

Date: March 27, 2009

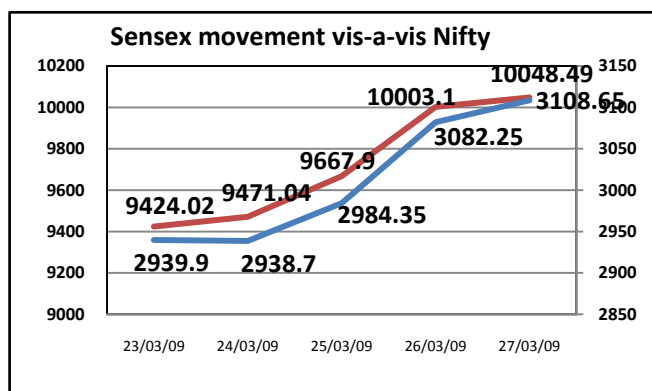
Domestic		
Index Movements	Closing	% Change
Sensex	10048.49	12.065%
BSE Midcap	2934.16	6.269%
BSE Sml Cap	3238.11	3.973%
BSE 500	3605.81	10.624%
S&P CNX Nifty	3108.65	10.744%
Bank Nifty	4406.8	19.370%
S&P CNX 500	2343.7	9.534%
CNX Midcap	3385	5.766%

## Equity Wrap

This week the domestic bourses continued its northward journey on account of strong global and domestic cues. On Monday, the barometer index BSE 30-share Sensex hit its highest level in more than a month. The Sensex shot up by 457.34 points, or 5.10 %. The benchmark indices made a rally on latest effort by the US to revive the economy and stabilize its financial system. Reliance Infrastructure, HDFC, Jaiprakash Associates rose by 6.57% to 9.89%. The NSE's 50-share Nifty rose by 4.73% to close at 2939.9.

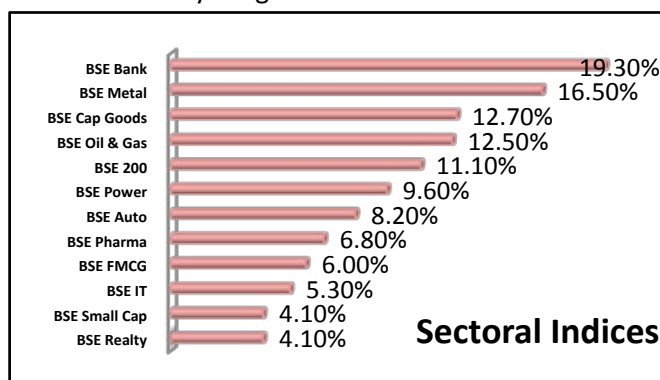
On Tuesday, the benchmark indices started with a positive note. The Nifty surpassed the psychological level of 3000, last seen in early January 2009. But it reversed gains to slip into the red in late trade as European stocks gave up early gains and on fall in US index futures. Political uncertainty ahead of parliament election also led to lock in gains by traders after a recent solid surge in share prices. The market breadth, indicating the overall health of the market, turned negative in contrast to strong breadth earlier in

the day. The Sensex pared the gain with a modest high of 0.499% to close at 9471.04 after touching an intra-day high of 9699.



The indices extended gains in the last trade on Wednesday as the FIIs inflows and higher US index futures bolstered sentiments. The Sensex has risen 196.86 points or 2.08% to 9667.9. Volatility remained high ahead of the expiry of March 2009 derivatives contracts on March 26, 2009.

Further the Sensex crossed the psychological level of 10,000 mark and managed to close past 10k. The Sensex had last hit the 10,000 mark when Satyam Computer divulged India's biggest corporate fraud. The S&P CNX Nifty also breached the 3,000 mark. The sentiment was also boosted by the drop in inflation to 0.27% which raised the prospect of easing of monetary policy by the Reserve Bank of India (RBI). Auto, capital goods and metal stocks surged but banking, IT stocks came off the day's high in late trade.



Stepping up of buying by foreign funds, higher Asian markets, overnight gains in US stocks et al augmented the sentiment.

