



# Monthly Presentation Equity & Debt

August 2007



# DEBT MARKETS



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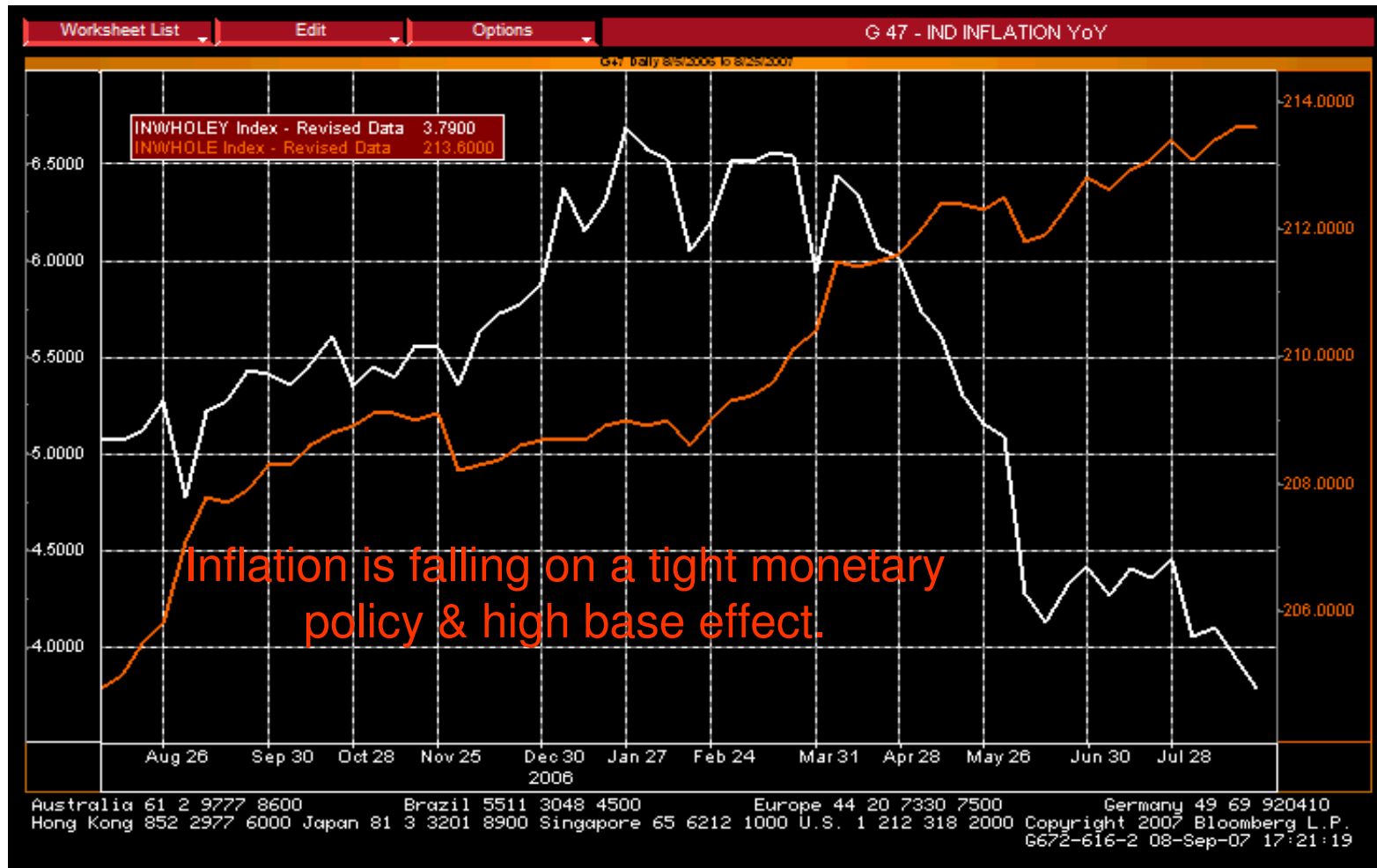
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## Events of the Month

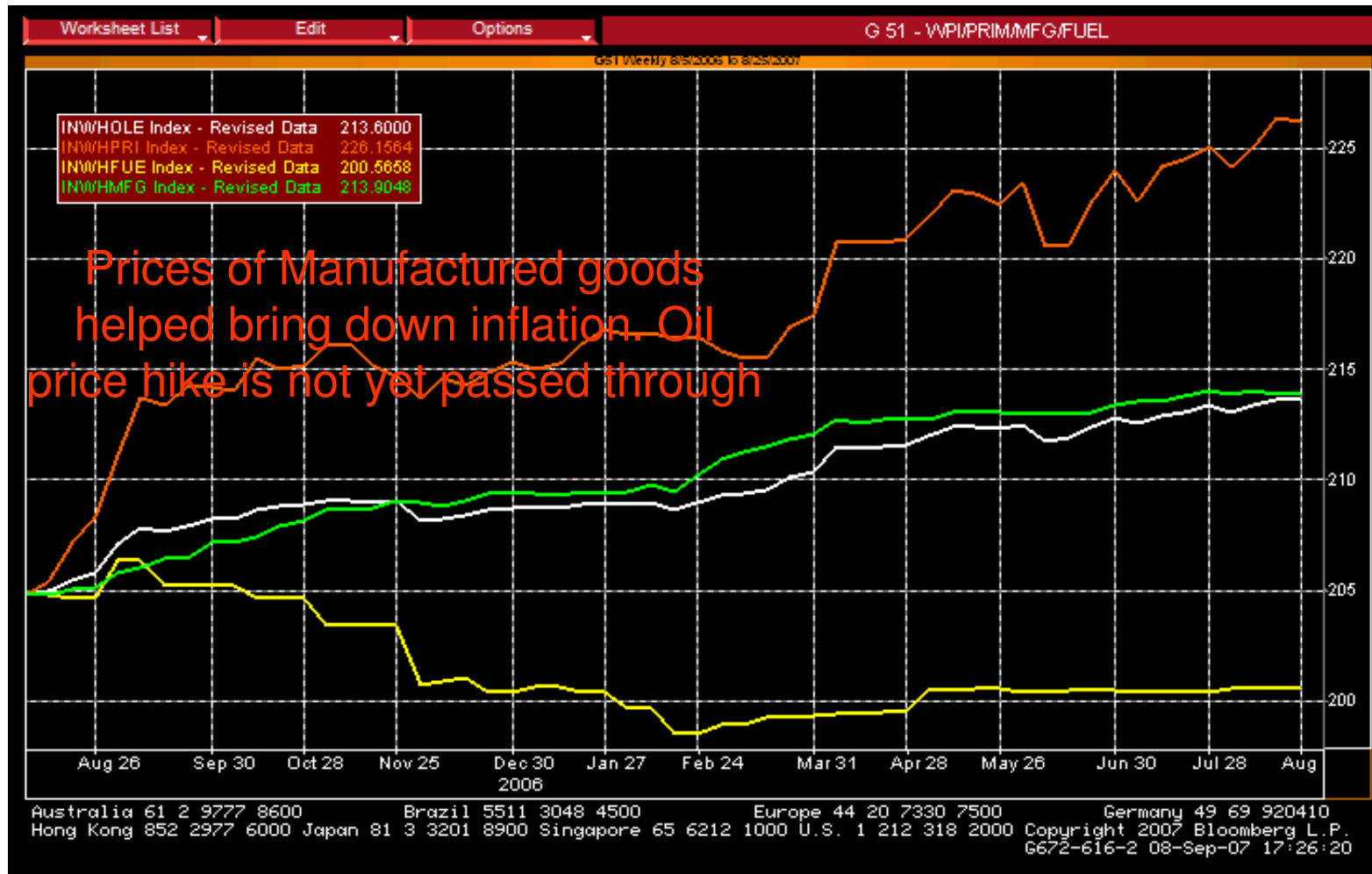
- The latest inflation figure of 3.94% suggests that the overheating conditions have subsided. The base effect is expected to keep inflation below 4% till November.
- The tightening measures adopted by the Central bank slowed credit demand growth to 23.1% YoY as on August 17, 2007.
- M3 grew at the slowest pace since May 2007 at 20% during the fortnight ended August 17, 2007 as per latest data from the RBI, higher than the target range of 17-17.5%.
- India's forex reserves are at all time high of USD 228.85 billion as on August 24, 2007.
- The Government hiked the MSS ceiling from Rs.1100 billion to Rs.1500 billion to create space for absorbing liquidity.
- The removal of cap of Rs.30 billion on the reverse repo amount caused overnight call money market rates to come back to reverse repo rate levels, which were at sub-1% levels for almost 2 months.



