

India Strategy

January 2011

January – Strategy

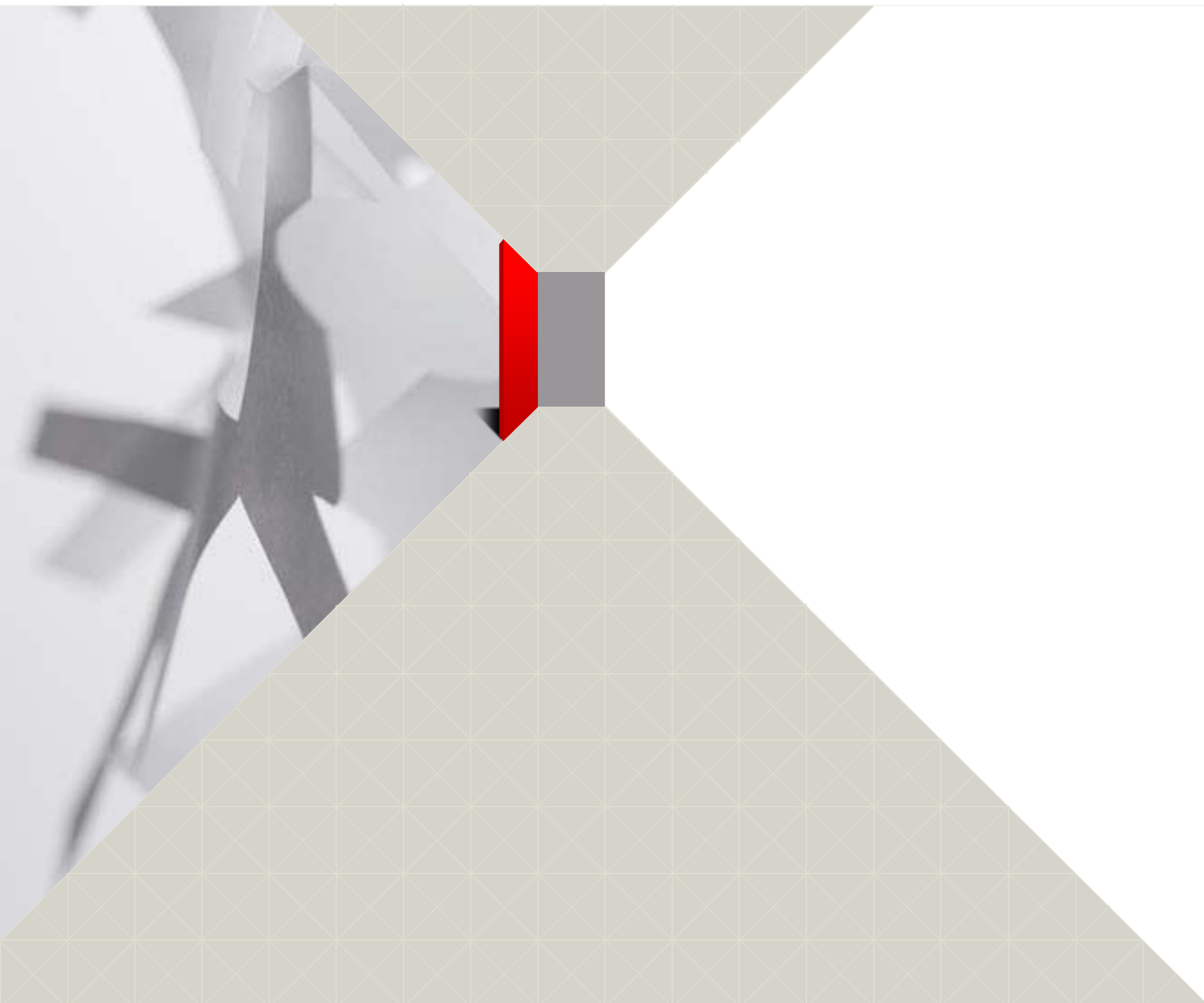
India - Key Macro Economic Forecasts

- ▶ Snapshot of HSBC key Indian economic forecasts

% Year	2007	2008	2009	2010f	2011f	2012f
GDP*	9.5	7.3	6.8	9.2	8.0	8.2
GDP (Financial year)**	9.2	6.7	7.4	9.1	8.1	8.1
Consumer prices**	6.4	8.3	10.9	11.8	7.1	6.1
Current account (% GDP)**	-0.7	-2.6	-2.2	-3.7	-3.7	-3.5
Budget balance (% GDP)**	-2.8	-6.4	-6.9	-5.5	-4.8	-4.0
Broad money supply**	21.9	20.4	19.1	16.0	15.0	19.0
INR/USD	39.4	48.6	46.4	43.5	42.0	42.0
3-month money (%)	7.17	7.65	3.70	5.28	6.54	7.23
10-year bond yield (%)	7.81	5.30	7.74	8.10	8.10	8.10

Note: *Calendar year, **Based upon Indian fiscal year (April-March)

Source: HSBC



Equities

January – Strategy

Markets pick up momentum in December supported by positive economic data.

- ▶ The broader equity indices recovered in December supported by positive global economic data, short covering and institutional buying.
- ▶ The BSE Sensex closed the month of December at 20509 (↑5.1% M-O-M) and the NSE Nifty closed the month at 6134 (↑ 4.6% M-O-M). BSE Metals (↑ 12.6%) and BSE IT (↑ 12%) were major sector gainers. Realty, Consumer Durables and Banking stocks under performed. Mid & Small cap indices too under-performed the benchmark indices.
- ▶ For the CY 2010, the BSE Sensex and NSE Nifty gained 17.4% and 17.9% respectively while the BSE Mid and Small cap indices clocked in gains of 16% each. Consumer Durables (↑ 68%), Auto (↑ 38%) and Healthcare (↑ 34%) were the major sector gainers during the year. Realty, Utility, Metals and Oil&Gas stocks under performed during the year.
- ▶ MSCI India under performed MSCI EM and MSCI World indices during the month of December.

Index	% Change
BSE Metal	12.6%
BSE IT Sector	12.0%
BSE Oil	5.4%
BSE Sensex	5.1%
Nifty (S&P CNX)	4.6%
BSE Power	3.4%
BSE FMCG Sector	2.8%
BSE Cap Goods	2.4%

Index	% Change
BSE Healthcare	2.3%
BSE PSU	1.8%
BSE Auto	1.3%
BSE Mid-Cap	0.5%
BSE Small-Cap	-0.8%
BSE Cons Durable	-1.2%
BANKEX	-1.8%
BSE Realty Index	-2.4%

Source – Capitaline

M-O-M Month on Month

January – Strategy

Consolidation to continue, FII fund flow key to near term direction.



