

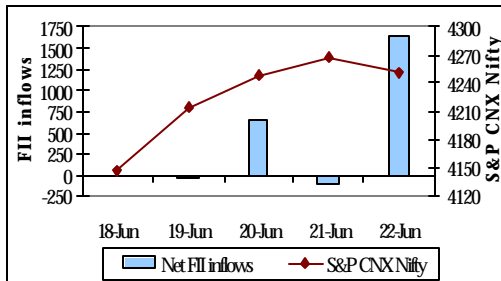
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## Highlights

- ◆ **Markets end the week on a positive note**
- ◆ **Volatility lies ahead**
- ◆ **Call rates touch 10-year low of 0.10%**
- ◆ **All eyes on upcoming monetary policy review**

## FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

## Weekly FII transactions (equities)

	June 18 to June 22	June 11 to June 15
Gross purchases	12114.7	11454.2
Gross sales	9979	11995.8
Net inflows	2135.7	-541.6

Amt in Rs. crores

Data source: SEBI

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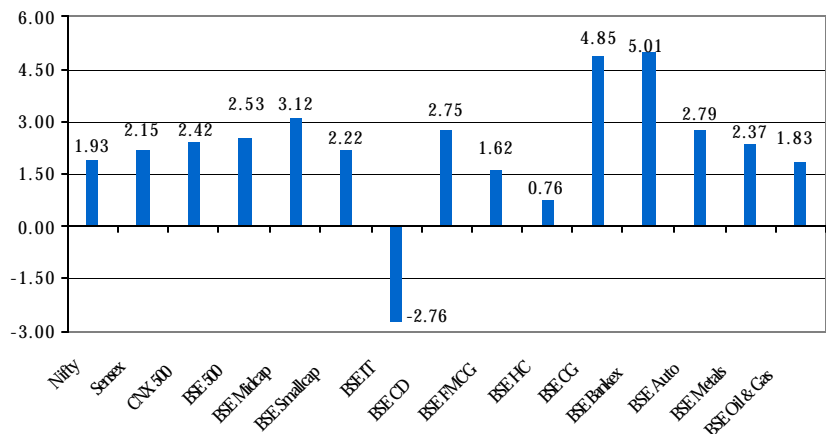
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## The week in retrospect-Equities

The markets shrugged off the volatility and ended the week in the positive territory on the back of firm global markets, eased crude oil prices and expectations of strong earnings of India Inc. Sensex rose 304.65 points to settle at 14467.36 while nifty gained 80.6 points to close at 4252.05 for the week ending June 22, 07. Crude oil prices (trading at \$68.30 as on Friday) fell from a nine-month high after a strike in Nigeria ended and amid expectations of rising gasoline stock in US. For the quarter ending June-07, advance tax payments by corporates and individuals have registered a growth of 28.6% over the same period last year. This has instilled expectations of robust corporate earnings results for the quarter. Buying support witnessed in frontline stocks and short covering in derivatives contract also boosted the market sentiments. However on Friday, heavy volatility due to profit booking led the markets to lose some of their gains. On the sectoral front, IT stocks remained beaten due to appreciating rupee. The successful FPO of ICICI Bank (subscribed more than 11 times) caused the share to rise significantly. SBI Bank also surged on the back of news that it would raise Rs.15, 000 crores this year. Heavy demand of banking stocks took BSE Bankex up by 5.01%.

During the week, FIIs emerged as significant net buyers in the equity market, amounting to Rs. 2135.7 crores. Mutual funds also followed suit and made net purchases in equities to the tune of Rs.318.10 crores.

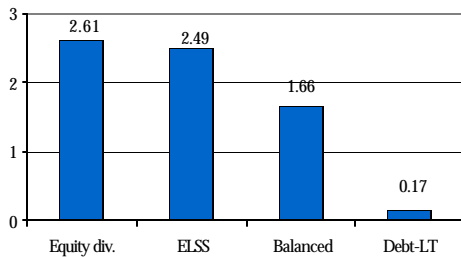
## Weekly Equity Indices Return (absolute %)



As on June 22

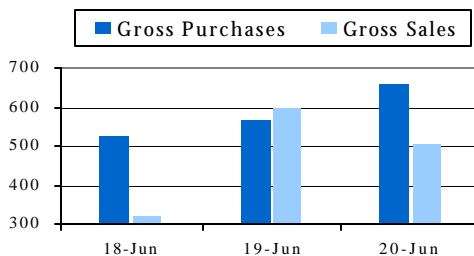
Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on June 22 Datasource: Bloomberg

## Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

In the equity market, mutual funds emerged as net buyers to the tune of Rs. 318.10 crores.

## Outlook:

**Short-term:** Markets may remain volatile ahead of the expiry of June, 07 derivatives contracts on June 28. Profit booking at higher levels is also expected to add to the market volatility. With a huge line-up of IPOs and FPOs waiting to enter the market, liquidity remains a concern. The progress of monsoons would act as a short-term guiding factor. Following the indications of strong corporate earnings by the increase in advance tax payments, markets are expected to be buoyant. Stock specific buying may be witnessed following the quarterly results.

