

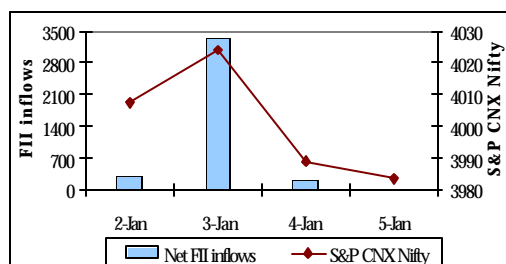
### CONTENTS

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

### Highlights

- ◆ **Markets end the week on a positive note**
- ◆ **December quarter result- a watching factor**
- ◆ **Bond yields decline**
- ◆ **Govt. bond auction to determine the market direction**

### FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

\* FII data for Jan 5 not available

\* Jan 1 was a holiday

### Weekly FII transactions (equities)

	Jan 2 to Jan 4	Dec 26 to Dec 29
Gross purchases	7754.5	5486.5
Gross sales	3861.6	7049
Net inflows	3892.9	-1562.5

Amt in Rs. crores

Data source: SEBI

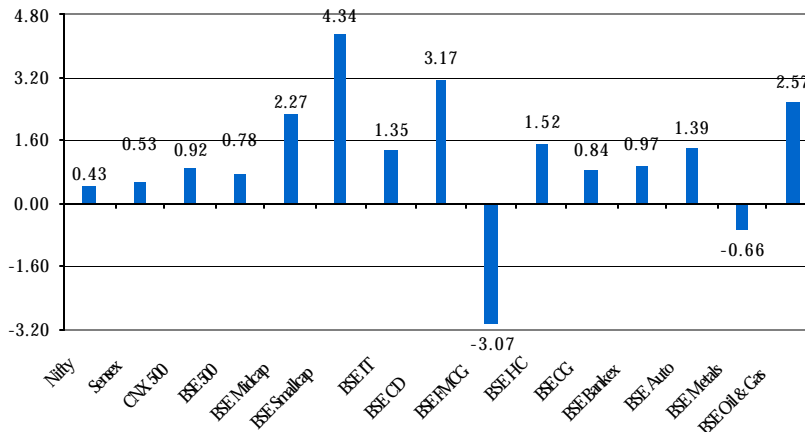
**Kirti Singh**  
**Chinmay**  
**Sonika Dheer**  
Email: [kirti.s@karvy.com](mailto:kirti.s@karvy.com)  
[chinmay@karvy.com](mailto:chinmay@karvy.com)  
[sonika.dheer@karvy.com](mailto:sonika.dheer@karvy.com)  
☎: +91 40 23312454  
Ext: 304

### The week in retrospect-Equities

The markets continue with their northwards journey on account of firm global markets, stable crude oil prices and renewed buying at lower levels. Sensex gained 0.53% to settle at 13860.52 while Nifty rose by 0.43% to close at 3983.40. On Wednesday, the markets touched their all-time high on the back of heavy buying in IT and auto stocks (IT companies are expected to report robust Dec. quarter results and auto companies have reported healthy sales in Dec). On Wednesday, Sensex closed at 14024.49 and Nifty at 4024.05. However, markets could not sustain their high levels the next day due to profit booking. The markets further slipped on Friday taking cue from weak global markets. News of inflation edging towards the upper band of the 5.0%-5.5% spectrum further instilled negative sentiments in the markets. On the sectoral front, BSE IT rose by 1.35% as IT stocks surged on expectations of good corporate earnings. BSE Metals declined by 0.66% triggered by weak global metal prices. Air Deccan jumped by nearly 5% on news that it has registered profits in the Dec quarter. Ranbaxy surged by 5.5% on reports that its alliance with Ipca Lab has received approval to sell Atenolol tablets in US.

During the week (except on Jan 5), FIIs emerged as net buyers in the equity market, amounting to a significant sum of Rs. 3892.9 crores. Mutual funds followed suit and turned out as net buyers to the tune of Rs. 164.46 crores.

