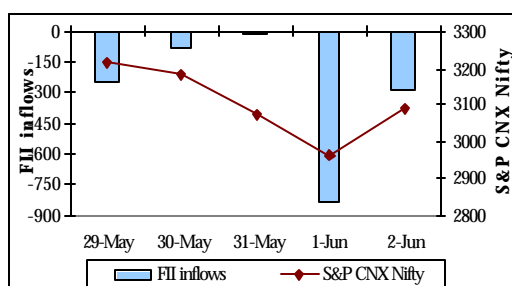


### Quote of the week:

A budget with your money is just like going on a diet with your weight . . . Its not about making more, its about keeping more of what you already make.

-Suze Orman

### FII Movement relative to Nifty



FII inflows in Rs. Crores

Source: Nifty, SEBI

### Weekly FII transactions (equities)

	May 29 to Jun 2	May 22 to May 26
Gross purchases	8180	12087.8
Gross sales	9637.3	19190.1
Net inflows	-1457.3	-7102.3

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

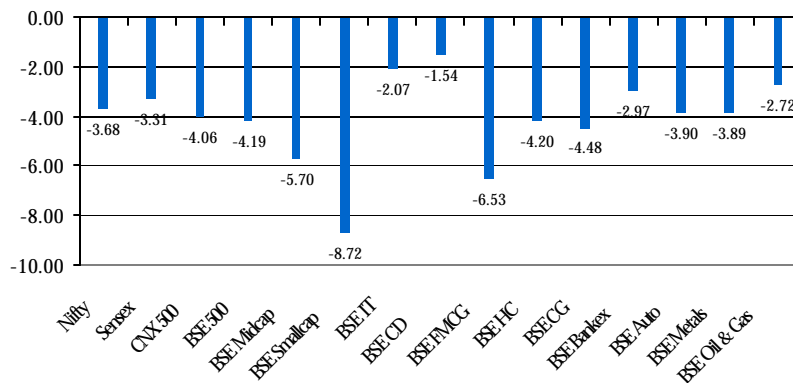
- ◆ **Beas dominated the bulls**
- ◆ **Markets to remain volatile**
- ◆ **Bond yields remained near 4 year highs**
- ◆ **US interest rate hike weighs on sentiments**

### The week in retrospect-Equity Funds

Markets displayed an erratic movement with bearish sentiment during the week. Heavy FII selling, a sharp fall in metal prices and high influence of the global market caused the markets to be topsy turvy. A rapid departure of FIIs from the emerging market pulled down all the indices in the negative territory. Due to which, major currencies lost their ground against dollar. This downside scenario was fuelled further by the high crude oil prices on the back of strong demand from China and delay in the increase of domestic oil prices. Among the broad indices, Sensex went down by 358 points and Nifty fell by 118 points. BSE Midcap, BSE small Cap and BSE FMCG were the frontline losers among the indices. The market recovery was witnessed on the last trading day only in selected sectors like oil, gas and auto due to the strong global market and short covering. On the sectoral front, metal prices went down due to fall in the prices of metals on London Metal Exchange. Hindustan Zinc was the major loser to the tune of 17.4%. Although auto stocks went down sharply, the last hour recovery on Friday provided some cushion.

FIIs continued to be net sellers during the week. On aggregate basis, they were net sellers to the tune of Rs. 1457.3 crores during the week. On the other hand, mutual funds exploited the opportunity to buy at the lower levels and stabilized the market from further fall. They emerged as net buyers amounting Rs. 858.43 crores.

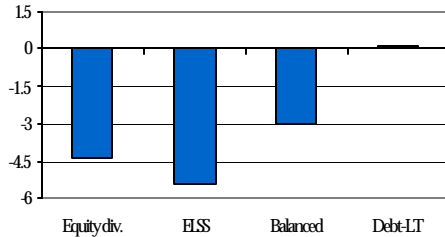
### Weekly Equity Indices Return (absolute %)



As on Jun 2

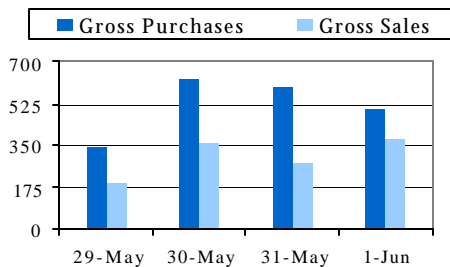
Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on June 2 Datasource: Bloomberg

## Weekly MF transactions (equities)



Mutual funds turned net buyers in the equity market during the first four trading days of the last week. Net purchases by them amounted to Rs. 858.43 crores.

