

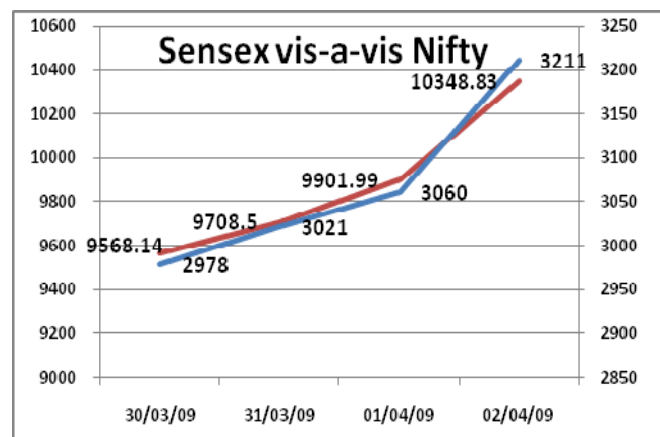
Date: April 06, 2009

Domestic Indices		
Index Movements	Closing	% Change
Sensex	10348.83	2.989%
BSE Midcap	3125.42	6.518%
BSE Sml Cap	3436.92	6.140%
BSE 500	3737.65	3.656%
S&P CNX Nifty	3211	3.292%
Bank Nifty	4426.05	0.437%
S&P CNX 500	2429.05	3.642%
CNX Midcap	1239.8	5.492%

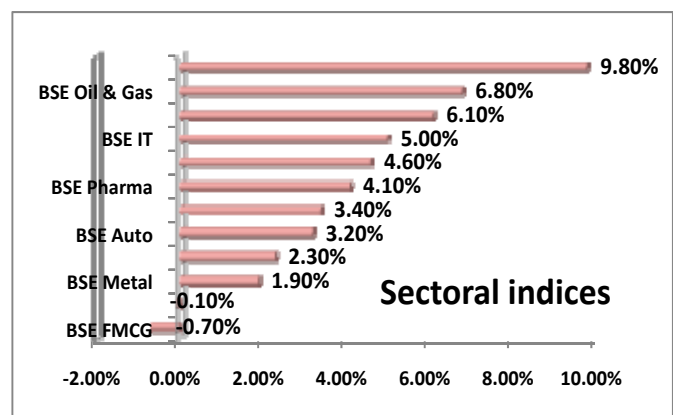
## Winning sprint continues....

Indian bourses continued their winning streak for the continuous three weeks. The BSE's 30 Sensex and NSE's 50 Nifty gained 3 per cent and 3.3 per cent respectively continuing their northward journey. The strong global cues and sentiments prevailing in US helped the domestic markets to notch up their gain. The week started with a weak note with the bourses paring the gain after a strong profit booking which was expected. The weak global indices also contributed the factor. Banking, metal and realty stocks tumbled the most. The BSE 30-share Sensex plummeted 4.78 per cent or by 480.35 points to close at 9568.14. The NSE's Nifty tanked below the psychological level of 3000 mark. Stocks around the globe were slammed amid worries about the health of the US auto sector. The domestic political uncertainty also contributed to the loss. The industrial circles have started lobbying their choice political parties to vote them into power to gain the favor.

The closing day of the fiscal year brought some cheer to the markets though it tanked some of the gains through out the day after remaining in choppy trading. Sensex gained 140.36 points to close at 9708.5 mark and the Nifty crossed the



psychological level of 3000. Volatility remained high through out the day. After plunging into red in the morning trade, the courses bounced back after European markets opened strongly after the Indian market. Mutual Funds' net buying also contributed to the net gain as they became the net buyer. They generally jazz up the NAVs as investment managers' performance largely depend upon the NAV performance. Domestic institutional investors including mutual funds and insurance firms mopped up Rs 1039.07crore on March 31, 2009. The new fiscal year started with a positive note after key benchmark indices extended their gains in the late trade. The IT, banking and realty stocks rallied. The negative exports data brought some fears on the minds of investors but it was negated



by an improvement in Indian manufacturing sector. The stimulus package announced earlier by the government to auto sector helped them in showing good numbers last month. The Sensex and Nifty gained 1.99 per cent and 1.29 per cent respectively. There was an absence of support from the Mutual Funds as seen in last month. Ahead of G-20 meet from which everyone expected some positive help triggered the upward movement of global indices including the domestic. The G-20 nations pledged to provide a help of \$ 1.1 trillion to International Monetary Fund (IMF). India's representative to G-20 meet and Prime Minister Dr Manmohan Singh added that India would be net contributor to \$ 1.1 trillion kitty. The BSE 30-share Sensex and NSE 50-share Nifty boosted their numbers with a net gain of 4.51 per cent and 4.94 per cent. The barometer Sensex hit its highest level in nearly three months. Overall through the week real estate stocks gained the most mainly due to decrease in interest rates. Post April 01, 2009, around 12 banks lowered their prime lending rates which added to another spur in real estate. Indiabulls, DLF, Unitech were the highest gainers. Reliance Industries Limited too emerged as major winner as their KG basin block started the natural gas production saving to the tune of \$ 8.9 billion to nation's kitty which used to fly out of imports. The sectors which traded into negative are FMCG and Banking. The BSE Bank and FMCG tanked a moderate loss of -0.1 per cent and -0.7 per cent respectively. All the major Asian indices ended in net gain on the hope out of the better results. The FIIs continued their buying spree for the last two days after becoming the net sellers in the first two days. The government also suspended the key accounting norm AS-11 on foreign exchange loss till March 31, 2011 giving a reprieve to various large players such as Wockhardt, Suzlon Energy, Tata Steel et al as the adverse currency movements would increase in foreign loan liability.