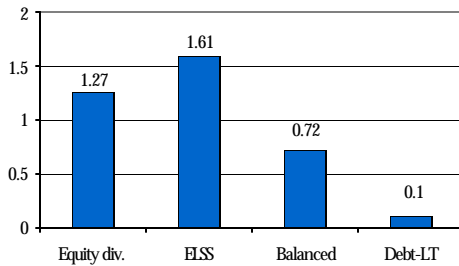
### Weekly Equity Indices Return (absolute %)



As on Jan 5

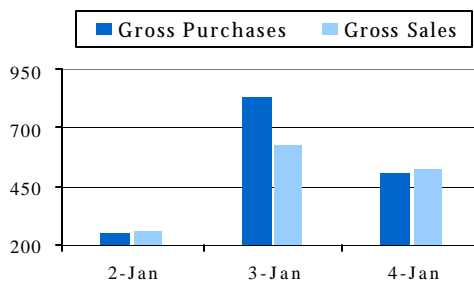
Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on Jan 5 Datasource: Bloomberg

## Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds emerged as net buyers in the equity market to the tune of Rs. 164.46 crores.

## Outlook:

**Short-term:** Market trends are likely to be directed by Dec quarter corporate earnings reports. Higher-than-expected earnings results would boost positive sentiments in the market. However, lower-than-expected results may trigger negativity in the markets. Further, with no major signs of high demand of oil, crude oil prices are expected to remain stable in the immediate future. Volatility may be witnessed on account of profit booking at higher levels. Infosys, Mastek, HDFC Bank, KLG Systel, Eastern Silk Indus, Rama Newsprint & Papers, Atlanta, BASF India, Sintex Indus, iGate Global Solutions, Tinplate Co. of India, Hindustan Zinc, Ucal Fuel Systems, Great Offshore and Jaiprakash Associates will announce their quarter results next week.

**Long-term:** With markets ending 2006 on a positive note and backed by strong economic fundamentals, long-term story remains bullish. In Jul-Sept quarter, economy registered 9.2% growth from a year earlier. CY 2006 has witnessed 217 new FII registrations (highest figure till date). Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to support this growth.

Recommended schemes to invest		Historical returns as on Jan 5 (%)			Crisil Ranking for qtr end Sept 06
		6 months (abs)	1 year	3 year (ann)	
<b>Aggressive (Equity)</b>	DSP ML Opportunities	28.75	41.49	39.55	1
	Tata Infrastructure	34.43	57.11	N.A.	-
	Reliance Growth	35.24	39.56	50.83	1
	Sund. BNP Par. Sel. Mid.	25.18	58.38	52.41	1
<b>Moderate (Equity)</b>	Fidelity Equity	36.96	43.17	N.A.	-
	HDFC Top 200	26.49	36.01	37.66	2
	Reliance Equity	21.53	N.A.	N.A.	-
	SBI Magnum Contra	27.51	48.11	61.40	1
<b>Conservative (Equity)</b>	DSP ML Top 100	29.14	43.91	35.89	3
	Sund. BNP Par. Ind. Lead.	27.89	35.74	N.A.	2
	Franklin India Bluechip	28.01	40.64	34.35	3
	Templeton India Eq. Inc.	23.91	N.A.	N.A.	-
<b>ELSS</b>	Franklin India Taxshield	21.56	25.83	34.79	3
	Fidelity Tax Advantage	31.36	N.A.	N.A.	-
	SBI Magnum Tax Gain	35.93	43.58	64.28	1
<b>Balanced</b>	DSP ML Balanced	22.45	30.97	27.86	3
	HDFC Prudence	27.39	33.08	34.64	1
	FT India Balanced	24.88	30.15	25.31	3

\*For qtr end Sept 06

Datasource: MFI Explorer

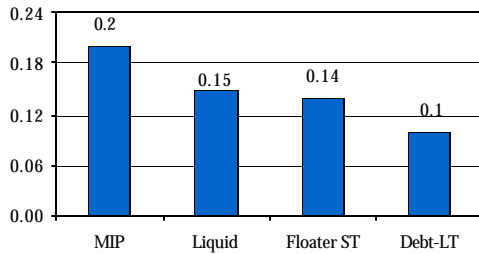
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

## Recommendations

**For existing holdings:** Investors willing to redeem in couple of months could redeem partially in the coming weeks, if they have made reasonable returns. With the markets at their all-time highs, cautious approach need to be taken as volatility is creeping in. As the overall long-term outlook for the Indian economy continues to remain healthy, investors who have made investments with the objective of long-term wealth creation can continue to hold their MF units. Investors who are making SIP contributions can continue to do so.