# WPI Inflation



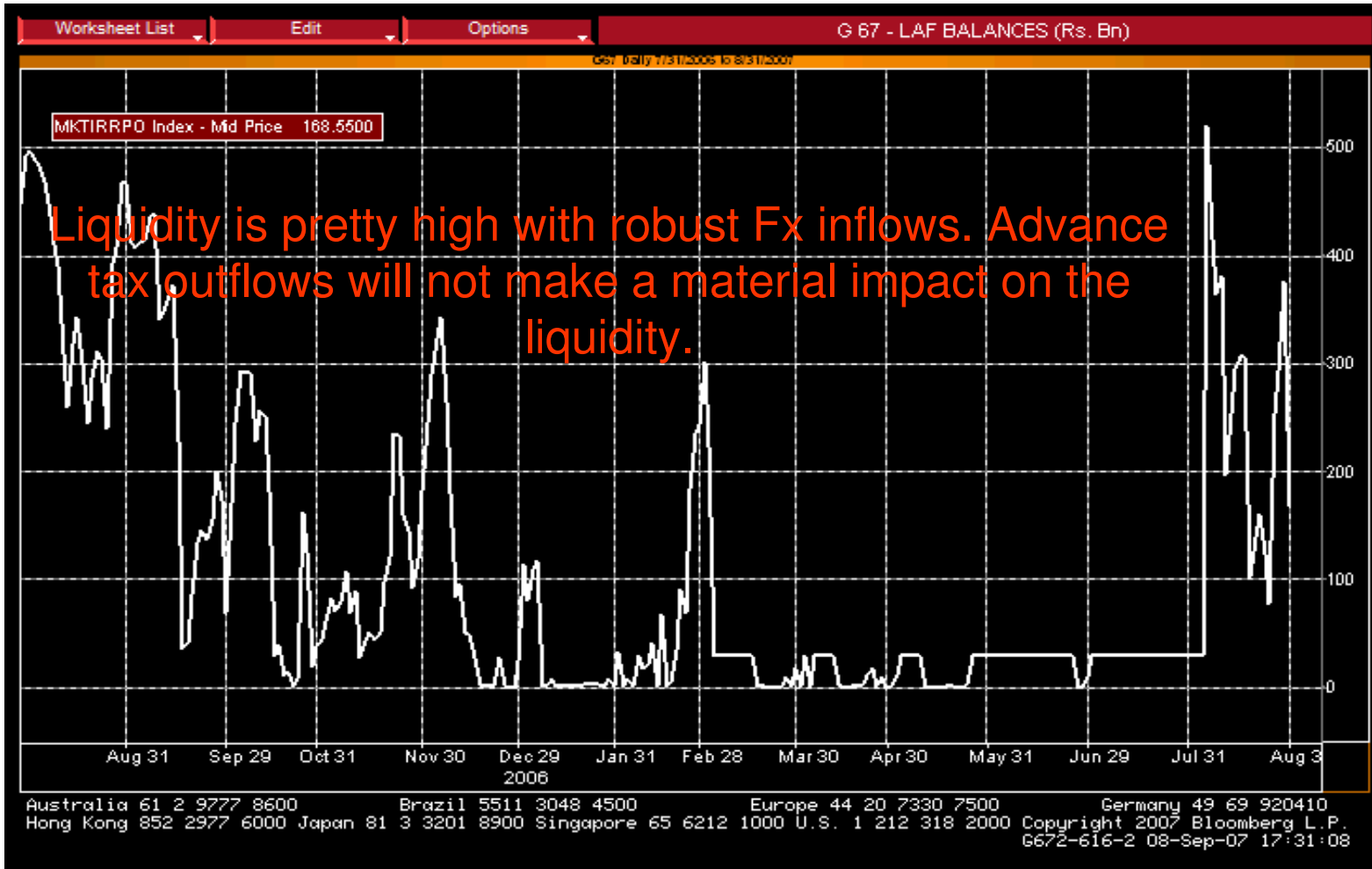
# WPI Components



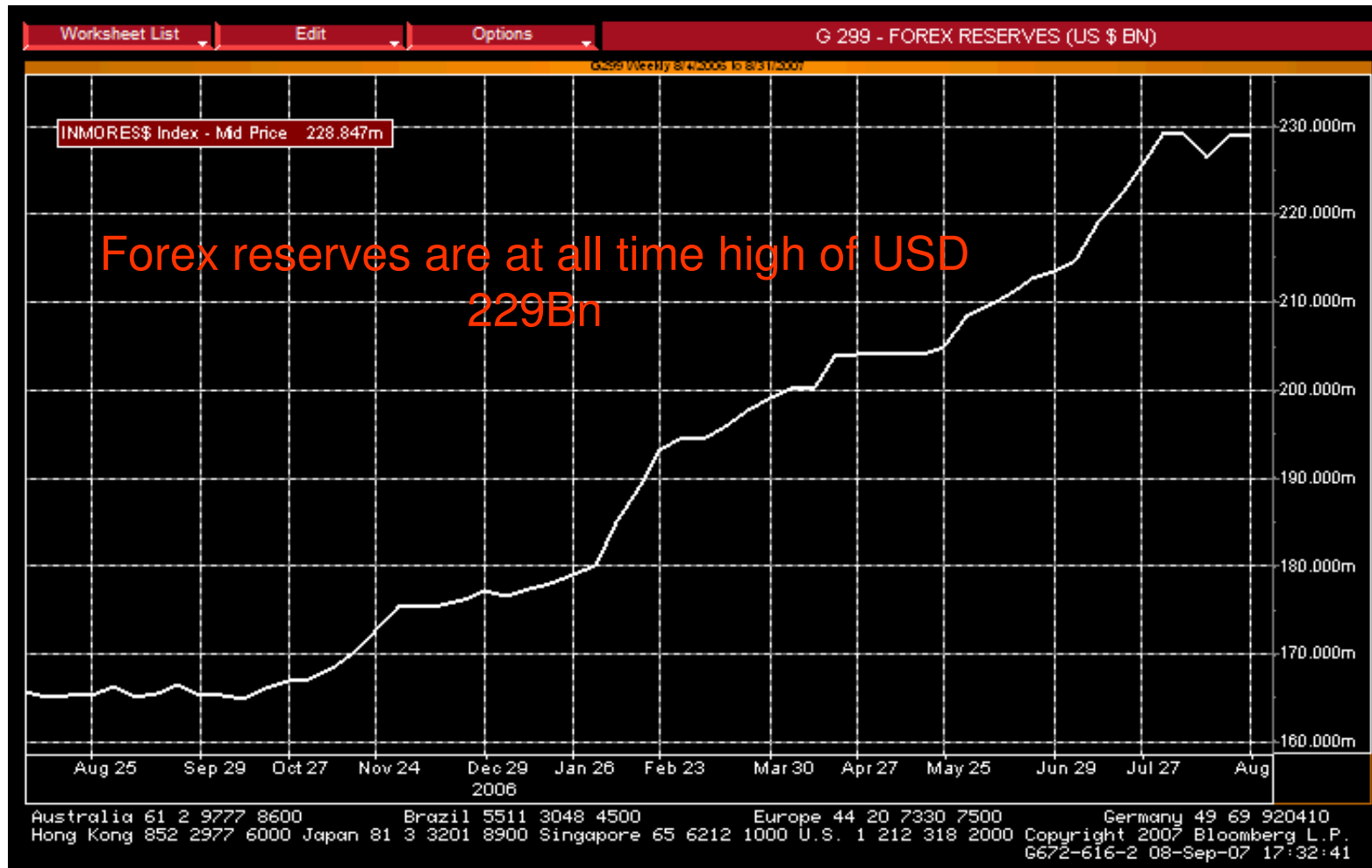
# Crude Oil Prices



# Liquidity (CBLO Rates)



# Forex Flows

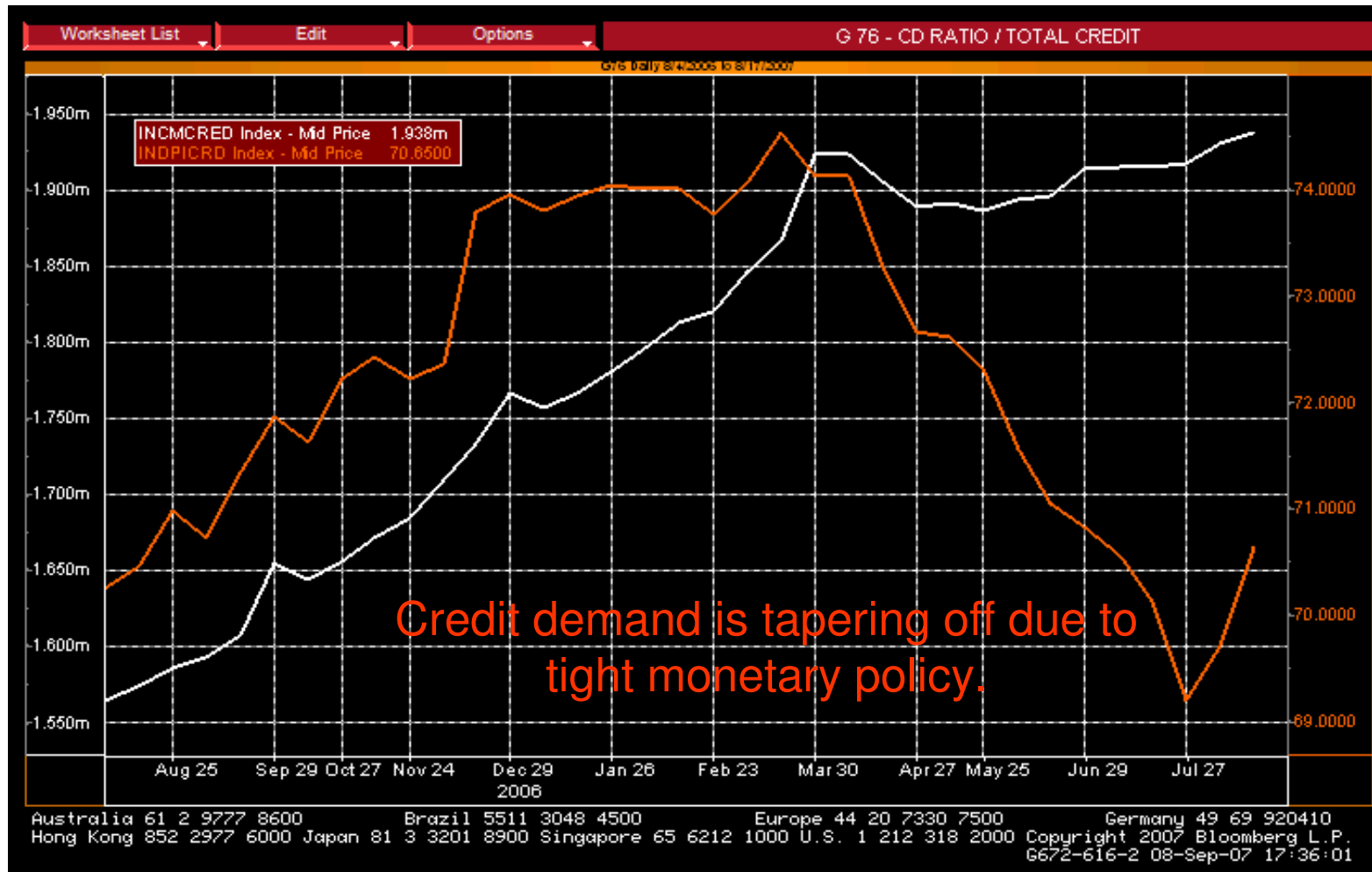




# Currency Markets



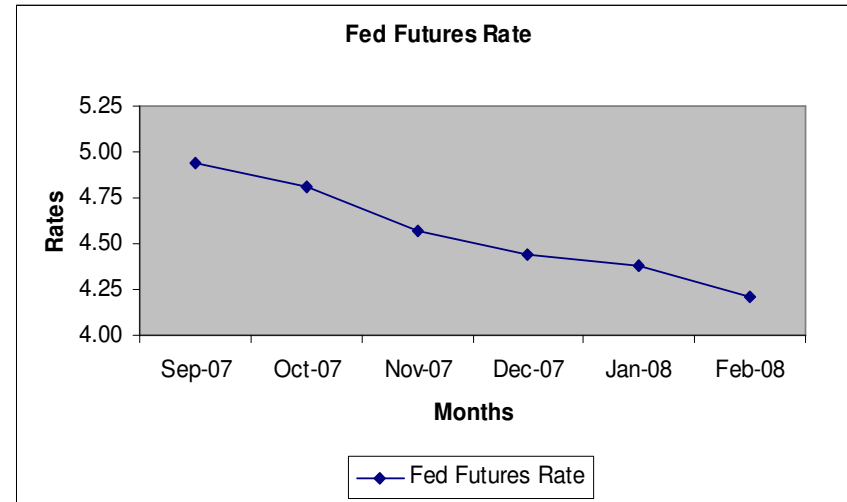
