

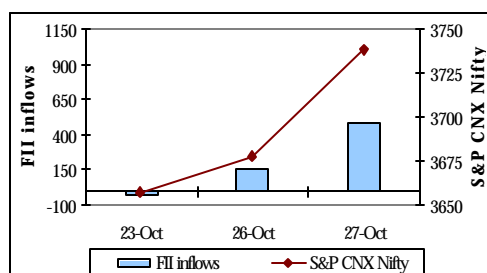
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### Highlights

- ◆ Markets on stock specific buying spree
- ◆ Eye s on remaining quarterly results
- ◆ Bond market were in comfortable zone
- ◆ Central bank's review awaited

### FII Movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

### Weekly FII transactions (equities)

	Oct 23 to Oct 27	Oct 16 to Oct 20
Gross purchases	4126.2	11424
Gross sales	3487.3	8175.7
Net inflows	638.9	3248.3

Amt in Rs. crores Data source: SEBI

October 24 and October 25 was the official holidays

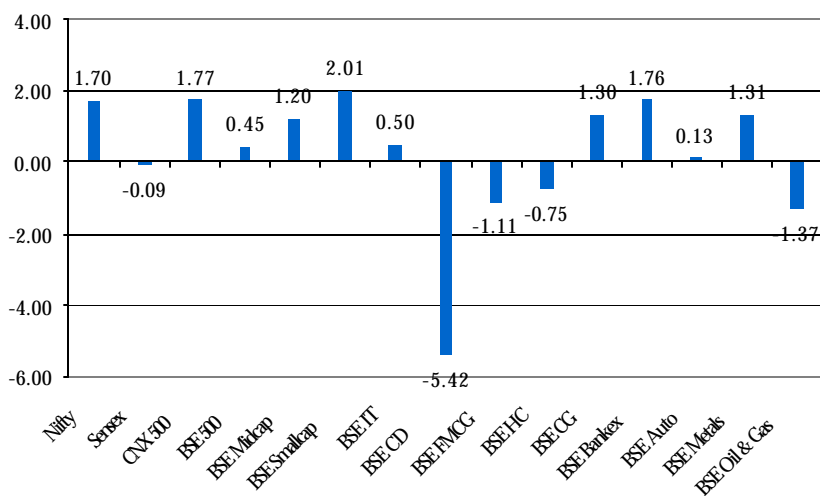
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### The week in retrospect-Equities

The markets witnessed stock specific buying on the basis of strong Q2 results of 2006. Sensex spurted 197 points and is now within the striking distance of 13000. During the later part of the week, worries of slowdown of US economy gripped the global bourses after the news that US has recorded the slowest growth of 1.6% since 2003. Not taking cue from the global trend, domestic markets were on an uptrend on account of strong results of India Inc. and decision of US Federal Reserve to keep US interest rate unchanged. Short covering in derivative contracts on the expiry (Oct. 26) also contributed to the rally. On the back of robust Q2 results, Bharti, Airtel and M&M surged by a significant margin. However, weaker-than-expected earnings results of ONGC, Hero Honda and TVS Motors caused a drop in their stock prices. RIL rose by 4.35% after its announcement that it was running 6,60,000 barrels per day at it's Jamnagar Refinery at full capacity. The stock shed by 1.5% on Thursday on this doubt that it may reduce its production due to damaged happened through fire.

FII's emerged as net buyers in the equity market, significantly amounting to Rs. 638.9 crores.

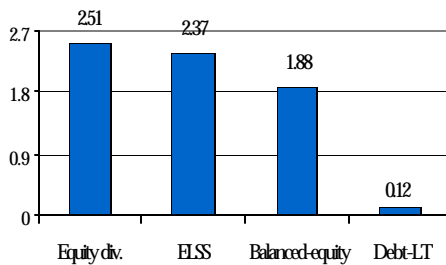
### Weekly Equity Indices Return (absolute %)



As on Oct 27

Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on Oct 30 Datasource: Bloomberg

## Outlook:

**Short-term:** Markets are likely to continue with their uptrend on the back of strong second quarter earnings. This may drag Sensex to touch 13000 mark. But profit booking at higher levels can't be ruled out. Buying support from FIIs may play a crucial role in the coming weeks. Volatility may be in store ahead of RBI Monetary Policy on October 31, 2006.

