



LSE Securities



Weekly Report
18 June 2011

Indian equity indices extended the downtrend for the second consecutive week as investors at large continued to avoid long positions amid an increasingly vulnerable global as well as domestic setup. The hefty position squaring in last three sessions of the week proved very costly for the benchmark indices as it plunged over two percent on week on week basis. Foreign institutional investors (FII) restlessly attempted to plough back their hot money from the domestic markets because of confluence of worrying economic trends like accelerating inflation, declining foreign investment and slower growth and domestic investment, that policy inertia is only making worse. The marketmen who managed to overlook the gloomy WPI inflation figures for May that unexpectedly accelerated, failed to maintain the equanimity for the rest of the week amid a slew of discouraging leads. On one hand it was the first quarter advance tax numbers which registered sluggish growth, indicating that sentiments are not much bullish among the India Inc. while on the other the quarter percent rate hike by Indian central bank pulverized domestic sentiments. Market participants even overlooked the marginal moderation in weekly food inflation numbers and resorted to broad based position squaring following the RBI's hawkish tone on anti-inflationary measures that dented sentiments as experts did not rule out more rate hikes going forward. Things looked gloomier after RBI's statement that it feels that the April and May inflation numbers are likely to be revised higher. The other area of concern was the level of inflation in non-food manufactured goods, which is way above RBI's comfort level of 4%. Meanwhile another culprit that dragged the benchmarks below the important psychological 5,400 and 18,000 levels was Reliance Industries, which carries the highest weight on the Sensex, as it declined for the six successive sessions to multi months low level after reports by the Comptroller and Auditor General (CAG) opined that the Oil Ministry and its technical arm, the DGH, allegedly favored RIL by allowing it to double the development cost of its landmark KG-D6 gas field.

The Bombay Stock Exchange (BSE) Sensex lost 398.01 points or 2.18% to 17870.53 during the week ended June 17, 2011. The BSE Mid-cap index plunged by 83.49 points or 1.21% to 6814.79 and the Small-cap index declined by 113.97 points or 1.38% to 8174.49. On the sectoral front, Consumer Durables (CD) shed 89.41 points or 1.32% to 6682.33, Bankex declined by 134.33 points 1.10% to 12091.58, Metal index tumbled by 436.74 points or 2.93% to 14448.61, PSU index was down 102.23 points or 1.21% to 8367.89, Realty shed 40.34 points or 1.88% to 2103.97, Auto was down by 169.82 points or 1.97% to 8463.99, TECK plummeted by 115.05 points or 3.14% to 3554.75, Oil & Gas lost 452.50 points or 4.80% to 8974.97 and IT plunged 274.96 points or 4.51% to 5818.66 were the top losers on the BSE. While Power gained 6.64 points or 0.26% to 2548.67 was the only gainer on the sectoral space.

The S&P CNX Nifty slipped by 119.40 points or 2.18% to 5366.40. On the National Stock Exchange (NSE), Bank Nifty lost 116.00 points or 1.08% to 10598.25, CNX IT sank 296.35 points or 4.45% to 6357.1 while CNX mid-cap declined 70.90 points or 0.89% to 7921.15 and CNX Nifty Junior dropped 227.20 points or 2.01% to 11051.25.

The annual rate of inflation, based on monthly WPI, came much higher than the expectation at 9.06% (Provisional) for the month of May, 2011 (over May, 2010) as compared to 8.66% (Provisional) for the previous month and 10.48% during the corresponding month of the previous year.

With the domestic inflation persisting at uncomfortable levels, Reserve Bank of India (RBI) furthered its aggressive stance against the rampant inflation and hiked repo rate and reverse repo rate by 25 basis points each to 7.50% and 6.50% respectively, in its mid-quarter policy review, which was in line with broader market expectations. However, the central bank has left cash reserve ratio, which is the amount of funds that banks have to keep with RBI, unchanged at 6%.

Foreign Institutional Investors (FIIs) were net sellers in the equity segment in the week with gross purchases of Rs 11675.8 crore and gross sales of 13151.8 crore, leading to a net outflow of Rs 1476.00 crore. While they stood as net buyers in the debt segment with gross purchases of Rs 6671.20 crore against gross sales of Rs 5977.70 crore, resulting in a net inflow of Rs 693.50 crore.

