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### Highlights

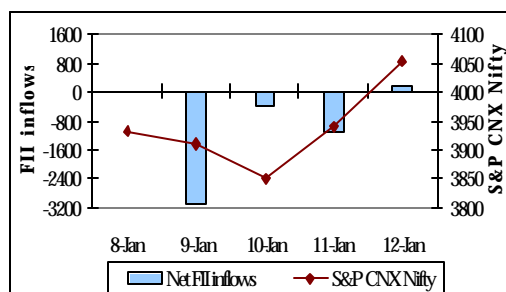
- ◆ **Markets remain in the positive territory**
- ◆ **December quarter result to dictate market trends**
- ◆ **Bond yields drop**
- ◆ **All eyes set on monetary policy review**

### The week in retrospect-Equities

The markets ended the week on a positive note on the back of firm global markets, stable crude oil prices, earnings results being in-line with market expectations and expectations of robust results for forthcoming earnings announcements. Sensex gained 1.41% to settle at its life-time closing high of 14056.53 while Nifty rose by 1.73% to close at 4052.45. However, the initial trading days witnessed the market sentiments go feeble since rupee appreciation raised the concern over profitability of IT companies and profit booking at the higher levels (especially in auto companies). High FII outflows on Tuesday led the market to plunge deeper on Wednesday. On the sectoral front, despite a drop in the crude oil prices, ONGC stock gained significantly taking BSE Oil & Gas up by 3.48%. Amidst the bearish sentiments of the market, while Cairns India's listing on Tuesday did not go quite well (closed at 12.5% below issue price), Shri Ashtavinayak Cine Vision (listed a day after Cairns) closed at 41.5% above its issue price. BSE Bankex rose by 3.2% as ICICI Bank advanced by 6.56% on the expectations of reduction in SLR in the coming monetary policy. With HDFC Bank's earnings results in-line with market expectations, the stock closed almost flat (0.87% up) over its previous week's price.

During the week, FIIs emerged as net sellers in the equity market, amounting to a hefty sum of Rs. 4390.5 crores. Mutual funds followed suit and turned out as net sellers to the tune of Rs. 887.2 crores.

### FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

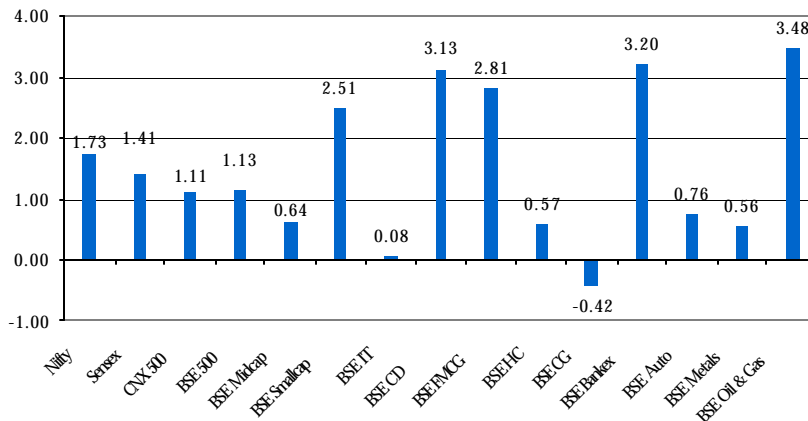
### Weekly FII transactions (equities)

	Jan 8 to Jan 12	Jan 2 to Jan 4
Gross purchases	11132.1	7754.5
Gross sales	15522.6	3861.6
Net inflows	-4390.5	3892.9

Amt in Rs. crores

Data source: SEBI

### Weekly Equity Indices Return (absolute %)



As on Jan 12

Datasource: BSE, NSE

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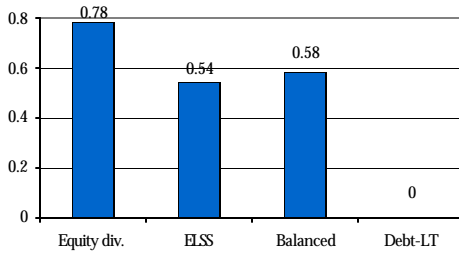
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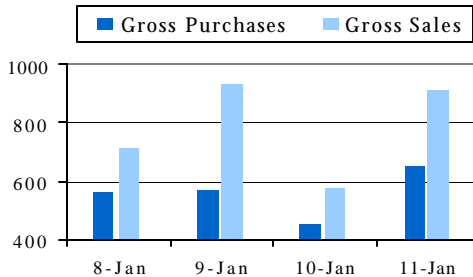
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## Weekly category returns (%)



Abs. returns as on Jan 12 Datasource: Bloomberg

## Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds emerged as net sellers in the equity market to the tune of Rs. 887.20 crores.