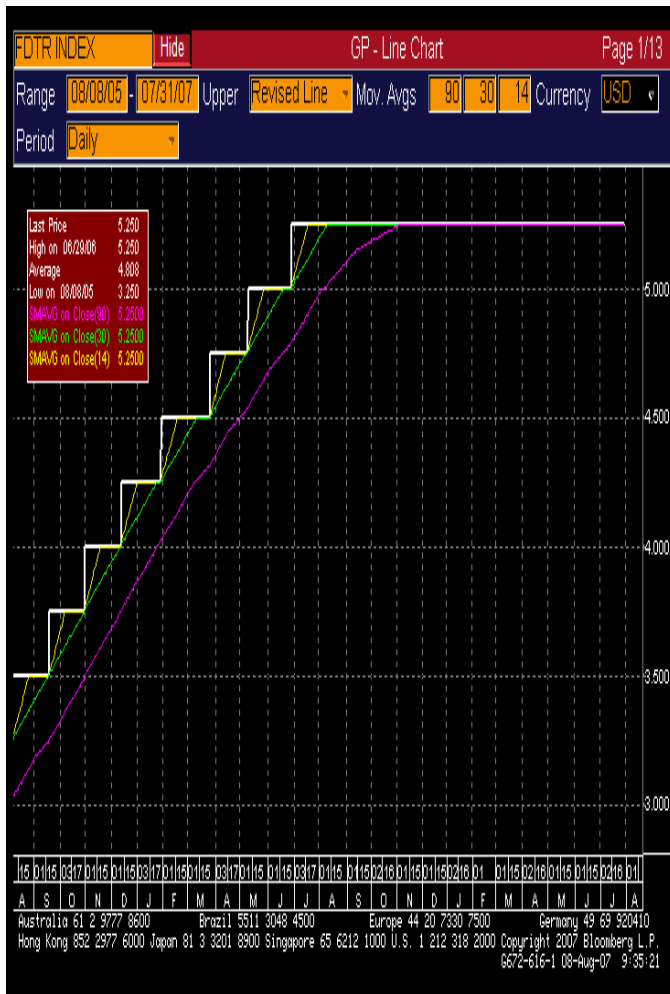
# Credit Growth



# Global Interest Rates



# US Fed Funds Rate

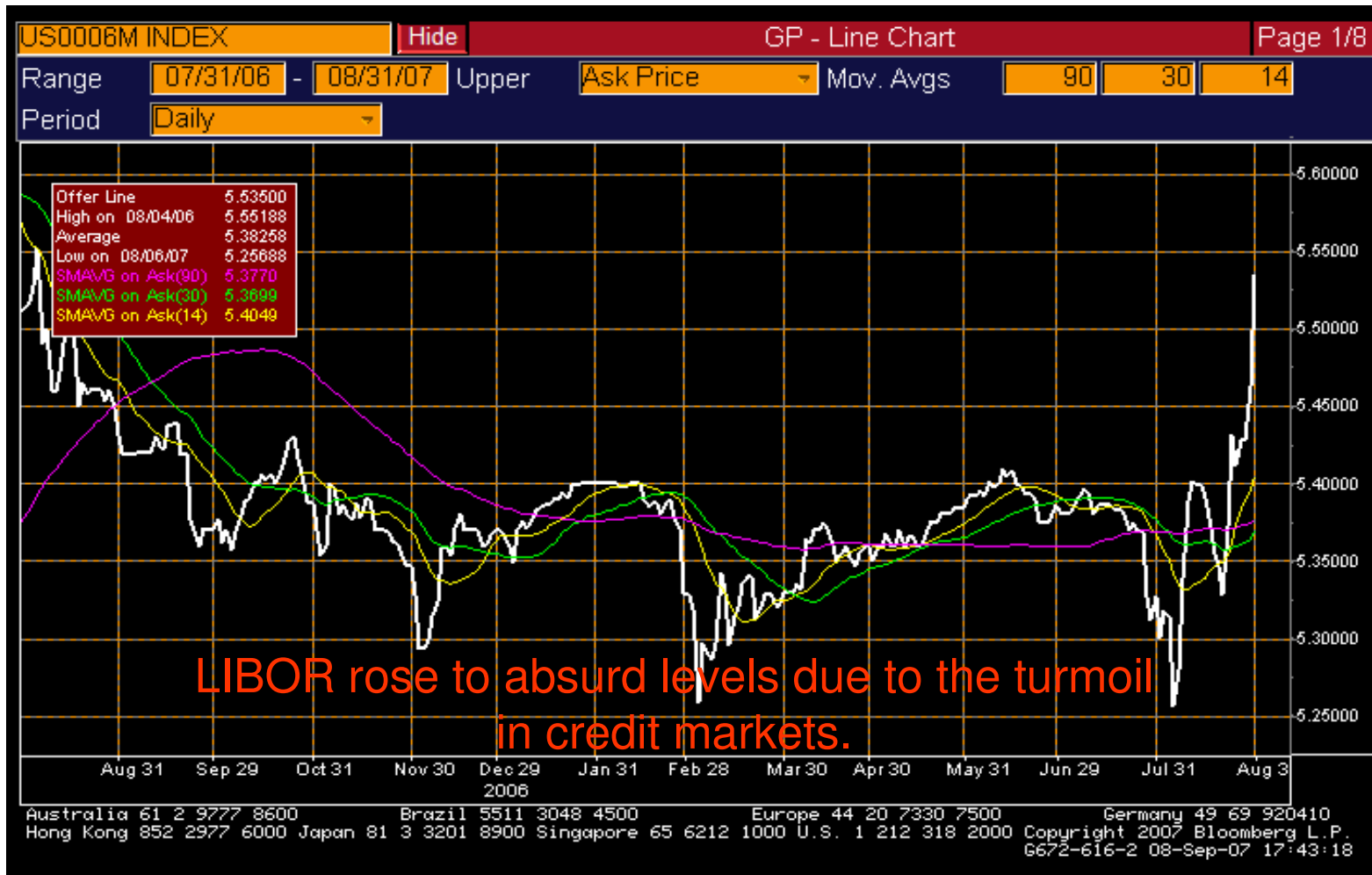


Month	Fed Futures Rate
Sep-07	4.94
Oct-07	4.81
Nov-07	4.57
Dec-07	4.44
Jan-08	4.38
Feb-08	4.21