Major Indices Performance

SYMBOL	Last 17 June 2011	High	Low	Last Week Close 10 June 2011	% Change
BANKNIFTY	10598.25	10830.40	10502.40	10714.25	-1.08
CNX100	5307.95	5461.00	5298.80	5424.50	-2.15
CNX500	4357.75	4474.15	4352.70	4442.80	-1.91
CNXDEFTY	4141.00	4281.50	4129.05	4248.65	-2.53
CNXIT	6357.10	6689.75	6336.85	6653.45	-4.45
CNXMIDCAP	7921.15	8092.00	7907.45	7992.05	-0.89
MIDCAP50	2438.80	2505.30	2433.10	2476.10	-1.51
NIFTY	5366.40	5521.45	5355.85	5485.80	-2.18
NIFTYJR	11051.25	11383.80	11033.90	11278.45	-2.01

FIIs Movement (Rs. Cr.)						Mutual Fund Movement (Rs. Cr.)							
Date	Gross Purchase		Gross Sales		Net Investment		Date	Gross Purchase		Gross Sales		Net Investment	
	Equity	Debt	Equity	Debt	Equity	Debt		Equity	Debt	Equity	Debt	Equity	Debt
15-Jun-11	3436.10	1192.20	3809.40	1401.20	-373.30	-209.00	14-Jun-11	568.20	2941.90	525.20	1112.50	43.00	1829.40
16-Jun-11	2474.50	1186.00	2566.60	1342.20	-92.10	-156.20	15-Jun-11	450.80	5336.50	448.70	2345.20	2.10	2991.30
17-Jun-11	2221.50	532.00	2644.90	769.80	-423.30	-237.90	16-Jun-11	596.00	2544.40	551.40	1509.40	44.60	1035.10

Outlook for the coming week

Local bourses drawing bearish cues from the global markets suffered a cut of over 2% as the central bank raising its policy rate by a quarter percent points stuck to its hawkish tone, stroking fears over the economy growth. Meanwhile, the higher than the expected annual rate of inflation, based on monthly WPI, which came at 9.06% for the month of May, 2011 as compared to 8.66% for the previous month, also spooked the sentiment at Dalal Street.

In the coming week, the government is expected to take a decision on allowing further sugar exports. In April, the government had allowed 5, 00,000 tonne of exports under Open General Licence (OGL), which means shipment without any restrictions. The industry, however, demanded that further export of 1.5 million tonne should be allowed in view of the higher domestic output in the current sugar year (October 2010-September 2011) and expectations of a bumper production in 2011-12. Hence sugar companies will be in limelight for the week to come.

Moreover, after a series of deferral there seems some hope for the decision on fuel price hike, the Empowered Group of Ministers (EGoM) is likely to meet soon to discuss the price hike in diesel, kerosene and cooking gas said the Oil Minister, S Jaipal Reddy. Though any specific date is yet to be declared for the EGoM meet but there are buzz that it may happen in the coming week.

Meanwhile, the seventh meeting between the 10-member panel of government and Anna Hazare-led civil society drafting an anti-corruption Lokpal bill ended on a bitter note with activists on it accusing the government of attempting to scuttle efforts to curb graft. However, the next meeting is slated be held on June 20 or June 21, 2011 to bridge "strong divergence" of opinion.

From the global markets investors will be eying lots of major economic data from US, starting with the Existing Home Sales data on June 21, 2011, followed by FOMC Meeting Announcement data, Jobless Claims and New Home Sales data and finally the Durable Goods Orders and GDP data.

Top Gainers

- Reliance infrastructure moving higher by 6.69% was the top gain of the week. India's largest private sector enterprise in power utility sector, recently commenced operations on 4th road project connecting Bangalore and Chennai, part of Golden Quadrilateral. The toll collections and widening operations from 4 to 6 lanes commenced on June 8, 2011. National Highway Authority of India awarded the project to the RInfra under the competitive bidding process. The project is being executed on Build Operate Transfer basis and has a concession period of 26 years.
- BPCL up by 4.13% was the other top gainer. Bharat Petroleum Corporation (BPCL), one of the leading companies in the petroleum sector in India is planning to bid for city-gas projects in Kochi (Kerala) and Hyderabad (Andhra Pradesh). The company believes that there is a huge potential in the markets of Hyderabad and Kochi so it is keen to bid for city gas projects in those areas. The company will also launch around 600-700 new retail outlets with a special focus on rural markets this fiscal.