## Outlook:

**Short-term:** Forthcoming earnings results for the December quarter are likely to determine market directions. Markets may remain in the positive region triggered by stock-specific buying. Crude oil prices are expected to remain stable in the near future. Profit booking may be witnessed at higher levels. TCS, HCL Technologies, Bajaj Auto, Wipro, Reliance Industries, Ranbaxy, Satyam Computer, CMC, J&K Bank, Container Corporation of India, NDTV, NIIT Technologies, Infotech Enterprises, 3i Infotech, Canara Bank, Reliance Energy, Siemens, Ultratech Cement, Tech Mahindra, JET Airways, Hindustan Construction Company and Dabur India are some of the companies which will announce their earnings reports in the coming week.

**Long-term:** Industrial production during Nov 06 grew at 14.4%, the fastest growth in more than a decade. CY 2006 has witnessed 217 new FII registrations (highest figure till date). With markets backed by strong economic fundamentals, long-term story remains bullish. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to support this growth.

Recommended schemes to invest		Historical returns as on Jan 12 (%)			Crisil Ranking for qtr end Sept 06
		6 months (abs)	1 year	3 year (ann)	
<b>Aggressive (Equity)</b>	DSP ML Opportunities	28.59	42.44	39.29	1
	Tata Infrastructure	34.57	56.13	N.A.	-
	Reliance Growth	35.50	38.79	51.27	1
	Sund. BNP Par. Sel. Mid.	27.03	57.98	53.91	1
<b>Moderate (Equity)</b>	Fidelity Equity	38.80	45.65	N.A.	-
	HDFC Top 200	27.81	39.16	37.67	2
	Reliance Equity	22.30	N.A.	N.A.	-
	SBI Magnum Contra	29.20	48.24	61.83	1
<b>Conservative (Equity)</b>	DSP ML Top 100	29.30	46.90	35.16	3
	Sund. BNP Par. Ind. Lead.	29.46	36.33	N.A.	2
	Franklin India Bluechip	28.66	43.57	33.40	3
	Templeton India Eq. Inc.	25.89	N.A.	N.A.	-
<b>ELSS</b>	Franklin India Taxshield	20.46	23.83	32.97	3
	Fidelity Tax Advantage	33.23	N.A.	N.A.	-
	SBI Magnum Tax Gain	35.62	44.55	64.51	1
<b>Balanced</b>	DSP ML Balanced	22.59	31.59	27.91	3
	HDFC Prudence	28.70	34.48	34.46	1
	FT India Balanced	25.63	32.49	25.48	3

\*For qtr end Sept 06

Datasource: Bloomberg

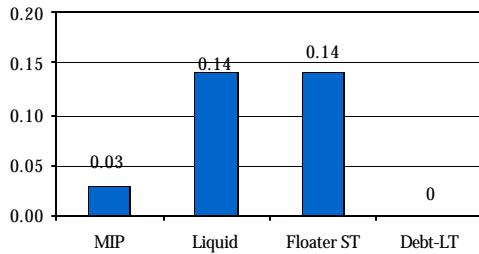
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

## Recommendations

**Short-term investors:** With the markets at their all-time highs, cautious approach should be taken since high volatility is expected. Investors wishing to invest for a period of 1-2 years could invest in derivatives funds and equity diversified funds. Investors wishing to redeem could do it partially, if required returns have already been made.

**Long-term investors:** SIP investments in equity diversified funds, contra funds and internationally diversified funds are good options. Investors willing to give an aggressive touch to their portfolio could look at opportunities funds, thematic funds and midcap funds for a period of 3-5 years.

