

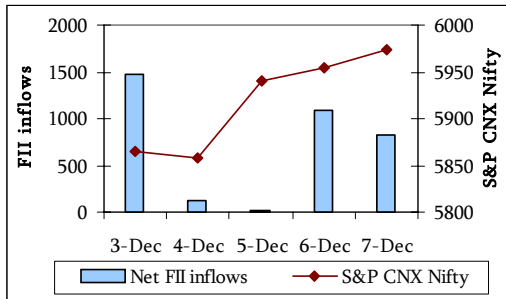
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Highlights

- ◆ Markets ended in the green territory
- ◆ All eyes on the US Fed meet
- ◆ Bond yields remained range bound
- ◆ Inflation slides down

FII movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

Weekly FII transactions (equities)

	Dec 03 to Dec 07	Nov 26 to Nov 30
Gross purchases	27638.20	18128.70
Gross sales	24120.20	19523.10
Net inflows	3518.00	-1394.40

Amt in Rs. crores

Data source: SEBI

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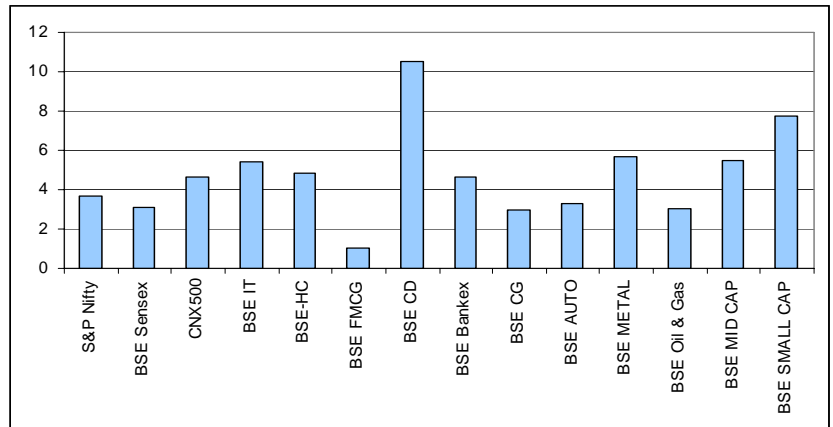
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The week in retrospect-Equity

The markets witnessed a strong upward momentum during the week on expectation that the US Federal Reserve will cut the Fed rate by at least 25 basis points in its meeting to be held on December 11. During the week, BSE sensex rose by 602.81 points or 3.11% to close at 19,966 while S&P CNX nifty gained 211.55 points or 3.67% to close at 5,974.30. On Monday, sensex rose by 240.22 points. There was a strong buying in some index heavy weights and IT heavy weights. Markets soared on Tuesday leading to a fall in sensex by 73.91 points as there was fall in index heavyweights like Reliance Industries, ICICI bank and a few select IT stocks. Wednesday's market was driven by the firmness in European markets leading to a rise in sensex by 208.57 points or 1.07% to close at 19,738.07. Though the index heavy weights like Reliance industries slipped on Thursday, the sensex still managed to see a slight rise of 57.80 points backed by the performance in realty stocks. Data showing the slide in inflation helped the market end on a firm note on Friday with sensex rising by 170.13 points or 0.86% to close at 19,966. BSE Small Cap index surged 816.25 points or 7.75% to close at 11,342.27 while BSE Mid Cap index rose by 468.40 points or 5.48% to close at 9,021.96 in the week.

Also, FII's and the mutual funds ended as net buyers in the equity market to the tune of Rs.3518 crores and Rs.224.60 crores respectively.

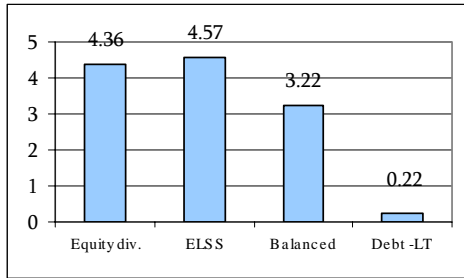
Weekly Equity Indices Return (absolute %)



As on Dec 07

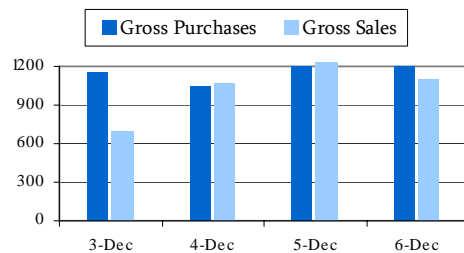
Data source: BSE, NSE

Weekly category returns (%)



Abs. returns as on Dec 07 Data source: 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.224.60 crores.

Outlook:

Short-term: The upward momentum in the market is expected to continue at least till the Federal meeting, scheduled on December 11. The Federal Reserve is expected to cut its rates by at least 25 bps. This coupled with the strong data on job creation by the US private sector in November 2007 has eased the worries on US recession. Re-emergence of political concerns arising from The United Progressive Alliance government's firmness to operationalise the Indo-US nuclear deal may impact the market.

