

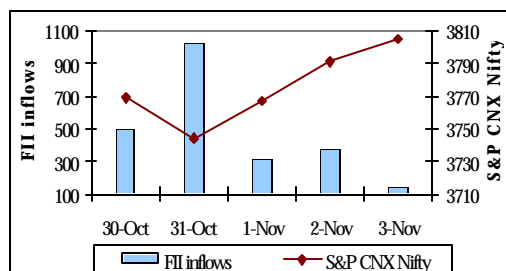
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### Highlights

- ◆ **Markets march forward**
- ◆ **Eyes on remaining quarterly results**
- ◆ **Bond market slip**
- ◆ **Inflation figures to determine the market direction**

### FII Movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

### Weekly FII transactions (equities)

	Oct 23 to Oct 27	Oct 23 to Oct 27
Gross purchases	10518.5	4126.2
Gross sales	8173.1	3487.3
Net inflows	2345.4	638.9

Ami in Rs. crores Data source: SEBI

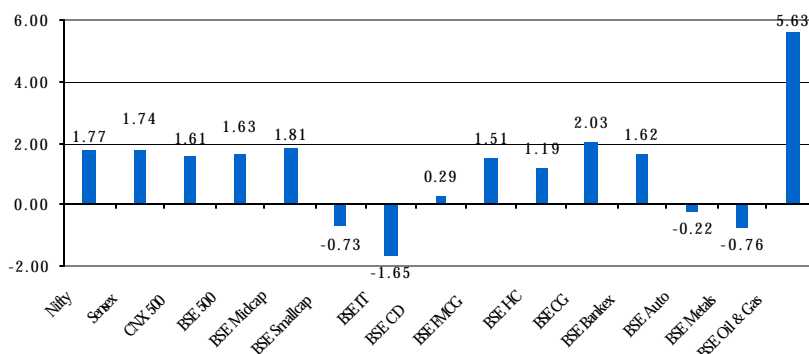
October 24 and October 25 was the official holidays

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### The week in retrospect-Equities

The markets scaled to new heights on account of strong quarterly corporate earnings and heavy buying of index heavyweights. Sensex surged by 1.74% to settle at 13130.79. Nifty followed suit and gained 1.77% to close at 3805.35. Markets continued their northwards journey not taking cue from the weak global bourses (during the week, Dow Jones fell by 0.86% and Nikkei went down by 1.91% on the back of worries over slowdown of U.S. economy) . Markets slipped on Tuesday due to selling pressure after the news that RBI in its mid-term review hiked the repo rate by 25 bps to 7.25% so as to check inflation. On Friday, reports of stronger-than-expected U.S. job data (unemployment rate fell to a 5-1/2 year low in Oct.) led to expectations that U.S. interest rates may not be cut anytime soon. On the sectoral front, BSE Oil & Gas surged by 5.63% on the back of a whopping 12.06% rise in ONGC scrips. The boost was triggered by the news that it has a stake in Norway's exploration blocks and JVs with Russian oil companies. On the back of strong Q2 results, HLL advanced by 4.15% and Cummins rose by 5.88%. Jaiprakash Associates jumped by 30.73% after the news of its getting a clean chit in a land development project. KPIT Cummins Infosystems which surged by 24.70% would consider a 1:1 bonus issue in its board meet scheduled on Nov. 8. FIIs emerged as net buyers in the equity market, to a huge amount of Rs. 2345.4 crores. Mutual funds also turned out as net purchasers in equities to the tune of Rs. 692.13 crores.

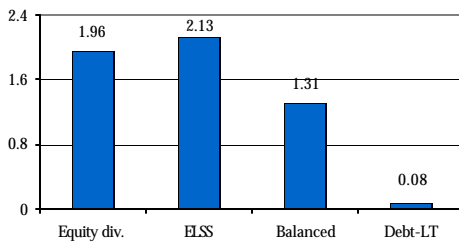
### Weekly Equity Indices Return (absolute %)



As on Nov 3

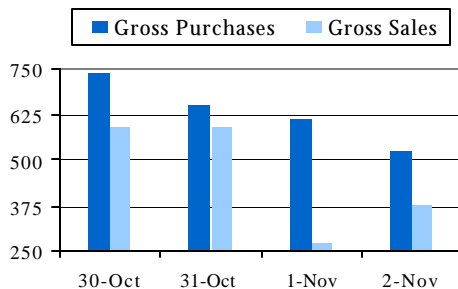
Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on Nov 3 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. 692.13 crores.

