



Beginning of a new bull market

Small-caps to outperform large-caps & mid-caps

Exciting time to increase asset allocation to equities especially small-caps

Confirmed Trend Reversal

Both fundamental and technical indicators have confirmed beginning of a new bull market for Indian equities. Indian equity markets are now turning from a 15-month long downtrend to a new uptrend.

Smallcaps to outperform big time, enhance exposure to smallcaps

In this uptrend, small-caps are likely to be outperformers by a wide margin. Large-caps have led the rally from bear-market lows made in Dec-11. While large-caps (represented by Sensex & Nifty) have almost retraced 61.8% of the 15-month fall, BSE-midcap index is still 16% short and BSE-smallcap index is 35% short of retracing 61.8% of the bear market. As bull market progresses and as investors gain confidence in the uptrend, this initial underperformance will give way to a big-time outperformance for midcaps and smallcaps. We recommend that investors should significantly enhance their investments in smallcap stocks.

Corrections to be used to build portfolio of quality smallcaps

There will be usual bull market corrections, which should be used to build portfolio of quality smallcaps. We expect the current correction in Nifty to go no lower than 4950-5080 range, being 50 to 61.8% retracement levels of the up-move from Dec11 low of 4531 to Feb12 high of 5630. Bull market corrections seldom retrace beyond these levels.

Fundamental factors supporting the bull market prognosis

Markets go through various stages during one full cycle of a bull and a bear market. As per empirical observations of previous cycles, certain sectors like Retail, Banks, Services, Auto and Consumer durables outperform broader market during last stage of a bear market or early stage of a bull market. All these sectors have outperformed in Jan12 and Feb12 as can be seen from the table below.

Monthly Returns on frontline indices and sectoral indices

Indices	Jan2012	Feb2012
Nifty	12%	4%
Sensex	11%	3%
Retail	27%	12%
Banks	24%	5%
Services	13%	4%
Auto	13%	8%
Consumer Durables	12%	11%

The outperformance of these sectors over the last two months is an early indicator that either the bear market has ended or is about to end. Ideally, we like to see three-month outperformance. If IT sector indices, which outperformed with 7% gains in Feb12, continues its outperformance in Mar12 & Apr12 alongwith outperformance of above-mentioned sectors in the current month; then this will be further confirmation of our bull market prognosis. Please note that even if market corrects and these sectors correct relatively less than market, this will still be outperformance and confirmation.

Interest rate cycle is about to turn. Inflation has peaked, though may not come down in a hurry in view of high fiscal deficit. There is news of salary hikes. Sensex is currently trading at a reasonable PE of 14-15x FY12E earnings, which is in the middle of the long term market P/E range. Consensus EPS estimates have been trending down with the market indicating collective pessimism on earnings and we expect these estimates to start turning up soon. This will lead to contraction in PE and hence upside in the market.

Coppock indicator turns bullish on Friday 09 Mar 12

Coppock indicator, a sentiment-cum-technical indicator, that gives reliable long-term buy signals, gave long-term buy signal on Friday, 9th March 2012 on Nifty, Sensex, CNX100, CNX500, CNX Bank, BSE smallcap, BSE100m, BSE200, BSE500, BSE Banks, BSE capital good and BSE Oil&Gas indices. The confirmation of Coppock buy signal will come if these indices hold current levels by the end of the month.

CNX Jr Nifty, CNX Midcap, BSE Midcap, BSE Auto, BSE PSUs confirmed the Coppock buy signal at the end of Feb12. CNX Nifty midcap50, BSE IPO, BSE Power, BSE Realty confirmed buy signal at the end of Jan12.

The last Coppock buy signal on Nifty & Sensex had come in April-09 and that in BSE-Smallcap came in May-09 and these indices doubled from thereon.



Important Disclosure

This material has been prepared by Impetus Advisors, Mumbai, India (www.impetusadvisors.com).

The views expressed herein correctly reflect Impetus Advisors' views.

This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to inform themselves of, and to observe such restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Impetus Advisors is authorized to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such.

Neither Impetus Advisors, nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

No part of this material may be duplicated in any form and/or redistributed without Impetus Advisor's prior written consent.



About Impetus Advisors

Impetus Advisors, based at Mumbai, is an independent research firm, which specializes in identifying deep-value stock ideas among Indian equities. It provides premium equity research to high net-worth, proprietary, and institutional investors.

Besides its own stock picks, Impetus Advisors also provides customized investment research outsourcing services to stock brokers, investment bankers, business firms, and investors. As an independent research outfit, it is into neither broking nor investment banking nor any other activity that can potentially conflict with objectivity of its research.

Corporate Office: F-57 Evershine Mall, Link Road, Malad West, Mumbai 64 | Ph 91 22 61271319

Redg office: Oberoi Garden City, Off Western Express Highway, Goregaon East, Mumbai 63

Email research@impetusadvisors.com web www.impetusadvisors.com | www.independentresearch.in
