

01-2008

02-2008

03-2008

04-2008

05-2008

06-2008

07-2008

08-2008

09-2008

10-2008

11-2008

12-2008

Sep

Oct

Nov

Dec

Jul

Jan

Jun

May

Apr

Mar

Feb

MONTHLY REPORT  
April-2008



25 Years



**CONTENTS**

Equity Market - Roundup	1
Debt Market - Roundup	1
Outlook	2
Domestic Developments	2
International Developments	3
NFO corner	4
MF Recommendations	4

# Fund - O - Meter -- Monthly

A Monthly Report on Mutual Funds



PF/MFW/05042008/422

Mar 01, 2008 to Mar 31, 2008

## Indian Major Stock Indices

	Mar 03, '08	Mar 31, '08	% Change
Sensex	16677.88	15644.44	-6.20
S&P Nifty	4953.00	4734.50	-4.41
Smallcap	9238.35	7841.62	-15.12
Midcap	7364.85	6427.82	-12.72
Banking	9434.44	7717.61	-18.20
Healthcare	3921.16	3848.11	-1.86
FMCG	2226.64	2290.07	2.85
IT	3692.49	3547.61	-3.92
PSU	7999.93	7426.83	-7.16
Auto	4848.05	4524.77	-6.67
Capital Goods	15182.63	14009.02	-7.73

Data source: BSE

## Monthly FII & MF transactions (equities)

	Feb '08	Mar '08
FII – Net inflow	1733.30	-130.40
MF – Net inflow	57.50	-1847.80

Amt in Rs. Cr.

Data source: SEBI

## Monthly MF – AMC - AUM transactions

	Feb '08	Mar '08	% Change
AUM	5,65,119.16	5,28,935.59	-6.40

Amt in Rs. crores

Data source: AMFI

Pradeep Kumar S.  
Murugavel A.

Email: [pradeep.s@karvy.com](mailto:pradeep.s@karvy.com)

[amurugavel@karvy.com](mailto:amurugavel@karvy.com)

☎: +91 40 23312454

Ext: 304

## Highlights

- ❖ Markets exhibited high volatility
- ❖ FII outflows - watching factor
- ❖ Gold prices touch record highs
- ❖ Inflation reaches 59 week high

## Equity Market - Roundup

The week's ending for the markets was on a highly negative note with weak global market sentiments. During the month, both Sensex and Nifty have lost around 6.20% and 4.41% respectively. Specifically Liquidation of Bear Stearns holdings and declining risk appetite among investors has triggered a sell-off in the market, resulting in a drop of Sensex by 951 points in a single day.

During the last week of the month, market opened on a positive note on signals of firm Asian markets. Further, a surprise increase in US existing home sales raised hopes of the credit crisis coming to an end. The renewed market sentiments resulted in Sensex rising by over 900 points to settle above the 16,000 points mark. Buying interest was witnessed across-the-board. Also, firm cues from the Asian and European markets kept market sentiments upbeat, despite release of higher-than-expected inflation figure. Finally, Sensex registered a loss of 726.85 points on the last trading day of the month.

## Sector indices:

Mark to market losses by ICICI bank's foreign operations owing to its exposure in credit derivatives have pulled down the banking stocks. Apart from FMCG stocks almost all the sectors have witnessed a down trend during the month. While the worst hit sectors were banking and capital goods, auto has followed the suit.

## Debt Market- Roundup

**Corporate Bond market:** During the month, there were several primary issuances of banks and public sector undertakings. The issuances were both in the short term and longer-term maturity segments. Tight liquidity conditions and year-end valuation concerns kept trading volumes low. Post-advance tax outflows discouraged traders from holding positions in corporate bonds over the long weekend.

**Government Securities:** During the month, RBI announced the dated securities auction calendar for the first half of 2008-09. The quantum of Rs.96,000 crore to be raised in 1<sup>st</sup> half is 66% of the budgeted gross borrowings of Rs.1,45,146 crore for the entire financial year. While Rs.47,000 crore will be raised through medium tenure securities (5-14 yr), Rs.49,000 crore is scheduled to be raised through long-tenure securities (15 yr and above).

### Key statistics

Key	Feb 29, '08	Mar 31, '08
7.27% (5 Yr G-Sec Yield)	7.49%	7.74%
7.99% (10 Yr G-Sec Yield)	7.52%	7.90%
FII – Debt Net inflow	2496.80	-879.70
MF – Debt Net inflow	11407.70	12469.30

Amt in Rs. Cr.

Source: SEBI & CCIL

**Money Market:** Government spending and surplus funds with mutual funds helped in improving the liquidity in the system. In view of the expected liquidity tightness in the coming fortnight after advance tax outflows, banks borrowed funds through short-term instruments like CDs and parked these excess funds in liquid schemes of mutual funds.

During the second half of the month, liquidity conditions improved owing to government spending and increased capital inflows into domestic equity markets. Absence of credit off take also contained borrowing requirements from banks. With improvement in liquidity conditions, infusion of funds under Repo declined. Expectations of advance tax outflows returning back to the system kept market sentiments buoyant and rates eased towards the end of the month.

