



16 May 2009

BSE Sensex 12,173

Sensex (1 year trend)



BSE Sensex Performance (%)	1m	3m	12m
Absolute	11.3	30.8	-12.6

Key Indicators	Sensex	BSE-100
PE	17.9	20.5

Energy and Precious Metal	
Crude Oil Futures (USD/bbl)	53.2

Gold 100 OZ FUTR (USD/t oz.)	
	888.2

Forex and Money Market	
India GSec Yield (10 Year %)	5.9

## India Equity Market Update 2009

### Favorable election outcome may lead to long term bull market in Indian Equities

#### Equities: Upgraded to overweight

After being neutral and underweight for 18 months (since November 2007), the outlook on Indian equities is now overweight. Favorable election results and expectation of stability in center may lead to structural and secular bull market. Against current Sensex level of 12,173, short term upside target is 14,500. In the long run Sensex has potential to move higher.

#### Sectors to lead and lag

Sectors related to domestic growth, reforms and domestic consumer demand may outperform. Infrastructure, Insurance, capital goods, logistics and hospitality may have better prospects. In the long term sectors having structural constraints such as fertilizer and agriculture may do better due to expectation of reforms. Relaxation in foreign direct investment norms may benefit retail, telecom, and education sectors. Defensive sectors such as Pharmaceuticals and sectors related to global demand (metal and IT) may underperform. Despite bullish outlook, bottom up approach would yield better results. It would be important to balance right valuation with growth prospects in stock selection.

#### Technical outlook

Technically, 7,800 may be considered as long term bottom. There was bullish double bottom creation around this level (In October 2008 and in March 2009). In the intermediate term, BSE Sensex may find support near 11,500 (200 EMA). 3 weekly closes on either side of these levels may create one side movement.

#### Long term risks

Longer term risk emerges from high oil prices, adverse geo political situation, high government borrowing and thereby crowding out private investment, and adverse global economic outlook.

## **APPENDIX I**

### **Disclosure Section**

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Neutral (N) – The stock's total return is expected to be in line with the total return of the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Underweight (UW) – The stock's total return is expected to be below the total return of the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Not-Rated (NR) – Currently we do not have adequate conviction about the stock's total return relative to the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Unless otherwise specified, the time frame for price targets included in NextGen India Investments Research is 12 to 24 months.

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