

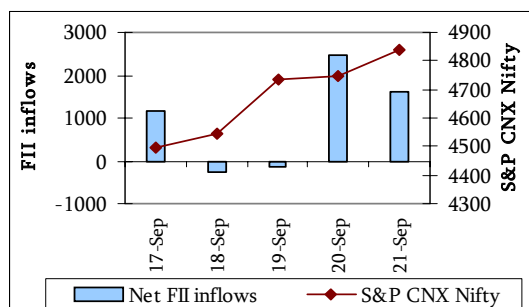
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Highlights

- ◆ **Biggest weekly gain ever posted by Sensex.**
- ◆ **Left parties are expected to influence the market**
- ◆ **Inflation at 2 years low level.**
- ◆ **Rupee hovering at a nine year high.**

FII movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

Weekly FII transactions (equities)

	Sep 17 to Sep 21	Sep 10 to Sep 14
Gross purchases	19170.7	11944.7
Gross sales	14302.1	10294.6
Net inflows	4868.6	1650.1

Amt in Rs. crores

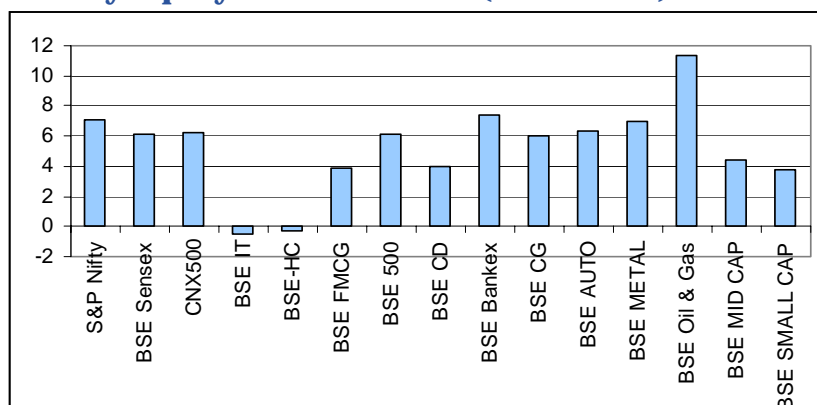
Data source: SEBI

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The week in retrospect-Equities

The market started the week on negative note but surged later when the US Federal Reserve announced a larger-than-expected 50 basis points cut in Fed funds rate to 4.75% from 5.25% on Tuesday, 18 September 2007. The move eased concerns about housing slump driving the world's largest economy into recession. Sensex advanced in 4 out of 5 trading sessions in the week. BSE Sensex rose 960.43 points or 6.16% to settle at 16,564.23 in the week ended Friday, 21 September. It hit an all time high of 16,616.84 on Friday. BSE Mid Cap rose 302.92 or 4.39% to 7,199.92 in the week. The BSE Small Cap index rose 322.54 points or 3.76% to 8,895.30 in the week. On Monday, the market opened on a firm note on buying interest in index pivotal. However, it lost ground in early afternoon trade with European markets which opened after Indian market, sliding in early trade. Sensex surged 216.28 on Friday led by heavy buying in index pivotal especially for Reliance group stocks. Reliance Natural Resources Limited 35.9% to Rs 76.70 on news that company has applied for a license to undertake city gas distribution business in Delhi, Mumbai, Gurgaon and Noida. Real estate firms like DLF, Unitech, India bulls Real Estate surged, on expectation of softer interest rates after US Federal Reserve cut the rate by half percentage point. IT pivotal declined in the week on fresh selling as a steep interest rate cut by the US Federal Reserve on 18 September, set the rupee on fire and it hit nine-year high above 40 per dollar on Thursday. Also, during the week FII's remained as net buyers in the equity market to the tune of Rs. 4868.60 crores while mutual funds ended as net sellers to the tune of Rs.35.20 crores respectively.