**Market expects US Fed to cut rates by atleast 25 bps due to sub-prime loan issues on or before Sept 18**



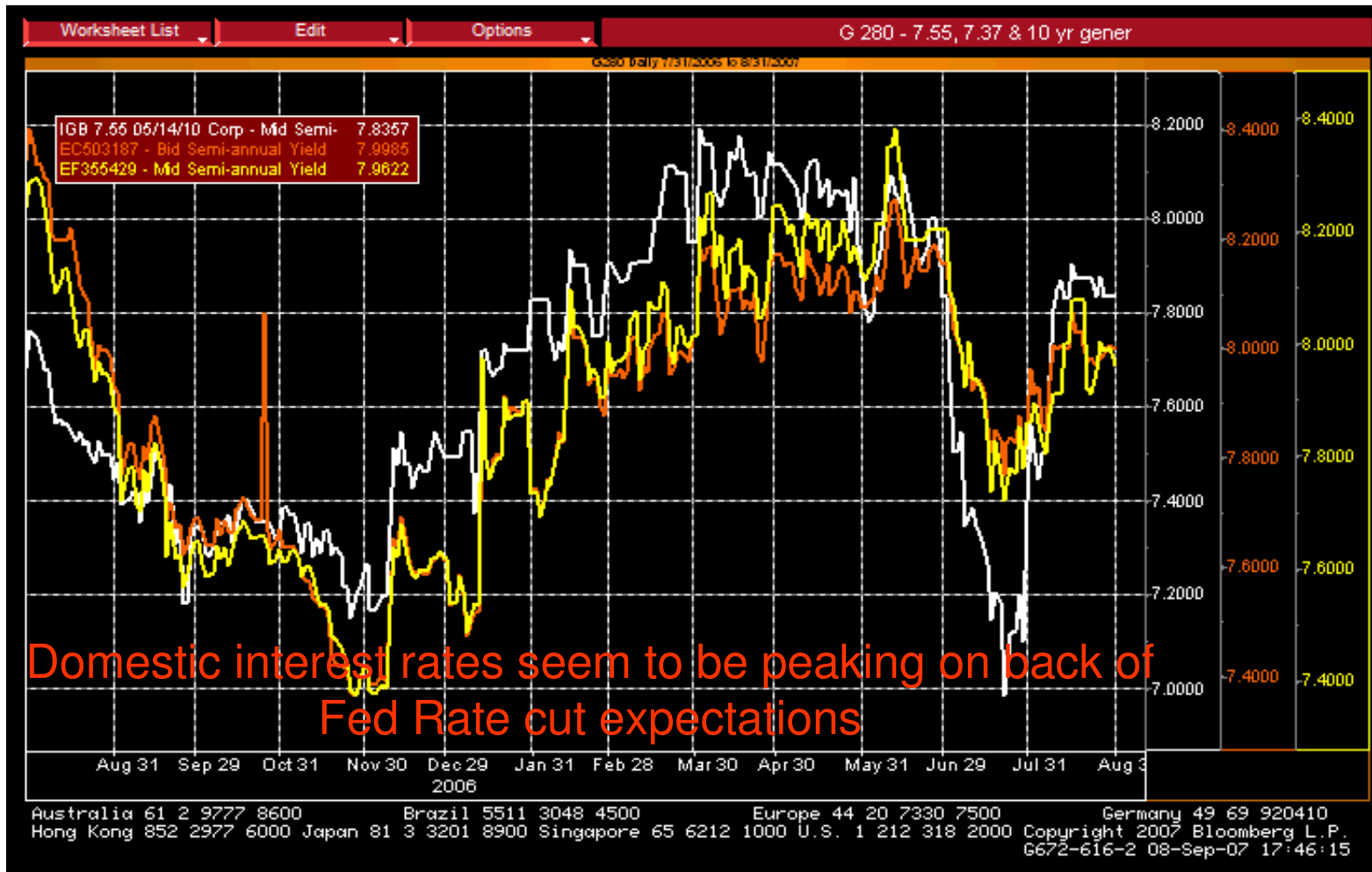
# USD 6m LIBOR



# USD-Euro Spot Rate



# Domestic Interest Rates



# 5 Year OIS Swap Rate

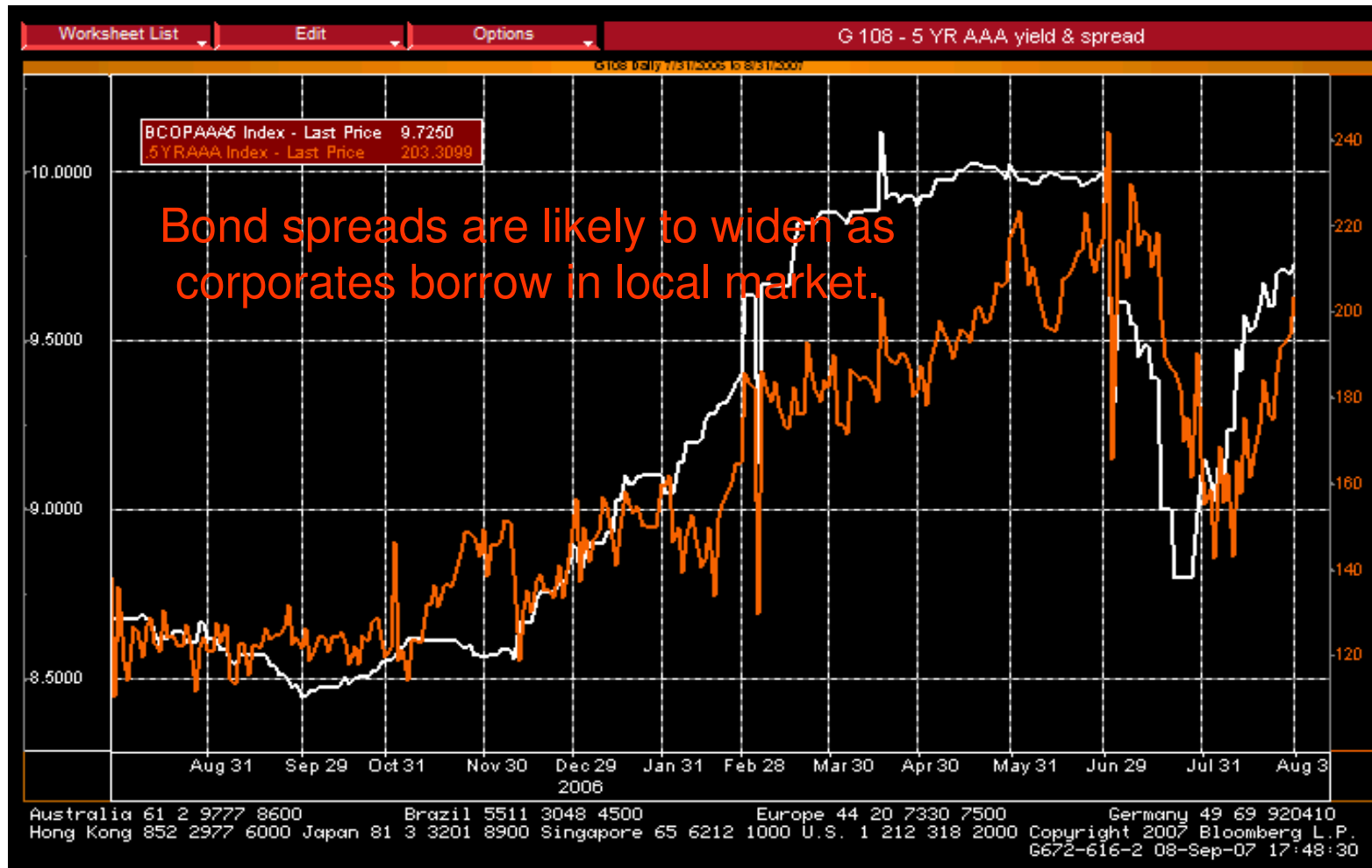


Swap Rates moved against Gilt yields on back of lot of receiving int. Expectation of ample liquidity and benign global int. rates are expected to pull down rates.





# 5 Year AAA Yields and Spread



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# Outlook

- Long Term: Positive

- The RBI is expected to manage liquidity in a manner, which is conducive to growth as well as stable inflation.
- Fed Rate cut will keep a cap on the Indian Interest rates.

- Short Term: Positive

- Liquidity is expected to remain comfortable. The banking system is well geared to handle festival season credit demand.
- With benign inflation figures and slow credit growth as of now, RBI is expected to keep key policy rates untouched for the time being.

- Recommendation:

- ICICI Prudential Gilt Fund
  - A diversified portfolio of investment grade securities consisting primarily of G-secs which are essentially liquid and carry no credit risk.
  - Choice of Plans, Treasury and Investment, depending on the investment horizon.
  - Debt component in pure equity investors' portfolio would offer stability of returns with relatively lower levels of risk.
  - Current market conditions, when liquidity is ample in the system, make it a profitable proposition for investors to invest in long term gilt funds.





# EQUITY MARKETS



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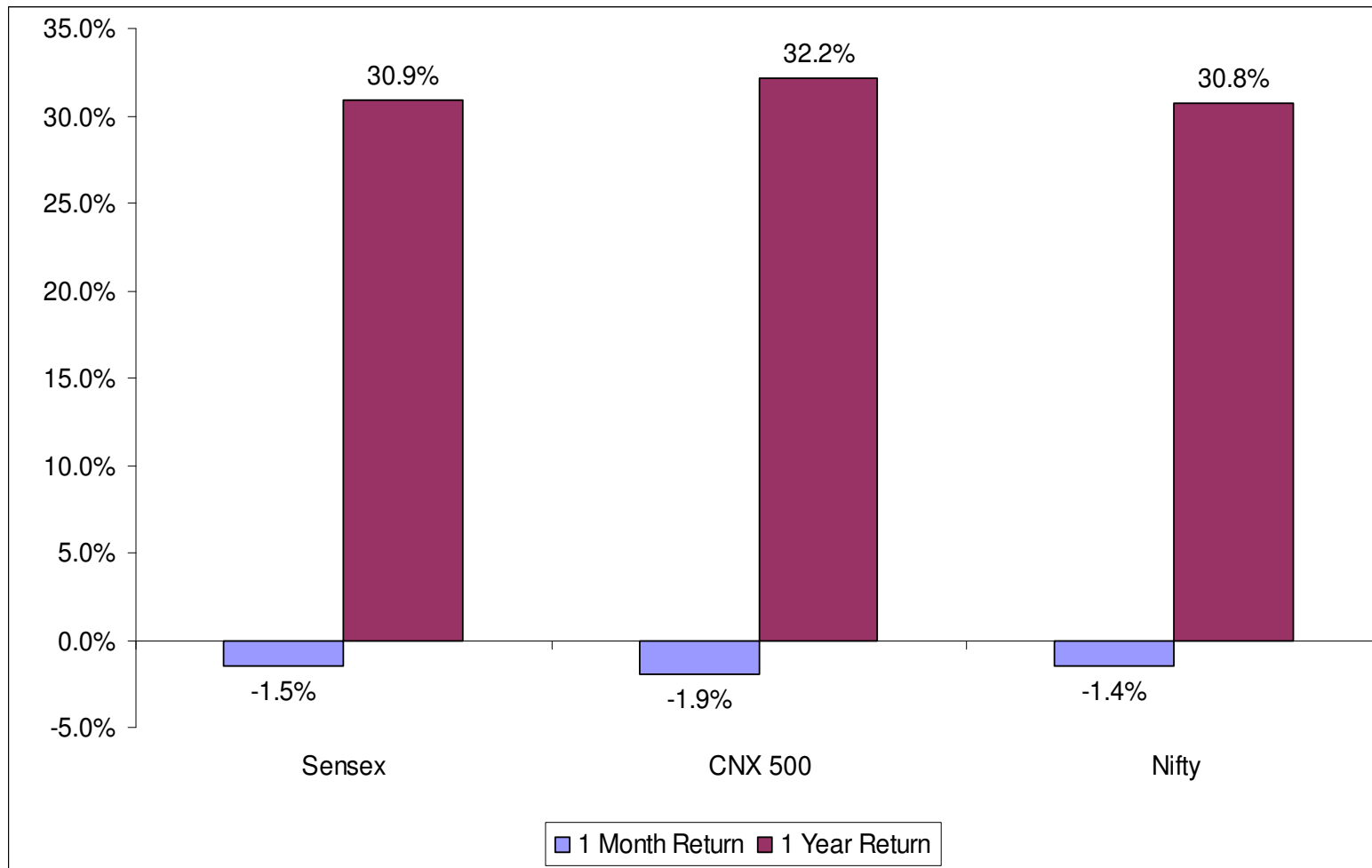
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## Events of the Month