## Outlook:

**Short-term:** The northbound journey of the markets is likely to continue on the back of attractive quarterly results, strong FII buying and high liquidity. Stable crude oil (\$58 per barrel) is also expected to boost positive sentiments. However, markets may witness high volatility in the coming week due to profit booking.

**Long-term:** High infrastructure sector output growth of 9.9% in Sept, 06 against 6.3% in Sept, 05 and the revised economic growth rate to 8% against the earlier 7.5%-8% keeps the bullish story intact. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to keep this growth going. FDI inflows have surged a record 92% in April-July 2006-07. Further, according to the 2006 Global Competitiveness Report of World Economic Forum, India has moved up to 43rd position from 45th last year in the Global Competitive Index, reflecting the efficiency gains in labour and financial markets. This is well ahead of China (54), Brazil (66) and Russia (62) among 125 countries. Also, BSE market capitalisation (currently Rs.34, 00,000 crores) has crossed the Indian GDP showing an increased retail participation in stock market.

Recommended schemes to invest	Historical returns as on Nov 3 (%)			Crisil Ranking for qtr end Sept 06	
	6 months (abs)	1 year	3 year (ann)		
<b>Aggressive (Equity)</b>	DSP ML Opportunities	1.44	60.49	47.76	1
	Tata Infrastructure	0.98	76.34	N.A.	-
	Reliance Growth	-1.34	57.08	60.97	1
	Sundaram Select Midcap	1.65	81.36	63.64	1
<b>Moderate (Equity)</b>	Fidelity Equity	3.06	56.77	N.A.	-
	HDFC Equity	4.60	58.06	46.68	2
	Reliance Equity	5.18	N.A.	N.A.	-
	SBI Magnum Contra	-1.54	63.14	69.52	1
<b>Conservative (Equity)</b>	DSP ML Top 100	2.32	63.53	43.23	3
	Sundaram India Leader.	-4.67	55.19	N.A.	2
	Franklin India Bluechip	3.64	61.43	43.69	3
	Templeton India Eq. Inc.	N.A.	N.A.	N.A.	-
<b>ELSS</b>	Franklin India Taxshield	-2.57	49.22	45.09	3
	HDFC Tax saver	-4.15	49.31	60.40	2
	SBI Magnum Tax Gain	2.78	52.43	73.61	1
<b>Balanced</b>	DSP ML Balanced	2.53	43.49	32.97	3
	HDFC Prudence	11.43	42.62	38.73	1
	Kotak Balance	-4.32	41.61	37.32	2

Datasource: MFI Explorer

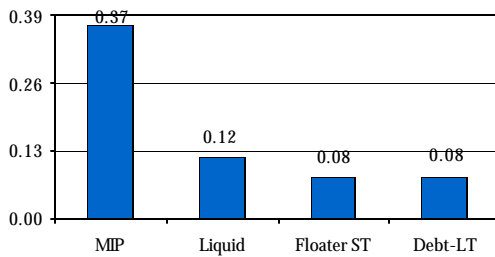
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

## Recommendations:

Despite an increase in the market's PE level, the long-term optimism on Indian economy and markets remain intact. However, in the short-term, markets may exhibit volatile trends. Therefore, stock selection and investment period are critical factors for achieving appreciation on investment. Hence, investors need to pick funds that invest in fundamentally strong stocks. Investments could be made in diversified funds, internationally diversified funds, derivatives funds and contra funds to optimise the risk adjusted returns.

Investors aiming at long-term wealth creation need to follow the investment mantra of regular and long-term investing using SIP.

## Weekly category returns (%)

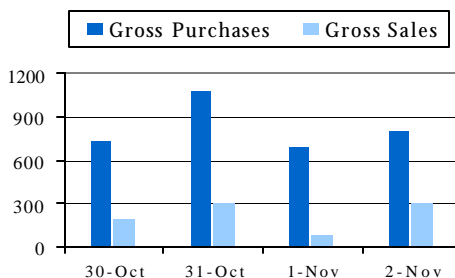


Abs. returns as on Nov 3 Data source: Bloomberg

## Key statistics

	Nov 3	Oct 27
7.59% GOI 2016 yield	7.64%	7.61%
Call rate	7.0%	6.9%
WPI inflation (week ending October 21 and October 14)	5.41%	5.26%
Dollar exchange rate	44.82	45.19
Forex reserves (\$ bn)	167.092 (Oct 27)	166.153 (Oct 20)