NSE				
TOP GAINERS - NIFTY				
Company Name	Last Price (Rs.) 17/06/11	Prev Price (Rs.) 10/06/11	Chg (Rs.)	Chg%
Rel. Infra	580.80	544.40	36.40	6.69
BPCL	630.90	605.90	25.00	4.13
Hind.Unil	320.90	311.45	9.45	3.03
Rel. Commn	95.20	92.60	2.60	2.81
Rel. Capital	545.95	532.60	13.35	2.51

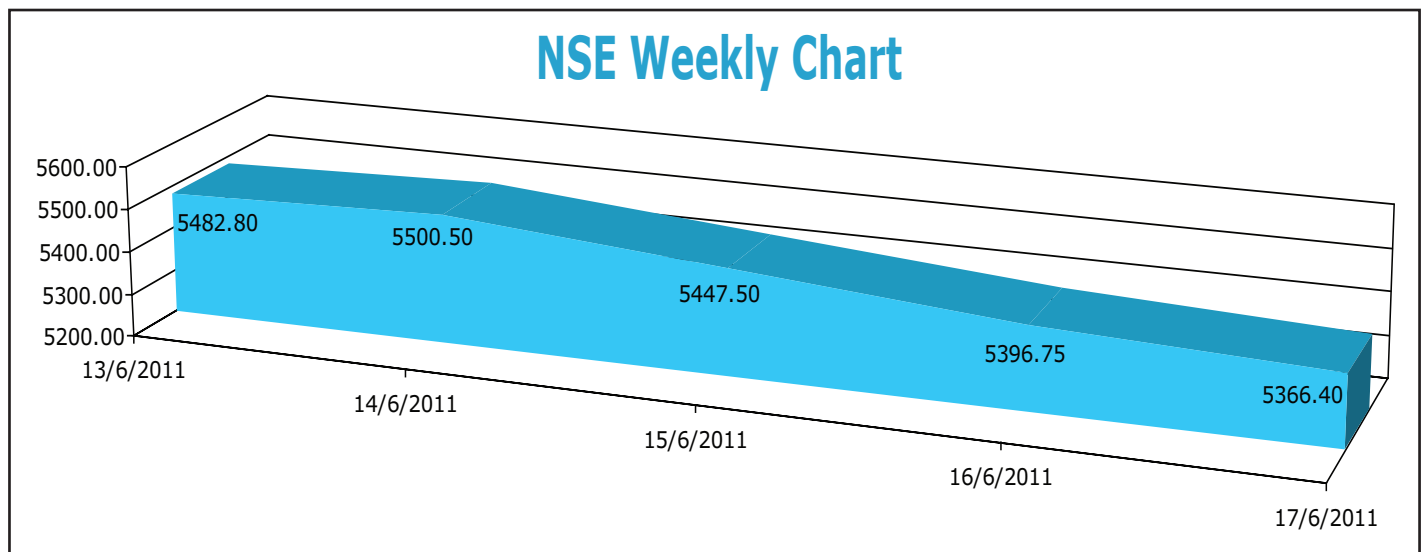
Top Losers

- IDFC down by 10.42% was the top loser of the week. Infrastructure Development Finance (IDFC) has signed an agreement with Africa Finance Corp (AFC). This agreement will help Indian companies enter the continent to expand in infrastructure, logistics, mining, power and telecom sector. The continent's growth, its requirement and its vast reserves of resources will pave the way for increased collaboration between Indian companies and the African continent.
- Hindalco down by 8.06% was the other top loser of the week. The whole metal basket remained under pressure, not only in India but across the globe, weighed down by economic recovery fears reflected in weak manufacturing growth in the United States and a deteriorating debt situation in Greece. Non ferrous metals suffered the most and Copper prices declined for four straight day on the LME for first time since December.

NSE				
TOP LOSERS - NIFTY				
Company Name	Last Price (Rs.) 17/06/11	Prev Price (Rs.) 10/06/11	Chg (Rs.)	Chg%
IDFC	119.45	133.35	-13.90	-10.42
Hindalco	169.85	184.75	-14.90	-8.06
Rel. Inds	868.75	944.50	-75.75	-8.02
TCS	1109.20	1189.20	-80.00	-6.73
Wipro	408.85	437.45	-28.60	-6.54

Technical Viewpoint - S&P CNX Nifty

During the week, S&P CNX Nifty touched the highest level of 5520.15 on June 14, 2011 and the lowest point of 5355.85 on June 17, 2011. On the last trading day, the Nifty closed at 5366.40, with a weekly loss of 119.40 points or 2.18%. For the coming week, 5308.11 followed by 5249.83 are likely to be good support levels for the Nifty, while the index may face some resistance at 5472.4167 and 5578.4333 levels.