### Outlook:

With the inflation rate crossing its 59 week high of 7.07 % during the week ended March 22, the Reserve Bank of India Governor Mr. Yaga VenuGopal Reddy said that the central bank is ready to take steps to control inflation. The obvious option available for the central bank will be to raise the rates. However, one haunting fact for the RBI in raising the rates would be the slow down in growth of the economy.

**Equity:** In the short term markets are expected to remain volatile. However, over a longterm and specifically after the US elections, Indian markets, following to the global markets, are expected to start taking right shapes. Indian financial markets have strong fundamental basis and as the consumption to export ratio is more in India, the consumption drive in the economy is expected to result in the economy being positive in the long run.

**Debt:** Bond prices in India are expected to fall with the government opting to sell more bonds in the market to raise its budget deficit and also to put clutches on the rising inflation.

**Bullion:** Gold prices are expected to show a growing trend both in the short term and long term and the investors are opting gold to the declining dollar.

### Domestic Developments:

#### Pay Commission Recommends 40% Hike in Salaries:

The Sixth Pay Commission has recommended a heavy increase in the salaries for over four million central government employees. The recommendation, expected to be implemented in totally would cost the exchequer Rs.12,561 crore in 2008-09. The salary hike is expected to be implemented with retrospective effect from January 2006 which would lead to an additional financial outflow of Rs.18,030 crore for the government in the form of arrears. The Commission has recommended higher house rent and travel allowance, besides large benefits to personnel in defence and paramilitary forces. The implementation of these recommendations is likely to increase the fiscal deficit by around 0.5% to 3% of the GDP from 2.5% of GDP estimated in the Budget.

#### Annual Inflation Rate Accelerate to 7.07%:

Despite government's efforts to contain prices, inflation for the week ended 22nd March'08 surged to 7.07%, which is considerably higher than the market expectation of 5.96%. The increase was driven by an across the board appreciation of primary articles, fuels and manufactured products prices. The highest increase was contributed by the index for basic metals. These have put pressure, on both food grains and edible oil prices. With this rise, the inflation has touched its 59 week high.

## Key Indicators

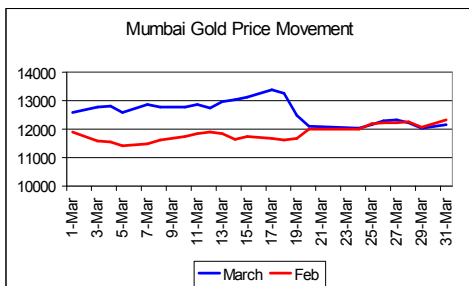
	29 Feb, 2008	31 Mar, 2008
Dollar exchange rate	39.92	40.97
Gold (Rs.10/gm)	12,504.00	12,150.00
Crude Oil (per barrel)	101.84	101.58

Data source: Bloomberg

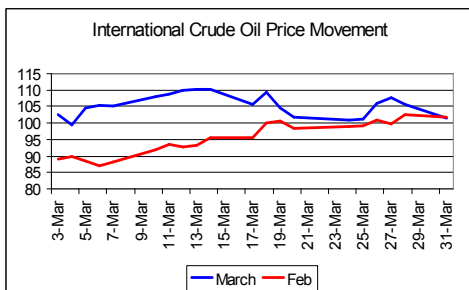
## Foreign Major Stock Indices

	Feb 29, '08	Mar 31, '08	% Change
MSCI World Index	1455.56	1437.40	-1.25
FTSE	5884.3	5702.10	-3.10
Dow Jones	12266.39	12262.89	-0.03
Strait Times	3026.45	3007.36	-0.63
KLSE	1357.4	1247.52	-8.09
HangSeng	24331.67	22849.20	-6.09
Nikkei	13603.02	12525.54	-7.92

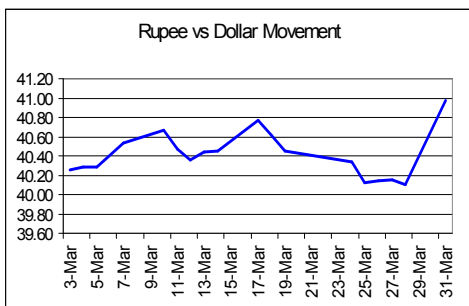
Data source: Bloomberg



Data source: Bloomberg



Data source: Bloomberg



Data source: Bloomberg

## Trade Deficit at US \$ 9.36 bn in Jan '08

In January 2008, exports for the country were valued at US \$ 13.14 bn, 20.47% higher than previous year figures. Imports increased substantially by 63.57% and stood at US \$ 22.50 bn. Increase in imports from US \$ 17.68 bn during December 2007 to US \$ 22.50 bn owing to increase in crude oil prices resulted in increase in trade deficit on y-o-y basis. Similarly, Oil imports also rose from their corresponding figure for previous year and registered an increase of 60.81%. In to the period ended April '07 - Jan '08, trade deficit was US \$ 67.41 bn, registering a year on year increase of 47.51%. During this period, while imports grew by 29.63%, oil imports rose by 16.49%. Exports rose by 21.62% during the period.

