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### Highlights

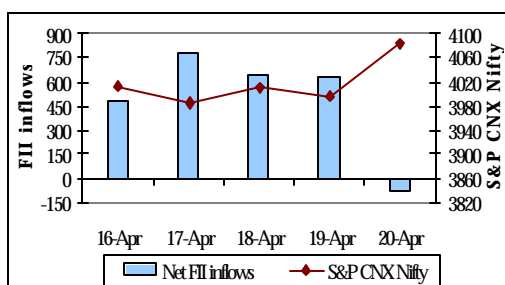
- ◆ **A positive week for the markets**
- ◆ **Volatility to remain**
- ◆ **Bond yields ease down slightly**
- ◆ **RBI monetary policy review on Apr 24- a watching factor**

### The week in retrospect-Equities

The markets ended the week on a positive note on the back of firm global markets, strong corporate earnings result by the frontline IT companies and forecast of good monsoons this year. According to the Indian Meteorological Department, India's annual June-September monsoon rains are likely to be near normal (rains are expected to be 95% of the long-term average). Sensex jumped by 513.33 points to settle at 13897.41 and Nifty surged by 166.20 points during the week to close at 4083.55. However on Tuesday, as rupee hit its 9-year high, IT stocks pulled the markets down. On Thursday, markets took cue from weak Asian markets. Expectations of a hike in Chinese interest rate after its strong GDP growth rate kept the Asian markets low. Concerns over crude oil supplies arose on account of violence in Nigeria (Africa's leading oil producer), where nearly 25% of the outputs are shut due to militant attacks. Tensions between Iran and U.S. over nuclear activities, adds to the supply concerns. This week, crude oil prices increased to \$66.49 per barrel from \$64. On the sectoral side, despite a rally in TCS, Infosys, Wipro, HCL and Satyam (after their strong earnings results), BSE IT declined by 0.33% as appreciating rupee brought losses to the software exporting stocks. Expectations of strong earnings result led to a rally across sectors.

During the week, FIIs emerged as net buyers in the equity market, amounting to a significant Rs. 2479.1 crores. Mutual funds remained net sellers to the tune of Rs. 53 crores.

### FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

### Weekly FII transactions (equities)

	Apr 16 to Apr 20	Apr 9 to Apr 13
Gross purchases	12382.1	9971.5
Gross sales	9903	8274.9
Net inflows	2479.1	1696.6

Amt in Rs. crores

Data source: SEBI

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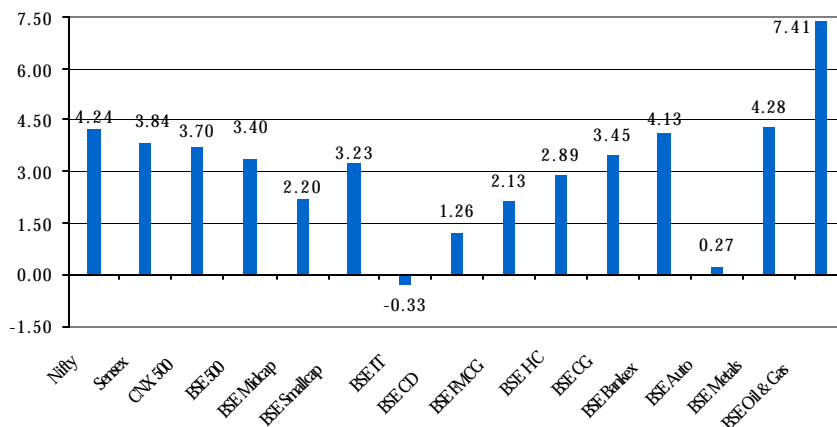
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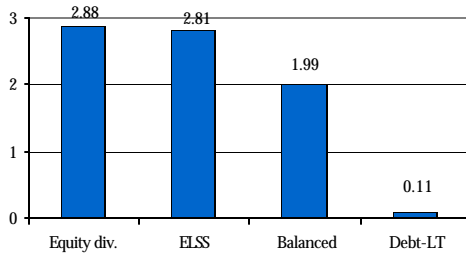
### Weekly Equity Indices Return (absolute %)



As on Apr 20

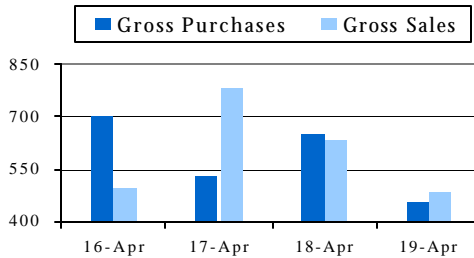
Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on Apr 20 Datasource: 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. 53 crores.