**For fresh investments:** Making fresh investments can prove fruitful if investment is made with a long-term horizon.

## Weekly category returns (%)

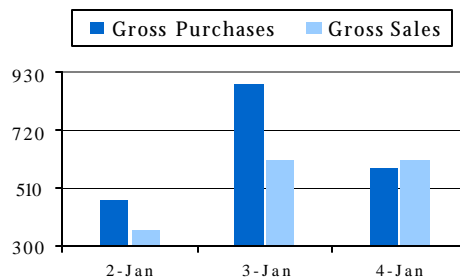


Abs. returns as on Jan 5 Data source: Bloomberg

## Key statistics

	Jan 5	Dec 29
7.59% GOI 2016 yield	7.57%	7.62%
Call rate	6.75%	19%
WPI inflation (week ending Dec. 23 and Dec. 16)	5.48%	5.43%
Dollar exchange rate	44.31	44.25
Forex reserves (\$ bn)	177.251 (Dec 29)	176.233 (Dec 22)

## 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. 356.8 crores.

## The week in retrospect-Debt

The bond market breathed smoothly as bond yields dropped on account of easing liquidity conditions. The benchmark 10 year g-sec yield declined to 7.57% for the week ending Jan 5 as against 7.62% the previous week. Liquidity in the system returned to a comfortable zone on the back of government spending and interest payments to PFs. Call rates dropped to 6.75% on Friday as against 19% the week before. Concerns over tight liquidity condition due to the forthcoming government auction of bonds worth Rs. 90 bn led an increase in bond yields on Thursday. However, on Friday the yields dropped as the government reduced the auction size from Rs. 90 bn to Rs. 40 bn.

Wholesale price inflation touched 5.48%, the current fiscal's highest recorded inflation growth. On the forex front, rupee declined to 44.31 per USD. Forex reserves touched a record high of \$177.251 bn for the week ending Dec 29 from \$176.233 bn the previous week.

## Outlook:

**Short-term:** The coming week may witness cash squeeze on the back of the second phase of CRR hike (effective Jan 6, 07) and the auction of Rs. 40 bn federal bonds. Call rates are therefore expected to stay at relatively higher level. However, they are likely to remain below the 10% mark. Bond yields may increase due to this reason. Also, inflation is likely to remain at the higher edge of the 5%-5.5% band due to increasing prices. With the government's goal to contain inflation below the 5% mark in 2006-07 and below 4% in the medium term, it is very likely that rate hike by RBI would be on the cards. The impact of CRR hike due on Jan 6, 07 (along with other macroeconomic factors) would determine the decision on interest rates in the monetary review policy on Jan 30, 07.

**Long-term:** Inflation, credit growth, money supply growth are factors which will determine the central bank's decision on rate hike. On account of these factors there is a possibility of interest rate hike in the coming months.

Recommended schemes to invest		Return as on Jan 5 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	Templeton Floating Rate ST	0.62	1.78	6.26	0.75	4
	Reliance Floating Rate	0.69	1.90	6.77	0.55	-
Liquid	LIC MF Liquid	0.71	1.96	7.14	0.53	2
	Reliance Liquid Cash	0.72	1.74	6.06	0.40	-

\*For qtr end Sept 06

Datasource: Bloomberg

## Recommendations:

**Short-term investors:** With outlook on interest rates still uncertain, investment in long-term bond funds should be avoided. Investors having an investment horizon of up to 6 months could invest in liquid funds and short-term floaters. Others having an investment outlook of more than 6 months can consider FMPs as they have the potential of offering better tax-adjusted returns.

**Long-term investors:** Investors with a horizon of more than one year could consider FMPs in place of bank deposits. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

## News Briefs

- ◆ Effective from Jan 1, the exit load of 1% (if redeemed within 6 months) under the Birla schemes Birla Sun Life Basic Industries Fund and Birla Sun Life Buy India Fund have been waived off.
- ◆ Mutual fund investors with investments of Rs. 50, 000 or more will have to provide MIN (Mutual fund Identification Number) effective from Jan 1, 07. This also includes SIP installments registered before.

