

**INDICES**

|               | Today    | Prev.    | Change  |
|---------------|----------|----------|---------|
| <b>BSE</b>    | 17460.95 | 17574.53 | -113.58 |
| <b>NSE</b>    | 5237.10  | 5269.05  | -31.95  |
| <b>DJIA</b>   | 9686.48  | 10143.81 | -457.33 |
| <b>NASDAQ</b> | 2091.79  | 2223.48  | -131.69 |
| <b>FTSE</b>   | 4838.09  | 5046.47  | -208.38 |
| <b>DAX</b>    | 5834.15  | 6070.60  | -236.45 |
| <b>CAC</b>    | 3348.37  | 3519.73  | -171.36 |

**ACTIVITY INDICATORS****Market Breath (BSE)**

|                     |             |
|---------------------|-------------|
| Number of Advance   | 1445        |
| Number of Declines  | 1430        |
| Unchanged           | 126         |
| <b>Total Trades</b> | <b>3001</b> |

**BSE GAINERS (TOP 5)**

| Company       | Today | Prev. | %Change |
|---------------|-------|-------|---------|
| Ginni Flments | 13.76 | 11.47 | 19.97   |
| Bst Estrn Hot | 129.2 | 107.7 | 19.96   |
| Bright Bros   | 73.05 | 60.9  | 19.95   |
| Futura Poly   | 9.92  | 8.27  | 19.95   |
| Eastern Gas   | 38.2  | 31.85 | 19.94   |

**BSE LOSERS (TOP 5)**

| Company      | Today | Prev. | %Change |
|--------------|-------|-------|---------|
| Saamy Bio    | 12    | 13.33 | -9.98   |
| Dynamic Inds | 18.6  | 20.65 | -9.93   |
| Hind Adhsv   | 23.8  | 26.4  | -9.85   |
| IAG Co       | 23.95 | 26.55 | -9.79   |
| Ventura Tex  | 11.95 | 13.15 | -9.13   |

**INSTITUTIONAL ACTIVITY (Rs in Crs)**

|                    | BUY      | SELL    | NET     |
|--------------------|----------|---------|---------|
| <b>FII's (NET)</b> | 10649.75 | 9994.07 | 655.68  |
| <b>DII's (NET)</b> | 6160.5   | 6501.64 | -341.14 |

**CURRENCIES & BOND MARKET**

|            | Today  | Prev.  |
|------------|--------|--------|
| Rs/ US \$  | 46.76  | 46.27  |
| Rs/ Euro   | 58.59  | 56.99  |
| Euro/US \$ | 1.2591 | 1.2300 |

**COMMODITIES**

|                      | Today   | Prev.   |
|----------------------|---------|---------|
| Nymex Oil (US\$/bbl) | 72.55   | 77.16   |
| Gold (US\$/oz)       | 1202.85 | 1253.45 |

**Market News**➤ **Nifty closes range bound session on weak note**

The benchmark Nifty closed marginally lower, after witnessing a range bound trade for the whole day. It was ranged at 5230-5270 and closed below 5250 level. On the one side, telecom, cement, realty and capital goods companies' shares along with Reliance Industries, Infosys, M&M, Kotak Mahindra Bank and Reliance Infrastructure dragged equity benchmarks marginally. However, auto, power, select metal and financial companies' shares witnessed buying interest along with ONGC, Wipro, TCS and BPCL.

The 30-share BSE Sensex closed at 17,460.95, down 48.38 points or 0.28% and the 50-share NSE Nifty fell 14.30 points or 0.27% to settle at 5,237.10. Even the broader indices were quiet in trade. However, the Nifty July futures ended at 6 points premium, as per provisional data. Wipro and TCS were the leading gainers on Nifty; were up 2.8% & 1.6%, respectively. However, Infosys fell 1.4% and HCL Tech lost 2.9%. NTPC and Suzlon Energy from power pack gained 1-2%. Reliance Power rallied 3.4% while Reliance Infrastructure slipped 1%. ONGC from oil & gas space went up 0.3% and BPCL was up 1% while GAIL and Reliance Industries lost 0.7-1%.

➤ **Rupee at 3-week low; post rate-hike bounce seen**

The rupee fell to its lowest in three weeks on Friday, weighed by weak stocks and US jobs data, but traders expect the local unit to bounce back on Monday following the central bank rate hike move. After market hours, the Reserve Bank raised its short-term lending and borrowing rates by 25 basis points to contain inflationary pressures in Asia's third-largest economy. The partially convertible rupee ended at 46.77/78, off a trough of 46.80, its weakest since June 11 and 0.40% weaker than its 46.58/59 close on Thursday. The rupee was down more than 1% over the week.