## Outlook:

**Short-term:** Markets may take cue from the global trends. Any sharp rise in crude oil prices may cause negative sentiments. Volatility is likely to be exhibited ahead of the expiry of Apr, 07 derivatives contracts on Apr 26. Despite various monetary moves by RBI, inflation is not contained in the target range of 5-5.5%. Hence, there could be further tightening measures in the future. All eyes are set on the RBI's monetary policy review on Apr 24, 07. RIL, Ranbaxy Laboratories and Maruti Udyog are scheduled to announce their Mar, 07 quarterly results next week.

**Long-term:** Rise in interest rates is likely to result in slowdown in credit growth in the retail segment (more pronounced in mortgages segment). However demand for credit from corporates is not likely to slow down immediately as they usually borrow overseas and also, interest rate hike results in reduced credit with a lag. While the world economy is expected to slow down, IMF has forecasted a 7.8% GDP growth rate for India in 2008. Industrial production for Feb, 07 rose by a healthy 11% on the back of 12.3% growth in manufacturing production. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to support the long-term bullish story.

Recommended schemes to invest	Historical returns as on Apr 20 (%)			Crisil Ranking*	
	6 months (abs)	1 year	3 year (ann)		
<b>Aggressive (Equity)</b>	DSP ML Opportunities	8.42	8.44	37.13	1
	Tata Infrastructure	9.81	9.01	N.A.	-
	Reliance Growth	12.93	12.57	50.39	1
	DSP ML Small & Mid cap	N.A.	N.A.	N.A.	-
<b>Moderate (Equity)</b>	Fidelity Equity	15.63	19.14	N.A.	-
	Pru ICICI Dynamic	15.00	16.81	48.93	-
	Reliance Equity	6.85	11.38	N.A.	-
	Fidelity Ind. Special.	10.64	N.A.	N.A.	-
<b>Conservative (Equity)</b>	DSP ML Top 100	14.17	15.42	36.33	3
	HSBC Equity	10.70	10.59	34.37	3
	Franklin India Bluechip	7.62	10.48	32.84	4
	Templeton India Eq. Inc.	15.93	N.A.	N.A.	-
<b>ELSS</b>	Franklin India Taxshield	4.59	0.58	32.39	4
	Fidelity Tax Advantage	14.31	15.95	N.A.	-
	SBI Magnum Tax Gain	13.83	15.22	63.04	1
<b>Balanced</b>	DSP ML Balanced	7.84	9.76	26.56	3
	HDFC Prudence	8.43	18.15	33.91	1
	FT India Balanced	8.48	12.23	24.64	3

\*For qtr end Dec 06

Datasource: Bloomberg

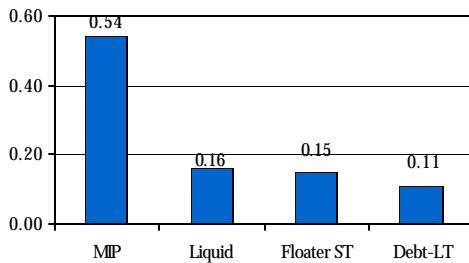
\*\*Classification based on fund's portfolio concentration & exposure to various market segments.

## Recommendations

**Fresh investments:** Since volatility is expected to prevail in short-term, investments should be made with a long-term perspective (preferably 3 years or more). Investors could look at equity diversified and opportunities funds to build their core portfolios. Thematic funds and midcap oriented funds would be apt for enhancing portfolio returns. Derivative funds can be considered to adopt a hedged style. Portfolio diversification can be further achieved by considering GETFs and funds offering exposure to international markets.