Long-term: GDP rose by 8.9% after the second quarter which ended on 30 September, 07. This growth was fuelled by robust performance in the manufacturing, construction and services sectors and a noticeable improvement in the agriculture sector. Also, earnings growth of the corporates remains strong and is expected to support the Indian equities during the decline. Also, other material factors like more than 35% saving rate, improving tax to GDP ratio (18%) indicate that the equity markets are positively inclined over the long term.

Recommended schemes to invest		Historical returns as on 07 Dec (%)			Crisil Ranking
		6 months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	59.63	73.33	65.06	1
	Reliance Equity Opportunities	36.48	44.3	--	3
	ICICI Prudential Services Ind.	34.59	57.09	--	
Moderate (Equity)	Fidelity Equity Fund	35.71	50.15	--	-
	Fidelity India Special Situations	33.91	40.84	--	-
	ICICI Prudential Dynamic	29.63	38.45	54.19	1
Conservative (Equity)	DSP ML Top 100 Equity	44.93	58.67	52.52	1
	Franklin India Bluechip	41.51	45.26	47.12	4
	HSBC Equity Fund	53.17	55.38	48.34	3
	Templeton India Equity Income	36.53	53.15	--	-
ELSS	Fidelity Tax Advantage	38.52	53.28	--	-
	Franklin India Tax shield	23.83	22.73	35.59	
	SBI Magnum Tax Gain	44.41	22.02	30.28	2
Balanced	DSP ML Balanced	32.05	45.04	38.04	1
	Franklin India Balanced	8.89	24.35	31.51	2
	HDFC Prudence	30.29	39.92	42.3	2

*For qtr end Sep, 07

Data source: MFI explorer

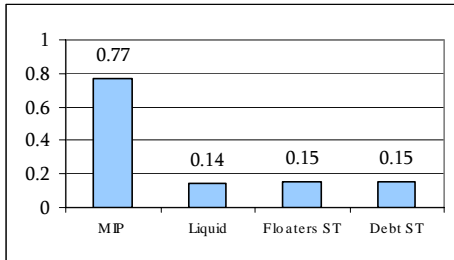
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: Markets are firm near the new highs after a two months period of accelerated pace. While the market fundamentals and corporate earnings have been positive and the markets being at its near historic highs coupled with momentum owing to international economic scenario and US flows would make the market volatile at these levels. Hence, it is advisable for investors to enter with long term approach and also opt for a phased entry. Midcap segment could be considered by aggressive investors. Themes like financial services and banking could prove to be a good bet. SIP investors could look at contra & diversified funds.

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

Weekly category returns (%)



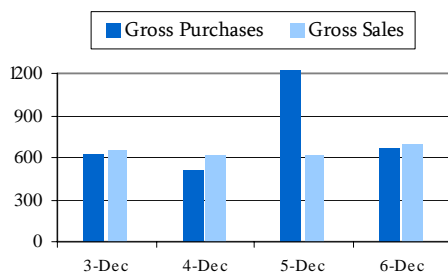
Abs. returns as on Dec 07 Data source: Bloomberg

Key statistics

	Dec 7	Nov 30
7.49% GOI 2017 yield	7.89%	7.92%
Call rate	4.50	7.82
WPI inflation (week ending Nov 17 and Nov 24)	3.01%	3.21%
Dollar exchange rate	39.40	39.63
Forex reserves (\$ bn)	273.520 (Nov 30)	271.281 (Nov 23)

Source: bseindia.com

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.430.40 crores.

The week in retrospect-Debt

During the week, the bond market remained range bound with the tight cash conditions in the market. The anticipated Fed rates cut is expected to accelerate the FII into our country as the bond yields are currently higher in India. Call rates remained in the region of 6.50 per cent to 7.75 per cent. Gold has been very volatile during the week and was priced at Rs.10,215 per 10 grams which is Rs.90 lesser than the previous weeks close. Rupee appreciated during the week to Rs.39.40 per dollar from the previous weeks close of Rs.39.63. During the week SEBI relaxed guidelines for companies raising funds through the issue of bonds. The requirement for corporates to obtain credit ratings from two agencies has been relaxed to one agency.

Outlook:

While the markets are geared up for the US Federal Reserve's meeting on 11 December, liquidity condition is likely to remain tight. Advance corporate tax payments are expected to add to the liquidity crunch as well. Nevertheless a cut in the key US lending rates is expected to pull investments to India and thereby increase the liquidity position in the country.

Recommended schemes to invest		Return as on 07 Dec			Expense ratio	Crisil rankin
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.64	1.98	8.27	0.65	-
Liquid	Can liquid	0.66	1.91	7.72	0.45	-
Arbitrage	StanChart	0.77	1.63	--	1.5	-
HSBC MF	16 Months FMP closing on 17 Dec, 07, Net indicative yield: Retail: 8.95% and Institutional 9.25%.					
Std. Char. MF	18 Months FMP closing on 14 Dec, 07, Net indicative yield: Plan A: 8.50% and Plan B: 8.90%.					

