</tr>
<tr>
<td>HC</td>
<td>4,932.29</td>
<td>-0.63</td>
</tr>
<tr>
<td>FMCG</td>
<td>2,848.82</td>
<td>-0.73</td>
</tr>
<tr>
<td>REALTY</td>
<td>3,922.62</td>
<td>-0.94</td>
</tr>
<tr>
<td>BANKEX</td>
<td>10,106.17</td>
<td>-1.22</td>
</tr>
</tbody>
</table>

December 14 - 18

Week that will be...

Market participants are looking towards next week’s economic announcements for direction as the Nifty has been moving in a sideways trend for past week and is facing resistance at 5150 levels. The announcement of wholesale price index-based inflation data for November on Monday is one such announcement that will be watched very closely by Dalal street. The next week will also see announcement of key economic indicators in the US including inflation, industrial production and house starts. Investors will also keep a close eye on the outcomes of the US Fed reserve meet on Wednesday where the Fed is expected to keep rates at near zero levels. The next week could see the Nifty break out its narrow range with a downward bias.
Corporate speak:

Cox and Kings:
Cox and Kings IPO got listed at 343.20 on NSE at a premium of 4% to its issue price of Rs 330. The initial public offering (IPO) of 18,496,640 equity shares received good response from investors, especially qualified & non-institutional investors and was subscribed 6.31 times. Proceeds of 509 crore will be invested in the company and the rest will be given to the shareholders. The objective of the fresh issue is to provide funding for repayment of loans; acquisitions and other strategic initiatives; investment in overseas subsidiaries and investment in corporate office & upgradation of existing operations. Future growth of the stock will depend upon the company’s growth which has been sustainable. Company has a good margin profile, consistently more than 40% operating margins and good return ratio profile.

DB Corp:
The initial public offering (IPO) of 18,175,000 equity shares of Publisher of Dainik Bhaskar, DB Corp has opened for subscription with Rs 185-212 per share price band. The issue will close on December 15, 2009. The company is in the business of print media and the objective of this issue is to raise funds for (i) setting up new publishing units; (ii) upgrading existing plant and machinery; (iii) enhancing brand image through sales and marketing; (iv) reducing existing working capital loans and (v) prepaying existing term loans.

Maruti Suzuki:
Volkswagen and Suzuki are going for global cross holding of equity with Volkswagen to buy 19.9-per cent stake in Suzuki for ¥222.5 billion or $2.5 billion by January and Suzuki would invest half the amount to pick up a stake in the German carmaker. For VW, the partnership will give access to Suzuki’s cost-competitive technology and overcome the challenge of localization. The mail aim of this partnership is improvement in R&D areas, entering new markets for both companies and cost cutting.

Infosys:
In a strategic long term move, Infosys Technologies has decided to make China its biggest development centre outside India. This move is cited to deepen its geographical presence and because of huge talent pool in china. Currently, Infosys has two development centres in China: Shanghai and Hangzhou, with a total of 1,258 people working there. The centre delivers BPO and IT services to clients in the US, Europe and Asia. This move is in line with the global delivery model for their businesses.

Tata Motors Jaguar Land Rover:
Tata Motors' UK subsidiary Jaguar Land Rover will reach the level of operating profit within a year. The reduced losses of Jaguar Land Rover unit and its improving sales helped Tata Motors post a consolidated net profit of Rs 22 crore for the second quarter against a loss of Rs 942 crore in the same period last year. In terms of total inventory, including at the dealers' level, the company had brought this down to around 100 days from 125-150 days and expected this to remain stable.
November 07 - 11

Bond Markets

The bond market had a very eventful week. Bond yields for the benchmark 6.90-10 year government paper was 7.57% for the week ended Dec. 11. Industrial output increased by 10.3% in October from a year ago. However it was below the market expectations. Food price index expanded by 19.05% in the last 12 months. Expectation of the rate hike by the market was toned down by the chief of central bank. RBI governor is of the view that the current inflation is mainly due to the supply constraints and the monetary policy is futile in controlling the supply side inflation. The central auctioned Rs. 10,000 crore of bond on Friday. MIBOR rates, for the week ended 11th Dec, fell to 3.27%. Last week saw the yield curve get steeper as the markets factor in the expected rise in inflation rates.
Dec 07– 11

Forex Markets

The Indian rupee rose on Friday, tracking its Asian peers and as the dollar weakened against majors, but a drop in local stocks kept the gains limited. The partially convertible rupee closed at 46.53/54 per dollar, off a high of 46.49 but 0.2 percent stronger than its previous close of 46.64/65. India's industrial production index (IIP) rose 10.3 percent in October, meeting a Reuters forecast, and September's annual growth was revised to 9.6 percent from 9.1, indicating Asia's third-largest economy was picking up steam. Given the robust IIP data, it is expected that the Rupee should appreciated viz a vie the dollar.