## 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. 2445.24 crores.

## The week in retrospect-Debt

The week witnessed the bond market going volatile on account of various events. On Monday, bond yields went up as investors turned cautious ahead of the RBI monetary policy review. After a hike of 25 bps in the repo rate, yields rose further fell due to concerns over the central bank's aim to tighten liquidity. On Wednesday, yields eased a bit ahead of the Friday auction of Rs. 90 bn bonds on expectations of strong investor demands. RBI auctioned Rs. 60 bn worth 2012 bonds with a cut-off price of 99.54 and Rs. 30 bn worth 2034 bonds with a cut-off price of 94.05. Bond yields edged up on Friday backed by the worries over rising interest rates and tight liquidity condition in the market (call rates increased to 7%). During the week, 10-year g-sec yield increased to 7.64% from 7.61%. Inflation rose to 4-month high of 5.41% for the week ending Oct 21 from 5.26% in the previous week, mainly due to increase in the prices of food and manufactured items.

On the forex side, rupee touched a 6-month high at 44.82 on account of high FII inflows. Forex reserves for the week ending Oct. 20 increased to \$166.153 bn from \$164.951 bn the previous week.

## Outlook:

**Short-term:** With upcoming auctions, credit offtake and overnight borrowing becoming more expensive liquidity is expected to remain tight. This may result in increase in rates for short tenure. Call rates are also likely to hover at high levels (near 7% levels).

**Long-term:** In the monetary review held on Oct 31, the central bank has attempted to address the issue of over heating in credit growth by hiking repo rate alone. The bank has made it clear that its move will depend on the 'evolving situations'. It has also indicated that the money supply and credit growth rates are expected to be higher than projections for the current year, with inflation more likely to be under the 5 to 5.5% band. Therefore, there are chances that the rates may be increased marginally.

Recommended schemes to invest	Historical return as on November 3 (%)			Expense ratio	Crisil ranking for qtr end Sept 06	
	1 month (abs)	3 month (abs)	1 year			
Floaters	JM Floater ST	0.60	1.72	6.39	0.45	3
	Reliance Floating R	0.60	1.77	6.37	0.55	-
Liquid	HDFC Cash Mgt - Savings	0.60	1.74	6.43	0.34	1
	Birla Cash Plus-Retail	0.57	1.66	6.28	0.34	3

Datasource: Bloomberg

## Recommendations:

**Short-term investors:** Expectation of call rates to float at high levels in the coming weeks and short-term uncertainty of interest rates make liquid fund the most apt choice for making short-term investments.

**Long-term investors:** Due to favourable tax treatment of FMPs when compared with bank deposits, the post-tax return on the former can be higher. Therefore, FMPs could be considered as a substitute by investors who are considering bank fixed-term deposits. LT Floaters can also be considered if investors want to keep their long-term investment liquid.

## News Briefs

- ◆ RBI, in its October policy review, has raised the ceiling for overseas investment by mutual funds from \$2bn to \$3bn. This would offer higher potential of international diversification.
- ◆ Total AUM of the MF industry touched a new high in October. It increased by Rs 18,629 crore to Rs 3, 09,829 crore in October, 06. However, in the equity market, net incremental investment of MFs was mere Rs 16.27 crore down from robust Rs 1339.69 crore in Sept, 06.

## NFO Corner

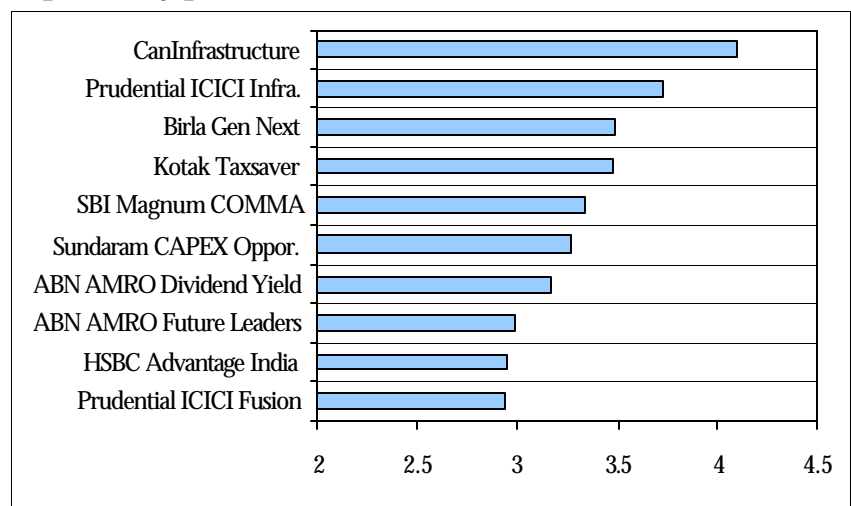
### NFOs open for subscription:

