

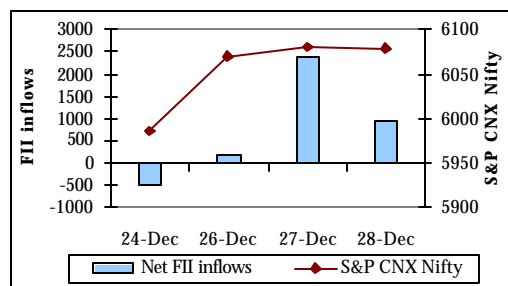
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Highlights

- ◆ **Sensex gained nearly 1000 points**
- ◆ **Q3 results expected to drive the markets**
- ◆ **Bond prices are expected to go up**
- ◆ **Inflation dips**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Dec 24 to Dec 28	Dec 17 to Dec 21
Gross purchases	17561.30	14881.80
Gross sales	14545.20	19115.30
Net inflows	3016.10	-4233.50

Amt in Rs. crores

Data source: SEBI

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The week in retrospect-Equity

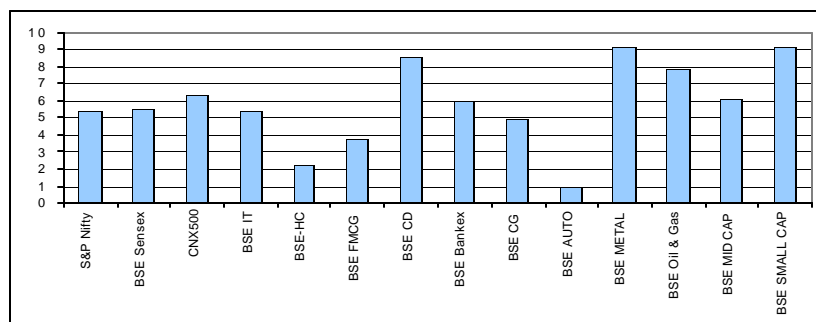
The markets surged ahead of Q3 December 2007 reporting season in anticipation of fare results. During the week, government allowed all trusts to invest in securities, including shares and bonds of listed companies. In the International front increased consumer spending in US has temporarily halted the fears of the US economy going into recession. BSE Sensex rose by 1044.38 points (5.45%) to close at 20,206.95 while S&P CNX Nifty rose by 313.20 points (5.43%) to close at 6,079.70. BSE Sensex was in green in 3 out of the 4 sessions in the week. The BSE Mid-Cap index rose 549.03 points (6.08%) to close at 9,574.57 while the BSE Small-Cap index surged 1,087.97 points (9.2%) to close at 12,901.29. Top gainers for the week were Tata Steels (12.92%), Reliance Energy (11.11%), Reliance Industries (6.77%), & Wipro (7.76%).

Market Developments during the week

- The markets during the week were influenced by the political scenario in the country dominated by the results in the Gujarat polls.
- The market was very volatile ahead of expiry of December 2007 derivative contracts on Thursday and finally closed on a positive note.
- The markets on Friday were marginally influenced by the geo political situations in Pakistan after the assassination of Benazir Bhutto on Thursday.

Also, FII's & mutual funds ended as net buyers in the equity market to the tune of Rs.3016.10 crores and Rs.2288.70 crores respectively.

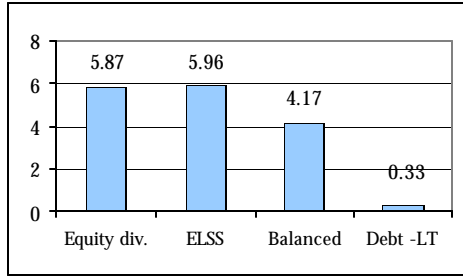
Weekly Equity Indices Return (absolute %)



As on Dec 28

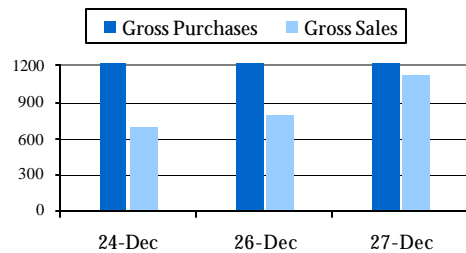
Data source: MFI explorer

Weekly category returns (%)



Abs. returns as on Dec 28 Data source: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

In the equity market, mutual funds emerged as net buyers to the tune of Rs. 2288.70crores.

Outlook:

Short-term:

Domestic: The Q3 corporate results to be released later in the month are expected to drive the market sentiment in the coming weeks. IT major Infosys Technologies will announce its results on 11 January, 2008. and this is expected to have an impact on the IT stocks.

International: Geo political tensions arising in Pakistan and Northern Iraq have led to the rise in the prices of crude oil in US. This rise in crude oil prices is expected to play a spoilsport in the market.

