IN THIS ISSUE

EQUITY MARKET
Snapshot of the equity markets and forecast for the next week

TECHN TONIC
Technical analysis on Wyeth Ltd. And TCI Finance.

BOND MARKET
A closer look at the impact of macroeconomic factors on bond markets

FOREX MARKET
A Fundamental & Technical view on the exchange rates

CORPORATE SPEAK
The latest in Corporate Affairs

SCORE CARD
Performance of previous week’s calls in comparison with the benchmark.

Finance 360°

Market Update

January 11th-15th

Week that was..

The week ended on a positive note for the fourth consecutive week with the 30-share barometer BSE Sensex recording a gain of 0.08% and NSE Nifty up by a minor 0.14% i.e. 14 points only. BSE Small-cap outperformed the Sensex and mid-cap shares also moved up on persistent buying recording a growth of 3.59% and 1.52% respectively.

The week was another week of consolidation in the absence of any fresh triggers. IT and Metal stocks were into the overbought zone so both these sectors could witness profit booking in the future. After a weak start to the week following negative sentiments across the globe, on Wednesday, the market bounced back sharply on strong gains in the Asian markets and positive sentiments in the European market. Closing of the week saw the market in red after profit booking by blue chips Reliance Industries (RIL) and Oil and Natural Gas Corporation (ONGC).

Government on Thursday had approved selling its 10% stake in Engineers India issuing two bonus shares for every share of the company making EIL record a massive growth of 20%. PSU stocks are rallying on the hope that government could do further disinvestments in other companies also.

The week saw the industrial output numbers being announced with marking a growth of 25 month-high of 11.7 per cent in November. Among the major constituents of the IIP, the index for ‘manufacturing’ recorded a growth of 12.7 per cent in November while mining posted 10 per cent (0.7 per cent) growth and electricity 3.3 per cent (2.6 per cent). This put India on track to achieve an 8% economic growth in the current financial year and strengthened the calls for a hike in interest rates to tame rising prices. Kaushik Basu, chief economic adviser to the finance ministry expected the trend to continue.

This better than expected industrial output growth, boosted consumer durables growth by 10.19%. However this positive news failed to lift the market that ended in the negative territory.

IT sector saw a 9% growth on account of high earnings growth

<table>
<thead>
<tr>
<th>Market Indices</th>
<th>15th January, 2010</th>
<th>8th January, 2010</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSE Sensex</td>
<td>17,554.30</td>
<td>17,540.29</td>
<td>0.08%</td>
</tr>
<tr>
<td>NSE Nifty</td>
<td>5252.2</td>
<td>5,244.75</td>
<td>0.14%</td>
</tr>
<tr>
<td>BSE Mid Cap</td>
<td>7,050.41</td>
<td>6,944.62</td>
<td>1.52%</td>
</tr>
<tr>
<td>BSE Small Cap</td>
<td>8,970.46</td>
<td>8,659.76</td>
<td>3.59%</td>
</tr>
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</table>
Stock markets may witness lot of activity next week on account of the ongoing earnings season announcement for the third quarter. Expectations of strong Q3 December 2009 results and ample global liquidity may keep Indian stocks firm in the near term. As a number of corporate are set to declare their earnings on Monday namely Jaiprakash Associates, GAIL India and Sesa Goa followed by Tata Power and Wipro, HDFC.

The initial public offer of fast-food chain Jubilant Food will be followed closely by market players. Reserve Bank of India is scheduled to review its monetary policy. Expectations are high that the RBI might hike CRR by 50 bps on the verge of rising inflation and excess liquidity in the economy. Market will be driven next week by this trigger.
WYETH LTD. CMP 728.4

Forecast: Buy

Buy Wyeth Ltd. with a Target of Rs 766 and Stop Loss at Rs.703.

