



# **MONTHLY PRESENTATION EQUITY & DEBT NOVEMBER 2006**

# DEBT MARKETS

---

---

---

# EVENTS OF THE MONTH

- INFLATION AT 5.45%, AS PRICES OF PRIMARY FOOD ARTICLES & MANUFACTURED GOODS CONTINUE TO REMAIN HIGH.
- GOVT CUT PETROL AND DIESEL PRICES BY 4.25% AND 3% RESPECTIVELY. RBI HOPES TO SEE IT LOWERING INFLATION, BY REDUCING FUEL INFLATION.
- CREDIT-DEPOSIT RATIO AT 72%, NON-FOOD-CREDIT GROWTH AT 28%, WHILE DEPOSIT GROWTH WAS SLOWER AT 22%.
- FISCAL DEFICIT AT 59% OF THE BUDGETARY ESTIMATE.
- 10-YEAR BENCHMARK G-SEC YIELDS HIT A 7-MONTH LOW, FALLING BELOW 7.40% ON WEAK US ECONOMIC DATA AND STRONG BUYING BY BANKS.

# WPI INFLATION

<HELP> for explanation.

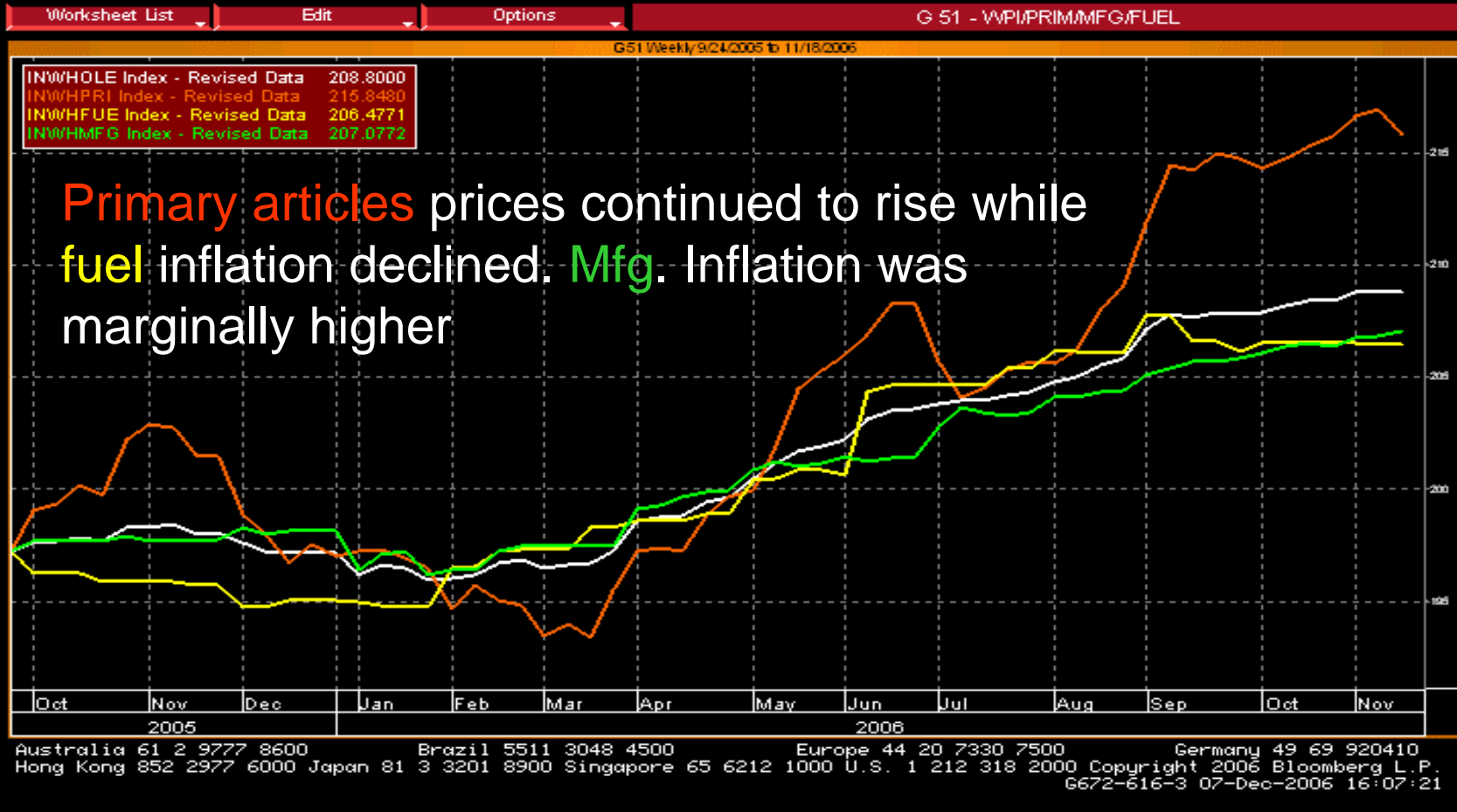
P167 Equity G



# WPI COMPONENTS

<HELP> for explanation.

P167 Equity G



# CRUDE OIL PRICES

<HELP> for explanation, <MENU> for similar functions.

P167 Equity G



# COMMODITY PRICES

**CRY** 313.06s as of close 12/ 6

P167 Index GP

CRY INDEX GP - Line Chart Page 1/7

Range: 12/07/05 - 12/06/06 Upper: Line Chart Mov. Avgs: 90 30 14 Currency: USD

Period: Daily Lower: Volume Mov. Avg:



08/15/22	03/10/17/24	01/08/15/22	01/08/15/22	03/10/17/24	01/08/15/22	01/08/15/22	03/10/17/24	01/08/15/22	01/08/15/22	02/09/16/23	01/08/15/22	01/08/15/22
2006 Jan	2006 Feb	2006 Mar	2006 Apr	2006 May	2006 Jun	2006 Jul	2006 Aug	2006 Sep	2006 Oct	2006 Nov		
Australia 61 2 9777 8600	Brazil 5511 3048 4500	Europe 44 20 7330 7500	Germany 49 69 920410	Hong Kong 852 2977 6000	Japan 81 3 3201 8900	Singapore 65 6212 1000	U.S. 1 212 318 2000	Copyright 2006 Bloomberg L.P. 6672-616-3 07-Dec-2006 16:08:39				



# LIQUIDITY (LAF BALANCES)

<HELP> for explanation, <MENU> for similar functions.

P167 Index G

Worksheet List Edit Options G 67 - LAF BALANCES (Rs. Bn)

G67, Daily, 8/25/2005 to 12/7/2006

MKTIRRPO Index - Mid Price 98.8500

RBI intervened in forex markets to support USD and injected rupee liquidity. Liquidity is expected to tighten on advance tax outflows in Dec.



Australia	61	2	9777	8600	Brazil	5511	3048	4500	Europe	44	20	7330	7500	Germany	49	69	920410
Hong Kong	852	2977	6000	Japan	81	3	3201	8900	Singapore	65	6212	1000	U.S.	1	212	318	2000

Copyright 2006 Bloomberg L.P. G672-616-3 07-Dec-2006 16:08:59





# FOREX FLOWS

<HELP> for explanation.

P167 Index G



# CURRENCY MARKETS

<HELP> for explanation.

