



Week at a Glance



MARKET REVIEW

EQUITY MARKET

- Benchmark indices closed the holiday-shortened week with stellar gains on the back of supportive domestic and global cues. Sensex gained 2.96% to 17233.98 while Nifty rose 3.09% to 5204.70. So far, in January 2012, Sensex and Nifty have surged 11.51% and 12.55%, respectively.
- Indices started off the week looking for fresh leads with most Asian markets being closed on account of public holidays. RBI steps to boost liquidity buoyed sentiment and the momentum-led rally pushed the indices above key resistance levels. Company-specific developments and Q3FY12 earnings led to stock-specific movements.
- The US Federal Reserve pledged to keep interest rates at ultra-low levels till the end of 2014 and indicated at a possible bond purchase programme down the line to boost the US economy. The event gave fillip to risk appetite across most regions, assisted domestic equity indices.
- Barring realty, all sectors surged. Capital goods, telecom and auto led the gainers. Lower capitalisation indices gained in excess of 3% each and outperformed the benchmark indices.

The week ahead: Global cues would be important for domestic markets in the coming week. Developments with regards to Greek debt-swap deal, economic data in US and Euro zone would be eyed. Corporate earnings results may lead to stock-specific movements.

Source: Verity Analytics

Market Indicators			
	As on 27 th Jan 2012	Change over (%)	
		1-Week	1-Year
Developed Markets			
Dow Jones	12660.46	-0.47	5.30
FTSE 100	5733.45	0.09	-4.04
Xetra Dax	6511.98	1.65	-9.88
Nikkei 225	8841.22	0.85	-18.30
Emerging Markets			
BOVESPA	62904.20	0.94	-8.18
RTS	1565.82	4.43	-22.08
Shanghai*	2319.12	0.00	-18.54
Sensex	17233.98	2.87	-8.42

*Data as on 20th Jan 2012

Sources: NewsWire18, Verity Analytics

DEBT MARKET

- Government securities faced volatility in the wake of RBI's 3QFY12 monetary policy review on Tuesday, where the central bank surprised participants with a 50 bps cut in CRR (cash reserve ratio). The CRR cut, effective from Saturday, is expected to infuse around ₹32,000 crore into the banking system.
- The 10-year benchmark yield swung in a wide range of 8.03%-8.37% on the same day, as sentiment took a hit owing to renewed concerns over the oversupply of dated securities in the market. Such concerns were triggered by the dovish policy of RBI raising doubts over any further bond purchases by the central bank in coming weeks.
- Odds of open market operations (OMOs) by RBI seemed low especially after RBI governor D. Subbarao said that any bond purchases in future would depend on how the liquidity situation pans out.
- Later, some relief was sought on the back of value buying and short-covering by traders noting the sharp decline in prices, but sharper gains were averted due to the ₹13,000 crore worth bond sale lined up in the week.
- Earlier, at the treasury bill auctions, the yield on 91-day bill moved up to 8.73% from 8.64%, while yield of 364-day bill surged to 8.47% from 8.20%.
- On the liquidity front, call rates shot up to 9.40%-9.50% as a rush for funds by banks intensified in the first week of the reporting fortnight and as banks braced for RBI policy and a holiday-shortened week. The surge in borrowing at the RBI LAF repo window revealed the worsening deficit gap in the system.

The week ahead: Sentiment will remain cautious awaiting details of bond purchases as traders hope that the systemic fund shortfall could compel the RBI to conduct OMOs buybacks. However, uncertainty would linger to keep big buying in check. Bond sales scheduled in the week will also weigh on the mood.