➤ **Wall St falls on jobs data, worst week in 2 months**

Stocks fell on Friday to close out their worst week in two months as disappointing jobs data joined other recent evidence pointing to a tepid economic recovery. Adding to stocks' weaker tone was a technical move that indicated more selling pressure may be ahead. The S&P 500's 50-day moving average broke below its 200-day moving average, a break known as the "death cross." Non-farm payrolls fell in June for the first time this year, adding to a slew of economic reports signaling the US recovery is slowing. The people that are bidding down this market are looking at the many economic statistics we've had throughout this month of June, which were disappointing to slightly disappointing. For the week, the Dow fell 4.5%, the S&P lost 5% and the Nasdaq shed 5.9%. According to technical analysts, a "death cross" occurs when a shorter-term average falls below a longer-term average. The phenomenon last occurred between the 50- and 200-day moving averages in December 2007, soon after the market began a decline that eventually took the S&P 500 to 12-year lows.

**Economy News****➤ RBI ups repo, reverse repo by 25 bps**

In an unexpected move, the Reserve Bank of India (RBI), on Friday, raised the repo and reverse repo rates by 25 basis points each. This means that the repo rate, which is the bank's main lending rate, has been hiked from 5.25% to 5.50% and the reverse repo rate, which is the key borrowing rate, has been increased from 3.75% to 4% with immediate effect. The additional liquidity support to scheduled commercial banks under the LAF to the extent of up to 0.5% of their net demand and time liabilities (NDTL) currently set to expire on July 2, 2010 is now extended up to July 16, 2010.

**➤ India's tea exports rise over 14.5% in May**

India's tea exports rose by more than 14.5% to 11.20 Mn Kgs in May, while production also rose by 1.7% to 72.63 Mn Kgs, data from the Tea Board showed on Friday. India exports CTC (crush-tear-curl), a variety of tea mainly to Egypt, Pakistan and the UK, and the premium orthodox variety of tea to Iraq, Iran and Russia. India is the largest exporter of tea followed by Kenya. India's January to May tea exports rose to 71.18 Mn Kgs from 59.60 Mn Kgs a year earlier. Production also rose to 234.93 Mn Kgs from 215.85 Mn.

**➤ A glance at base rate of all the banks**

Ahead of the Reserve Bank of India's (RBI) review of monetary policy on 27 July, most of the banks have announced their base rates. RBI had directed all the banks to switch over to the base rate system from the existing Benchmark Prime Lending Rates (BPLR) system with effective from 1 July. All new loans sanctioned after 1st July and those falling due for renewal from July 1, (except exempt categories as per RBI Guidelines will now be priced with linkage to base rate):

| <b>Banks</b>         | <b>Base Rate (PA)</b> |
|----------------------|-----------------------|
| State Bank of India  | 7.50%                 |
| Punjab National Bank | 8%                    |
| Bank of Baroda       | 8%                    |
| ICICI Bank           | 7.50%                 |
| HDFC Bank            | 7.25%                 |
| Canara Bank          | 8%                    |

**World News****➤ U.S. payrolls contract by 125,000; Unemployment rate drops to 9.5%**

Total job growth dropped in June for the first time this year due as a quarter Mn temporary census workers were laid off. The unemployment rate dropped to 9.5% in June from 9.7% in the previous month. This is the lowest level since July 2009. There was a sharp 652,000 decline in the labor force in June. Average hourly earnings were flat in June. Earnings are up 1.7% in the past year. The average workweek was 34.1 hours.

**➤ ECB lends banks less than estimated in sign of health**

The European Central Bank said it will lend banks Euro 131.9 Bn (USD 161.5 Bn) for three months, less than economists forecast and a sign that the region's financial industry may be stronger than investors estimated. Banks today need to repay Euro 442 Bn in 12-month funds, the biggest amount ever awarded by the ECB and a key plank in its efforts to fight the financial crisis last year. Demand for the three-month cash, yesterday was a litmus test for the health of Europe's banking system.

The Frankfurt-based ECB still lends banks as much cash as they want at its benchmark rate of 1 percent for periods of up to six months. It said 171 banks asked for the three-month funds yesterday. Banks can currently borrow three-month money from each other in the market at about 0.76 percent. Eliminating the 12-month facility was part of the ECB's long-term exit strategy and the bank has taken "every precaution" to avoid a liquidity squeeze. The difference between the three-month dollar London interbank offered rate and the overnight indexed swap rate, a gauge of banks' reluctance to lend, climbed to 0.338 % point on June 25, the widest spread in a year. It was at 0.328 % point.

