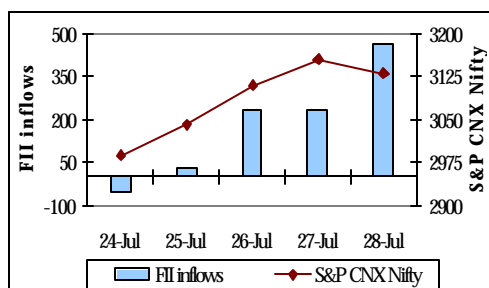


### Quote of the week:

You don't make money by investing in a good company. You make money by investing in a company that is better than the market thinks

-Robert Vishny

### FII Movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

### Weekly FII transactions (equities)

	July 24 to July 28	July 17 to July 21
Gross purchases	7295.1	5351.8
Gross sales	6387.6	6158.9
Net inflows	907.5	-807.1

Amt in Rs. crores

Data source: SEBI

**Kirti Singh  
Chinmay**

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

☎: +91 40 23312454

Ext: 304

### Highlights

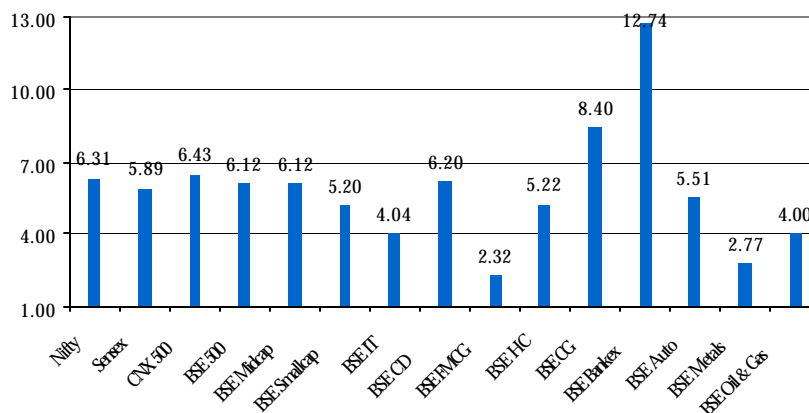
- ◆ Markets ended on a positive note
- ◆ All eyes set on Fed meet on Aug 8
- ◆ Yields still at higher levels
- ◆ Bond market movement rely on next issues

### The week in retrospect-Equity Funds

The markets ended the week with a smile on back of significant FII inflows and strong Q1 results of major companies. Not taking cue from the weak global markets on Wednesday and Thursday, domestic bourses continued with their upward trend. Geopolitical tensions, however, continued to remain a concern. The week witnessed BSE Sensex zoom 594.32 points to settle at 10680.23. Nifty registered a gain of 185.8 points to close at 3130.8. A hike of 25 basis points in domestic interest rate by RBI on Tuesday did not effect the market as this factor was already discounted. However, on Friday, the markets slipped on account of increase in crude oil prices (\$74.54 per barrel). On the sectoral front, rallying bank stocks took BSE Bankex a huge 12.74% up. This rally was supported by the RBI permission to banks for raising foreign debt capital. ONGC surged a hefty 12.52% on the back of strong Q1 earnings and issue of bonus shares, taking BSE Oil & Gas index up 4%. Healthy Q1 results of Tata Motors and the announcement of its joint venture with Italy's Fiat took the scrip up 8.1%.

Although FIIs started the week on a selling note, they emerged as net buyers to the tune of Rs. 907.5 crores by the end of the week. Mutual funds followed suit and turned out to be net buyers in equity markets by a significant margin of Rs. 862.72 crores. They were also net buyers in the debt market, making purchases to an amount of Rs. 666.41 crores.

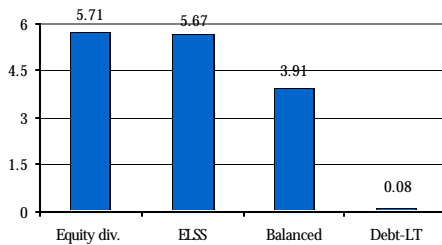
### Weekly Equity Indices Return (absolute %)



As on July 28

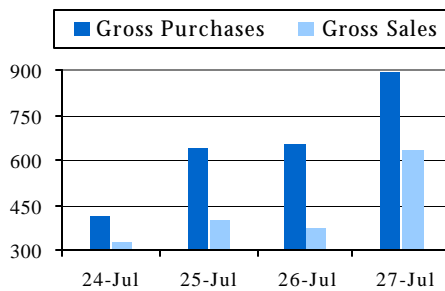
Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on July 28 Datasource: Bloomberg

## Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds purchased heavily during the last week and turned out to be net buyers by a significant amount of Rs. 862.72 crores.