**Long-term:** High rate of economic growth of 8.9% for the April-July quarter of 2006-07, and contained inflation rate makes the macro picture look positive. 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 the World Economic Forum, India has moved up to the 43rd position from 45th last year in the Global Competitive Index reflecting the efficiency gains made by India in labour and financial markets. This is well ahead of China at 54, Brazil at 66 and Russia at 62, among 125 countries. Also, BSE market capitalisation (currently Rs.34,00,000 crores) has crossed the Indian GDP which shows an increase in retail participation in the stock market.

Recommended schemes to invest		Historical returns as on Oct 30 (%)			Crisil Ranking for qtr end Sept 06
		6 months (abs)	1 year	3 year (ann)	
<b>Aggressive (Equity)</b>	DSP ML Opportunities	3.65	64.05	49.56	1
	Tata Infrastructure	1.19	78.40	N.A.	-
	Reliance Growth	1.01	62.66	62.71	1
	Sundaram Select Midcap	3.80	84.25	64.17	1
<b>Moderate (Equity)</b>	Fidelity Equity	6.12	61.32	N.A.	-
	HDFC Equity	6.74	62.69	48.82	2
	Reliance Equity	6.86	N.A.	N.A.	-
	SBI Magnum Contra	0.09	67.88	71.57	1
<b>Conservative (Equity)</b>	DSP ML Top 100	4.91	68.27	45.38	3
	Sundaram India Leader.	-2.91	58.55	N.A.	2
	Franklin India Bluechip	5.64	66.42	46.30	3
	Templeton India Eq. Inc.	N.A.	N.A.	N.A.	-
<b>ELSS</b>	Franklin India Taxshield	-0.61	53.02	46.67	3
	HDFC Tax saver	-0.80	56.22	62.81	2
	SBI Magnum Tax Gain	2.88	54.55	75.97	1
<b>Balanced</b>	DSP ML Balanced	3.74	45.82	34.09	3
	HDFC Prudence	10.99	43.79	39.07	1
	Kotak Balance	-2.79	45.76	38.50	2

Datasource: MFI Explorer

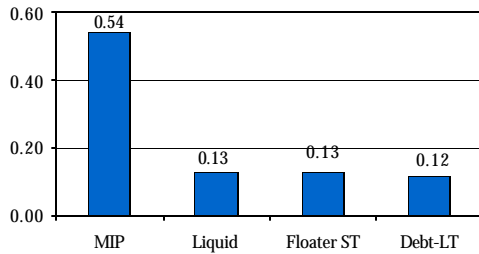
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

## 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 Oct 30 Data source: Bloomberg

## Key statistics

	Oct 27	Oct 20
7.59% GOI 2016 yield	7.64%	7.65%
Call rate	6.9%	7.10%
WPI inflation (week ending October 14 and October 7)	5.26%	5.16%
Dollar exchange rate	45.19	45.33
Forex reserves (\$ bn)	166.153 (Oct 20)	164.951 (Oct 13)

## The week in retrospect-Debt

The bond markets were in the cheerful mood as it rose to the highest level in two weeks. But the gains were limited due to the expectation of a bond auction announcement. Although the volumes were quite low during the initial trading days, it picked up in the later part of the week due to the active participation of private and foreign banks in the absence of public sector banks. Inflation rate increased against the previous level by 10 basis points. This is likely to put pressure on interest rates decision. The 10-year g-sec yield touched 7.64% on Friday. The money market traded on a tight liquidity and cautious approach in the late days of the week. Even bw crude oil prices (near \$59 per barrel) did not help in boosting the market sentiment much. Call rates went down and touched 6.9% on Oct 27.

