

MARKET OUTLOOK



Quarter II 2009



SUNDARAM BNP PARIBAS
MUTUAL
UNEARTHING OPPORTUNITIES

www.sundarambnpparibas.in

SMS SFUND to 56767

Toll Free 1800 425 1000 (India only)



A long road ahead

The questions on the minds of investors are: Do we invest now? Or could things get worse from here? If so, how bad can it get?

The other questions that we need to ask ourselves are: Will developed economies grow, helping other Asian economies recover? Will the recent action by the US Federal Reserve help bring growth on track? We will examine the likely trends relating to such issues and what it means for the outlook for the equity market.

Likely global growth trends: The world economy is expected to contract for the first time in sixty years with developed economies facing the brunt of the downtrend. As per the latest IMF report, the developed economies are expected to contract by 3-3.5%, while developing economies are expected to grow by 1.5-2%.

In FY10, advanced economies may just about grow while developing economies will grow faster to 3.5-4%.

This outlook may be overly pessimistic and we think that growth could surprise positively in the second half of the year on account of several policy initiatives taken across the world which are beginning to take traction.

Fear rules commodity markets: The actual contraction in demand of several commodities has been relatively modest but erosion in prices has been significant. For instance, oil demand is down by about 3%, but erosion in prices has been over 60%. The same trend has been repeated in almost all commodities. This in turn has resulted in a currency crisis for a few of the commodity exporting countries, which has forced them to export commodities cheaper than ever before on account of devaluing currencies. This has already started in steel exports from Russia, which has faced a sharp deterioration in its currency.

There is also a debt crisis brewing in Eastern Europe which has the potential to unsettle European banks resulting in a currency crisis there. Overall, the ripple effect of subprime-originated crisis is being felt across the world result in several mini crises the world over.

Negative feedback loop flowing from commodity downturn: The sudden sharp decline in the prices has resulted in severe destocking creating a further downward spiral. As of now extreme fear rules all commodity markets, as there is no determination on the floor prices. There are, however, signs of an arrest in the downward spiral in commodity prices, giving some legs of stability. This trend has been tenuous and we need to determine if this would last. Incremental demand of commodities is largely from developing economies, and a pickup from these economies will benefit a more stable outlook for commodities, which in turn can set a reinforcing process.

Deterioration of prices in commodities will in turn delay a number of expansion projects and result in capital goods companies further pulling back and resulting in job cuts. The pain in China could be higher as the last leg of economic growth in China was fuelled by growth in demand in China and most of the high cost production is in China.

Hence the make vs. buy decision in China will turn towards BUY. A lot of capacities could therefore theoretically go out of the system further depressing replacement costs and may be available at salvage costs implying that the book value may lose relevance for a period of time, as is now.

Hence, the feedback loop of lower demand, lower prices, shut downs, lower jobs could continue for a period that is longer than is envisaged.

Breaking the logjam: How can we then break this negative feedback loop? The initial feedback of all producers and consumers has been to cut back production and consumption simultaneously, which has resulted in some of the imbalances being ironed out. The hope is that as consumption comes back on stream, production can also do so.

This concerted action by producers is in a way happening for the first time as there is a greater producer discipline today than earlier, but does this not vitiate the survival of the fittest. In our view there will be capacities in the West, which are higher cost and may get shut permanently and result in partial parity.

In the case of oil, we anticipate oil prices to stabilise as production facilities are declining and new output is difficult to come by, and emerging markets improve their standard of living.

Slow recovery process in offing: Although there will be announcements and hope in the market from time to time of an immediate recovery, we think that the recovery process is going to be a slow one. Governments across the world are trying to pump prime the economy by infusing liquidity to create price stability and demand. The fundamental issues are, however, one of deleveraging and reluctance to spend which is a change in behaviour and is likely to be a longer term facet. Hence our view is that credit growth will continue to remain muted from both consumers and corporate, and indeed the only the only borrower would be the government.

This is a long-term burden, as governments would have to repay this debt by taxing more or selling its assets; both are difficult propositions and point to depressed asset markets over the long term as well.

We also think that global consumption of commodities will remain at a lower trajectory for a period of time as US consumption stabilises and China's contracts for the time being before price stability is achieved.

Fundamental trends counter government spend: In order to break this loop, countries have to increase government spending on infrastructure, public works, social services which foster employment and create a sense of job security for consumption to stabilise and increase. To do this government will have to borrow unprecedented amounts, which would imply that governments repay this amount through growth or higher taxes or consume pension funds that people have assiduously saved.



In the Western hemisphere, growth prospects are limited and tax rates are already high. Hence we could see some amount of pension funds being used for this purpose. The unbearable burden of healthcare in these countries will also give way to increased savings. Hence we remain gloomy on consumption resuming any time soon.

Downbeat on China: China has become a large consumer of commodities and is the largest swing factor in determining prices. China has announced ambitious fiscal packages aimed at both consumption and capital expenditure.

Several market observers are positive on China's growth attempts on account of its superior financial health and its ability to implement large infrastructure projects.

We believe that China's economy will slowdown further on account of a global economy slowdown, as China is the largest exporter to the world. There are signs that job losses in China are increasing, and hence we remain less sanguine about China's ability to grow. Should China's stimulus plan fail, then it is the long road ahead for low growth and a downward spiral in prices.

