



Source, chart & following table: Bloomberg

	Close 7 May 2010		Pts	% Chg	2009/10	5 Yr	5 Yr	5 Yr
	Index	Day						
SENSEX 30	16,769	-218	-4.0	16.2x	25.0x (1/08)	8.1x (11/08)	18.8x	
NIFTY 50	5,018	-73	-3.6	N/A	N/A	N/A	17.2x	

MARKET COMMENTARY

➤ A favourable tailwind, on hopes of economic recovery in developed economies, helped stock markets globally to rally earlier this year. The Greek debt problem is now being seen as a wider European sovereign debt issue and has turned into a headwind for markets globally with risk aversion and volatility soaring as investors seek refuge. Greece is not a significant trading partner of India but the latter's markets have fallen due to global investor sentiment souring. So, the questions are: what do the economic fundamentals in India look like and how far will the SENSEX fall? Our GDP forecast for the fiscal year to March 2010 is +7.6% and for next year a healthy +8.5%. The economic recovery is firmly in place with the worst sector, exports, showing a clear upward trend now. After falling for 13 consecutive months starting in October 2008, exports have risen for the last 5 consecutive months. Latest data for March 2010 show a 54% leap, the fastest pace in 6 years. Corporate profits have broadly continued to please and the SENSEX trades on a reasonable P/E of 16.2x. **While the index could test 15,500 in the next 4 weeks we view it as a buying opportunity. The India growth story is still intact.**

OTHER NEWS

➤ India's meteorological office has forecast a normal monsoon (ie 98% of long-term average) again this year. The summer south-west monsoon winds (June-September) bring about 80% of the annual rainfall to most parts of India. Only about 40% of agricultural land is irrigated. This makes the monsoon rains critical for farm output and for farmers' incomes as 60% of India's population lives in rural areas. Even in areas of irrigated land, monsoon rains are beneficial as they raise crop yield. Last year's forecast of a normal monsoon proved horribly wrong as the country experienced the worst drought since 1972. Bountiful rains produce good harvests which boost rural income, increase rural consumption and have a multiplier effect in boosting economic growth.

So, apart from affecting GDP, farm output and income what broader impact do India's monsoon rains have?

➤ **1. On Government:** Last year's drought sharply ignited food inflation (some staple foods nearly up 50%) and led to mass protests, supported by opposition parties. Fickle allies, worried

about vote banks, reduced support for the coalition. This has led to weakening the Government's resolve to push through economic reforms; **2. On Monetary policy:** Stubbornly high inflation (due to high food prices) has pushed up interest rates as the RBI shifts its focus, from nurturing growth through low interest rates, to fighting inflation by raising rates; **3. On the energy sector:** Good monsoons aid hydro-electricity and reduces diesel consumption as fewer pumps are required to pump water from wells for irrigation; **4. On global commodity prices:** India ranks among the world's top producers and consumers of sugar, wheat, rice and is the biggest buyer of gold. Poor harvests and low incomes affect world prices as India alters global supply and demand.

YTD performance of selected Asia Pacific/ Western markets:

2010 INDEX PERFORMANCE (source: Bloomberg)	Current Yr P/E Est.	Index at 7.5.10	2010 YTD %Chg
ASIA PACIFIC:			
AUSTRALIA 200 INDEX	14.5	4,481	-8
CHINA SHANGHAI COMP	20.1	2,688	-18
CHINA SHENZHEN COMP	N/A	1,064	-11
HONG KONG HANG SENG	13.1	19,920	-9
INDIA NIFTY 50	N/A	5,018	-4
INDIA SENSEX 30	16.2	16,769	-4
INDONESIA JAKARTA COMP	13.9	2,739	+8
JAPAN NIKKEI 225	20.4	10,365	-2
MALAYSIA K.L. COMP.	15.6	1,333	+5
PAKISTAN KSE 100	8.5	10,331	+10
PHILIPPINES PSEi	12.8	3,142	+3
SINGAPORE STI	14.1	2,821	-3
SRI LANKA ALL SHARE	N/A	4,223	+25
STH. KOREA KOSPI	9.8	1,648	-2
TAIWAN TAIEX	13.9	7,567	-8
VIETNAM STOCK INDEX	N/A	542	+9
WESTERN:			
UK FTSE 100	10.5	5,123	-5
USA D.J. IND	13.0	10,490	+1
USA NASDAQ	18.1	2,299	+1
BRAZIL BOVESPA	12.2	63,307	-8
RUSSIA	N/A	3,032	-3

➤ Most Asian markets give up gains seen earlier this year. Most losers show single digit losses. Current weakness and volatility in stock markets expected to continue for next few weeks.

BOMBAY

INR/US\$ Rs45.50

INR/GB£ Rs66.92

INR/EUR Rs57.98

The SENSEX closed 1.3% lower as nervous investors sold shares. Tata-run Indian Hotels ("Taj" brand) closed higher on a press report that Taj is to expand its global footprint by setting up more luxury hotels in Africa, China and S.E.Asia.

LONDON / NEW YORK

GDRs + ADRs are mixed. HDFC and ICICI Bank show gains in NY. Despite nervous markets, many Indian shares on AIM show double-digit gains YTD.

SELECTED SHARE PRICES

GDR OFFER PRICES (US\$) LONDON – 7 May 2010: 15:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
L&T	\$33.08	-70¢	-1.0%	SBI	\$98.00	-\$2.00	+0.1%
M&M	\$11.99	-15¢	+4.0%	Suzlon Energy	\$5.85	-35¢	-3.4%
Ranbaxy	\$10.17	-19¢	+2.9%	Tata Power	\$28.70	n/c	+1.7%
Rel. Inds	\$44.70	+75¢	-1.7%	Tata Steel	\$12.75	-35¢	+3.8%

Source : Bloomberg

ADR OFFER PRICES (US\$) NEW YORK – 7 May 2010: 15:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
Dr.Reddy	\$25.70	-22¢	-3.1%	Satyam	\$4.94	+1¢	+27.2%
HDFC Bank	\$137.38	+84¢	+12.4%	Sterlite	\$15.35	+1¢	-2.3%
ICICI Bank	\$38.89	+43¢	+0.8%	Tata Com (ex VSNL)	\$11.22	+13¢	-1.2%
Infosys	\$56.86	+1¢	+0.1%	Tata Motor	\$17.97	-16¢	+7.2%
MTNL	\$2.99	-1¢	-1.1%	WIPRO	\$20.53	+2¢	+46.3%

Source : Bloomberg

AIM (LONDON): in GB p unless stated otherwise (indicative only) – 7 May 2010: 15:00 GMT							
Company	Day's Price	Day's Change	YTD Change	Company	Day's Price	Day's Change	YTD Change
DQE	127	-1.50	+26%	KSK	620	n/c	+19%
Dhir India	100	n/c	-5%	Naya Bharat	\$0.40	n/c	-1%
Eredene	19.5	n/c	+15%	Noida Toll	\$3.80	-0.05	-16%
Eros	178	-4	+11%	OPG Power	75	n/c	-18%
Gt Eastern	525	-12.50	+19%	Prometh. (Eleph.Cap)	70	n/c	+17%
Greenko	158	n/c	+34%	Trinity	62.5	-0.50	+13%
HIRCO	135.5	-3	-14%	Unitech	32	+2	+33%
Indian Films	42	n/c	0%	W. Pioneer	27	-0.50	+8%
Ishaan	68	n/c	+28%				

Source : Bloomberg

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