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

## Weekly category returns (%)

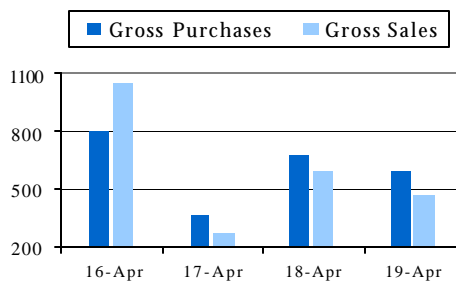


Abs. returns as on Apr 20 Data source: Bloomberg

## Key statistics

	Apr 20	Apr 13
8.07% GOI 2017 yield	8.07%	8.10%
Call rate	10%	5.25%
WPI inflation (week ending Apr 7 and Mar 31)	6.09%	5.74%
Dollar exchange rate	41.77	42.52
Forex reserves (\$ bn)	203.092 (Apr 13)	200.320 (Apr 6)

## 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. 56.10 crores.

## The week in retrospect-Debt

The bond market saw the yields come down on the back of eased liquidity condition in the banking system. The benchmark 10-year g-sec yield ended at 8.07% on Apr 20, 07 as against 8.10% the previous week. With effect from Apr 14, the CRR had been hiked to 6.25%, which drained out nearly Rs. 77.5 bn from the market. As a result, the early trading days of the week witnessed tight liquidity condition. However, during the later trading days, bond yields eased on expectations of improved liquidity condition in the coming weeks. The government would redeem bonds worth Rs. 77 bn and the redemption money may make the cash position comfortable. Inflation for the week ending Mar 31 increased to 6.09% from the earlier 5.74% on the back of high prices of primary articles. Rupee appreciated to 41.77, reaching its 9-year high on the back of strong capital inflows.

## Outlook:

**Short-term:** With an inflow of Rs. 77 bn from the redemption of government bonds, the liquidity situation would remain comfortable. The call rates may therefore come down from 10% mark. The government is also expected to auction bonds worth Rs. 60 bn on Apr 27. Further, the second leg of 25 bps CRR hike would be effective from Apr 28. The following week may therefore witness cash squeeze. All eyes are set on the forthcoming RBI's monetary policy review on Apr 24. Market expert do not expect a rate hike in this policy. However, on the back of need to control rising inflation and 175 bps spread between the repo and reverse repo rate, an interest rate hike might follow in the coming future.

**Long-term:** Inflation may cool down on account of RBI adopting the route of monetary tightening, high base affect and upcoming Rabi crop in April. As a result, yields may cool down in May-June.

Recommended schemes to invest		Return as on Apr 20 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.81	2.10	N.A	0.65	-
Liquid	LIC MF Liquid	0.75	2.01	7.61	0.53	2
	Canliquid Retail	0.74	1.97	7.24	0.23	-
Arbitrage	StanChart Arbitrage	0.63	2.65	N.A	N.A.	-

\*For qtr end Dec, 06

Datasource: Bloomberg

## Recommendations:

**Short-term investors:** Very short-term investors (for investment duration up to 1 month) should invest in liquid funds. Investors with investment duration of 1-3 months should consider liquid plus funds. Arbitrage funds could be looked at by investors who wish to invest for a period of more than 3 months (subject to the period, before which redemption would attract exit load). For other investors for whom instant liquidity is not an issue, FMPs (shorter duration of 3 months to 6 months) can be considered as the yields are quite attractive.

**Long-term investors:** Investors with a horizon of more than one year could consider FMPs (longer duration) in place of bank deposits as present yields on short-term papers are quite attractive. Due to lower taxation on FMPs, the post-tax returns on these products could be higher. Since increased supply of govt. papers may cause yields on long-term gsecs to go up in this month, investing in long-term papers should be avoided.

## News Briefs

- ◆ ING Vysya AMC has announced the merger of ING Vysya Equity with ING Vysya Select Stocks Fund w.e.f. May 19, 07. Investors of ING Vysya Equity Fund have the option to exit from the scheme at the prevalent NAV, without any load between Apr 19, 07 and May 18, 07.
- ◆ Franklin Templeton AMC has modified the load structure of its Templeton India Pension Plan (TIPP). As per the amendment, now there will be an exit load of 2.25% on TIPP which was nil earlier.