## NFO Corner

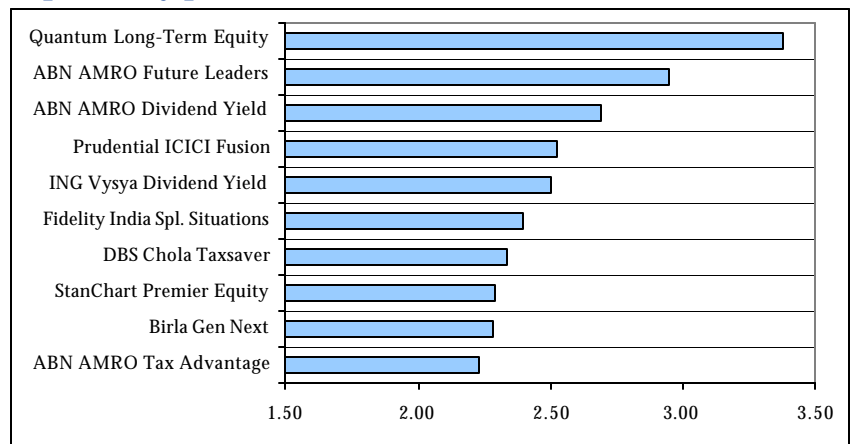
### NFOs open for subscription:

- ◆ UTI Fund House has launched UTI Capital Protection Fund. The fund offers two plans, viz. 3-year close-ended plan and 5-year close-ended plan. The fund is available for subscription till Jan 25, 07.
- ◆ Kotak MF has launched Kotak Wealth Builder fund. The scheme will invest in debt instruments and equity derivatives instruments. It is open for subscription till Jan 31, 07.
- ◆ Standard Chartered MF has launched Standard Chartered Tax Saver Fund. The 10-year ELSS will be open for subscription till Feb 23, 2007.
- ◆ Optimix has launched Optimix Retireinvest- Series I. The fund of fund will be available for subscription till March 6, 07.
- ◆ UTI has also launched UTI Long Term Advantage Fund. The fund is a 10-year close-ended ELSS, available for subscription till Mar 20, 07.
- ◆ JM Fund House has launched JM Equity Tax Saver Fund-Series I on Dec 28, 06. It will be available for subscription till March 29, 07.

### Forthcoming New Fund Offers:

- ◆ Sundaram BNP Paribas MF is launching its close-ended funds, Sundaram BNP Paribas Select Smallcap Fund and Sundaram BNP Paribas Equity Multiplier Fund on Jan 10, 07.
- ◆ HSBC AMC is also coming up with HSBC Emerging Markets Fund. The open-ended equity fund would invest in equities within as well as outside India.
- ◆ Prudential ICICI MF is coming up with Prudential ICICI Capital Protection Oriented Fund. It is a 5-year close-ended fund.
- ◆ ABN AMRO AMC is coming up with ABN AMRO Sustainable Development Fund. The 3-year close-ended scheme would invest in socially responsible companies focusing on sustainable development.
- ◆ Kotak AMC is planning to launch Kotak Gold, an open-ended ETF. The fund would invest in gold and may also engage in gold lending and deposits with banks in return for fees.