## Weekly category returns (%)

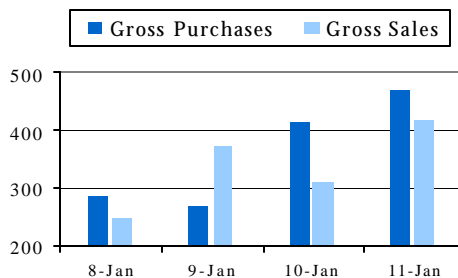


Abs. returns as on Jan 12 Data source: Bloomberg

## Key statistics

	Jan 12	Jan 5
7.59% GOI 2016 yield	7.85%	7.57%
Call rate	8.10%	6.75%
WPI inflation (week ending Dec. 30 and Dec. 23)	5.58%	5.48%
Dollar exchange rate	44.41	44.31
Forex reserves (\$ bn)	176.585 (Jan 5)	177.251 (Dec 29)

## 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. 91.76 crores.

## The week in retrospect-Debt

After witnessing relatively regular sort of movements in bond market with bouts of ups and downs, yields zoomed hugely on Friday. The benchmark 10 year g-sec yield rose to touch 7.92% and closed at 7.85%; rising nearly 28 basis points from its close on the last Friday. It was a result of cabinet approval allowing the Reserve Bank to reduce SLR for banks. This measure has been adopted as the yields in the bond market have not gone up in sync with the rise in other market rates (lending and deposit rates). The primary cause for the same is high demand for securities from banks which keeps the bond prices at high levels, thus keeping yields at low levels. Call rates also traded high than normal levels due to the liquidity crunch which was being witnessed in the system.

Wholesale price inflation crossed the RBI's threshold limit of 5.5% and touched 5.58% due to supply side factors. Oil prices touched a 19-month low of under \$53 a barrel on Thursday. Industrial output in November rose 14.4% from a year earlier, the fastest rate in more than a decade. After touching record highs, forex reserves declined to 176.585 as on Jan 5 compared with \$177.251 bn level for the week ending Dec 29.

### Outlook:

**Short-term:** A slash in SLR is not expected to be acted upon by the central bank immediately as it will bring in liquidity to the system. Call rates are expected to stay above the normal levels of 6 to 6.5% due to the tight liquidity position.

**Long-term:** Though oil prices have eased, inflation remains to be a cause of concern. High Inflation, credit growth, money supply growth are factors likely to force the central bank to hike rates in the coming policy review on Jan 31. This expectation is based on the ground that the bank has taken many measures at qualitative level and liquidity level to curb inflationary pressures. Moreover, encouraging output numbers and healthy GDP growth rate give comfort to the bank to take such action.

Recommended schemes to invest		Return as on Jan 12 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	Templeton Floating Rate ST	0.63	1.79	6.30	0.75	4
	Reliance Floating Rate	0.70	1.91	6.82	0.55	-
Liquid	LIC MF Liquid	0.72	1.97	7.17	0.53	2
	Reliance Liquid Cash	0.74	1.77	6.09	0.40	-

\*For qtr end Sept 06

Datasource: Bloomberg

### Recommendations:

**Short-term investors:** With interest rates more likely to rise, investment in long-term bond funds should be avoided. Investors having an investment horizon of up to 3 months could invest in liquid funds or FMPs of same duration to take advantage of relatively high short-term rates. Others having an investment outlook of more than 3 months can consider floaters (to keep investments liquid) and FMPs (fixed duration).

**Long-term investors:** Investors with a horizon of more than one year could consider FMPs in place of bank deposits. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

## News Briefs

- ◆ American International Group (AIG), JP Morgan, AXA Investment, Korean financial services major Mirae Asset Group and a Japanese company are planning to foray into the MF business in India in 2007.
- ◆ MFs may witness an increase in IPO investments as SEBI is looking forward to raise their quota from 5% to 10%. This would help the cash rich MFs to invest more in the IPOs.

