

**INDICES**

	Today	Prev.	Change
BSE	17955	17833.54	121.46
NSE	5393.9	5352.45	41.45
DJIA	10097.90	10198.03	-100.13
NASDAQ	2179.05	2196.45	-17.4
FTSE	5158.58	5132.94	25.64
DAX	6040.27	6065.24	-24.97
CAC	3500.16	3554.48	-54.32

ACTIVITY INDICATORS**Market Breath (BSE)**

Number of Advance	1604
Number of Declines	1310
Unchanged	126
Total Trades	3040

BSE GAINERS (TOP 5)

Company	Today	Prev.	%Change
Uniroyal Inds	9.36	7.8	20
Tasty Bite	298.9	249.1	19.99
Filatex India	53.5	44.6	19.96
Shree Ajit Paper	74.6	62.2	19.94
LGB Forge	3.22	2.69	19.7

BSE LOSERS (TOP 5)

Company	Today	Prev.	%Change
Ultramarine	38.35	43.05	-10.92
Super Crop	11.64	12.94	-10.05
Visagar Poly	141.8	157.5	-9.97
Atharv Enter	10.5	11.66	-9.95
Kreon Financial	11.07	12.29	-9.93

INSTITUTIONAL ACTIVITY (Rs in Crs)

	BUY	SELL	NET
FII's (NET)	2803.6	2127.6	676.44
DII's (NET)	1373.89	1655.81	-281.92

CURRENCIES & BOND MARKET

	Today	Prev.
Rs/ US \$	46.77	46.67
Rs/ Euro	60.43	58.90
Euro/US \$	1.2928	1.2622

COMMODITIES

	Today	Prev.
Nymex Oil (US\$/bbl)	75.88	72.55
Gold (US\$/oz)	1188.9	1202.85

Market News➤ **Sensex, Nifty gain 0.7% this week**

Equity benchmarks gained marginally this week; the 30-share BSE Sensex rose 0.7% to 17955.82, and the 50-share NSE Nifty went up 0.77% to 5393.90. The BSE Realty Index was up 6% and Bank Nifty up 3%. Capital Goods Index rose 2.4% while Oil & Gas Index fell 1%. Among frontliners, Unitech, DLF, TCS and Tata Motors surged 8-9%. Axis Bank, Reliance Capital and IDFC rallied 5.6-7%. However, BPCL, GAIL and M&M slipped 5-7%. Maruti, Infosys and Bharti Airtel declined 3.5% each. Broader indices outperformed the benchmark indices; Nifty Junior was up 1.1%, CNX Midcap Index gained 1% and BSE Small Cap Index was up 2%. In midcap space, Educomp Solution was up 15%. DCB surged 9% and HDIL was up 6%. Hindustan Motors rose 11% and Rallis India shot up 10%. In smallcap space, Landmark Prop ended 70% higher and Onward Tech gained 28%.

➤ **Faltering consumers, weak revenues pound Wall Street**

Dismal consumer sentiment data and weak revenues from GE and two big banks slammed US stocks on Friday, driving down major indexes more than 2%. The slide in the S&P 500 was a decisive break of an 8% rise over the last two weeks as investors lost hope that strong earnings could overcome doubts about the economic outlook. General Electric Co, Bank of America Corp. and Citigroup Inc. joined the list of major companies that beat Wall Street's expectations, but investors unloaded some shares of all three after the companies reported a drop in quarterly revenues. The Dow Jones Industrial Average dropped 261.41 points, or 2.52%, to 10,097.90. The Standard & Poor's 500 Index slid 31.60 points, or 2.88%, to 1,064.88. The NASDAQ Composite Index lost 70.03 points, or 3.11%, to 2,179.05. For the week, the Dow fell 1%, while the S&P 500 dropped 1.2% and the NASDAQ gave up 0.8%.

For the week, the Dow fell 1%, while the S&P 500 dropped 1.2% and the Nasdaq gave up 0.8%. Weak energy costs pushed consumer prices down for a third straight month in June. The Thomson Reuters/University of Michigan survey of consumers showed US consumer sentiment fell far more than expected to 66.5 in a preliminary July reading, down sharply from 76.0, June's final number. Earlier, the US Labor Department reported the US Consumer Price Index dipped 0.1% in June, which was weaker than the forecast for no change. The S&P's consumer discretionary sector was among the biggest losers; the sector's index fell 3.5%.