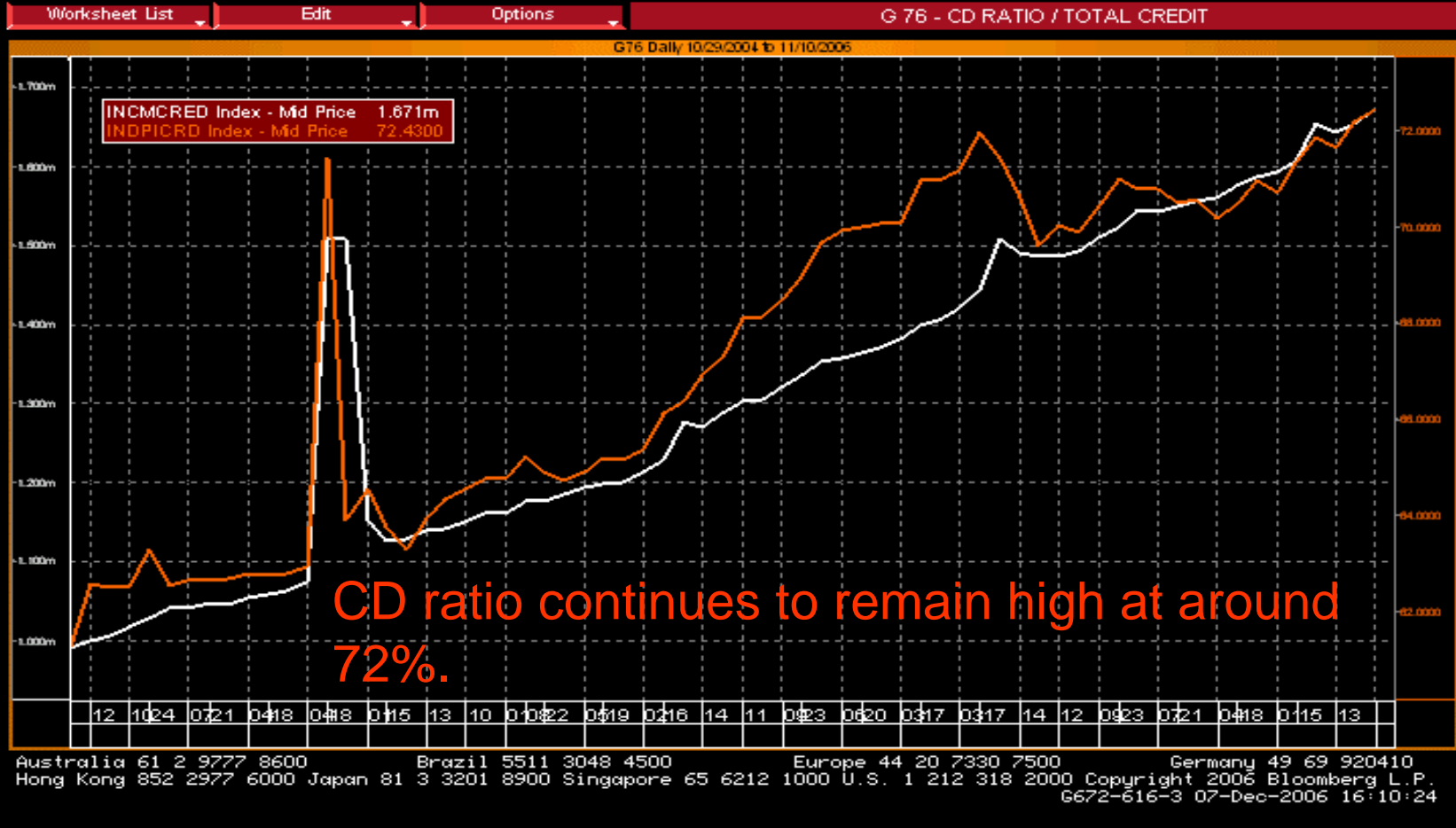
P167 Index G



# STRONG CREDIT GROWTH

<HELP> for explanation.

P167 Index G



# GLOBAL INTEREST RATES

<HELP> for explanation.

P167Msg:S.MOTILAL



# US FED FUNDS RATE

FDTR 5.250Y as of close 12/ 6

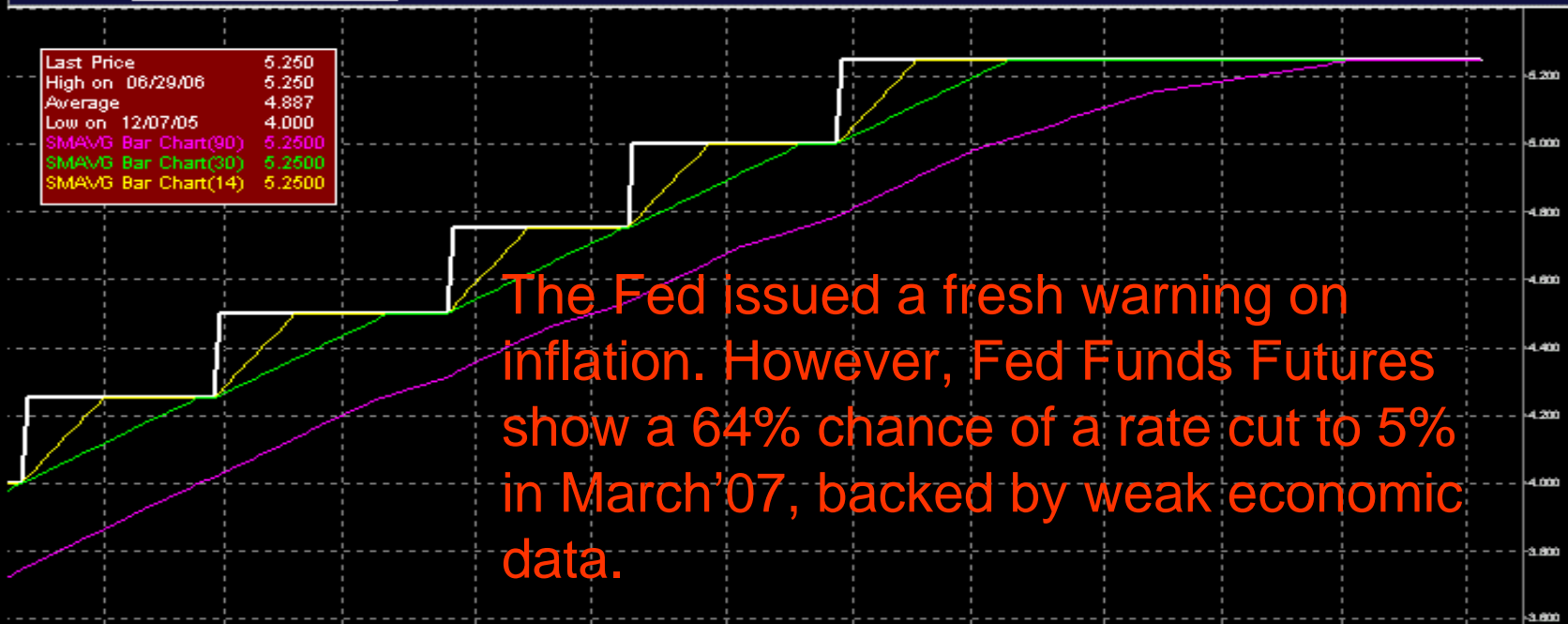
Msg: S.MOTILAL

FDTR INDEX GP - Line Chart Page 1/7

Range: 12/07/05 - 12/06/06 Upper: Revised Line Mov. Avgs: 90 30 14

Period: Daily

Last Price	5.250
High on 06/29/06	5.250
Average	4.887
Low on 12/07/05	4.000
SMAVG Bar Chart(90)	5.2500
SMAVG Bar Chart(30)	5.2500
SMAVG Bar Chart(14)	5.2500



081522	03101724	01081522	01081522	03101724	01081522	01081522	03101724	01081522	01081522	02101724	01081522	0108
2006 Jan	2006 Feb	2006 Mar	2006 Apr	2006 May	2006 Jun	2006 Jul	2006 Aug	2006 Sep	2006 Oct	2006 Nov		
Australia 61 2 9777 8600	Brazil 5511 3048 4500	Europe 44 20 7330 7500	Germany 49 69 920410	Hong Kong 852 2977 6000	Japan 81 3 3201 8900	Singapore 65 6212 1000	U.S. 1 212 318 2000	Copyright 2006 Bloomberg L.P.	6672-616-3 07-Dec-2006 16:11:50			



# USD 6M LIBOR

US0006M

5.30000Y as of close 12/ 6

Index GP

US0006M INDEX

GP - Line Chart

Page 1/7

Range: 12/07/05 - 12/06/06 Upper: Ask Price Mov. Avgs: 90 30 14  
 Period: Daily

Offer Line 5.30000  
 High on 06/29/06 5.64000  
 Average 5.23284  
 Low on 12/07/05 4.63688  
 SMAVG Offer Line(90) 5.4081  
 SMAVG Offer Line(30) 5.3671  
 SMAVG Offer Line(14) 5.3470



The LIBOR dropped on falling US Treasury yields

08/15/22	03/10/17	24/01/08	15/22/01	03/15/22	03/10/18	02/09/16	23/01/08	15/22/03	10/17/24	01/08/15	22/01/08	15/22/02	09/16/23	01/08/15	22/01/08	15/22/01	08/15/22
2006 Jan	2006 Feb	2006 Mar	2006 Apr	2006 May	2006 Jun	2006 Jul	2006 Aug	2006 Sep	2006 Oct	2006 Nov							

Australia 61 2 9777 8600      Brazil 5511 3048 4500      Europe 44 20 7330 7500      Germany 49 69 920410  
 Hong Kong 852 2977 6000      Japan 81 3 3201 8900      Singapore 65 6212 1000      U.S. 1 212 318 2000  
 Copyright 2006 Bloomberg L.P.  
 G672-616-3 07-Dec-2006 16:12:21



