

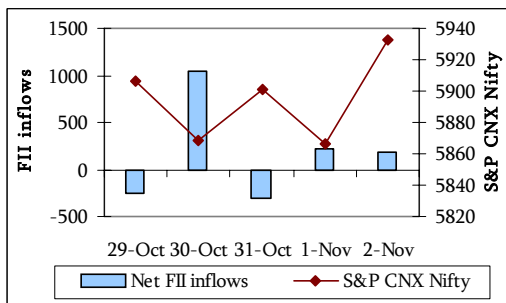
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Highlights

- ◆ Sensex envisions the biggest ever gain in a day.
- ◆ RBI hikes the CRR by 50 bps.
- ◆ Govt issued 6000 crore bonds.
- ◆ Gold prices reach 28 year high.

FII movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

Weekly FII transactions (equities)

	Oct 29 to Nov 02	Oct 22 to Oct 26
Gross purchases	24016.30	32727.90
Gross sales	23120.40	34302.50
Net inflows	895.90	-1574.60

Amt in Rs. crores

Data source: SEBI

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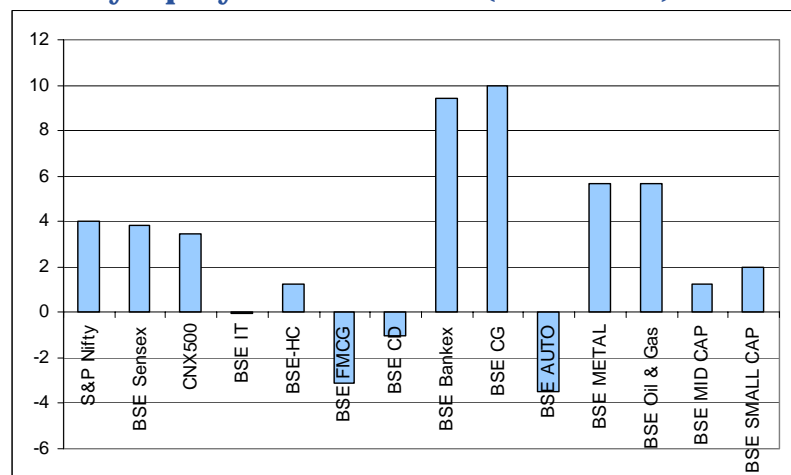
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The week in retrospect-Equity

Volatility characterized the markets during the last week due to vigorous buying and selling. Capital goods and the banking stocks were the star performers while FMCG stocks were the worst performers. In its mid-term monetary policy review, RBI raised banks cash reserve ratio (CRR) by 50 basis points to drain out excess cash and keep inflation low. On Monday, Sensex hit 20,000 mark for the first time in its history in intra-day trade. On that day, it ended up 734.50 points or 3.82% up to close at 19,977.67. On Tuesday, selling towards the end of the session resulted in Sensex shedding 194.16 points or 0.97% to close at 19,783.51. On Friday, markets ended strong after a sluggish start on that day Indian equity indices demonstrated their strength by outperforming global peers in a late rally. Hindustan Unilever, Bharti Airtel, Maruti Suzuki and Hindalco Industries were the major losers on the Sensex. During the week companies like Maruti and Power grid reported net profit of Rs.466.50 crore and Rs.371.22 crore respectively.

Also, FII's ended as net buyers in the equity market to the tune of Rs.895.90 crores and mutual funds ended as net sellers to the tune of Rs.481.70 crores respectively.

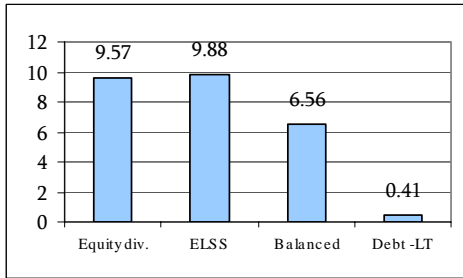
Weekly Equity Indices Return (absolute %)



As on Nov 02

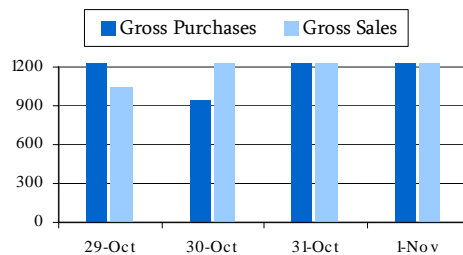
Data source: BSE, NSE

Weekly category returns (%)



Abs. returns as on Nov 2 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.481.70 crores.