## Outlook:

The markets may continue to remain range bound in the near future. With an indication of no further hardening of interest rates by RBI, markets may tread their path northwards. All eyes are set on the Fed meet on August 8, 2006 which may determine the direction of the markets. Further, rising crude oil prices and global market trends continue to remain a concern. These factors will keep the market on edge and volatility may be witnessed in the coming week.

Recommended schemes to invest		Historical returns as on July 28 (%)			Crisil Ranking for qtr end Mar 06
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Tiger	-0.30	44.88	N.A.	-
	Tata Infrastructure	3.17	44.23	N.A.	-
	Reliance Growth	-6.36	27.02	64.76	1
	Sundaram Select Midcap	15.14	57.59	73.09	1
Moderate (Equity)	Fidelity Equity Fund	-0.12	28.99	N.A.	-
	HDFC Core & Satellite	-1.19	37.99	N.A.	-
	Reliance Equity	N.A.	N.A.	N.A.	-
	SBI Magnum Contra	4.81	43.97	76.48	1
Conservative (Equity)	HDFC Top 200	2.43	42.87	53.56	3
	Sundaram India Leadership	-4.50	40.25	N.A.	-
	SBI Magnum Multi Cap	2.36	N.A.	N.A.	-
	Templeton India Equity Income	N.A.	N.A.	N.A.	-
ELSS	Franklin India Taxshield	-3.89	27.24	48.13	3
	HDFC Taxsaver	-3.48	28.65	65.33	2
	SBI Magnum Tax Gain	0.77	34.53	84.30	1
Balanced	DSP ML Balanced	2.95	28.64	35.07	3
	HDFC Prudence	1.05	26.74	40.09	2
	Kotak Balance	4.11	29.16	40.02	2

Datasource: MFI Explorer

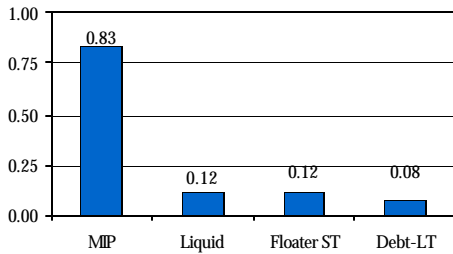
Note 1: \*DSP ML T.I.G.E.R, Tata Infrastructure, Fidelity Equity, Reliance Equity, Sundaram India Leadership, Magnum Multi-cap and Templeton India Equity Income funds have been chosen on the basis of their fundamentally strong portfolios.

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

## Recommendations:

At this point, long-term investing could prove a safer strategy than momentum investing. Selection of fundamentally strong stocks is suggested. Contra investing, diversification in international markets (by investing in Templeton India Equity Income Fund) are apt due to short-term uncertainty of the market.

## Weekly category returns (%)

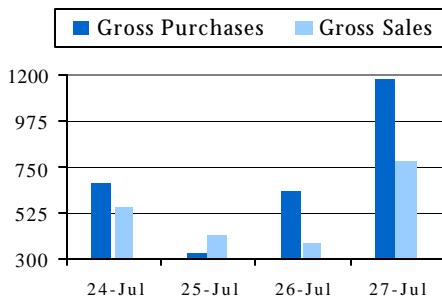


Abs. returns as on July 28 Datasource: Bloomberg

## Key statistics

	July 28	July 21
7.59% GOI 2016 yield	8.25%	8.23%
Call rate	6.1%	5.90%
WPI inflation (week ending July 15 and July 8)	4.52%	4.68%
Dollar exchange rate	46.68	46.83
Forex reserves (\$ bn)	163.35 (Jul 21)	162.659 (Jul 14)

## Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market also, mutual funds followed the trend of buying and purchased to the tune of Rs. 666.41 crores.

## The week in retrospect-Debt Funds

The bond yields went up ahead of fresh issues by the government. However, there was a significant fall in the volumes due to a one-day strike by the banks against the banking reforms. The yield on 10-year benchmark closed at 8.25% against the previous close of 8.23%. According to central bank, the government is likely to borrow Rs.90 bn rupees through two securities between August 1 and 8.