**Long-term:** According to the finance ministry, per capita income in 2005-06 increased by 7.4%, savings rate is estimated at 32.4% and investment rate at 33.8%. The finance ministry has revised the GDP growth estimates for 2006-07 to 9.2% on the back of 2.7% growth in agriculture, 10% growth in industry and 11.2% growth in services sector. With markets backed by strong economic fundamentals, long-term story remains bullish. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to support this growth.

Recommended schemes to invest		Historical returns as on Jun 22 (%)			Crisil Ranking*
		6 months (abs)	1 year	3 year (ann)	
<b>Aggressive (Equity)</b>	DSP ML Small & Mid	10.90	N.A.	N.A.	-
	DSP ML T.I.G.E.R	16.57	57.74	55.46	1
	ICICI Pru Services	16.04	72.21	N.A.	-
	Reliance Equity Oppor.	9.75	43.34	N.A.	2
<b>Moderate (Equity)</b>	Fidelity Equity	17.46	57.88	N.A.	-
	ICICI Pru Dynamic	10.10	49.22	62.17	1
	DSP ML Equity	17.47	55.93	60.01	1
	Fidelity Ind. Special.	11.62	51.99	N.A.	-
<b>Conservative (Equity)</b>	DSP ML Top 100	14.48	50.83	50.22	2
	HSBC Equity	7.02	41.37	45.57	4
	Franklin India Bluechip	9.10	41.93	44.63	4
	Templeton India Eq. Inc.	15.54	42.89	N.A.	-
	Franklin India Taxshield	12.09	34.56	43.98	3
	Fidelity Tax Advantage	17.34	52.00	N.A.	-
<b>ELSS</b>	SBI Magnum Tax Gain	10.98	47.70	78.60	1
	DSP ML Balanced	14.49	38.95	36.14	3
<b>Balanced</b>	HDFC Prudence	10.52	38.43	43.18	1
	FT India Balanced	11.03	37.65	33.09	2

\*For qtr end Mar 07

Datasource: Bloomberg

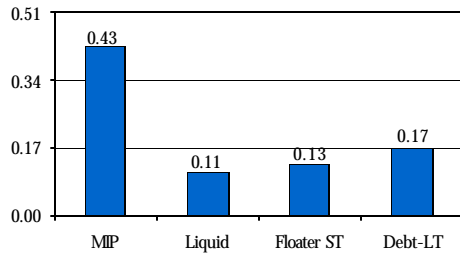
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

## Recommendations

**Fresh investments:** After witnessing significant amount of correction, stocks (across some sectors) are available at attractive valuations. The downside from the present levels seems limited. From next month, quarterly earnings results will start flowing in. On expectations of strong results, markets may climb further. Hence, it is an opportune time to invest. Derivative funds can be considered for investors who wish to adopt a hedged style. Investors can also opt for GETFs to further diversify their portfolio.

**Existing investments:** We reiterate our long-term bullish view on the markets. Hence, we suggest continuing with the existing holdings. However, one needs to be particular about the schemes forming part of the portfolio.

## Weekly category returns (%)

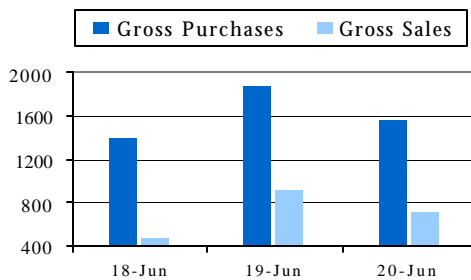


Abs. returns as on June 22 Datasource: Bloomberg

## Key statistics

	Jun 22	Jun 15
8.07% GOI 2017 yield	8.23%	8.28%
Call rate	0.20%	3.25%
WPI inflation (week ending Jun 9 and June 2)	4.28%	4.80%
Dollar exchange rate	40.76	40.87
Forex reserves (\$ bn)	211.015 (Jun 15)	209.547 (Jun 8)

## Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market, mutual funds emerged as net buyers to the tune of Rs.2742 crores.

## The week in retrospect-Debt

The bond yields remained easy during the week on the back of comfortable cash position in the market. The 10-year g-sec closed at 8.23% for the week ending June 22, 07 as against 8.28% the previous week. As a result of ample cash in the banking system, the call rates dipped to their 10-year low at 0.10% on Thursday. Further, low inflation data also kept the bond market in a comfortable zone. Inflation, which touched its lowest in 14 months, was reported at 4.28% for the week ending June 9, as against 4.80% the previous week on the back of declining prices of primary articles including grains, pulses, fruits and vegetables. On Friday, RBI announced the auction of treasury bills worth Rs.110 billion in the coming week.

Rupee kept on with its upwards movement triggered by strong capital inflows. For the week ending June 22, rupee appreciated to 40.76 against the dollar as compared to 40.87 the last week.

