

01-2008

02-2008

03-2008

04-2008

05-2008

06-2008

07-2008

08-2008

09-2008

10-2008

11-2008

12-2008

Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug

MONTHLY REPORT
DECEMBER-2008

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25 Years



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Indian Major Stock Indices

	Oct 31, '08	Nov 30, '08	% Change
S&P Nifty	2885.6	2755.10	-4.52
BSE Sensex	9788.06	9092.72	-7.10
BSE Teck	2161.45	2001.63	-7.39
BSE-HC	2778.64	2887.83	3.93
BSE FMCG	1799.83	1936.60	7.60
BSE CD	2072.98	1793.57	-13.48
BSE Bankex	5011.24	4645.40	-7.30
BSE CG	7017.61	6387.32	-8.98
BSE AUTO	2685.62	2330.56	-13.22
BSE METAL	5367.6	4383.38	-18.34
BSE Oil & Gas	6195.62	5618.16	-9.32
BSE Mid Cap	3200.02	2885.76	-9.82
BSE Small Cap	3765.11	3304.61	-12.23
BSE Realty	1978.24	1561.01	-21.09

Data source: BSE

Monthly MF – AMC - AUM transactions

	Oct '08	Nov '08	% Change
AUM	431901.42	402029.59	-6.92

Amt in Rs. Cr

Data Source: AMFI

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Highlights

- ❖ Sensex continued to tread downward
- ❖ Rupee remains weak on declining domestic equities
- ❖ Inflation dips to single digits
- ❖ International crude oil price eases to USD 54.43 a barrel

Equity Market – Roundup

The first fortnight of the month saw the Indian indices witness alternate bouts of selling and buying pressure, with the closure for the fortnight on a positive note. The main factors responsible for the market rally were the US government decision to bail out the ailing Citigroup and the steep rate cut by China's Central Bank raising hopes of India following suit. Also, higher-than-expected GDP numbers and lower-than-expected inflation figure were other positives which boosted market sentiments and financial stocks staged a recovery.

However, foreign funds remained net sellers which remained a cause of concern. The Mumbai terror attacks, a spate of dismal data and weak global equity markets, fall in the export growth rate for the first time in 3-yrs and decline in mutual fund industry's assets under management resulted in a fall in market indices. Sensex and Nifty ended the fortnight with marginal gain of 0.56% and 0.05% respectively.

In the second fortnight, overall sentiments remained bearish and market indices continued to tread downward. Weak global trends and recessionary fears were mixed with positive factors of China's massive USD 586 bn economic stimulus plan, improvement in IIP data for September 2008, single-digit inflation data in India and expectation of further cut in interest rates and negative factors such as fall in India's exports for the first time in 5-yr clubbed with the weak global trends, concerns over the IIP data for October 2008, concerns that the measures taken by RBI will be insufficient to boost growth, resulted in Sensex closing at 8,915 points for the month, 10.53% lower than previous fortnight's close.

Debt Market:

Corporate Bond market: During the month, Power Finance Corporation raised Rs. 250 crore through unsecured, redeemable, non-convertible, non-cumulative, taxable Bonds Issue in the nature of Debentures Series 52-A,B&C at par maturing at the end of 5, 7 and 10yr from 28th Nov.'08, the deemed date of allotment, having annual coupon rates 11.40%, 11.30% and 11.25% respectively. The corporation had a right to retain over-subscription (Green Shoe Option), Rural Electrification Corporation also came out with Rs. 400 crore through 18-month, 2 year and 5 year bond issues.

Government Securities The month was very positive for the interest rate markets in terms of returning of sentiments in the swap as well as G-sec market. With inflation dropping to single digits, faster than expected and global oil prices closing the fortnight at USD 49.93, markets are expecting a reverse repo rate cut by RBI. As a result, the yields have dropped across curves and term structure of each curve.

Money Market: During the month, money market rates remained easy in view of ample liquidity in the system. The market garnished the results of the rate cuts by RBI and injection by way of MSS buy-back. RBI further infused Rs.19,000 crore into the system by way of two MSS re-purchases of dated securities. The liquidity was not surplus but adequate, with RBI not intervening any more in the forex market.

Key Indicators

	31 Oct, 2008	30 Nov, 2008
Dollar exchange rate	49.25	49.84
Gold (Rs.10/gm)	11,865.90	13,154.60
Crude Oil	67.81	54.43

Data source: Bloomberg

Foreign Major Stock Indices

	31 Oct, 2008	30 Nov, 2008	% Change
MSCI World Index	957.24	892.92	-6.72
FTSE	4377.30	4288.00	-2.04
Dow Jones	9336.93	8829.04	-5.44
Strait Times	1794.20	1732.57	-3.43
KLSE	863.61	866.14	0.29
HangSeng	13968.67	13888.24	-0.58
Nikkei	8576.98	8512.27	-0.75

Data source: Bloomberg

During the second half of the month, Various measures taken by RBI in order to maintain sufficient liquidity in system, kept the call and CBLO rates comfortable throughout the fortnight. The reimbursement of Rs 15,000 crore to banks under farm loan waiver scheme also helped improve liquidity conditions. Besides, RBI has provided several windows for liquidity support to banks, which eased the pressure on call rates. Government expenditure also infused cash into the system.

