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## News Feature

### Education becomes a Right

Prime Minister Manmohan Singh called upon state governments, teachers, parents and guardians to help make the Right to Education Act a success. The Right to Education Act, 2009 has come into force from April 1 this year making education a fundamental right for all children aged 6 to 14 years.

Describing education as the 'key to success' that empowers the individual and enables a nation, the Prime Minister said that the implementation of the fundamental right to education demonstrated the government's "national commitment to the education of our children and to the future of India".

"To realise the Right to Education, the government at the Centre, in the states and union territories, and at the district and village level must work together as part of a common national endeavour. I call upon all the state governments to join in this national effort with full resolve and determination. Our government, in partnership with the state governments, will ensure that financial constraints do not hamper the implementation of the Right to Education Act", the PM said in his address to the nation. He further elaborated on the key role that teachers have to play in the implementation of the Act.

"The success of any educational endeavour is based on the ability and motivation of teachers. The implementation of the Right to Education is no exception. I call upon all our teachers across the country to become partners in this effort. It is also incumbent upon all of us to work together to improve the working conditions of our teachers and enable them to teach with dignity, giving full expression to their talent and creativity. Parents and guardians too have a critical role to play having been assigned school management responsibilities under the Act", he noted.

<http://www.financialexpress.com/news/educationbecomesaright/598919/>

### Feb exports up 34%, import surge signals strong revival

Exports went up in February 2010 for the fourth straight month to \$16.09 billion, an impressive growth of 34.8%. Imports, too, maintained momentum growing by 66% to \$25 billion underscoring the strong revival in the domestic economy.

The government, nonetheless, announced a fresh package of incentives for exporters of garments, engineering, electronics and agro products to select markets where demand for the products is yet to pick up.

The sops, will be available for six months and are expected to cost the government Rs 625 crore.

Director general of foreign trade (DGFT) RS Gujaral pointed out that despite exports showing a healthy growth in the past four months, for April-February 2009-10 period at \$153 billion exports were still 11% lower over the same period in the previous fiscal.

India is expected to end the fiscal well below the \$189 billion worth of exports carried out in 2008-09.

Sectors such as engineering goods, textiles, jute, carpets, handicrafts and leather are continuing to perform badly.

At a press conference Commerce Minister Anand Sharma pointed out that the growing import numbers was good news. "It shows that the economy is picking up," he said.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Feb-exports-up-34-import-surge-signals-strong-revival/articleshow/5748990.cms>

### **Pranab sees increase in investment, growth at 9%**

Finance Minister Pranab Mukherjee said the economy would soon return to the 9% growth trajectory, helped by various measures announced in the Union Budget 2010-11. He said the economy would post 8.25-8.75% growth in the current fiscal after recording 7.2% growth in 2009-10, which is impressive by global standards.

"The good news is that the world economy seems to be recovering from the severe crisis," Mr Mukherjee said at a SIDBI function.

"The fast-paced recovery of the Indian economy underscores the effectiveness of the policy response of the government in the wake of this financial crisis," he said.

Last year was a difficult one as the world was still in the throes of the financial crisis, Mr Mukherjee said.

The finance minister's growth forecast for 2009-10 is in line with the projection made by the Central Statistical Office, although it is lower than the 7.5% forecast by RBI's policy review in January.

"I am optimistic that the measures I have outlined in this year's budget will revive private investment and put the economy back on the growth path," Mr Mukherjee said.

Prime Minister Manmohan Singh had said at a function organised by the central bank that the economy would get back to 9% growth by the end of the Eleventh Five Year Plan period, and do even better after that.

After clocking 9% plus growth for three continuous years till 2007-08, the country's GDP grew by a relatively modest rate of 6.7% in 2008-09 on account of the international financial crisis.

<http://economictimes.indiatimes.com/news/economy/indicators/Pranab-sees-increase-in-investment-growth-at-9/articleshow/5755937.cms>

## Overseas Investment

### Single FDI policy to simplify procedure

The government unveiled a comprehensive policy document that consolidates all policies on foreign direct investment, including as many as 178 Press Notes issued from time to time, in a bid to simplify procedures.

Commerce & industry minister Anand Sharma unveiled the document at a press conference and said it will be updated every six months, with the help of the Federation of Indian Chambers of Commerce & Industry (Ficci).