Finally the bourses ended the week in positive note amid the zigzag trading. After entering into negative zone, the Sensex ended with an increase of 45.39 points to close at 10048.49. The Nifty closed at 3108.65, up 0.86%. Banking stocks added the most with the BSE Bank gaining 19.3%. The other major gainers in double digits were BSE Metal, BSE Cap Goods, BSE Oil & Gas, and BSE 200 adding from 11.1% to 16.5%. Auto and Power stocks also gained significantly.

Through out the week, the volatility remained high. The strong global cues i.e. US plan to buy long term government debt and mortgage-backed securities to the tune of \$ 1.2 trillion triggered the sentiments all over the world. All the major global indices added a handsome gain. Among the Asian indices, the Nikkei and Hang Seng gained by 8% and 10% respectively.

## Debt/Economy Wrap

The next fiscal borrowing plan dampened the mood of bond investors. The borrowing program of Rs 2.41 tn (\$ 47.6 bn) led to free fall of bond prices. The yield on 10 year benchmark 6.05% expiring in 2019 was just close to 7%. Bond prices and yields follow an inverse relationship. When yields drop, bond prices rise. To achieve this level of borrowing, the government will have to auction Rs 10,000 crore every week. This really dampened the sentiments among Primary Dealers as they have to buy unsubscribed bonds. Their only hope lies on buy back programmes by RBI under OMO and MSS. Though the Central Bank borrowed Rs 10,000 crore through Open Market Operations (OMO) to steer the flow of money and control the interest rates, but it failed to boost the mood in bond markets.

After a call given by the Prime Minister Shri Manmohan Singh to RBI, all the major banks acted swiftly and cut their lending rates in the range of 25-50 bps. The banks seen in action were Oriental

Bank of Commerce, Allahabad Bank, United Bank of India and UCO Bank.

The inflation touched its 33 year low of 0.27% even as the prices of some essential commodities like cereals and vegetables rose during the period. Inflation rate stood at 8% the same week last year. The lower inflation rate only means the rate of rise in prices has come down, not the actual prices. And the analyst circles expect inflation to go into negative territory in the coming quarter last seen in 1977-78 mainly due to high base effects. The figures are mainly based on Wholesale Price Index (WPI). This will give room to RBI to take further monetary measures to spur the economy. Retail inflation is, however, ruling firm even as the whole sale price inflation has touched a record low. Retail inflation as measured by the Consumer Price Index for farm laborer (CPI-AL) and rural laborers (CPI-RL) is still in double digits. However, it eased to 10.79% in February 2009, a marginal dip from 11.62% in January 2009.

## FII's Activity

Date	Equity			
	Purchase (Crore)	Sales (Crore)	Net Invest (INR) Cr	Net Invest (USD) Mn
26-Mar-09	1831.9	1534.3	297.6	73.8
25-Mar-09	2288.4	1589.2	699.2	173.3
24-Mar-09	1445.9	1130.2	315.7	78.3
23-Mar-09	1277.4	1228	49.4	12.3
20-Mar-09	1429.8	1272.1	157.7	39.1

Date	Debt			
	Purchase (Crore)	Sales (Crore)	Net Invest (INR) Cr	Net Invest (USD) Mn
26-Mar-09	1500.9	1578.7	-77.8	-19.3
25-Mar-09	262.5	1226.9	-964.4	-239.1
24-Mar-09	156.9	496.2	-339.3	-84.1
23-Mar-09	171.2	328.5	-157.3	-39
20-Mar-09	599.3	1895.4	-1296.1	-321.3

## Mutual Fund Wrap

The March month remained a happening month for mutual fund houses, distributors and investors. The new SEBI's regulation mandates a rich descriptive format for debt portfolios. The step taken by SEBI is a great step which would bring out the transparencies while declaring portfolios of debt schemes. The Indian Mutual Fund houses have already faced a credit crisis in October 2008 when there existed a sudden liquidity crisis and lack of confidence among investors. It also ensued because of lack of transparencies among fund managers while declaring the debt funds' portfolios. The major causes were maturity mismatches, compromise on credit quality, lack of diversification et al. We hope that with new regulation in card, the situation would improve now and bring back the confidence among the retail investors which were badly battered in credit crisis. Moreover, the mutual fund houses would become transparent in declaring their portfolios. Till now, only Sahara Mutual Fund declares its debt portfolios along with the maturity dates which are available to the public. Though Sahara has very less AAUM as compared to others, it follows a strict disclosure norm. SEBI had already tackled different issues such as long maturity in liquid funds, valuation of illiquid investments, close-ended funds which allowed early redemption, listing of close-ended funds to bring the true value based on demand and supply.

