



Small-cap, mid-cap indices outperform Sensex

The key benchmark indices provisionally closed with small to decent gains after a strong intraday rebound triggered by upbeat economic data and higher monthly sales figures from two auto majors Maruti Suzuki and Mahindra & Mahindra. The latest data showed the manufacturing sector grew at its fastest pace in almost 1-1/2 years in January 2010. A recovery in European and Asian stocks and higher US index futures, also supported domestic bourses.

The BSE 30-share Sensex was provisionally up 34.57 points or 0.21%, up close to 230 points from the day's low and off close to 30 points from the day's high. Consumer durables, metal, realty, healthcare stocks rose. IT stocks reversed early losses. Index heavyweight Reliance Industries edged lower in volatile trade. The market breadth was strong.

The market slipped in early trade, tracking weak Asian stocks. It recovered from the day's low in morning trade. The market once again drifted lower after recouping almost all the intraday losses in mid-morning trade. It moved in a narrow range in early afternoon trade. The market moved into positive zone in early afternoon trade after the latest data showed that India's exports rose for the second straight month in December 2009. The market came off the higher level later. The market surged to a fresh intraday high in mid-afternoon trade. A bout of volatility was witnessed in late trade

Reserve Bank of India Governor D Subbarao said on Monday that bond yields will be under pressure if the government borrows more than the central bank expects in fiscal year 2010/11. After the Reserve Bank reviewed policy last week, a deputy governor said net borrowing in fiscal 2010/11 was likely to be similar to the current year's.

Rising prosperity will increasingly put pressure on food supply in India and the country urgently needs to boost farm productivity, Prime Minister Manmohan Singh said on Monday. He urged state governments to take steps to boost food output and tackle shortages of essential commodities.

Fitch Ratings today affirmed India's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'BBB-'. The Outlook on the long-term foreign currency IDR is stable, while that on the long-term local currency IDR is negative. The short-term foreign currency IDR is affirmed at 'F3' and the Country ceiling at 'BBB-'.
Fitch regards the deterioration in India's public finances since 2008 as partly structural, putting negative pressure on the local currency rating that will require substantive fiscal reform to redress, said Andrew Colquhoun, Director in Fitch's Asia-Pacific Sovereign Group. The foreign currency ratings remain well-supported by foreign investment prospects and by the world's sixth-biggest stockpile of foreign reserves.

Coming back to stocks, domestic institutional investors (DIIs) are on a buying spree on the bourses even as foreign funds have pressed heavy sales over the past few days. As per data from the stock

exchanges, domestic institutions bought shares worth Rs 12222.06 crore in January 2010 even as foreign funds dumped stocks worth a net Rs 7216.66 crore in the month just gone by.

Back to the macro front and India's exports rose an annual 9.3% in December to \$14.6 billion, the second consecutive rise after 13 straight months of decline, the government said today. Imports rose 27.2% from a year earlier to \$24.75 billion. Exports for April-December, the first nine months of the 2009/10 fiscal year, were down 20.3% at \$117.59 billion from the same period in the previous year.

India's manufacturing sector grew at its fastest pace in almost 1-1/2 years in January 2010, boosted by a sharp rise in new export orders that underpin a recovery in the industrial sector, a survey showed. The HSBC Markit Purchasing Managers' Index (PMI), based on a survey of 500 Indian companies, rose to 57.7 in January 2010, its strongest reading since August 2008 and up from 55.6 in December 2009. A reading above 50 means activity is expanding. The new orders index rose to 62.9 from December's 60.1.

An interest rate hike would have indicated a greater degree of confidence in the recovery but the possibility of a mid-cycle action exists in case of a provocative situation, a deputy governor at the Reserve Bank of India (RBI) Subir Gokarn said on Friday 29 January 2010. The Reserve Bank of India (RBI) surprised markets by raising banks' cash reserve requirements by more than expected on Friday 29 January 2010 and warned of mounting inflation, setting the stage for increasing interest rates in the coming months. The RBI kept short-term interest rates steady at its quarterly policy review but signalled hawkish intent.

