

01-2008

02-2008

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MONTHLY REPORT  
NOVEMBER-2008

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25 Years



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# Fund - O - Meter -- Monthly

A Monthly Report on Mutual Funds



PF/MFW/11112008/494

Oct 01, 2008 to Oct 31, 2008

## Indian Major Stock Indices

	Sep 30, '08	Oct 31, '08	% Change
S&P Nifty	3921.2	2885.6	-26.41
BSE Sensex	12860.43	9788.06	-23.89
BSE Teck	2545.91	2161.45	-15.10
BSE-HC	3672.18	2778.64	-24.33
BSE FMCG	2160.76	1799.83	-16.70
BSE CD	2929.18	2072.98	-29.23
BSE Bankex	6478.85	5011.24	-22.65
BSE CG	10581.13	7017.61	-33.68
BSE AUTO	3674.98	2685.62	-26.92
BSE METAL	8992.06	5367.6	-40.31
BSE Oil & Gas	9039.28	6195.62	-31.46
BSE Mid Cap	4798.29	3200.02	-33.31
BSE Small Cap	5577.47	3765.11	-32.49
BSE Realty	3508.77	1978.24	-43.62

Data source: BSE

## Monthly MF – AMC - AUM transactions

	Sep '08	Oct '08	% Change
AUM	529102.92	431901.42	-18.37

Amt in Rs. Cr

Data Source: AMFI

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## Highlights

- ❖ Sensex witnessed worst ever losses
- ❖ Rupee remains weak on declining domestic equities
- ❖ RBI cuts CRR and Repo Rate by 100 bps
- ❖ International crude oil price eases to USD 67.81 a barrel

## Equity Market – Roundup

The month of October witnessed the equities, specially the Asian stocks, falling to a 4-year low on growing fears that a global recession would depress corporate earnings. The markets struggled with a few weak recovery attempts which were very easily taken over by much stronger 'Bears' rallying in the market. The Sensex plunged to four digits for the first time in more than two years on concerns of a sharp global economic slowdown and sluggish corporate earning. Bearish sentiment in global markets and heavy selling by FIIs drove many blue chips to all-time lows. It had taken 21 months for the Sensex to touch the 20,000 level from the 10,000 level, while it has taken just 9 months to complete the downward journey.

A series of measures announced by the government and the Reserve Bank of India failed to a great extent to check rising capital outflow by foreign funds. The situation was not even helped by the inflation numbers as the wholesale price index inflation levels hovered at around 11% mark. At the present market levels, the Sensex has been trading at a PE of 11.10 times the average rolling earnings of the past 4 quarters. Historically, the Sensex has found bear market lows at sub-10 PE levels with the lowest being 9.52 during the Asian currency crisis of 1997-98.

During October, FIIs have withdrawn a total of Rs.15,347 crore from Indian equity markets. The 'festival of lights' brought with it a few hopes as the markets recovered sharply in the 1-hr 'mahurat trading' and a few trading sessions after that. Interest rate cut by Federal Bank and other Central Banks also helped in boosting to some extent otherwise battered market sentiments.

## Debt Market:

**Corporate Bond market:** During the month, Tamil Nadu State Electricity Board raised Rs.200 crore through issuance of 7-yr bonds. These bonds carry annual coupon of 11.00% and put/call option at the end of 5-yrs. If the option is not exercised, the company will pay 30% of the total amount in 5th and 6th year and remaining amount at the maturity of the bond.

**Government Securities:** During the month, RBI cancelled the bond auction of Rs.10000 crore in view of the reduction in the repo rate that was announced after the bids for the auction had been submitted. Govt. was scheduled to borrow Rs.6,000 crore through auction of a new 6-yr paper and Rs.4,000 crore through 24-yr paper (7.95% GOI 2032).

**Money Market:** During the first half of the month, money market rates touched the double-digit figure as banks stepped up borrowings to meet their reserve requirements. Further, RBI's persistent intervention in the foreign exchange market also put pressure on inter-bank cash supply. However, liquidity improved and money market rates stabilized in the second week of the fortnight after RBI announced CRR cut by 100 bps with 50 bps cut coming into effect immediately, injecting a total of Rs.20,000 crore into the system.

