



Source: chart & following table: Bloomberg

Close: 22 Nov 2012	Level	Index Pts Chg- Day	% Chg YTD	PE 2012/13	High	5 Year PE Low	Avg
SENSEX 30	18,517	+ 67	+19.4%	15.4x	25.0x	8.1x	18.4x
NIFTY 50	5,628	+13	+21.4%	14.7x	N/A	N/A	18.0x

### BOMBAY

INR ₹ / USD	\$1=	Rs55.11
INR ₹ / GBP	£1=	Rs87.89
INR ₹ / EUR	€1=	Rs70.93

The SENSEX closed 0.3% higher. A weaker Rupee boosted IT shares like Infosys. There is investor cynicism that more reforms may be pushed through Parliament. The SENSEX is about 11% below its all time high of 21,005 (Nov 2010).

### LONDON / NEW YORK

Most GDRs/ADRs we follow show gains. L&T is + 49% YTD. HDFC Bank is + 53% and ICICI Bank + 45%. IT giants Infosys and WIPRO continue to show double-digit losses.

### ECONOMIC AND POLITICAL NEWS

⇒ **October's WPI, India's main inflation gauge, surprised investors by rising an annual 7.45%, the slowest pace in 8 months.** Expectations were of a rise of 7.95%. So, will this reduced headline number prompt the RBI to cut interest rates on 18 December? Probably not. Inflation is still at elevated levels and way above the RBI's comfort level of 5%. Especially since the inflation figure for August was revised to 8.01% from 7.55% initially reported. What does bring optimism of interest rate cuts soon is that core inflation has fallen to 5.2% and if that dropped to 5% then the RBI would be more encouraged to consider a "token" cut of 0.25% on 18 December.

⇒ **In an attempt to make privatisation of state-run firms easier the Government is to allow state-run Life Insurance Corporation (LIC) to triple the maximum stake it can hold in other companies to 30%.** India plans to raise Rs 300 bn (\$ 5.5bn) in this fiscal year to March 2013 to help reduce the fiscal deficit. International credit agencies S&P and Fitch have put India's investment grade rating on a negative outlook. 1 in 3 negative outlooks result in a downgrade of credit status, normally within 18 months. If the ballooning fiscal deficit is not contained India may face the ignominy of being the first BRIC nation to have its credit rating downgraded to "junk" status. The Government said it wants to start with a 4% stake sale in Hindustan Copper from this Friday. Three more firms are to be privatised in the coming months - miner NMDC, power company NTPC and explorer Oil India.

⇒ **Pressure has grown on the Government to expedite privatisation after no funds have been raised from this route this year and a state auction of second-generation mobile phone licenses this month attracted only about 25% of the targeted sum.** Although the benchmark SENSEX 30 is up 19% this year the recent rally, after "big bang" reforms were announced in September, has fizzled out since October. Investors need more reforms to push the market higher. Thus, market conditions are challenging to raise large sums.

⇒ **Parliament's month-long winter session began today.** Among the reforms to be introduced are bills to increase foreign ownership to 49% in the insurance and pension sectors. Currently only 26% foreign ownership is allowed in insurance and none in the pensions sector. After the recent exit of Congress Party's biggest coalition ally, the Trinamool Congress (W. Bengal) the Government has been reduced to a minority for the first time since coming to power in 2004. Trinamool pulled out as it was opposed to the opening of the retail sector which it felt would badly hit owners of "mom and pop" stores.

⇒ **For now there is little threat to the Government falling.** However, opposition party BJP has been obstructive in the past by paralysing Parliament in the last session and many allies have proved unreliable. This could result in a turbulent passage for more controversial economic bills like insurance and pensions. Uncertainty about success in parliament for these bills becoming law has contributed to the recent stock market rally fizzling out. The economic bills can be passed in Parliament's lower house (Lok Sabha) with the support of the two big regional parties that are not within the coalition, but have pledged support from outside the coalition. However, one of them - the Samajwadi Party (SP) - has previously opposed the insurance and pensions bills. The other party - the Bahujan Samaj Party (BSP) - is being coy about its voting intentions. Even if the two bills are passed in the Lok Sabha the hurdles are not over. The Government is in a minority in the upper house (Rajya Sabha). So, it needs the support of the main opposition party, the BJP, which is unlikely to help. A turbulent passage is expected for the insurance and pension bill and there is no certainty of success in them becoming law at long last.