Long-term: GDP rose by 8.9% after the second quarter which ended on 30 September, 07. This growth was fuelled by robust performance in the manufacturing, construction and services sectors and a noticeable improvement in the agriculture sector. Also, earnings growth of the corporates remains strong and is expected to support the market in case of a decline. The other material factors like more than 35% saving rate, improving tax to GDP ratio (18%) indicate that the equity markets are positively inclined over the long term.

Recommendations: Mentioned below is the list of recommendations under each category.

Recommended schemes to invest		Historical returns as on 28 Dec (%)			Crisil Ranking*
		6 months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	56.44	80.96	62.34	1
	Reliance Diversified Power Fund	87.14	125.85	85.92	-
	ICICI Prudential Services Ind.	37.4	54.95	--	
Moderate (Equity)	Fidelity Equity Fund	34.17	54	--	-
	Fidelity India Special Situations	31.73	44.29	--	-
	ICICI Prudential Dynamic	29.88	39.42	52.45	1
Conservative (Equity)	DSP ML Top 100 Equity	44.16	62.87	50.72	1
	Franklin India Bluechip	36.47	46.53	44.45	4
	HSBC Equity Fund	49.92	57.74	45.36	3
	Templeton India Equity Income	36.08	55.06	--	-
ELSS	Fidelity Tax Advantage	36.86	57.68	--	-
	Principal Personal Tax saver	50.62	83.52	50.21	2
Balanced	DSP ML Balanced	33.11	50.48	37.89	1
	Franklin India Balanced	4.89	27.28	30.53	2
	HDFC Prudence	29.76	41.91	41.04	2

*For qtr end Sep, 07

Data source: MFI explorer

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

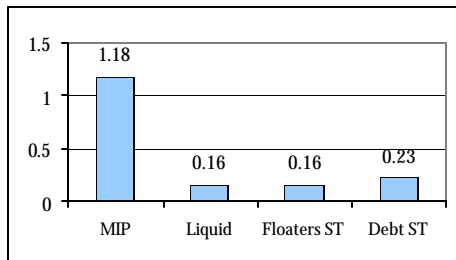
Recommendations

Fresh investments:

- In the current volatile markets we advise the investors to enter with long term approach and also opt for a phased entry.
- Midcap segment could be considered by aggressive investors.
- Themes like financial services and banking could prove to be a good bet.
- SIP investors could look at contra & diversified funds.

Existing investments: We reiterate our long-term bullish view on the markets. Hence, we suggest continuing with the existing holdings with a long-term perspective. However, one needs to be particular about the schemes in the portfolio.

Weekly category returns (%)



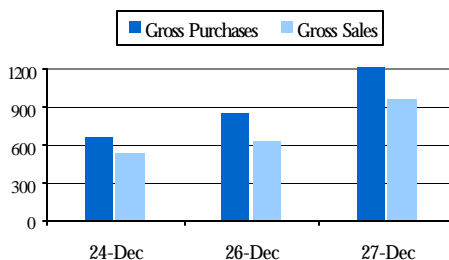
Abs. returns as on Dec 28 Data source: Bloomberg

Key statistics

	Dec 28	Dec 21
7.49% GOI 2017 yield	7.84%	7.89%
Call rate	7.70	7.75
WPI inflation (week ending Dec 8 and Dec 15)	3.45%	3.65%
Dollar exchange rate	39.43	39.55
Forex reserves (\$ bn)	272.722 (Dec 21)	272.954 (Dec 14)

Source: bseindia.com

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.769.50 crores.

The week in retrospect-Debt

- RBI has actively been participating in controlling the liquidity by its repo window and treasury bills. RBI sold 10 billion rupees worth of treasury bills on Wednesday.
- Indian bond yields eased to their lowest in nearly two months on Thursday as the cash squeeze was expected to ease post the corporate tax payment season.
- Corporate taxes payments tightened the liquidity in the system by 35000 crore rupees.
- Gold rose to an all time high and was priced at Rs.10,715 per 10 grams which is Rs.385 higher than the previous weeks close.
- Rupee ended strong during the week to close at Rs.39.43 per dollar from the previous week's close of Rs.39.55.
- Inflation has slipped down to 3.45% for the week ended Dec 15 from 3.65% for the week ended Dec 8.

Outlook:

The 350 crore corporate tax payments during the last week has squeezed the cash in the banking system. This cash squeeze is expected to ease out in the future weeks resulting in a rise in the price of the bonds. The markets are also waiting for the US Federal Reserve meet which is scheduled for some time in the next month.