## Key Indicators

	30 Sep, 2008	31 Oct, 2008
Dollar exchange rate	46.94	49.25
Gold (Rs.10/gm)	13,373.75	11,865.90
Crude Oil	100.64	67.81

Data source: Bloomberg

## Foreign Major Stock Indices

	30 Sep, 2008	31 Oct, 2008	% Change
MSCI World Index	1163.53	957.24	-17.73
FTSE	4902.50	4377.30	-10.71
Dow Jones	11143.13	9336.93	-16.21
Strait Times	2358.91	1794.20	-23.94
KLSE	1018.68	863.61	-15.22
HangSeng	18016.21	13968.67	-22.47
Nikkei	11259.86	8576.98	-23.83

Data source: Bloomberg

During the second half of the month, RBI's consistent monetary easing reaped results and money market rates declined to hover within the repo rate corridor, declining from double-digit rates witnessed during the previous fortnight. Fortnight opened with announcement of 100 bps cut in CRR which combined with along with the effect of CRR cuts during the previous fortnight resulted in an aggregate reduction of 250 bps in the reserve requirement of banks. This injected liquidity of about Rs.1,40,000 crore in the banking system. In addition to this, release of the first installment of the farm loan waiver, govt spending and special repo facility resulted in ample liquidity in the system.

## Domestic Developments:

### RBI cuts CRR and Repo Rate by 100 bps

After over 4-yrs of continuous monetary tightening, on 20th Oct'08, RBI announced reduction in repo rate by 100 bps with immediate effect, sending a strong signal to banks to reduce interest rates. The rate cut decision was preceded by 100 bps cut in CRR in order to inject the desired liquidity. delivering 250 bps reduction in CRR, which injected liquidity of about Rs.100,000 crore in the system, RBI slashed repo rate in order to give a clear indication to the banks to reduce the lending rate. Repo rate and CRR as on date stands at 8.0% and 6.5% respectively.

### Market Measures

Several measures have been announced to develop appropriate market infrastructure and further broaden & deepen Indian markets. Some of these include:

**Primary auction module for floating rate bonds** is being developed by CCIL. The new structure of issuance is being incorporated in the NDS auction module (Version 2) and the FRBs will be issued at an appropriate time taking into account the prevailing market conditions.

**Interest Rate Futures** Banks were permitted to take trading positions in interest rate futures (IRFs), as recommended by the Working Group, which will add depth and liquidity to the market. It is expected that IRF contracts would be launched in early 2009 along with the supporting changes in the regulatory regime.

**OTC rupee interest rate derivatives** Permission has been given to the CCIL to operationalise a clearing and settlement arrangement for OTC rupee interest rate derivatives on a non-guaranteed basis and this is expected to commence within a month.

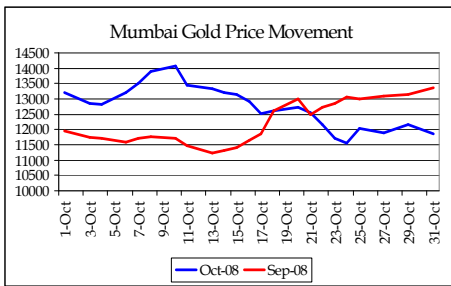
**External Commercial Borrowing** Effective 22nd Oct'08 ECBs up to USD 500 million per borrower per financial year are permitted for rupee expenditure and/or foreign currency expenditure for permissible end-uses under the automatic route

**Hedging of freight risk** RBI has permitted domestic oil and shipping companies to hedge their freight risk with overseas exchanges/ OTC markets.

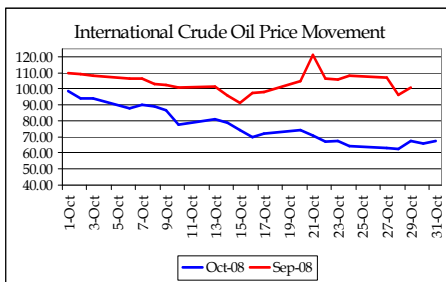
## International Developments:

### Central Banks World over Cut Interest Rates to Boost Economic Growth

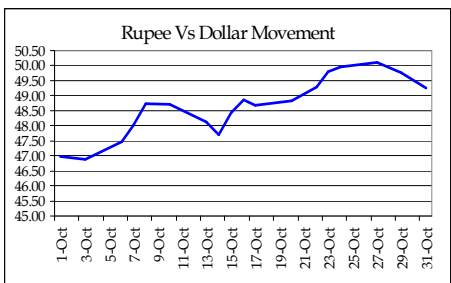
Considering the intensification and broadening of the financial turmoil, Central Banks around the world pared borrowing costs in order to boost economic conditions. The Federal Reserve cut its benchmark rate to 1% from 1.5% and signalled that if required, it's ready to take further policy actions. Bank of England, despite high inflation rate of 5.20%, cut the benchmark rate by 150 bps to 3.00% as the collapse in commodity prices and the prospect of weaker growth has now raised concerns of inflation rate declining below the target rate of 2.0% by the end of the financial year.



