

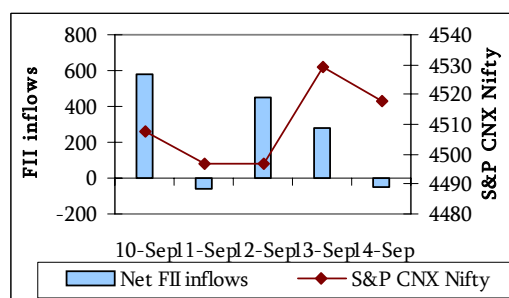
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Highlights

- ◆ Markets end the week flat.
- ◆ Left parties keep influencing the market.
- ◆ Inflation at 2 years low level.
- ◆ US Federal Reserve meet on Sep 18.

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Sep 10 to Sep 14	Sep 3 to Sep 7
Gross purchases	11944.7	13745.2
Gross sales	10294.6	10124.6
Net inflows	1650	3620.9

Amt in Rs. crores

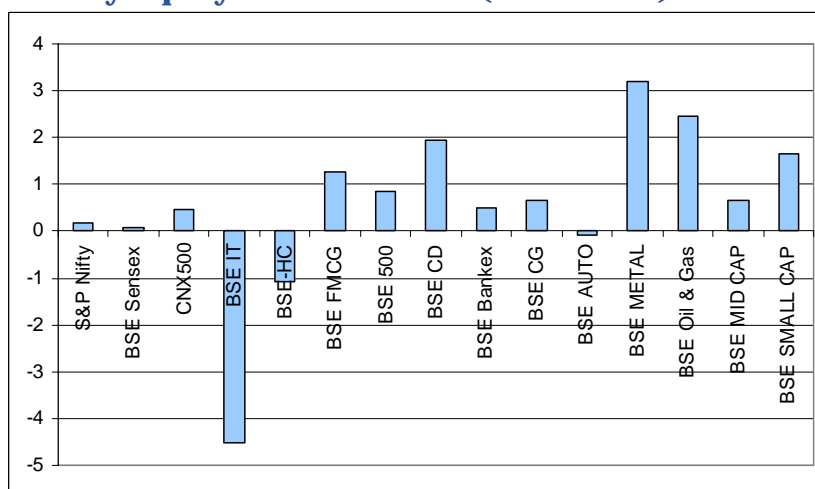
Data source: SEBI

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The week in retrospect-Equities

The market ended flat in most of the trading sessions last week notwithstanding both domestic and global shocks during the week. Markets shrugged on account of the renewed threat from the left parties over the nuclear deal. Sensex rose in 2 out of 5 trading sessions during the week. BSE Sensex rose 13.38 points or 0.09% to settle at 15,603.80 in the week ended 14 September 2007. During the week small-cap and mid-cap shares were in demand. BSE Small-Cap index rose by 139.24 points while BSE Mid-Cap index rose by 43.35 points. On Monday, the market opened on a weak note following the news about cut of 4000 jobs in US. However, Sensex recouped to close 6.41 points high. On Tuesday, the market saw trend reversal from initial firmness to end in negative. The sentiment about the key meeting of the government with left parties on the Indo-US nuclear deal prevailed on that day. BSE ended 10.64 points down on Friday, after a sharp trend reversal due to the global worries that resurfaced after a British mortgage lender issued profit warning, dragging all the European bourses. The growth in Index of Industrial Production (IIP) dipped 7.1% in July 2007 compared with 13.17% in July 2006. The decline in growth has been primarily caused by inventory problems and floods in several parts of the country. Also, during the week FII's remained as net buyers in the equity market to the tune of Rs. 1650.10 crores while mutual funds ended as net sellers to the tune of Rs.15.70 crores respectively.