## Outlook:

According to market experts and fund managers, the market is expected to remain volatile in the coming week too. Uncertainty in the market move may continue since US unemployment slipped to a five year low to the tune of 4.6%. Hence, there was a mixed reaction from the Wall Street regarding the further rise in interest rates by the Fed on June 28-29. Selling pressure from FIIs may continue in the coming weeks. On the other side, expectations from rise in domestic oil prices may add a bullish sentiment to the market. However, fundamentally the India story doesn't end here. In the long run, market may witness healthy results. Cautious approach is advisable for the trading to limit the downside risk

Recommended schemes to invest		Historical returns as on June 2 (%)			Crisil Rating
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Tiger	20.74	71.57	N.A.	-
	Tata Infrastructure	28.65	66.88	N.A.	-
	Reliance Growth	21.19	61.23	84.63	1
	Sundaram Select Midcap	47.48	91.82	84.26	1
Moderate (Equity)	Fidelity Equity Fund	15.52	56.37	N.A.	-
	HDFC Core & Satellite	19.62	64.26	N.A.	-
	Reliance Vision	16.61	54.35	64.88	3
	SBI Magnum Contra	21.96	74.93	88.04	1
Conservative (Equity)	HDFC Top 200	15.98	60.28	61.20	2
	Sundaram India Leadership	21.09	70.98	N.A.	-
	SBI Magnum Multi Cap	17.99	N.A.	N.A.	-
	Tata Equity P/E	7.46	40.26	N.A.	-
ELSS	Franklin India Taxshield	13.00	52.27	59.09	3
	HDFC Tax saver	11.83	56.83	76.24	2
	SBI Magnum Tax Gain	11.84	55.53	97.69	1
	DSP ML Balanced	13.80	40.03	40.11	3
Balanced	HDFC Prudence	8.67	39.87	46.10	1
	Kotak Balance	21.81	52.82	46.54	2

Datasource: MFI Explorer

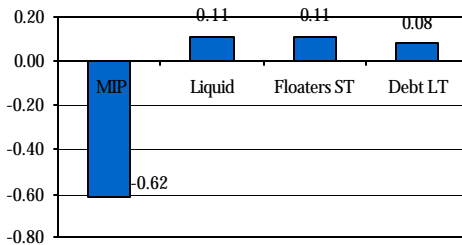
Note 1: \*DSP ML T.I.G.E.R, Tata Infrastructure, Fidelity Equity, Sundaram India Leadership, Magnum Multi-cap and Tata Equity P/E funds have been chosen on the basis of their fundamentally strong portfolios.

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

## Recommendations:

In near term, we recommend cautious approach with selection of fundamental stocks. Contra investing, diversification in international markets are apt strategies in the prevailing market scenario. For investors having investible surplus, lump-sum investment is more preferred at this level.

## Weekly category returns (%)

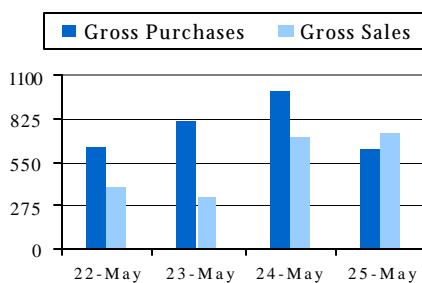


Abs. returns as on June 2 Datasource: Bloomberg

## Key statistics

	June 2	May 26
8.07% GOI 2017 yield	7.79%	7.70%
Call rate	5.6%	5.60%
WPI inflation (week ending May 20 and May 13)	4.74%	4.32%
Dollar exchange rate	45.89	45.88
Forex reserves (\$ bn)	162.59 (May 26)	162.96 (May 19)

## Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In the debt market, total sale of bonds trailed total purchases by a significant margin of Rs. 928.38 crores.

## The week in retrospect-Debt Funds

Bond yields remained near their four-year highs as rise in inflation, sliding rupee value and upcoming auctions had their cumulative impact on market sentiments. Rupee had touched a new 2006 low of 46.28 against the dollar on Tuesday. As a result, participants anticipated that rupee buying by RBI may strain the liquidity. On Friday, the bonds recovered on the back of rally in spot price of rupee. The government aims to raise Rs. 60 billion on June 6 through an auction of 9.39% 5 year bonds and another Rs.40 billion in 30-year bonds. The market participants adopted a cautious approach due to rise in oil prices and outflows of FIIs. Oil prices have been a major concern for the global markets for the last few months. The yield on 8.07% GOI 2017 inched higher to the level of 7.79%. Inflation rose beyond expectations by 42 basis points to 4.74% due to price rise of food and non-food items. Call rates closed at the level of 5.6%.