- ◆ Franklin Templeton has launched Franklin Templeton Capital Safety Fund. It will be available for subscription till Nov. 30, 2006.
- ◆ ABN Amro has launched ABN Amro Multi Manager Fund-series 3. It is a 3-year close-ended fund of fund, which would dynamically allocate assets to debt and equity. The fund is open for subscription till Nov. 28, 2006.
- ◆ Optimix has launched Optimix Equity Multi Manager FoF, a 3year close-ended fund of fund which would invest primarily in equity funds. It is open for subscription till Nov. 20, 2006.
- ◆ JM Mutual Fund has launched JM Financial Services Sector Fund & JM Telecom Sector Fund. The fund will be open for subscription till Nov. 20, 2006.

### Forthcoming New Fund Offers:

- ◆ Reliance MF is set to launch Reliance Small and Mid Cap Fund on November 14, 2006. The fund will be a 3-year close ended fund. The fund will be available for subscription till December 11, 2006.
- ◆ Prudential ICICI MF is coming up with Prudential ICICI Asian Equity fund. The fund is an open-ended equity diversified fund that aims to invest in equities, equity related securities and/or share classes/units of equity funds of companies incorporated or having area of primary activity in Asia Pacific region.
- ◆ DSP Merrill Lynch MF is coming up with an open-ended fund of funds that will invest chiefly in units of Merrill Lynch International Investment Funds, World Gold Fund. The FoF, DSP ML World Gold Fund, benchmarked against FTSE Gold Mines Index will invest at least 80% of its assets in overseas mutual funds and remaining in money market securities or money market/liquid funds managed by DSP ML.