- The Indian economy continued its up-trend by registering GDP growth at 9.3% in the first quarter of FY07-08 led by the manufacturing sector, which clocked an 11.9% rise.
- Met department reported that the country as a whole has received above normal monsoon.
- Capital Goods stocks have shown consistent performance, while Banking and Tech stocks were laggards.
- Global weakness and risk aversion (due to sub-prime issues) and political turbulence due to the 123-agreement caused gyrations in the market.
- The markets are likely to be driven primarily by political events and direction of the global markets.



# Market Returns\*

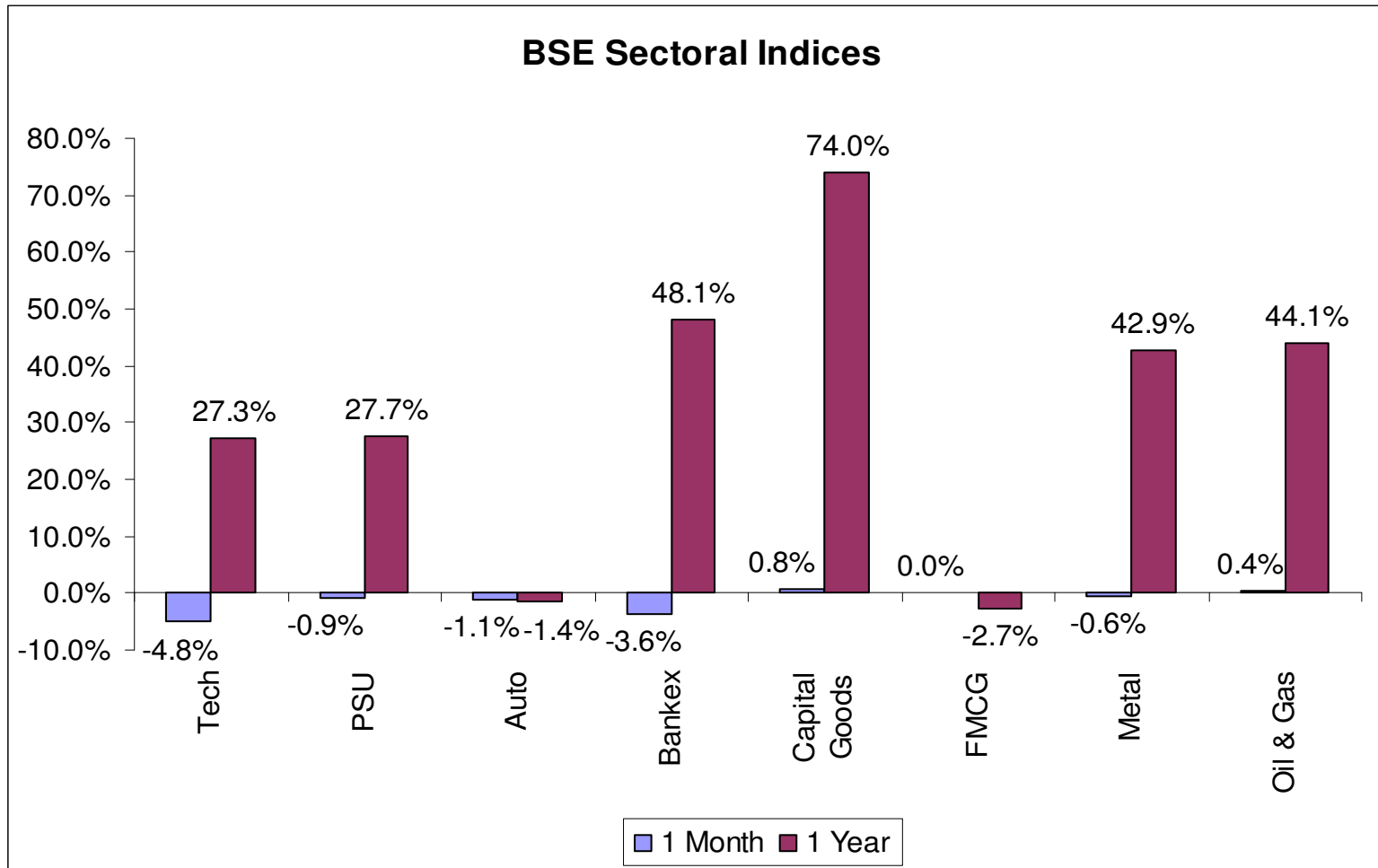


**Indices ended in the red due to political uncertainty and foreign investors withdrawing money from Indian markets.**



**\*As on 31<sup>st</sup> August 2007**

# Sectoral Performance\*



**Capital Goods stocks have shown consistent performance, while Banking and Tech stocks were laggards.**



\*As on 31<sup>st</sup> August 2007

# Cash Market Delivery

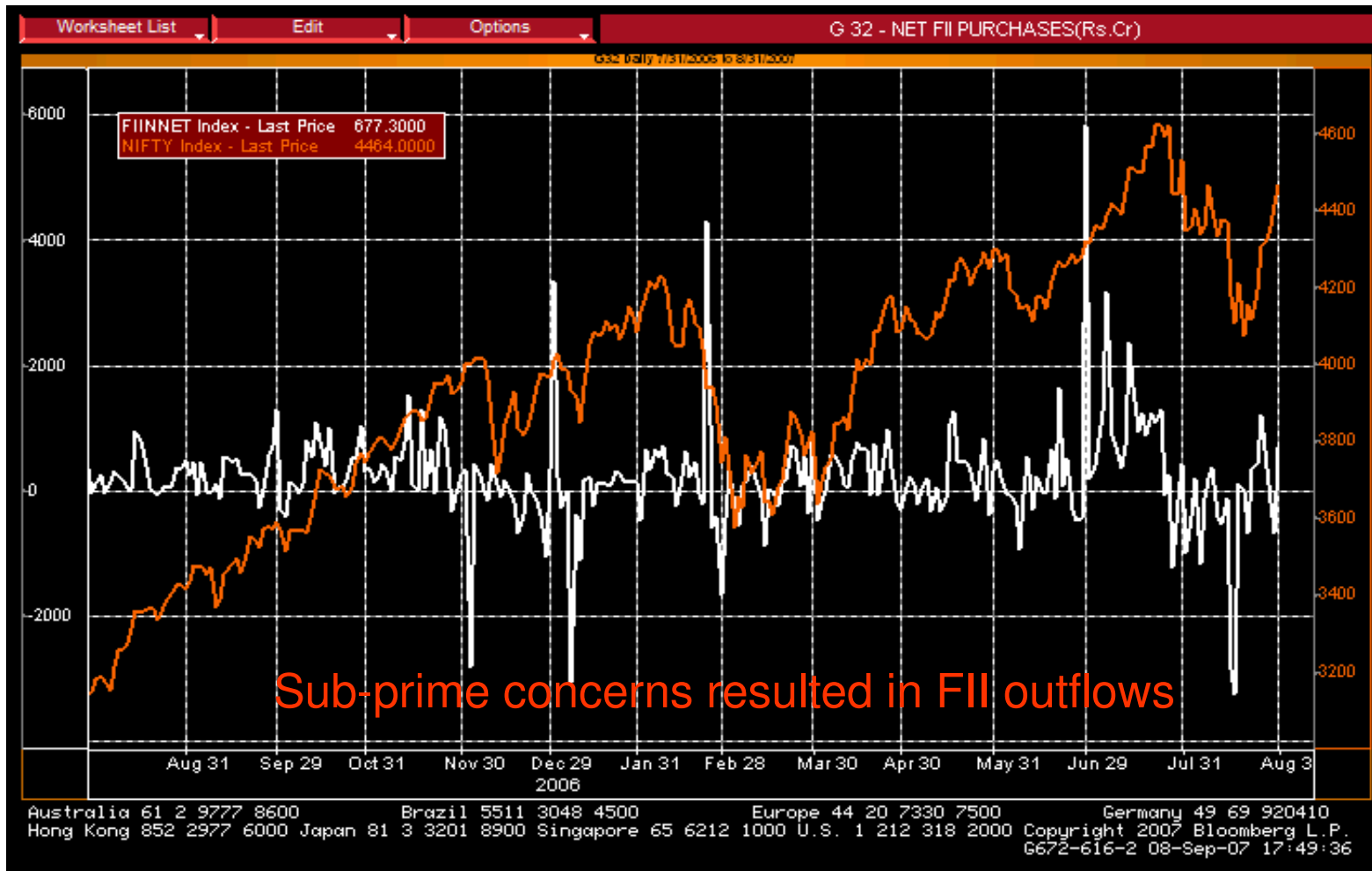
CATEGORY	AMOUNT (RS. CR.) August 2007
CLIENTS	3992
NRI	12
PROPRIETARY	(359)
IFIs	(55)
BANKS	(153)
FIs	(7522)
MFs	4093