## NFO Corner

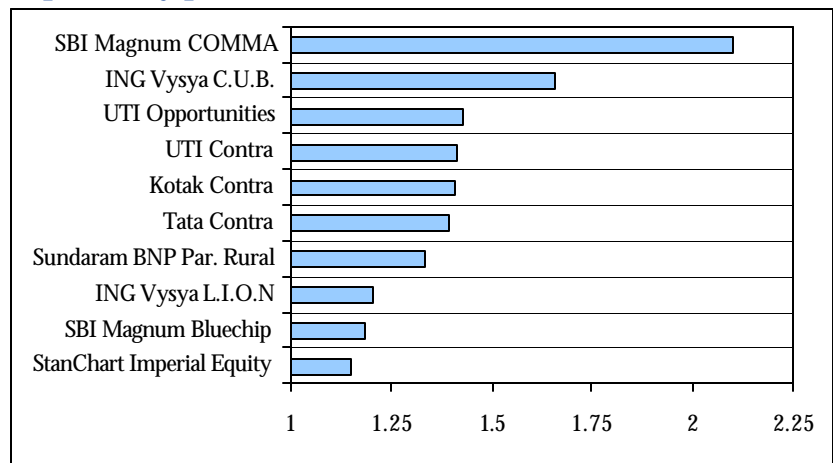
### NFOs open for subscription:

- ◆ Sundaram BNP Paribas AMC has launched Sundaram BNP Paribas Select smallcap Fund, which is available for subscription till Jan 24, 07. It has also launched Sundaram BNP Paribas Equity Multiplier Fund. The opportunities fund will be open till Jan 31, 07.
- ◆ UTI Fund House has launched UTI Capital Protection Fund. The fund offers two plans, viz. 3-year close-ended plan and 5-year close-ended plan. The fund is available for subscription till Jan 25, 07.
- ◆ Kotak MF has launched Kotak Wealth Builder fund. The scheme will invest in debt instruments and equity derivatives instruments. It is open for subscription till Jan 31, 07.
- ◆ Standard Chartered MF has launched Standard Chartered Tax Saver Fund. The 10-year ELSS will be open for subscription till Feb 23, 2007.
- ◆ Optimix has launched Optimix Retireinvest- Series I. The fund of fund will be available for subscription till March 6, 07.
- ◆ UTI has also launched UTI Long Term Advantage Fund. The fund is a 10-year close-ended ELSS, available for subscription till Mar 20, 07.
- ◆ JM Fund House has launched JM Equity Tax Saver Fund-Series I on Dec 28, 06. It will be available for subscription till March 29, 07.

### Forthcoming New Fund Offers:

- ◆ HSBC AMC is also coming up with HSBC Emerging Markets Fund. The open-ended equity fund would invest in equities within as well as outside India.
- ◆ Prudential ICICI MF is coming up with Prudential ICICI Capital Protection Oriented Fund. It is a 5-year close-ended fund.
- ◆ Kotak AMC is planning to launch Kotak Gold, an open-ended ETF. The fund would invest in gold and may also engage in gold lending and deposits with banks in return for fees.
- ◆ JM Mutual Fund is planning to launch JM Small & Mid-cap Fund, an open-ended equity scheme.

