

01-2008

02-2008

03-2008

04-2008

05-2008

06-2008

07-2008

08-2008

09-2008

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Sep

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Apr

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MONTHLY REPORT
MAY-2008

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25 Years



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Indian Major Stock Indices

	Mar 31, '08	Apr 30, '08	% Change
Sensex	15644.44	17287.31	10.50
S&P Nifty	4734.50	5165.90	9.11
Smallcap	7841.62	8773.57	11.88
Midcap	6427.82	7138.74	11.06
Banking	7717.61	8819.68	14.28
Healthcare	3848.11	4275.10	11.10
FMCG	2290.07	2461.38	7.48
IT	3547.61	3472.49	-2.12
PSU	7426.83	8081.53	8.82
Auto	4524.77	4726.00	4.45
Capital Goods	14009.02	13931.25	-0.56

Data source: BSE

Monthly FII & MF transactions (equities)

	Mar '08	Apr '08
FII - Net inflow	-130.40	1074.80
MF - Net inflow	-1847.80	160.70

Amt in Rs. Cr.

Data source: SEBI

Monthly MF - AMC - AUM transactions

	Mar '08	Apr '08	% Change
AUM	5,28,271.63	5,67,601.98	7.45

Amt in Rs. Cr

Data Source: AMFI

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Highlights

- ❖ Sensex crossed 17000
- ❖ RBI hikes CRR by 50 bps to 8%
- ❖ Gold prices traded low
- ❖ Crude prices above USD 113 per barrel

Equity Market – Roundup

The week ended with the equity markets evidencing on a positive note, on the back of strong international markets clubbed with announcements of outstanding year-end results by the Indian corporates. Sensex gained nearly 1600 points to settle at 17287.31 and Nifty closed at 5165.90 after gaining nearly 400 points. RBI in its Monetary Policy Review hiked the CRR by 50 bps to 8%. The first 25 bps CRR hike had come to effective from April 26 while the second 25 bps hike will come into effect from May 10. Despite sudden CRR hike, good buying interest was witnessed in the banking stocks. 37% rise in the earning of the biggest telecom company lifted Sensex past the 17,000-points mark for the first time in 2 months.

Sector indices:

During the month, all the sector indices leaving IT & Capital Goods remained on the positive side. The highest gain was registered by Banking with a % change of 14.28 from the previous month.

Debt Market:

Corporate Bond market: During the Month, there were few primary issuances as the issuers chose to wait for RBI's decisions in the policy review. Bond issuers preferred not to raise money as there was uncertainty on the interest rate outlook. In the issuances held during the fortnight, NABARD raised Rs.323 crore at a cut off yield of 9.45%.

Government Securities: During the month, as per the auction calendar, Govt. of India raised Rs.10,000 crore through the regular auctions of dated securities. In addition, it raised Rs.3,000 crore through sale of a dated security under MSS. Under regular auction, while a new 10-yr paper was issued for Rs.6,000 crore, Rs.4,000 crore was raised through the re-issuance of 28-yr paper 8.33% GOI 2036.

Money Market: Month opened with the call rates being on a firm note amidst low trading volumes, as participant's abstaining from lending on the last day of the FY. However, liquidity conditions improved following an increase in govt spending and with outflows towards advance tax payments returning back to the system. Rates decreased sharply in the CBLO market due to heavy lending by cash rich mutual funds.

Key statistics

	Mar 31, '08	Apr 30, '08
7.38% (7 Yr G-Sec Yield)	7.74%	7.88%
7.99% (10 Yr G-Sec Yield)	7.90%	7.89%
FII – Debt Net inflow	-879.70	1701.70
MF – Debt Net inflow	12469.30	15303.80

Amt in Rs. Cr.

Source: SEBI & CCIL

During the second half of the month, Central Bank held auctions worth Rs.10,500 crore under MSS, however the quantum subscribed by the market participants stood at only Rs.5,500 crore. As the CRR hike is yet to come into effect, liquidity remained abundant. Towards the end of the month, CBLO rates dropped sharply owing to waning demand from banks. Banks comfortably met demand for reporting month under ample liquidity conditions.

Outlook:

Equity Market:

The annual credit policy meeting of RBI is scheduled on May 10. Controlling high inflation is the haunting task in front of RBI for now. We do expect a 50 bps hike in repo rate. Since CRR is already hiked we don't expect one more hike in it. But the main aspect to look is whether RBI will increase interest rates by 0.25 bps? If that happens we can see a mild correction in the market. We also think emerging markets will be the beneficiary of cheap money which is being pumped by central banks around the world. We think that the first six months of the year could be a bit of a challenge but as the US starts recovering, we think, from June / July onwards, the liquidity will be back in emerging markets.