Just on a prayer of hope: In this backdrop, the optimistic note, however, may be the data points in the second half of 2009, which may look more positive. This could infuse hope in the market that the stimulus plan is working and markets may rally a little ahead of that. Sustainability will be the key as what we face is a shrinking world unlikely to get back to the scale of 2003-2006 anytime soon.

Tepid trends in domestic growth: Cutting away from the global stage, we think India's growth will decline for a period of two years or more on account of several inter linkages with the global economy, as also uncertain political situation post elections. What are our main concerns? We are concerned on the rising fiscal deficit on the back of higher subsidies and lower revenue collections as also deteriorating state finance. We expect the combined fiscal deficit to touch 10% or even higher in FY 2010.

Risk is government finances: This will result in government finances deteriorating sharply and more borrowings resulting in higher interest rates for longer than we expect in an environment that required lower rates. Hence, we expect economic recovery to take longer. Government borrowings will continue to surprise negatively people, as the lower revenues and higher expenses continue to bite.

We face risks of higher tax rates, or duties which then could reduce discretionary spend and hence demand. Though these issues are not apparent immediately, we think that the impact of a slowdown will be visible later on account of the higher domestic consumption in our economy and infusion of money to government employees.

Credit growth in India is also expected to decrease significantly on account of lower growth in the economy and money being sucked in by the government. This could again have a downward spiral for growth.

Outlook for equity market: Our outlook on equity market is a little more positive than our outlook on the economy. The primary reason for this mild optimism is that while corporate performance is yet to trough, stock sell off is mainly behind us.

Most leveraged positions have been sold and current valuation reflects a prolonged slowdown, which is perhaps too pessimistic. The main concern is interest rates increasing on account of higher government borrowings and resultant choking of capital for larger infrastructure projects.

Political uncertainty may be ahead: Foreign capital flows will not take large bets when there is political uncertainty and hence there could be a scenario where companies are forced to raise capital - locally initially - increasing the cost of capital. There is a positive that comes out of this likely trend and that is increase in the velocity of money pointing to a possible phased acceleration in economic activity.

We are concerned of fractured political mandate resulting in an economy growing below its potential and also fiscal situation deteriorating further. We are also worried about the social ramifications, should employment not be created adequately, as India has a young population.

Promoters with high leverage: There are a lot of borrowings by companies as well as promoters. Promoters have borrowed heavily against their listed shares to incubate new businesses in the hope of bringing them to market and raise more money. As markets collapsed, promoters will find it difficult to pay back their loans. This could create situations of distressed sales or worse unrelated projects being put into the listed entities.

Investment Strategy: For the equity market, it is valuation. That said, a sharp run up in equities may not sustain and there would be many short rallies which may end to be mirages. In such an environment, it is important to be selective on good quality companies that have strong cash flows and weather the current economic situation and on the other extreme, companies whose valuations have been reduced to distressed status on account of debt. We think that over the medium term, interest rates will head down as risk aversion reduces.

In face of a rising interest rate regime and uncertain earnings and political environment, it is difficult to imagine a sustainable market rally. But, short burst of optimism cannot be ruled out and it would be our endeavour to benefit from them.

Keep it simple: There are many more imponderables than one can ever imagine and this would perhaps be the time to remember simple adages: The past is not the future, and BUY LOW and SELL HIGH. While, we may be all guilty of not having sold at the top and not comprehending risks, we should not miss the opportunity to make money again.



Defiance from bonds

The G-Sec market saw a steep rise in yield of about 100 basis points (a basis point is 0.01 per cent) in March. This is the steepest upward movement in yield in a single month since 2000. We will try to understand the behaviour pattern of the data that guides interest rates, yield and bond prices.

Over the past three months, several central banks have cut the policy rates in an effort to try and salvage a deteriorating economy. The Reserve Bank of India, too, has followed suit in initiating action by cutting the rates aggressively. The turn of events since January has ensured that the market is not too enthused by the rate reduction. Why?

The fiscal deficit for 2008-09 was projected to be 3% at the time of budget presentation in February 2008 and is now is expected to cross the 6%. A combination of lower than expected revenues, higher expenditure due to fiscal stimulus, farm loan waiver and pay commission burden, to name a few, have led to this situation..

Add the oil, fertilizer and food subsidies, the fiscal deficit may well cross 7.6%. If you take into account, deficits of the State Government, the consolidated deficit is likely to exceed 11%. This has led to the Central Government net borrowing going up to Rs.2.24 lakh crore, with the gross borrowing going up to Rs.2.69 lakh crore. This is as compared to the Rs.1 lakh crore and Rs.1.6 lakh crore estimated at the time of the budget.

The incremental issuance of government securities due to higher borrowing requirement started in November. Such a significant supply without a corresponding demand has pushed yields of such securities higher at every auction. This is in spite of the fact that Open Market Operations were conducted by RBI at regular intervals to enable market participants to unwind their securities to create space for the fresh supply.