“The department of industrial policy & promotion (DIPP) will ensure the changes are incorporated every six months,” Sharma said, adding the industry lobby will also help and assist foreign investors who intend to invest in India.

Finance minister Pranab Mukherjee had announced about the document during his Budget speech on February 26, saying all prior rules, regulations and guidelines on foreign investment would be consolidated so that there is complete transparency on the matter.

“This would enhance clarity and predictability of our foreign direct investment policy to foreign investors,” the finance minister had said.

Thus far, foreign direct investment into India was administered primarily through a series of press notes, rules and guidelines issued over the years and some of its clauses had even led to disputes because of inconsistencies and vagueness.

These Press Notes not only fix investment caps on sectors like telecommunication or media, but also specify how foreign equity inflows will be treated.

Often foreign investment guidelines prescribed by the new Press Notes modify the old ones released in an earlier year. But since the Press Notes are spread over various years, many a times investors get confused.

DIPP is aware of the problems associated with not having a single platform on FDI norms.

“Because of the large number of Press Notes spread across many years, only specialised experts understand the norms associated with investments,” Sharma said.

This means that the Press Notes released till now will no longer exist under the new regime and instead, foreign investors will have to refer to the FDI rules.

After compiling the operational Press notes, the DIPP will put up the draft FDI rules for public comments. Moreover, the language and the wording in the new rule book will be simpler for better comprehension of investors.

<http://www.financialexpress.com/news/singlefdipolicytosimplifyprocedure/598302/>

## **FDI up 15 pc in February**

Foreign direct investment in India grew by 15.4 per cent to \$ 1.72 bn in February compared to the same month last year, an official said.

In February 2009, FDI inflows were USD 1.49 billion. During April-February period of 2009-10 the inflows declined to USD 24.68 billion, from USD 25.39 billion in the same period last year, under the impact of global financial crisis.

The major sectors receiving FDI in February included services, computer software and hardware, telecommunications and housing and real estate.

<http://economictimes.indiatimes.com/news/economy/indicators/FDI-up-15-pc-in-February/articleshow/5746961.cms>

## **34 investment proposals cleared**

The State High Level Clearance Committee (SHLCC), a committee chaired by chief minister B S Yeddyurappa that clears investment proposals, accorded in-principle approval to 34 industrial investment proposals.

Briefing reporters after the meeting, minister for large and medium industries Muruges R Nirani said the government would sign a memorandum of understanding with the project proponents during the Global Investors' Meet to be held on June 3 and 4 in Bangalore.

Nirani said these projects will involve an investment of Rs 94,300 crore. Once commissioned these projects would create employment for 98,300 persons.

Of the 34 projects, nine projects with a combined investment of Rs 74,156 crore are in the iron and steel sector, four in the energy sector with an investment of Rs 10,635 crore, four cement units at Rs 5,121 crore and Rs 1,000 crore in solar power sector. One project each in logistics, IT/TeS and BPO sectors were approved. Two projects involving an investment of Rs 207 crore were cleared in the agriculture sector.

Among the projects cleared include a proposal by Industrial Finance Corporation of India Limited (IFCI) to set up a "financial city" near Devanahalli Industrial Area near Bangalore at an investment of Rs 1,000 crore. Just Dial, a search engine, has proposed to set up an ITTeS BPO and Software Development Centre at Devanahalli at an investment of Rs 450 crore. Moser Baer, a maker of solar PV cells, has proposed to invest Rs 1,000 crore to set up a 50 Mw solar photovoltaic power project in Chikkaballapur district.

Other projects include MNC companies, Easun Reyrole for electrical switchgears, StarragHeckert for aerospace components, Tokai Rubber Auto Parts for automotive components and Fowlerwestrup India for agriculture products processing machineries.

Surya Roshini has proposed to set up CFL bulbs, energy efficient tube light and LED lamps units and GI Pipes and Steel ERW black pipes manufacturing unit in Shimoga. Gujarat Ambuja Exports Limited will be setting up maize starch plant in Shiggaon taluk of Haveri district at an investment of Rs 100 crore.