Debt Market:

- ❖ Going forward, we believe that bond market is likely to remain range-bound with a slight upward bias on yields. With all the positive news already factored in, the market is susceptible to reacting to any negative news.
- ❖ The liquidity condition in the banking system, although sufficient at the moment, could tighten a bit after the second tranche of the CRR hike and schedule auctions are through.

Domestic Developments:

RBI hikes CRR by 50 bps in two stages

In an attempt to rein the excess liquidity in the system and to curb the rising inflationary pressures, RBI in a sudden move, increased the CRR by 50 bps to 8%. The rise will take effect in two stages. The first 25 bps CRR hike had come to effective from April 26 while the second 25 bps hike will come into effect from May 10. The hike is expected to drain Rs.18,500 crore from the system.

Trade Deficit at USD 4.23 bn in Feb'08

In Feb, exports were valued at USD 14.24 bn, 35.25% higher than previous year. Imports rose by 30.53% and stood at USD 18.47 bn. Decline in imports from USD 22.50 bn during Jan to USD 18.47 bn helped in moderating the trade deficit from USD 9.36 bn during Jan to USD 4.23 bn during Feb. Oil imports rose from their corresponding figure for previous year and registered an increase of 39.52%. This phenomenal increase in oil imports was due to the record high fuel prices in the global markets.

Annual Inflation Rate Rises to 7.33%

After the moderate easing of inflation rate to 7.14% in the first week of the month, annual inflation rate escalated to 7.33% for the week ended 12th April'08 despite a strong base of 6.34%. The rise is attributed to a steep rise in the prices of minerals and iron ore.

Key Indicators

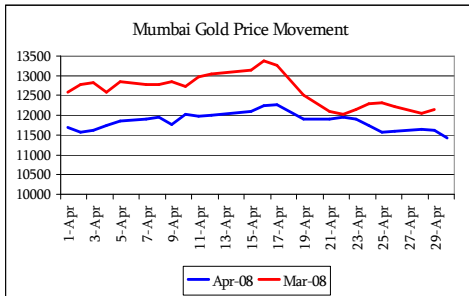
	31 Mar, 2008	30 Apr, 2008
Dollar exchange rate	40.97	40.46
Gold (Rs.10/gm)	12,150.00	11,426.25
Crude Oil (per barrel)	101.58	113.46

Data source: Bloomberg

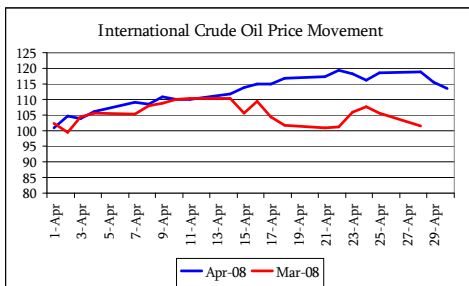
Foreign Major Stock Indices

	Mar 31,'08	Apr 29,'08	% Change
MSCI World Index	1437.40	1510.02	5.05
FTSE	5702.10	6089.40	6.79
Dow Jones	12262.89	12831.94	4.64
Strait Times	3007.36	3172.36	5.49
KLSE	1247.52	1283.65	2.90
HangSeng	22849.20	25914.15	13.41
Nikkei	12525.54	13894.37	10.93

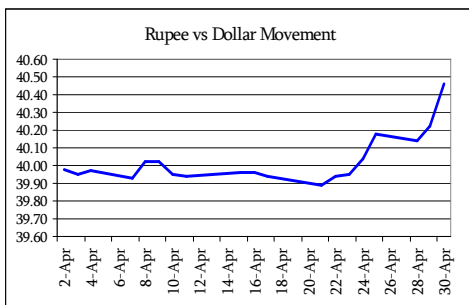
Data source: Bloomberg



Data source: Bloomberg



Data source: Bloomberg



Data source: Bloomberg

Industrial Production Growth Rises to 8.6% in February 2008

After declining to low of 5.8% during Jan'08, the y-o-y industrial production growth for the month of Feb'08 surged to a higher-than-expected rate of 8.6%, recording the fastest growth in the previous 4-months. During the month, electricity generation grew by 9.8% from a low 3.3% a year-ago. Manufacturing, which occupies the highest weight of around 80% in IIP, grew at 8.6% as against 12.0% in February '07. The higher-than-expected IIP data has eased slowdown concerns and provided headroom to RBI to initiate monetary measures to ease the mounting inflationary concerns.