Parameter	July – December 2008	January – March 2009
Repo rate cut	250 bps	150 bps
Reverse repo rate cut	100 bps	150 bps
CRR rate cut	400 bps	50 bps
10 year G-sec movement	- 343 bps	+175 bps
5 year AAA yield movement	- 210 bps	- 15 bps
1 year Treasury Bill	- 431 bps	+10 bps
WPI Year on Year inflation	12.19 – 5.86 %	5.86 – 0.27 %
CPI Year on Year inflation	7.69 – 9.70 %	> 10 %

bps means basis points; one basis point is 0.01 per cent

Further, when the Government presented an interim Budget for 2009-10 the fiscal deficit estimated was 5.5% of the next year GDP. This resulted in estimated gross borrowing of around Rs.3.6 lakh crore and net borrowing of around Rs.3 lakh crore next year. The market lacks clarity on whether such a huge supply can be absorbed well by matching demand. It is quite obvious that any negative gap in demand is likely to push the yields higher.

A borrowing calendar for the first six months has been announced recently for a total amount of Rs.2.4 lakh crore. This is almost two-third of the total gross borrowing announced. This front loading is partly because of the redemption of dated and MSS securities coming up for redemption in the first three months. The market suspects that RBI is creating space for further issuances, if needed by the government, in the second half.

This can effectively push the fiscal deficit, borrowing programme and issuance of securities for the whole year to much higher level than envisaged. The uncertainty on this front is keeping the market players on tenterhook preventing them from creating any serious demand on the government securities. RBI has announced buyback of securities to the extent of Rs.80, 000 crore through open market operations for the same period in an effort to ease the situation.

Over the past couple of months, we have seen that the present conduct of open market operations through bidding process has not resulted in the keeping yields soft. This can also be attributed to the fact that the commercial banks were using the RBI window to book profits for FY 2009.

Going forward, we do not expect equal amount of selling of securities to the RBI through open market operations. This can push the yield lower and lead to RBI indicating a yield curve which the market will find it difficult to ignore. The quantum of RBI buying of securities through open market operations over the past few weeks almost matched what was issued afresh through auctions. This has resulted in SLR going down, which may result in pent up demand in Government securities from commercial banks.

Over the last few months, the RBI has been racing against time regarding completion of borrowing programme leaving less room for cancellation of auctions. RBI/Government is also looking at the possibility of private placement of central government securities with the RBI to lessen the burden on the market. Last but not the least, with such a huge fiscal deficit looming large, the RBI can justify an increase in SLR of commercial banks, which can create significant incremental demand. We cannot forget that when we had such deficits in the past, the SLR ratio was quite high.



Global economy still in bad shape

Recent economic indicators give no cause for optimism. Although the state of the global economy does not seem to be the key determinant of investment decisions, the current climate certainly has dampened risk appetite. The brutal slowing of global trade and economic activity at the end of 2008 has triggered massive downward revisions of earnings forecasts. After getting off to a difficult start, 2009 will be marked by recession as the global economy contracts.

Although positive GDP growth is forecast in 2010, it is expected to be well below potential and apparently does not account for the full impact of the fiscal stimulus plans. However, statements by the US Federal Reserve and the G10 group of major central banks are gradually showing more optimism. For example, Jean-Claude Trichet, the G10's spokesman, has affirmed that global growth will probably be around zero in 2009 before picking up in 2010.

Investors however still seem unconvinced and are focusing on the bad news, such as the situation in Eastern Europe and fears that some euro-zone countries may have difficulty funding their budget deficits.

Financial system still a concern

The state of the banking system is more than ever the main subject of concern. Many commentators were disappointed by the US Treasury's initial Financial Stability Plan presented on February 10, which they considered a bit vague. Although more information has been provided and the various measures of the Capital Assistance Program explained, there is still scepticism as some fuzzy areas remain. Upon completion of this programme, which requires that banks "stress test" their capital using highly unfavourable economic assumptions, recapitalisation measures will be implemented when deemed necessary.

The amount of time this will require (two months for the stress tests and then up to six months to raise more capital from private investors or the government) is making investors even more nervous, particularly now that leading US banks and insurance companies have had to turn to the government for bailouts. This has raised the spectre of nationalisation, despite solemn statements by supervisory authorities that "banks must remain in private hands".

Sceptical investors and turbulent markets

The US Treasury has taken the bull by the horns and its actions should ensure greater transparency and could therefore restore confidence. From a macroeconomic perspective we feel its approach is appropriate, particularly since it is accompanied by highly accommodative monetary policy, credit lines from the Fed to support the market for securitised instruments (and especially those backed by consumer and car loans), a fiscal stimulus plan and special measures to limit foreclosures.

The scale of these initiatives in the United States is quite impressive and other countries have presented similar projects. However, over the past few weeks equity markets have once again shown that announcing new measures and plans is not always sufficient to convince investors to return to the riskier asset classes.

Markets are therefore likely to remain turbulent for a while, particularly as speculation and rumours about the stress tests intensify. Since this uncertainty and instability is likely to maintain volatility at a high level, we prefer to reduce our exposure to equities for the time being.

A cyclical low or a bottomless pit

Recent economic data provides no new insights, at least as far as the developed economies are concerned. The pick-up in leading indicators is still very weak and purchasing manager indices in the euro zone have even slumped back down.

Although the trend in the United States is somewhat more favourable, particularly in the manufacturing sector, ISM indices are still consistent with recession. In Japan, GDP continues to drop sharply as exports plunge. Many countries have now released their national accounts figures for Q4 2008. In the OECD area GDP fell by 1.5% in the fourth quarter, for the sharpest contraction since records began in 1960. In the United States, where figures go back to 1947, there have been only four quarterly contractions sharper than that seen in Q4 2008, when output fell 1.6% q/q, for an annualised rate of 6.2%.



