

Market Review

L&T Asset Management Ltd

March 2010



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Macro Economics



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US Economic Growth Modest; Greece Agrees to Cut Spending

- US Fed says
 - Slight improvement in consumer spending unable push growth
 - Severe snowstorms in many parts of US impacts growth
 - Labour markets remains weak across US
 - However, witnesses growth in manufacturing and an increase in demand for services
- European leaders pledge to help Greece cope with debt problems
 - Greece promises to slash spending to pare deficit
- Bank of England cut its forecast for economic growth
 - Says inflation will undershoot its target, suggesting policy makers may need to keep up their USD 314 bn emergency stimulus
- US Fed hikes FED discount rate from 0.5% to 0.75% from Feb 19



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Key Global Economic Data Releases

US

- 4Q GDP revised upwards to 6-year high of 5.9% (annualized)
- Change in non farm payroll claims drop to 20,000 in Jan'10 as against 150,000 last month
- ISM Manufacturing drops to 56.5 for Feb'10 from 58.4 in previous month

Europe

- Industrial production drops 1.7% m-o-m in Dec'09 as against rise of 1.4% a month ago
- PMI Manufacturing for Feb'10 climbs to 54.2 from 54.1 last month
- Unemployment Rate for Jan'10 remains stable over the month to 9.9%

Asia

- Japan's GDP rises at an annual 4.6% pace in Q4
- FDI into China climbs 7.8% to USD 8.1 bn in January 2010 from a year earlier
- Japan registers fastest growth in exports since February 1980 of 40.90% in January



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Union Budget 2010 – Growth & Fiscal Prudence

- Projects FY11 GDP growth at 8.5%
- Fiscal management road map encouraging
 - Contains fiscal deficit at 5.5%; A commitment to bring down fiscal deficit to 4.8% in FY12 and 4.1% in FY13
 - Raises disinvestment target from Rs 25,000 crs to Rs 40,000 crs
 - Sharp cut in net borrowings at Rs 3,45,010 crs from Rs 3,98,411 crs, would leave enough space to meet credit needs of private sector
 - Decline in subsidy burden to help control fiscal deficit
 - Raises excise duty on petrol and diesel
 - Partial roll-back of the fiscal stimulus
 - Hike in MAT to 18% will to have impact on select corporate
- Reductions in individual tax rates to result in higher consumption
- Increasing focus on rural infrastructure to help in inclusive growth of economy
- Articulates clear timelines for the implementation of key reforms like GST and DTC
- Cut in surcharge on domestic companies to aid bottom line



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Key Economic Data Releases

GDP grows at 6% in Q3

- As against 7.9% in Q2

Industrial production

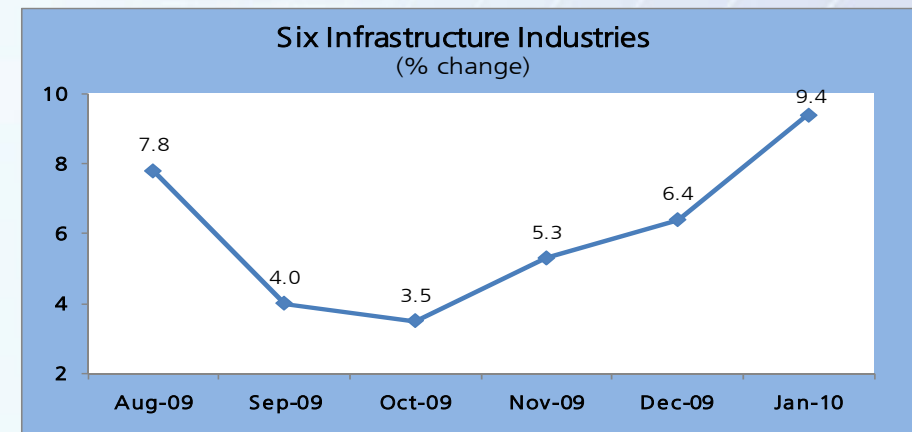
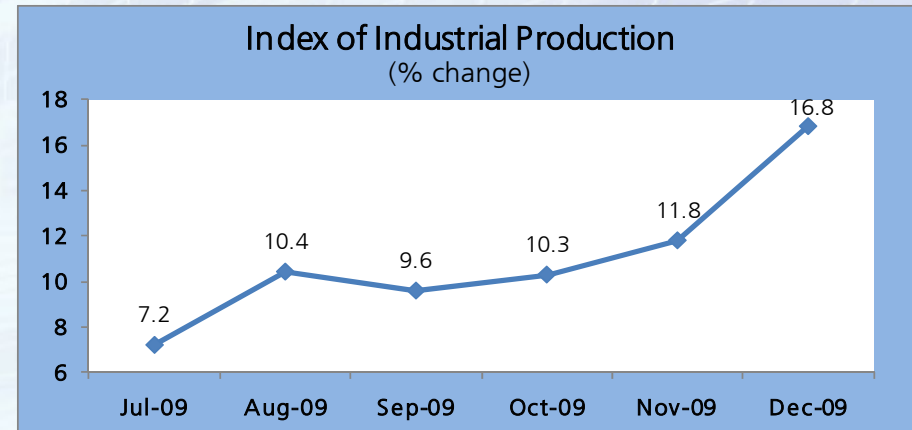
- Grows at fastest y-o-y pace in almost two decades at 16.8% in Dec'09 as against 11.8% a month ago

Core sector growth rises

- 9.4% during Jan'10 compared with 6.4% last month

Exports continue to grow

- Rises 11.5% during Jan'10 to USD 14.34 bn (Rs 65,920 crs)



Source: Mospi



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Continue...