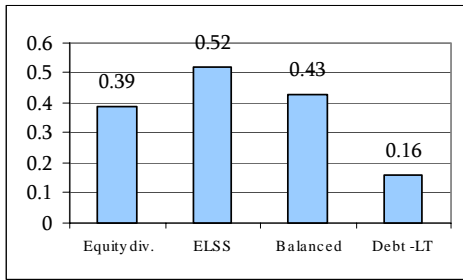
Weekly Equity Indices Return (absolute %)



As on Sep 14

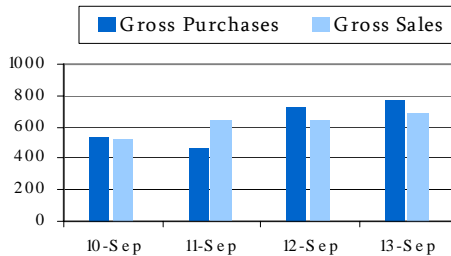
Data source: BSE, NSE

Weekly category returns (%)



Abs. returns as on Sep 14 Data source: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores Data source: SEBI
Note: Data for Sep 14 is not available.

In the equity market, mutual funds emerged as net sellers to the tune of Rs. 15.70 crores.

Outlook:

Short-term: The short term trigger for global markets is US Federal Reserve's policy meeting on September 18. We expect the US Federal Reserve to cut the fed funds rate by at least a quarter percentage point. If the rate cut doesn't materialise then markets may weaken. The market will also be keenly watching developments on political front as Mr. Karat has renewed the threat by making a strong statement, on ending support to the UPA coalition if it operationalised the nuclear deal with the United States.

Long-term: GDP for the first quarter stood at 9.3%, 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 08 (%)			Crisil Ranking
		6months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	36.21	50.12	273.40	1
	Reliance Equity	20.72	29.27	--	3
	ICICI Prudential Services	19.90	50.60	--	
Moderate (Equity)	Fidelity Equity Fund	26.02	40.36	--	-
	Fidelity India Special	26.07	33.64	--	-
	ICICI Prudential Dynamic	18.98	32.45	266.63	1
Conservative (Equity)	DSP ML Top 100 Equity	28.12	37.93	213.16	1
	Franklin India Bluechip	27.84	31.27	187.91	4
	HSBC Equity Fund	24.93	31.82	174.57	3
	Templeton India Equity	25.53	38.41	--	-
ELSS	Fidelity Tax Advantage	27.22	38.30	--	-
	Franklin India Tax shield	26.83	27.68	175.00	3
	SBI Magnum Tax Gain	23.69	10.55	90.62	2
Balanced	DSP ML Balanced	24.27	30.66	139.33	1
	Franklin India Balanced	19.54	27.58	123.46	2
	HDFC Prudence	21.44	28.16	166.48	2

*For qtr end June, 07

Data source: Bloomberg

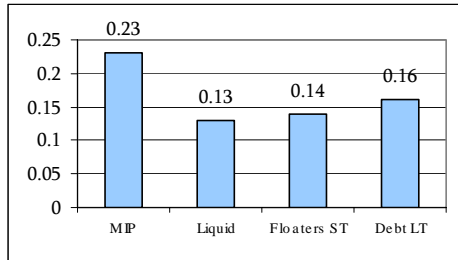
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

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 (%)



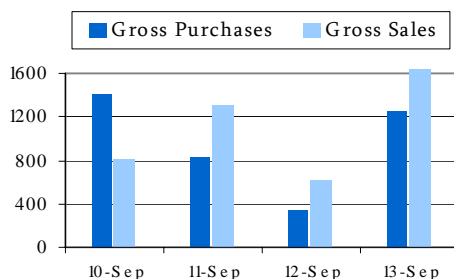
Abs. returns as on Sep 14 Data source: Bloomberg

Key statistics

	Sep 14	Sep 07
7.49% GOI 2017 yield	7.88%	7.89%
Call rate	4.25	6.00
WPI inflation (week ending Aug 25 and Sep 01)	3.52%	3.79%
Dollar exchange rate	40.45	40.45
Forex reserves (\$ bn)	230.37 (Sep 7)	228.80 (Aug 31)

Source: bseindia.com

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

Note: Data for Sep 14 is not available

In debt market, mutual funds emerged as net sellers to the tune of Rs.580 crores.