### Top weekly performers-NFOs\*



\* Weekly return as on Nov 3, 06

Datasource: MFI Explorer

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

## Performance analysis of equity NFOs (quarter-wise) as on Nov 2, 2006

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Crores) as on Sep	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	UTI Spread Fund	9-Jun-06	10.23	339.75	2.29	0.32	10,229.10	10,229.10
2	Tata Equity	15-May-06	11.11	419.45	11.09	1.33	11,108.80	11,108.80
3	Stanchart Enterprise	19-Apr-06	11.18	1547.97	11.77	1.14	11,176.70	11,176.70
<b>Abs. returns for New Funds released Between Apr 06 to Jun 06</b>					<b>8.38</b>	<b>0.93</b>	<b>32,514.60</b>	<b>32,514.60</b>
1	Fidelity Special Sit.	28-Mar-06	12	2035.55	19.97	3.14	11,997.00	11,733.01
2	Templeton India	22-Mar-06	11.16	1982.52	11.6	2.29	11,160.00	10,914.43
3	Sundaram Rural India	20-Mar-06	11.43	1199.95	14.35	3.87	11,434.60	11,182.98
4	ABN AMRO Future	13-Mar-06	9.66	521.03	-3.4	3.6	9,660.00	9,660.00
5	Pru ICICI Fusior	27-Feb-06	11.49	619.94	14.9	3.05	11,490.00	11,490.00
6	DWS Tax Saving	22-Feb-06	10.3	31.09	3.04	2.98	10,303.50	10,076.77
7	Kotak Lifestyle	22-Feb-06	10.46	541.71	4.58	3.37	10,458.00	10,458.00
8	UTI Contra	22-Feb-06	9.7	882.61	-3	1.68	9,700.00	9,700.00
9	Tata Tax Saving	20-Feb-06	10.1	115.41	0.98	1.5	10,097.70	9,899.71
10	JM HI FI	20-Feb-06	10.55	77.35	5.5	2.73	10,550.00	10,317.85
11	Sahara Infrastructure-	15-Feb-06	10.45	25.95	4.54	2.95	10,453.60	10,453.60
12	Sahara Infrastructure-	15-Feb-06	10.49	N A	4.88	2.96	10,488.00	10,488.00
13	Chola Contra	14-Feb-06	11.4	85.89	14	2.98	11,400.00	11,149.14
14	Quantum Long Term	8-Feb-06	11.61	23.81	16.1	1.49	11,610.00	11,610.00
15	Principal Infra. &	7-Feb-06	11.21	416.30	12.1	3.41	11,210.00	10,963.33
16	Baroda Global Fund	6-Feb-06	11.15	41.76	11.5	3.24	11,150.00	10,904.65
17	Reliance Equity	6-Feb-06	10.49	5502.32	4.9	3.05	10,490.00	10,259.17
18	Birla Infrastructure	31-Jan-06	11.43	570.32	14.3	3.53	11,430.00	11,178.48
19	Fidelity Tax	31-Jan-06	11.62	579.46	16.23	2.8	11,623.00	11,367.24
20	SC Imperial Equity	30-Jan-06	11.54	317.20	15.37	2.52	11,537.10	11,283.23
21	UTI Leadership Equity	30-Jan-06	11.56	1191.44	15.6	3.58	11,560.00	11,560.00
22	ING Vysya A.T.M.	27-Jan-06	10.5	90.21	5	1.74	10,500.00	10,268.95
23	HDFC Long Term	27-Jan-06	11.19	1526.14	11.85	2	11,185.00	11,185.00
24	HSBC Advantage India	27-Jan-06	11.93	1459.58	19.27	4.18	11,926.50	11,664.06
25	SBI Magnum Bluechip	20-Jan-06	11.45	2549.17	14.5	2.51	11,450.00	11,450.00
<b>Abs. returns for New Funds released Between Jan 06 and Mar 06</b>					<b>9.95</b>	<b>2.85</b>	<b>274,864.00</b>	<b>271,217.58</b>
1	Franklin India Smaller	14-Dec-05	10.77	1363.06	7.7	1.41	10,770.00	10,770.00
2	ING Vysya L.I.O.N.	9-Dec-05	12.38	135.58	23.8	3.69	12,380.00	12,380.00
3	ABN Amro Tax	30-Nov-05	12.93	132.19	29.26	4.17	12,926.00	12,926.00
4	Pru ICICI Services	18-Nov-05	13.31	350.44	33.1	3.18	13,310.00	13,017.11
5	CanInfrastructure	9-Nov-05	13.3	99.40	33	4.56	13,300.00	13,300.00
6	Kotak Tax Saver	28-Oct-05	12.96	135.74	29.58	4.21	12,958.00	12,672.86
7	Chola Tax Saver	26-Oct-05	12.96	29.50	29.6	2.37	12,960.00	12,674.82
8	Principal Large Cap	19-Oct-05	16.28	297.44	62.8	2.97	16,280.00	15,921.76
9	ING Vysya Dividend	6-Oct-05	11.26	101.55	12.6	1.72	11,260.00	11,260.00
<b>Abs.returns for New Funds released Between Oct 05 and Dec 05</b>					<b>29.05</b>	<b>3.14</b>	<b>116,144.00</b>	<b>114,922.55</b>
1	Birla Top 100	28-Sep-05	15.36	573.99	53.6	3.19	15,359.80	15,359.80
2	Std. Chartered Premier	26-Sep-05	11.84	218.74	18.43	1.81	11,843.20	11,582.59
3	Tata Contra	26-Sep-05	11.69	361.30	16.94	1.59	11,693.90	11,693.90
4	SBI Magnum Multi	16-Sep-05	15.04	1432.94	50.4	3.51	15,040.00	15,040.00
5	Sundaram Capex	5-Sep-05	16.33	260.74	63.27	3.37	16,327.00	16,327.00
6	ABN AMRO Dividend	30-Aug-05	10.72	58.49	7.23	4.57	10,723.00	10,723.00
7	Reliance Tax Saver	23-Aug-05	13.66	1240.59	36.6	1.79	13,660.00	13,359.41
8	Prudential ICICI Infra.	10-Aug-05	17.49	1347.18	74.9	4.61	17,490.00	17,105.13
9	SBI Magnum Comma	25-Jul-05	15.77	573.40	57.7	3.61	15,770.00	15,770.00
10	Sahara Wealth Plus -	22-Jul-05	13.79	19.77	37.87	2.14	13,786.60	13,786.60
11	Sahara Wealth Plus-	22-Jul-05	13.88	N A	38.78	2.15	13,878.40	13,878.40
12	UTI Opportunities	20-Jul-05	14.08	618.09	40.8	1.73	14,080.00	14,080.00
13	Std. Chartered Classic	14-Jul-05	14.75	491.25	47.55	3.76	14,754.50	14,754.50
14	Birla Gen Next	12-Jul-05	14.84	210.88	48.4	5.02	14,840.00	14,840.00
15	JM Emerging Leaders	4-Jul-05	10.58	57.18	5.8	2.72	10,580.00	10,580.00
16	Kotak Contra	1-Jul-05	13.57	210.36	35.69	0.15	13,569.00	13,270.42
<b>Abs.returns for New Funds released between Jul 05 to Sep 05</b>					<b>39.62</b>	<b>2.86</b>	<b>223,395.40</b>	<b>222,150.76</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 18 00 42582 83 or contact your nearest Karvy branch.**

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