Not easy to be optimistic

Growth forecasts for 2009 have once again been revised downward (see chart) albeit at a slower pace than from September 2008 to January 2009, when the US growth forecast plunged from 1.4% to -1.8%. The forecast for 2010 is now also lower than in January, except for Canada where there has been less deterioration of financing conditions.

Forecasters are clearly still somewhat sceptical as to the effectiveness of the aggressive economic policy measures announced by government officials. The Federal Reserve however raised its growth projections for 2010 and 2011 when it released its latest quarterly forecasts, pointing out that they included the impact of fiscal stimulus measures and its highly accommodative monetary policy. If private sector economists also raised their forecasts over the coming months this would send a strong signal to investors.

If most come to believe that growth hit bottom in Q4 2008 and Q1 2009 we could see confidence returning to markets, including equities. However, economic data could still be quite "volatile" over the next few months and delay a consensus.

What about inflation

Our baseline scenario sees economic activity stabilizing in the second half of the year. We do not expect either a depression or a deflationary

spiral, although the fall in price indices from their peak of last summer does give rise to legitimate concerns.

These falling prices, which brought inflation in the OECD area from a peak of almost 5% to 1.3% in January 2009, can mainly be attributed to the 72% plunge in the dollar price of crude oil since July. In the United States, where there is a long-term 93% correlation between headline inflation and energy prices, inflation fell to 0% in January, its lowest level since 1955. OECD area inflation (y/y in %) Source: OECD

This situation is worrying central bankers, who have learned from Japan's experience that deflation must be avoided. Although a temporary year-on-year decline in prices cannot be considered real deflation, it may become so if it triggers a substantial change in the behaviour of economic agents. This is also something that Ben Bernanke and other central bankers are working hard to prevent, by maintaining the credibility of their medium-term inflation target.

The BoE was the first to openly discuss the prospect of deflation, the Fed is focusing on controlling inflation expectations in the current environment and the BoJ is once again on the front lines. Although the ECB feels that "expectations are well anchored" some of its officials have pronounced the "D" word. In addition to the extensive quantitative easing they are now providing, central bankers must also reassure.

View of BNP Paribas Asset Management

Mutual Fund Investments are subject to market risks. Please read the offer document carefully before investing.

General Disclaimer: This document is issued by Sundaram BNP Paribas Asset Management, an investment manager registered with the Securities and Exchange Board of India in India. This document is produced for information purposes only. It does not constitute a prospectus or offer document or an offer or solicitation to buy any securities or other investment. Information and opinion contained in this document are published for the assistance of the recipient only; they are not to be relied upon as authoritative or taken as a substitution for exercise of judgment by any recipient. They are subject to change without any notice and not intended to provide the sole basis of any evaluation of the instrument discussed or offer to buy. It is neither a solicitation to sell nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or be taken as investment advice. The information and opinions contained in this communication have been obtained from sources that Sundaram BNP Paribas Asset Management believes to be reliable; no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. Sundaram BNP Paribas Asset Management neither guarantees its accuracy and/or completeness nor does it guarantee to update the information from time to time. This communication is for private circulation only and for the exclusive and confidential use of the intended recipient(s) only. Any other distribution, use or reproduction of this communication in its entirety or any part thereof is unauthorized and strictly prohibited. By accepting this document you agree to be bound by the foregoing limitations. This communication is for general information only without regard to specific objectives, financial situations and needs of any particular person who may receive it and Sundaram BNP Paribas Asset Management is not soliciting any action based on this document. Sundaram BNP Paribas Asset Management in the discharge of its functions, may use any of the data presented in this document for its decision-making purpose and is not bound to disclose the same. Copies of the offer document and application form with key information memorandum may be obtained from the offices of Sundaram BNP Paribas Mutual offices and its authorized distributors or downloaded from www.sundarambnpparibas.in. For scheme specific risk factors, asset allocation, load structure, fund facts and taxation aspects please refer offer documents available online and at branches/Investor Service Centres, **Global Cues Disclaimer:** This is issued by BNP Paribas Asset Management (BNPP AM), an investment manager registered with the "Autorité des Marchés Financiers" in France. This document is produced for information only and does not constitute, and is not part of, an offer or solicitation to buy or to sell any securities. The information and opinions contained in this document have been obtained from, amongst other things, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. Opinions included herein constitute the judgement of BNP PAM at the time specified and may be subject to change without notice, they are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient and are not intended to provide the sole basis of evaluation of any strategy or instrument discussed herein. Any reference to past performance of any market or instrument should not be taken as an indication of future performance. No BNP Paribas Group company accepts any liability whatsoever for any loss arising, whether direct or indirect, from the use of any part of such information. Any BNP Paribas Group company may, to the extent permitted by law, have acted upon or used the information contained herein, or in the research or analysis on which it was based, before its publication. This document is for the use of the intended recipients only and may not be delivered or transmitted to any other person without the prior written consent of BNP PAM. Furthermore, any translation, adaptation or total or partial reproduction of this document, by any process whatsoever, in any country whatsoever, is prohibited unless BNP PAM has given its prior written consent. **Statutory details:** Sundaram BNP Paribas Mutual Fund has been set up as a trust under the Indian Trusts Act, 1882 **Sponsors:** Sundaram Finance Limited & BNP Paribas Asset Management. **Investment Manager:** Sundaram BNP Paribas Asset Management Company Limited. **Trustee:** Sundaram BNP Paribas Trustee Company Limited. The sponsors are not responsible or liable for any loss beyond the contribution of Rs.1 lakh to set up the Mutual Fund.