Data source: Bloomberg



Data source: Bloomberg



Data source: Bloomberg

Following the rate cut decision by BoE, ECB also reduced the key interest rate by 50 bps. China and Japan have also reduced rates by 27 bps and 25 bps respectively. Australia also slashed the borrowing costs by 75 bps. The higher incidence of monetary easing by the Central Bank indicates that the credit crisis started in US has gradually spread to other economies as well.

### Commodities and Crude Oil Prices remain depressed

The reason why all commodities without exception and including crude have been collapsing during the fortnight is liquidity problems and the consequent threat of deflation. The collapse has been made far worse as a result of the extreme leveraging that had earlier been employed in the markets, which has resulted in a destructive vicious circle as each down leg triggered a fresh wave of selling as stop loss triggers and margin calls kicked in. The selling of commodities by commodity index funds has been broad-based and indiscriminate, due to client redemption requests, and this has resulted in heavy collateral damage across the board. Crude oil prices plunged on the last day of the fortnight despite a hefty OPEC cut in production as recession fears gripped global markets in panic, heightening concerns about declining energy demand. OPEC said that its members would slash output by 1.5 million barrels per day, effective November 1, in an attempt to stabilise plunging oil prices as recession looms. Apparently, the cut is not large enough to stabilize prices as the 1.5 million barrel daily cut represents 200,000 barrels less than the fall in consumption in the US, the world's biggest energy consumer.

### Forex Market:

The Indian rupee dropped to a fresh record low of 49.97 per dollar on 24th Oct as expectations of further outflows from local stocks weighed on sentiment. The Indian currency declined for a seventh day in succession on speculation that the government's decision to raise the ECB limit for Indian companies would fail to increase the supply of foreign exchange in the local market. On 21st Oct, RBI restored the ECB limit of USD 500 million in a financial year under automatic approval. Companies can also repatriate the funds as long as they don't invest the money in capital markets or real estate. RBI also raised the cap on borrowing costs enabling companies to access funds.

### NFO at a glance:

#### NFO's open for subscription:

Scheme	Open Date	Close Date
UTI Wealth Builder Fund - Series II	21.10.08	19.11.08

#### Forthcoming NFO's:

Sl. No.	Scheme Name
1	Tata Infrastructure Tax Saving Fund
2	Edelweiss Nifty Enhancer Fund
3	Edelweiss ELSS Fund
4	Bharti Axa Tax Advantage Fund
5	DBS Chola Tax Advantage Fund
6	Religare Aegon Business Leaders Fund
7	Religare AEGON Tax Saver Fund
8	Fidelity European Dynamic Growth Fund
9	Lotus India Active Nifty Fifty 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 Nov 10 '08 (%)		
		1 year (ann.)	2 years (ann.)	3 years (ann.)
<b>Equity</b>	DSP BlackRock Top 100 Equity Fund	-37.06	-0.62	16.54
	ICICI Prudential Infrastructure Fund	-42.60	0.17	20.55
	IDFC Premier Equity Fund	-39.37	5.49	14.20
	UTI Dividend Yield Fund	-34.83	-0.54	10.60
<b>ELSS</b>	Fidelity Tax Advantage Fund	-40.37	-6.28	--
	Franklin India Taxshield	-39.86	-7.37	7.40
	Reliance Tax Saver Fund	-40.90	-12.20	1.60
	Sundaram BNP Paribas Tax saver - (O.E)	-34.50	0.77	14.19
<b>Balanced</b>	Birla Sun Life Balance Fund	-23.60	-4.39	6.91
	UTI CRTS 81	-10.87	3.64	1.40
	UTI Mahila Unit Scheme	-7.16	6.38	13.28

Data source: MFI Explorer

#### Debt Short & Ultra Short Term:

Recommended schemes to invest		Historical returns as on Nov 10 '08 (%)		
		3 months (abs)	6 months (abs)	1 year (ann.)
<b>Floating Rate Funds</b>	LIC MF Floating Rate Fund - ST	2.63	5.10	10.05
	Tata FRF - LT	2.81	5.16	9.09
<b>Debt Short Term</b>	Fortis Flexi Debt Fund	3.24	4.80	10.37
	IDFC D B F- Plan A	2.85	2.91	9.40
<b>Debt Ultra Short Term</b>	LIC MF Liquid Fund	2.52	4.85	9.29
	ING Treasury Mgt. Fund	2.45	4.76	9.31

Data source: MFI Explore

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

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