## Outlook:

**Short-term:** Since call rates are hovering at quite low levels, it is expected that RBI would come out with some measures to absorb the excess liquidity in the system. The auction of Rs.110 billion treasury bills would be an attempt in this direction. Market men are expecting a hike in CRR in the coming RBI monetary policy review in July. Inflation is likely to remain controlled and stay in the 4.5%-5% range in the coming weeks.

**Long-term:** With RBI adopting the route of monetary tightening to curb inflation, credit growth (currently at nearly 30%) is expected to come down to 22-25% in coming months. Tackling supply side inflation may help in bringing down the prices of primary articles. As rising inflation is expected to be controlled, yields may cool down in the coming months.

Recommended schemes to invest		Return as on June 22 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Liquid plus	HSBC Liquid Plus	0.64	2.18	N.A	0.65	-
Liquid	LIC MF Liquid	0.59	2.08	7.88	0.50	2
	Canliquid Retail	0.55	2.00	7.46	0.23	-
Arbitrage	StanChart Arbitrage	0.79	2.26	N.A	--	-
FMPs	DBS Chola FMP Series 7 (12 months)	Closing date: June 27, 07			Net indicative yield: 9.25%- 9.5%	
	ICICI Pru FMP Series 36 (18 months)	Closing date: July 2, 07			Net indicative yield: 9.9%-10.05%	

\*For qtr end Dec, 06

Datasource: Bloomberg

## Recommendations:

**Short-term investors:** Very short-term investors who desire T+1 redemption should invest in liquid funds. Short-term floater funds are recommended (due to their tax efficiency) for investors who can go for T+2 redemption. For other investors for whom instant liquidity is not an issue, FMPs (shorter duration of 3 months to 6 months) can be considered as the yields are quite attractive.

**Long-term investors:** Investors with a horizon of more than one year could consider FMPs (longer duration) in place of bank deposits as present yields on short-term papers are quite attractive. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

### Forthcoming New Fund Offers:

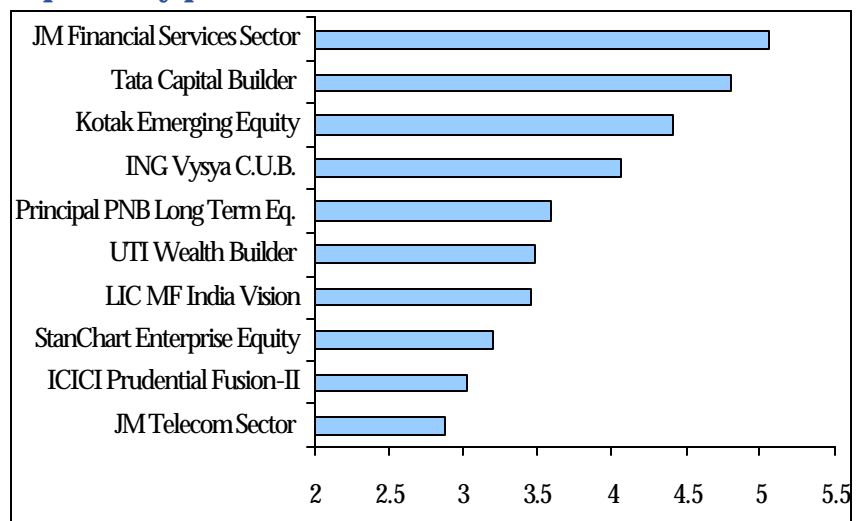
- ◆ Reliance is planning to launch Reliance Natural Resources Fund, an equity fund to invest in companies that discover, develop, produce, or distribute natural resources.
- ◆ UTI AMC is coming up with UTI Lifestyle Fund. It would be a 3-year close-ended scheme which would invest in companies which play a role in driving Indian demographics or consumer patterns.
- ◆ Lotus India AMC is planning to launch Lotus India Equity Fund. The scheme would be an open-ended equity diversified one which would invest across sectors and market-cap ranges.
- ◆ Birla Sunlife AMC is planning to come up with Birla Sunlife International Equity Fund. The equity scheme would invest in both domestic and international markets.
- ◆ Tata AMC is launching Tata Global Infrastructure Fund. The 3-year close-ended equity fund would invest in both domestic and overseas companies, which are related with infrastructure sector.

### NFO Corner

#### NFOs open for subscription:

- ◆ Franklin Templeton AMC has launched Franklin India High Growth Companies Fund. The open-ended equity scheme would invest in high growth companies. The NFO period would be open till June 29, 07.
- ◆ Reliance AMC is launching Reliance Equity Advantage Fund on June 12, 07. The fund would aim to offer fifty-plus returns by following the same sector weightage of the index. The offer period would close on July 10, 2007.
- ◆ Birla Sunlife AMC has launched CPF, Birla Sunlife Capital Protection Orientation Fund, with a 3-year and a 5-year plan. The fund is available for subscription till July 6, 07.

#### Top weekly performers-NFOs\*



\* Weekly return in % as on June 22, 07

Datasource: MFI Explorer

**Note:** Funds launched since Jan 06 have been considered.

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