Performance tracker

Index	12-M trailing	Year-To-Date		One Month		Three Months		Six Months		One Year		Three Years		Five Years	
	P/E	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Cap-Curve Indices															
BSE Sensitive Index (Sensex)	10.2	0.6	9	9.2	9	0.6	9	-24.5	9	-37.9	9	-13.9	5	73.7	5
S & P CNX Nifty	10.5	2.1	6	9.3	7	2.1	6	-23.0	7	-36.2	7	-11.2	4	70.5	6
Nifty Junior	9.1	-4.8	16	8.9	14	-4.8	16	-28.2	15	-45.6	17	-32.4	16	27.8	18
Nifty 100	10.3	1.2	7	9.3	8	1.2	7	-23.7	8	-37.6	8	-14.6	7	0.0	0
CNX Mid-Cap	7.4	-8.8	19	7.3	16	-8.8	19	-30.3	16	-45.4	16	-28.8	15	57.4	10
BSE Mid-Cap	6.7	-8.6	18	7.2	17	-8.6	18	-38.4	19	-54.0	19	-44.7	20	41.9	14
BSE Small-Cap	4.8	-11.9	20	4.5	22	-11.9	20	-41.8	21	-58.6	21	-50.7	22	76.0	4
BSE 100	10.2	-0.9	11	9.4	6	-0.9	11	-26.1	11	-40.0	10	-16.3	9	66.6	7
BSE 200	9.7	-1.4	13	9.1	10	-1.4	13	-26.7	13	-41.0	12	-19.3	10	55.5	12
BSE 500	9.3	-2.0	14	9.0	12	-2.0	14	-28.1	14	-42.8	15	-22.0	13	57.0	11
S & P CNX 500	9.6	0.0	10	8.6	15	0.0	10	-25.0	10	-40.0	11	-21.1	12	57.5	9

Sector Indices

BSE Auto	8.5	25.2	1	14.1	3	25.2	1	-16.7	3	-32.3	5	-42.5	18	23.8	20
BSE Banks	8.3	-17.7	22	5.9	18	-17.7	22	-30.7	17	-41.8	13	-14.7	8	50.1	13
BSE Capital Goods	15.7	-6.4	17	9.6	5	-6.4	17	-38.9	20	-53.8	18	-20.9	11	183.3	1
BSE Consumer Durables	5.2	-15.1	21	5.4	20	-15.1	21	-44.5	22	-58.1	20	-49.4	21	64.0	8
BSE FMCG	19.1	2.5	5	-0.3	23	2.5	5	-5.8	1	-11.1	1	-7.9	3	115.7	3
BSE Healthcare	13.4	-4.6	15	9.0	13	-4.6	15	-22.9	6	-26.5	2	-26.6	14	24.8	19
BSE IT	11.5	2.6	4	9.0	11	2.6	4	-26.2	12	-35.6	6	-43.3	19	34.9	16
BSE Metal	3.3	11.1	3	23.5	1	11.1	3	-35.6	18	-58.7	22	-34.7	17	35.1	15
BSE Oil & Gas	10.7	16.6	2	16.3	2	16.6	2	-22.0	5	-29.6	4	43.4	1	120.4	2
BSE Public Sector	38.3	-0.9	12	4.9	21	-0.9	12	-16.3	2	-29.6	3	-14.5	6	33.1	17
BSE Power	19.3	1.0	8	5.4	19	1.0	8	-18.3	4	-42.1	14	-7.0	2	0.0	0
BSE Realty	3.4	-31.4	23	10.4	4	-31.4	23	-55.5	23	-79.3	23	0.0	0	0.0	0

Top Performer	BSE Auto	BSE Metal	BSE Auto	BSE FMCG	BSE FMCG	BSE Oil & Gas	BSE Capital Goods
Worst Performer	BSE Realty	BSE FMCG	BSE Realty	BSE Realty	BSE Realty	BSE Small-Cap	BSE Auto

Source: Bloomberg; P/E: Price-to-Earnings ratio; P/B: Price-to-Book ratio; 12-M: 12 Months; Returns is in percentage for each period and not on an annualised basis; MSCI India Index is in rupee terms.