Economy News**➤ June inflation up at 10.55% versus 10.16% in May**

Inflation figures for the month ended June, 2010 came in at 10.55% as against 10.16% in May, 2010. Meanwhile, the April wholesale price index inflation has been revised to 11.23% versus 9.59% the previous month. Commenting on the high index numbers, Deputy Chairman of the planning commission said he expected the inflation to come down well double digits by year-end. Food price inflation will start easing by December-end.

➤ Food inflation inches up; fuel inflation eases

Primary Articles inflation stood at 16.25% versus 16.08% in the previous week. Inflation in this group stood at 6.38% during the week ended July 4, 2009. The WPI for this group rose by 0.1% to 306.2. Food Articles inflation stood at 12.81% versus 12.63% in the week ended June 26. It was at 11.57% in the corresponding period of last year. The WPI for Food Articles group declined by 0.1% to 295.8. Fuel group inflation stood at 14.27% versus 18.02% in the preceding week. It was at (-)10.05% during the corresponding week of the previous year. The WPI for this major group declined by 0.1% to 386.7. Inflation in the Non-food Articles group came in at 18.85% as against (-)1.78% in the year-ago period. The index for Non-Food Articles group rose by 0.4% to 288.2.

➤ May industrial productivity at 11.5% Vs 16.5% MoM

Industrial productivity has maintained its double-digit run in May. The Index of Industrial Productivity (IIP) for May has come in at 11.5% as compared to 16.5% month-on-month. The April IIP has been revised to 16.5% from the provisional figure of 17.6%. The index had moved up by 2 ticks, indicating a month of sharp growth. Also, the infrastructure and auto numbers which had come earlier had not done too badly. Going forward, it is highly unlikely that the double-digit growth will sustain as the weak base has topped after May 2009. When compared to April, all sectors have seen de-growth. Mining sector growth stood at 8.7% as compared to 11.4% MoM. Similarly, manufacturing, capital goods, basic goods, and consumer durables grew at 12.3% (19.4%), 34.3% (72.8%), 7.9% (8.8%), and 23.7% (37%), respectively. Electricity space was the only positive with growth at 6.4% versus 6% MoM.

➤ Selling pressure mounts in shares of oil marketing companies

There was a huge selling pressure in shares of oil marketing companies due to lack of clarity on the subsidy sharing formula for under-recoveries and on diesel price de-regulation. HPCL and BPCL recorded a fall of 6% each. IOC was down 3.9%. IOC director-finance SV Narasimhan said upstream companies are likely to share one-third of under recoveries and the government is expected to compensate for the balance two-thirds. On the other side, according to Oil Secretary S Sundareshan, the FY11 under recovery projection has come down to Rs 52,000 Crs.

World News**➤ US Industrial Production up just 1%, Manufacturing Activity contracts**

US industrial production recorded a nominal growth of 0.1% in June, marking the twelve straight monthly increase, though the output of the manufacturing sector dropped. The June rise in industrial production an indicator of the output of mines, factories and utilities, followed an increase of 1.3% in the previous month. Manufacturing, the index's largest component, dropped 0.4% in June after three months of gains at or near 1%. The output of mines rose 0.4% and utilities increased 2.7%, as temperatures moved further above seasonal norms. The report also showed that overall industrial capacity utilization—a key measure of slack in the industrial economy remained unchanged 74.1% in June, a rate 5.9% points above the rate from a year earlier but 6.5% points below its average from 1972 to 2009.

➤ Fed cuts US GDP growth forecast

US stock advance faltered on Wednesday after the Federal Reserve's minutes from its June policy meeting showed that central bank officials downgraded their expectations for economic growth, stoking fears about a slowdown in the second half of the year. Fed officials last month discussed contingency plans to further stimulate the world's largest economy if the outlook were to worsen appreciably, the minutes showed. The Fed officials pruned its outlook for US gross domestic product. GDP is now projected to grow between 3.0% and 3.5% this year, down from an earlier forecast of 3.2% to 3.7%. In the first quarter, GDP rose at an annual rate of 2.7%. In addition, the Fed predicts the unemployment rate will range between 9.2% to 9.5% this year, slightly worse than the 9.1% to 9.5% range it forecast in April. Unemployment was 9.5% in June, but has averaged 9.7% over the first half of the year.