On the other hand, mutual fund distributors got jolted when SEBI proposed a new commission rules which foretell a process under which the distributor and the investor would negotiate and decide upon a commission. The payment will be made either directly to the investors or through the fund house. The new proposals are based on open price policy which is freely applied in USA and Europe and the SEBI is committed to bring the transparencies which are bridged among the investors and distributors.

The old golden boy FMP saw some action among mutual fund houses. The FMP saga which created ripples in Indian Mutual Fund houses got some favor among investors. The FMP portfolio which constituted a major chunk of total AUM in 2008, as high as 22% in

October 2008, got battered severely in Feb 2009 where its share diminished to 13 % only. The NFO count lessened and remained in single digit till Feb 2009. But with the passage of time and strengthening of regulations regarding portfolio disclosures and listing rules, FMPs are back in fashion. A total of 25 FMPs were launched alone in the month of March 2009.

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## Mutual Fund's Activity

Date	Debt		
	Purchase Crores	Sales Crores	Net Investment (INR) Crores
25-Mar-09	1889.6	1190.9	698.7
24-Mar-09	2304.6	1515.6	789
23-Mar-09	1711.7	991.6	720.1
20-Mar-09	1639.5	657.9	981.6
19-Mar-09	1904.2	603.1	1301.1

Date	Equity		
	Purchase Crores	Sales Crores	Net Investment (INR) Crores
25-Mar-09	674.4	541.1	133.3
24-Mar-09	925.8	802.5	123.3
23-Mar-09	871.3	483.6	387.7
20-Mar-09	340.9	503.9	-163
19-Mar-09	347.6	394.1	-46.5

## **Technical Update**

Nifty have shown an unexampled strong move lining with important global indices. Last week Nifty formed five consecutive green candles and breached some important resistance level of 2800 and also crossed psychological level of 3000 on positive volume note. Daily Nifty chart is likely to face stiff resistance around this 3140-3160. Any move over the above mentioned resistances can fetch 200 points of nifty. A snapshot of daily momentum indicators shows that RSI and STOCHASTICS stand to its overbought territory which justifies 100-120 down move from the current level. The near term downtrend found its support 2930 and 2780.

Key resistance for the USD/INR are placed at 51.05 and 51.40 levels. Supports are placed at 50.30 and 49.85 levels.



## Classroom Section

### **When Issued Markets**

- "When, as and if issued" security refers to a security that has been authorized for issuance but not yet actually issued.
  - WI trading takes place between the time a new issue is announced and the time it is actually issued.
  - All WI transactions are on an "if" basis, to be settled if and when the actual security is issued.
  - All WI transactions for all trade dates will be contracted for settlement on the date of issue.
  - At the time of settlement on the date of issue, positions in the WI security can be netted off with positions in the existing security.
  - Any WI trade must have a Primary Dealer (PD) as a counterparty (both counterparties can be PDs). In other words, non-PDs cannot be both buyer and seller in a WI transaction.
  - Open Positions in the WI market are subjected to
    - Non-PD entities - Long Position, not exceeding 5 per cent of the notified amount
    - PDs - Long or Short Position, not exceeding 10 per cent of the notified amount
  - In case a PD is unable to deliver securities to the buyer after the auction on the settlement (or issue) date, the transaction will be settled in cash, at the option of the buyer. For this purpose, the security will be deemed to have been bought by the PD from the WI buyer at the cut-off price in the auction.
  - WI can only be done on NDS-OM.
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