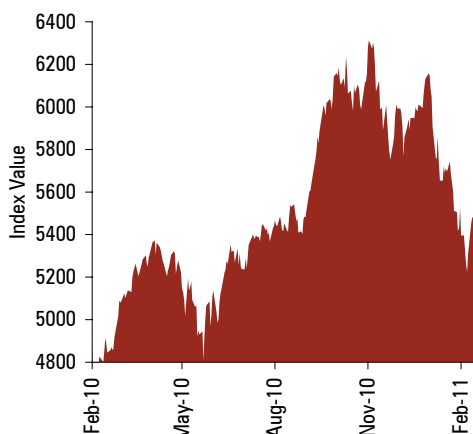
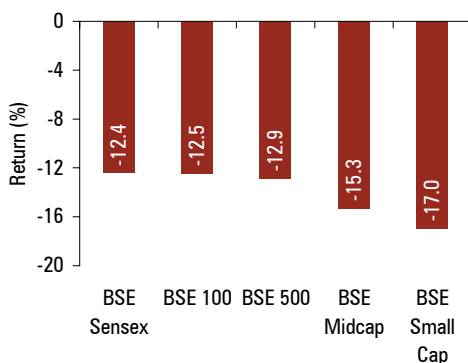


CNX Nifty: The start of the year 2011 providing investment opportunity...



Source: Bloomberg, ICICIdirect.com Research

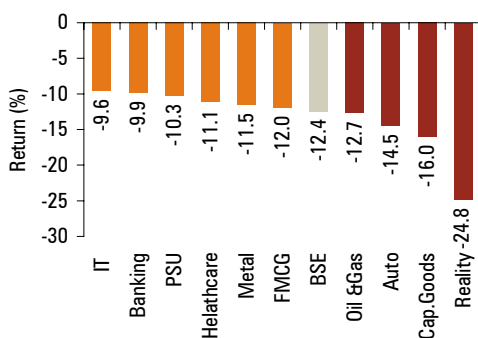
Midcap and small caps were battered heavily...



Source: Bloomberg, ICICIdirect.com Research

One month absolute returns as on Feb 12, 2011

No one of the sectors provided any support



Source: Bloomberg, ICICIdirect.com Research

One month absolute returns as on Feb 12, 2011

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Equity markets

Update

- The Indian markets have corrected more than 12% since the start of 2011 and around 14.50% from the peak in November 2010. The correction has been steep in midcaps, which have witnessed around 25% correction in the last three months
- Foreign fund outflows due to the improving global economic outlook, rising crude oil prices, higher commodity prices, sustained higher inflation and rising interest rate cycle are major areas of concerns, which have dampened investors sentiment for Indian equity markets
- FIIs have sold equities worth ₹ 7600 crore in 2011 till February 15, 2011 while mutual funds have been net buyers to the extent of ₹ 1000 crore during the same period
- Results for Q3FY11 have been in line with expectations and there have not been any major disappointments from a results perspective
- The IT and healthcare sector has managed to curtail losses as a defensive buying approach helped it to outperform while buying interest was seen in banking at lower levels
- The global markets continued to outperform the Indian markets as an improving outlook and relatively better valuations in developed markets continued to lure investor's interest. US and European markets delivered returns in the range of 3-6% in 2011 till February 14, 2011

Outlook

- Indian markets have corrected around 14% from the peak in November 2010. At 18000, the markets are trading at a P/E multiple of 15x FY12E earnings. This may be considered a reasonable level to start accumulating quality large caps and selective midcaps
- The recent market correction has provided investors an opportunity to invest in equity mutual funds. From current levels, every dip should be utilised by investors to invest in equity markets rather than waiting to time for perfection
- The appetite for equity investment from domestic institutional investors at lower levels seems strong as can be seen from their being net buyers in the recent correction
- Higher commodity prices, particularly crude, are a major concern for the Indian economy and equity markets
- India's domestic economy continues to remain on a strong footing with visible growth prospects. The same is expected to drive the equity market over a longer period of time
- Investors should avoid taking high cash calls as fund managers themselves manage the portfolio in accordance with market developments
- Multicap funds with dynamic allocation flexibility among large and midcaps are expected deliver better returns over a period of time