The RBI said the CRR would be increased by 50 basis points from 13 February 2010 and a further 25 basis points to 5.75 % from 27 February 2010. It held its lending rate, or the repo rate, unchanged at 4.75% and its reverse repo rate, at which it absorbs surplus cash from banks, unchanged at 3.25 %.

The cash reserve ratio was cut by 4%age points between October 2008 and January 2009 as the central bank moved to support the economy during the global financial crisis also slashing interest rates to their lowest levels since 2000.

The consumer price index rose 14.97% in December 2009 from a year earlier, higher than November's annual rise of 13.51 %, government data showed on Friday. The annual wholesale inflation rose to 7.31% in December 2009, compared with 4.78 % rise in November and 6.15% a year ago.

The RBI said that reversing its accommodative monetary policy would be ineffective unless the government cuts borrowing, on track to hit a record Rs 4,50,000 crore (\$97 billion) this fiscal year, putting pressure on the government to rein in spending when it releases its budget on 26 February 2010. India is joining a trend in other major emerging economies towards gradual tightening of loose monetary policies.

This month, China started to tighten policy by raising banks' reserve requirements, clamping down on loan growth and accepting higher yields at bill auctions. Last week, Brazil -- another member of the BRIC quartet of emerging powers that also includes Russia -- held rates steady but left the door open for a possible rate hike.

The Reserve Bank of India lifted its wholesale price index inflation forecast for the end of the fiscal year in March to 8.5% from 6.5% and upgraded its economic growth forecast for the current fiscal year to 7.5% from 6%, predicting a similar rate of growth the following year. It said it expected inflation to moderate from July 2010, assuming a normal monsoon and steady oil prices, but the new forecasts convinced many analysts an interest rate rise was imminent.

Meanwhile, Indian government has reiterated a goal of slowing the rise of the nation's carbon emissions by 2020 as part of pledges due by Sunday under a "Copenhagen Accord" to fight climate change, an official statement said. Many other nations have also reiterated existing goals for slowing global warming before a Sunday deadline for making commitments under the "Copenhagen Accord", which sets an overriding goal of limiting a rise in world temperatures to less than 2 degrees Celsius (3.6 F).

The statement said India will endeavour to reduce its carbon emission intensity by 20 to 25% by 2020 in comparison to the 2005 level. Carbon emissions intensity refers to the amount of carbon dioxide emitted for each unit of gross domestic product. The statement said India's actions will be legally non-binding and its carbon intensity cut target will not include emission from the agriculture sector.

Meanwhile, the capital market regulator has reportedly shut its doors on several foreign funds amid concerns that they may turn out to be vehicles for round-tripping of money by local residents. The Securities and Exchange board of India (Sebi) is taking a closer look at the structure of new investors, as well as those seeking renewals, following misreporting of transactions by blue-chip foreign institutional investors (FIIs) like Barclays and Societe Generale (SocGen) report said.

European shares reversed early losses after manufacturing activity in euro zone rose more than expected. The key benchmark indices in Germany and UK rose by between 0.05% to 0.23%. But France's CAC 40 fell 0.5%.

The final manufacturing purchasing managers index for the 16-nation euro zone rose more than expected to a two-year high of 52.4 in January, Markit Economics reported Monday. The final reading exceeded a preliminary estimate, which had shown a rise to 52.0 from 51.6 in December. A reading of more than 50 means a majority of managers saw an increase in activity, while a figure of less than 50 means a majority saw a decline. The index has been above the neutral 50 level for four consecutive months.

Asian stocks turned mixed late Monday after trading solidly lower earlier in the day, as key benchmark indices in Hong Kong, Japan and Seoul all moved into positive territory. The key benchmark indices in Hong Kong, Japan and South Korea rose by between 0.07% to 0.61%. The key benchmark indices in China, Singapore, Taiwan and Indonesia fell by between 0.33% to 1.60%.

China's manufacturing expanded at the second-fastest pace since 2008 in January 2010 as export demand improved, helping to cement the nation's recovery. The Purchasing Managers' Index fell to a seasonally adjusted 55.8 from 56.6 in December 2009.

Trading in US index futures indicated that the Dow could rise 48 points at the opening bell on Monday, 1 February 2010.

