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**SENSEX FALLS BELOW 17,000 AS WORLD STOCKS UNDERGO CORRECTION; L&T SLUMPS**

A sell-off in global stocks and disappointment from key corporate earnings pulled the domestic bourses sharply lower in choppy trade. Stocks fell in four out of five trading sessions of the week. The BSE Sensex fell below the psychological 17,000 mark. Global stocks tumbled after US President Barack Obama on Thursday proposed new restrictions on banks, which would prevent banks or financial institutions that own banks from investing in, owning or sponsoring a hedge fund or private equity fund.

Global markets had already recoiled in recent weeks on fears that Chinese demand would slow as Beijing taps the brakes on its roaring growth to stave off inflation and keep the economy from overheating. China had curbed lending by banks after raising banks' reserve requirement ratios (RRR) by 50 basis points earlier.

**BSE 30-SHARE INDEX AND CNX NIFTY**

The BSE Sensex fell 694.62 points or 3.96% to 16859.68 in the week ended Friday, 22 January 2010. The S&P CNX Nifty tumbled 216.20 points or 4.11% to 5,036.

**BSE SMALL & MID CAP INDEX**

The BSE Mid-Cap index slumped 266.75 points or 3.78% to 6,783.66 in the week. The BSE Small-Cap index dipped 309.29 points or 3.45% to 8,661.17. Both the indices outperformed Sensex.

**INFLATION NO'S.**

The annual wholesale inflation rose to 7.31% in December 2009, compared with 4.78% in November and 6.15% a year ago.

The food price index rose 16.81% in the 12 months to 9 January 2010, while the fuel index was up 6.34%, the government said on Thursday. The rise in food price index was lower than an annual rise of 17.28% in the previous week. Union food and agriculture minister Sharad Pawar on Wednesday suggested that the prices of milk and related products were set to rise because of the demand-supply mismatch.

**FOREX**

GBP/\$	1.6229/1.6239	\$/Yen	90.2900/90.3200
EUR/\$	1.4139/1.4142	\$/INR	46.1200/1400

**WEEK AHEAD: MARKET MAY REMAIN VOLATILE AHEAD OF F&O EXPIRY; RBI'S POLICY REVIEW EYED**

Equities may remain volatile in a truncated week as traders roll positions in the derivative segment from January 2010 series to February 2010 series ahead of the expiry of the near-month January 2010 contracts on Thursday, 28 January 2010. The Reserve Bank of India will hold its quarterly monetary policy review on 29 January 2010 and is widely expected to increase the cash reserve ratio (CRR) requirements for banks. CRR is the level of cash that banks must keep in deposit with the central bank.

A CRR increase would have little impact on market, as investors have mostly factored in at least a 25 basis points increase in banks' reserve requirement and steady interest rates. Increases in both the CRR and interest rates could however weigh on shares of banks as well as sectors such as auto and property on concerns loan demand may slow.