

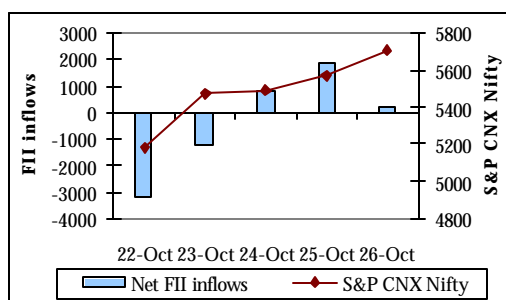
### CONTENTS

- ◆ Weekly performance-equities :1
- ◆ Outlook and recommendations :2
- ◆ Weekly performance-debt :3
- ◆ Outlook and recommendations :3
- ◆ NFO corner :4

### Highlights

- ◆ **Sensex envisions the biggest ever gain in a day.**
- ◆ **Q2 results expected to drive the markets.**
- ◆ **Oil prices hit record high.**
- ◆ **All eyes on RBI's monetary policy**

### FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

### Weekly FII transaction (equities)

	Oct 22 to Oct 26	Oct 15 to Oct 19
Gross purchases	32727.90	34959.00
Gross sales	34302.50	30816.50
Net inflows	-1574.60	4142.50

Amt in Rs. crores

Data source: SEBI

**Kirti Singh**  
**Pradeep Kumar S.**  
**Murugavel A.**

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

Ph: +914023312454 Ext: 304

☎: +91 40 23312454

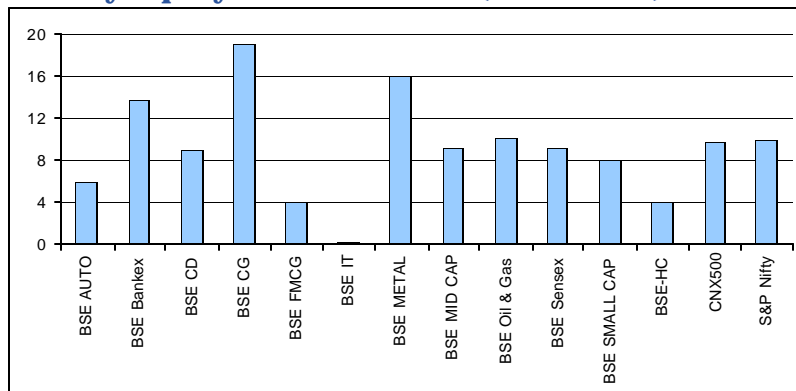
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### The week in retrospect-Equity

The breather provided by SEBI in Participatory Notes (PN's), the expectation of a further cut in the interest rate by the US Federal Reserve and short covering drove the Indian markets during the week. BSE Sensex gained 1683.19 points or 9.59% and achieved the all time high record to close at 19,243.17 at the end of the week. On Monday, the market bounced back after an initial slump caused by worries about the US economic outlook. On Tuesday, BSE Sensex gained the biggest ever single day gain of 878.85 points, to close at 18,492.84 with the response of the partial breather in PN's to FIIs. SEBI on Thursday, 25 October, put restrictions on issue of participatory notes (PN) and directed some existing PN positions to be wound up within 18 months. Companies like L&T, Tata Steel, Cipla etc. rose by 28.24%, 16.31% 3.82% respectively due to the healthy Q2 FY08 results. Companies like RIL & ONGC rose by 9.03% & 4.32% in terms of market capitalisation BSE Mid Cap index rose by 9.42% to close at 7,920.66 and BSE Small Cap index rose by 8.53% to close at 9,550.95.

Also, FII's ended as net seller in the equity market to the tune of Rs.1574.60 crores and mutual funds ended as net buyers to the tune of Rs.1022.80 crores respectively.

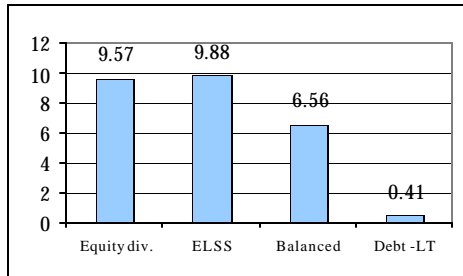
### Weekly Equity Indices Return (absolute %)



As on Oct 26

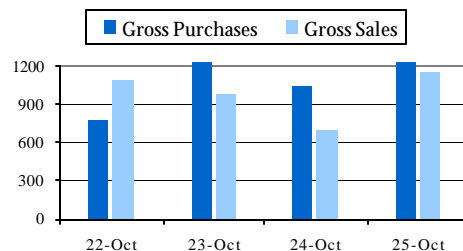
Data source: BSE, NSE

## Weekly category returns (%)



Abs. returns as on Oct 26 Data source: Bloomberg

## Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

In the equity market, mutual funds emerged as net buyers to the tune of Rs. 1022.80 crores.