The week in retrospect-Debt

Indian overnight call money rates rose to a near one-month high on Friday as investors borrowed in anticipation of tight cash conditions next week due to corporate tax outflows. Bond yields dipped as inflation eased during the week from 3.79% to 3.52%. Optimism is prevailing in the market as inflation is expected to be at its low for the next few weeks. Another encouraging factor is the anticipation about the cut in Fed rate. Crude oil prices rose and closed at 79.79USD/barrel due to Hurricane Humberto on the New York Mercantile Exchange. The rupee remained at the same value over the week.

Outlook:

Short-term: All eyes now are on the US Federal Reserve meet which is scheduled on Sep 18. Steps to control the existing subprime problem are anticipated. Market participants are expecting a first monetary easing in 4 years when the Fed rate is cut by at least 0.25%. The current expectation about the Fed rate cut is already being factored in US bond prices. In the event of no change in the rate, bond yields are likely to go up. Also, Indian companies are expected to make Rs.350 billion tax payments which may cause call rates to go up albeit temporarily.

Long-term: Though the move of the leading central banks of the world indicates a softening stance, in the Indian context, RBI has been closely watching inflation and credit growth figures. Credit growth (earlier at a high of 30%) has come down to 26%, which is slightly above the RBI's range of 20%-25%. Inflation has also been tamed down to the 3%-4% range due to lower prices of essential food items. It is therefore expected that yields may cool down in the coming months. 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 08 (%)			Expense ratio	Crisil rankin
	1 m	3 m	1 yr.		
Liquid HSBC Liquid Plus	0.640	1.900	--	0.65	-
Liquid Can liquid	0.922	2.011	7.535	0.71	-
Arbitrage StanChart Arbitrage	0.634	1.805	--	1.5	-

*For qtr end June, 07

Data source: Bloomberg

Recommendations:

Short-term investors: As the outlook on interest rate remains uncertain in the short term, we suggest avoiding long-term funds. 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:

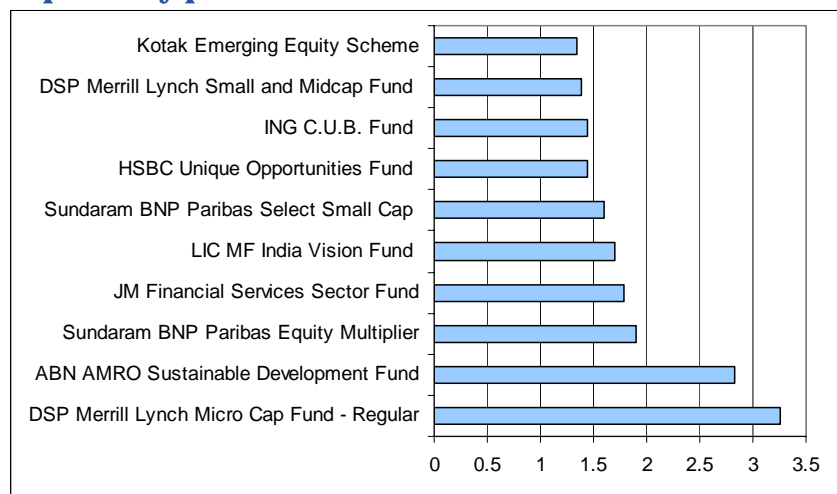
- ◆ JM Fund House is planning to launch JM Agri & Infra Fund. The 3-year close-ended equity scheme would invest in companies that focus on agricultural and infrastructure development of India.
- ◆ Sundaram BNP Paribas AMC has filed offer documents for two thematic funds which would invest in the entertainment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

NFO Corner

NFOs open for subscription:

- ◆ ICICI Prudential launched ICICI Prudential Indo Asia Equity Fund. The open-ended fund would invest in Asian equities. This scheme is open till Sep 21, 07.
- ◆ 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 launched Birla Sunlife 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.

Top weekly performers-NFOs*



* Weekly return in % as on Sep 14, 07

Data source: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

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