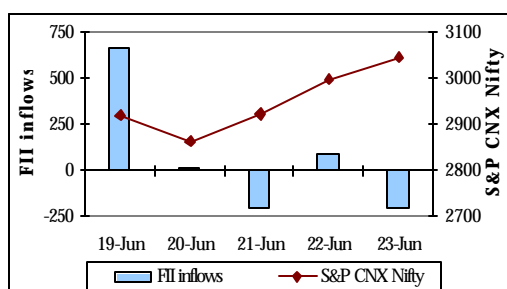


### Quote of the week:

Many people have disagreements about where stocks will be next week or next month. But if I tell you that stocks are better long-term values today than they were at the height of the bull market, I doubt you'd disagree with me.

-Jeremy Siegel

### FII Movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

### Weekly FII transactions (equities)

	June 19 to June 23	June 12 to June 16
Gross purchases	7812.7	8488.6
Gross sales	7441.8	8187.3
Net inflows	370.9	301.3

Amt in Rs. crores

Data source: SEBI

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### Highlights

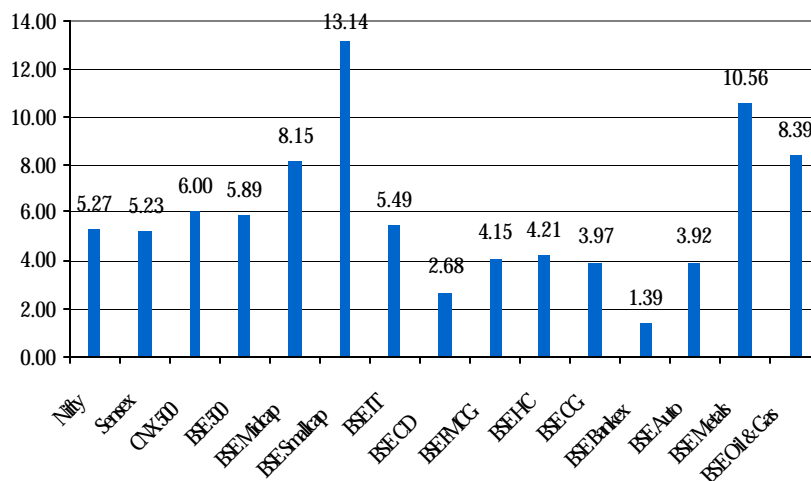
- ◆ Markets on an uptrend
- ◆ Volatility fear remains
- ◆ Ten year benchmark yield crossed the crucial 8% level
- ◆ Traders expected to adopt a cautious approach

### The week in retrospect-Equity Funds

The previous week witnessed the markets shed some volatility and continue northwards. Sensex gained a hefty 516 points and Nifty advanced 152.3 points to close at 10401.3 and 3042.7 respectively, as the market sentiments turned positive. The markets bounced back, on account of FII's buying. Positive macro economic figures added to this uptrend. This was in spite of the expectations that the Federal Reserve might raise interest rates next week and perhaps again in August. IT stocks were in demand and the BSE IT index jumped by 5.49%. Infosys and Wipro were the major gainers in the sector. The BSE metal index was up 10.56% on recovery in metal prices on LME. Reliance Industries shot up 10% taking the BSE Oil & Gas index 8.39% up. Buying at lower levels was witnessed during the week. BSE Small Cap Index and BSE Mid Cap Index gained 13.14% and 8.15% respectively. Although the market is recovering, the volatility factor continues to a matter of concern.

FII's emerged as net buyers during the week. However, their buying activity slowed down towards the end of the week and turned negative on Friday. On aggregate basis, they were net buyers to the tune of Rs. 370.9 crores during the week. Mutual funds also followed suit and emerged as net buyers amounting Rs. 66.56 crores.

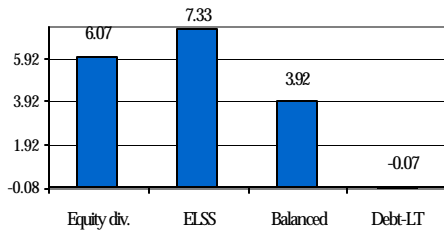
### Weekly Equity Indices Return (absolute %)



As on Jun 23

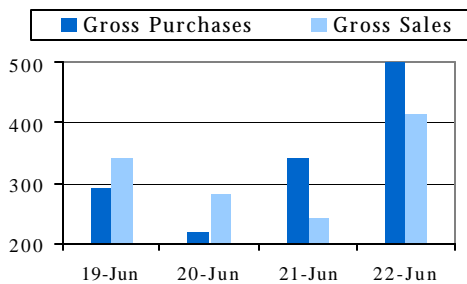
Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on June 23 Datasource: Bloomberg

## Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds turned to be net buyers in the equity market during the last two trading days of the previous week. Net purchases for the week amounted to Rs. 66.56 crores.

