

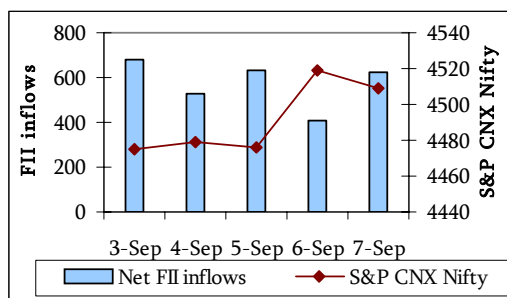
### CONTENTS

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

### Highlights

- ◆ Markets end the week on a positive note.
- ◆ Watch out for UPA Left meet to be held before 14 Sep.
- ◆ Inflation at 16 months 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 3 to Sep 7	Aug 27 to Aug 30
Gross purchases	13745.2	11922.7
Gross sales	10124.6	8833.4
Net inflows	3620.9	3089.3

Amt in Rs. crores

Data source: SEBI

**Kirti Singh**  
**Sonika Dheer**  
**Pradeep Kumar S.**

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

[sonika.dheer@karvy.com](mailto:sonika.dheer@karvy.com)

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

Ph: +914023312454 Ext: 304

+91 40 23312454

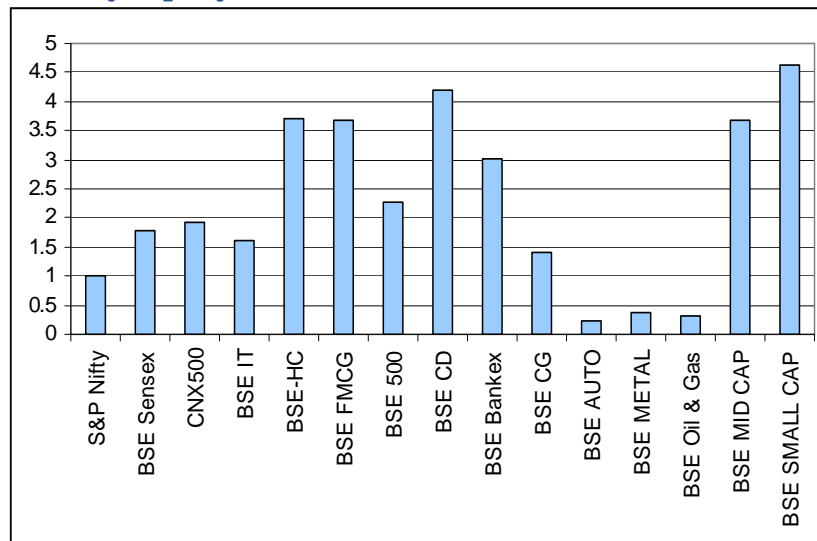
Ext: 304

### The week in retrospect-Equities

Market started the week on a firm note after Mr. Bernanke and Mr. Bush assured that they would not let the US economy collapse. BSE Sensex rose 271.82 points or 1.77% to 15,590.42 in the week ended 7 September, 07. Sensex saw a rise of 103.45 points on Monday though US markets fell on Friday because of the assurity given by the US government. On Tuesday, though the market started on a positive note it still ended up with just a rise of 43.35 points because of the excess profit booking evidenced in the market. After a fall in the market on Wednesday by 19.25 points the market has seen a rise by 170.16 points on Thursday which was mainly due to a rigorous buying in the market. During the week Securities & Exchange Board of India (SEBI) withdrew the recognition granted to the Hyderabad Stock Exchange for its failure to comply with the demutualisation rules under the stipulated time frame. India's net direct tax receipts expanded by 42% to Rs 61030 crore (\$ 15 billion) in April-August 2007 over Rs 42980 crore in April-August 2006. Market movement over the week remained positive signifying the investor confidence. Crude oil prices during the week touched 77 USD per barrel.

Also during the week both FII's and Mutual Funds remained as net buyers in the equity market to the tune of Rs. 3620.90 and Rs.707.60 crores respectively.