### Top weekly performers-NFOs\*



\* Weekly return in % as on Jan 12, 07

Datasource: MFI Explorer

**Note:** Funds launched since Jan 05 have been considered.

## Performance analysis of equity NFOs (quarter -wise) as on Jan 15, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Crores) as on Dec 31 '06	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Reliance Long-term Eq.	14-Nov-06	10.28	2122.96	2.8	0.92	10,280.00	10,280.00
2	JM Financial Sector	2-Nov-06	10.09	5.49	0.90	2.54	10,090.00	9,843.90
3	JM Telecom Sector	2-Nov-06	10.43	6.31	4.30	2.05	10,430.00	10,175.61
<b>Abs. returns for New Funds released Between Oct 06 to Dec 06</b>					<b>2.67</b>	<b>1.84</b>	<b>30,800.00</b>	<b>30,299.51</b>
1	DSPML Small & Midcap	29-Sep-06	10.72	1522.65	7.16	1.17	10,716.00	10,480.20
2	UTI Wealth Builder	7-Sep-06	10.81	946.56	8.10	3.05	10,810.00	10,810.00
3	Birla Long-term Adv.	7-Aug-06	11.13	425.93	11.30	2.20	11,130.00	11,130.00
4	ING Vysya C.U.B.	25-Jul-06	12.46	70.95	24.6	2.98	12,460.00	12,460.00
5	Tata Capital Builder	18-Jul-06	10.91	280.52	9.12	-3.50	10,911.50	10,911.50
<b>Abs. returns for New Funds released Between Jul 06 to Sep 06</b>					<b>8.92</b>	<b>0.73</b>	<b>43,567.50</b>	<b>43,331.70</b>
1	UTI Spread Fund	9-Jun-06	10.38	272.00	3.8	-0.01	10,379.90	10,379.90
2	Tata Equity Managmt.	15-May-	11.09	421.43	10.92	-2.18	11,091.50	11,091.50
3	Stanchart Enterprise	19-Apr-06	11.38	1683.13	13.81	-4.12	11,380.50	11,380.50
<b>Abs. returns for New Funds released Between Apr 06 to Jun 06</b>					<b>9.51</b>	<b>-2.11</b>	<b>32,851.90</b>	<b>32,851.90</b>
1	Fidelity Special Sit.	28-Mar-06	13.32	2073.93	33.16	2.51	13,316.00	13,022.98
2	Templeton India Equ.	22-Mar-06	12.11	1860.96	21.1	2.45	12,110.00	11,843.52
3	Sundaram Rural India	20-Mar-06	12.17	1006.79	21.7	3.2	12,169.90	11,902.10
4	ABN AMRO Future	13-Mar-06	10.81	396.17	8.14	0.54	10,814.00	10,814.00
5	Pru ICICI Fusion	27-Feb-06	12.76	709.72	27.6	2.33	12,760.00	12,760.00
6	DWS Tax Saving	22-Feb-06	10.74	34.95	7.43	1.4	10,742.80	10,506.41
7	Kotak Lifestyle	22-Feb-06	11.87	384.86	18.7	2.67	11,870.00	11,870.00
8	UTI Contra	22-Feb-06	10.13	801.15	1.3	2.74	10,130.00	10,130.00
9	Tata Tax Advantage	20-Feb-06	10.5	139.42	5.01	2.1	10,501.30	10,295.39
10	JM HI FI	20-Feb-06	11.37	46.71	13.7	1.43	11,370.00	11,119.80
11	Sahara Infrastruct FP	15-Feb-06	11.38	17.80	13.8	2.64	11,379.60	11,379.60
12	Sahara Infrastruct VP	15-Feb-06	11.43	17.80	14.34	2.65	11,434.40	11,434.40
13	Chola Contra	14-Feb-06	11.98	83.33	19.8	2.22	11,980.00	11,716.38
14	Quantum Long Term	8-Feb-06	12.5	29.70	25	2.38	12,500.00	12,500.00
15	Principal Infra. &	7-Feb-06	11.98	306.29	19.8	3.01	11,980.00	11,716.38
16	Baroda Global Fund	6-Feb-06	11.85	N.A.	18.5	1.72	11,850.00	11,589.24
17	Reliance Equity	6-Feb-06	11.26	4987.97	12.6	2.27	11,260.00	11,012.22
18	Birla Infrastructure	31-Jan-06	12.44	507.63	24.4	2.47	12,440.00	12,166.26
19	Fidelity Tax Advantage	31-Jan-06	12.79	665.23	27.87	2.5	12,787.00	12,505.62
20	SC Imperial Equity	30-Jan-06	12.15	267.92	21.48	2.8	12,147.80	11,880.49
21	UTI Leadership Equity	30-Jan-06	12.66	1114.92	26.6	2.34	12,660.00	12,660.00
22	ING Vysya A.T.M. Fund	27-Jan-06	11.13	36.89	11.3	3.44	11,130.00	10,885.09
23	HDFC Long Term Equity	27-Jan-06	11.87	1655.55	18.67	2.44	11,867.00	11,867.00
24	HSBC Advantage India	27-Jan-06	13.16	1401.05	31.57	2.58	13,157.40	12,867.87
25	SBI Magnum Bluechip	20-Jan-06	12.01	2284.04	20.1	2.74	12,010.00	12,010.00
<b>Abs. returns for New Funds released Between Jan 06 and Mar 06</b>					<b>18.55</b>	<b>2.38</b>	<b>296,367.20</b>	<b>292,454.77</b>

**Note:** Current value shows the latest market value of an investment of Rs.10,000 in each NFO.

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

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