Domestic Developments:

RBI Introduces Stimulus Plan to Revive Economy

In view of the need to prevent the economy from slowing down, RBI introduced a stimulus package including 100 bps cut in repo and reverse repo rate. The repo rate will come down to 6.50% from the existing level of 7.50%, while reverse repo will be at 5.00% from current level of 6%, both effective from 8th Dec' 08. However CRR and SLR remain unchanged. Apart from the rate cuts various other measure have been introduced keeping in mind the evolving macro economic conditions. RBI has provided more leeway to the banks to lend to the real estate and non-banking finance companies, which were amongst the worst hit by the credit crisis. In addition to this RBI has also initiated steps for the benefits of the exporters. The measures taken by RBI includes the following:

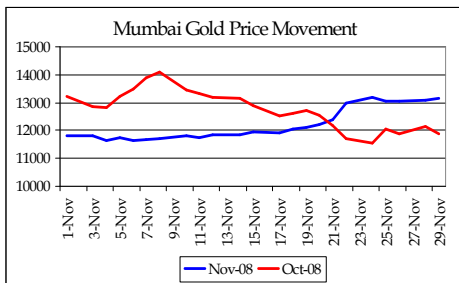
- ❖ In order to provide fiscal support to Micro and Small Enterprises, refinance of Rs 7,000 crore shall be provided to SIDBI upto March 31, 2010.
- ❖ Reclassification of Loans granted by banks to Housing Finance Companies (HFCs) for on-lending to individuals for purchase / construction of dwelling units under priority sector
- ❖ Post-shipment Rupee Export Credit upto 180 days not to exceed BPLR minus 2.5%.
- ❖ Premature buyback of FCCBs permitted subject to certain conditions

India's Economic Growth Slows to 7.60% for Q2.

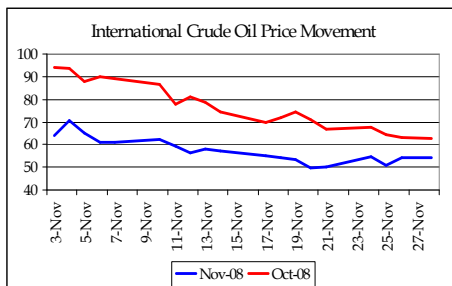
India's economic growth during the second quarter of the year stood at 7.6%, declining sharply from 9.3% during the corresponding period in the previous year. However, the growth seems to be satisfactory in times of global financial turmoil. Performance by sectors such as manufacturing, agriculture and mining remained lackluster, as the growth recorded in these sectors was lower than that in Q1. The moderation to 7.6% has also resulted in the GDP growth during the first half of 2008-09 slipping to 7.8%. Performance of the service sector, which contributes more than half of the total output, helped economy register a better growth than estimated by the poll (7.2%).

India's Exports Register Negative Growth

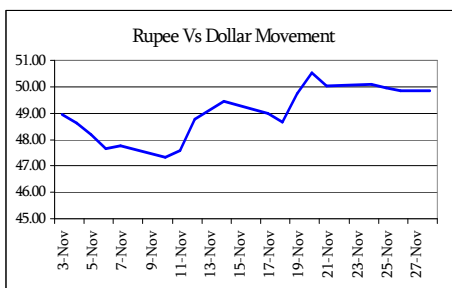
The trade deficit in the month of Oct narrowed slightly to USD 10.54 bn vis-à-vis USD 10.63 bn in Sep. Exports in the month stood at USD 12.82 billion, lower than USD 14.59 billion a year ago, clocking a negative y-o-y growth for the first time in 3 years. However imports grew by 10.57% during the year. Exporters of the country are under increasing pressure as the US, which is the single-largest export destination for Indian goods and accounted for about 13.0% of Indian exports in 2007-08, is heading for a recession. India's cumulative exports from April to October 2008 stand at \$107.80 bn, lagging far behind the year's target of USD 200 bn. Trade deficit currently stands at \$72.9 billion (April to October'08), much higher than \$45.6 billion in the same period a year ago. Imports were driven mainly by oil purchases, which surged by 22% to USD 65.77 bn during April to October'08.