On the forex front, dollar was in demand as foreign funds removed their holdings in the emerging markets. They sold rupees largely which led the rupee to touch 46.57 on Wednesday, the three-year low since June 2003. Only on Friday it recouped on account of nearly 4% recovery in the stock market and eased oil prices. Also the central bank interfered in the currency system to buy rupees and sell dollars to limit the slide in the rupee. The outlook of rupee depends on global oil prices and FII funds movement in the Indian market.

### Outlook:

Bond prices are expected to trade with a volatile touch as players are expecting the central bank to raise rates on July 25. After the recent rally of oil prices, India is likely to decide on increasing the domestic rates of petrol and diesel. The domestic rates have not been updated since last September despite a high increase in oil prices. At the same, the impact of weak US payroll data resulted in US treasury prices rally. The impact of the same on the Indian bond market will be witnessed on Monday. FII activity is a matter of concern in the coming weeks.

Recommended schemes to invest		Historical return as on Jun 2 (%)			Expense ratio	Crisil ranking for qtr end Sept 05
		1 month	3 month	1 year		
Floaters	JM Floater ST	0.52	1.55	5.89	0.50	1
	Reliance Floating R	0.52	1.57	5.79	0.55	1
	Grindlays Floating R. - ST	0.49	1.39	5.36	0.62	2
Liquid	HDFC Cash Mgt-Savings	0.55	1.59	5.82	0.45	2
	Birla Cash Plus-Retail	0.52	1.57	5.71	0.50	2
	UTI Liquid Cash Regular	0.51	1.48	5.73	0.40	1

Datasource: Bloomberg

### Recommendations:

**Short-term investors:** To keep one's investments liquid, we recommend investing in floaters and short-term debt funds. Also, one can invest in FMPs available for shorter durations.

**Long-term investors:** We recommend investing in funds like Principal PNB Fixed Duration Fund and FMPs for investment over a long period than investing in open-ended debt funds (long-term).

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

- ◆ Tata MF has launched Tata Equity Management Fund on May 15, 2006. The fund will be available for subscription till June 9, 2006. The fund is an 18 month close-ended scheme. A weekly exit option will be available to investors during close ended period.
- ◆ Principal PNB MF has launched Principal PNB Fixed Duration Fund-Series I on May 22, 2006. The fund will be available for subscription till June 15, 2006.
- ◆ JM Financial Mutual Fund has launched an equity-oriented interval fund which seeks to capitalise upon the arbitrage opportunities arising as a result of mis-pricing between the cash and derivatives market. Named as JM Arbitrage Advantage Fund, it will be initially available for subscription from June 1 to June 30, 2006.

### **Happenings**

#### **News Briefs:**

- ◆ Sundaram Mutual Fund has declared a 50% dividend under Sundaram Select Focus Fund. The record date for the dividend is June 2, 2006.
- ◆ FIIs have been on a selling spree over the past few days in the equities segment. Their cumulative outflow for May 2006, aggregated to Rs 7,354.20 crore. They have sold worth Rs 1204.7 crore this week.

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

- ◆ Prudential ICICI MF has worked out an open-ended fund for tapping arbitrage opportunities and pursuing derivative strategies. The fund will offer investors two plans - income optimiser and wealth optimiser.
- ◆ UTI MF is planning to launch a close ended equity fund with a maturity period of five years. The fund, named UTI Wealth Builder, will be automatically converted into an open ended scheme upon maturity. The fund, which will be benchmarked against the BSE Sensex, will aim at long-term capital appreciation by investing chiefly in a diversified portfolio of stocks.
- ◆ Benchmark Mutual Fund is set to launch the Gold Benchmark Exchange Traded Scheme (Gold BeES), the country's first gold-based mutual fund scheme. Gold BeES is an open ended fund, that will be listed on the NSE in the form of an exchange traded fund (ETF). The investment objective of Gold BeES is to provide returns that, closely correspond to returns provided by domestic price of gold through physical gold, according to the offer document.

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

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