Source - Reuters

January – Strategy

Institutions, both foreign and domestic emerge as net buyers during the month. Manufacturing PMI continues to expand.

- ▶ FIIs continue to be net buyers of Indian equities in December. They bought \$0.3bn of Indian equities during the month. Year to date they were net buyers worth \$21Bn (Source: SEBI). Domestic mutual funds too emerged net buyers in December. They net bought \$0.3n and YTD they were net sellers worth \$6.6Bn (Source: SEBI).
- ▶ The index of industrial production (IIP) rose by 10.8% y-o-y in October vs.4.4% in September, driven by a broad based sector expansion and consistent with HSBC manufacturing PMI uptrend being witnessed in recent months.
 - Capital Goods bounced back, up by 22% y-o-y following a 4.1% decline the previous month. Production of consumer goods grew 9.6% y-o-y led by a massive 31% y-o-y jump for consumer durables.
 - Forward looking indicators like HSBC manufacturing PMI suggest that factory output will pick up further in coming months spurred on by the strong domestic demand conditions and the high demand for capital goods to help alleviate the tight capacity constraints.
 - The strong momentum underscores the need for monetary policy vigilance and further rate hikes, starting in Q1 this year.
- ▶ The Manufacturing Purchasing Managers Index (PMI) eased slightly in December to 56.7 (from 58.4 in November) due to the slower expansion of order books.
 - Output growth decelerated from the nine-month speed record set last month (61.4 vs. 63.7 in November), but remained strong by historical standards.
- ▶ As expected the Reserve Bank of India (RBI) kept both the repo and reverse repo rates unchanged in its December review and announced measures to address the domestic liquidity constraints.
- ▶ On the global front, the statement highlights the more positive trends emanating from US, robust growth in emerging markets, but also points to financial stability concerns in Europe.

Source: SEBI/HSBC

January – Strategy

High frequency indicators point to solid growth during the remainder of the fiscal year. Expect FY'10-11 GDP growth at 9.1% from 8.8% previously.

- ▶ Exports during November 2010 grew 26.8% in USD terms while imports grew 11.2% in USD terms. For the period April – November, exports have recorded a growth of 26.7% while imports have grown by 24%.
- ▶ Q2 FY 11 GDP kept up the pace, growing at 8.9% y-o-y matching the Q1 growth rate. Growth is strong and broad-based, and is expected to find support going ahead from buoyant domestic demand. We revise our FY 11 GDP forecasts to 9.1% from our earlier estimate of 8.8%.
- ▶ However, the continued withdrawal of macroeconomic stimulus would result in a slowdown and we expect GDP to decelerate to a downwardly revised 8.1% in FY 12.
- ▶ Bank credit growth has picked up (23.7% y-o-y as on 17th December, 2010). We expect credit growth to be strong in the latter part of the year.
- ▶ Capex led by power, infrastructure and metals would be the drivers to the Indian Economy;
 - We expect private sector capex to accelerate in coming quarters. Our economists also have an above-consensus forecast for investment growth in the current fiscal year (16% vs consensus of 13.5%).
 - As per data collected by the CMIE, Indian companies plan to spend INR 8.7tn (13% of GDP) on expanding capacities in the current fiscal year.
 - Firms in the steel, aluminum, electricity, cement and tire sectors are also expected to make the investments.

Source: Bloomberg/HSBC

January – Strategy

Earnings growth to bridge the relative higher valuations.

- ▶ Historically, Indian companies' earnings have been among the least volatile among emerging markets. Overall leverage of Indian companies is low (average net debt/equity ratio of 0.4x which is expected to be 0.2x in CY 11).
- ▶ Strong economic numbers and a favorable monsoon season point to a robust earnings outlook and India has relatively low exposure to global structural risks (sovereign debt, fiscal consolidation, external borrowing). Both these factors make India an attractive bet for capital flows.
- ▶ We look for a 20% EPS CAGR over the next two years. At 20,509 Sensex, India trades at a P/E of 18.2X FY11e (HSBC estimates). Our Sensex target for CY 2011 is 21,000. Given the strong flows due to high global liquidity and higher return expectations from emerging markets, equity market may have a possibility of building future returns into current prices, thereby pulling down the longer term return numbers once the rally is complete.
- ▶ Risks include: a) high inflation levels; b) higher valuations vis-à-vis the emerging markets peer group.
- ▶ We would recommend to book profits at periodic intervals to reduce equity exposures to align portfolios towards strategic asset allocations. For clients with under allocation to equity, we still recommend an SIP or quasi SIP approach.
- ▶ We continue to expect that large cap stocks to out perform in the near term given the valuation comfort vis-à-vis the earnings growth while a stock specific approach is advised in mid-cap stocks.
- ▶ We continue to favor industrials as our key over weight to play the pick up in the domestic economy. We now also like utilities and metals on account of relative underperformance and valuation discounts. We remain underweight on Cement and Neutral on Financials, Consumer Discretionary, Consumer Staples, IT and Healthcare.

January – Strategy

Overweight – Industrials, Utilities & Metals; Neutral – Real Estate, Financials, IT Services, Cons Staples

- ▶ **Industrials** – Overweight – Robust medium-term sector growth outlook. The government expects infrastructure investment to reach \$135bn pa in FY 11 and FY 12, which represents 145% growth over the last three years' annual spend. We believe these could create huge growth opportunity over the next two years. We expect power, roads and water to contribute the most.
- ▶ **Utilities** – Overweight – India is on the cusp of adding huge amounts of power capacity in a bid to meet ever-growing demand -we forecast 53GW over the next three years, or c33% of the existing capacity. We like utilities on account of relative under performance and valuation discounts to the broader markets.
- ▶ **Materials** – Overweight Metals and Underweight Cement – Steel continues to be our top pick among metals as we expect the iron ore price to soften and steel demand to rise in Q4 along with pick up in manufacturing activity. On the other hand cost support and production cuts would firm up the non-ferrous segment. We are underweight on cement given its recent run-up despite down side risk to earnings.
- ▶ **Real Estate/Property** - Neutral - Balance sheet strength of most large players following the recent fund raising has improved. Demand conditions seem to be recovering. New launches will likely spur demand for transferable development rights (TDRs) over FY 11 and FY 12, making TDR generators early beneficiaries of any demand revival.
- ▶ **Financials** – Neutral – we are neutral the sector given the 17% out-performance in Q3 and less favorable skew of earnings risks from rising interest rates.
- ▶ **Information Technology** – Neutral – we remain positive on the long-term fundamentals of the sector and believe top line growth will remain robust for the next 2-3 years, led by increase in off-shoring and pick up in discretionary spending.
- ▶ **Consumer Staples** – Neutral –We expect growth to be strong on a good monsoon and likely reduction in food inflation and its consequent beneficial impact on purchasing power. However, valuations have moved definitively above historical averages and look above average hence the neutral outlook.