Derivatives Snapshot

Highest In OI (Index Futures, Index Option)

Type	Symbol	Expiry Date	Type	Strike Price	LTP	Price Change	Volume	Change in Volume	Value (Rs. Lakhs)	Change in Price	Open Interest	O I Change
FUTIDX	NIFTY	30-Jun-11	-	-	5380.10	-0.41	266497.00	-132928.00	7173.85	-22.00	486640.00	4386.00
FUTIDX	BANKNIFTY	30-Jun-11	-	-	10622.60	0.30	34265.00	-36087.00	908.66	32.00	62662.00	-1039.00
FUTIDX	MINIFTY	30-Jun-11	-	-	5380.30	-0.42	29803.00	-20165.00	320.96	-23.00	62578.00	3818.00
OPTIDX	NIFTY	30-Jun-11	CE	5600.00	11.20	-18.25	276519.00	-97253.00	7757.69	-3.00	196229.00	21565.00
OPTIDX	NIFTY	30-Jun-11	CE	5500.00	28.85	-16.98	384245.00	-175172.00	10622.80	-6.00	168940.00	26433.00
OPTIDX	NIFTY	30-Jun-11	PE	5200.00	21.20	18.77	171552.00	-15771.00	4477.82	3.00	155469.00	13765.00

Highest In OI (Stock Futures, Stock Option)

Type	Symbol	Expiry Date	Type	Strike Price	LTP	Price Change	Vol	Change in Vol	Value (Rs. Lakhs)	Change in Price	Open Interest	O I Change
FUTSTK	RELIANCE	30-Jun-11	-	-	873.35	-2.02	23126.00	620.00	508.56	-18.00	62246.00	2963.00
FUTSTK	SBIN	30-Jun-11	-	-	2223.20	0.47	18951.00	-16869.00	525.00	10.00	44545.00	-290.00
FUTSTK	TATAMOTORS	30-Jun-11	-	-	984.65	-0.07	11126.00	-8050.00	274.36	-1.00	35294.00	-807.00
OPTSTK	TATAMOTORS	30-Jun-11	CE	1100.00	1.65	-17.50	815.00	243.00	22.45	0.00	5161.00	-149.00
OPTSTK	SBIN	30-Jun-11	CE	2300.00	16.50	-1.79	2471.00	-3187.00	71.51	0.00	4463.00	-166.00
OPTSTK	TATAMOTORS	30-Jun-11	CE	1050.00	4.40	-16.98	1454.00	-35.00	38.34	-1.00	4366.00	-20.00

US Market

The US markets remained under pressure on some weak domestic economic reports and the concern of European debt crisis spreading to other nations of the region, though after consolidating in last managed to eke out some gains for the week. Though, the start was not so weak but cautiousness continued with the concern that Europe may fall into another fiscal crisis. The markets returned to an upbeat mood on better than expected retail sales report by the Commerce Department. The Department reported that retail sales edged down 0.2 percent last month, while the analysts had expected worse. US retail sales fell in May for the first time in 11 months as receipts at auto dealers dropped sharply and other spending softened. But that was more of a reflection of temporary supply chain disruptions caused by the earthquake and tsunami disaster in Japan.

The government also reported that wholesale prices rose in May by the smallest amount in 10 months. That helped allay concerns that rising food and energy costs would slow the economic recovery. The Labor Department said that Food prices at the wholesale level fell 1.4 percent, it was the largest drop since last June, mainly coming from steep declines in vegetable and fruit prices. The Labor Department stated that the Producer Price Index, which measures price changes before they reach the consumer, increased 0.2% in May.

But the joy was short lived and the Labor Department reported that US core inflation posted its biggest gain in more than three years. Core consumer price inflation accelerated to 0.3% month-on-month. Also a report on manufacturing in the New York area came in far below forecasts, reigniting fears that factory production may be weaker than estimated. The chairman of the US Federal Reserve, Ben Bernanke, has warned that the country's creditworthiness is at risk if its borrowing limit is not raised. He said the US could lose its coveted AAA credit rating if Congress did not vote in favour of lifting the \$14.3 trillion (£8.7 trillion) debt ceiling.