<http://www.business-standard.com/india/news/34-investment-proposals-cleared/390088/>

### **FDI in Defence holds promise**

It appears that the Commerce Ministry has mooted a proposal to allow 100 per cent foreign direct investment (FDI) in Defence. Pragmatists who are also keen that India's Defence capability should not be allowed to be eroded any further by vacillating politicians and bumbling bureaucrats would welcome this long overdue move. This is a good portent even if it has taken two more decades after the country shed the Soviet-style dirigisme and xenophobia and launched liberalisation.

India's efforts to sustain, let alone improve, its technological standing in Defence equipment has been jinxed ever since the scandal story broke out on Bofors in the Swedish Radio on that fateful April 17, 1987. The Defence Research and Development Organisation (DRDO) appears to have too many chestnuts on fire. Several committees have recommended measures to revamp the organisation, but there has not been any spectacular improvement in its performance; it has at best been able to produce technology demonstrators.

Government-to-government arrangements for transfer of technology, phased manufacture, and so on, seem to belong to an ancient era when the Soviet Union had a vice-like grip on the trade and manufacture of East European countries such as Bulgaria, (erstwhile) Czechoslovakia, East Germany, Hungary, Poland and Ukraine which were also traditional specialists in arms manufacture and systems. It cannot be denied that they too have lagged behind the West in technology, particularly in miniaturisation, optics, electronics and sensors.

<http://www.blonnet.com/2010/03/30/stories/2010033050340800.htm>

### **FII buying in March highest since Oct '07**

March 2010 witnessed one of the biggest monthly inflows into the Indian equity markets from foreign institutional investors (FIIs) since October 2007. Data provided by market regulator Securities and Exchange Board of India (Sebi) show that FIIs bought stocks worth over \$4.37 billion in March.

In October 2007, FIIs had bought stocks worth over \$5.27 billion. They were net buyers to the tune of Rs 430 crore, their twenty-second consecutive buying session, according to provisional figures by the Bombay Stock Exchange (BSE).

However, Indian markets continued their weak run for the second consecutive trading session, ending the day with marginal losses. Investors continued to book profit after the recent rise and weak cues from the Asian markets, leading to volatility in the domestic markets.

The 30-share Sensex of the BSE was down 0.35%, or 62 points, to close the day at 17,527.77 points. The broader S&P CNX Nifty of the National Stock Exchange (NSE) lost

0.25% to end at 5,249.10. Almost all Asian markets ended flat, after witnessing a huge surge in the last few trading sessions.

Ambareesh Baliga, vice-president at Karvy Stock Broking said: “With sustained performance of the equity markets since the Union Budget and with the strengthening of the rupee, FIIs are finding the Indian markets attractive. Also, we are providing better returns compared to other emerging markets. So, for now, we are likely to attract more inflows from FIIs.” Power and healthcare remained top performers of the day among BSE’s sectoral indices, while IT and FMCG sectors ended the day with maximum losses. “In the coming days too, the markets are likely to remain range-bound and the Nifty will keep trading between 5,150 and 5,300 points. However, if some negative news emerges from the Eurozone, then we might see some selling from foreign funds,” he added.

The NSE’s cash segment reported a turnover of over Rs 13,200 crore, up by 0.10% against the previous session, while the average daily turnover in the last six months stood at approximately Rs 15,300 crore.

However, NSE’s derivatives segment reported a turnover of over Rs 66,700 crore, gaining 10.9%, while the average daily turnover in the last six months stood at approximately Rs 76,800 crore.

<http://www.financialexpress.com/news/fiibuyinqinmarchhighestsinceoct07/598344/>

## **Trade News**

### **Australia pushes for environment, labour, IPR in trade pact with India**

The proposed free trade agreement between India and Australia has hit rough waters with the latter insisting that issues including environment, labour, intellectual property, government procurement and competition policy be part of the negotiations.

The joint study group set up to explore the feasibility of a free trade agreement between the two countries is under pressure to submit its report on the areas to be covered in the pact before Australian trade minister Simon Crean’s India visit in May.

“There is no agreement yet on the issues that are to be excluded. We are not comfortable with these issues being included,” a commerce department official said.

In almost all the trade agreements entered into or being negotiated by India, it has steered clear of all non-trade issues, said RIS senior fellow Ram Upendra Das, who is part of the joint-study group.