Indicators:
- Wyeth has closed below its long term moving average and has seen a spurt in volumes in the last few days.
- Bollinger Bands: Wyeth has closed above bottom band by 28.5%. Bollinger Bands are 43.7% narrower than normal. The narrow width of the bands suggests low volatility as compared to Wyeth’s normal range. Therefore, the probability of volatility increasing with a sharp price move has increased for the near-term. The bands have been in this narrow range for 16 bars. The probability of a significant price move increases the longer the bands remain in this narrow range.
- Strength Bar on the 13th of January: The stock has been in a down Trend. An up-bar with higher Volume closing near the High is a sign of strength returning. The down-trend is likely to reverse soon.
TCI FINANCE  CMP 23.5

Forecast: Buy

Buy TCI Finance with a Target of Rs 24.7 and Stop Loss at Rs 22.6.

Indicators:
- The stock of TCI Finance has closed below its Short term moving average. The Short term moving average is currently above mid-term, and above long term moving averages. The relationship between price and moving averages is bullish in short term.

- Bollinger Bands: TCI Finance has closed above bottom band by 48.1%. Bollinger Bands are 31.8% narrower than normal.

- The previous bar saw strength coming back. This up-bar confirms strength and is an effort to rise bar. This normally found in the beginning of a Markup Phase and is bullish sign. These may be found at the top of an up-move as the Smart money makes a last effort to move the price to the maximum.
Jan 11 - Jan 15

Bond Markets

The bond market had a very eventful week. Bond yields for the benchmark 6.35-10 year government paper maturing in January 2020 was 7.63% for the week ended Jan 15. The rise in yield was mainly due to the selling of the bonds by the banks and the bond houses. The bond market is expecting liquidity tightening by the central bank in its monetary policy review meeting scheduled on Jan 29. However the yields are not expected to move up greatly as the current yields have already discounted all the news about the monetary tightening. In December the wholesale prices have risen the maximum in more than a year although the prices of the food articles have declined. The WPI index gained 7.31% in December as compared to the last year. MIBID and MIBOR rates, for the week ended 15st Jan, climbed to 3.28% and 3.4% respectively. Market expectations of the hawkish outlook of the RBI to control inflation is reflected in the steep yield curve.

<table>
<thead>
<tr>
<th>Duration</th>
<th>AAA</th>
<th>AA+</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>127</td>
<td>147</td>
<td>167</td>
</tr>
<tr>
<td>3 years</td>
<td>94</td>
<td>114</td>
<td>134</td>
</tr>
<tr>
<td>5 years</td>
<td>95</td>
<td>115</td>
<td>135</td>
</tr>
<tr>
<td>10 years</td>
<td>88</td>
<td>108</td>
<td>128</td>
</tr>
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</table>
January 11th-15th

Forex Markets

It was a busy action packed week for the forex dealers in the country. The rupee started the week hitting a 15 month high of Rs45.2850 against the dollar. This was primarily on account of several negative news that emanated from the US, raising confidence of the interest rates in US would be kept low for an extended period of time. Last weekend data from US showed employers cut 85,000 jobs last month. This was followed by a statement from St Louis Federal Reserve Bank president James Bullard stating rates may remain low for quite some time. However the rupee quickly retreated from the highs and dollar strengthened after China raised the reserve requirement ratio by 50 basis points.

<table>
<thead>
<tr>
<th>Rupee(INR)</th>
<th>15th January</th>
<th>8th January</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US $ (USD)</td>
<td>45.67</td>
<td>45.8</td>
<td>-0.28%</td>
</tr>
<tr>
<td>Euro (EUR)</td>
<td>65.88</td>
<td>65.56</td>
<td>0.49%</td>
</tr>
<tr>
<td>Pound (GBP)</td>
<td>74.586</td>
<td>73.067</td>
<td>2.08%</td>
</tr>
<tr>
<td>Yen (JPY, 100)</td>
<td>50.16</td>
<td>49.07</td>
<td>2.22%</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>15/01/10</td>
<td>2,010.27</td>
<td>2,940.36</td>
<td>-930.09</td>
</tr>
<tr>
<td>14/01/10</td>
<td>3,592.26</td>
<td>3,904.27</td>
<td>-312.01</td>
</tr>
<tr>
<td>13/01/10</td>
<td>3,530.52</td>
<td>3,816.36</td>
<td>-285.84</td>
</tr>
<tr>
<td>12/01/10</td>
<td>2,903.43</td>
<td>3,266.19</td>
<td>-362.76</td>
</tr>
<tr>
<td>11/01/10</td>
<td>5,973.59</td>
<td>2,932.03</td>
<td>3,041.55</td>
</tr>
</tbody>
</table>