## Outlook:

With the expectations of interest rate hike, by as much as 50 basis points in the US Federal meet on 28-29 June, the market may continue to witness volatility in the near future. Rising crude oil prices and inflation could pose some concern. A well distributed monsoons and Q1 June 2006 results would help sustain the economic growth momentum. Although the long term view of the market is bullish, investors must adopt a cautious approach in the volatile market.

Recommended schemes to invest	Historical returns as on June 23 (%)			Crisil Ranking for qtr end Mar 05	
	6 months	1 year	3 year		
	(abs)		(ann)		
Aggressive (Equity)	DSP ML Tiger	12.62	62.60	N.A.	-
	Tata Infrastructure	19.29	55.92	N.A.	-
	Reliance Growth	7.91	48.82	76	1
	Sundaram Select Midcap	31.46	79.53	80.19	1
Moderate (Equity)	Fidelity Equity Fund	5.67	39.84	N.A.	-
	HDFC Core & Satellite	12.17	54.82	N.A.	-
	Reliance Vision	9.94	48.90	59.63	3
	SBI Magnum Contra	17.86	65.43	82.98	-
Conservative (Equity)	HDFC Top 200	7.45	49.01	56.41	3
	Sundaram India Leadership	9.08	58.99	N.A.	-
	SBI Magnum Multi Cap	10.57	N.A.	N.A.	-
	Tata Equity P/E	0.59	31.16	N.A.	-
ELSS	Franklin India Taxshield	5.01	41.89	53.61	3
	HDFC Taxsaver	6.41	47.25	70.64	1
	SBI Magnum Tax Gain	3.94	48.60	92.10	1
Balanced	DSP ML Balanced	9.13	36.02	38.26	3
	HDFC Prudence	5.45	37.83	43.41	2
	Kotak Balance	12.88	44.28	43.17	2

Datasource: MFI Explorer

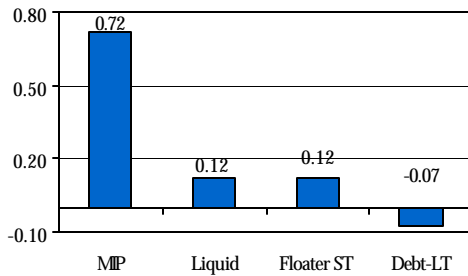
Note 1: \*DSP ML T.I.G.E.R, Tata Infrastructure, Fidelity Equity, Sundaram India Leadership, Magnum Multi-cap and Tata Equity P/E funds have been chosen on the basis of their fundamentally strong portfolios.

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

## Recommendations:

The market fall has resulted in many stocks being available at attractive PE levels. At this point, long-term investing could prove safer strategy than momentum investing. 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 (%)

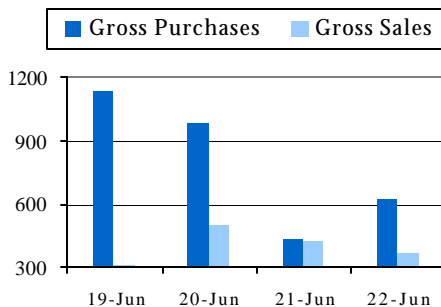


Abs. returns as on June 23 Datasource: Bloomberg

## Key statistics

	June 23	June 16
7.59% GOI 2016 yield	8.12%	7.80%
Call rate	5.95%	5.90%
WPI inflation (week ending June 10 and June 3)	5.24%	4.72%
Dollar exchange rate	46.18	45.92
Forex reserves (\$ bn)	163.033 (June 16)	162.876 (June 9)

## Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In the debt market, total purchases of bonds trailed total sales by a significant margin of Rs. 1570.82 crores.