India and Australia had set up the group comprising government officials and research organisations from both sides in 2008 to explore the feasibility of a bilateral FTA.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Australia-pushes-for-environment-labour-IPR-in-trade-pact-with-India/articleshow/5761223.cms>

## **France seeks investments from India**

The French Government is keen to attract Indian investments into that country, the Ambassador of France to India, Mr Jérôme Bonnafont, said.

“Of the 22,000 foreign companies in France there are only 90 from India, employing about 6,000 people. This is just too small. There is a need to make a special effort for India and make the business community aware of the opportunities that exist in France. Indian companies can either set up greenfield projects or buy a business,” the Ambassador said.

The data available with the Banque de France show that the stock of Indian FDI in France at the end of December 2008 was €363 million. “The data for 2009 is yet to be compiled but I do not expect any significant rise in flows from India,” the envoy said.

In comparison, 700 French companies have invested in India, and employ 1,60,000 people, Mr Bonnafont said.

The Ambassador listed a number of reasons for Indian businesses to look at investing in France including the fact that it is the 5<sup>th</sup> largest economy in the world, has good infrastructure and there were at least 40 French companies among the top 500 companies globally.

He also announced that in March the French Government launched a global “Invest in France” campaign.

<http://www.blonnet.com/2010/03/30/stories/2010033052580700.htm>

## **Sectoral News**

### **Indian domestic BPO market to grow 25% in 2010: Gartner**

The Indian business process outsourcing (BPO) market has rebounded faster than its global counterparts. The domestic BPO market is expected to grow at 25 per cent in 2010 to touch \$1.2 billion (around Rs 5,400 crore) by 2011, said a Gartner study.

The domestic India BPO services market grew by 7.3 per cent year-on-year in 2009, primarily due to the global economic uncertainty, which led to some price and volume pressures.

According to research and advisory firm Gartner, the BPO market in India is estimated to grow 19 per cent through 2013 and grow to \$1.8 billion (around Rs 8,100 crore) by 2013.

“During the first half of 2009, we did see some optimism about spending but many firms did not decide on it, as they were not sure how the economy in North America and Europe would pick up. But towards the second half of 2009, there were inquiries and we saw a 20 per cent growth rate,” said Gartner Research Director T J Singh.

Meanwhile, Singh also added that the deal size within the domestic segment is also becoming larger. “The deal sizes in the domestic BPO segment range between \$5-10

million (around Rs 22-45 crore) and go up to \$20 million (Rs 90 crore). There are the larger \$50-million deals as well but the percentage of these deals would be just 10 per cent when compared to the smaller ones,” added Singh.

<http://www.business-standard.com/india/news/indian-domestic-bpo-market-to-grow-25-in-2010-gartner/390149/>

### **Auto sector moves on with record 12.2 m sales**

Moving on expected lines the Indian automobile sector is all set to break its 10-million unit sales record of 2006-07 by posting all-time high sales of 12.2 million units for the fiscal 2009-10. Though overall industry figures will come only a week later when the industry body Society of Indian Automobile Manufacturers (Siam) releases the figures, figures announced by individual auto makers confirmed that the month of March was once again one of the best in terms of sales.

The record performance by the domestic auto industry is largely on the back of the government's stimulus package, which had reduced excise duties leading to companies lowering product prices and low base during fiscal 2008-09.

<http://www.financialexpress.com/news/autosectormovesonwithrecord12.2msales/598854/>

### **Cement makers post strong volume growth in March**

After a dip in February, the cement industry is once again likely to hit the double-digit growth trajectory in March, as demand for the building material is consistently strong. On the back of demand from the infrastructure space and realty, cement makers continued selling higher volumes of cement.

Hari Mohan Bangur, chairman and managing director of the north major Shree Cement, said: “Demand from all cement consuming sectors is pouring in. The industry is likely to see better than a normal growth in March.”

For instance, the Aditya Birla Group, which owns cement giants Grasim and UltraTech, sold 9.7 per cent more cement in March. Similarly, Holcim-owned Ambuja Cements hit double-digit growth of 11.14 per cent with its sale volumes at 1.91 million tonnes. Jaiprakash Associates, which has its cement plants in the central part of the country, registered a whopping rise of 75 per cent in its sales.

Industry analysts said incremental capacities had resulted in larger production which is required for rising demand.