The currency pair USD/INR ended the week at Rs. 45.780 to the Dollar, marginally above the last week close of Rs45.670. The week’s closing price is closer to the lower Bollinger band and below the short and medium term moving averages indicating the possibility of the upward movement. The Relative Strength Index and Stochastic charts show that the currency pair is ascending out of the oversold region indicating that it might scale up from the current levels. During the next week the currency pair could face a new resistance level which would be lower than the previous resistance level.
Corporate Speak:

Tata Communications

Tata Communications and Tomizone announced a partnership deal by which TCIL will use Tomizone proprietary software to usher in a Wi-Fi revolution in India. Auckland headquartered Tomizone is a leading Wi-Fi hotspot and metro Wi-Fi zone solutions provider across Australia, China, India and New Zealand. The partnership would allow Tata Indicom broadband customers to setup Wi-Fi hotspots on their premises instantly.

Punj Lloyd Group

Punj Lloyd Group has secured an offshore EPC contract from PTT Public Company Ltd, a Thailand state-owned oil and gas major, for Platform Compression Facilities in the Gulf of Thailand for a value of Rs. 574 Crores (Rupees Five Hundred and Seventy Four Crores only). The contract was won against stiff competition from Korean and Singaporean Contractors. This is Punj Loyd’s first project with PTT in Thailand.

Punj Lloyd Ltd Company has also secured a contract from IndBarath Energy (Utkal) Ltd for execution of partial Balance of Plant and Civil Work on a 2X350 MW Thermal Power Project in Orissa for an aggregate value of Rs. 947 Crores (Rupees Nine Hundred and Forty Seven Crores only).

GTL Infrastructure

GTL Infrastructure agrees to purchase Aircel's Telecom Tower Assets Emerges as World’s Largest Independent Tower Company. GTL has reached a definitive agreement to purchase the telecom tower business of Airtel Limited and its subsidiaries (Aircel) in an all cash deal valued at an enterprise value of Rs 8400 crores. This makes GTL Infra the world’s largest independent tower company with a portfolio of more than 32.500 towers across 23 telecom circles.

Mastek Ltd.

Mastek Ltd has acquired an insurance customer for its ElixirTM Distribution Management solution in the US. This is an important breakthrough for Mastek, as this is its first customer win in the US for ElixirTM.

ElixirTM is Mastek's IP-led enterprise platform for the insurance industry's life and annuity (L&A) segment that enables insurers to operate more efficiently and grow market share. The company has already had multiple clients for ElixirTM offerings in various geographies, but not in North America until this new win. North America is the single largest market for enterprise solutions in insurance and thus remains a focus area for Mastek.

Bharti Airtel

Bharti Airtel announces Strategic Organization changes for future growth. These include creation of IBG (International Business Group) headed by Manoj Kohli, for enhanced focus on International expansion beyond India and South Asia. Sanjay Kapoor has been promoted to CEO, Bharti Airtel (India and South Asia) to consolidate its leadership position.

Wockhardt Ltd

Pharmaceutical and biotechnology mahor Wockhardt Ltd has received tentative US FDA approval for antibacterial Levofloxacin (which is the generic name of the brand Levaquin). The product will be launched immediately upon the expiry of the patent on June 20, 2011.
Last Week’s Forecast

Score Card

- Buy call given on Visesh Info at Rs 8.05 met our target and closed for the week at Rs 9 giving returns of 11.8%
- Buy call given on Abhishek Ltd at Rs 25.05 triggered the stop loss set at Rs 23.75

<table>
<thead>
<tr>
<th>Investments Period: 11 Jan — 15 Jan 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nifty</td>
</tr>
<tr>
<td>Recommendation 1: Visesh Info</td>
</tr>
<tr>
<td>Recommendation 2: Abhishek</td>
</tr>
</tbody>
</table>

IMPORTANT DISCLOSURES

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