Outlook:

Short-term: Markets are expected to consolidate at high levels after the recent rally. In the short term in the absence of any near term triggers, markets are expected to take a pause before making the next move. Hence, during the week we don't expect any sharp fall due to high liquidity prevailing in the system. Much will also depend on how Asian markets pan out. Over the recent past, domestic markets have been taking cues from them. FII inflow in calendar year 2007 totalled Rs 71,985.10 crore (till 31st October 07). Any slowdown in inflow by FIIs is expected to put brakes on the rally.

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 other important factors such as more than 35% saving rate, improving tax to GDP as a percentage(18%) indicate that corporate earnings growth rate are sustainable for long term. Q2 FY 08 results are also reaffirming the healthy growth of corporate earnings.

Recommended schemes to invest		Historical returns as on Nov 02 (%)			Crisil Ranking
		6months (abs)	1 year (ann.)	3 year (ann.)	
Aggressive (Equity)	DSP ML India Tiger Fund	57.72	76.69	67.66	1
	Reliance Equity Opportunities	30.69	40.23	--	3
	ICICI Prudential Services Ind.	30.04	56.42	--	
Moderate (Equity)	Fidelity Equity Fund	37.28	54.45	--	-
	Fidelity India Special Situations	30.78	40.32	--	-
	ICICI Prudential Dynamic	25.77	40.41	57.51	1
Conservative (Equity)	DSP ML Top 100 Equity	45.74	62.11	55.38	1
	Franklin India Bluechip	39.41	45.48	50.41	4
	HSBC Equity Fund	50.15	59.83	51.91	3
	Templeton India Equity Income	38.34	56.78	--	-
ELSS	Fidelity Tax Advantage	38.31	54.07	--	-
	Franklin India Tax shield	22.42	29.87	38.91	3
	SBI Magnum Tax Gain	40.02	23.06	32.97	2
Balanced	DSP ML Balanced	32.09	40.86	37.52	1
	Franklin India Balanced	11.72	25.23	32.73	2
	HDFC Prudence	30.73	38.28	44.33	2

*For qtr end Sep, 07

Data source: Bloomberg

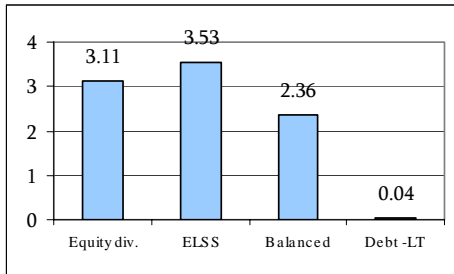
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments

Recommendations

Fresh investments: Markets have soared at an accelerated pace over the last couple of weeks. Though fundamentals continue to back the positivity in the markets, it is advisable for investors to enter the market adopting a deferred approach. 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. Investors with liquid cash requirements could partially redeem at these levels. However, one needs to be particular about the schemes in the portfolio.

Weekly category returns (%)



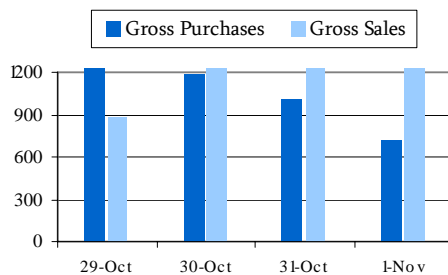
Abs. returns as on Nov 02 Data source: Bloomberg

Key statistics

	Nov 02	Oct 26
7.49% GOI 2017 yield	7.87%	7.84%
Call rate	6.15	6.10
WPI inflation (week ending Oct 13 and Oct 20)	3.02%	3.07%
Dollar exchange rate	39.32	39.45
Forex reserves (\$ bn)	262.45 (Oct 26)	261.18 (Oct 19)

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.817.70 crores.

