

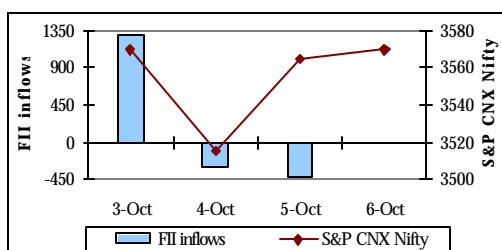
### CONTENTS

◆ Weekly performance-equities	:1
◆ Outlook and recommendations	:2
◆ Weekly performance-debt	:3
◆ Outlook and recommendations	:3
◆ News briefs	:4
◆ NFO corner	:4

### Highlights

- ◆ **Markets end on a negative note**
- ◆ **Q2 earnings awaited**
- ◆ **Bond prices moved up**
- ◆ **Government auction to determine market directions**

### FII Movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI  
 Note: FII Data for Oct 6 is not available

### Weekly FII transactions (equities)

	Oct 3 to Oct 5	Sept 25 to Sept 29
Gross purchases	6088	8522.7
Gross sales	5508.1	7329.6
Net inflows	579.9	1193.1

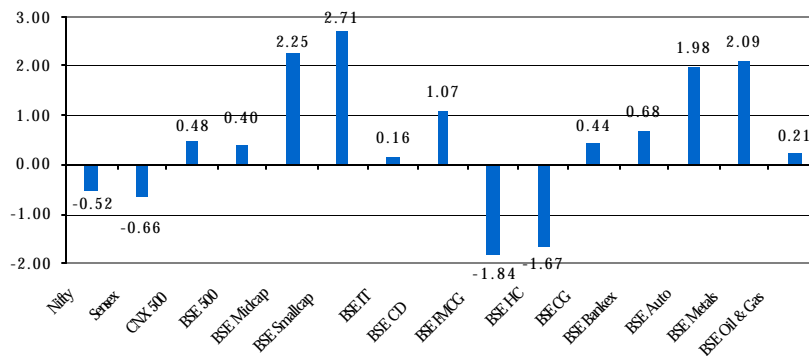
Amt in Rs. crores Data source: SEBI  
 Note: FII Data for Oct 6 is not available

**Kirti Singh**  
**Chinmay**  
**Sonika Dheer**  
 Email: [kirti.s@karvy.com](mailto:kirti.s@karvy.com)  
[chinmay@karvy.com](mailto:chinmay@karvy.com)  
[sonika.dheer@karvy.com](mailto:sonika.dheer@karvy.com)  
 ☎: +91 40 23312454  
 Ext: 304

### The week in retrospect-Equities

The markets went in the red territory on the back of weak global markets and profit-booking. BSE Sensex lost by 0.66% to settle at 12373 and Nifty fell by 0.52% to close at 3569.70 during the week. Markets were low on Tuesday due to profit booking, triggered by weak global market sentiments. A further plunge was witnessed on Wednesday as Asian markets dropped after the news that North Korea may go ahead with its plan of conducting nuclear tests. On Friday, markets ended more or less flat amidst high volatility. This was on account of hike in ECB rate by 25 basis points to 3.25% and worries over US economy slowdown raised by weak U.S. job data. Crude oil prices fluctuated all week after the news that OPEC members may decide to reduce the production. On the sectoral front, BSE Auto rose by 1.98% on the back of surge in Tata Motors (3.6%), Bajaj Auto (3.3%) and M&M (3.2%) after their reports indicating healthy sales growth in Sept. Following a sharp drop in crude oil prices, IOC jumped 7.34% and BPCL gained 7.55% to take the BSE Oil & Gas up by 0.21%. VSNL was among the top gainers on Friday after the news of demerger of its 770-acre land. FIIs emerged as net buyers in the equity market to the marginal tune of Rs. 579.9 crores during the first three trading days of the week. Mutual funds on the other hand turned to be net sellers in the equity market, amounting to Rs. 112.37 crores.

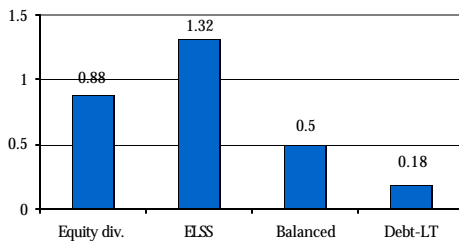
### Weekly Equity Indices Return (absolute %)



As on Oct 6

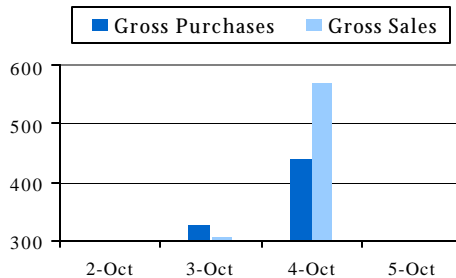
Datasource: BSE, NSE

## Weekly category returns (%)



Abs. returns as on Oct 6 Datasource: Bloomberg

## Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds emerged as net sellers in the equity market to the tune of Rs. 112.37 crores.