On the forex side, rupee firmed to a five-month high on Friday at 45.19 as fresh dollar supplies witness from foreign investors. FII inflows have significantly increased during past few days. Forex reserves for the week ending Oct. 20 increased to \$166.153 bn from \$164.951 bn, the previous week.

## Outlook:

**Short-term:** A cautious approach may be witnessed ahead of the policy review by the central bank on Oct 31. Call rates may ease down slightly as liquidity condition may ease. With expectations that fed rate may not be cut, all eyes are set on the coming Federal Reserve's meet. Bond yields may edge up on account of lower participation due to these factors. The central bank may auction 7.40% 2012 government bond for Rs.60 bn and 7.50% 2034 for Rs.30 bn on November 3, 2006.

**Long-term:** Although the present inflation data releases are favourable, it may increase slightly on account of increasing demand of food grains in the coming 6 months. Strong credit and money supply growth may contribute to the probability that central bank may hike rates marginally.

Recommended schemes to invest		Historical return as on October 30 (%)			Expense ratio	Crisil ranking for qtr end Sept 06
		1 month (abs)	3 month (abs)	1 year		
Floaters	JM Floater ST	0.58	1.72	6.37	0.50	3
	Reliance Floating R	0.59	1.80	6.35	0.55	-
Liquid	HDFC Cash Mgt - Savings	0.60	1.74	6.41	0.38	1
	Birla Cash Plus-Retail	0.57	1.66	6.27	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

- ◆ UTI MF has announced the merger of Unit Scheme 2002 into UTI Balanced. After merger, the asset allocation of UTI Balanced would be revised. Also, investors of Unit Scheme 2002 have been provided with an option to exit out from the scheme at the prevalent NAV and without any exit load from October 23 to November 21, 2006.
- ◆ Reliance MF has announced a dividend of 25% under the dividend plan of Reliance Growth Fund. The record date for the same has been fixed as October 30, 2006.

### NFO Corner

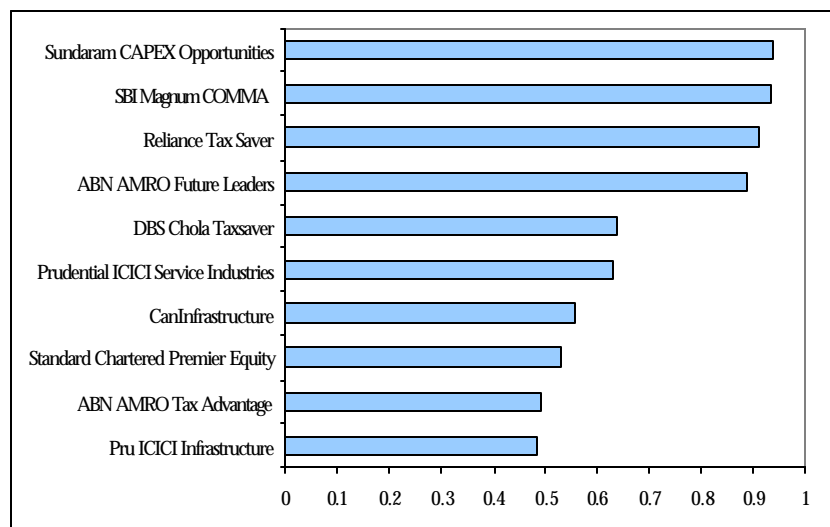
#### NFOs open for subscription:

- ◆ Franklin Templeton has launched Franklin Templeton Capital Safety Fund. The fund will be available for subscription between October 31, 2006 to November 30, 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.
- ◆ JM MF is launching JM Entrepreneur Fund, a 3 year close-ended equity scheme which will invest in equity, debt and money market instruments.
- ◆ Reliance MF is coming up with Reliance Long Term Equity Fund. It is a 3 year close ended scheme that seeks to achieve capital appreciation by investing in the basket of equities and derivatives.
- ◆ Tata MF is launching Tata SIP Equity Fund, a 3 year close ended fund that will initially invest in debt instruments and will systematically allocate the assets to equities over the period.
- ◆ Franklin Templeton is coming up with Franklin Templeton Capital Protection Fund. The scheme will have a 3 year and 5 year plan.
- ◆ 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 October 27, 06

Datasource: MFI Explorer

Note: Funds launched since Jan 05 have been considered.