# USD-EURO SPOT RATE

EUR ↓ 1.3288 -- RBSL 1.3288/1.3288 ANON  
 At 16:13 Op 1.3288 Hi 1.3325 Lo 1.3277 Prev 1.3288

Msg: S.MOTILAL  
 Value 12/11/06

EUR CMPN CURRENCY GP - Line Chart Page 1/7

Range: 12/07/05 - 12/07/06 Upper: Market Price Mov. Avgs: 90 30 14 Currency: USD

Period: Daily

Last Price	1.3288
High on 12/04/06	1.3343
Average	1.2482
Low on 12/07/05	1.1725
SMAVG Bar Chart(90)	1.2793
SMAVG Bar Chart(30)	1.2947
SMAVG Bar Chart(14)	1.3139



Euro strengthened due a global sell-off on the USD

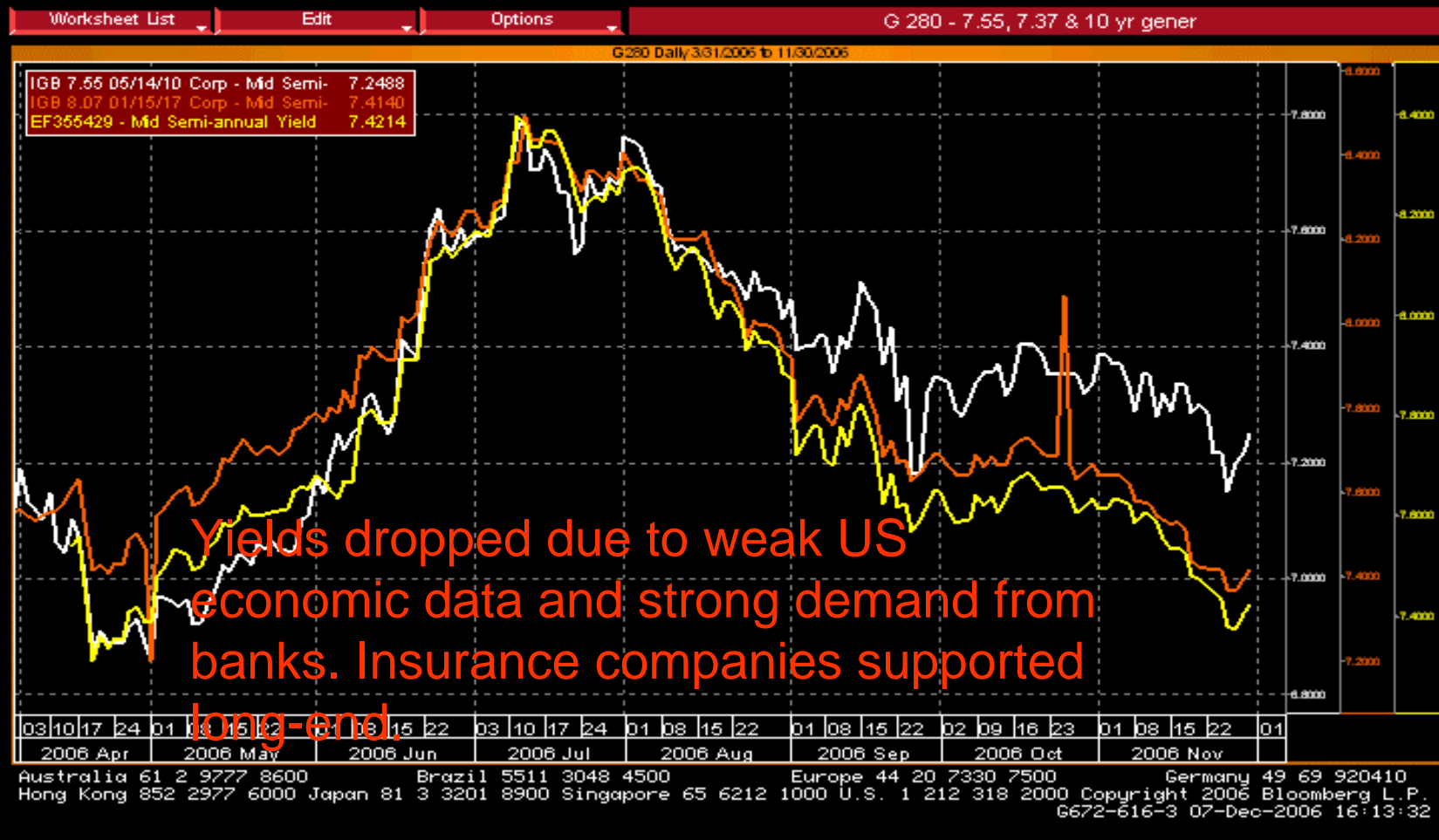
081522	02091623	01081522	01081522	03101724	01081522	01081522	03101724	01081522	01081522	02091623	01081522	0108
2005 Dec	2006 Jan	2006 Feb	2006 Mar	2006 Apr	2006 May	2006 Jun	2006 Jul	2006 Aug	2006 Sep	2006 Oct	2006 Nov	
Australia 61 2 9777 8600	Brazil 5511 3048 4500	Europe 44 20 7330 7500	Germany 49 69 920410									
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2006 Bloomberg L.P. 6672-616-3 07-Dec-2006 16:13:05												



# DOMESTIC INTT RATES

<HELP> for explanation.

P167 Currency G





# 5 YEAR OIS SWAP RATE

IRSW05 7.0900 +.0175 KKBK 7.0800/7.0900 KK Curncy GP  
 At 16:07 Op 7.0725 Hi 7.0900 Lo 7.0700 Prev 7.0725

IRSW05 CMPN CURRENCY GP - Line Chart Page 1/7  
 Range: 12/07/05 - 12/07/06 Upper: Market Price Mov. Avgs: 90 30 14 Currency: INR  
 Period: Daily

Last Price	7.0900
High on 07/12/06	7.4450
Average	6.9394
Low on 01/02/06	6.3250
SMAVG Bar Chart(90)	7.1174
SMAVG Bar Chart(30)	7.1157
SMAVG Bar Chart(14)	7.0825



OIS rates tracked the benchmark 10 Yr G-Sec yields

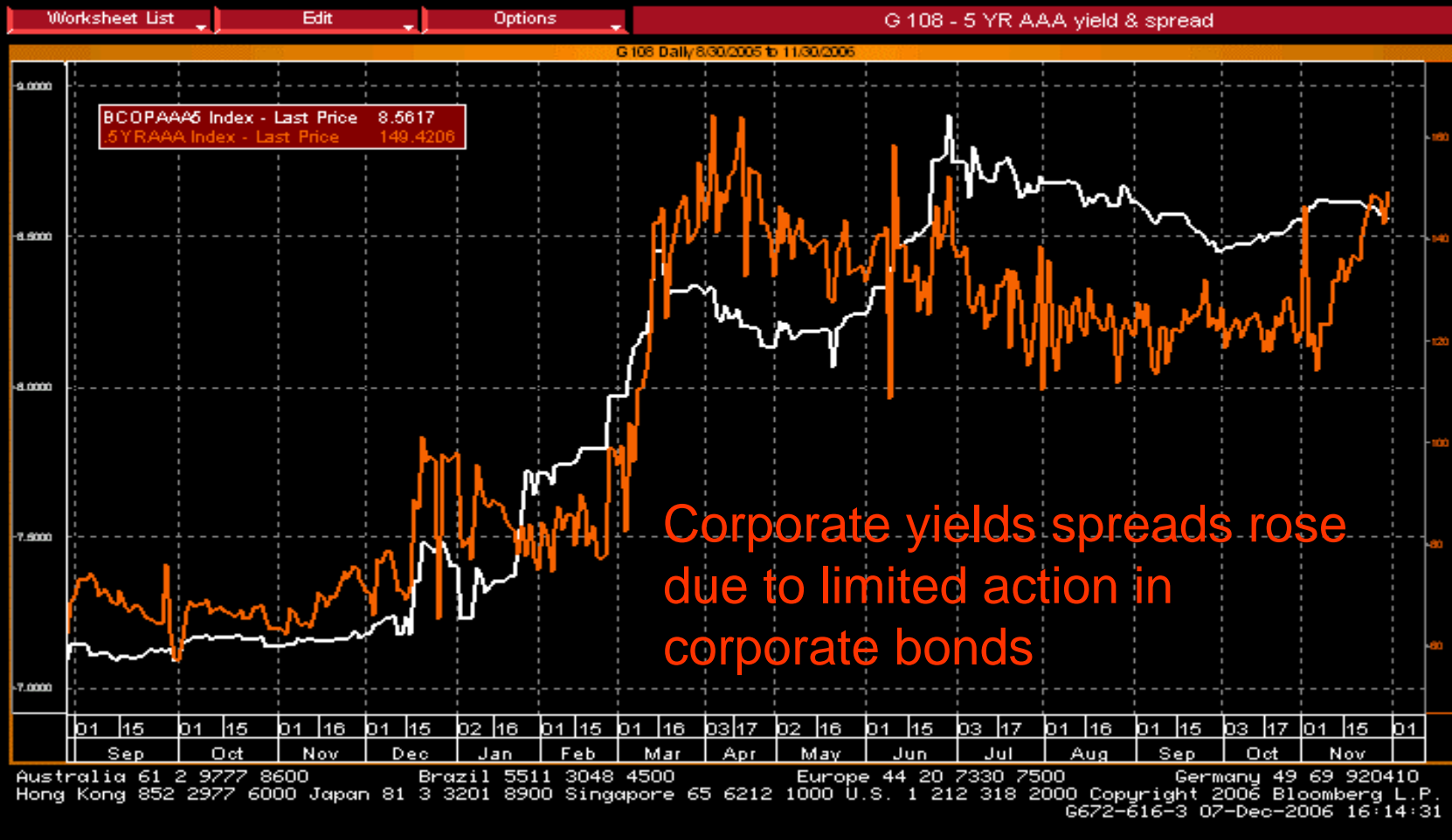
081522	02091623	01081522	01081623	03101724	02091623	01081522	03101724	01081522	01081522	02091623	01081522	0108	
2005 Dec	2006 Jan	2006 Feb	2006 Mar	2006 Apr	2006 May	2006 Jun	2006 Jul	2006 Aug	2006 Sep	2006 Oct	2006 Nov		
Australia 61 2 9777 8600	Brazil 5511 3048 4500	Europe 44 20 7330 7500	Germany 49 69 920410	Hong Kong 852 2977 6000	Japan 81 3 3201 8900	Singapore 65 6212 1000	U.S. 1 212 318 2000	Copyright 2006 Bloomberg L.P.					6672-616-3 07-Dec-2006 16:14:06