Performance tracker

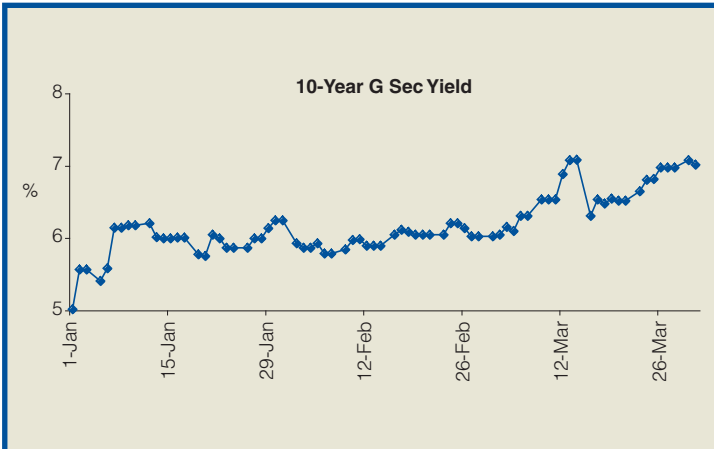
Index	Year-To-Date		One Month		Three Months		Six Months		One Year		Three Years		Five Years	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
S&P 500	-11.7	21	8.5	13	-11.7	21	-31.6	19	-39.7	10	-38.4	19	-29.2	22
Dow Jones	-13.3	23	7.7	14	-13.3	23	-29.9	14	-38.0	9	-31.5	11	-26.5	21
Nasdaq Composite	-3.1	14	10.9	11	-3.1	14	-26.9	8	-32.9	4	-34.7	17	-23.3	18
Nikkei 225	-8.5	18	7.1	16	-8.5	18	-28.0	11	-35.3	6	-52.5		-30.8	24
Dax	-15.1	25	6.3	21	-15.1	25	-29.9	15	-37.5	8	-31.6	13	5.9	12
FTSE 100	-11.5	20	2.5	23	-11.5	20	-19.9	4	-31.1	2	-34.2	16	-10.5	17
S&P GSCI Index Spot	2.7	7	6.6	17	2.7	7	-42.4	23	-46.4	16	-19.0	6	27.1	9
MSCI World	-12.5	22	7.2	15	-12.5	22	-31.9	20	-44.0	13	-39.7	21	-24.0	19
MSCI Europe	-11.2	19	2.0	24	-11.2	19	-31.1	17	-42.3	11	-47.5	23	-26.4	20
MSCI Asia ex-Japan	0.2	10	13.7	7	0.2	10	-21.7	7	-45.5	15	-23.8	7	5.6	13
Crude	14.3	1	6.3	20	14.3	1	-51.0	25	-52.4	21	-26.5	9	47.5	6
Gold	5.1	5	-2.3	25	5.1	5	5.1	1	-0.1	1	57.8	1	116.4	2

Emerging Markets (MSCI Indices)

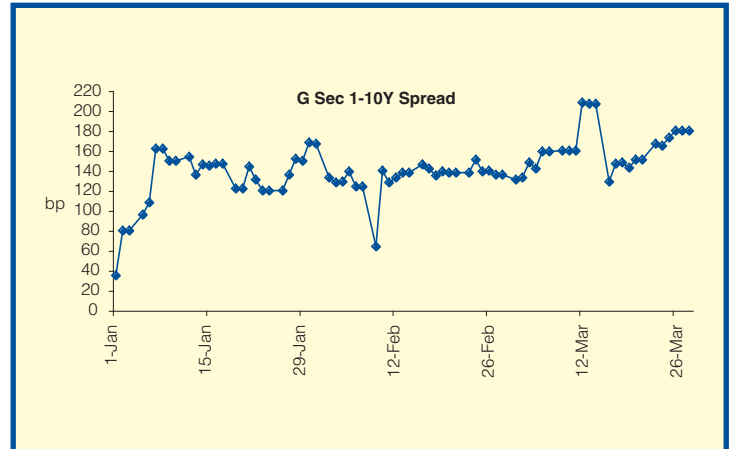
BRIC	4.6	6	13.4	9	4.6	6	-27.4	9	-50.1	20	-18.8	5	53.1	5
Brazil	11.9	2	10.3	12	11.9	2	-30.9	16	-49.7	19	-2.8	3	133.0	1
Russia	5.4	4	20.3	3	5.4	4	-48.7	24	-69.2	25	-59.9	25	-29.9	23
India	-1.6	13	12.1	10	-1.6	13	-31.2	18	-52.9	22	-27.7	10	40.2	7
China	1.3	8	14.1	6	1.3	8	-9.8	2	-36.2	7	16.5	2	68.4	4
Korea	-1.5	12	26.3	1	-1.5	12	-27.6	10	-49.4	18	-39.6	20	-0.3	14
Taiwan	8.3	3	15.8	5	8.3	3	-17.7	3	-47.2	17	-33.6	15	-31.9	25
Singapore	-4.2	15	6.6	18	-4.2	15	-29.7	13	-45.3	14	-31.8	14	-9.0	16
Honk Kong	-0.9	11	3.5	22	-0.9	11	-20.5	5	-42.5	12	-24.1	8	-3.8	15
Indonesia	1.0	9	21.0	2	1.0	9	-33.4	21	-54.2	24	-12.7	4	68.9	3
Mexico	-14.0	24	13.6	8	-14.0	24	-40.0	22	-54.1	23	-31.6	12	28.8	8
South Africa	-5.2	16	16.3	4	-5.2	16	-21.2	6	-32.7	3	-34.8	18	23.7	10
Turkey	-5.7	17	6.4	19	-5.7	17	-28.4	12	-35.0	5	-42.4	22	16.8	11

Top Performer	Crude	Korea	Crude	Gold	Gold	Gold	Brazil
Worst Performer	Germany	Gold	Germany	Crude	Russia	Russia	Taiwan

