KARVY the Finapolis

Your Personal Finance Advisor

01-2009

02-2009

03-2009

04-2009

05-2009

06-2009

07-2009

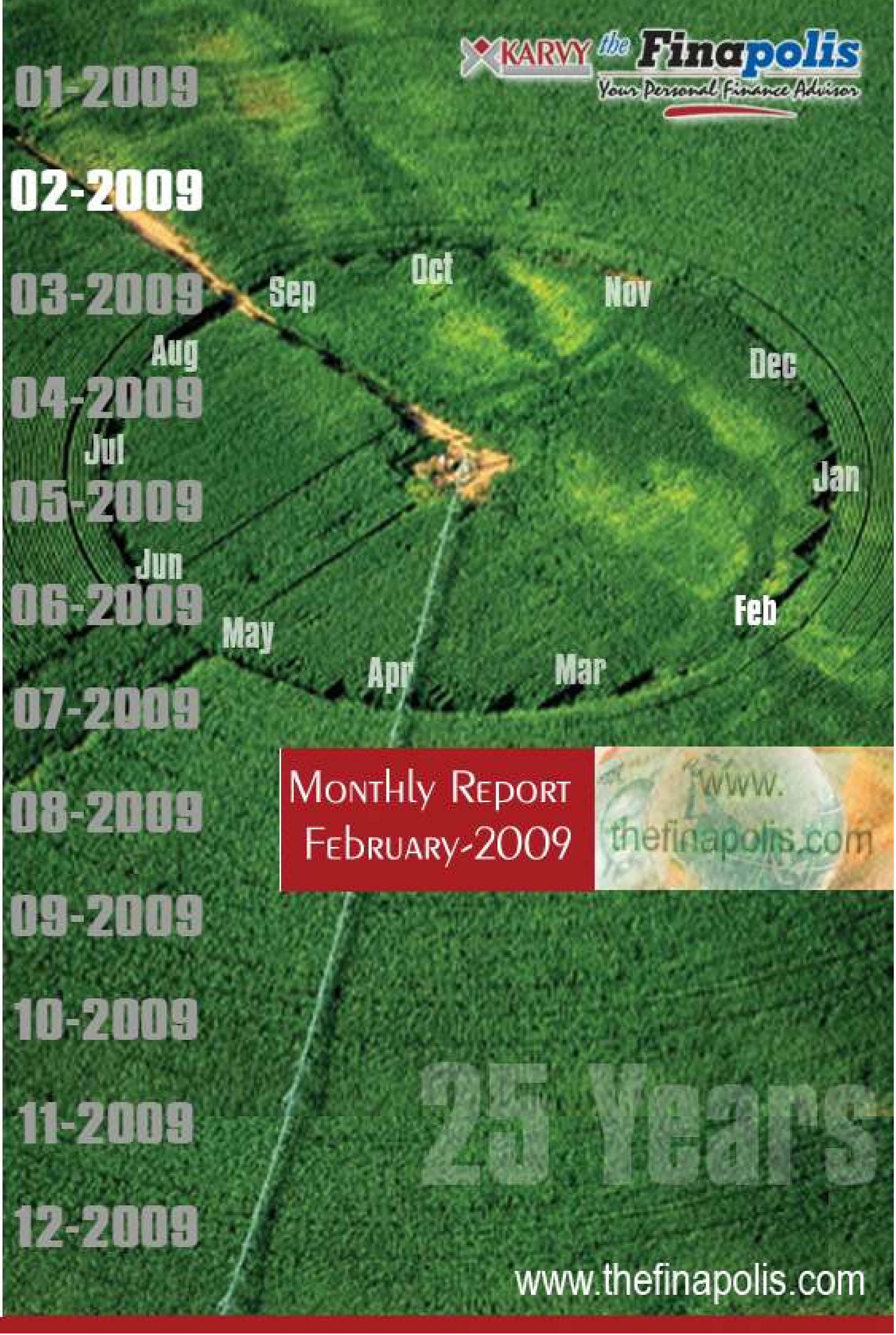
08-2009

09-2009

10-2009

11-2009

12-2009



Monthly Report February-2009

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PF/MFW/05022009/526 Jan 01, 2009 to Jan 31, 2009