Corporate News

- **Godrej may sell Geometric to raise Rs 200-400 Crs**

With an intention of selling its non-core assets, Godrej is learnt to be in exploratory talks to exit Geometric Software by selling the 38.4% stake it holds in the latter. The company is exploring price of Rs 85-100 a share for Geometric. Godrej may raise Rs 200-400 Crs via this exit for which they have most likely invited strategic investors. The proceeds for the same will be deployed across the group companies.
- **Iron ore export duty should be around 20%: Steel Min**

Steel Minister Virbhadr Singh feels the iron ore export duty should be around 20%. India's steel industry has frequently lobbied for a ban on iron ore export or at least for further raising the export duty on it so that more of the commodity is available for local use at low prices. India last raised the export duty on iron ore lumps in April to 15% from 10%. Last December, it slapped a 5% export duty on iron ore fines. On July 14, Steel Secretary Atul Chaturvedi said he does not want a ban but a deterrent on iron ore exports. I would prefer a tax on exports of iron ore. The export tax can be variable depending on prices. About half of India's iron ore output is exported mainly to China that houses the world's largest steel industry. India produced 226 Mn tonne of iron ore in the fiscal year ended March, compared with 215 Mn tonne in the prior year.
- **L&T to raise USD 600Mn via QIP, NCD, FCCBs, warrants**

Larsen & Toubro (L&T) is looking to raise about USD 600 Mn or Rs 2,700 Crs. The engineering behemoth will seek shareholders approval when it holds its annual general meeting on July 26. The company will consider various options of fund raising, which includes placement of shares with institutional investors, foreign currency convertible bonds (FCCB), qualified institutional placement (QIP), non-convertible debenture (NCD), fully convertible debenture (FCD), or warrants. If it chooses the QIP route, the process will be completed within 12 months. The company said it is looking at raising this fund in order to meet their fund requirements to enter infrastructure development projects and also that any equity issuance won't exceed 5% of the current paid-up capital.
- **Pure water biz picks up in India**

The water purification business is undergoing major changes -- not just in terms of technology, but also in terms of pricing and competition. The water purification business is clearly not an illusion. Giants like Hindustan Unilever and the Tata Group have dived in, and are making a veritable splash. They've also changed the game. In the last one year, HUL's Pure It and Tata's Swachh have targeted consumers with their storage water filters, marking a shift from products like Aquaguard, which operated on running water. Eureka Forbes is taking its dipper to the well too. It has recently launched a new version of its storage filter Aquasure, in an effort to scoop up a sizeable share of a market that is growing in double digits. The company plans to sell at least one million pieces this year, and is not worried about competition. Innovation and product differentiation seem to be the key mantras in the business. The Tatas are focusing on low cost, HUL is working hard on its distribution and service, and Eureka Forbes is focusing on technology.
- **BSE, Eurex to launch F&O on BSE Sensex Index**

BSE, the Indian securities market operator and Eurex, the international derivatives exchange, yesterday announced that they will launch futures and options on the BSE Sensex, the blue-chip index of the Bombay Stock Exchange (BSE), on 4 October 2010 at Eurex. The new contracts will be denominated in US dollars and settled in cash. Two market-making schemes will be in effect until the end of December 2011 – one to support liquidity during the overlap of Indian and European trading hours and one for European market hours only.
- **RIL eyeing third shale gas deal in North America**

After closing two deals in quick succession for Shale Gas, Reliance Industries (RIL) is in talks for another asset in North America. If concluded, this deal will be bigger than the previous two that RIL closed with Atlas Energy and Pioneer Resources. Reliance had picked up 40% in Atlas Energy's shale asset for USD 1.7 Bn and acquired 45% in Pioneer's Eagleford asset for USD 1.3 Bn. RIL is negotiating for 50% or more stake in this shale asset and talks between the company and the seller is going on for 3 to 4 weeks. In contrast to its previous buys, this acquisition is negotiation-based and not bid-based.

Our views on Indian Equity Markets

We expect the market to continue its upward movement in the next week. Investors can expect 18250 indices in this week. First Quarter results of Corporate India which have been announced till date are on expected line and we expect majority of Large Cap companies to come out with decent First Quarter numbers. Hence, First Quarter results will decide the market direction.

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