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### From the Desk of Mr. Aunali Rupani

- Crude Oil Prices:** Brent Crude oil prices have recently stabilized ~ USD 113 per barrel after escalating to USD 128 per barrel. Presently the Indian crude basket is priced at USD 108.62 per barrel after touching a recent high of USD 120 per barrel in April 2011. As per the latest report of International Energy Agency (IEA), demand for oil has shown signs of weakening. Global consumption growth at 0.4% for March 11 (yoy) has been the lowest in the recent past. Demand in developed economies has fallen by 2.85% (yoy). Weak demand is expected to bring the prices down, but speculative interest based on geo-political events is arresting any further downward movements.
- Domestic political uncertainty:** With the announcement of assembly election results in all the four states which went to polls, the performance of ruling party and its allies is quite satisfactory. This will lead to more vigor on policy making and reforms process but the question on quality of governance will remain in limelight in the near future.
- Geo-political risk:** With recent uprising against the dictatorial regimes geo-political uncertainties will prevail in the Middle East nation's viz. Syria, Libya, Yemen and Bahrain. Apart from Libya and Bahrain the other nations do not have any significant oil resources. Yemen's present leadership is tilted favorably with west but with Al Qaida's significant presence in that country and any change in regime might create a haven for terrorist thereby giving rise to global uncertainty. Present Syrian regime is a known foe of west and Israel however any military intervention by NATO on issues related to human massacre may escalate into a fully fledged long drawn war in the region.
- Inflation:** Soon after the election results were announced there was rise in petrol prices by rupees 5 per Litre and in coming days a rollback of rupees 1 is expected. Further in coming week diesel and LPG are likely to hike and this may act as an economic dampener. A good monsoon may to a certain extent be able to absorb the inflationary pressures as high agricultural growth will maintain GDP at existing levels.
- IIP trends suggesting growth:** The wholesale price index (WPI) for the year declined to 8.66% in April as against revised 9.04% in March on higher fuel and manufactured product prices. Generally inflationary numbers are high in these months because of seasonal context and the current numbers are satisfactory to the market. The general index in March 11 has registered a growth of 7.3% YoY. Thirteen out of seventeen industry groups have registered positive growth in March 11. Capital Goods, Food Products and Consumer durables are the one registering a high growth of 18.4%, 12.9% and 12.3% respectively. With the overall improvement in domestic consumption the industrial activity is likely to get a further boost in FY12.
- Rupee stable:** With the growing domestic economy and exports registering healthy growth and the Anglo Saxon economies unable to register significant growth, their currencies will move southwards, which will arrest the fall of rupee. It is expected to remain stable in the range of 44 -45.5 Rs/\$.



7. **Fiscal Deficit:** In this February budgetary speech of FY12 FM had calculated a fiscal deficit of 5.1 % for FY11 and estimated it to come down to 4.6% in FY12. These estimates were calculated on the assumption that Indian Crude basket would trade at an average of USD 95 per barrel. However with Brent crude scaling new highs in the range of USD 120 – 128 in March and April 2011 it would distort the fiscal calculations northwards and if the prices continue to rule firm at present levels of USD 108 (Indian crude basket) than very shortly there would be a significant upward revision of FY 12 fiscal deficit.

8. **Trend in Net Foreign Institutional Investors:-**

(USD in Bn)

FY 2007	5.8
FY 2008	13.1
FY 2009	(10.4)
FY 2010	23.4
FY 2011	25

FII's Flows may increase as Corporate Performance has been encouraging. In FY 12 USD 20Bn would be sufficient to boost the market.

### ARM Market View

**“If Indian market show strength Nifty, above 5650 and Sensex 18870 levels New High could be insight in the next 2 Quarters”**



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