January – Strategy

Neutral – Cons Disc, Telecom, Healthcare; Underweight – Energy & Cement

- ▶ **Consumer Discretionary** – Neutral – Demand is strong and the sector continues to benefit from improving job outlook and bank financing, strong farm income and economic recovery. On the flip side, margins can be under pressure due to change in emission norms and rising input costs.
- ▶ **Healthcare** – Neutral – The potential for growth in the healthcare sector is strong. Defensive in nature but valuations are at a premium to the market.
- ▶ **Telecom** – Neutral - Increasing penetration and consumer spending remain strong growth drivers for the sector. Better volumes and price stability offers increased earnings visibility.
- ▶ **Energy** – Underweight– Environment is challenging for upstream and refineries as margins are likely to remain moderate in 2010. Also the sector runs the government policy risk.

January – Strategy

Derivatives parameters indicate possibility of profit booking on rallies.

Equity Derivatives:

- ▶ Nifty near month future closed 4.68% up for the month of December
- ▶ Open Interest for near month Nifty future was however down by about 24.80%.
- ▶ Bank Nifty near month future closed 1.42% down for the month.
- ▶ Open Interest for Bank Nifty future was up by about 3.59%
- ▶ CNX IT near month future gained 11.70% during the month.
- ▶ CNX IT futures open interest was up by 205.03% though on a small base

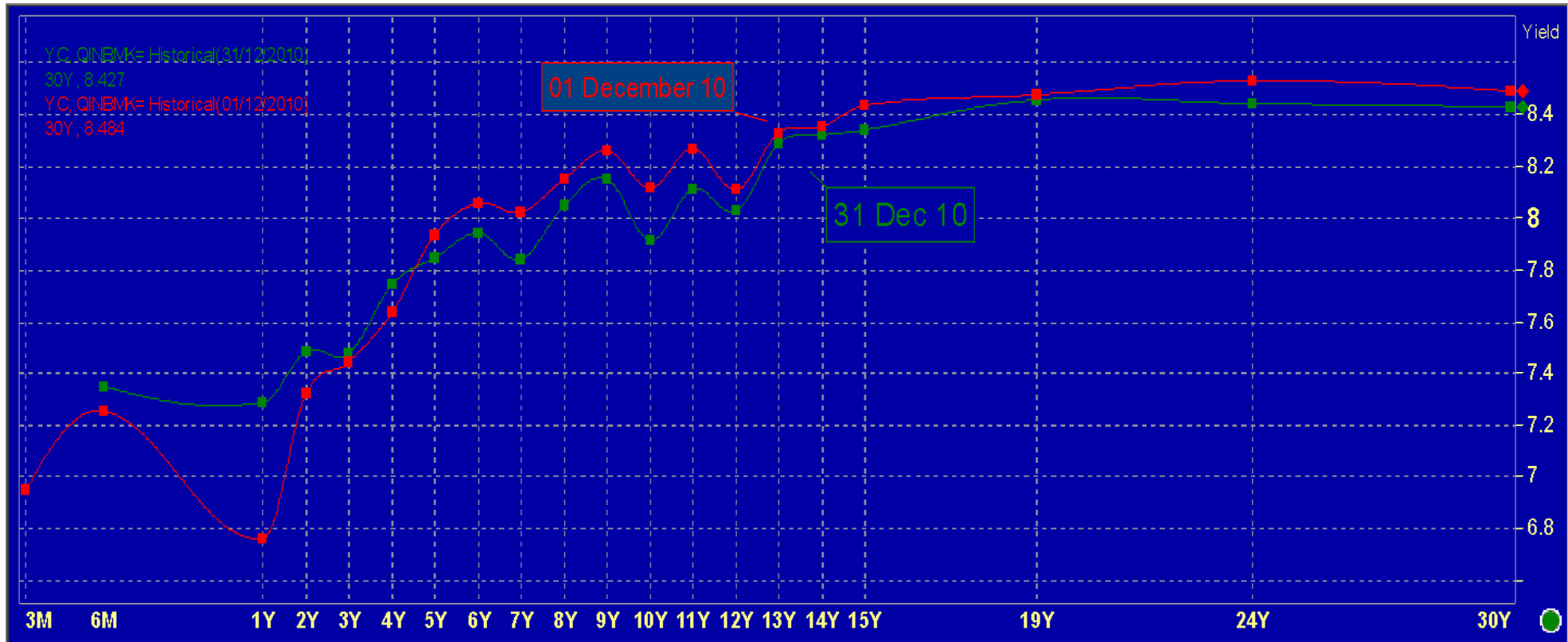
Source – Reuters



Fixed Income

January – Strategy

Fixed Income



Indian Government Yield Curve

Source: Reuters

- Liquidity continued to be tight in December. The ten year benchmark yield was moved in a range of 7.9%-8.20%. We continue to expect the longer term curve to be range bound with more volatility on short term rates.
- We expect to see tight liquidity continue in the coming months and the market would look towards the central bank for direction. Also, we continue with our expectations of shorter term rates to remain high due to tight liquidity and further rate hikes. We expect the scenario to improve as we move to the next financial year.