**➤ G20 leaders pledge to cut deficits, stabilize world economy**

G20 leaders endorsed targets to cut deficits and agreed to pursue higher capital requirements for banks once their economic recoveries take root. Advanced economies will aim to at least halve deficits by 2013 and stabilize their debt-to-output ratios by 2016. The leaders stressed on the need for nations with excessive debt to act sooner. However, the implementation of the plan has been left up to individual nations. Japan has been exempted from the deficit cut plan due to special circumstances.

**Corporate News**➤ **RNRL to consider merger with R-Power**

The board of Reliance Natural Resources Ltd (RNRL) and Reliance Power Ltd (R-Power) informed the stock exchanges that they would meet on Sunday to discuss a merger. The proposed merger is a fallout of the Supreme Court judgment of 7 May that said that natural gas was a national asset. RNRL had little choice but to merge with its sister company since the government has made it clear that an entity receiving gas should have a power plant, which RNRL doesn't. R-Power had raised at least Rs11,000 Crs in an initial public offering in 2008 to raise funds for its proposed gas-based power plant at Dadri in Uttar Pradesh.

➤ **Bharti to invest \$100m in Niger by 2012**

India's Bharti Airtel Ltd will invest about USD 100 Mn in Niger to improve the reach and quality of its network in the West African nation by the end of 2012. The company, which is facing tough competition in a crowded home market, is betting on opportunities in Africa where mobile phone penetration is 32%, less than India's 50%, and there are fewer competitors. The acquisition gives Bharti 42 Mn customers in Africa and USD 3.6 Bn in annual revenue, but there are financial and management challenges as it deals with 15 governments and people speaking more than 1,000 languages.

➤ **Power Grid to dilute 20% via follow-on public offer**

State-run Power Grid Corporation of India will launch its follow-on public offer soon and will dilute 20% through this offer. The company's board of directors have approved the follow-on public offer (FPO) of 20% of existing paid-up share capital comprising of 10% fresh issue of existing paid up share capital and 10% offer for sale (disinvestment) of existing paid up share capital by Government of India subject to approval of the Cabinet Committee on Economic Affairs (CCEA), as per notice available on the BSE website.

Power Grid plans to invest Rs 58,000 Crs to build nine high capacity corridors. Power Grid expects funding for this project from the World Bank and the Asian Development Bank and accruals from its follow on public offer. These transmission corridors will link the North-East with six other states namely; Orissa, Jharkhand, Chattisgarh Sikkim, Tamil Nadu and Andhra Pradesh. This project will be spread over a period of five years.

➤ **Fortis offers to buy Parkway shares for SD 3.80 each, topping Khazanah bid**

Fortis Healthcare Ltd., India's second-biggest hospital operator, offered about SD3.2 Bn (USD 2.3 Bn) for the rest of Singapore's Parkway Holdings Ltd., topping a partial bid by Malaysia's sovereign wealth fund. Fortis said it will pay SD 3.80/share in cash for the 74.73% it doesn't already own in Parkway, Asia's largest hospital operator. That's 0.5 percent more than the SD 3.78/share bid by Khazanah National Bhd., which sought to more than double its stake to 51.5%. Parkway shares closed at SD 3.57 on Wednesday and were halted from trading yesterday.

➤ **RBI to issue new banking licences post September**

Rabo Bank and Goldman Sachs will have to wait a bit longer to start their banking operations in India as the Reserve Bank of India is expected to issue new banking licences only after it comes out with a discussion paper on the issue in September. The RBI will review presence of foreign banks to operate in India as a branch or a subsidiary in the said month. The Reserve Bank is in favour of the subsidiarisation model as it feels it will give more regulatory control over foreign banks.

➤ **HSBC buys RBS's India retail, commercial bank operations**

HSBC Holdings said it would buy the Indian retail and commercial banking businesses of Royal Bank of Scotland as the part-nationalized UK bank continues its retreat from overseas markets. HSBC said it would pay a premium of up to USD 95 Mn over the tangible net asset value of the businesses when the deal completes, expected in the first half of next year. The price could be reduced if bad debts in the business increase during the next two years.

RBS, 83% owned by the UK government, has sold a string of small non-core business in recent weeks as it re-focuses on its key strengths. It is reversing a decade-long international expansion drive and has raised over USD 2.5 Bn from exiting or selling over 20 businesses in the last 14 months.

**Our views on Indian Equity Markets**

We expect markets to continue its volatile streak next week also and we advise investors to remain cautious. The support levels of Sensex are at 17200 and 16900 and we advice investors to liquidate their holdings at 17100 levels.

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