## Performance analysis of equity NFOs (quarter -wise) as on Oct 30, 2006

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	UTI Spread Fund	9-Jun-06	10.22	339.75	2.16	0.28	10,216.30	10,216.30
2	Tata Equity	15-May-06	10.96	419.45	9.63	1.7	10,963.10	10,963.10
3	Stanchart Enterprise	19-Apr-06	10.97	1547.97	9.7	-0.73	10,969.70	10,969.70
<b>Abs. returns for New Funds released Between Apr 06 to Jun 06</b>					<b>7.37</b>	<b>1.66</b>	<b>32,211.10</b>	<b>32,211.10</b>
1	Fidelity Special Sit.	28-Mar-06	11.93	2035.55	19.26	3.55	11,926.00	11,663.57
2	Templeton India Equity	22-Mar-06	11.10	1982.52	11	2.59	11,100.00	10,855.75
3	Sundaram Rural India	20-Mar-06	11.30	1199.99	13.03	2.83	11,302.80	11,054.08
4	ABN AMRO Future	13-Mar-06	09.43	521.03	-5.66	3.44	9,434.00	9,434.00
5	Pru ICICI Fusior	27-Feb-06	11.35	619.94	13.5	2.99	11,350.00	11,350.00
6	DWS Tax Saving	22-Feb-06	10.28	31.09	2.78	2.75	10,277.70	10,051.54
7	Kotak Lifestyle	22-Feb-06	10.27	541.71	2.65	2.7	10,265.00	10,265.00
8	UTI Contra	22-Feb-06	09.67	882.61	-3.3	1.79	9,670.00	9,670.00
9	Tata Tax Saving	20-Feb-06	10.08	115.41	0.81	1.07	10,081.30	9,883.63
10	JM HI FI	20-Feb-06	10.47	77.35	4.7	3.87	10,470.00	10,239.61
11	Sahara Infrastructure-FP	15-Feb-06	10.40	25.95	4.01	4.16	10,400.90	10,400.90
12	Sahara Infrastructure-	15-Feb-06	10.43	NA	4.35	4.17	10,434.60	10,434.60
13	Chola Contra	14-Feb-06	11.23	85.89	12.3	1.45	11,230.00	10,982.89
14	Quantum Long Term	8-Feb-06	11.52	23.81	15.2	1.05	11,520.00	11,520.00
15	Principal Infra. &	7-Feb-06	11.07	416.30	10.7	3.17	11,070.00	10,826.41
16	Baroda Global Fund	6-Feb-06	11.06	41.76	10.6	2.41	11,060.00	10,816.63
17	Reliance Equity	6-Feb-06	10.40	5502.32	4	2.67	10,400.00	10,171.15
18	Birla Infrastructure	31-Jan-06	11.25	570.32	12.5	3.12	11,250.00	11,002.44
19	Fidelity Tax Advantage	31-Jan-06	11.54	579.46	15.35	2.47	11,535.00	11,281.17
20	SC Imperial Equity	30-Jan-06	11.46	317.20	14.59	2.25	11,459.10	11,206.94
21	UTI Leadership Equity	30-Jan-06	11.43	1191.44	14.3	2.88	11,430.00	11,430.00
22	ING Vysya A.T.M. Fund	27-Jan-06	10.37	90.21	3.7	0.88	10,370.00	10,141.81
23	HDFC Long Term	27-Jan-06	11.16	1526.14	11.58	2.3	11,158.00	11,158.00
24	HSBC Advantage India	27-Jan-06	11.76	1459.58	17.6	3.64	11,759.70	11,500.93
25	SBI Magnum Bluechip	20-Jan-06	11.37	2549.17	13.7	1.97	11,370.00	11,370.00