Indian Major Stock Indices

	Dec 31, '08	Jan 31, '09	% Change
S&P Nifty	2959.15	2874.80	-2.85
BSE Sensex	9647.31	9424.24	-2.31
BSE Teck	1947.04	1818.69	-6.59
BSE-HC	2966.19	2713.84	-8.51
BSE FMCG	1987.38	2032.69	2.28
BSE CD	1913.74	1777.84	-7.10
BSE Bankex	5454.54	4900.06	-10.17
BSE CG	6911.12	6256.61	-9.47
BSE AUTO	2444.71	2500.23	2.27
BSE METAL	5214.35	5100.14	-2.19
BSE Oil & Gas	6050.04	6252.46	3.35
BSE Mid Cap	3235.05	2941.47	-9.07
BSE Small Cap	3683.11	3339.05	-9.34
BSE Realty	2274.13	1668.08	-26.65

Data source: BSE

Monthly MF – AMC - AUM transactions

	Dec '08	Jan '08	% Change
AUM	421116.48	460948.99	9.46

Amt in Rs. Cr *Data Source:* AMFI

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Highlights

- Sensex continued to tread downward
- Rupee remains weak on dollar demand by importers
- Inflation ended at 5.64%
- International crude oil price eases to USD 41.68 a barrel

Equity Market – Roundup

The second stimulus package resulted in boosting the sentiments considerably and the equity markets opened the month on a fortnight on a strong note. However, the optimism was short-lived as of the biggest corporate scams in India was brought to light with Satyam's CEO. Mr B. Ramalinga Raju stepping down admitting the severe accounting offenses including fudging of accounts to the tune of over Rs.7,000 crore. This news triggered a massive sell-off in the market with the investors loosing confidence in general. This gloom could not be taken away even by the corrected by the positive inflation numbers which touched the 10-month low of 5.91% failed to cheer the markets. The downfall continued in the second week as wellas after Satyam, the World Bank barred another major IT company from receiving direct contracts under its corporate procurement programme. The respite, however, came in the form of better-than-expected quarter 3 result announcement by Infosys and positive IIP data. In the global context, aggressive buying was witnessed in the blue-chip shares after US government's rescue of a beleaguered bank. The move is expected to help revive global appetite for risk.

The second fortnight saw the equity markets plunge as negative global developments and dismal quarterly results by corporates weighed heavily on market sentiments. Concerns over deepening of global recession resulted in Sensex plunging below 9,000-points mark. Lower-than-expected performance by the major companies in the third quarter further induced investors to shun blue-chip stocks. Market sentiments were dampened further by an official's statement that further stimulus packages. While FII remained net sellers, buying by domestic institutions and Mutual Funds supported the market. Following the strong global cues, market continued to rally on subsequent days as well. After declining marginally due to unwinding of derivative deals, market surged again on the last trading day on fresh buying by domestic institutional investors.

Debt Market:

Corporate Bond market: During the month, India Infrastructure Finance Co Ltd. (IIFCL) came out with the largest bond issuance in India so far. It raised Rs.7,370 crore through issuance of AAA rated bonds maturing in 5-yrs. The bonds offer a tax-free annual coupon of 6.85%.

Government Securities During the month 8 states raised funds through issuance of 10-yr State Developments Loans for an aggregate amount of Rs.7001 crore. The cut-offs remained high and ranged between 7.00% and 7.13%. As per the borrowing schedule,

Money Market: Interbank money market rates traded steady during the month despite auction outflows, as liquidity remained ample in the system. Cash supply is further expected to improve as the 50 bps cut in CRR comes into effect from 17th Jan'09 onwards. The cut is expected to infuse a sum of Rs.20,000 crore in the system. Subscription at RBI's twin repo tenders remained high implying surplus liquidity in the system.

Key Indicators

	31 Dec, 2008	31 Jan, 2009
Dollar exchange rate	48.50	48.90
Gold (Rs.10/gm)	13,425.00	14,206.25
Crude Oil	44.60	41.68

Data source: Bloomberg

Foreign Major Stock Indices

	31 Dec, 2008	31 Jan, 2009	% Change
MSCI World Index	920.22	838.82	-8.85
FTSE	4434.2	4149.6	-6.42
Dow Jones	8776.39	8000.86	-8.84
Strait Times	1761.56	1746.47	-0.86
KLSE	876.75	884.45	0.88
HangSeng	14387.48	13278.21	-7.71
Nikkei	8859.56	7994.05	-9.77

Data source: Bloomberg

During the second half of the month, RBI absorbed Rs.53,973 crore under reverse repo on an average daily basis. On the last trading day RBI also infused Rs.50 crore through repo. Call rates ended the fortnight at 4.19% vis-à-vis previous fortnight's level of 4.42% while CBLO rates ended the fortnight at 2.95% vis-à-vis previous fortnight's level of 3.22%.