International Developments:

Inflationary Concerns Reduce Expectations of Further Fed Rate Cuts

In US treasury market, yields on US treasuries opened firmer as concerns over upside risks to inflation numbers and release of strong retail sales data reduced expectations of further Fed rate cuts. Yields firmed up after release of strong inflation data. The Producer Price Index rose by 1.1% during March as against an expected 0.6%. With the Fed having already cut rates by 300 bps since September, rising inflation reduced expectations of a higher Fed rate cut at the month-end meeting.

Forex Market: In Forex market, month opened as the rupee was slightly lower on repatriation of funds by foreign investors and increased dollar demand by importers to make month end payments. Rupee recovered following gains made by domestic equities. However, with strengthening USD against global currencies, rupee slipped below 40/USD. Release of 3-yr high inflation figure raised buying interest on expectation of strengthening of rupee against dollar. During the second half of the month, rupee traded in a tight range as dollar buying by the oil refiners was offset by rupee demand from banks. Rupee demand was high from banks on expectations that the central bank would allow the domestic unit to appreciate to curb inflation. The month ended with the rupee standing at 40.46/\$, which is stronger than previous months close of 40.97/\$.

Commodity markets: In commodities market, initially in the first week of the month, crude softened on expectations of increase in inventories as demand for fuel was expected to fall due to weak US economic conditions. However, crude recovered after US crude stockpiles declined for the third consecutive week. Further, unplanned plant shutdowns and cut in production output by top refiners resulted in firming up of crude prices. During the second half of the month crude oil prices firmed up further as the US dollar continued to slide against Euro. US dollar's weakness spurred interest in energy and metals as investors used it as a hedge against inflation. Investor interest for oil and other commodities grew as dollar depreciated to as low as USD 1.597 against the Euro. The month ended with the crude prices standing at USD 113.46 per barrel, which is higher than the previous month's USD 101.58 per barrel.

NFO at a glance:

NFO's open for subscription:

Scheme	Open Date	Close Date
ICICI Prudential Focused Equity Fund	08.04.08	07.05.08
AIG World Gold Fund	15.04.08	14.05.08
Sundaram BNP Paribas Financial Services Opportunities	17.04.08	14.05.08
Sundaram BNP Paribas Entertainment Opportunities	24.04.08	20.05.08
Sahara Power & Natural Resources Fund	28.04.08	27.05.08

Forthcoming NFO's:

Sl. No.	Scheme Name
1	Tata Gold and Precious Metals Fund
2	Mirae Asset Global Commodity Stocks Fund
3	Birla Sun Life 130-30 Fund
4	Birla Sun Life Enhanced Arbitrage Fund
5	Bharti Axa Equity Fund
6	ING Latin America Equity Fund
7	Birla Sun Life Equity Linked Plan
8	ING Global Natural Resources Fund

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

MF Recommendations:

Equity Long & Medium Term:

Recommended schemes to invest		Historical returns as on May 2 '08 (%)		
		6 months (abs)	1 year (ann.)	3 year (ann.)
Equity	DSP Merrill Lynch India Tiger Fund	-16.37	29.84	48.30
	ICICI Prudential Infrastructure Fund	-7.64	51.39	--
	Kotak Opportunities Fund	-8.39	41.03	45.74
	Reliance RSF – Equity	4.36	51.54	--
	Standard Chartered Premier Equity	-2.42	50.29	--
	Sundaram BNP Paribas CAPEX Opp.	-21.13	39.07	--
	Tata Infrastructure Fund	-15.41	42.46	47.19
ELSS	DSP Merrill Lynch Tax Saver Fund	-6.34	35.52	--
	DWS Tax Saving	-12.71	36.39	--
	Principal Personal Tax saver	-9.69	32.12	38.45
	Sundaram BNP Paribas Tax saver-(O.E)	-12.73	31.77	40.60
Balanced	Principal Child Benefit	-2.39	27.56	32.71
	Tata Balanced	3.52	35.09	38.04
	DSPML Balanced	-12.26	20.36	29.26

Data source: MFI Explorer

Debt Short & Ultra Short Term:

Recommended schemes to invest		Historical returns as on May 2 '08 (%)		
		3 months (abs)	6 months (abs)	1 year (ann.)
Short Term Floaters	ICICI Prudential FRF - Plan D	2.09	4.28	8.43
	Tata FRF – ST	2.08	4.23	8.30
Debt Short Term	Kotak Bond (Regular)	-1.24	3.22	9.83
	Reliance Short Term Fund	1.94	4.38	9.99
Debt Ultra Short Term	HDFC Cash Mgt. Savings Plus	2.03	4.14	8.04
	LIC MF Liquid Fund	2.08	4.27	8.05

Data source: MFI Explore

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

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