US stocks slid on Friday, sending the benchmark S&P 500 down more than 1% during the last half-hour of the session as investors pared back exposure to riskier assets amid worries about fiscal turmoil in Europe. The Dow was down 53.13 points, or 0.5%, to 10,067.33. The S&P 500 index was down 10.66 points, or 1%, to 1,073.87, the Nasdaq Composite Index shed 31.65 points, or 1.5%, to 2,147.35.

President Barack Obama on Friday proposed \$33 billion in tax credits to coax small businesses into hiring workers as he underscored his commitment to pushing job creation to the top of his agenda.

Obama will deliver remarks on the US budget on Monday. He is to speak about the fiscal situation after release of his spending blueprint for the 2011 fiscal year.

Tens of millions more people in Africa and elsewhere will be driven into poverty this year even though the world is recovering from the global financial crisis, World Bank president Robert Zoellick said on Sunday.

International Monetary Fund Managing Director Dominique Strauss-Kahn on Sunday urged the United States, Britain and other countries to cooperate on new policies and regulations in the wake of the financial crisis. He told the annual Herziliya Conference that at the onset of the crisis, world leaders were scared and agreed to work together to end the crisis. But now, countries are formulating policies on their own.

Closer home, as per provisional figures, the BSE 30-share Sensex was up 34.57 points or 0.21% to 16,392.53. The index rose 64.44 points at the day's high of 16,422.40 in mid-afternoon trade. It fell 197.16 points at the day's low of 16160.80 in early trade.

The S&P CNX Nifty was up 33.65 points or 0.69% to 4915.70 as per provisional figures.

The BSE Mid-Cap index rose 1.86% and the BSE Small-Cap index rose 2.77%.

The market breadth, indicating the overall health of the market, was strong. On BSE, 2133 shares advanced as compared with 707 that fell. A total of 53 shares remained unchanged.

Among the 30 share Sensex pack, 20 rose and rest fell.

BSE clocked turnover of Rs 4788 crore, lower than Rs 5702.81 crore on Friday, 29 January 2010.

Index heavyweight Reliance Industries (RIL) fell 0.11% to Rs 1045.35. The stock was volatile. It hit a high of Rs 1055 and a low of Rs 1035.05. The company's net profit rose 15.77% to Rs 4008 crore on 89.77% surge in total income to Rs 57364 crore in Q3 December 2009 over Q3 December 2008. RIL said the results had been reworked and restated to include figures from Reliance Petroleum, which it absorbed last year. The company announced the Q3 result during market hours on 22 January 2010. Sun Pharmaceuticals Industries rose 2.41%. Net profit rose 23.91% to Rs 318.04 crore on 22.41% decline in sales to Rs 489.64 crore in Q3 December 2009 over Q3 December 2008.

Among other healthcare stocks, Biocon, Ranbaxy Laboratories, Cipla, Aurobindo Pharma rose by between 0.76% to 5.48%.

Lupin jumped 10.52%, after consolidated net profit surged 40.4% to Rs 163.56 crore on 30.5% rise in net sales to Rs 1255.43 crore in Q3 December 2009 over Q3 December 2008.

Consumer durable stocks rose on strong Q3 results. Lloyd Electric, Rajesh Exports, Videocon Industries rose by between 2.35% to 12.16%.

Titan Industries jumped 14.16%, after net profit surged 498.7% to Rs 75.43 crore in Q3 December 2009 over Q3 December 2008.

Metal stocks reversed early fall on jump in manufacturing activity in China and India. India's largest private sector steel maker by sales Tata Steel rose 1.58%. The company's net profit surged 155.6% to Rs 1191.75 crore in Q3 December 2009 over Q3 December 2008. The company announced the result during market hours on Thursday 28 January 2010.

Tata Steel will report consolidated third-quarter results, to include the Corus numbers this month. The Indian operations account for a quarter of the group's annual global capacity of about 30 million tonnes.

India's largest private sector aluminum maker by sales Hindalco Industries rose 1.32%. The company's net profit fell 21.60% to Rs 427.10 crore on a 29.56% increase in sales to Rs 5286.10 crore in Q3 December 2009 over Q3 December 2008.