January – Fixed Income Strategy

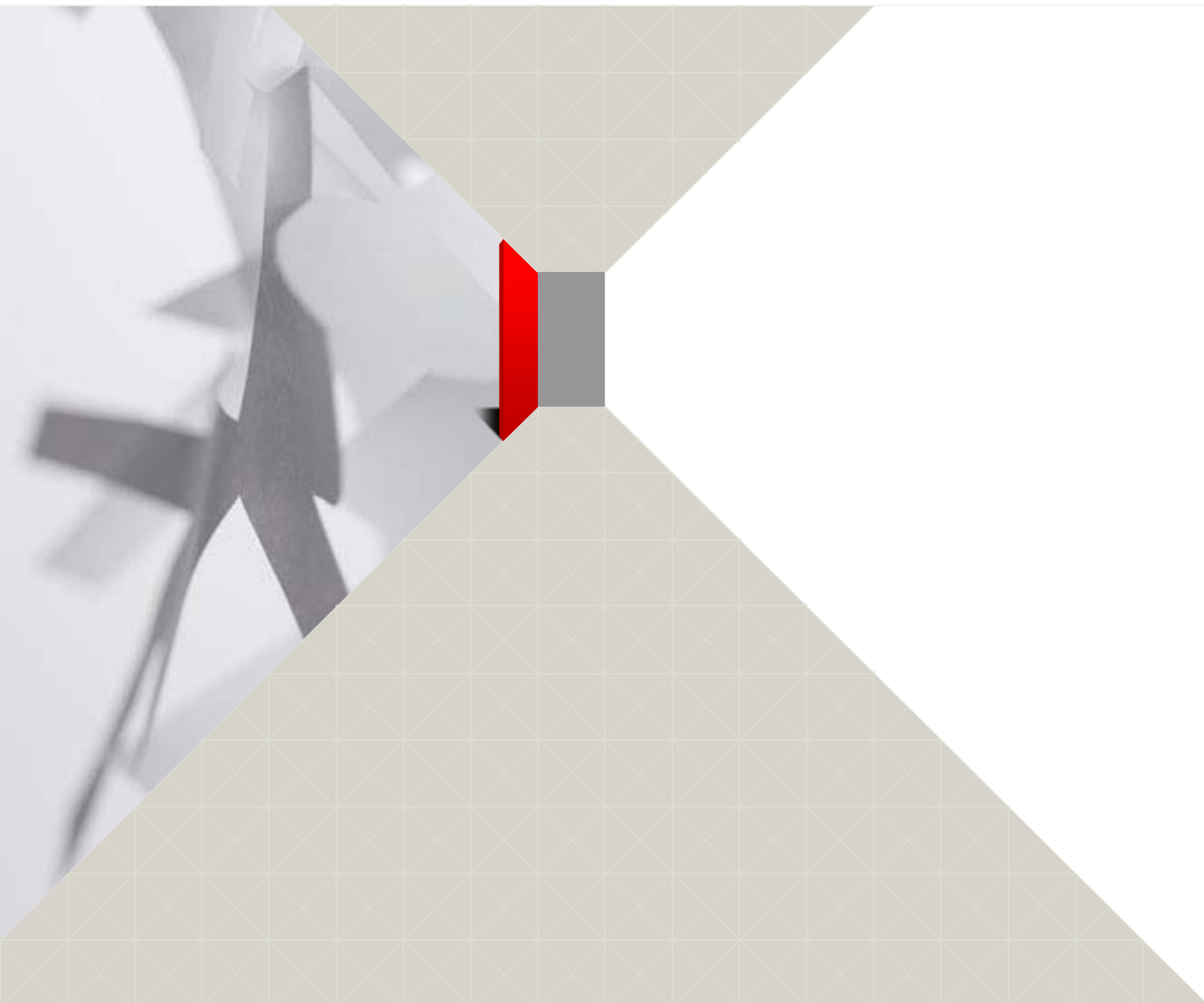
Short rates to remain elevated due to tight liquidity.

- ▶ Liquidity continued to be tight in the month of December with high amounts borrowed from the central bank through repo. The average Mumbai Inter Bank Offer Rate for the month was 6.78% as compared to 6.96% in the previous month. The outstanding borrowed on repo on 31st Dec 10 was INR 1120 bn as against INR 878 bn on 30th Nov 10 (Source: NSE/ RBI website).
- ▶ The inflation numbers has been a cause of alarm. The food inflation numbers increased significantly to 18.36% for week ended 25 Dec 10 as compared to 12.72% in the previous month. Wholesale Price Index (WPI) moderate to 7.48% in Nov 10 as compared to 8.58% in Oct 10.
- ▶ We expect WPI in annual terms to decline to single digits over the year. The high food inflation reported for the week ended 25th December will push the policy makers for further rate hikes to help cool prices.
- ▶ We expect another 125 bps in policy rate hikes in 2011, taking the repo and reverse repo rates to 7.5% and 6.5% respectively over the next twelve to eighteen months. We expect the first hike in the current year in the policy meet scheduled in Jan.
- ▶ The increase in rates by the central bank has pushed some of the public sector banks to revise their deposit rates upwards. We expect the busy season to see higher competition for raising deposits with pressure on liquidity due to strong credit growth numbers.
- ▶ Data Source:HSBC/ Reuters/ Bloomberg

January – Fixed Income Strategy

Tight short term rates provide opportunities

- ▶ We recommend longer term investors to gradually start locking into higher maturities on upward movements of the ten year (~8-8.25% levels). For investors with shorter horizons we would look to invest into liquid / ultra short term bond funds or dynamic bond funds that take advantage of volatility in interest rate. With the firming of the one year rates fixed maturity plans of this duration will continue to provide good opportunities.
- ▶ We believe that it may be a good strategy to maintain tactical allocations at a lower duration to take advantage of the cyclical tightness as we move towards the end of the financial year.