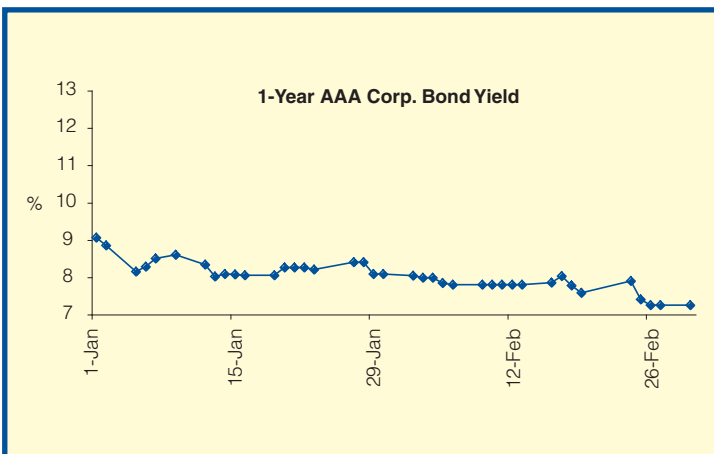
Source: Bloomberg; P/E: Price-to-Earnings ratio; P/B: Price-to-Book ratio; 12-M: 12 Months; Returns is in percentage and in U.S. Dollar terms for each period and not on an annualised basis; MSCI India numbers are in U.S. Dollar terms and so differ from page 4.



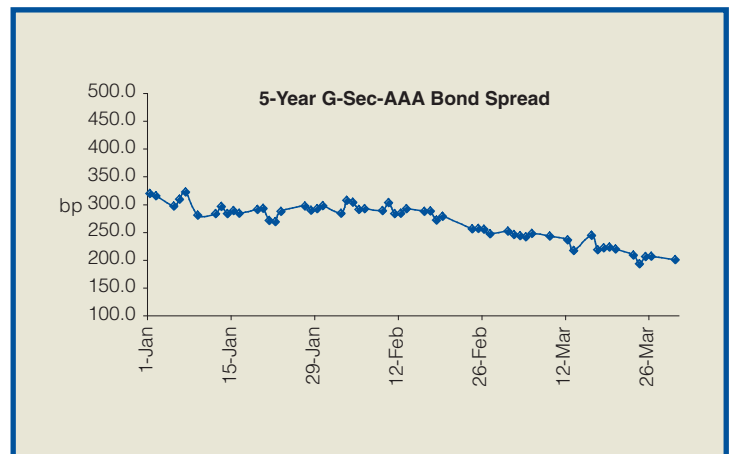
Yields firmed up considerably as markets worried about the weak fiscal position and the consequent heavy borrowing programme of the government in FY10



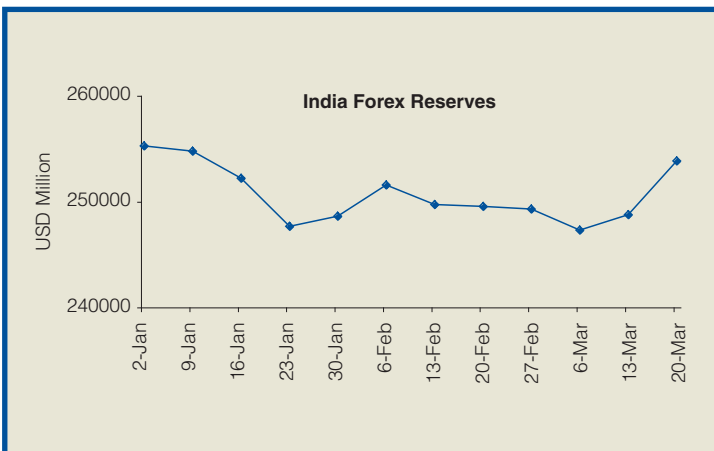
1-10 year spread moved up as easy liquidity kept short end rates low while high fiscal deficit led to firmer yields in the long end.



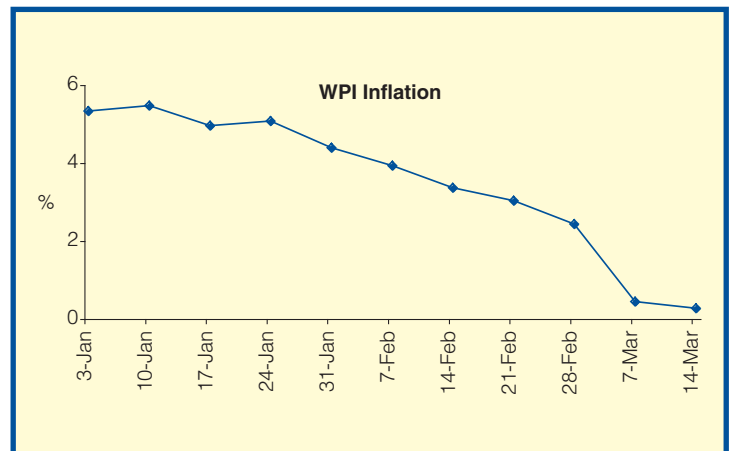
1-year yield continues to head lower albeit slowly as liquidity is comfortable and short-end rates are low