<b>Abs. returns for New Funds released Between Jan 06 and Mar 06</b>					<b>6.29</b>	<b>0.63</b>	<b>265,718.80</b>	<b>262,192.13</b>
1	Franklin India Smaller	14-Dec-05	10.72	1363.06	7.2	1.04	10,720.00	10,720.00
2	ING Vysya L.I.O.N.	9-Dec-05	12.24	135.58	22.4	2.86	12,240.00	12,240.00
3	ABN Amro Tax	30-Nov-05	12.56	132.19	25.63	2.99	12,563.00	12,563.00
4	Pru ICICI Services	18-Nov-05	13.16	350.44	31.6	4.53	13,160.00	12,870.42
5	CanInfrastructure	9-Nov-05	13.09	99.40	30.9	4.3	13,090.00	13,090.00
6	Kotak Tax Saver	28-Oct-05	12.72	135.74	27.18	4.06	12,718.00	12,438.14
7	Chola Tax Saver	26-Oct-05	12.87	29.50	28.7	2.88	12,870.00	12,586.80
8	Principal Large Cap	19-Oct-05	16.23	297.44	62.3	3.57	16,230.00	15,872.86
9	ING Vysya Dividend	6-Oct-05	11.28	101.55	12.8	2.92	11,280.00	11,280.00
<b>Abs.returns for New Funds released Between Oct 05 and Dec 05</b>					<b>23.67</b>	<b>0.36</b>	<b>111,300.00</b>	<b>110,133.92</b>
1	Birla Top 100	28-Sep-05	15.16	573.99	51.62	2.35	15,161.50	15,161.50
2	Std. Chartered Premier	26-Sep-05	11.79	218.74	17.95	2.92	11,794.70	11,535.16
3	Tata Contra	26-Sep-05	11.60	361.30	16.01	0.81	11,600.70	11,600.70
4	SBI Magnum Multi Cap	16-Sep-05	14.87	1432.94	48.7	3.26	14,870.00	14,870.00
5	Sundaram Capex	5-Sep-05	16.07	260.74	60.73	4.5	16,072.60	16,072.60
6	ABN AMRO Dividend	30-Aug-05	10.53	58.49	5.32	2.43	10,532.00	10,532.00
7	Reliance Tax Saver	23-Aug-05	13.60	1240.59	36	3.66	13,600.00	13,300.73
8	Prudential ICICI Infra.	10-Aug-05	17.00	1347.18	70	3.47	17,000.00	16,625.92
9	SBI Magnum Comma	25-Jul-05	15.47	573.40	54.7	2.86	15,470.00	15,470.00
10	Sahara Wealth Plus -FP	22-Jul-05	13.74	19.77	37.39	2.49	13,739.10	13,739.10
11	Sahara Wealth Plus-VP	22-Jul-05	13.83	NA	38.3	2.5	13,830.10	13,830.10
12	UTI Opportunities	20-Jul-05	14.04	618.09	40.4	1.01	14,040.00	14,040.00
13	Std. Chartered Classic	14-Jul-05	14.59	491.25	45.87	3.46	14,587.40	14,587.40
14	Birla Gen Next	12-Jul-05	14.49	210.88	44.9	3.8	14,490.00	14,490.00
15	JM Emerging Leaders	4-Jul-05	10.52	57.18	5.2	2.73	10,520.00	10,520.00
16	Kotak Contra	1-Jul-05	13.60	210.36	35.97	1.06	13,597.00	13,297.80
<b>Abs.returns for New Funds released between Jul 05 to Sep 05</b>					<b>34.36</b>	<b>-0.02</b>	<b>214,977.00</b>	<b>213,778.71</b>

**Note:** Current value shows the latest market value of an investment of Rs.10,000 in each NFO.

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