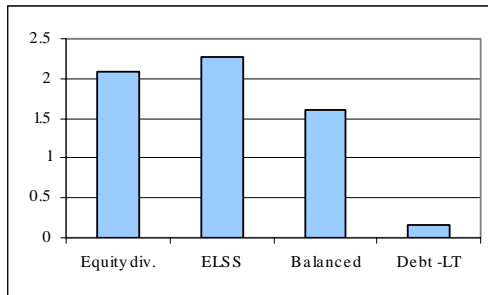
### Weekly Equity Indices Return (absolute %)



As on Sep 7

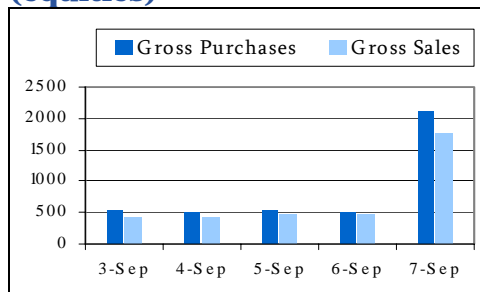
Data source: BSE, NSE

## Weekly category returns (%)



Abs. returns as on Sep 07 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. 707.60 crores.

## Outlook:

**Short-term:** Market is expected to face volatility as the first meeting between UPA-Left committee is scheduled to be held before 14 Sep. A lot will also depend on how global markets fare. Recently, local markets have been closely tracking movements in global markets. Also, a caution would prevail in the markets ahead of the US Federal Reserve meeting held to be scheduled on 18 September, 2007.

**Long-term:** GDP for the first quarter was up to 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 and healthy IIP numbers suggest 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	3 year (ann.)	
<b>Aggressive (Equity)</b>	DSP ML India Tiger Fund	37.85	49.32	54.93	1
	Reliance Equity	22.78	29.18	--	3
	ICICI Prudential Services	24.47	53.85	--	
<b>Moderate (Equity)</b>	Fidelity Equity Fund	28.93	43.96	--	-
	Fidelity India Special	29.32	36.17	--	-
	ICICI Prudential Dynamic	22.35	36.23	56.16	1
<b>Conservative (Equity)</b>	DSP ML Top 100 Equity	27.26	38.04	46.68	1
	Franklin India Bluechip	27.83	32.13	43.04	4
	HSBC Equity Fund	25.27	32.28	40.41	3
	Templeton India Equity	26.24	39.44	--	-
<b>ELSS</b>	Fidelity Tax Advantage	29.46	40.20	--	-
	Franklin India Tax shield	28.06	28.10	40.62	3
	SBI Magnum Tax Gain	24.91	10.57	24.30	2
<b>Balanced</b>	DSP ML Balanced	24.21	30.41	33.60	1
	Franklin India Balanced	20.64	32.12	32.10	2
	HDFC Prudence	24.29	30.86	39.31	2

\*For qtr end June, 07

Data source: Bloomberg

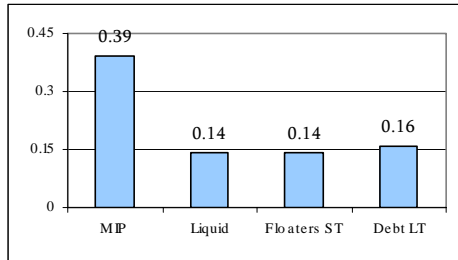
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

## Recommendations

**Fresh investments:** The markets have started evidencing positive moves. It is a good level for deferred investments. 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 we feel are fairly valued and so stock picking on the basis of value and individual stock potential vis-à-vis its price becomes a key quotient. In the mutual funds arena, diversified, contra and opportunities funds continue to remain worth considering a minimum investment period of over 18 months.