## International Developments:

### US Federal Reserve Cuts Key Interest Rates by 75 bps

In a move to restore confidence in nervous financial markets and boost the ailing US economy, the US Federal Reserve lowered key interest rates by 75 bps, slightly lower than what was expected. The Fed funds rate was lowered to 2.25% and the discount rate to 2.50%. The Fed funds rate is now at its lowest level since Dec'04. In an accompanying statement, the Fed said downside risks to economic growth would remain and that it would act in a timely manner, if so needed, suggesting more rate cuts are probable barring an economic recovery. The smaller than expected rate cut indicated growing uneasiness over US dollar's decline against other major currencies, which had pushed up prices of commodities that are priced in dollars.

**Forex Market:** In Forex markets, the month opened with bearish sentiments in global markets resulting in rupee falling to its 6-month low level. Low risk appetite of global investors and a continuous decline in the domestic equity market, triggered a sell-off resulting in huge dollar demand. While dollar selling by the exporters provided some support, it failed to meet the requirements of oil companies and foreign banks clubbed together. Sale of Bear Stearns resulted in liquidation of its equity holdings, resulting in a steep decline in rupee which fell to 40.97/USD. However, dollar selling by exporters and heightened expectations of capital inflows into domestic equities post Fed rate cut helped rupee make some gains against the dollar. Rupee appreciation was however capped by oil importers' demand for dollars ahead of holidays. The month ended with the rupee standing at 40.97/\$, which is weaker than previous months close of 39.92/\$.

**Commodity markets:** In commodities market, crude prices opened the fortnight on a softer note ahead of the OPEC meet on expectations of output being left unchanged at the meet. With no reduction in the output level, consistent increase in US stockpiles in previous weeks and fall in crude demand post-winter, resulted in crude oil prices easing by over USD 2 per barrel. During the second half of the month, crude oil eased as signs of the US economy slipping into recession overcame concerns of a weakening US dollar. Crude prices fell by the greatest extent since August on the back of a lower-than-expected 75 bps cut in key interest rates by the US Federal Reserve and reports of a decline in US demand for crude. The month ended with the crude prices standing at USD 101.58 per barrel, which is lesser than the previous month's USD 101.84 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

### Forthcoming NFO's:

Sl. No.	Scheme Name
1	Tata Natural Resources Fund
2	HSBC Equity Linked Fund
3	ABN Amro Banking and Financial Services Fund
4	UTI Global Emerging Market Fund
5	ABN AMRO Infrastructure Fund
6	HSBC Infrastructure and Real Estate
7	HSBC Banking and Financial Services Fund
8	Standard Chartered Ancillary Companies Fund
9	Standard Chartered Fifty Fifty Equity Fund
10	Sundaram BNP Paribas Select Thematic Funds - Financial Services Opportunities

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

## MF Recommendations:

### Equity Long & Medium Term:

Recommended schemes to invest		Historical returns as on Apr 2 '08 (%)		
		6 months (abs)	1 year (ann.)	3 year (ann.)
Equity	DSP Merrill Lynch India Tiger Fund	-11.97	34.83	42.64
	ICICI Prudential Infrastructure Fund	2.41	58.25	--
	Kotak Opportunities Fund	-2.39	40.07	42.26
	Reliance Diversified Power Fund	10.07	88.25	62.21
	Reliance RSF - Equity	9.66	56.71	--
	Sundaram BNP Paribas CAPEX Opp.	-7.58	49.34	--
ELSS	Tata Infrastructure Fund	-5.54	49.15	43.05
	DSP Merrill Lynch Tax Saver Fund	-8.78	35.20	--
	DWS Tax Saving	-8.52	35.47	--
	Principal Personal Tax saver	-12.05	33.65	31.21
Balanced	Sundaram BNP Paribas Tax saver-(O.E)	-6.17	30.79	34.98
	Principal Child Benefit	-3.51	28.66	27.68
	Tata Balanced	1.49	33.05	33.24
	DSPML Balanced	-7.11	24.61	25.49

Data source: MFI Explorer

### Debt Short & Ultra Short Term:

Recommended schemes to invest		Historical returns as on Apr 2 '08 (%)		
		3 months (abs)	6 months (abs)	1 year (ann.)
Short Term Floaters	ICICI Prudential FRF - Plan D	2.11	4.30	8.57
	Tata FRF - ST	2.10	4.16	8.36
Debt Short Term	Kotak Bond (Regular)	0.24	4.46	9.75
	Reliance Short Term Fund	1.92	4.58	10.04
Debt Ultra Short Term	HDFC Cash Mgt. Savings Plus	2.02	4.07	8.16
	LIC MF Liquid Fund	2.13	4.23	8.12

Data source: MFI Explore

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

## Disclaimer

The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Stock Broking nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document.

This report is intended for a restricted audience and we are not soliciting any action based on it.