5-year spreads have seen considerable softening compared to Jan levels

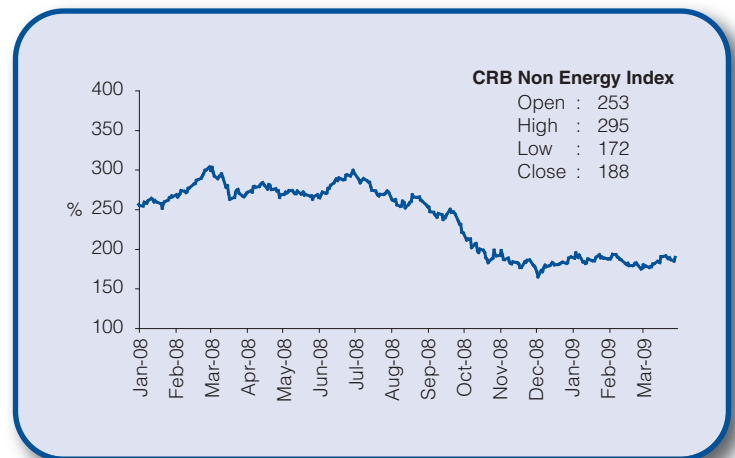
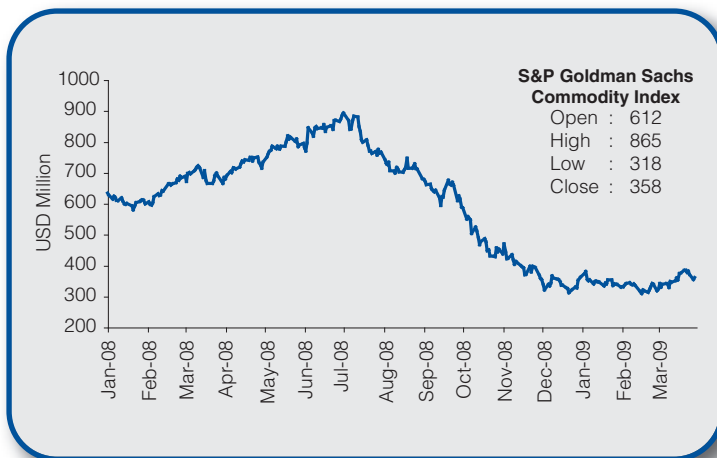
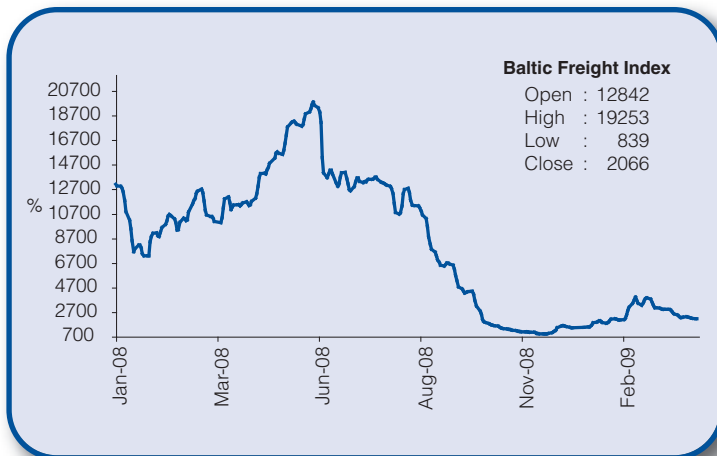
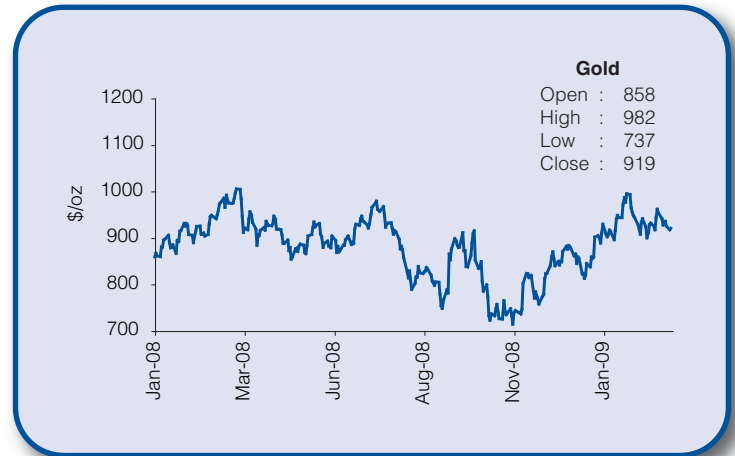
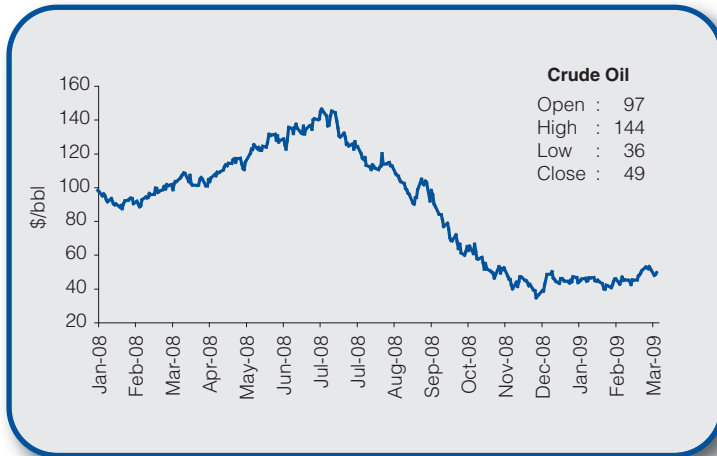


Reserves after being rangebound for the earlier part of the month, ticked up on improved inflows as well as positive revaluation effect due to the slide in the USD



Inflation declined below 1% partly on the favorable base effect and partly on prices continuing to remain subdued

Source: Bloomberg



Source: Bloomberg