Domestic Developments:

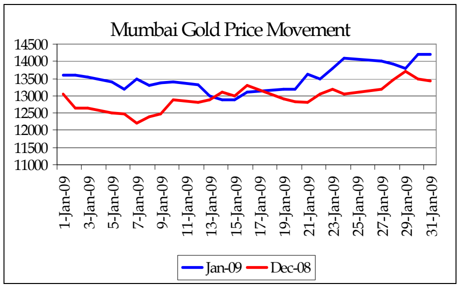
RBI Releases Q3 Monetary Policy Review, Keeps Key Policy Rates Unchanged

After a spate of interest rate cuts since Oct'08, RBI halted further monetary easing and maintained status quo in its Q3 monetary policy review. In a period of just four months, RBI has aggressively eased its monetary stance by reducing the CRR, Repo and Reverse Repo rate by 400 bps, 350 bps and 200 bps respectively. The impact of the same is expected to percolate to the real sector with a lag effect and in view of the same the central bank has preferred to adopt a wait and watch approach in the policy review. Nevertheless, RBI has downgraded the outlook of the Indian economic conditions for the current and the next financial year by lowering the GDP forecast for the FY 2008-09 to 7.0% with downward bias from earlier projection of 7.5% - 8.0%. Highlights of major issues discussed in the policy review are stated as under:

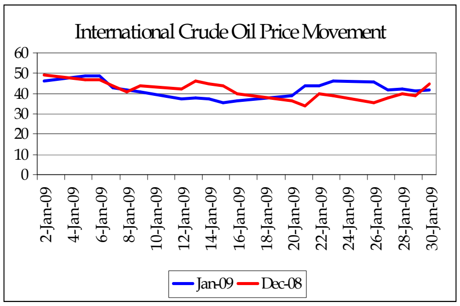
- The decoupling hypothesis has been negated as the full-blown impact of the economic crisis in developed economies of the world is yet to be completely redeemed in the emerging economies. RBI stated that unlike the developed economies, the shocks have been transmitted from the real to financial sector in emerging economies.
- The Indian economy has been provided with booster shots in form of two fiscal packages to counter the effect of the deepening global financial turmoil. The fiscal deficit and revenue deficit are expected to inflate further due to increased government expenses, lower tax collections and foregone revenue owing to cut in excise and custom duties. RBI has estimated fiscal deficit for the current financial year at 5.9% of GDP higher than earlier projection of 2.5%.
- In order to provide dollar liquidity, RBI had to forego its net foreign exchange assets. In order to compensate for the same, RBI increased its net domestic assets via buyback of securities under MSS, purchase of oil bonds, expansion of refinance window and increased repo operations under LAF.
- RBI expressed concern over wide gap between interest rates prevailing in the credit markets and that in money and bond markets as the monetary transmission has been more effective in the latter. The series of rate cuts brought in by the central banks have been reciprocated gradually by banks and there is further scope for lending rates to come down. RBI has vehemently signalled banks towards dire need of increase in credit off take at reduced rates.

Impact

RBI's decision to keep interest rates unchanged in Q3 monetary policy review did not have an adverse impact on the debt market. However RBI's concern over slowing growth in the Indian economy has added to expectations that the monetary stance adopted by the central bank shall remain soft. Equity markets have taken the policy review in their stride as RBI keeps a keen eye over both macro and domestic developments with an aim to prevent any liquidity crunch in the system.



Data source: Bloomberg



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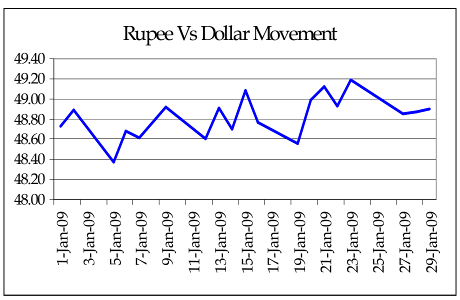

Data source: Bloomberg

International Developments:

Inflation Rate Rises To 5.64% on Costlier Manufactured Items

Inflation rose to 5.64% for week ended 17th Jan'09, marginally higher than previous week's figure of 5.60%. Other than manufactured products, inflation rates for the other two categories, viz, primary articles and fuel group, have come down. For manufactured items, the inflation rate rose to 6.21% during the week as against 5.90% during the previous week.