Inflation continues to surge

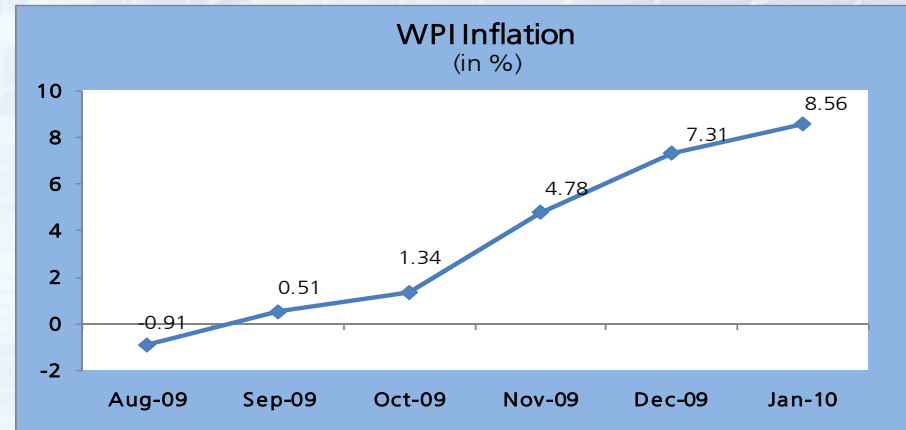
- To 8.56% for Jan'10 against 7.31% for Dec'09

Rupee strengthens

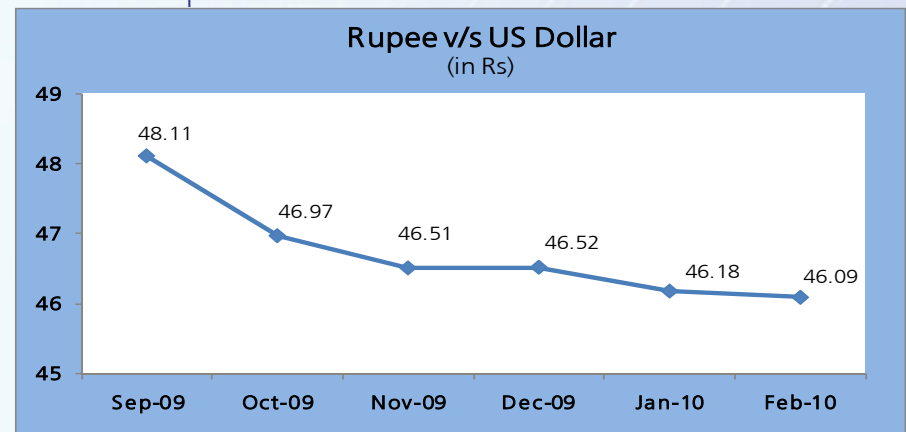
- Against US dollar by 0.20% over the month to Rs 46.09/ dollar
- Forex reserves decline by USD 4.67 bn to USD 278.67 bn as on Feb 19, 2010 from Jan 22, 2010

Bank credit

- Stands at Rs 30,51,676 crs as on Feb 12, 2010, rise of 0.7% over the fortnight and 15.1% growth over the year



Source: Mospi



Source: Bloomberg



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Commodity Prices Gain

Reuters Jefferies CRB Index gains

- 3.5% over the month to 274.77

MCX Comdex rises

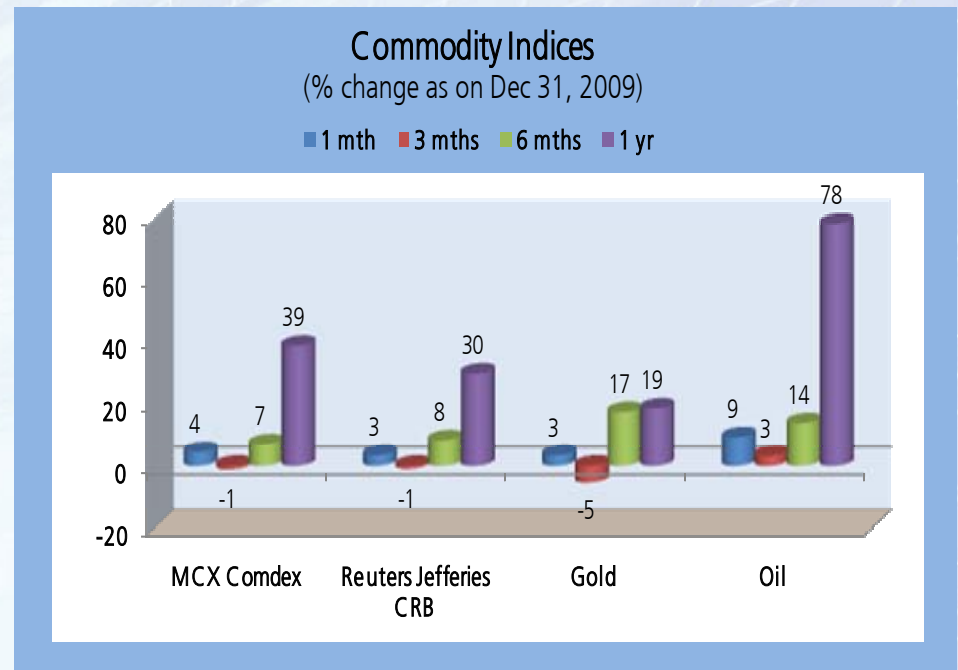
- 4.4% during the month to 2,671.30

Gold prices move up

- 3.4% over the month to USD 1,117.60 an ounce

Oil prices surge

- 9.3% over the month to USD 79.66 a barrel



Thank You!

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