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SECTOR REVIEW

MONTHLY MORNING MEETING MAR 2010. PRESENTED BY iFAST FINANCIAL PTE LTD ©

SOUTH ASIA

INDIA - 3.5 STARS (ATTRACTIVE)

- The Jan 10 Purchasing Managers' Index rose to 57.6 from 55.6 in Dec 09
- Production at factories, utilities and mines increased 16.8% y-o-y in Dec 09, after increasing 11.7% y-o-y in Nov 09
- Dec 09 exports up by 9.3% y-o-y to 14.6 Billion USD as compared to a 18.2% y-o-y rise in Nov 09 exports
- Dec 09 Imports up by 27% y-o-y to 24.8 Billion USD as compared to 2.6% y-o-y drop in Nov 09 Imports
- WPI for the month of Jan 10 is 8.56% and for the month of Dec 09 was 7.31%
- The Union Budget will be presented on 26 Feb 2010.

MARKET OUTLOOK

The Purchasing Managers' Index for January 2010 rose to 57.6 from 55.6 in December 2009, indicating increase in the industrial production in January. The January PMI is the highest PMI for FY 2009-10. The highest PMI for CY 2009 was in May at 55.7 points.

The production at factories, utilities and mines for the month of December 2009 increased to 16.8% on a year-on-year basis, which is 4.4% higher than the Bloomberg estimate of 12.4%. The cumulative industrial growth from April to December 2009-10 is at 8.6%. The manufacturing sector sub index grew the most in December at 18.5% year-on-year, followed by the mining sector sub index, which grew by 9.5% year-on-year and the electricity sector sub index grew the least at 5.5% a year-on-year. The cumulative industrial growth from April to December 2009-10 is at 8.5%, 9.0% and 5.8% for the Mining, Manufacturing and Electricity sub indices respectively.

The WPI for the month of January is 8.6% and for the month of December was 7.3%. The accelerating inflation has already led the Reserve Bank to hike the Cash Reserve Ratio (CRR) by 75 basis points. With further monetary tightening expected, the central bank is expected to raise the policy rates (like the repo and reverse repo rates) over the next 6 months. The primary cause of inflation has been high food prices, albeit food prices are expected to ease in the following months, due to base effect. However there are concerns that inflation may now start to spread to other parts of the economy going forward.

December 2009 imports growth moved into positive territory on account of a low import base in 2008, after being in the red for 11 months. Exports growth turned positive in the month of November 2009, but was negative for 10 consecutive months prior to that.

The Finance minister who will present the budget on 26 February 2010 is expected to outline the steps that will be taken to reduce the deficit and gradually unwind the fiscal stimuli doled out in Q3 and Q4 of FY 2008-09. The fiscal deficit for FY 2009-10 is expected to come in at about 6.5% of GDP. However, the government aims to reduce the fiscal deficit to 5.5% of GDP in the next fiscal (FY2010-2011).

We maintain India market at 3.5 stars – Attractive. As of 25 February 2010, the estimated PE ratio for SENSEX was at 18.6X and 15.1X for fiscal year 2009 (ending March 2010) and 2010 (ending March 2011). Estimated earnings growths for the market are 3.2% and 23.4% for the two respective years.

**RECOMMENDED FUNDS:
LIONGLOBAL INDIA FUND (CPFIS REGISTERED)**