Currencies

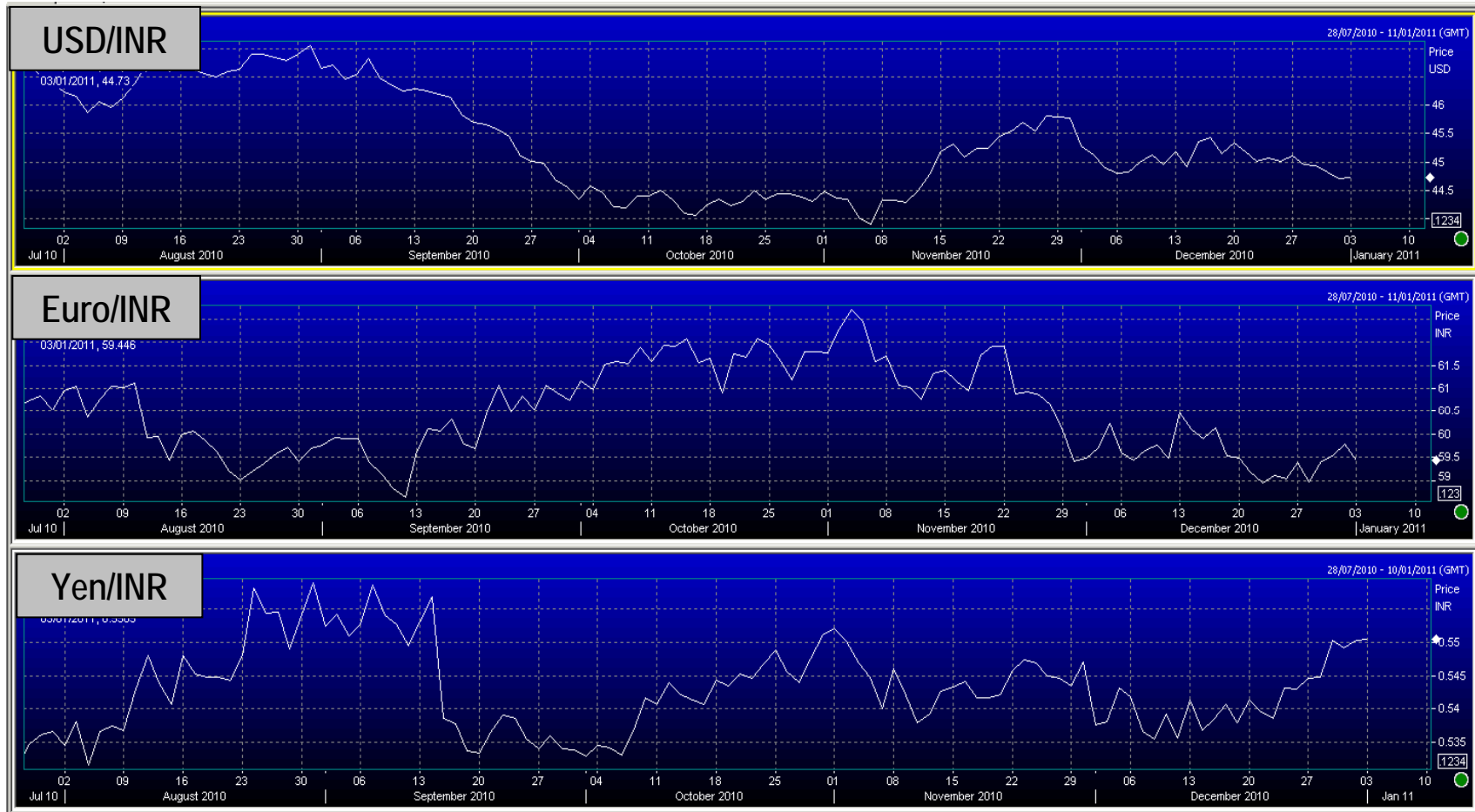
January – Strategy

Market's focus is back on Europe.

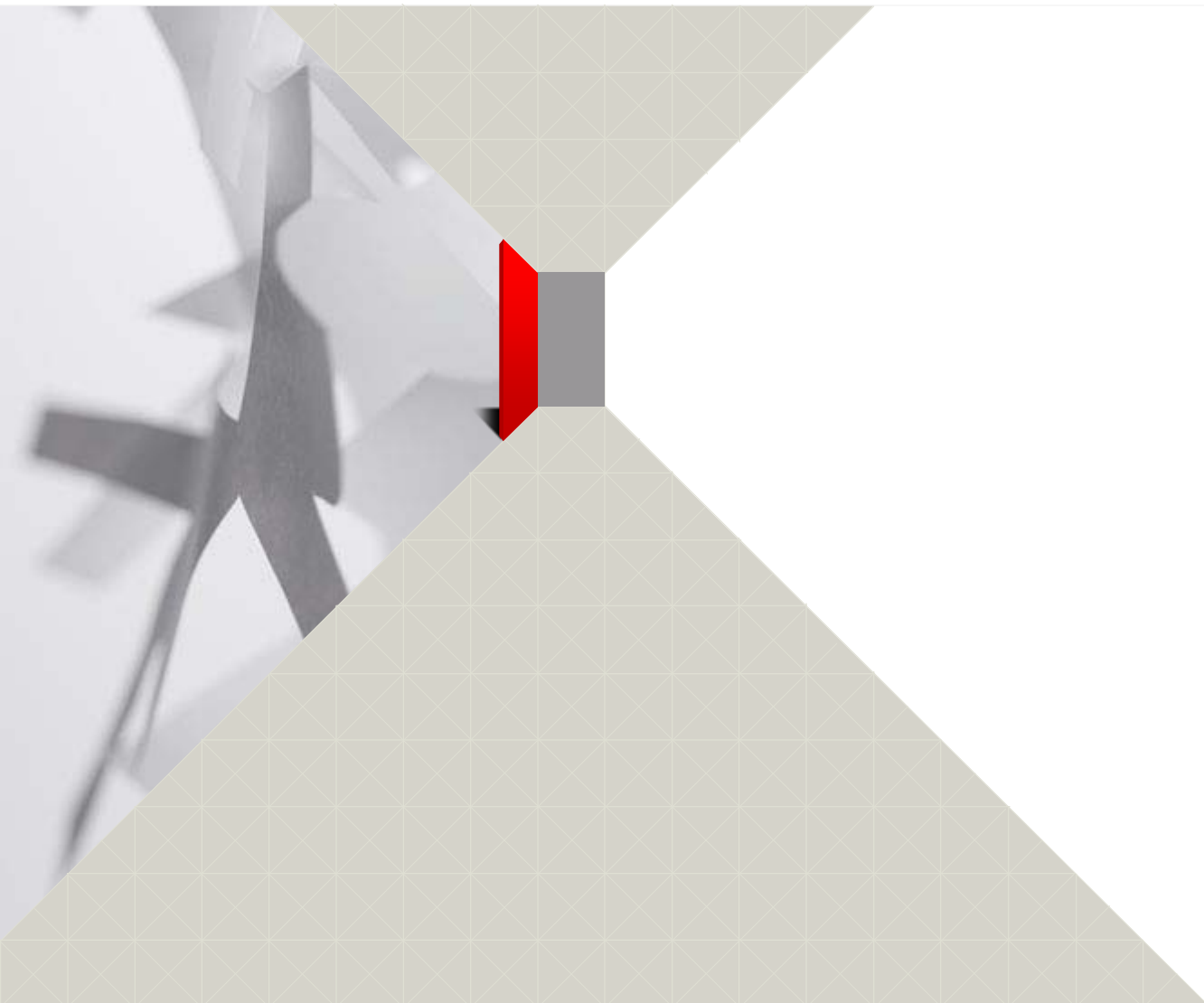
- ▶ **INR** - The INR strengthened marginally during December and closed the month at 44.7 against the USD (Source: Reuters). Our 4Q 2011 target for INR stands at 43.5.
- ▶ **USD** – With support from additional quantitative easing and the extension of tax breaks, growth prospects for the US are improving , which should support USD versus other major currencies. As such we maintain our view on USD to Neutral with positive bias for the near term and hold neutral view for the next 12 months.
- ▶ **Euro** – Contagion fears are growing across the Euro zone and the difficulty of leaders to agree on a solution should continue to weigh on Euro in the short term. We also expect austerity measures in Europe to impact growth differentials with the US, supporting USD . We hold neutral view on Euro with negative bias for the next 12 months against USD.
- ▶ **GBP** – With a fragile economic backdrop, Austerity measures to come and higher growth expectations in the US, we believe sterling may gradually trend lower. We maintain our view on Sterling to neutral with negative bias. for the next 12 months.
- ▶ **JPY** – Japan's fragile economic backdrop and the prospects of higher yield in the US once QE is absorbed, imply less appetite for yen. We believe we have seen the bulk of JPY appreciation against USD, and expect a gradual reversal in this trend as interest rates and growth differentials support USD.
- ▶ **Emerging Markets (EM)** – We keep high conviction on the appreciation of emerging market currencies, particularly as we expect investors search for high yield to continue in the low yield environment. However we favour currencies that are less likely to see government intervention in an attempt to curb appreciations. We hold a neutral to positive view on emerging market currencies.