### Top weekly performers-NFOs\*



\* Weekly return in % as on Jan 5, 07

Datasource: MFI Explorer

**Note:** Funds launched since Jan 05 have been considered.

## Performance analysis of equity NFOs (quarter-wise) as on Jan 4, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Crores) as on	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Birla Long-term Adv.	7-Aug-06	10.96	437.74	9.60	1.48	10,960.00	10,960.00
2	Tata Capital Builder	18-Jul-06	11.31	285.40	13.07	2.06	11,306.70	11,306.70
<b>Abs. returns for New Funds released Between Jul 06 to Sep 06</b>					<b>11.33</b>	<b>1.77</b>	<b>22,260.70</b>	<b>22,260.70</b>
1	UTI Spread Fund	9-Jun-06	10.38	297.37	3.82	0.45	10,382.10	10,382.10
2	Tata Equity Managmt.	15-May-06	11.34	425.11	13.39	0.95	11,339.00	11,339.00
3	Stanchart Enterprise	19-Apr-06	11.93	1665.57	19.31	1.66	11,931.00	11,931.00
<b>Abs. returns for New Funds released Between Apr 06 to Jun 06</b>					<b>12.17</b>	<b>1.02</b>	<b>33,652.10</b>	<b>33,652.10</b>
1	Fidelity Special Sit.	28-Mar-06	13.1	2050.78	30.97	2.63	13,097.00	12,808.80
2	TempletonIndia Equ.	22-Mar-06	11.9	1853.19	19	0.59	11,900.00	11,638.14
3	Sundaram Rural India	20-Mar-06	12.03	1023.97	20.32	1.15	12,031.80	11,767.04
4	ABN AMRO Future	13-Mar-06	10.84	447.75	8.43	4.01	10,843.00	10,843.00
5	Pru ICICI Fusion	27-Feb-06	12.59	699.60	25.9	3.2	12,590.00	12,590.00
6	DWS Tax Saving	22-Feb-06	10.79	34.49	7.94	0.81	10,794.10	10,556.58
7	Kotak Lifestyle	22-Feb-06	11.6	424.25	16.04	1.54	11,604.00	11,604.00
8	UTI Contra	22-Feb-06	9.89	839.53	-1.1	1.54	9,890.00	9,890.00
9	Tata Tax Advantage	20-Feb-06	10.44	138.13	4.38	1.37	10,438.20	10,233.53
10	JM HI FI	20-Feb-06	11.34	55.48	13.4	2.07	11,340.00	11,090.46
11	Sahara Infrastruct-FP	15-Feb-06	11.22	16.62	12.18	2.34	11,217.80	11,217.80
12	Sahara Infrastruct-VP	15-Feb-06	11.27	16.62	12.69	2.36	11,269.40	11,269.40
13	Chola Contra	14-Feb-06	11.78	82.27	17.8	1.12	11,780.00	11,520.78
14	Quantum Long Term	8-Feb-06	12.24	29.23	22.4	3.64	12,240.00	12,240.00
15	Principal Infra. &	7-Feb-06	11.78	331.61	17.8	1.55	11,780.00	11,520.78
16	Baroda Global Fund	6-Feb-06	11.79	25.28	17.9	0.68	11,790.00	11,530.56
17	Reliance Equity	6-Feb-06	11.19	5105.87	11.9	1.27	11,190.00	10,943.77
18	Birla Infrastructure	31-Jan-06	12.3	526.64	23	2.59	12,300.00	12,029.34
19	Fidelity Tax Advantage	31-Jan-06	12.59	646.02	25.9	2.49	12,590.00	12,312.96
20	SC Imperial Equity	30-Jan-06	11.94	277.67	19.43	0.43	11,942.90	11,680.10
21	UTI Leadership Equity	30-Jan-06	12.56	1123.79	25.6	1.87	12,560.00	12,560.00
22	ING Vysya A.T.M.	27-Jan-06	10.91	51.18	9.1	1.68	10,910.00	10,669.93
23	HDFC Long Term	27-Jan-06	11.7	1652.87	16.99	1.65	11,699.00	11,699.00
24	HSBC Advantage India	27-Jan-06	13.12	1439.37	31.2	2.11	13,119.90	12,831.20
25	SBI Magnum Bluechip	20-Jan-06	11.88	2363.37	18.8	1.54	11,880.00	11,880.00
<b>Abs. returns for New Funds released Between Jan 06 and Mar 06</b>					<b>17.12</b>	<b>1.85</b>	<b>292,797.10</b>	<b>288,927.17</b>
1	Franklin India Smaller	14-Dec-05	11.06	1427.16	10.6	2.41	11,060.00	11,060.00
2	ING Vysya L.I.O.N.	9-Dec-05	12.47	126.38	24.7	0.56	12,470.00	12,470.00
3	ABN Amro Tax	30-Nov-05	14.37	152.51	43.67	3.11	14,367.00	14,367.00
4	Pru ICICI Services	18-Nov-05	15.75	392.81	57.5	2.67	15,750.00	15,403.42
5	CanInfrastructure	9-Nov-05	14.27	97.40	42.7	2.66	14,270.00	14,270.00
6	Kotak Tax Saver	28-Oct-05	14.43	157.85	44.32	2.57	14,432.00	14,114.43
7	Chola Tax Saver	26-Oct-05	14.06	33.34	40.6	2.78	14,060.00	13,750.61
8	Principal Large Cap	19-Oct-05	17.15	276.63	71.5	0.94	17,150.00	16,772.62
9	ING Vysya Dividend	6-Oct-05	11.36	63.53	13.6	1.79	11,360.00	11,360.00
<b>Abs. returns for New Funds released Between Oct 05 and Dec 05</b>					<b>38.8</b>	<b>2.17</b>	<b>124,919.00</b>	<b>123,568.08</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.**

### 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.