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SENSEX JUMPS NEARLY 7%

Expectations of a second government stimulus package for the economy, hopes of further rate cuts by the central bank and buying by the foreign institutional investors, helped the market reverse losses of the preceding week. The market gained in four out of the five trading sessions of the week ended 2 January 2009.

BSE 30-SHARE INDEX AND CNX NIFTY

The BSE 30-share Sensex rose 629.30 points or 6.75% to 9,958.22 in the week. The S&P CNX Nifty rose 189.50 points or 6.63% to 3,046.75 in the week.

The barometer index BSE Sensex is down 11,248.55 points or 53.04% from its all-time high of 21,206.77 struck on 10 January 2008.

BSE SMALL & MID CAP INDEX

The BSE Mid-Cap index gained 284.50 points or 9.16% to 3,391.18 and the BSE Small-Cap index jumped 321.91 points or 9.07% to 3,870.45 in the week. Both these indices outperformed the market.

INFLATION NUMBERS

Inflation based on the wholesale price index (WPI) rose 6.38% in the year through 20 December 2008, lower than previous week's 6.61% rise, data released by the government on 1 January 2009, showed.

FII & DOMESTIC FUND ACTION

FII inflow in December 2008 totaled Rs 1319.10 crore. FIIs pulled out a massive Rs 52,998.70 crore in calendar year 2008, as against an inflow of a huge Rs 71,486.50 crore in calendar year 2007.

INDIA'S EXPORTS DIPS

India's exports declined by 9.9% in November 2008, posting negative growth for the second month running due to a slowdown in major global markets. Exports dropped to \$11.5 billion in November this fiscal, from \$12.7 billion a year ago while imports grew by 6.1% to \$21.5 billion.

GOVT HAS ANNOUNCED 2ND STIMULUS PACKAGE

The government has announced a second fiscal stimulus package amounting to Rs.20,000 cr. As part of these measures, the government has announced the liberalization of external commercial borrowings policy and removed all-in-cost ceiling on such borrowing. Realty companies are now eligible to use ECBs to develop integrated townships. The government has also given a boost to the corporate bond market by hiking the FII investment limit from USD 6 billion to USD 15 billion.

The government will also form a special-purpose vehicle to aid liquidity against investment grade papers for non-banking finance companies. The SPV can provide liquidity up to Rs.25,000 cr. Public sector banks will work out larger credit line for commercial vehicle purchases by NBFCs. The credit target of public sector banks has been hiked to meet the needs of the economy. The government will also monitor provision of sectoral credit by public sector banks on a fortnightly basis.

RBI CUTS THE KEY RATES

The Reserve Bank of India has cut the cash reserve ratio by 50 basis points, and both the repo and reverse repo rates by 100 bps. (100 bps=1%) The CRR now stands at 5%, while the repo rate post the cut stands at 5.5% from 6.5% earlier. The reverse repo rate is now at 4% from 5% earlier.

FOREX

GBP/\$	1.4488/1.4492	\$/Yen	91.2100/91.2300
EUR/\$	1.3938/1.3944	\$/INR	48.7800/8000

WEEK AHEAD: MARKET MAY EXTEND GAINS

Govt has declared its II stimulus package amounting to Rs20, 000 cr on Friday evening. Much awaited for sectors like housing, finance and cement industry. The move from the govt. will boost the market. The Government is committed to taking steps for minimizing the impact of the global financial crisis on the Indian economy. To this end, Government has taken a number of steps since October 7. This package will ease the pressure of sectors like Housing, cement, export, financial institutions.

The Reserve Bank of India has also cut the cash reserve ratio by 50 basis points, and both the repo and reverse repo rates by 100 bps. (100 bps=1%) The CRR now stands at 5%, while the repo rate post the cut stands at 5.5% from 6.5% earlier. The reverse repo rate is now at 4% from 5% earlier. The reduction in the CRR will inject additional liquidity of around Rs.20, 000 cr to the financial system. It is expected that the reduction in the policy interest rates and the CRR will further enable banks to provide credit for productive purposes at appropriate interest rates. The Reserve Bank on its part would continue to maintain a comfortable liquidity position in the system. Announcement of II stimulus package, cut in the key rates by RBI will boost the market. Investors are suggested to book profit on every rally and Invest when the market falls down.