## Outlook:

**Short-term:** The major short term trigger for the markets is the mid-term review of annual policy by the Reserve Bank of India on Tuesday, 30 October, and policy meeting of the US Federal Reserve on 31 October. All eyes are now focussed on whether RBI raises the CRR to tighten the liquidity position in the market. Q2 FY 08 results of key companies to be released next week are Maruti Suzuki, Bharat Heavy Electricals, HDFC and Mahindra & Mahindra. The volumes in the FII segment are expected to shrink with the restrictions on FII's by SEBI.

**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 ratio (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 Oct 26 (%)			Crisil Ranking
		6months (abs)	1 year (ann.)	3 year (ann.)	
<b>Aggressive (Equity)</b>	DSP ML India Tiger Fund	52.32	79.28	67.18	1
	Reliance Equity Opportunities	26.94	40.75	--	3
	ICICI Prudential Services Ind.	27.59	58.44	--	
<b>Moderate (Equity)</b>	Fidelity Equity Fund	31.88	55.32	--	-
	Fidelity India Special Situations	26.46	41.46	--	-
	ICICI Prudential Dynamic	23.17	42.72	58.00	1
<b>Conservative (Equity)</b>	DSP ML Top 100 Equity	39.03	62.65	54.39	1
	Franklin India Bluechip	34.91	48.90	50.01	4
	HSBC Equity Fund	40.85	58.26	50.25	3
	Templeton India Equity Income	33.81	56.86	--	-
<b>ELSS</b>	Fidelity Tax Advantage	33.23	54.56	--	-
	Franklin India Tax shield	18.93	28.97	39.07	3
	SBI Magnum Tax Gain	37.34	24.87	29.61	2
<b>Balanced</b>	DSP ML Balanced	29.10	40.81	37.49	1
	Franklin India Balanced	11.29	29.35	33.17	2
	HDFC Prudence	27.88	39.15	43.91	2

\*For qtr end Sep, 07

Data source: Bloomberg

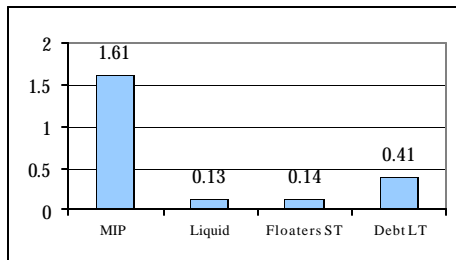
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

## 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 cash requirements could do partial redemptions as markets have delivered good returns over a very short period. However, one needs

## Weekly category returns (%)



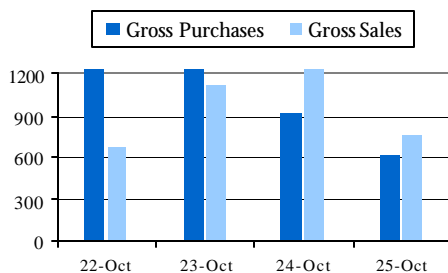
Abs. returns as on Oct 26 Data source: Bloomberg

## Key statistics

	Oct 26	Oct 19
7.49% GOI 2017 yield	7.84%	7.91%
Call rate	6.10	6.10
WPI inflation (week ending Oct 6 and Oct 13)	3.07%	3.07%
Dollar exchange rate	39.45	39.73
Forex reserves (\$ bn)	261.18 (Oct 19)	256.68 (Oct 12)

Source: bseindia.com

## 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.909.90 crores.

## The week in retrospect-Debt

Indian Government bond yields edged up from one month lows during the week. Data showed that the India imports about 70 percent of its oil needs and higher prices could pressurised the government to raise state-set fuel prices, which would lead to an increase in inflation. Oil prices hit record highs above \$91 a barrel; strengthened by supply concerns during the northern winter and tensions in the Middle East. On Thursday, rupee closed at 39.55 with the tightening of foreign investors by SEBI. However rupee closed at 39.45 on Friday as the equity markets continue to gain. Gold prices shot up to Rs 9,960 per 10 gm in Mumbai on Friday. In international markets, gold continued to hover around 28-year high of \$776 per ounce.