## NFO Corner

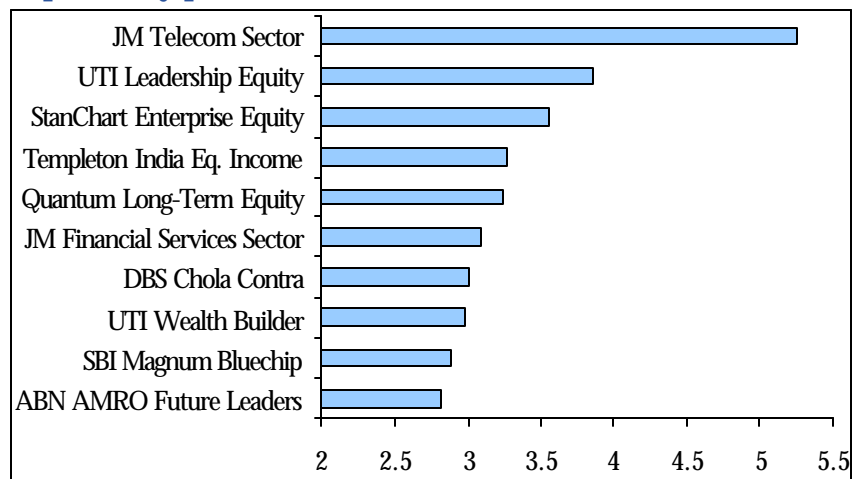
### NFOs open for subscription:

- ◆ Fidelity AMC has come up with a diversified fund, Fidelity International Opportunities Fund which would invest in domestic and overseas markets. The scheme is open for subscription till Apr 30, 07.
- ◆ Birla Sunlife AMC has launched Birla Sunlife Long Term Advantage Fund – Series I, a 3-year close-ended equity fund that would invest primarily in smallcap and midcap stocks. The NFO period would close on May 11, 07.
- ◆ DWS Fund House has floated DWS Capital Protection Fund in the market. It is a close-ended scheme that aims to protect the principal. The fund is open for subscription till May 3, 07.
- ◆ JP Morgan Fund House has launched JP Morgan India Equity Fund, which would invest in equities and equity related securities on Apr 19, 07. The scheme is open for subscription till May 18, 07.

### Forthcoming New Fund Offers:

- ◆ Tata MF is planning to launch Tata Gold Fund, a gold exchange traded fund.
- ◆ UTI Mutual Fund is planning to launch UTI Global Navigator Fund. The scheme will invest in shares of overseas companies in the developed and emerging markets.
- ◆ Kotak Mutual Fund is coming up with Kotak Global Emerging Market Fund, which will invest in global emerging markets.
- ◆ Reliance is planning to launch Reliance Gold Exchange Traded Fund which will track the performance of Gold Bullion.
- ◆ Franklin Templeton Mutual Fund is coming up with Franklin India Aggressive Growth Fund which will invest in Indian companies/sectors with high growth potential.
- ◆ AIG Fund House is coming up with its maiden fund, AIG India Equity Fund sometime in the last week of April.