National Aluminium Company rose 2.99%. The company's net profit declined 29.3% to Rs 155.18 crore in Q3 December 2009 over Q3 December 2008.

But, Steel Authority of India (SAIL) fell 0.77%. SAIL reported a 99% jump in its net profit at Rs 1,675.55 crore in Q3 December 2009 over Q3 December 2008.

India's largest non-ferrous metal firm by capacity Sterlite Industries India rose 0.33%. The company's net profit slumped 77.16% to Rs 46.59 crore on a 39.83% increase in sales to Rs 3611.99 crore in Q3 December 2009 over Q3 December 2008.

Rate sensitive realty shares extended Friday's gains after RBI kept interest rates unchanged on Friday, 29 January 2010. Indiabulls Real Estate, Housing Development & Infrastructure, Omaxe, Phoenix Mills rose by between 0.33% to 3.13%.

India's largest realty player by sales DLF rose 0.1% extending Friday's 2.54% gains. The company's net profit rose 26.04% to Rs 224.43 crore on 109.03% rise in sales to Rs 887.16 crore in Q3 December 2009 over Q3 December 2008. The company announced the Q3 result last week.

Unitech rose 2.35%. The company's net profit rose 576.6% to Rs 131.94 crore on 216.7% rise in sales to Rs 642.88 crore in Q3 December 2009 over Q3 December 2008.

Stocks from interest rate sensitive auto sector rose on strong vehicle sales in the month of January 2010. India's largest tractor maker by sales Mahindra and Mahindra (M&M) rose 2.74%. Mahindra & Mahindra total vehicle sales jumped 71.2% to 30,149 units in January 2010 over January 2009.

M&M's net profit surged 849% to Rs 413.70 crore on a 56.32% rise in sales to Rs 4478.70 crore in Q3 December 2009 over Q3 December 2008. The result was announced during trading hours on Monday, 25 January 2010. Meanwhile, the company also approved a 2-for-1 stock split.

India's top truck maker by sales Tata Motors rose 3.56%. Tata Motors reported net profit of Rs 400.14 crore in Q3 December 2009 as against net loss of Rs 263.26 crore in Q3 December 2008. Sales rose 89.45% to Rs 8929.80 crore in Q3 December 2009 over Q3 December 2008. The company announced the result after market hours on Friday, 29 January 2010.

India's top small car maker by sales Maruti Suzuki India rose 0.35%. The company's vehicle sales rose 33.3% to 94649 units in January 2010 over January 2009.

India's largest motorbike maker by sales Hero Honda Motors rose 1.36% extending Friday's 1.38% gains. After market hours on 25 January 2010, the company reported a 78.34% rise in net profit to Rs 535.77 crore on a 32.72% rise in sales to Rs 3814.42 crore in Q3 December 2009 over Q3 December 2008.

TVS Motor Company rose 0.1% after company's vehicle sales rose 34% in January 2010 over January 2009.

IT stocks reversed early losses on bargain hunting after recent losses. India's largest IT exporter by sales Tata Consultancy Services rose 1.4%.

India's third largest software services exporter Wipro rose 3.13% even as its ADR fell 3.29% on Friday. Wipro has reportedly been empaneled by General Electric as an outsourcing vendor, which will allow the Indian firm to bid for nearly \$1 billion worth of outsourcing projects of GE every year, against rivals Tata Consultancy Services (TCS) and Genpact. Wipro said last week it signed a multi-year outsourcing deal with British American Tobacco Plc, the world's second-biggest cigarette maker.

But, India's second largest IT exporter by sales Infosys lost 1.11%. Its ADR fell 0.82% on Friday.

Suzlon Energy rose 2.01% after the company said one of its units received a contract to deliver 48 offshore wind turbines with a total capacity of about 295 megawatts for a wind farm project in the North Sea.

Lloyd Electric & Engineering spurted 10.64%, after net profit jumped 289.6% to Rs 8.22 crore in Q3 December 2009 over Q3 December 2008.

Bilcare jumped 8.81%, after net profit surged 70.17% to Rs 31.38 crore on 31.24% rise in net sales to Rs 276.49 crore in Q3 December 2009 over Q3 December 2008 on a consolidated basis.