January – Strategy

Currency movements....



Source - Reuters

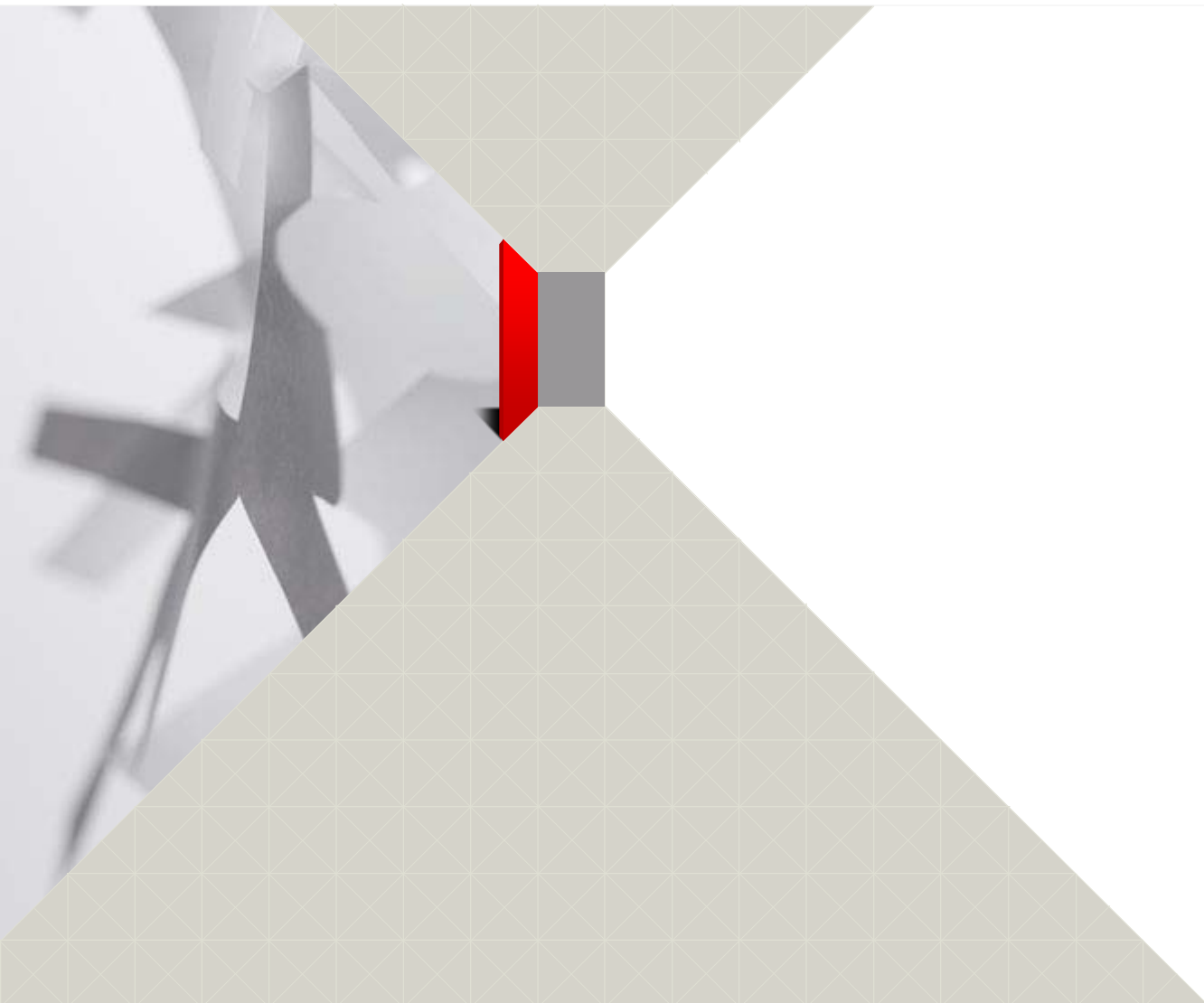


Commodities

January – Strategy

We believe commodity prices will benefit from growth in emerging markets

- ▶ We maintain our positive outlook on commodities, as we believe demand from emerging markets will continue to grow, supporting higher trending prices. We have a neutral view on commodities with a positive bias.
- ▶ **Gold:** Gold gained some more ground during December and closed the month at US\$1419.45 (Source: Reuters). We maintain our neutral view with a positive bias for Gold, which should benefit from rising inflation fears in the emerging markets and its status as a safe haven against other indebted currencies.
- ▶ **Oil:** Light crude oil continued to gain ground during the month of December and closed the month at \$91.38/bbl (Source: Reuters). We believe that developing economic recovery and increased demand from the emerging markets, and China in particular, should help Oil prices gradually trend higher. We hold neutral to positive view on oil for the next 12 months.
- ▶ **Agricultural Commodities and Industrial Metals:** With strong underlying demand from emerging markets and tight supply, we expect higher Industrials metal prices. Rising risk appetite and increased liquidity are also supportive. We upgrade our short term view on industrials to positive. Our 12 month view remains neutral with positive bias. Agricultural commodities continue to appreciate as adverse weather conditions provide support to prices. While we may see some short-term consolidation, we believe further appreciation in light of uncertain harvest conditions and EM demand is likely in the longer term. We hold neutral to positive view on both these segments over a period of the next 12 months.



Summary of Views

January – Strategy

Asset Class	Sub Class	Current Month	Previous Month
Equity		=/+	=/+
	Industrials	+	+
	Utilities	+	+
	Metals	+	+
	Cement	-	-
	Real Estate	=	+
	Financials	=	=
	Information Tech	=	=
	Consumer Staples	=	=
	Consumer Discretionary	=	=
	Healthcare	=	=
	Telecom	=	=
	Energy	-	-
Debt		=	=
	Liquid Assets	+	+
	Duration	=	=
	Credit	=	=
Currency			
	INR	=/+	=/+
	USD	=/+	=
	GPB/ USD	=-/	=-/
	Euro/USD	=-/	=-/
	USD/JPY	=/+	=/+
	Emerging Markets	=/+	=/+
Commodities		=/+	=/+
	Gold	=/+	=/+
	Oil	=/+	=/+
	Industrial Commodities	=/+	=/+
	Agri Commodities	=/+	=/+