Inflation continued with its downward trend this week to touch 4.52% for the week ended July 15, 2006. It was 4.68% in the previous week and 4.45% in the corresponding week of last year. The Central Bank also recently said it would accord highest priority to contain inflation within 5-5.5% projected for this fiscal. Added to this, the Finance Minister also stated that the government was taking steps to curb both "cost-push" and "demand-pull" inflation. The inflation figure went down due to a fall in primary commodity prices. Crude oil prices ended just below \$75 per barrel on Friday.

On the forex front, rupee strengthened against dollar compared to the previous week's close. But it lost its ground on Friday due to strong dollar demand from oil importers. A slight fall in stocks also played a role in the fall in rupee value on Friday.

## Outlook:

The bond market expects the fresh issues in the next week which may take the market in an upward trend. Also, the market will be closely watching the statement from Federal Reserve on interest rate decision on August 8. Further rise in oil prices may create panic in the market. One also needs to watch out for FII activity in the coming weeks which may impact the rupee valuation.

Recommended schemes to invest		Historical return as on July 28 (%)			Expense ratio	Crisil ranking for qtr end Mar 06
		1 month	3 month	1 year		
Floater	JM Floater ST	0.52	1.57	6.03	0.50	2
	Reliance Floating R	0.53	1.56	5.97	0.55	1
	Grindlays Floating R. - ST	0.49	1.45	5.46	0.32	4
Liquid	HDFC Cash Mgt-Savings	0.53	1.62	6.00	0.38	2
	Birla Cash Plus-Retail	0.52	1.56	5.89	0.34	2
	UTI Liquid Cash Regular	0.51	1.53	5.86	0.30	1

Datasource: Bloomberg

## Recommendations:

**Long-term investors:** As yields are near their 4-year historic highs, products such as FMPs are best suited to be locked at these levels.

**Short-term investors:** As short-term yields are at relatively high levels, investing in floaters and liquid funds could yield returns between 5.60% to 6.00% p.a.

### **New Fund Offers open for subscription:**

- ◆ Tata MF has launched Tata Capital Builder Fund on July 18, 2006. The fund will be open for subscription till August 18, 2006.
- ◆ ING Vysya MF has launched ING Vysya C.U.B. Fund on July 25, 2006. The fund will be open for subscription till August 21, 2006. The fund seeks to invest in small companies to capitalize on the high growth potential of this segment.

### **Happenings**

#### **News Briefs:**

- ◆ The RBI on Thursday doubled the aggregate ceiling for investment by domestic mutual funds in overseas securities to \$2 billion
- ◆ Short-term debt funds will regain investor attention after the quarter point hike in RBI's repo and reverse repo tender rates on Tuesday. So, the focus will remain on liquid and fixed term plans.
- ◆ The total assets under management of LIC Mutual Fund has crossed the mark of Rs.10,000 crore as on July 20, 2006 showing a growth of over 91% within a span of less than four months as compared to its AUM of Rs 5229 crore as on March 2006.

#### **Forthcoming New Fund Offers:**

- ◆ Fidelity MF is planning to launch Fidelity Short Term Income Fund. The fund aims to offer a fixed income portfolio by taking advantage of the market dynamics, suitable for short to medium term asset allocation in fixed income asset class.
- ◆ JM MF is coming up with JM Entrepreneur Fund. It is a close-ended equity scheme which will convert into an open-ended scheme after a period of 3 years. It will invest in public / rights offerings, preferential allotments, participation in ADRs / GDRs, etc. in the primary market. In the absence of such investment opportunities, it will invest in equities including equity derivatives and equity schemes of the fund as well as other mutual funds.
- ◆ DSP Merrill Lynch MF has mooted an equity fund that will invest chiefly in small- and midcap stocks. The proposed DSP ML Small and Mid-cap will try to generate capital growth from a portfolio substantially formed with equity and equity-related securities that are not part of top 100 stocks in terms of market capitalisation.

**For more information on MUTUAL FUNDS call 1800 42582 82 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. The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advice, as they believe necessary. 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.

The author, directors and other employees of Karvy and its affiliates may hold long or short positions in the above mentioned companies from time to time. Every employee of Karvy and its associate companies are required to disclose their individual stock holdings and details of trades, if any, that they undertake. The team rendering corporate analysis and investment recommendations are restricted in purchasing/selling of shares or other securities till such a time this recommendation has either been displayed or has been forwarded to clients of Karvy. All employees are further restricted to place orders only through Karvy Stock Broking Ltd. This report is intended for a restricted audience and we are not soliciting any action based on it. Neither the information nor any opinion expressed herein constitutes an offer or an invitation to make an offer, to buy or sell any securities, or any options, futures or other derivatives related to such securities.