Data source: Bloomberg



Data source: Bloomberg



Data source: Bloomberg

International Developments:

Europe's Central Banks Slash Key Rates to Combat Crisis

Global financial crisis and fears of recession pushed Central Banks across Europe to cut interest rates by momentous scale. Bank of England has reduced the borrowing rate by 100 bps to 2.0%, lowest since the Bank was founded in 1694. ECB delivered a 75 bps cut, reducing the benchmark rate to 2.5%.

Bullish Sentiments Persists In Us Treasury Market on Growing Signs of Economic Recession

In US treasury market, yields firmed up initially as lower-than-expected demand at auction of 2-yr paper turned market participants cautious. Concerns over rise in supply of securities following the implementation of rescue packages pushed yields higher. However, announcement of Fed's plan to buy mortgage securities worth USD 600 million spurred demand for sovereign securities as a replacement for bonds backed by home loans that may be repaid early. In addition to this, reports of higher-than-expected contraction in economy in the third quarter and 1% decline in consumer spending resulted in flattening of yield curve.

Crude Oil Prices Falter Most In 4 Years

Continuing with the downward trend, Crude oil price has fallen to USD 40.81 a barrel during the fortnight, as it struggles to find support at lower levels amid news of growing recession in the global economy. A cut in production by OPEC last month to the extent of 1.5 million barrels a day has failed to prevent the slump in prices. OPEC is expected to bring in more production cuts in its next meet in order to stabilize prices. However, crude oil prices rose marginally during the first week of the fortnight after China cut its key interest rate by most in 11 years extending efforts to prevent an economic slump. Crude traded above USD 50 a barrel during the first week of the fortnight.

Forex Market:

After strengthening above 48/USD, Rupee slipped below 50/USD on persistent dollar buying by banks to meet demand from FII after domestic equity markets fell sharply during the month. Further, defense payment related dollar buying also contributed to rupee's decline. Rebounding of dollar prices resulted in stepping up of demand by importers while exporters delayed dollar selling in order to attain better rates. Rupee continued to decline in subsequent trading days as well, following weak Asian markets. Lack of RBI intervention at around 49/USD also intensified the fall. However, rupee recovered amid volatile trade as banks sold the greenback for exporters and on the fall in offshore non-deliverable forward rate. Rising of NDF rates have given an arbitrage opportunity to buy dollars in local markets and selling NDF markets. However, with coming off of NDF trades, banks sold dollars to square long positions. Exporters were witnessed selling dollars above 49.50/USD, which helped rupee in avoiding further decline. Rupee witnessed marginal rise after announcement of additional measures by RBI to boost dollar inflows.

NFO at a glance:

NFO's open for subscription:

Scheme	Open Date	Close Date
Benchmark S&P CNX 500 Index Fund	17.11.08	15.12.08
IDFC Tax Advantage (ELSS) Fund	01.12.08	17.12.08

Forthcoming NFO's:

Sl. No.	Scheme Name
1	Sahara Star Value Fund
2	Sahara Super 20 Fund
3	Edelweiss Arbitrage Fund

Note: The above given funds are awaiting SEBI's approval.

MF Recommendations:

Equity Long & Medium Term:

Recommended schemes to invest		Historical returns as on Dec 05 '08 (%)		
		1 year (ann.)	2 years (ann.)	3 years (ann.)
Equity	HSBC Equity Fund	-49.81	-12.31	4.94
	IDFC Premier Equity Fund	-52.41	-4.90	7.13
	Kotak Opportunities Fund	-56.35	-12.13	4.97
	Reliance Regular Savings Fund – Eq.	-51.65	-11.33	7.13
ELSS	Franklin India Taxshield	-50.56	-14.61	-0.11
	HSBC Tax Saver Equity Fund	-51.23	--	--
	Reliance Tax Saver Fund	-53.75	-19.99	-3.91
	Sundaram BNP Paribas Tax saver	-48.55	-8.53	6.29
Balanced	Birla Sun Life Balance Fund	-29.12	-7.27	4.36
	DSP BlackRock Balanced Fund	-38.08	-5.71	7.39
	UTI Mahila Unit Scheme	-9.76	4.91	11.81

Data source: MFI Explorer

Debt Short & Ultra Short Term:

Recommended schemes to invest		Historical returns as on Dec 05 '08 (%)		
		3 months (abs)	6 months (abs)	1 year (ann.)
Floating Rate Funds	LIC MF Floating Rate Fund - ST	2.60	5.10	10.16
	Tata FRF – LT	2.49	4.82	9.36
Debt Short Term	Canara Robeco Income Scheme	9.06	19.01	23.77
	Fortis Flexi Debt Fund	6.03	8.49	13.74
Debt Ultra Short Term	HDFC Cash Mgmt Fund - Savings Plus - Retail	2.29	4.50	8.75
	LIC MF Liquid Fund	2.50	4.89	9.37

Data source: MFI Explore

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

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