Guide to Symbols in this document

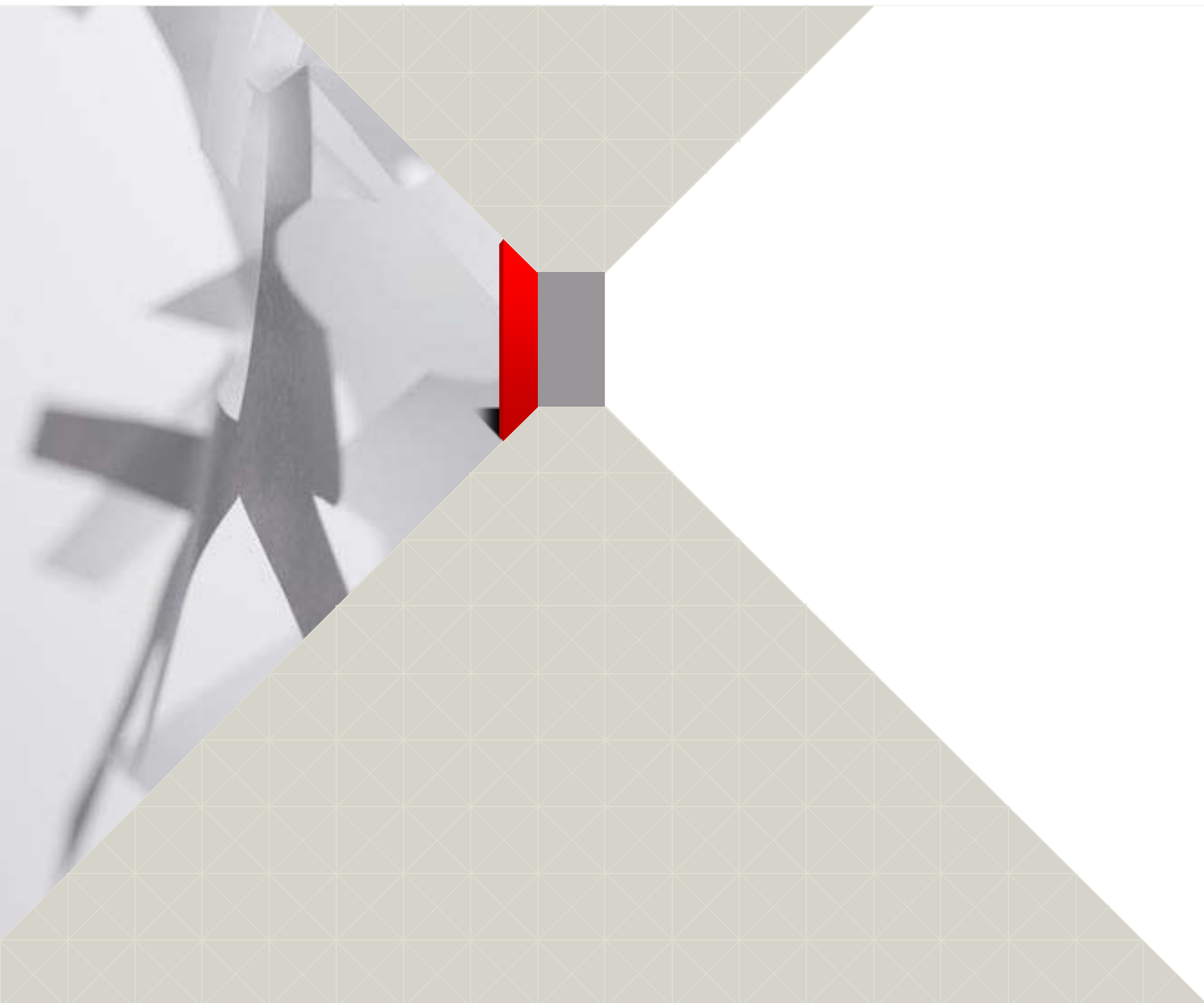
- Negative

=/- Neutral with a negative bias

= Neutral

=/+ Neutral with a positive bias

+ Positive



Glossary

GLOSSARY

Alpha - A measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. Simply stated, alpha is often considered to represent the value that a portfolio manager adds to or subtracts from a fund's return.

AMC - Asset Management Company - A company that invests its clients' pooled fund into securities that match its declared financial objectives. Asset management companies provide investors with more diversification and investing options than they would have by themselves.

Arbitrage - The simultaneous purchase and sale of an asset in order to profit from a difference in the price. It is a trade that profits by exploiting price differences of identical or similar financial instruments, on different markets or in different forms. Arbitrage exists as a result of market inefficiencies; it provides a mechanism to ensure prices do not deviate substantially from fair value for long periods of time.

Benchmark - A standard against which the performance of a security, mutual fund or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

Buyback - The repurchase of outstanding shares (repurchase) by a company in order to reduce the number of shares on the market. Companies will buy back shares either to increase the value of shares still available (reducing supply), or to eliminate any threats by shareholders who may be looking for a controlling stake.

CAGR - Compound Annual Growth Rate - The year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the n th root of the total percentage growth rate, where n is the number of years in the period being considered. This can be written as follows:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

CBLO - Collateralized Borrowing and Lending Obligation - They were developed by the Clearing Corporation of India (CCIL) and Reserve Bank of India (RBI). The details of the CBLO include an obligation for the borrower to repay the debt at a specified future date and an expectation of the lender to receive the money on that future date, and they have a charge on the security that is held by the CCIL.

CD - Certificate of Deposit - A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and can be traded.

Corpus - The overall amount invested by the fund as on the reporting date.

CP - Commercial Paper - Unsecured promissory notes with a fixed maturity of one to 270 days; usually sold at a discount from face value

Dividend Yield - A financial ratio that shows how much a company pays out in dividends each year relative to its share price. In the absence of any capital gains, the dividend yield is the return on investment for a stock. Dividend yield is calculated as follows:

$$= \frac{\text{Annual Dividend per Share}}{\text{Price per Share}}$$

Emerging Market Economy - A nation's economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body.

Entry Load - It is the load charged by the fund when one invests into the fund. It increases the price of the units to more than the NAV and is expressed as a percentage of NAV. For example a 1 % entry load will increase the NAV from Rs 11 to Rs 11.11 and therefore the number of units allotted will be lesser to that extent.

Exit Load - It is the load charged by the fund when one redeems the units from the fund. It reduces the price of the units to less than the NAV and is expressed as a percentage of NAV.

FII - Foreign Institutional Investor - An investor or investment fund that is from or registered in a country outside of the one in which it is currently investing. Institutional investors include hedge funds, insurance companies, pension funds and mutual funds. In India International institutional investors must register with the Securities and Exchange Board of India to participate in the market.

FY - Fiscal Year - Any 12-month period that a company uses for accounting purposes.