Local investors bought when FIs were selling in Aug 07



Source: BSE, NSE Website, Internal Calculations

# FII Flows

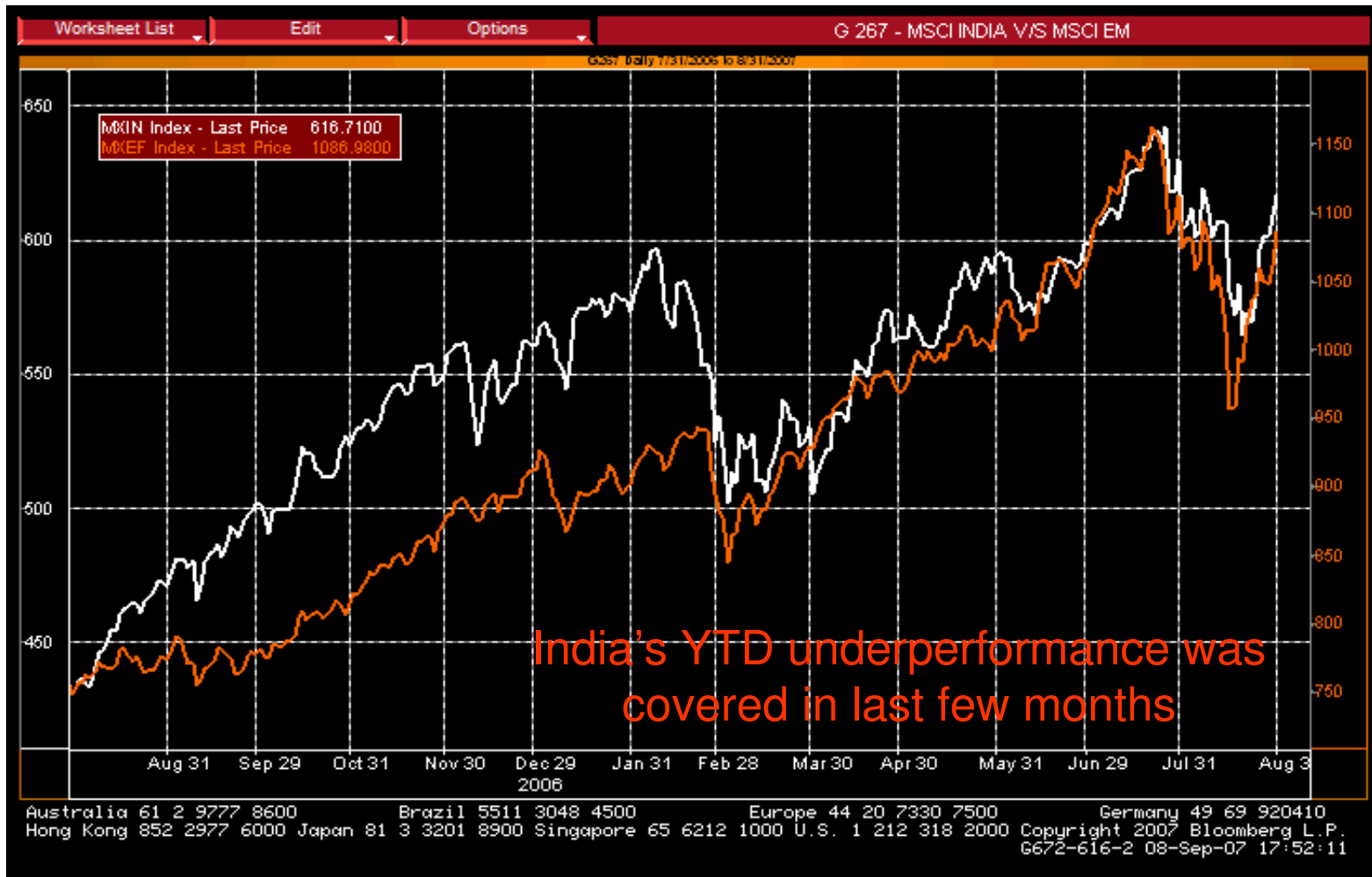




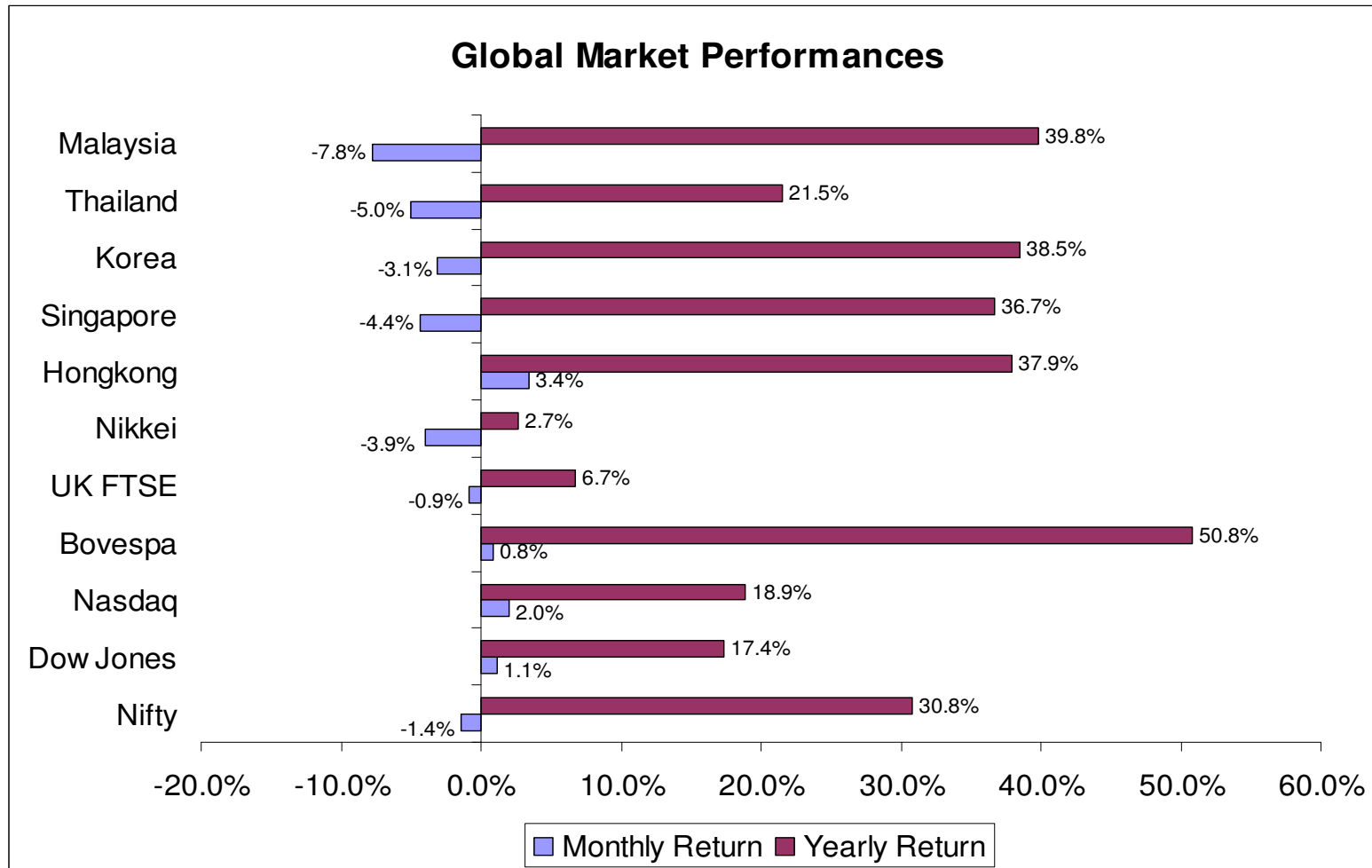
# MF Flows (Rs Cr)