# 5 YR AAA YIELD & SPREAD

<HELP> for explanation.

P167Msg:SRIRAM IYER



---

---

---

---

# OUTLOOK

- LONG TERM : POSITIVE
- MEDIUM TERM: NEUTRAL
- RECOMMEND:
  - LIQUID, FLOATER, SHORT TERM PLAN FOR CAPITAL PROTECTION
  - FMP'S FOR YIELD PICK UP
  - MIP & IMPL FOR CAPITAL APPRECIATION

# OUTLOOK

## ● INVEST IN GILT FUNDS/INCOME FUNDS

### ● RATES HAVE UPWARD BIAS IN 2HFY07

- ❖ STRONG CREDIT DEMAND
- ❖ LIQUIDITY CONCERNS
- ❖ RBI's HAWKISH STANCE

### ● RATES HAVE SOFTER BIAS IN FY08

- ❖ COMPETITION BETWEEN BANKS & INSURANCE COMPANIES TO BUY GILTS TO MEET REGULATORY REQUIREMENTS
- ❖ CUT BY US FED IN 1HCY07

### ● RECOMMEND INCOME & GILT FUNDS ON A SYSTEMATIC INVESTMENT BASIS BETWEEN DEC '06 TO MAR '07 WITH AN INVESTMENT HORIZON OF 9-12 MONTHS.

# EQUITY MARKETS

---

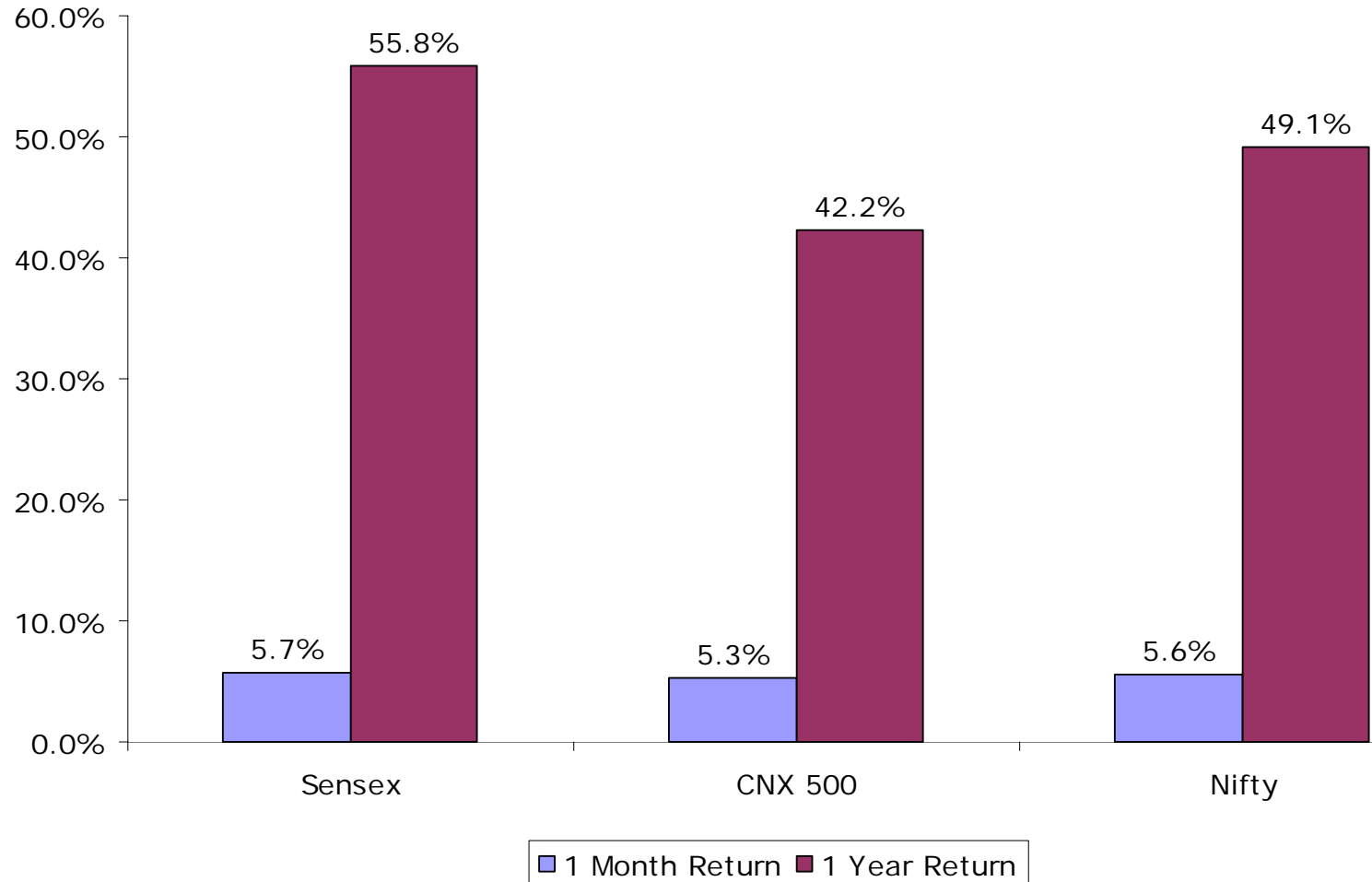
---

---

# EVENTS OF THE MONTH

- INDIAN GDP GREW BY 9.2% IN Q2FY07, LED BY INDUSTRIAL AND SERVICES GROWTH AT 10.5% YoY AND 10.7% YoY RESPECTIVELY.
- IIP SHOT UP BY 11.4% YoY IN SEPT '06.
- MARKETS RALLIED STRONGLY WITH SENSEX ENDING THE MONTH AT ~13700, GAIN OF 5.7% FOR THE MONTH.
- FIIs BOUGHT INDIAN EQUITY AGGRESSIVELY WITH NET INLFOWS AT \$2.07BN.
- MID CAPS AND SMALL CAPS ALSO PARTICIPATED IN THE RALLY. BSE MID CAP & BSE SMALL CAP INDICES ROSE 6% AND 4% RESPECTIVELY.
- OPEN INTEREST IN STOCK AND INDEX FUTURES WAS AT Rs.27000 CR. AS ON MONTH-END.