*For qtr end June, 07

Data source: MFI explorer

Recommendations:

Short-term investors: Liquid funds could be considered for investment period up to 15 days. Liquid Plus funds are suitable for period between 15 days and 3 months. Arbitrage funds are recommended for investors with investment duration of 3 months to 1 year. These funds attract equity funds tax treatment, they offer additional advantage. Other investors for whom instant liquidity is not an issue, FMPs (shorter duration) can also be considered.

Long-term investors: Investors with a horizon of more than one year could consider FMPs (longer duration) in place of bank deposits due to FMP's favourable tax status which offers higher post-tax returns. Others looking to invest in liquid options could consider arbitrage funds and MIPs depending on the risk profile.

Forthcoming New Fund Offers:

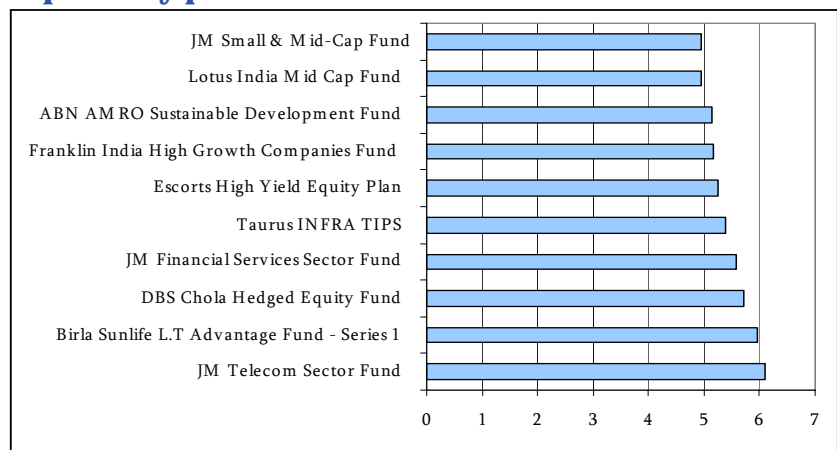
- ◆ JP Morgan fund house is expected to launch a new scheme named JP Morgan India Tax Advantage Fund. The open ended equity linked savings scheme is waiting for approval from SEBI.
- ◆ Birla Sun life Fund house is expected to launch a new scheme named Birla Sun life sector rotation fund. The 3 Year Close-ended Equity Scheme is waiting for approval from SEBI
- ◆ ICICI Pru fund house is expected to launch a new scheme named ICICI Prudential Focused Equity Fund. The open ended equity scheme is waiting for approval form SEBI.
- ◆ SBI Mutual Fund house is planning to launch SBI Emerging International Opp. Fund. This fund is waiting for approval from SEBI.
- ◆ SBI Mutual Fund house is planning to launch SBI Tax Advantage Fund-Series I. The 10 Year Close-ended Equity Linked Savings Scheme is waiting for approval from SEBI.
- ◆ Reliance AMC is planning to launch Reliance Infrastructure fund. The 3 Yrs. close ended fund is waiting for approval from SEBI.
- ◆ DWS AMC is planning to launce DWS Small and Midcap Fund. The open ended equity scheme is waiting for approval from SEBI.
- ◆ ICICI Pru AMC is planning to launch ICICI Prudentail Tax Shield Fund. The 10 year close-ended equity linked savings scheme is waiting for approval from SEBI.
- ◆ Tata AMC is planning to launch Tata Growing Economies Infrastructure Fund. The 3 year close ended equity scheme is waiting for approval from SEBI.

NFO Corner

NFO's open for subscription:

- ◆ LIC AMC has launched LIC MF Top 100 Fund. The close-ended equity scheme would invest predominantly in equity and equity related instruments primarily drawn from the companies in CNX 100 Index. This fund is open till 14 Dec 07.
- ◆ Franklin Templeton AMC has launched Franklin Asia Equity Fund which will predominantly invest in equity and equity related instruments of Asian companies/sectors. The fund is open till 18 Dec 07.
- ◆ JM Financial AMC has launched JM Agri & Infra Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on agriculture and infrastructure development of India. This fund is open till 18 Dec 07.
- ◆ UTI AMC has launched UTI Infrastructure Advantage Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on infrastructure companies. This fund is open till 19 Dec 07.
- ◆ Chola AMC has launched DBS Chola Small Cap Fund. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on Small Cap companies. This fund is open till 20 Dec 07.
- ◆ Kotak AMC has launched Kotak Indo World Infrastructure Fund. The close-ended equity scheme would invest predominantly in Indian equities (at least 65% of the portfolio) and in overseas equities (up to 35% of the portfolio). The fund focuses on investing across infrastructure related sectors. This fund is open till 22 Dec 07.

Top weekly performers-NFOs*



*Weekly return in % as on Dec 07, 07

Data source: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

For more information on MUTUAL FUNDS call 1800 4258283 or contact your nearest Karvy branch.

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