### Top weekly performers-NFOs\*



\* Weekly return in % as on Apr 20, 07

Datasource: MFI Explorer

**Note:** Funds launched since Jan 06 have been considered.

## Performance analysis of equity NFOs (quarter -wise) as on Apr 20, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Cr) as on Mar 31 '07	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Reliance Long-Term Equity	14-Nov-06	10.26	2064.92	2.64	1.95	10,264.00	10,264.00
2	ING Vysya C.U.B. Fund	14-Nov-06	12.36	66.26	23.60	2.23	12,360.00	12,360.00
3	JM Financial Sector	2-Nov-06	10.02	4.97	0.2	3.09	10,020.00	9,775.61
4	JM Telecom Sector	2-Nov-06	11.43	8.06	14.3	5.25	11,430.00	11,151.22
<b>Abs. returns for New Funds released Between Oct 06 to Dec 06</b>					<b>10.19</b>	<b>3.13</b>	<b>44,074.00</b>	<b>43,550.83</b>
1	DSPML Small & Midcap	29-Sep-06	10.32	1454.94	3.23	1.37	10,323.00	10,095.84
2	UTI Wealth Builder	7-Sep-06	10.71	920.98	7.1	2.98	10,710.00	10,710.00
3	Birla Long-term Adv.	7-Aug-06	10.67	389.73	6.7	2.79	10,670.00	10,670.00
4	Tata Capital Builder	18-Jul-06	10.75	257.95	7.53	2.31	10,753.00	10,753.00
<b>Abs. returns for New Funds released Between Jul 06 to Sep 06</b>					<b>6.14</b>	<b>2.36</b>	<b>42,456.00</b>	<b>42,228.84</b>
1	Tata Equity Managmt.	15-May-06	10.75	387.42	7.52	1.14	10,751.50	10,751.50
2	Stanchart Enterprise Equity	19-Apr-06	11.74	1447.92	17.36	3.55	11,736.10	11,736.10
<b>Abs. returns for New Funds released Between Apr 06 to Jun 06</b>					<b>12.44</b>	<b>2.34</b>	<b>22,487.60</b>	<b>22,487.60</b>
1	Fidelity Special Sit.	28-Mar-06	12.76	2074.75	27.6	2.56	12,760.00	12,479.22
2	Templeton India Equ.	22-Mar-06	12.56	1727.85	25.56	3.26	12,555.60	12,279.32
3	Sundaram Rural India	20-Mar-06	11.03	809.92	10.27	3.61	11,027.30	10,784.65
4	ABN AMRO Future Leaders	13-Mar-06	10.07	265.06	0.69	2.83	10,069.00	9,847.43
5	Pru ICICI Fusion	27-Feb-06	12.14	640.51	21.4	2.36	12,140.00	12,140.00
6	Kotak Lifestyle	22-Feb-06	12.04	372.42	20.38	2.09	12,038.00	11,773.11
7	UTI Contra	22-Feb-06	9.36	631.76	-6.4	2.52	9,360.00	9,360.00
8	JM HI FI	20-Feb-06	9.81	33.44	-1.9	2.62	9,810.00	9,594.13
9	Sahara Infrastruct-FP	15-Feb-06	11.21	15.05	12.13	2.46	11,213.20	11,213.20
10	Sahara Infrastruct-VP	15-Feb-06	11.29	15.05	12.89	2.47	11,289.10	11,289.10
11	Chola Contra	14-Feb-06	11.32	64.92	13.2	3	11,320.00	11,070.90
12	Quantum Long Term Equity	8-Feb-06	12.1	30.45	21	3.24	12,100.00	12,100.00
13	Principal Infra. & Services	7-Feb-06	11.58	257.96	15.8	2.21	11,580.00	11,325.18
14	Baroda Global Fund	6-Feb-06	11.55	8.59	15.5	2.76	11,550.00	11,295.84
15	Reliance Equity	6-Feb-06	10.91	4359.60	9.1	2.63	10,910.00	10,669.93
16	Birla Infrastructure	31-Jan-06	12.09	449.62	20.9	2.72	12,090.00	11,823.96
17	SC Imperial Equity	30-Jan-06	12.02	210.56	20.16	2.63	12,015.50	11,751.10
18	UTI Leadership Equity	30-Jan-06	12.35	1003.00	23.5	3.87	12,350.00	12,350.00
19	ING Vysya A.T.M. Fund	27-Jan-06	10.91	24.91	9.1	2.73	10,910.00	10,669.93
20	HDFC Long Term Equity	27-Jan-06	11.23	1466.12	12.31	2.37	11,231.00	11,231.00
21	HSBC Advantage India	27-Jan-06	12.26	1157.77	22.56	1.25	12,255.90	11,986.21
22	SBI Magnum Bluechip	20-Jan-06	11.42	1892.00	14.2	4.77	11,420.00	11,420.00
<b>Abs. returns for New Funds released Between Jan 06 and Mar 06</b>					<b>14.54</b>	<b>2.77</b>	<b>251,994.60</b>	<b>248,454.20</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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