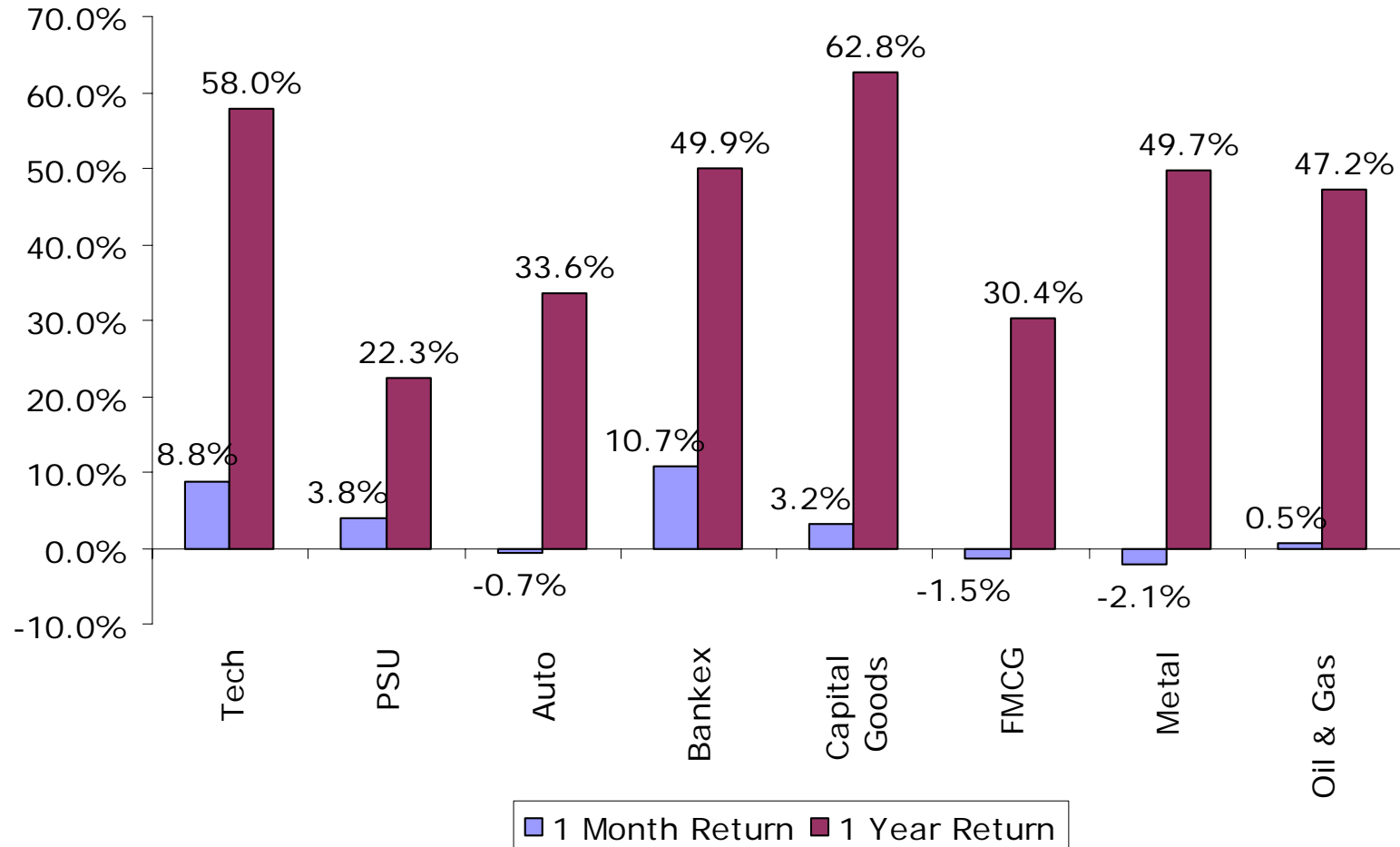
# MARKET RETURNS\*



\*As on 30<sup>th</sup> Nov 2006

# SECTORAL PERFORMANCE\*

BSE Sectoral Indices



\*As on 30<sup>th</sup> Nov 2006



# CASH MARKET DELIVERY

CATEGORY	AMOUNT* (RS. CR.)
CLIENTS	(4336)
NRI	(7)
PROPRIETARY	165
IFIs	(113)
BANKS	135
INSURANCE	217
FIs	9316
MFs	(25)



Source: BSE, NSE Website, Internal Calculations. \*Amt for the month of Nov '06

# FII FLOWS

<HELP> for explanation.

P167Msg:SRIRAM IYER



# MF FLOWS (Rs Cr)

11

P167 Index GP

INMFEQNT NY 05DEC06 07:18 MID: 50.50

INMFEQNT INDEX

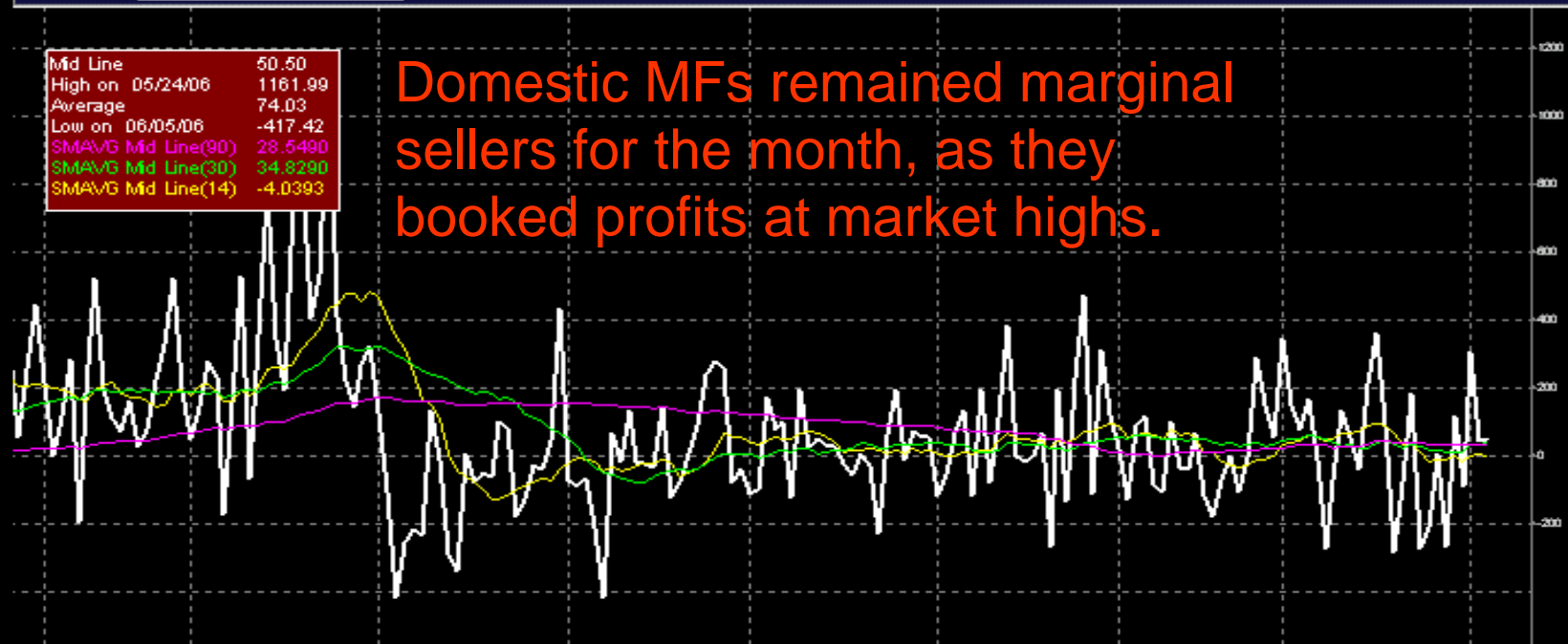
GP - Line Chart

Page 1/8

Range: 03/28/06 - 12/05/06 Upper: Mid Line Mov. Avgs: 90 30 14 Currency: INR  
 Period: Daily

Mid Line	50.50
High on 05/24/06	1161.99
Average	74.03
Low on 06/05/06	-417.42
SMAVG Mid Line(90)	28.5490
SMAVG Mid Line(30)	34.8290
SMAVG Mid Line(14)	-4.0393

Domestic MFs remained marginal sellers for the month, as they booked profits at market highs.