FX Market - Forex Market - The market in which participants are able to buy, sell, exchange and speculate on currencies. The forex markets is made up of banks, commercial companies, central banks, investment management firms, hedge funds, and retail forex brokers and investors. The currency market is considered to be the

largest financial market in the world, processing trillions of dollars worth of transactions each day.

High Net Worth Individual - is a person with a high net worth. In the private banking business, these individuals typically are defined as having investable assets (financial assets not including primary residence) in excess of US\$1 million.

IIP - Index of Industrial Production - in simplest terms is an index which details out the growth of various sectors in an economy. E.g. Indian IIP will focus on sectors like mining, electricity, Manufacturing & General. Also base year needs to be decided on the basis of which all the index figures would be arrived at. In case of India the base year has been fixed at 1993-94 hence the same would be equivalent to 100 Points.

IPO - Initial Public Offering - It is referred to simply as an "offering" or "floatation," is when a company issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded.

Large Cap - A term used by the investment community to refer to companies with a market capitalization value of more than a specified threshold. We have classified large cap companies with market capitalization between INR 50 billion to INR 250 billion.

Mega Cap - A term used by the investment community to refer to companies with a market capitalization value of more than a specified threshold. We have classified large cap companies with market capitalization over INR 250 billion.

MIBOR - Mumbai Inter-Bank Offer Rate - The interest rate at which banks can borrow funds, in marketable size, from other banks in the Indian interbank market. The Mumbai Interbank Offered Rate (MIBOR) is calculated everyday by the National Stock Exchange of India (NSEIL) as a weighted average of lending rates of a group of banks, on funds lent to first-class borrowers.

Mid Cap - A company with a market capitalization between INR 25 billion to INR 50 billion, which is calculated by multiplying the number of a company's shares outstanding by its stock price. Mid cap is an abbreviation for the term "middle capitalization".

Modified Duration - A formula that expresses the measurable change in the value of a security in response to a change in interest rates.

MSCI - Morgan Stanley Capital International - A leading provider of equity, fixed-income and hedge fund indexes. MSCI has been providing global equity indexes for more than 30 years. In 2003, it launched a new family of U.S. equity indexes.

MSCI Emerging Markets Index - An index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets.

MTM - Mark To Market - The accounting act of recording the price or value of a security, portfolio or account to reflect its current market value rather than its book value.

NAV - Net Asset Value - A mutual fund's price per share or exchange-traded fund's (ETF) per-share value. In both cases, the per-share value amount of the fund is calculated by dividing the total value of all the securities in its portfolio, less any liabilities, by the number of fund shares outstanding.

NCD - Non Convertible Debenture - It is a type of debt instrument that is issued for a fixed maturity and in which, no part of the debenture is convertible into equity.

Neutral - An analyst's opinion regarding the future performance of a security. Underweight will usually mean that the security is expected to underperform either its industry, sector, or even the market altogether.

Open Ended Fund/Scheme - It is a type of a scheme/fund where purchase or sale of units is offered on a continued basis at NAV related prices.

Overweight - An analyst's opinion regarding the future performance of a security. Overweight will usually signify that the security is expected to outperform either its industry, sector or, even, the market altogether.

P/B Ratio - Price-To-Book Ratio - A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

$$\text{Calculated as:} = \frac{\text{Stock Price}}{\text{Total Assets - Intangible Assets and Liabilities}}$$

PE - Price Earnings ratio - A valuation ratio of a company's current share price compared to its per-share earnings.

$$\text{Calculated as:} = \frac{\text{Market Value per Share}}{\text{Earnings per Share (EPS)}}$$

PMI - Purchasing Managers' Index - An indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Private Placement - Raising of capital via private rather than public placement. The result is the sale of securities to a relatively small number of investors. Investors

involved in private placements are usually large banks, mutual funds, insurance companies, and pension funds.

PSU - Public Sector Undertaking - In India, public sector undertaking is a term used for a government-owned corporation (company in the public sector). The term is used to refer to companies in which the government (either the Union Government or state or territorial governments, or both) owned a majority (51 percent or more) of the company equity.

PTC - Pass through certificates - A pool of fixed-income securities backed by a package of assets. A servicing intermediary collects the monthly payments from issuers, and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

Reserve Requirements - Requirements regarding the amount of funds that banks must hold in reserve against deposits made by their customers. In India The Cash Reserve Ratio (CRR) refers to this liquid cash that banks have to maintain with the Reserve Bank of India (RBI) as a certain percentage of their demand and time liabilities. For example if the CRR is 10% then a bank with net demand and time deposits of Rs 1,00,000 will have to deposit Rs 10,000 with the RBI as liquid cash.

Rights Offering (Issue) - Issuing rights to a company's existing shareholders to buy a proportional number of additional securities at a given price (usually at a discount) within a fixed period.

Risk-Adjusted Return - A concept that refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating. Risk-adjusted returns are applied to individual securities and investment funds and portfolios.

ROE - Return On Equity - The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as:

Return on Equity = Net Income/Shareholder's Equity

Rolling Returns - The annualized average return for a period ending with the listed year. Rolling returns are useful for examining the behavior of returns for holding periods similar to those actually experienced by investors. Also known as 'rolling period returns' or 'rolling time periods'.

Sharpe Ratio - A ratio developed by Nobel laureate William F. Sharpe to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate

from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

Small Cap - Refers to stocks with a relatively small market capitalization. The definition of small cap can vary among brokerages, but generally it is a company with a market capitalization less than INR 25 billion.

Standard Deviation - A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.

Term Deposit - A deposit held at a financial institution that has a fixed term. These are generally short-term with maturities ranging anywhere from a month to a few years. When a term deposit is purchased, the lender (the customer) understands that the money can only be withdrawn after the term has ended or by giving a predetermined number of days notice.

Treasury Bills - Short-term debt obligations of a national government that are issued to mature in three to twelve months.

Underweight - An analyst's opinion regarding the future performance of a security. Underweight will usually mean that the security is expected to underperform either its industry, sector, or even the market altogether.

V-Shaped Recovery - A type of economic recession and recovery that resembles a "V" shape in charting. Specifically, a V-shaped recovery represents the shape of the chart of certain economic measures, such as employment, GDP and industrial output. A V-shaped recovery involves a sharp decline in these metrics followed by a sharp rise back to its previous peak.

WPI - Wholesale Price Index - An index that measures and tracks the changes in price of goods in the stages before the retail level. Wholesale price indexes (WPIs) report monthly to show the average price changes of goods sold in bulk, and they are a group of the indicators that follow growth in the economy.

YTM - Yield To Maturity - The rate of return anticipated on a bond if it is held until the maturity date. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupons are reinvested at the same rate. Sometimes this is simply referred to as "yield" for short.

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