Recommended schemes to invest		Return as on 28 Dec			Expense ratio
		1 m	3 m	1 yr.	
Liquid Plus	Birla Cash Plus - Premium Plan	0.68	2.03	8.16	0.38
	HDFC Cash Mgmt Savings Plus	0.67	2.00	8.15	0.58
Liquid	LIC MF Liquid Fund	0.70	2.01	7.99	0.50
	ICICI Prudential Liquid Plan	0.69	2.03	8.56	1.26
Arbitrage	SBI Arbitrage Opportunities	0.6	1.92	9.51	1.23
	JM Arbitrage Advantage	0.48	1.88	9.27	1.81

Note: For information on ongoing FMP's please refer to www.thefinapolis.com

Data source: MFI explorer

Recommendations:

Short-term investors: Liquid funds could be considered for investment period up to 15 days. Liquid Plus funds are suitable for period between 15 days and 3 months. Arbitrage funds are recommended for investors with investment duration of 3 months to 1 year. These funds attract equity funds tax treatment, they offer additional advantage. Other investors for whom instant liquidity is not an issue, FMPs (shorter duration) can also be considered.

Long-term investors: Investors with a horizon of more than one year could consider FMPs (longer duration) in place of bank deposits due to FMP's favourable tax status which offers higher post-tax returns. Others looking to invest in liquid options could consider arbitrage funds and MIPs depending on the risk profile.

Forthcoming New Fund Offers:

- ◆ JP Morgan fund house is expected to launch a new scheme named JP Morgan India Tax Advantage Fund.
- ◆ ICICI Pru fund house is expected to launch a new scheme named ICICI Prudential Focused Equity Fund. An open ended equity scheme.
- ◆ Reliance AMC is planning to launch Reliance Infrastructure fund. 3 yrs. close ended fund.
- ◆ ICICI Pru AMC is planning to launch ICICI Prudential Tax Shield Fund. 10 year close-ended equity linked savings scheme
- ◆ ABN AMRO AMC is planning to launch ABN AMRO Sector Select Fund. An open ended equity scheme.
- ◆ Mirae AMC is planning to launch Mirae Asset India Opportunities Fund. An open ended equity scheme.
- ◆ Mirae AMC is planning to launch Mirae Asia Pacific Opportunities Fund. An open ended equity scheme.
- ◆ Principal AMC is planning to launch Principal Global Real Estate Equity Fund. An open ended equity scheme

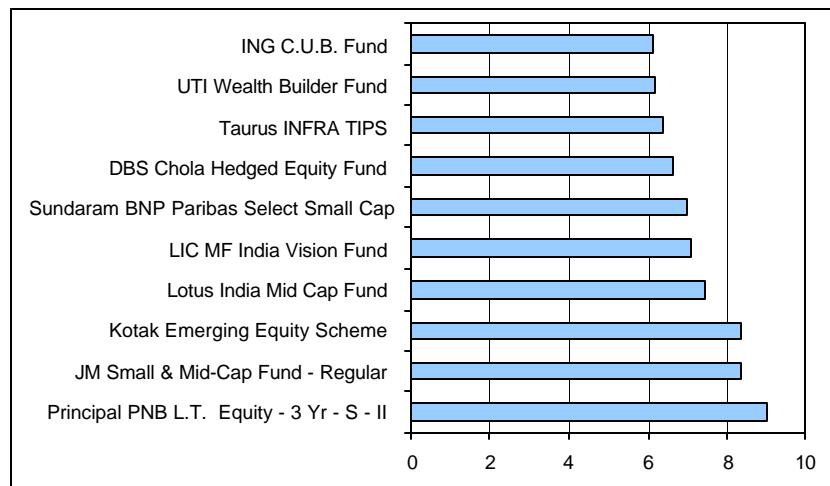
Note: The above given funds are awaiting SEBI's approval.

NFO Corner

NFO's open for subscription:

- ◆ Birla AMC has launched Birla Special Situations Fund. The open ended equity scheme would invest predominantly in equity & equity related securities. This fund is open till 15 Jan 08.
- ◆ Reliance AMC has launched Reliance Natural Resources Fund. The open ended equity scheme would invest predominantly in natural resources sector. This fund is open till 30 Jan 08.
- ◆ SBI AMC has launched SBI Tax Advantage Fund - Series I Fund. The 10 years close-ended ELSS scheme would invest predominantly in equities of companies across large, mid and small capitalization. This fund is open till 03 Mar 08.
- ◆ Reliance AMC has launched Reliance Equity Linked Saving Fund – Series I. The 10 years close-ended ELSS scheme would invest predominantly in equities of companies across large, mid and small capitalization. This fund is open till 17 Mar 08.
- ◆ UTI AMC has launched UTI-Long Term Advantage Fund - Series II. The 10 years close ended ELSS scheme would invest predominantly in equity & equity related securities. This fund is open till 19 Mar 08.
- ◆ JM AMC has launched JM Tax Gain Fund. The open ended ELSS scheme would invest predominantly in equity & equity related securities. This fund is open till 25 Mar 08.

Top weekly performers-NFOs*



*Weekly return in % as on Dec 28, 07

Data source: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

For more information on MUTUAL FUNDS call 18 00 42582 83 or contact your nearest Karvy branch.

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