Prices are unlikely to soothen, as demand momentum is strong. The commodity prices have already risen in the range of Rs 20-25 for a 50 kg bag of cement since then.”We expect the prices to remain stable in the near future,” added Bangur. The domestic cement industry is undergoing a massive expansion plan worth Rs 50,000 crore, to take the overall capacity to close to 300 million tonnes by 2012-end.

The current capacity is already at around 245 million tonnes.

<http://www.business-standard.com/india/news/cement-makers-post-strong-volume-growth-in-march/390542/>

### **M&A boosts for mining sector**

Contrary to the global trend, India has been witnessing another wave of merger and acquisition (M&A) activities in the mining sector. Replenished balance sheets, burgeoning cash stockpiles, limited growth options and rising capex costs have contributed to the trend, say experts.

According to a recent Ernst & Young report, while deal values plummeted for the second year in a row across the globe, India was one of the few countries that witnessed increased deal activities, in terms of both value and volume in the sector. Indian metal and mining companies completed 16 deals worth \$981 million in 2009, an increase of 45% in deal count and 173% in value as against 2008.

Vedanta Group performed the biggest Indian acquisition of 2009 through its subsidiary Sesa Goa by buying Dempo's mining assets for \$370 million.

Navin Vohra, partner, metals and mining practice, E&Y, said: "In India, the key driver for striking deals was resource security and backward integration across the supply chain. Although the global transaction market in 2010 will remain challenging and mega deals will be scarce, we expect to see growth in the number and size of deals."

The quest of Indian energy companies for thermal coal to cater to electricity demand, the interest of Indian steel companies in domestic coal deposits and iron ore mines and the desire of domestic and international steel firms for backward integration by acquiring downstream processing units largely fuelled the deals in 2009.

M&A transactions were subdued in the first half of the year, as companies focused on de-leveraging and conserving cash for operations. Activities picked up as the economy stabilised and liquidity improved.

In 2009, multiple hostile bids for Orissa Sponge Iron by at least three different steel companies is perhaps the first occasion where domestic steel majors have fought with each other to acquire a domestic iron ore asset.

The year also saw \$258-million acquisition of Shree Precoated Steel by Essar Group followed by acquisition of Uttam Galva by ArcelorMittal to tap the Indian market.

According to the E&Y report, the biggest global acquisition was done by China's Yanzhou Coal Mining Co. of Australia's Felix Resources for \$ 2.6 billion. Of the top 10 state owned enterprise transactions in the sector globally in 2009, 6 were Chinese.

<http://www.financialexpress.com/news/m&aboostsforminingsector/597228/>

## News Round-Up

### M&As up by 66 % in Jan-Feb

The two main driving motivations are access to new markets and entry into new product lines

Merger and acquisition (M&A) activity involving Indian small and medium enterprises (SMEs) are on the rise. During the first two months of 2010 M&A transactions worth \$155 million (around Rs 713 crore) have been concluded in the SME sector, up by 66 per cent over the \$93 million (around Rs 427.8 crore) in transactions in the corresponding period of 2009.

Private equity (PE) investment, which has been the key for acquisitions, also witnessed a 121 per cent increase during this period.

According to Venture Intelligence, a Chennai-based research firm focusing on M&A and PE transactions, there were 22 M&A deals in January-February 2010, compared to 16 deals during the corresponding period of last year — an increase of 55 per cent.

The research firm has included all unlisted companies and listed companies with a market capital of less than Rs 500 crore. All inbound transactions have also been excluded.

Some of the major M&A transactions of January-February 2010 include Dorf Ketal Chemicals' acquisition of DuPont Chemicals and Fluoro Products (sale of assets) for \$40 million (around Rs 184 crore) in January, followed by Greenko Group's acquisition of Hemavathy Power Project for \$33 million (around Rs 151.8 crore).

This was followed by VLCC's acquisition of The Grooming Company for \$32 million (around Rs 147.2 crore); Air Works India Engineering's acquisition of Air Livery for \$20 million (around Rs 92 crore); and Advanta India's acquisition of Crosby Seed Company for \$13 million (around Rs 59.8 crore).