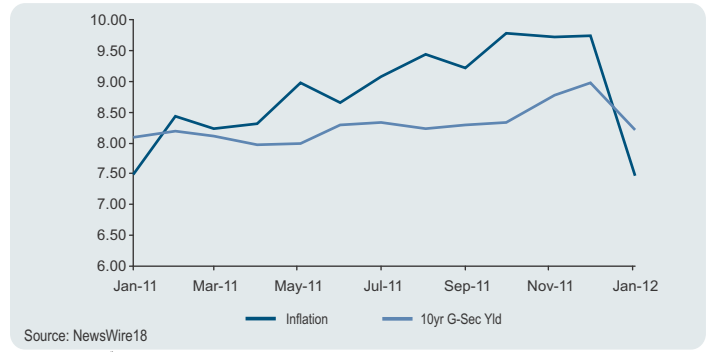
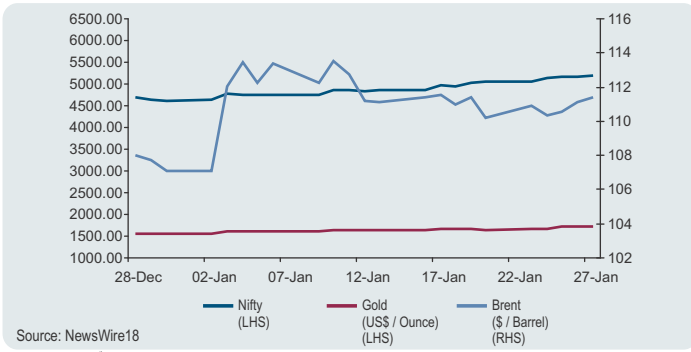
Source: Verity Analytics

Benchmark Rates			
Treasury	As on 27 th Jan 2012	Absolute Change	
		1-Week	1-Year
Call Rate	8.60	-0.40	1.90
NSE MIBOR	9.15	-0.14	2.43
5 Yr. AAA Bond Spreads	0.93	-0.08	0.03
10 Year Yield	8.35	0.17	0.21
Repo	8.50	0.00	2.05
CBLO	7.98	-0.12	1.48
91 Day Tbill	8.65	0.15	8.65
182 Day Tbill	8.50	0.10	8.50
364 Day Tbill	8.40	0.20	8.40
Gold(\$/oz)	1738.35	72.44	1738.35
Brent(\$/bbl)	111.32	1.11	111.32
INR	49.31	-1.02	3.74

Sources: NewsWire18, Verity Analytics



BNP PARIBAS MUTUAL FUND



FIIs & MFs Net Flows				
	Equity		Debt	
	Latest	YTD*	Latest	YTD*
FII*	3065.80	9073.10	862.00	16794.80
MF [†]	-268.30	-1334.60	2799.80	12978.50

(₹ Cr) YTD* - From Jan' 12 Source: SEBI
 (*Data as on 27th Jan 2012) (†Data as on 25th Jan 2012)
 Sources: SEBI, Verity Analytics

LAF Volumes (₹Cr.)	Today	Previous	1 week	1 Month
Repo*	159445	145050	151580	126785
Reverse Repo*	8,260	5	5	760

Source: RBI (*Data as on 27th Jan 2012)

Tenor	CP (%)	CD (%)
3 Months*	10.20	9.85
6 Months*	10.30	9.95
1 Year*	10.30	9.95

Source: NewsWire 18 (*Rates as on 27th Jan 2012)

RECENT EVENTS

RBI Q3FY12 monetary policy review...

The Reserve Bank of India (RBI) released its policy review for the third quarter of fiscal year ending March 2012 (Q3FY12) on January 24, 2012. The central bank cut the cash reserve ratio (CRR) by 50 basis points (bps) to 5.5% with effect from January 28, 2012. The repo rate under the liquidity adjustment facility (LAF) was kept unchanged at 8.5%. Consequently, the reverse repo rate under the LAF and the marginal standing facility (MSF) rate would remain at 7.5% and 9.5%, respectively. The reduction in CRR would inject ₹320 billion of primary liquidity in the system.

Deceleration in domestic growth, sticky core inflation and tight liquidity conditions beyond the comfort zone of RBI were the key reasons cited by the central bank for the reduction in CRR. Further, concerns over the sustainability of sovereign debt problem in the Euro zone have intensified. There are modest signs of improvement in the US. In the emerging and developing economies (EDEs), growth has been moderating, reflecting the sluggishness in the advanced economies and the impact of earlier monetary tightening. This coupled with domestic slowdown in the growth of demand have raised downside risks to growth. On the basis of this view, RBI lowered the GDP growth projection for FY12 to 7% y-o-y from the previous 7.6% y-o-y. The inflation estimate for March 2012 was retained at 7% y-o-y.