**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 (%)



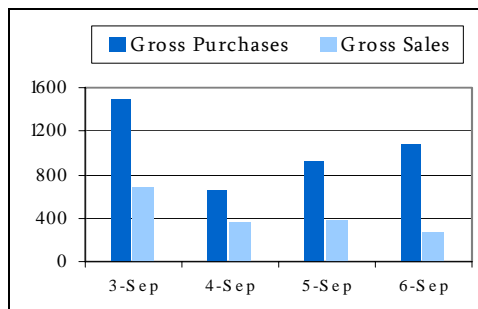
Abs. returns as on Sep 07 Data source: Bloomberg

## Key statistics

	Sep 07	Aug 31
7.49% GOI 2017 yield	7.89%	7.93%
Call rate	6.10	6.15
WPI inflation (week ending Aug 18 and Aug 25)	3.79%	3.94%
Dollar exchange rate	40.71	40.96
Forex reserves (\$ bn)	228.80 (Aug 31)	228.84 (Aug 24)

Source: bseindia.com

## Weekly MF transactions (debt)



Amt in Rs. crores Data source: SEBI

Note: Data for Sep 07 is not available

In debt market, mutual funds emerged as net buyers to the tune of Rs.2456.60 crores.

## The week in retrospect-Debt

Bond yields dipped as inflation eased during the week from 3.94% to 3.79%. Bond yields are down as there was no selling because of the overall market outlook being bullish. Inflation is expected to be at its low at least for the next few weeks. Though the central bank continued its cautious outlook on inflation on account of high global commodity prices and capital inflows, markets eased as they had already factored it at the prevailing prices. The rupee became a bit strong in comparison to the last week on account of strong foreign inflows.

### Outlook:

**Short-term:** Market sentiment is expected to remain positive. All the 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 cut in Fed rate which is already being factored in US bond prices. In the event of no change in the rate, bond yields are likely to go up.

**Long-term:** Though the move of the leading central banks of the world indicates a softening stance, in the Indian context, RBI was closely watching inflation, 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	0.63	1.91	--	0.65	-
Liquid	Can liquid	0.90	1.98	7.49	0.71	-
Arbitrage	StanChart Arbitrage	0.656	2.04	--	1.50	-

\*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:

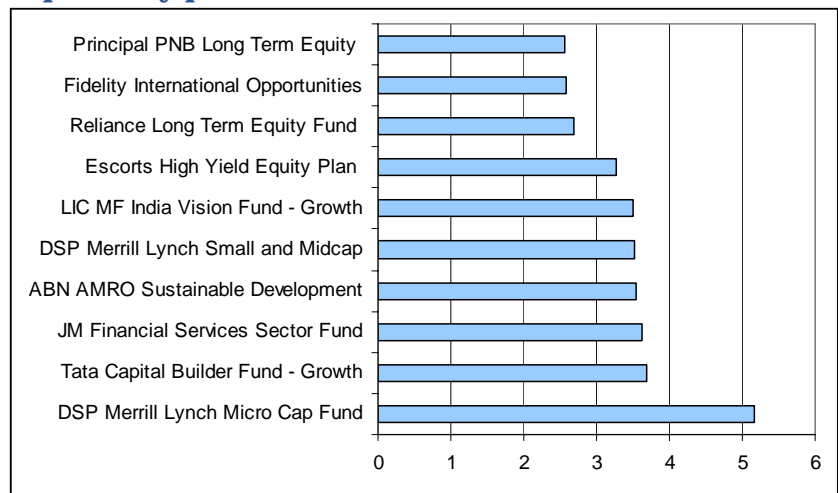
- ◆ Birla Sunlife AMC is planning to come up with Birla Sunlife International Equity Fund. The equity scheme would invest in both domestic and international markets.
- ◆ JM Fund House is planning to launch JM Agri & Infra Fund. The 3-year close-ended equity scheme would invest in companies that focus 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

### Top weekly performers-NFOs\*



\* Weekly return in % as on Sep 7, 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.**

### Disclaimer

The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Stock Broking nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document.

This report is intended for a restricted audience and we are not soliciting any action based on it.