### Notes:

1. FII Data for Oct 6 is not available
2. October 2 was a non-working day

## Outlook:

**Short-term:** Markets may remain volatile taking cue from the global markets. With the decision of OPEC members to cut production by 1 million barrels, eliminating 3.4% of total OPEC supply from the world market, crude oil prices are likely to exhibit volatility. Strong quarterly results are expected from Infosys on Oct. 11. Markets may move up if the earnings are stronger-than-expected. Sales are likely to surge ahead of the festive days of Diwali.

**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.

Recommended schemes to invest		Historical returns as on Oct 6 (%)			Crisil Ranking for qtr end June 06
		6 months (abs)	1 year	3 year (ann)	
<b>Aggressive (Equity)</b>	DSP ML Opportunities	-1.63	39.56	49.28	2
	Tata Infrastructure	-0.10	52.76	N.A.	-
	Reliance Growth	-0.05	36.15	62.16	1
	Sundaram Select Midcap	5.31	62.57	64.93	1
<b>Moderate (Equity)</b>	Fidelity Equity Fund	-0.65	38.50	N.A.	-
	HDFC Equity	1.73	42.32	48.75	2
	Reliance Equity	N.A.	N.A.	N.A.	-
	SBI Magnum Contra	1.01	46.52	72.47	1
<b>Conservative (Equity)</b>	DSP ML Top 100	1.32	45.45	45.43	3
	Sundaram India Leader.	-7.72	36.95	N.A.	2
	Franklin India Bluechip	1.09	42.19	45.53	4
	Templeton India Eq. Inc.	N.A.	N.A.	N.A.	-
<b>ELSS</b>	Franklin India Taxshield	-4.25	32.90	45.60	3
	HDFC Tax saver	-3.43	32.95	61.28	2
	SBI Magnum Tax Gain	0.98	36.08	77.08	1
<b>Balanced</b>	DSP ML Balanced	0.26	31.36	33.71	3
	HDFC Prudence	7.33	33.25	39.28	1
	Kotak Balance	-2.99	30.37	37.82	2

Datasource: MFI Explorer

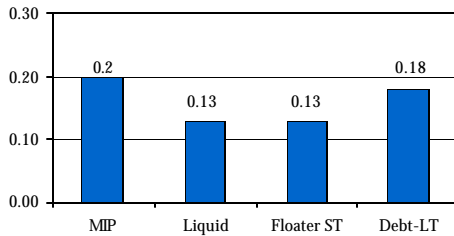
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

## 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 (%)

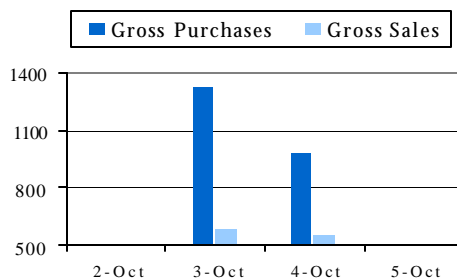


Abs. returns as on Oct 6 Data source: Bloomberg

## Key statistics

	Oct 6	Sept 29
7.59% GOI 2016 yield	7.60%	7.64%
Call rate	6.5%	7.6%
WPI inflation (week ending September 23 and September 16)	4.77%	4.56%
Dollar exchange rate	45.58	45.93
Forex reserves (\$ bn)	165.31 (Sept 29)	166.48 (Sept 22)

## Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market, mutual funds emerged as net buyers, amounting to Rs. 1175.56 crores.

## Notes:

1. FII Data for Oct 6 is not available
2. October 2 was a non-working day

## The week in retrospect-Debt

Bond prices strengthened as low crude oil prices (\$59.77 per barrel) increased hopes that RBI may not increase interest rates in the coming RBI meet. A rise in U.S. treasuries further boosted the market sentiments. However, on Friday, a hike in ECB rate by 25 bps led the yields in the domestic market to edge up. Call rates have dipped from 7.65% to 6.5% indicating eased liquidity as compared to the last week, when banks had extremely high demand for their cash requirements. The 10-year g-sec yields decreased from 7.64% to 7.60% during the week.

Inflation increased to 4.77% for the week ended Sept. 23 from 4.56% in the previous week on the back of high spending during the current festive season. On the forex front, rupee appreciated against dollar as weak U.S. employment data raised concerns over slowing U.S. economy. Forex reserves for the week ending September 29 decreased to \$165.31 billions from the record high of \$166.48 billions, the previous week.