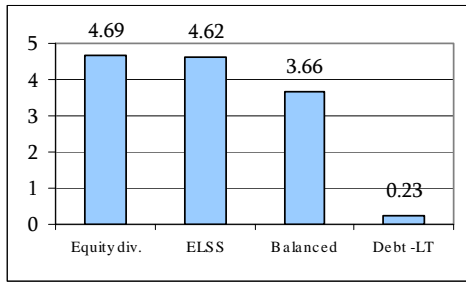
Weekly Equity Indices Return (absolute %)



As on Sep 21

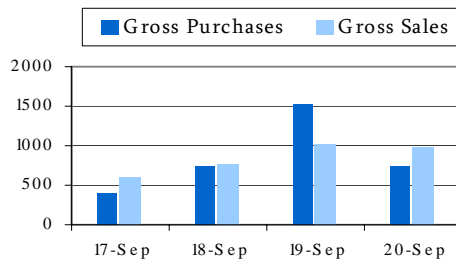
Data source: BSE, NSE

Weekly category returns (%)



Abs. returns as on Sep 21 Data source: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores Data source: SEBI

In the equity market, mutual funds emerged as net sellers to the tune of Rs. 35.20 crores.

Outlook:

Short-term: The short term trigger for Indian markets is the earnings for Q2. Market men expect decent to strong results and this is substantiated by the advance tax figures. However market may turn volatile ahead of the expiry of September futures & options (F&O) contracts scheduled on Thursday, 27 September. The market will also be keenly watching developments on political front Communist Party of India-Marxist (CPI-M) general secretary Prakash Karat has asked the government to put the Indo-US nuclear deal on hold for at least six months.

Long-term: GDP is expected to grow above 8% in the coming years, fuelled by robust performance in the manufacturing, construction and services sectors and a noticeable improvement in the agriculture sector. Also, increased direct tax revenue suggests that India's long-term growth drivers remain intact. Improving stability and reducing worries in the global markets are expected to result in increased foreign inflows.

Recommended schemes to invest		Historical returns as on Sep 21 (%)			Crisil Ranking
		6months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	41.91	58.64	57.08	1
	Reliance Equity	22.85	33.19	--	3
	ICICI Prudential Services	22.46	54.45	--	
Moderate (Equity)	Fidelity Equity Fund	29.04	44.34	--	-
	Fidelity India Special	27.05	36.01	--	-
	ICICI Prudential Dynamic	20.21	36.50	54.74	1
Conservative (Equity)	DSP ML Top 100 Equity	31.65	43.33	47.16	1
	Franklin India Bluechip	31.96	37.26	43.64	4
	HSBC Equity Fund	28.74	38.07	41.22	3
	Templeton India Equity	28.43	42.82	--	-
ELSS	Fidelity Tax Advantage	30.39	42.56	--	-
	Franklin India Tax shield	31.35	32.76	41.50	3
	SBI Magnum Tax Gain	27.90	15.50	25.59	2
Balanced	DSP ML Balanced	26.57	33.96	34.56	1
	Franklin India Balanced	17.86	30.83	31.46	2
	HDFC Prudence	22.23	31.60	39.31	2

*For qtr end June, 07

Data source: Bloomberg

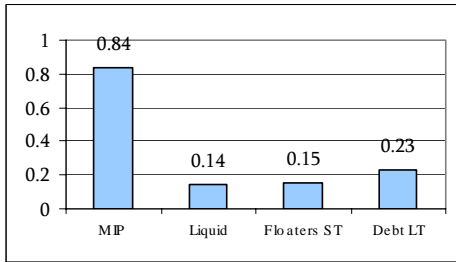
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: Market analysts visualise volatile times ahead. Therefore, making deferred investments is a good idea than exposing oneself to the risk of entering at one market level. Companies which are likely to benefit from the domestic growth story of India such as energy, telecom, construction, capital goods and banks are likely to grow further. The markets are fairly valued and so stock picking on the basis of value vis-à-vis its price becomes a key quotient. In the mutual funds arena, diversified, contra and opportunities funds continue to remain worth considering for a minimum investment period of over 2 years.