<table>
<thead>
<tr>
<th>Currency (INR)</th>
<th>11th Dec</th>
<th>4th Dec</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US $ (USD)</td>
<td>46.74820</td>
<td>46.8100</td>
<td>-0.13%</td>
</tr>
<tr>
<td>Euro (EUR)</td>
<td>68.74330</td>
<td>69.8300</td>
<td>-1.56%</td>
</tr>
<tr>
<td>Pound (GBP)</td>
<td>76.11030</td>
<td>76.7286</td>
<td>-0.81%</td>
</tr>
<tr>
<td>Yen (JPY, 100 Yen)</td>
<td>52.61000</td>
<td>54.3800</td>
<td>-3.25%</td>
</tr>
</tbody>
</table>

FII Flows INR Crores

<table>
<thead>
<tr>
<th>Trade Date</th>
<th>Buy</th>
<th>Sell</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/12/09</td>
<td>2,156.50</td>
<td>1,818.04</td>
<td>338.46</td>
</tr>
<tr>
<td>10/12/09</td>
<td>2,556.62</td>
<td>2,262.58</td>
<td>294.04</td>
</tr>
<tr>
<td>9/12/09</td>
<td>2,055.83</td>
<td>2,433.15</td>
<td>-377.32</td>
</tr>
<tr>
<td>Dec, 09</td>
<td>22,334.82</td>
<td>19,431.00</td>
<td>2,903.82</td>
</tr>
<tr>
<td>Since 1/1/09</td>
<td>560,030.92</td>
<td>537,235.87</td>
<td>22,795.05</td>
</tr>
</tbody>
</table>

The Currency pair USD/INR ended the week at Rs.46.55 to the dollar and has been range bound for the past two weeks. This currency pair has been facing resistance at 46.7 levels and support at Rs.46.1 levels. The Bollinger bands are narrower than normal indicating reduced volatility, this increases the probability of a significant move in the near term. Any breakout outside the support and resistance levels will indicate the direction in this currency pair is expected to move in the short term. The MACD has been on steadily incline to cross the zero line from below. This is a bullish signal and we can expect the currency pair to breakout of the narrow range with a positive bias.
KITPLY INDUSTRIES CMP 7.65

Forecast:

Buy

Buy Kitply with a Target of Rs 8.45 and Stop Loss at Rs. 6.95.

Indicators:

- The stock of Kitply has closed above the lower bollinger band by 36.0%. Bollinger Bands are 56.0% narrower than normal. The narrow width of the bands suggests low volatility as compared to Kitply's normal range. The bands have been in this narrow range for 8 bars. The probability of a significant price move increases the longer the bands remain in this narrow range.

- Stopping Volume on 9th Dec. This is a downbar during a bearish period closing towards the top accompanied by high volume. A stopping Volume normally indicates that smart money is absorbing the supply which is an Indication that they are bullish on the Market.
BPCL CMP 622.35

Forecast: Sell
Sell BPCL with a Target of Rs 595 and Stop Loss at Rs. 645.

Indicators:

- The Stock of BPCL has run up rapidly in the last one month, gaining 20. The up trend is losing steam as volumes have been dropping and the stock looks set to enter into a consolidation phase.

- BPCL has closed below upper band by 30.8%. Bollinger Bands are 85.2% wider than normal. The large width of the bands suggest high volatility as compared to BPCL’s normal range. Therefore, the probability of volatility decreasing and prices entering (or remaining in) a trading range has increased for the near-term. The bands have been in this wide range for 10 bars. The probability of prices consolidating into a less volatile trading range increases the longer the bands remain in this wide range.
Risk Yield Matrix

Below is a Risk Yield Matrix that is a scatter plot of the standard deviation of weekly returns on the X axis and the yield of weekly returns on the Y axis. This allows us to classify the stocks into four quadrants:

- **Defenders** — Low Risk & Low Yield
- **Under Performers** — High Risk & Low Yield
- **Out Performers** — Low Risk and High Yield
- **And finally**
  - **the Aggressors** — High Risk and High Yield

By tracking the location of stocks on the matrix and identifying trends we can use quants to pick the right stocks.

---

**Risk yield Matrix**

![Risk Yield Matrix Diagram]

**Outperformers**

- HEROCHANDA
- MARUTI
- PNB
- BPCL
- SAIL
- SSIN

**Defenders**

- COPLA
- AXISBANK
- BHEL
- HDFC
- INFOSYS
- TATAPOWER

**Underperformers**

- CICBANK
- TATAMOTORS
- RELINFRA
- RANBAXY
- RELCAPITAL
- UNITECH

**Aggressors**

- M&M
- M&G
- MOIL
- GAIL
- SUNPHARMA
- AMBIJACHER

---

GREAT LAKES INSTITUTE OF MANAGEMENT
Last Weeks Forecast

Score Card

- Buy call given on JSW Steel at Rs.1016.40 touched a high of Rs.1026, but failed to meet our target and triggered the stop loss set at Rs.990.
- Buy call given on Neyveli Lignite at Rs.151.40 with a target of Rs.159, reached a high of 158.4 before ending the week at Rs.150.45.

Investments Period:
7-Dec-2009 to 11-Dec-2009

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nifty</td>
<td>-0.16%</td>
</tr>
<tr>
<td>Recommendation 1 : JSW Steel</td>
<td>-3.55%</td>
</tr>
<tr>
<td>Recommendation 2 : Reliance Power</td>
<td>-0.6%</td>
</tr>
</tbody>
</table>

IMPORTANT DISCLOSURES

This article/research material is provided for information purpose only and is not intended to be relied upon by any party as the basis of any decision. While every effort has been made to take due care in publishing this article and to avoid errors or omissions, this article/publication is published with a condition and understanding that the author, printer, publisher and Great Lakes shall not be responsible for any damages, compensation or loss or action taken on the basis of this article/research material to any person whomsoever. It is suggested that to avoid any doubt the reader should cross-check all the facts, law and contents of this publication with original Government publication notifications.