⇒ **According to the World Gold Council's latest quarterly report to September 2012 India was the world's biggest gold consumer.** Demand rose 9% to 223.1 tonnes, reversing the trend of the previous three quarters hurt by a jewellers' strike, a hike in import duty and a dearth of auspicious wedding days. However, India's consumer demand remains 24% down in the first three quarters of the year and is unlikely to record a net increase in 2012 as a whole. China is second to India as the world's largest gold consumer and recorded a fall of 8% in the latest quarter. The Chinese economy slowed for seventh straight quarter in the July-September period. Overall, gold demand for the full year is unlikely to exceed 2011's 47-year high.



**2012 YEAR-TO-DATE : PERFORMANCE OF ASIA PACIFIC/WESTERN EQUITY MARKETS AND % SHARE OF WORLD MARKET CAPITALISATION**

- The table below shows year-to-date returns in local currency of various Asia Pacific and Western markets;
- Also shown is the market capitalisation in US\$ trillion of various countries as a whole (rather than for each index) and its % share of world market capitalisation;
- India, despite its slowing economy and other woes leads market performance among BRIC countries. The SENSEX is now only 11% below its all-time closing high of 21,005 touched on 5 November 2010;
- Many Asian markets show double digit gains. 3 countries show losses ;
- The world market capitalisation of all bourses is US\$ 49 trillion (trn). The US dominates with \$ 16 trn or 32.5% of world share;
- BRIC countries account for \$ 5.7 trn or 12% of world market capitalisation. China with 5.5% accounts for almost half of the 12%;
- The growth of Hong Kong (aided by large Chinese listings) as a global financial centre is noteworthy. The market capitalisation of this tiny ex-colony of the UK is now almost the same as that of the UK;
- Many markets in Asia are still very small. For example, the combined market capitalisation of Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam is under 2.5% of the world figure.

INDEX PERFORMANCE	YTD 2012 %Chg	Market Capitalisation	% of World Mkt Cap
	In local Currency	in \$ Trillion	
<b>WORLD</b>	<b>N/A</b>	<b>49</b>	<b>100.0%</b>
<b>ASIA PACIFIC</b>			
AUSTRALIA 200 INDEX	+ 8	1.2	2.6%
CHINA SHANGHAI COMP	- 7	2.7	5.5%
CHINA SHENZEN COMP	- 7	-	-
HONG KONG HANG SENG	+17	3.1	6.4%
INDIA NIFTY 50	+21	-	-
INDIA SENSEX 30	+19	1.2	2.4%
INDONESIA JAKARTA COMP	+13	0.4	0.9%
JAPAN NIKKEI 225	+ 9	3.3	6.8%
MALAYSIA K.L. COMP.	- 6	0.40	0.9%
PAKISTAN KSE 100	+43	0.04	0.09%
PHILIPPINES PSEi	+27	0.21	0.44%
SINGAPORE STI	+12	0.50	1.2%
SRI LANKA ALL SHARE	- 12	0.02	0.03%
STH. KOREA KOSPI	+ 3	1.1	2.2%
TAIWAN TAIEX	+ 1	0.75	1.5%
THAILAND SET INDEX	+24	0.35	0.70%
VIETNAM STOCK INDEX	+ 9	0.03	0.07%
<b>WESTERN</b>			
UK FTSE 100	+ 3	3.2	6.5%
US D.J. IND	+ 5	16.0	32.5%
USA NASDAQ	+ 12	-	-
BRAZIL BOVESPA	- 1	1.1	2.2%
RUSSIA MICEX 10	n/c	0.7	1.4%

Source : Bloomberg



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- Of funds to global banks, family offices and private banks
- Of clients to private banks

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