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 (%)



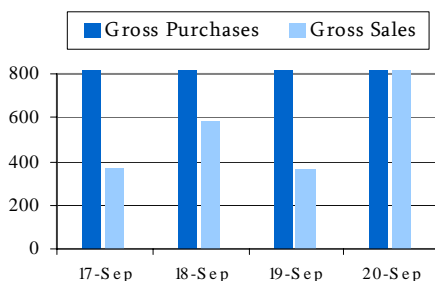
Abs. returns as on Sep 21 Data source: Bloomberg

Key statistics

	Sept 21	Sept 14
7.49% GOI 2017 yield	7.86%	7.88%
Call rate	7.00	4.25
WPI inflation (week ending Sep 1 and Sep 8)	3.32%	3.52%
Dollar exchange rate	39.89	40.45
Forex reserves (\$ bn)	232.2 (Sep 14)	230.37 (Sep 7)

Source: bseindia.com

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market, mutual funds emerged as net sellers to the tune of Rs. 2939.80 crores.

The week in retrospect-Debt

Bonds yields eased during the last week on account of the easing inflation & 50 bps cut in the fed rate. During the week foreign funds of more than 1 billion moved into Indian equities after a sharp US rate cut that resulted in rupee appreciation by 1.38%. After touching a nine-year record high on Thursday the rupee ended marginally weaker against the dollar on Friday at 39.89. Crude oil prices were hovering at \$82 /barrel after hitting a record high on the New York Mercantile Exchange. Crude oil fell to \$81.54 a barrel after touching a record high of \$84.10 on Thursday, as concern grew that turmoil in the US credit markets will low economic growth and demand for oil in the world's biggest energy consumer. Gold prices rallied to a 5-1/2 month high to close at Rs 9,515 on the bullion market on Friday on hectic stockists buying triggered by rising trend in the international markets. Call rates were firm at 7%, reflecting the demand for cash.

Outlook:

Short-term: Bonds yields are expected to be volatile during the week due to the rising crude oil prices. Overall the bond yields are expected to remain positive over a period of time. Rupee value is expected to be range bound as the RBI is all set to intervene during the week to control the rupee appreciation.

Long-term: Inflation is easing out because of the comfortable supply of essential goods and high base effect. Due to the increasing FII's inflows, liquidity has again become a point of concern for RBI. So, it will try to attain optimum trade off between rupee value and liquidity in the system. Other factors like credit growth seem to be under control. Structurally Rupee is likely to strengthen against the dollar in the long-term as the outlook for the US economy remains bearish.

Recommended schemes to invest		Return as on Sep 21 (%)			Expense ratio	Crisil rankin
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.65	1.94	--	0.65	-
Liquid	Can liquid	0.59	1.72	7.54	0.71	-
Arbitrage	StanChart Arbitrage	0.44	1.91	--	1.5	-

*For qtr end June, 07

Data source: Bloomberg

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. 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.

Forthcoming New Fund Offers:

- ◆ JM Fund House is planning to launch JM Agri & Infra Fund. The 3-year close-ended equity scheme would invest in companies that focus on agricultural and infrastructure development of India.
- ◆ Sundaram BNP Paribas AMC has filed offer documents for two thematic funds which would invest in the entertainment and energy industries respectively.

NFO Corner

NFOs open for subscription:

- ◆ Fidelity India AMC has launched Fidelity India Growth Fund. This fund invests in Indian equities and derivatives along with international equities. This scheme is open till Sep 26, 07
- ◆ ABN AMRO AMC has launched a scheme named ABN AMRO China-India Fund. This fund is an open-ended equity scheme which will invest in equity & equity related securities of India and China. This scheme is open till Oct 1, 07.
- ◆ Tata AMC has launched Tata Global Infrastructure Fund. The 3-year close-ended equity fund would invest in both domestic and overseas companies, which are related with infrastructure sector. This scheme is open till Oct 16, 07.
- ◆ Birla Sunlife AMC has launched Birla Sun life International Equity Fund. The open ended equity fund would invest in equity and equity related instruments of International markets. This scheme is open till Oct 16, 07.

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

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