## The week in retrospect-Debt Funds

Indian bonds yield touched another high level when the ten-year benchmark yield crossed the psychologically important 8% mark on Thursday. Bond prices continued to lose ahead of government securities auction scheduled on June 22 and rate hike expectations. The cut-off yields for both the auctions were higher than expected. It stood at 7.92% for the 7.37% 2014 bond (Rs. 50 billion) and at 8.46% for the 7.94% 2021 security (Rs. 40 billion). The ten-year benchmark yield touched 8.10% during the early trading hours on Friday. RBI had raised the reverse repo rate to 5.75% on June 8. The benchmark yield is up 43 basis points since then. Inflation rate for the 12 months to June 10 stood at 5.24%. This figure was very high as against the expected level of 5.02%. Forex reserves inched up by \$ 157 million and touched \$163.033 billion for the week ending June 16. Call rates also moved upwards to close at 5.95%.

On the forex front, rupee also slipped beyond the level of 46 on Thursday as a result of cumulative impact of dollar's gain against major currencies, foreign fund outflows and demand for dollar by oil companies. But it closed slightly stronger on Friday at 46.18 on account of foreign fund inflows.

### Outlook:

Traders are expected to trade cautiously as many are expecting another rate hike by the central bank on July 25. Some are also anticipating a rise in CRR (Cash Reserve Ratio). Inflation data of 5.24% as on June 10 stood at a 1-year high level. This factor also increases the chances of the central bank raising the rate. Dollars valuation against major currencies and FII activity may have its impact on the rupee valuation.

Recommended schemes to invest	Historical return as on Jun 23 (%)			Expense ratio	Crisil ranking for qtr end Mar 05	
	1 month	3 month	1 year			
Floater ST	JM Floater ST	0.53	1.57	5.94	0.50	2
	Reliance Floating R	0.52	1.57	5.83	0.55	1
	Grindlays Floating R. - ST	0.49	1.42	5.39	0.32	4
Liquid	HDFC Cash Mgt -Savings	0.54	1.62	5.88	0.38	2
	Birla Cash Plus-Retail	0.52	1.58	5.78	0.34	2
	UTI Liquid Cash Regular	0.51	1.51	5.77	0.30	1

Datasource: Bloomberg

### Recommendations:

**Long-term investors:** As the benchmark yield is hovering above the 8% level, it is a very good opportunity for long-term investors. We recommend investment in products which can lock the prevailing yields such as FMPs. As the future direction of yields is still unpredictable, investing in mark to market income funds with high duration should be avoided.

**Short-term investors:** Investing in floaters and liquid funds could yield returns between 5.60% to 6% p.a. One could also consider arbitrage funds such as JM Arbitrage Advantage Fund to avail slightly higher returns and better tax treatment (completely tax-free dividends).

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**New Fund Offers open for subscription:**

- ◆ JM MF has launched JM Arbitrage Fund on June 1, 2006. The fund will be available for subscription till June 30, 2006.

**Happenings****News Briefs:**

- ◆ Securities and Exchange Board of India announced that the guidelines for launching real estate mutual funds in India would be promulgated soon and capital protection schemes would be launched by next month.
- ◆ Franklin Templeton Investments has re-opened sales in its open-end diversified equity fund - Franklin India Prima Fund starting June 19, 2006. The scheme was closed for fresh subscriptions in February 2006.
- ◆ Fidelity International has announced a re-organisation of its India investment team. Sandeep Kothari, who is currently a Portfolio Manager with Fidelity Hong Kong, is relocating to India to join the India investment team. Arun Mehra, who was responsible for setting up Fidelity's investment team in India, is relocating to UK for managing Fidelity's offshore Indian equity portfolios.

**Forthcoming New Fund Offers:**

- ◆ SBI Mutual is coming up with a close-ended scheme, SBI One India Fund which gets converted into an open-ended scheme after its maturity of 3 years. The scheme would invest in a diversified basket of equity & equity related instruments of four regions of India, debt and money market instruments.
- ◆ UTI Mutual is planning to offer UTI Gold-ETF, a passively managed open ended exchange traded fund to track the performance and yield of the gold prices/gold related instruments.
- ◆ Sundaram BNP Paribas Mutual would soon launch its Small Cap Mutual Fund in the market. It is a close-ended fund, being launched against the backdrop of the recent fall in the markets, making the current valuations of most shares attractive for mutual fund investors.

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**For more information on MUTUAL FUNDS call 1600 4258283 or contact your nearest Karvy branch.**

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