	Last Close 17/06/11	Prev Close 10/06/11	High	Low	% Change
Dow Jones	12004.36	11951.91	12156.52	11821.96	0.44
Nasdaq	2616.48	2643.73	2685.65	2599.86	-1.03
S&P 500	1271.50	1270.98	1292.50	1258.07	0.04

European Market

Once again it was the Euro Zone that remained the center of attraction for the whole world during the passing week and US along with other global indexes wilted on the concerns of Greece's debt worries, after European finance ministers failed to reach a consensus on resolving the bailout plan for Greece. The macro economic worries trumped investors in Europe as the prospect Greek contagion become more probable. Greek prime minister offered to resign for the national unity to reform government spending and hammer out an agreement with bond holders, as thousands of people gathered on the streets of Athens to protest government cutbacks required by international lenders. Though, some recovery was being witnessed in the last session after probable bailout for the Greece in sight, otherwise the major indices were heading for a seventh straight weekly decline.

Though there was some positive news as well, as the Euro-zone annual inflation eased to 2.7% in May, from 2.8% recorded in April. Core inflation that excludes fresh food and energy rose to 1.7% in May from 1.6% in April. The inflation index rose the most since April 2009, when it increased 1.8%. While in other development, data from Eurostat showed, the number of employed persons in the euro-zone remained unchanged in the first quarter compared to the previous quarter after adjusting to seasonal variations, but advanced 0.1% from last year.

But overall it was Greece that jittered the whole global markets, unemployment in the country increased in the first quarter. The unemployment rate rose to 15.9% in the first quarter from 14.2% in the fourth quarter. In the first quarter of 2010, the jobless rate was 11.7%. Unemployment among youth, aged between 15 and 29, was 30.9%. The number of jobless persons increased 11.3% on a quarterly basis to 792,601 and on an annual basis surged 35.1% in the first quarter.

	Last Close 17/06/11	Prev Close 10/06/11	High	Low	% Change
DAX	7164.05	7069.90	7231.49	7017.98	1.33
FTSE 100	5714.90	5765.80	5867.00	5644.40	-0.88

Asian Market

The Asian markets suffered sharp selloff in the passing week with all the major indices losing 2-3 percent. The euro zone debt crisis and the weakness in the US economic recovery weighed most on the regional markets. Weak machinery orders data coupled with rise in inflation followed by a rate hike in China weighed on the sentiments of the market.

In Japan machinery orders declined 3.3% in April from March when they rose 1% according to the Cabinet Office. The decline was largely driven by the supply chain disruptions and is expected to rebound on the strong demand in the second half. The orders edged 0.2% lower from a year ago and the revised calculation method excludes mobile phone manufacturing. The orders are seen as a leading indicator of the level of capital spending in three to six months. The Bank of Japan left its benchmark interest rate target between zero and 0.1% and kept unchanged its 30 trillion yen lending program and 10 trillion yen bonds and stocks buying program.

Sentiment was once bolstered after China reported a surge in retail sales, industrial production. Industrial production soared 13.3% and retail sales soared 16.9% from a year ago. However, China's central bank raised bank reserve ratios for the ninth time since October and sixth since the beginning of the year to curb inflation, which is running at its fastest pace in almost three years. The central bank move came just hours after data showed that consumer inflation, largely fuelled by high food prices, rose in May to 5.5 percent, a 34-month high.

Hong Kong market were one of the worst performer of the week, losing over 3 percent sending the Hang Seng Index to its lowest level in almost nine months, on concern that Greece will default on its debt and a cooling US economy will slow global growth.

	Last Close 17/06/11	Prev Close 10/06/11	High	Low	% Change
Hang Seng	21695.26	22420.37	22674.80	21628.33	-3.23
KLSE	1563.43	1556.19	1564.07	1543.56	0.47
Nikkei 225	9351.40	9514.44	9613.75	9318.62	-1.71
Straits Times	3005.28	3078.35	3109.27	2999.19	-2.37
Seoul	2031.93	2046.67	2093.94	2008.84	-0.72
Shanghai	2642.82	2705.14	2735.55	2641.39	-2.30

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