The RBI cited urgent need for fiscal consolidation, which may help in capital formation and hinted that the government must begin the process in the forthcoming Union Budget.

Source: Verity Analytics

BACK TO SCHOOL

Types of Diversification:

A well-diversified portfolio may get the investor through harsh conditions with relatively milder dent because diversification spreads the investors' risk. Diversification can be done in the following ways:

1. Diversification by asset class
2. Diversification by sector
3. Diversification by region
4. Diversification by market capitalisation
5. Diversification by investment style

We will discuss each type in detail in the forthcoming weeks.

Source: Verity Analytics

The units of various schemes of BNP Paribas Mutual Fund are offered in pursuance of the Scheme Information Document ('SID'), Key Information Memorandum (KIM) and Statement of Additional Information (SAI), which has been filed only with Securities and Exchange Board of India ("SEBI") in India. The SID, KIM or SAI have not been registered in any jurisdiction. The distribution of this material in certain jurisdictions may be restricted or totally prohibited to registration requirements and accordingly, persons who come into possession of this document are required to inform themselves about and to observe any such restrictions.

The material contained herein has been obtained from publicly available information, internally developed data and other sources believed to be reliable, but BNP Paribas Asset Management India Private Limited (BNPPAMIPL) makes no representation that it is accurate or complete. BNPPAMIPL has no obligation to tell the recipient when opinions or information given herein change. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. This information is meant for general reading purpose only and is not meant to serve as a professional guide for the readers. Except for the historical information contained herein, statements in this publication, which contain words or phrases such as 'will', 'would', etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. BNPPAMIPL undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. The words like believe/belief are independent perception of the Fund Manager and do not construe as opinion or advice. This information is not intended to be an offer to sell or a solicitation for the purchase or sale of any financial product or instrument. The information should not be construed as an investment advice and investors are requested to consult their investment advisor and arrive at an informed investment decision before making any investments. The Trustee, AMC, Mutual Fund, their directors, officers or their employees shall not be liable in any way for any direct, indirect, special, incidental, consequential, punitive or exemplary damages arising out of the information contained in this document.

Statutory Details: Sponsor: BNP Paribas Investment Partners Asia Ltd. Trustee: BNP Paribas Trustee India Pvt. Ltd. Investment Manager / AMC: BNP Paribas Asset Management India Pvt. Ltd (Reg. Office of Trustee & AMC is at BNP Paribas House, 1, North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (E), Mumbai 400 051). BNP Paribas Mutual Fund has been constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) by the Sponsor and the Trustee as per the terms of the superseding Trust Deed. The Sponsor/Associates are not responsible or liable for any loss resulting from the operation of the schemes beyond the initial contribution of ₹1 lakh made by it towards setting up the Fund.

Risk Factors: All mutual funds and securities investments are subject to market risks, and there can be no assurance that the schemes' objectives will be achieved. Investment in Mutual Fund units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal. As the price / value / interest rates of the securities in which the schemes invest fluctuates, the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities market. Various factors impact the value of the Schemes' investments which include, but are not limited to, fluctuations in the bond markets, fluctuations in interest rates, prevailing political and economic environment, changes in government policy, factors specific to the issuer of the securities, tax laws, liquidity of the underlying instruments, settlement periods, trading volumes etc. The names of the Schemes do not in any manner indicate either the quality of the scheme or its future prospects and returns. Past performance of the Sponsor / AMC / Mutual Fund do not guarantee future performance of the Schemes. The Schemes do not guarantee or assure returns. Investment decisions made by the AMC may not always be profitable. For scheme specific risk factors, please refer to the Statement of Additional Information (SAI), Scheme Information Document (SID) & Key Information Memorandum cum Application forms (KIM) which are available at AMC offices / AMC web-site: www.bnpparibasmf.in / Investor Service Centres / Distributors. Investors should read the respective SAI, SID & KIM carefully in its entirety before investing and retain these documents for future references.