# India v/s Emerging Markets



# Global Markets



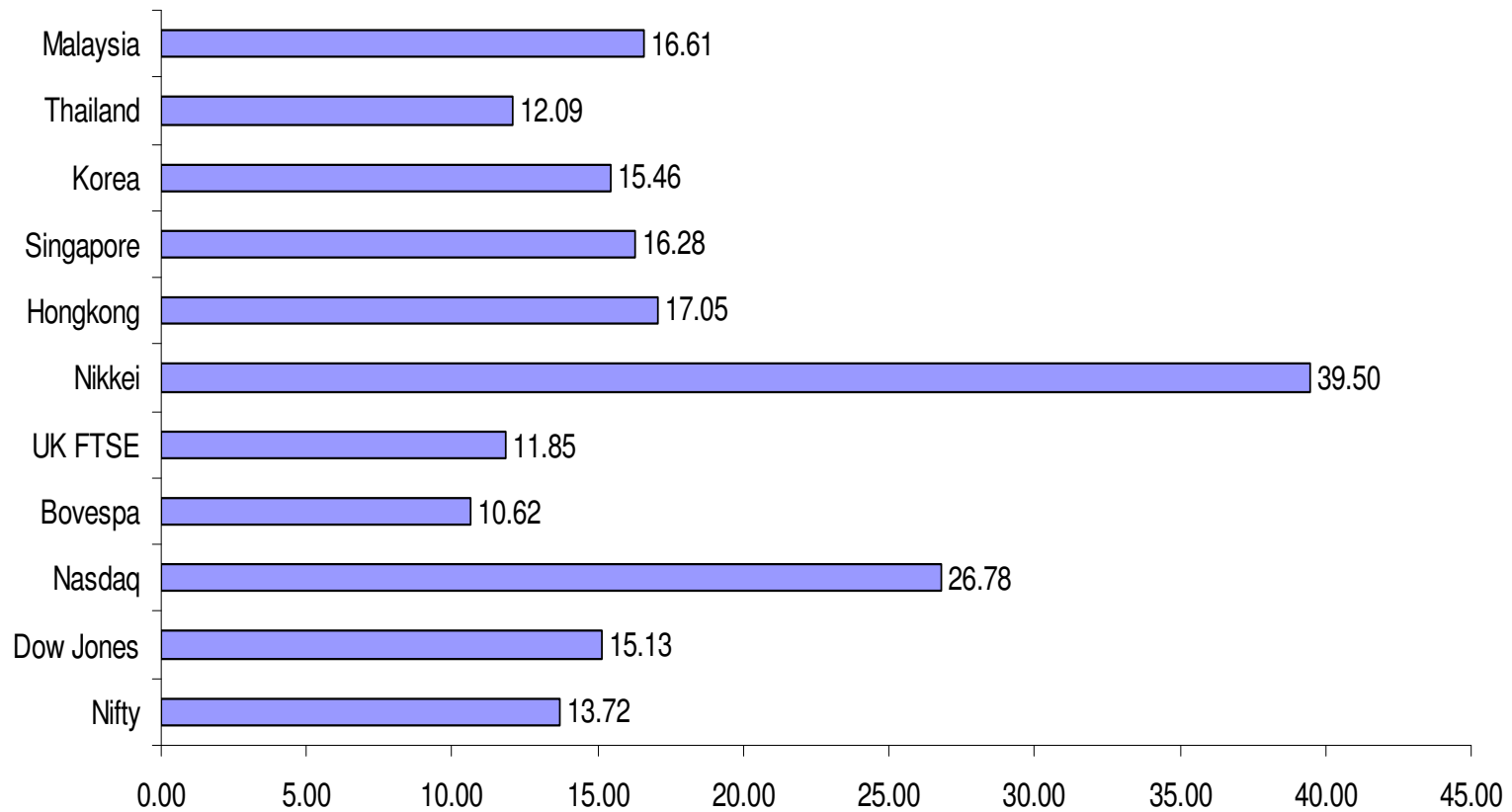
**Global markets lost on sub-prime concerns. US markets parred losses made during the month.**