The week in retrospect-Debt

Indian Government bond yields rose after the Fed rate cut and the increase in CRR by the RBI in its monetary policy review. Also during the week government has issued 6000 crore worth bonds to suck the excess liquidity existing in the system. Oil prices hit record highs above \$96 a barrel on Thursday, strengthened by supply concerns during the northern winter and tensions in the Middle East. Rupee hit a 9 ½ year high (39.21) on Thursday after the Federal Reserve cut its rate. However, the dollar closed a bit strong at 39.32 on Friday. In international markets, gold continued to hover around the 28-year high to shoot up to \$799 per ounce with a weak dollar and in the domestic market gold is priced, Rs.10,085 per 10 gm in Mumbai on Friday.

Outlook:

Short-term: As the decision of RBI to hike the CRR by 50 basis points will come in effect from 10th Nov it is expected to partially reduce the liquidity subsisting in the system. Also during the week Govt is expected to raise another 8000 crores through bonds. In the short term market is expecting more tightening of surplus cash at least during the next few weeks.

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. Singapore bank upwardly revised its rupee forecast to Rs.37 by end of 2008. (Source: Reuters)

Recommended schemes to invest		Return as on Nov 02 (%)			Expense ratio	Crisil rankin
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.69	1.95	8.19	0.65	-
Liquid	Can liquid	0.64	1.86	7.63	0.45	-
Arbitrage	StanChart Arbitrage	0.45	1.37	--	1.5	-

*Ex-ante and 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. 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:

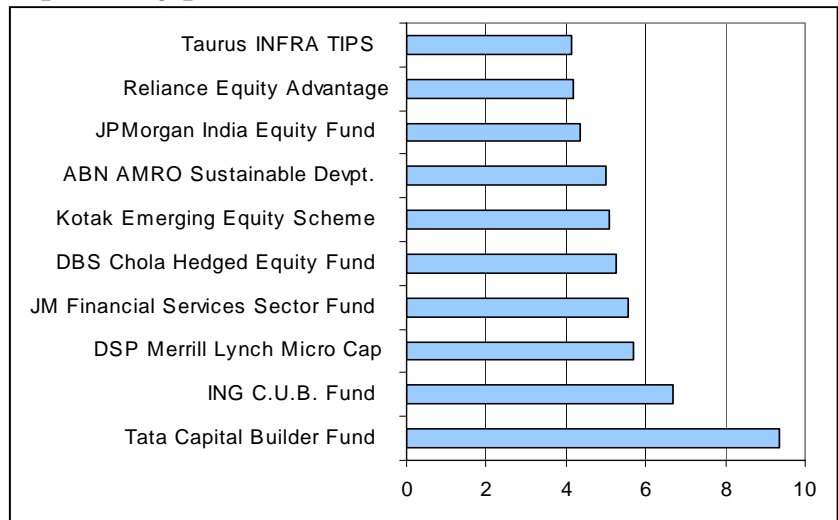
- ◆ JP Morgan AMC has launched JP Morgan India Smaller Companies Fund. The Open-ended equity scheme would invest predominantly in equity and equity related securities focused on smaller companies.
- ◆ Sundaram AMC has launched Sundaram BNP Paribas Select Thematic Funds Energy Opportunities. The Close-ended equity scheme would invest predominantly in equity and equity related securities focused on domestic energy sector.
- ◆ DSP ML AMC is expected to launch DSPML Natural Resources Fund.
- ◆ Birla Sun life Fund house is expected to launch a new scheme named Birla Sun life Special Situations fund. The Scheme would follow an investment strategy that would take advantage of Special Situations and Contrarian investment style.
- ◆ SBI Mutual Fund house is planning to launch SBI Emerging International Opp. Fund. This fund is waiting for approval from SEBI.
- ◆ SBI Mutual Fund house is planning to launch SBI Tax Advantage Fund-Series I. The 10 Year Close-ended Equity Linked Savings Scheme is waiting for approval from SEBI.

NFO Corner

NFO's open for subscription:

- ◆ Lotus AMC has launched Lotus India AGILE Fund. The open-ended equity scheme would invest predominantly in equity and equity related instruments in a passive portfolio of stocks selected from the industry Leaders on the basis of mathematical models. This fund is open till 23, Nov 07.
- ◆ SBI has launched SBI Capital Protection Fund. The close ended debt fund will predominantly invest in Debt instruments and to a certain extent also invest in equity schemes. The fund is open till 23 Nov 07.

Top weekly performers-NFOs*



* Weekly return in % as on Nov 2, 07

Data source: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

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

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