03	10	17	24	02	09	16	23	01	08	15	22	03	10	17	24	01	08	16	23	01	08	15	22	03	10	17	26	01	08	15	22	01			
2006 Apr				2006 May				2006 Jun				2006 Jul				2006 Aug				2006 Sep				2006 Oct				2006 Nov							
Australia	61	2	9777	8600	Brazil	5511	3048	4500	Europe	44	20	7330	7500	Germany	49	69	920410	Hong Kong	852	2977	6000	Japan	81	3	3201	8900	Singapore	65	6212	1000	U.S.	1	212	318	2000

Copyright 2006 Bloomberg L.P. 6672-616-3 07-Dec-2006 16:15:22



# INDIA V/S EMERGING MARKETS

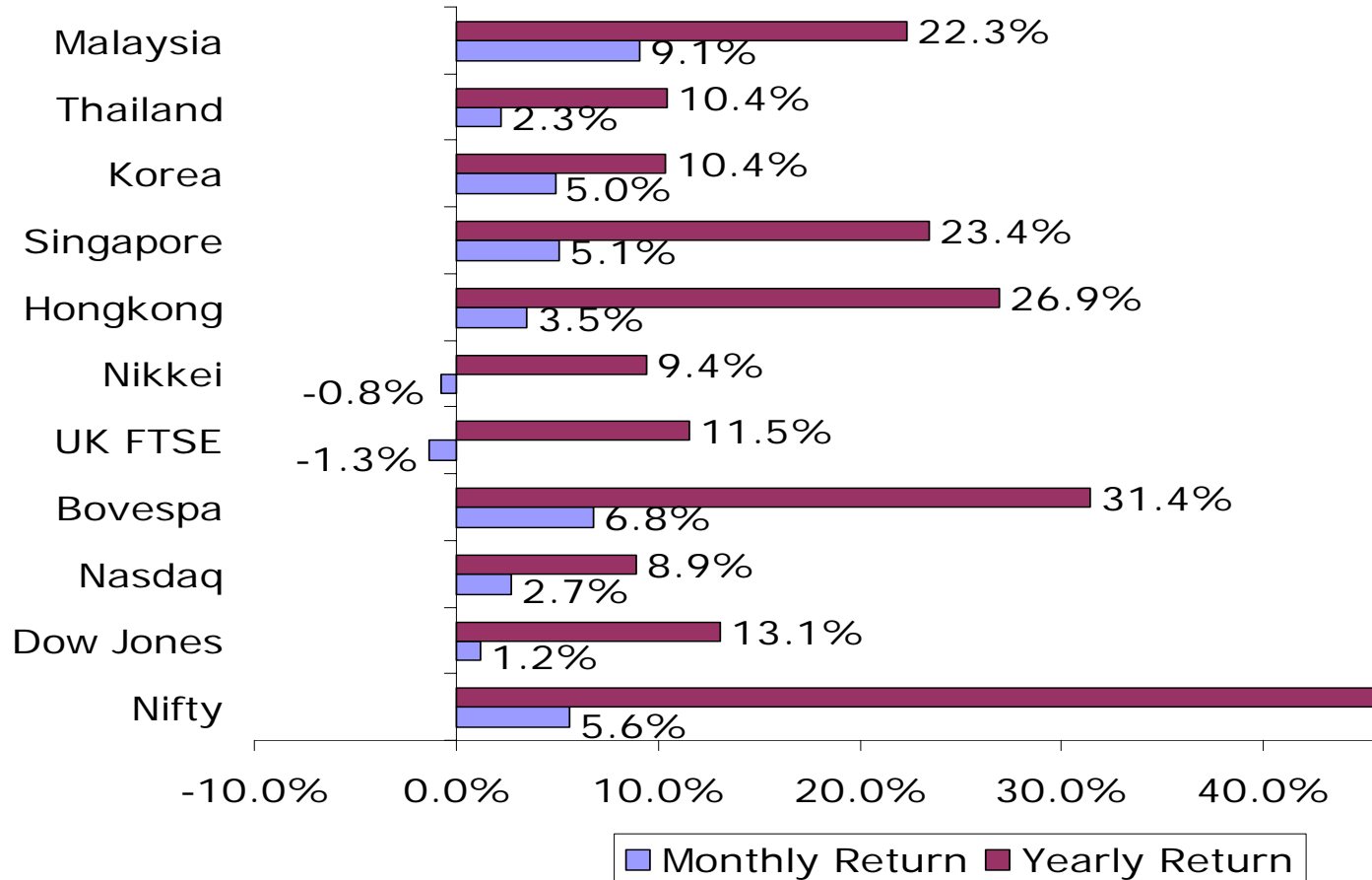
<HELP> for explanation.