## Outlook:

**Short-term:** As the event of very high liquidity crunch is over on Sept 30, call rates may not float at very high levels. Yet due to overall strong liquidity demand, they are expected to float between 6% and 6.5%. With the government scheduled to borrow Rs. 90 bn in the coming week amidst tight liquidity, the cut-off yields of the securities are likely to increase. Therefore, bond yields may edge up slightly. Volatility could be witnessed ahead of the domestic interest rates decision in the coming RBI meet on Oct 31.

**Long-term:** Though inflation seems under control, it may increase on account of increasing demand of food grains. Non pass-through of oil price increase in domestic rates is also a concern. Also, factors such as strong credit and money supply growth contribute to the probability that central bank may hike rates marginally in the next calendar year.

Recommended schemes to invest	Historical return as on October 6 (%)			Expense ratio	Crisil ranking for qtr end June 06	
	1 month	3 month	1 year			
Floaters	JM Floater ST	0.56	1.67	6.24	0.50	3
	Reliance Floating R	0.59	1.70	6.19	0.55	-
Liquid	HDFC Cash Mgt - Savings	0.57	1.70	6.29	0.38	2
	Birla Cash Plus-Retail	0.55	1.63	6.16	0.34	2

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

- ◆ The MF industry saw 5.08% decline in asset base in September. Of the 30 mutual funds, the asset bases of 17 dropped.
- ◆ Nandkumar Surti, Lotus' Chief Investment Officer for debt has quit Lotus India AMC. Not long back, Sandeep Sabharwal had resigned as Lotus's CIO - equity.
- ◆ SBI Mutual Fund has revised the exit load for its equity schemes. With effect from 3 October 2006, an exit load of 1 % will be levied on investments less than Rs 5 crores upon redemption within 6 months. The revised load structure will be applicable for: SBI Bluechip, Magnum Equity, Magnum Balanced, Magnum Multiplier Plus, Magnum Midcap, Magnum Global, Magnum FMCG, Magnum IT, Magnum Pharma, Magnum COMMA, Magnum Contra, Magnum Emerging Businesses, Magnum MultiCap and Magnum NRI Inv FlexiAsset.

## NFO Corner

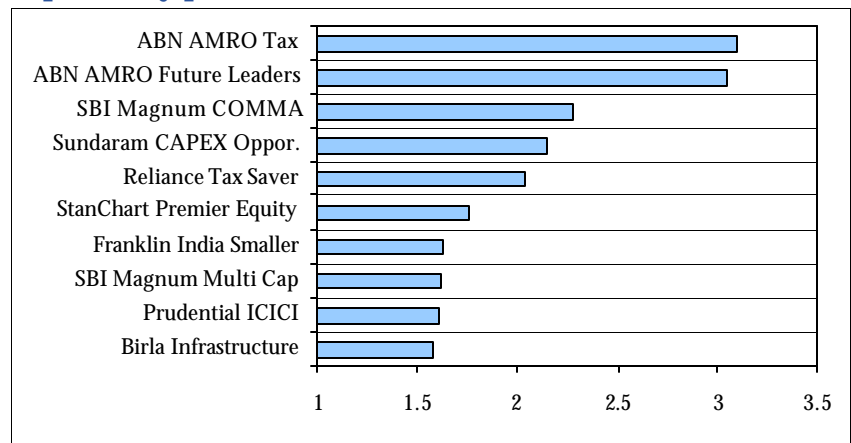
### New Fund Offers open for subscription:

- ◆ UTI Mutual Fund has launched UTI Wealth Builder Fund. The fund will be available for subscription till October 11, 2006. UTI Wealth Builder Fund is a close-ended diversified equity scheme with a maturity period of 5 years.
- ◆ SBI Mutual Fund has launched a new open ended equity scheme, SBI Arbitrage Opportunities Fund. The fund will be available for subscription till October 13, 2006.
- ◆ DSP ML has launched DSP ML Small and Mid Cap Fund. The new fund will be open for subscription till October 16, 2006.
- ◆ ING Vysya has launched a 3 year close-ended asset allocation fund, namely ING Vysya Dynamic Asset Allocation Fund. The new fund will be open for subscription till October 19, 2006.

### Forthcoming New Fund Offers:

- ◆ FT MF is coming up with Franklin Templeton Capital Protection Fund which 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 6, 06

Datasource: MFI Explorer

**For more information on MUTUAL FUNDS call 18 00 42582 83 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. 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.

This report is intended for a restricted audience and we are not soliciting any action based on it.