## **Mutual Fund Wrap**

Mutual Fund ended in net buyers in the month of March 2009 having the net investment of Rs 1,477.30 crore in Equity and Rs 17,478.30 crore in Debt. In equity this is highest since September when the market plummeted following the global meltdown. In September, the Mutual Funds bought net equity of Rs 2,292 crore. After sitting on hefty cash levels, the Mutual Funds seem to flow in the market rally albeit investing cautiously. Even the situations seem to improve worldwide; Mutual Funds are taking a cautious approach in investing and trimming the cash levels. Though the cash level has come down in March 2009, it has gone up to 21.7 per cent of the total NAV of the funds in Diversified Equity since April last year. On the last day of fiscal year i.e. March 31, 2009, Mutual Funds invested heavily in a view to pop up the NAVs as Investment Manager's performance largely depends upon the performance of NAV's of their funds. They largely increase their holdings in the stocks which carry large weights in the portfolio to boost up the NAVs.

As on March 31, 2009, the average asset under management of Indian Mutual Fund Industry comprising of the 34 players shrank by Rs 7,686.81 crore, or 1.53 per cent and closed at Rs 4,93,286.56 crore. HDFC Mutual Fund emerged as the highest gainer with an absolute gain of Rs 1,092.06 crore having the second highest AUM which stands at Rs 57,956.44 crore. Reliance MF continues to enjoy the top slot with an AUM of Rs 80,962.93 crore albeit with a net loss of Rs 664.15 crore in March 2009. ICICI MF and UTI MF occupies the 3<sup>rd</sup> and 4<sup>th</sup> slot in AAUM with Rs 51,432.5 crore and Rs 48,754.17 crore respectively. LIC Mutual Fund which made a significant gain of 29.56% crossing Rs 24k crore tanked Rs 1,176.05 crore or a net loss of 4.84 per cent. The surprising among all is the continued upward movement of BoB Pioneer AUM which

added 30.91 per cent to close at Rs 1132.01 crore, though most of the fund lies in liquid funds. Tata MF lost a whopping 11.76 per cent or Rs 2269.87 crore. Out of 34 players, 12 mutual fund houses reported a net jump in their AUMs adding Rs 4395.28 crore during the last month.

But out of these, for the first time in five years, the AAUM of mutual funds have fallen. It fell by 7% in 2009. For the last 4 years, the AAUM rose consistently. In 2007-08, it rose by almost 50 per cent. Market think tanks ascribe the increase the rise to the booming stock markets in those years. And all the investors were flocking to take a pie of the Indian equity boom saga. Some of the innovative products such as FMP also added to the boom in Indian mutual fund houses. But in 2008-09, the liquidity crisis dampened the FMP saga and it lost majority chunk of money albeit the money returned in the form of other debt products. The meltdown in Equity probably caused a major loss in equity fund space letting overall loss in AAUM in 2008-09.

## Derivative Outlook

- Nifty (Apr) future premium has increased from 1.15 points to 11.40 points. There is an increase in the cost of carry indicating fresh build-up of long positions.
- 3200 strike is having highest OI in Calls whereas 3000 strike is having highest OI in Puts.
- Top five Open Interest Gainers of last trading day of previous week are IRB (154%), Balajitele (144.4%), Havells (85.71%), DishTV (81.19%) and Jindalsaw (77.81%).
- Top five Open Interest Losers of last trading day of previous week are Sintex (39.55%), HDIL (31.92%), BEML (22.48%), Voltas (21.24) and ALBK (20.14%).
- Sector wise top Open Interest Gainers of last trading day of previous week are Media (31.4%), Cement (10.5%) and Textiles (9.7%).

## Technical Outlook

The first buzzer day of previous week was the sharp pullback after that Nifty resumed its upward move in tandem with most of the global indices.

Indices have now closed above significant levels of 10,300 for SENSEX and 3200 for NIFTY. Activity was on the whole wide-spread and was visible in mid-cap and small-cap segment too. Volumes too were heartening and were supportive for the 'rally'. However, markets have now turned 'over-bought' and higher levels may attract traders to cash in on the gains.



### Key Points:

- ✓ Nifty daily chart “Channel Pattern” which has covered its 6 months duration, breached with the positive volume note. If the benchmark indices maintain the upper band of channel in coming truncated week, Nifty may fetch 200-250 points positive upward move.
- ✓ 20 Days Moving Average has crossed the 50 Days Moving Average from below and both the benchmark indices are trading above the mentioned crossover.
- ✓ The momentum oscillator RSI and MACD have started moving down from over-bought region. Traders should be cautious since Nifty had made higher top but as we already mentioned that RSI ROC actually has formed the lower top which communicates a shady illustration on charting.

## Classroom Section

### Market Participants

- 1) Commercial Banks
  - ✓ SLR investment should be > 24%
  - ✓ Preference for medium maturity papers for SLR
- 2) Primary Dealers
  - ✓ Underwriting primary issues and market making
  - ✓ Underwriting commitment to be given to RBO for next fiscal year
- 3) Provident / Pension Funds
  - ✓ Investment of > 25% of its total investable corpus in GOI Sec. & > 40% in SDLs
  - ✓ CBOT & Coal Mines Provident Fund are the largest investors
- 4) Insurance companies
  - ✓ Investment in GOI securities > 25% for Life Insurance Companies & >50% for Life Insurance Companies
  - ✓ Investment in GOI securities > 20% for General Insurance Companies & >30% for General Insurance Companies
  - ✓ Preference on longer maturity securities
  - ✓ LIC is the largest investor & subscribers to primary auctions
- 5) Mutual Funds
  - ✓ Gilt / Income / Short term / Liquid schemes
  - ✓ Depending upon the scheme, 40%-90% is invested in GOI
- 6) FIs / Corporates
  - ✓ Cash Management and Investment

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