P167 Index G



# GLOBAL MARKETS

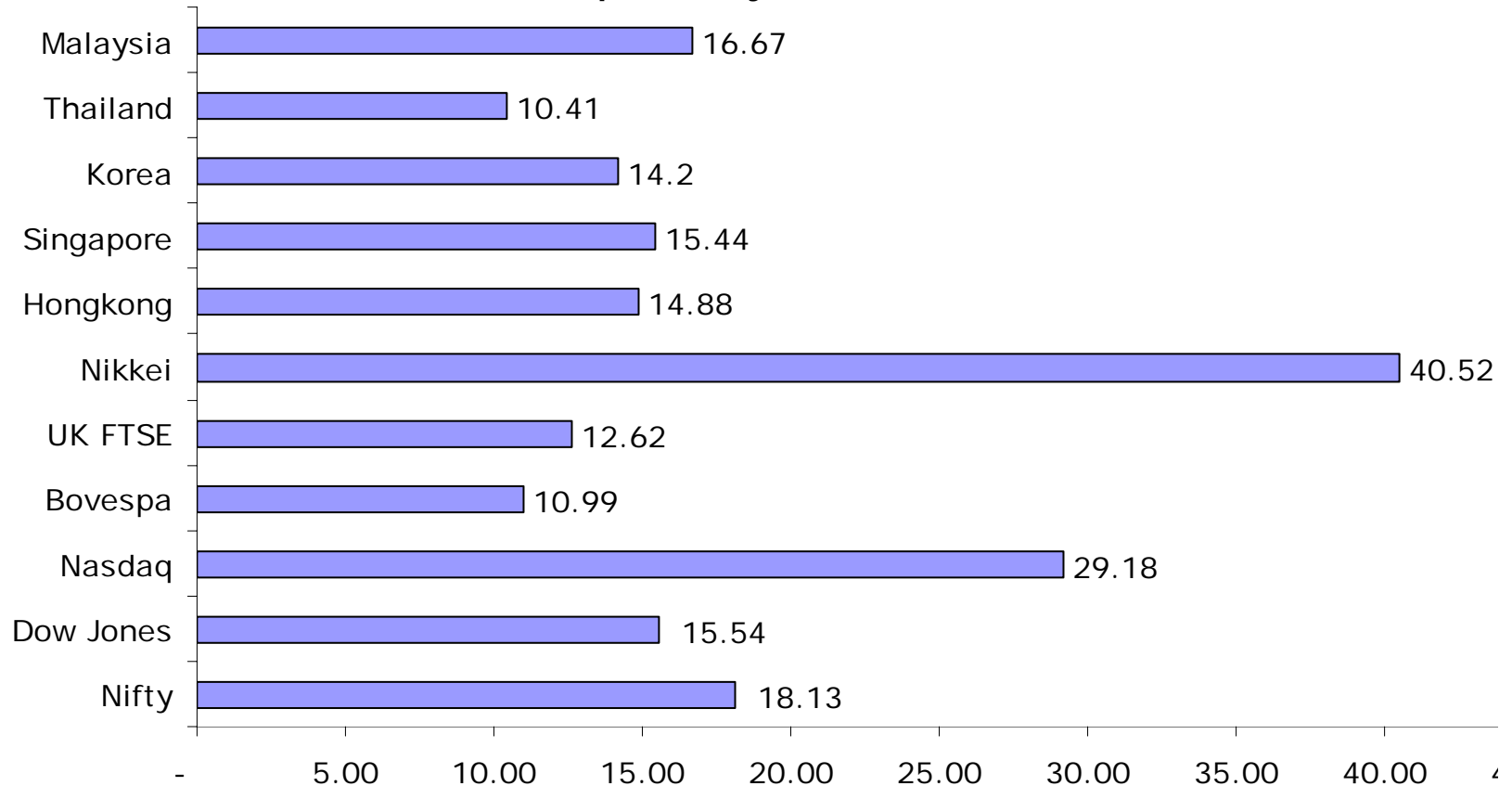
Global Market Performances



\*As on 31<sup>st</sup> Nov 2006

# GLOBAL VALUATIONS

P/E Multiple (One year forward) of Indices

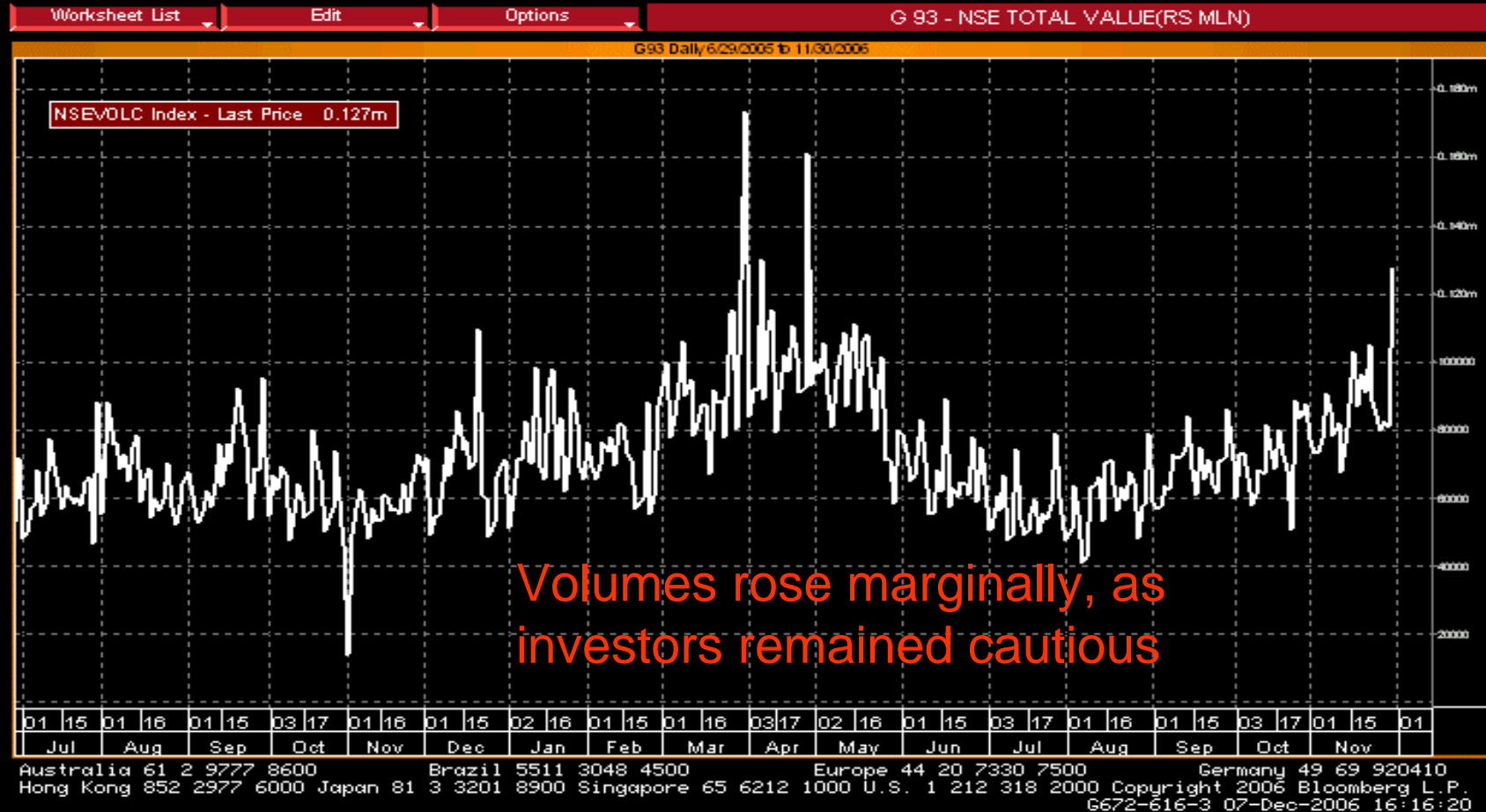


\*As on 31<sup>st</sup> Nov 2006

# NSE TOTAL VOLUME

<HELP> for explanation.