### Outlook:

**Short-term:** All eyes are now set towards the RBI's policy review meeting scheduled for October 30. Major challenge in front of RBI is to address the liquidity and rupee appreciation. Though any rate hike will address the liquidity problem in short term, it will result in higher foreign inflows leading to rupee appreciation. The market men are expecting that there will be no change made to the interest rates by RBI in its mid term policy. On the contrary, US Federal Reserve is expected to cut the interest rates to a further extent and this in turn is expected to result in increased global liquidity.

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

Recommended schemes to invest		Return as on Oct 26 (%)			Expense ratio	Crisil rankin
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.65	1.94	8.18	0.65	-
Liquid	Can liquid	0.61	1.82	7.61	0.45	-
Arbitrage	StanChart Arbitrage	0.70	2.14	-	1.5	-
ING MF	526 days FMP closing on 29 Oct,07.Net indicative yield: Retail:8.60% and Institutional 9.00%.					
SBI MF	18 Months FMP closing on 29 Oct, 07, Net indicative yield: Retail:8.35% and Institutional 8.75%.					

\*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. These funds attract lower rate of tax, 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:

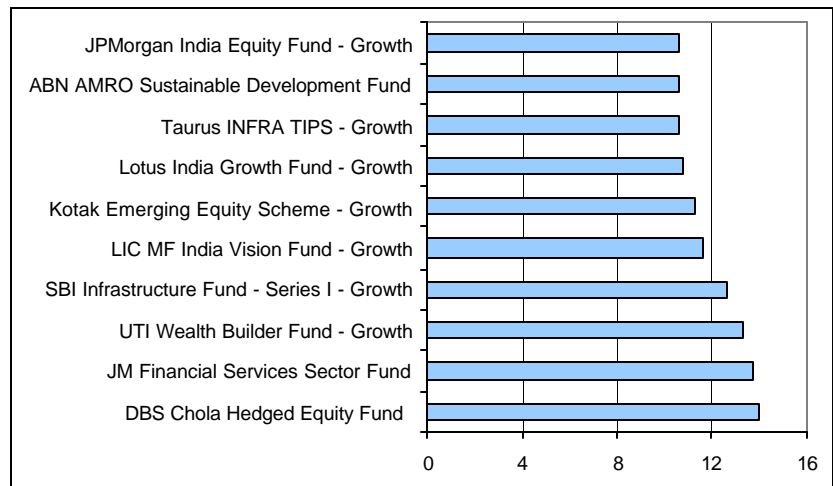
- ◆ DSP ML AMC is expected to launch DSPML Natural Resources Fund.
- ◆ Sundaram BNP Paribas AMC is expected to launch two thematic funds which would invest in the entertainment and energy industries respectively.
- ◆ Birla Sun life Fund house expected to launch a new scheme named Birla Sun life Special Situations fund. The Scheme would follow an investment strategy that would take advantage of Special Situations and Contrarian investment style.
- ◆ Quantum Mutual Fund house is planning to launch Quantum Gold Fund. This fund is waiting for approval from SEBI to make investments in gold related instruments.
- ◆ SBI Mutual Fund house is planning to launch SBI Emerging International Opp. Fund. This fund is waiting for approval from SEBI.
- ◆ Optimix Mutual Fund house is planning to launch OptiMix Emerging Markets Fund. This fund is an Open ended Fund of Fund Scheme which is waiting for the approval from SEBI.

### NFO Corner

#### NFO 's open for subscription:

- ◆ Reliance AMC has launched Reliance Gold Exchange Traded Fund. The open ended fund which intends to offer investors a means of participating in the gold traded funds without the necessity of taking physical delivery of gold. This fund is open till 1, Nov 07.
- ◆ Sahara AMC has launched Sahara R.E.A.L. Fund. The close ended equity scheme would invest predominantly in equity/equity related instrument of companies in the retailing, entertainment & media, auto and auto ancillaries and logistics sector. This fund is open till 2, Nov 07.
- ◆ 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 a mathematical model. This fund is open till 23, Nov 07.

### Top weekly performers-NFOs\*



\* Weekly return in % as on Oct 26, 07

Data source: MFI Explorer

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

**For more information on MUTUAL FUNDS call 18 00 42582 83 or contact your nearest Karvy branch.**

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