

Weekly Market Update

Financial Market & Economy Update

- In order to oversee liquidity in the banking system, the RBI may intervene in the forward Forex market, in addition to the spot market.
- Remaining in the negative zone for the fourth straight week, food price index for the week ended January 14, stood at -1.03%. Nonfood article index plunged to 0.56% from 1.84% in the previous week. Fuel and power index remained constant at 14.45%.
- The EU and IMF are pressing Greece for more budget cuts and implement a series of long-agreed austerity reforms before they agree on a new bailout.
- The reserve money for the week ended January 20, stood at Rs.14,516.6 billion, 2.2% higher from previous week and 12.8% higher on Y-o-Y basis.
- In its third quarter policy review, RBI has cut the CRR rate by 50 bps from 6% to 5.5% to manage the liquidity deficit in the economy. However it has kept the key policy rates-Repo and Reverse Repo unchanged at 8.50% and 7.50% respectively.



Domestic Markets

Index	week's close	Previous close	% Change
BSE Sensex	17234.00	16739.01	2.96
S&P CNX Nifty	5205.00	5048.60	3.10
CNX Midcap	7090.00	6803.15	4.22
CNX 500	4085.00	3952.70	3.35
BSE Smallcap	6492.00	6277.27	3.42

Source: www.yahoofinance.com

Global Markets

Index	week's close	Previous close	% Change
Dow Jones	12660.46	12624.0	0.29
Nasdaq	2816.6	2786.7	1.07
S&P 500	1316.3	1315.4	0.07
FTSE 100	5733.5	5728.6	0.09
Shanghai Composite	2319.12	2319.1	0.00
Hang Sang	20501.67	20110.4	1.95

Source: www.yahoofinance.com

Equity Market Update

- The Indian indices ended on a positive note on Friday led by huge inflow of foreign money which resulted into sharp appreciation in the Indian rupee amid after the latest data showed that food inflation remained in the negative zone. Food inflation shrank by 1.03% in the week ended January 14, 2012. The market breath was strong.
- Sensex ended the day up 495 points at 17234, while Nifty index climbed 156 points to 5205.



Equity Market Outlook

The long term outlook continues to remain positive for Indian equities as the economic growth momentum remains healthy with real GDP growth remaining at around 7%. We expect this growth to result in healthy corporate earnings and the earnings growth to translate on growth in equity markets. While the long term positive outlook remaining intact, the near term challenges can influence markets as it gets impacted by events / newflows that can have a near term negative implications.

The US Economy reported robust numbers last week. Signs of a recovery picking up steam in the US being seen. Banking results were also positive last week. Fears of asset quality deterioration are subsiding as banks report healthy asset quality. Axis bank reported a good set of numbers allaying fears of asset quality. We could be close to the bottoming of the inflationary phase in the Indian economy. The RBI has also indicated that it is not in favor of any more rate hikes. This would lead to the bottoming out of the stock market and a rally in equity markets from here. However the political situation is deteriorating with a non-functional parliament and increasingly populist moves by the government and a burgeoning fiscal deficit. The upcoming UP elections will be an indicator of political compulsions going forward. Valuations are very cheap especially in midcap stocks at this point and quite a few stocks look to be promising buys. The RBI meeting on the 24th will decide on rate cuts to boost growth. Further the Fed meet on the 26-28th will also provide direction to the global markets.



Debt Market Update

- The yield on the 10-year benchmark bond was up 3 bps at 8.35%, as traders cut positions after the devolvement on primary dealers to the tune of Rs.774.75 crore at the debt auction.
- RBI conducted the auction of 8.19% GS 2020, 9.15% GS 2024 and 8.97% GS 2030 worth Rs.13,000 crore. The cut off yields stood at 8.37%, 8.45% and 8.66% respectively. Devolvement was seen on 8.19% GS 2020 of worth Rs.774.75 crore.
- Banks borrowed Rs.1,51,185 crore under liquidity adjustment facility (LAF) higher than Wednesday's borrowings of Rs.1,45,050 crore. Banks borrowed Rs.1,050 crore through Marginal Standing Facility at 9.50%.



Debt Market Outlook

The CRR cut will take its impact from this fortnight and thus overnight liquidity is expected to ease by around 32000 crs. For the current Fortnight, the market is expected to borrow around 120000 crs from RBI. If liquidity remains tight, RBI may announce OMO. We expect 10 yr to trade in the range of 8.25% - 8.35%.



Kotak Mutual Fund Update

Kotak Mutual Fund has launched Fixed Maturity Plan – Series 73, a close ended income fund with the duration of 18 months. The new fund is available for subscription from January 25, 2012 to January 31, 2012. The fund will be jointly managed by Mr Abhishek Bisen & Mayank Prakash.



Disclaimer: Disclaimer: Mutual Fund and securities investments are subject to market risks. Please read the Scheme Information Document (SID) and Statement of Additional Information (SAI) of the scheme carefully before investing. SID & SAI available on mutualfund.kotak.com.

Commodity Market Update

- Gold prices rose after the Federal Reserve indicated to keep the US borrowing costs low. Moreover, the weakening of dollar also supported the rise. Spot gold was up 2.50% at Rs.27874 per 10 gram. While, silver was up 6.40 % at Rs.55909 per kg.
- Brent crude rose above \$111 on worries about the ongoing tension between European Union and Iran. The positive data from the US also supported the price as it indicated rebound in the future business investment.



Currency Market Update

- INR strengthened for the fourth week gaining support from robust dollar inflows and positive local shares, which outweighed the pressure exerted by dollar demand from oil importers. It ended at 49.3050/3150 to the dollar after touching a high of 49.2375 during the day.
- Sterling rose to its five-week high against dollar after the market sentiment got a boost from the Federal Reserves' pledge to keep interest rates low till 2014. However, investors remained concerned about the health of UK economy.



Institutional Flows (Equity)

Description (INR Cr)	Purchases	Sales	Net
FII Flows*	8453	6384	2069
MF Flows*	1845	2114	-268

Source: NSE & SEBI website. *FI Cash and MF Flows are for last 3 days.

F&O FII Trends (Rs. Crs)

Date	Index	Stocks
23-Jan-12	-368.85	69.42
24-Jan-12	-84.11	592.92
25-Jan-12	851.92	161.55

Source: NSE & SEBI website

Policy Rates

Key Rates (%)	27-01-2012	1 Week Ago	1 Month Ago
Reverse Repo	7.5	7.5	7.5
Repo	8.50	8.50	8.5
CRR	5.50	6.00	6.00
SLR	24	24	24

Source: Bloomberg

Key Rates

Key Rates (%)	27-01-2012	Previous close	% Change
Mibor Overnight	9.15	9.292	-1.53
CALL (O/N)	9.09	9.04	0.59
CBLO	8.69	8.61	0.93
T Bills Index (12M)	8.50	8.26	2.91
10 Yr GOI (8.79 GS 2021)	8.35	8.20	1.83

Source: Bloomberg

Commodity Market

Commodity (INR)	27-01-2012	Gain/Loss-	% Change
Gold (10 gm)	27874	27195	2.50
Silver (10 gm)	55909	52545	6.40
Crude Oil (\$/barrel)	110.8	110.64	0.14

Source: Bloomberg

Currency Market

Currency	27-01-2012	Gain/Loss-	% Change
USD/INR	49.65	50.33	-1.35
EURO/INR	65.05	65.31	-0.39
GBP/INR	77.8	77.9694	-0.22
JPY/INR	64.45	65.27	-1.26

Source: RBI

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