Fed Maintains Policy Rates at Historic Lows

With no room to cut interest rates further, Fed in its Jan'09 policy meet kept the key interest rates unchanged at near zero level stating that it is likely to stay that way for some time. Fed expressed concerns over the deteriorating state of US and the world economy and vowed to employ alternative tools at its disposal to boost the economic growth. Fed also promised to introduce new steps to boost lending to consumers. It also hinted towards purchasing of Treasury bonds at the earliest to decrease other lending rates namely home mortgage rates and long-term corporate loan rates. As per the latest assessment by IMF, the US economy is expected to contract by 1.6% in 2009.

Crude Oil Prices Fail To Hold On Gains Amid Choppy Trade

Trading in crude oil remained choppy throughout the month as prices continue to be highly susceptible to economic headlines and weak data releases from round the globe. The first few days of the month saw crude oil prices strengthening on back of short covering and on speculation that a bank-rescue plan from the new US Government will give a boost to financial companies. However the rise in prices was stalled after a US government report showed a bigger than estimated increase in fuel inventories. OPEC is expected to reduce the output by 5% during the current month, which may help keep a floor and prevent the prices from falling steeply. However the cuts are not substantial enough to spur a rally. Crude traded above USD 41 a barrel during the end of the month.

Forex Market:

Dollar demand by importers and strengthening of USD against major currencies led to a decline in the value of rupee during the month. Rupee opened the month on a strong note on positive global cues and strengthened to 48.73/USD. However, rupee soon erased its gains owing to enlarged demand by importers. Weakness of the stock markets also resulted in FII outflows. Further, recovery of dollar against other currencies led many banks to build dollar positions. Pound slipped to 7-yr low against USD which led to strengthening of dollar against most of the currencies across globe including rupee. Movements in global market were strongly reflected in rupee's worth. Rupee ended the month at 48.90/ USD vis-à-vis previous months level of 48.73/USD.

NFO at a glance:

NFO's open for subscription:

Scheme	Open Date	Close Date
Bharti AXA Tax Advantage Fund	12.12.2008	12.02.2009
Shariah Benchmark Exchange Traded Scheme (Shariah BeES)	04.02.2009	25.02.2009
IDFC India GDP Growth	28.01.2009	26.02.2009
Tata Infrastructure Tax Saving Fund	17.12.2008	16.03.2009
DBS Chola Tax Advantage Fund	19.12.2008	19.03.2009

Forthcoming NFO's:

Sl. No.	Scheme Name
1	ICICI Prudential Dividend Yield Fund
2	Reliance Infrastructure Fund
3	ICICI Prudential Global Basics Fund
4	ICICI Prudential Target Returns 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 Feb 04 '09 (%)		
		1 year (ann.)	2 years (ann.)	3 years (ann.)
Equity	Birla Sun Life Dividend Yield Plus	-34.15	-9.69	-3.44
	DSP BlackRock Top 100 Equity Fund	-38.68	-8.33	6.71
	ICICI Prudential Infrastructure Fund	-46.86	-7.93	8.81
	IDFC Imperial Equity Fund	-36.43	-9.03	--
ELSS	Canara Robeco Equity Taxsaver	-53.53	-33.03	-22.27
	Franklin India Taxshield	-46.27	-16.01	-4.05
	Sahara Taxgain	-45.77	-13.57	-2.79
	SBI Magnum Tax Gain Scheme 93	-52.18	-29.30	-18.40
Balanced	Birla Sun Life Balance Fund	-22.62	-5.38	3.84
	DSP BlackRock Balanced Fund	-32.31	-6.04	4.79
	ICICI Prudential Child Care Plan - Study	-8.86	1.80	6.11

Data source: MFI Explorer

Debt Short & Ultra Short Term:

Recommended schemes to invest		Historical returns as on Feb 04 '09 (%)		
		3 months (abs)	6 months (abs)	1 year (ann.)
Floating Rate Funds	Kotak Floater - LT	2.43	5.03	9.05
	LIC MF Floating Rate Fund - ST	2.43	5.13	10.09
Debt Short Term	Canara Robeco Income Scheme	8.54	21.05	28.86
	IDFC D B F - Plan A	12.49	16.30	10.70
Debt Ultra Short Term	LIC MF Liquid Fund	2.28	4.85	9.42
	ING Treasury Management Fund	2.22	4.76	9.31

Data source: MFI Explore

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