Top M&A transactions of January-February 2009 include Nuziveedu Seeds' acquisition of Yaaganti Seeds for \$51 million (about Rs 234.6 crore); followed by Cosmo Films' \$17 million acquisition of GBC Commercial Print Finishing; INX Media's acquisition by Indi Media for \$10 million (around Rs 46 crore); the acquisition of Dagger Forst Tools by the Samvardhana Motherson Group for \$9 million (around Rs 41.4 crore); and the acquisition of Nippon Express India by Nippon Express Company for \$6 million (around Rs 27.6 crore).

What sets this wave of M&A deals apart from those of the past is that previous deals tended towards the expansion of production capacity, while this time the two main driving motivations are access to new markets and entry into new product lines, said industry observers.

For instance, in February Elgi Equipments Ltd (EEL), a Coimbatore-based manufacturer of industrial compressors, acquired Belair SA France, which is engaged in the assembly,

sales and service of industrial compressors, piping, fittings and accessories. The acquisition was valued at euro 700,000 (around Rs 4.3 crore).

Jairam Varadaraj, managing director of EEL, said that the company follows a model of “multi- local” acquisition of small-to-medium companies with strong brand names and supports them with the ‘Elgi Inside’ strategy of providing key technologies and product extensions.

“In line with this strategy, we have purchased a 100 per cent shareholding in Belair SA, which supplies compressors to the industrial segment with about 3 per cent of the French market,” he added. Belair’s sales are euro 6.5 million (around Rs 40.3 crore) per year.

M&As have also been driven by the need for access to capacity and new products. SMEs, mainly manufacturers, are showing interest in acquiring factories in Europe, which would give them access to machinery and equipment.

“The recent downturn hit SMEs in Europe, and they are looking for buyers,” said S Murugan, a textile exporter from Tirupur, who is negotiating with two European manufacturers to acquire their assets.

“We are also looking for good acquisition opportunities for capacity enhancement, which a capacity of 1,500 tonnes per month to the company,” said T Pavithra, director, Pioneer Alloy Castings, which is planning to increase its capacity three-fold to 120,000 tonnes per annum with an investment of around Rs 150 crore.

<http://www.business-standard.com/india/news/masby-66in-jan-feb/390127/>

### **Base metals, crude oil rise on signals of improved economy**

After registering a steadily rising trend in the first quarter of the year, commodity markets appear to have begun the second quarter with more optimism. Flow of positive macroeconomic data is highly supportive even as demand fundamentals are seen improving.

Importantly, crude prices have ended Q1 on a high. Both WTI and Brent settled at their highest levels since early October 2008; and moved even higher. Base metals too have risen strongly with sentiment boosted by signals of improvement in the macro-economy.

Gold: The entire precious metals group was up last week, with gains recorded by palladium (7.7 per cent), platinum (4 per cent), silver (5 per cent) and gold (2.5 per cent). Prices rallied. In London, the PM Fix was at \$1,123.50 an ounce, up from the previous day's \$1,115.50. Silver followed suit with Fix at \$17.69/oz versus \$17.50 the previous day.

Palladium in particular has performed remarkably well with quarterly close (\$479/oz) the highest since Q2 2001 and the March close was the highest since February 2008. It opened the current new quarter higher at \$491/oz with prices driven by fresh demand.

As for the yellow metal, currency and investor interest will continue to determine the price direction. Physical demand is still less than robust although seasonal factors – for instance marriage season in India – may provide some physical support. Currently, the price

momentum is to the upside. If it decisively breaches the 1,150 level, there is the possibility of surging ahead, according to technical analysts.

Base metals: Flow of positive macro-economic data helped the complex rally.

Copper and nickel closed higher. LME copper cash was \$7,855 a tonne, up from \$7,759 the previous day, while nickel breached the psychological \$ 25,000 barrier to register \$ 25,011 a tonne.

Copper is expected to press higher and the next upside target appears to be 8,000.

With iron ore prices being re-fixed obviously at higher levels, there is concern how much more prices could rise. Because pricing arrangement for the June quarter has been broadly agreed on, there is belief that spot prices could cool as speculative activity would slow.

However, there is likely to be demand pressure for actual consumption needs, rather than for stock building.

How iron ore supplies from India pan out in the coming months with government taking action against illegal mining remains to be seen. There could be marginal tightness possibly because of minor disruptions to shipments out of India.

<http://www.blonnet.com/2010/04/05/stories/2010040550871200.htm>