**\*As on 31<sup>st</sup> August 2007**

# Global Valuations

P/E Multiple (One year forward) of Indices



**With markets correcting, Indian equities were available at attractive valuations.**

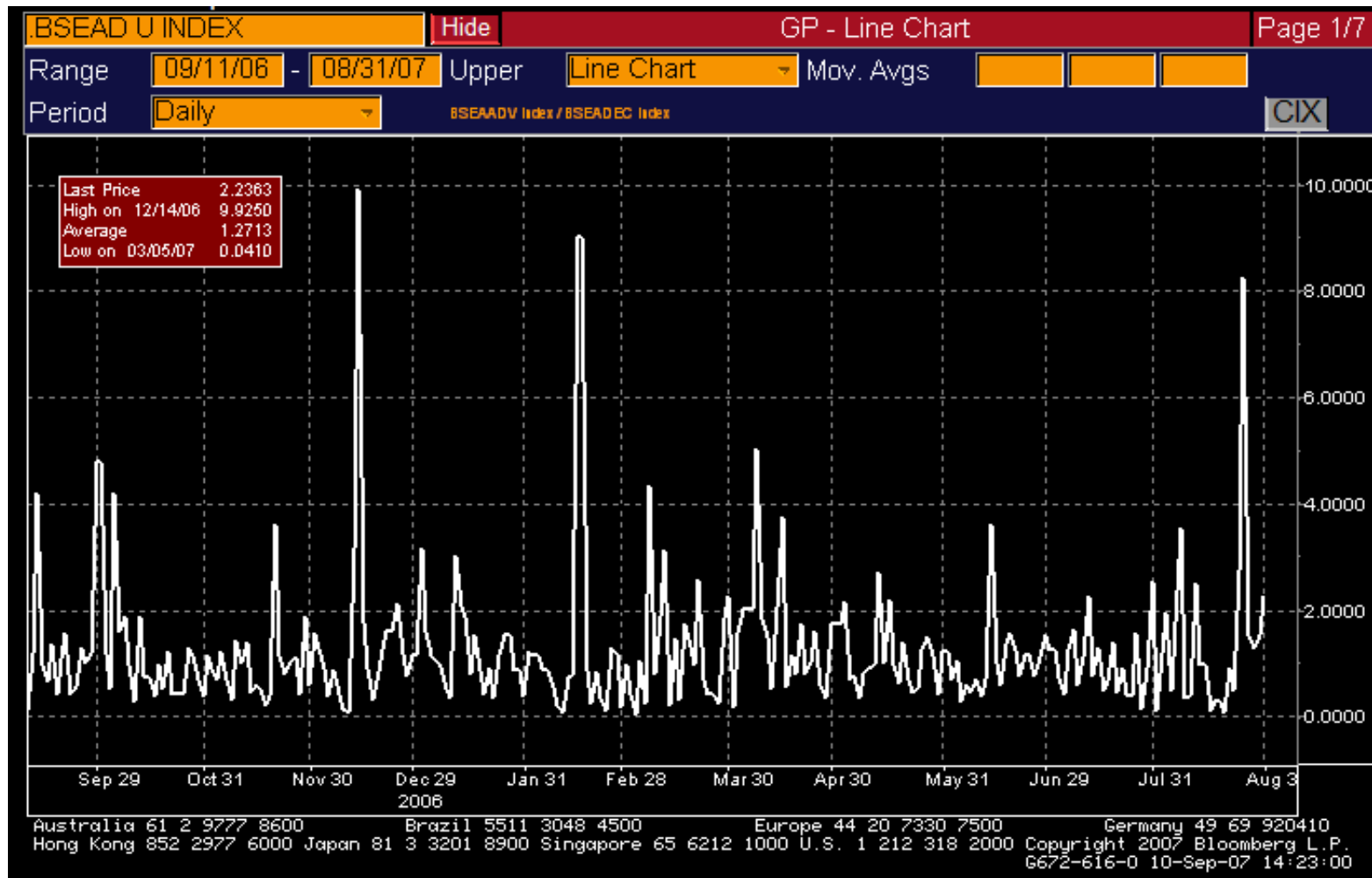


**\*As on 31<sup>st</sup> August 2007**

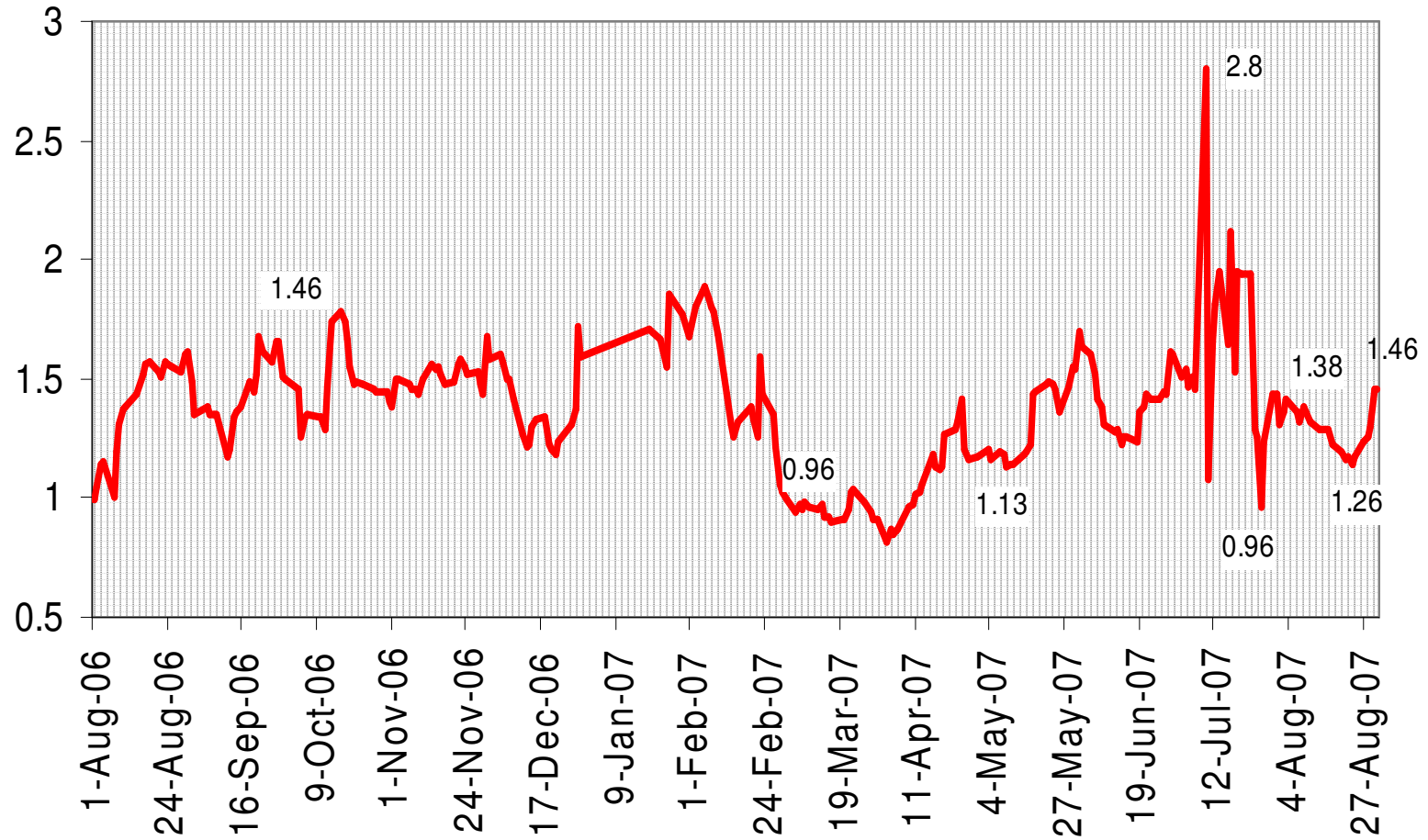
# NSE Total Volume



# Advance-Decline Ratio



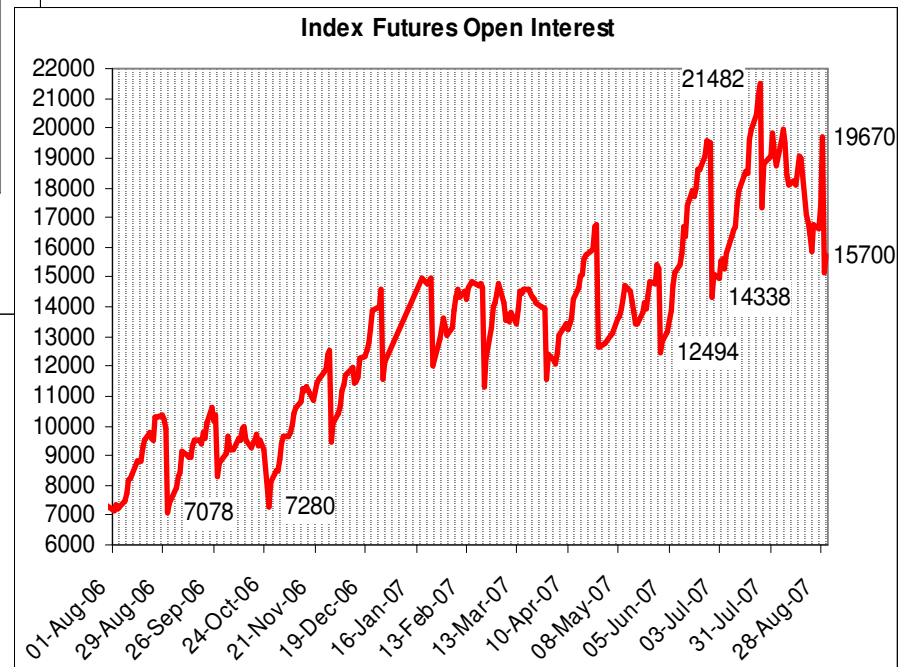
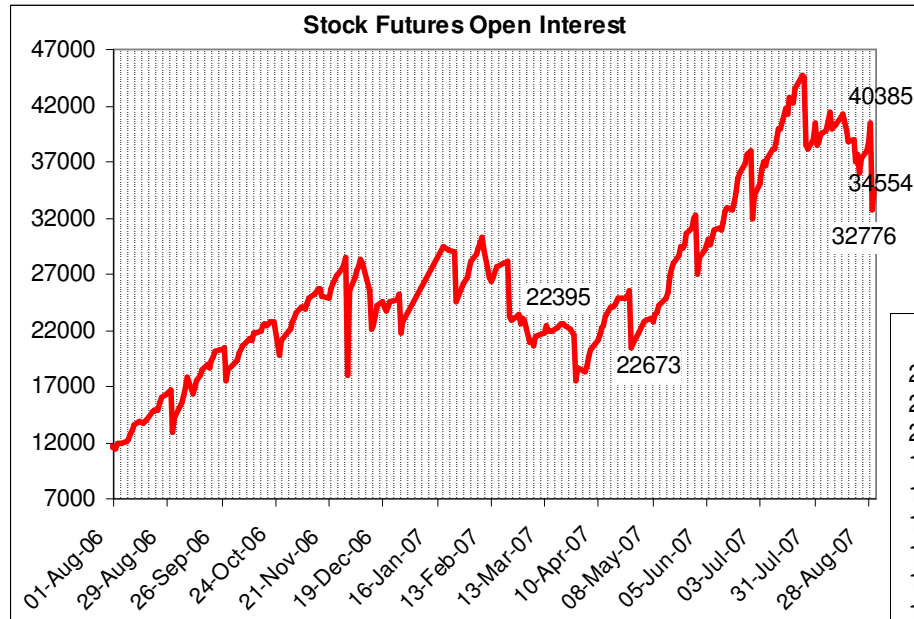
# Nifty Put-Call Ratio



**Put-Call ratio is on the higher side, indicating cautiousness in the market**



# Open Interest in F&O



Open interest has fallen towards the month-end





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# Outlook

- With the long-term India growth story intact, remain invested in equity with a longer time horizon.
- In a fair value market, maintain a neutral allocation towards equities (Please refer “Guide to Asset Allocation”).
- Both - the economy and the corporate sector are doing well but the valuations are fair.
- Asset allocation and Systematic Investment Plans are the best way to safeguard against volatility. They ensure optimal returns and not the maximum return in volatile markets.
- Investors should look at a mix of large and mid cap funds for 3-5 years horizon on systematic investment basis.
- Sub-prime concerns and Political events are the two factors to keep a watch on.



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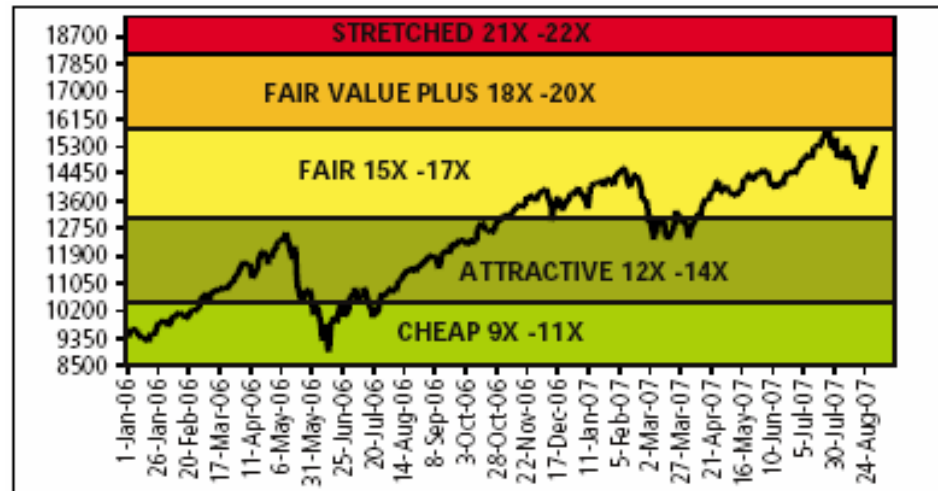
# Recommendations

- **ICICI Prudential Services Fund**
  - The Fund is designed to capture the growth of services industries
  - Services sector represents a large and growing share of GDP in India
  - India enjoys a unique advantage of specialised skills available at competitive price
  - Rupee appreciation has left the tech sector available at attractive valuations
  
- **ICICI Prudential Power**
  - The Fund offers a blend of companies across large and mid cap space.
  - The fund is an open ended diversified fund.



# Asset Allocation

This asset allocation guide helps you to determine the suggested equity exposure at different valuations levels based on the Sensex.



Valuation levels of the Sensex based on Q2FY09 earnings estimate of Rs.908

MARKET	CHEAP	ATTRACTIVE	FAIR	FAIR VALUE PLUS	STRETCHED	BUBBLE
<b>EQUITY ALLOCATION</b>	Over Invested 70%-80%	Neutral + 55%-65%	Neutral 50%	Neutral - 35%-45%	Under Invested 15%-25%	Exit 5%-10%

Suggested Equity Allocation (Assuming 50% equity allocation as neutral)



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# Risk Factors

**Statutory Details:** ICICI Prudential Mutual Fund (erstwhile Prudential ICICI Mutual Fund) (the Fund) was set up as a Trust sponsored by Prudential plc (through its wholly owned subsidiary namely Prudential Corporation Holdings Ltd) and ICICI Bank Ltd. ICICI Prudential Trust Limited (erstwhile Prudential ICICI Trust Limited) (Trust company) is the Trustee to the Fund and ICICI Prudential Asset Management Company Ltd. (erstwhile Prudential ICICI Asset Management Company Limited) (AMC) is the Investment Manager to the Fund. ICICI Bank Ltd (ICICI Bank) and Prudential Plc (acting through its wholly owned subsidiary namely Prudential Corporation Holdings Ltd) are the promoters of the AMC and the Trust Company. ICICI Bank currently holds 51% stake in both the companies and the balance 49% stake in both the companies is held by Prudential plc (acting through its wholly owned subsidiary namely Prudential Holdings Corporation Ltd). Prudential Plc (acting through its wholly owned subsidiary namely Prudential Corporation Holdings Ltd) transferred 6% of its shareholding in both the companies to ICICI Bank w.e.f 26th August 2005. Subsequently in accordance with the approval granted by the Board of Directors and the shareholders of the AMC and the Trust Company the name of the AMC has been changed to ICICI Prudential Asset Management Company Limited and the name of the Trust Company has been changed to ICICI Prudential Trust Limited. SEBI has vide its letter no IMD/PM/84968/07 dated January 23, 2007 conveyed its no objection to the said change of names of the AMC & the Trust company. The said change of names has also been approved by the Registrar of Companies, NCT of Delhi & Haryana, Ministry of Company Affairs, Govt of India. The Board of Directors of the Trust company have at their meeting held on 20th February 2007 accorded approval for the change of name of the Mutual Fund to ICICI Prudential Mutual Fund as well as of the various schemes /plans/options there under. SEBI has vide its Letter Nos IMD/PM/90168/07 & IMD/PM/90170/07 dated 2nd April 2007 accorded approval for the same. **Risk Factors:** Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Schemes will be achieved. As with any securities investment, the NAV of the Units issued under the Schemes can go up or down, depending on the factors and forces affecting the capital markets. Past performance of the Sponsors, AMC/Fund does not indicate the future performance of the Schemes of the Fund. The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes beyond the contribution of an amount of Rs.22.2 lacs, collectively made by them towards setting up the Fund and such other accretions and additions to the corpus set up by the Sponsors. Please read the Offer Document carefully before investing.





**Thank you**