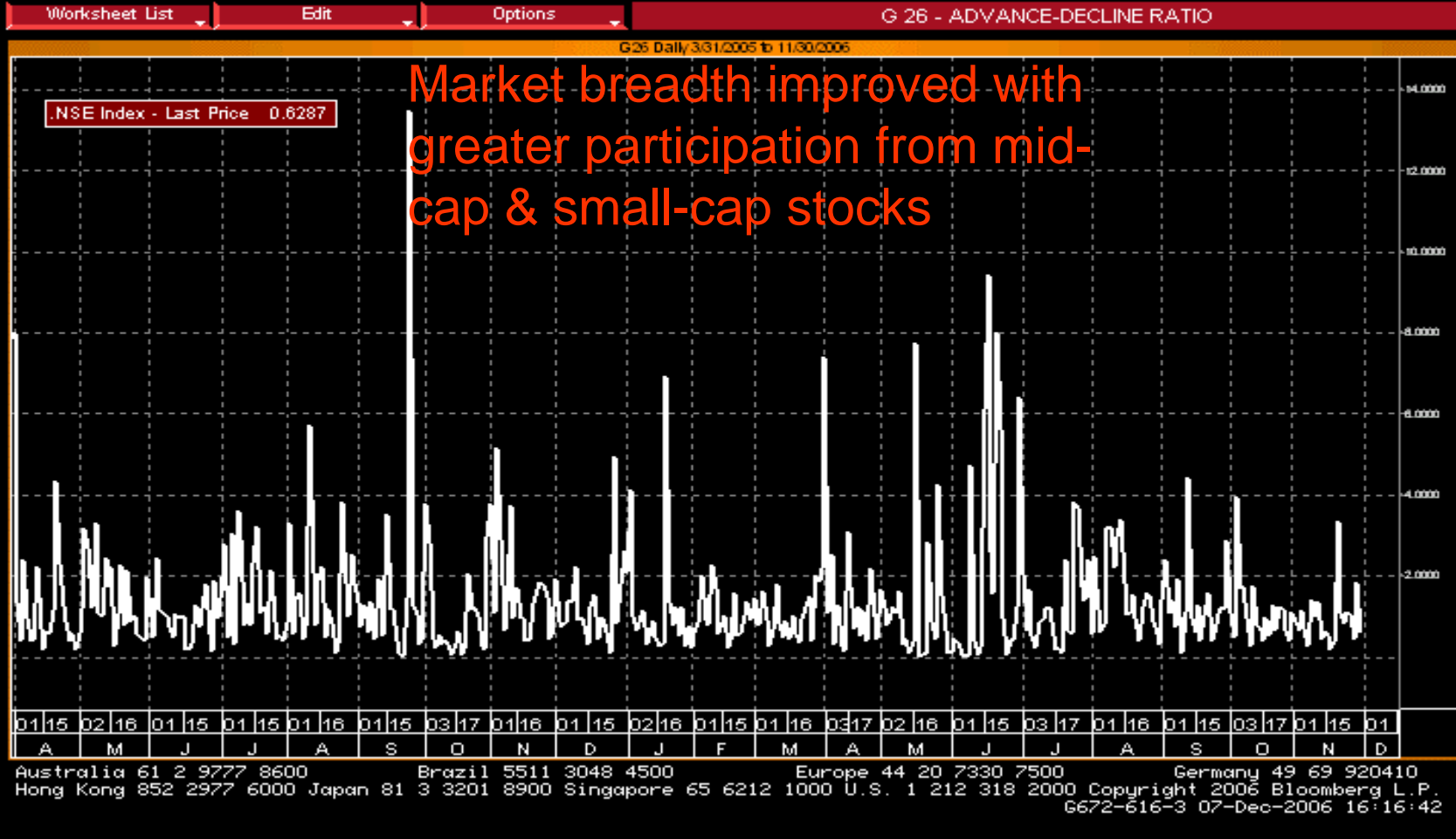
P167 Index G



# ADVANCE-DECLINE RATIO

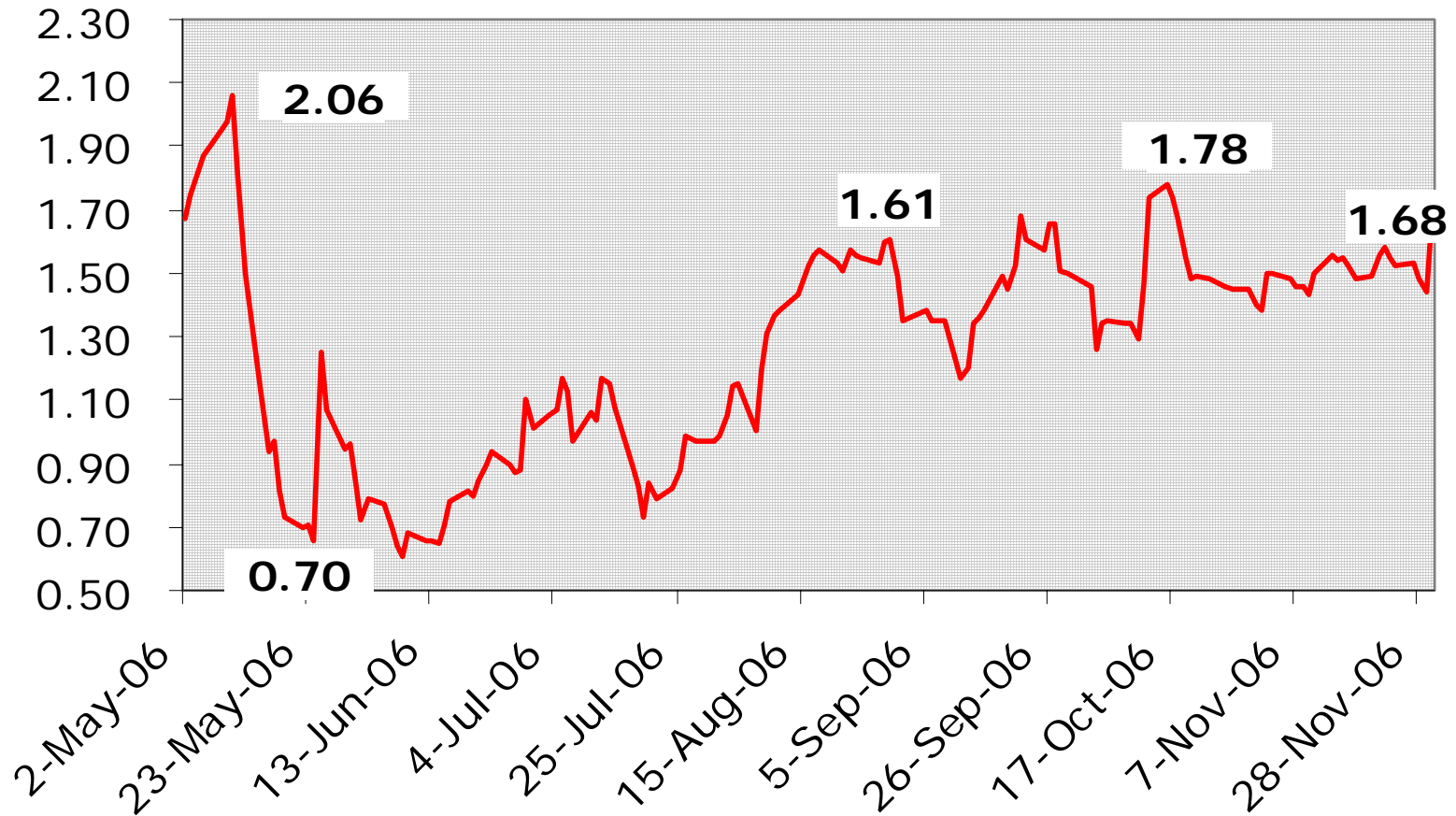
<HELP> for explanation.

P167 Index G

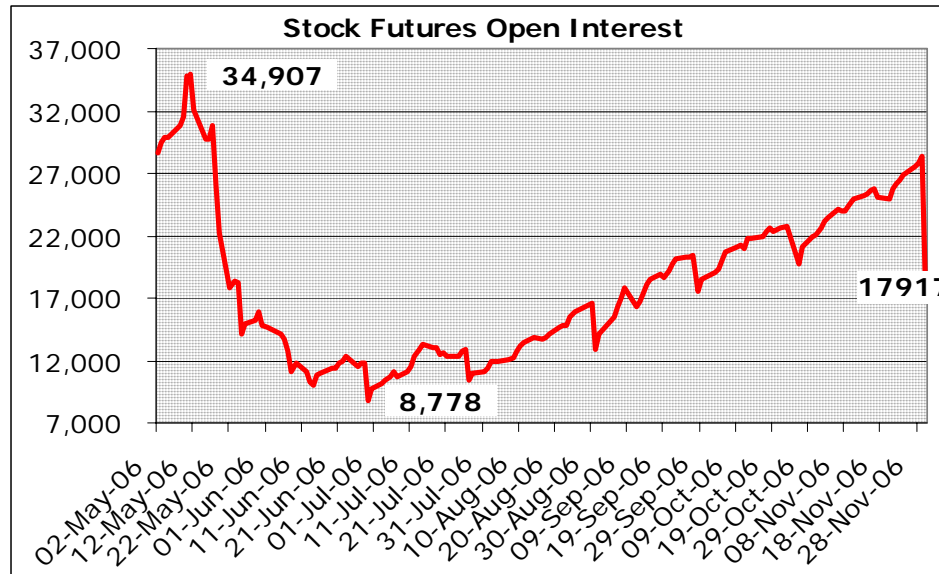




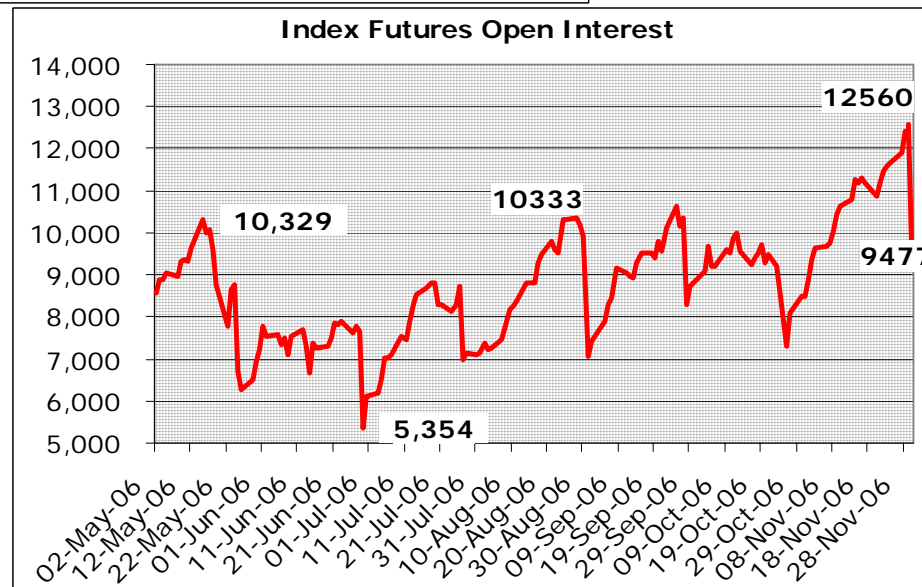
# NIFTY PUT-CALL RATIO



# OPEN INTEREST IN F&O



The market-wide rollover to the Dec series was smooth at around 75%.



---

---

---

# RECOMMENDATION

- With the long-term India growth story intact, remain invested in equity with a longer time horizon.
- In a fair value plus market, maintain a little less than neutral allocation towards equities (Please refer “Guide to Asset Allocation”).
- Do not try to time the market, as the market can witness high volatility.
- Both - the economy and the corporate sector are doing well but the valuations are fair and do not leave any scope for disappointment.

---

---

---

# RECOMMENDATION

- 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.
- Patient investors could look at value stocks, which consistently perform over a period of time. Hence, investors could choose to invest in value funds like the PruICICI Discovery Fund.
- Investors should look at a mix of large and mid cap funds for 3-5 years horizon on systematic investment basis.

# ASSET ALLOCATION

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

Index Level at FY08 on EPS estimate of Rs.780	Valuations
7020-7800	9X-10X Cheap
7800-9360	11X-12X Attractive
9360-12480	13X-16X Fair
12480-14040	17X-18X Fair Value Plus
14040-15000	19X-20X Stretched

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

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

---

---

---

# RISK FACTORS

**Statutory Details:** Prudential ICICI Mutual Fund (The Fund) has been set up as a Trust sponsored by Prudential plc (through its wholly owned subsidiary Prudential Corporation Holdings Limited) and ICICI Bank Limited. Prudential ICICI Trust Limited is the Trustee to the Fund and Prudential ICICI Asset Management Company Limited is the Investment Manager to the Fund. **Risk Factors:** Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved • As with any securities investment, the NAV of the Units issued under the Scheme 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 Scheme of the Fund The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes beyond the contribution collectively made by them towards setting up the Fund and such other accretions and additions to the corpus set up by the Sponsors.. Please refer to the Offer Document/Addendum for scheme-specific risk factors before investing.



---

---

---

---

---

---

THANK YOU

AND

HAPPY  
INVESTING

