December 23, 2011 - December 30, 2011

BNP PARIBAS
MUTUAL FUND

Week at a Glance

MARKET REVIEW

EQUITY MARKET

- Benchmark indices erased the gains recorded in the previous week and closed trading in 2011 on a soft note. Sensex and Nifty lost 1.8% and 1.9% to 15454.92 and 4624.30, respectively. In 2011, Sensex and Nifty both lost nearly 25%. This was the first annual fall in domestic indices over the last 3 years.
- The underlying sentiment was cautious despite a strong report on the November infrastructure output. Concerns over the government borrowing programme, fiscal deficit and overall heath of the Indian economy prevailed. Many investors chose to be on sidelines ahead of the year ending amid mixed global cues.
- Weekly food inflation eased further whereas fuel inflation remained at elevated levels above the 52-week average. According to ministry of finance press release, India's external debt increased 6.6% at the end of September 2011 over the level at the end of March 2011.
- Lingering concerns over Euro zone debt crisis weighed on the sentiment. Japan's industrial production fell in November and confidence among South Korean manufacturers sank to a 30-month low. US home prices fell more than projected in October even as consumer confidence gained in December to an 8-month high.
- Locally, barring telecom, technology and healthcare, all sectors fell. Oil & gas, banks and realty led the losers. Consumer goods sector (+9.53%) was the only gainer over the last year.

The week ahead: Investors may look for fresh leads with regards to domestic economic conditions. Global risk appetite may influence sentiment. Focus would shift to corporate earnings, domestic economic data and RBI policy in the second half of January 2012.

Source: Verity Analytics

DEBT MARKET

- Government bond prices declined sharply as sentiment turned bearish on concerns that the slipping fiscal deficit target may translate into further rise in government borrowing.
- The unscheduled bond auctions worth ₹15,000 crore kept the mood gloomy. The yield on the 10-year benchmark bond surged to 8.56% from 8.35%. The 10-year yield was 7.95% at the beginning of the year.
- The deficit in systemic liquidity conditions weighed, which despite RBI's efforts continued to run at over a trillion rupees daily. Call rate surged to 9.50% with banks tapping RBI's Marginal Standing Facility (MSF) to meet daily requirements.
- Further, RBI's OMO results added to the despair after having bolstered sentiment in the initial few auctions. The focus was now fixed on RBI's borrowing calendar as the government is already scheduled to raise ₹4.7 trillion on a gross basis, ₹28 billion higher than the budgeted amount of ₹4.17 trillion.
- Traders awaited details of the RBI's Treasury-bill issuance calendar for Jan-Mar to derive further clarity. At the weekly bill auctions, the yield on 91-day bill rose to 8.47% from 8.39%, while yield on 364-day bill rose to 8.35% from 8.25%.
- Food inflation rate eased sharply to 0.42% y-o-y in the week to December 17 while primary articles inflation rate was 2.70% y-o-y down from 3.78%. The data had little impact on trade.

The week ahead: Bond yields will be choppy before clarity emerges on the government's market borrowing plans. Concerns about the prevailing liquidity crunch will sustain. Details of OMO purchases, if any, and the scheduled bond supply will provide cues.

Source: Verity Analytics

Market Indicators

	As on 30th Dec 2011	Change over (%)	
		1-Week	1-Year
Developed Markets			
Dow Jones	12217.56	-0.63	5.30
FTSE 100	5572.28	1.07	-7.16
Xetra Dax	5898.35	0.33	-17.22
Nikkei 225	8455.35	0.71	-20.98
Emerging Markets			
BOVESPA*	56754.08	-1.67	-22.11
RTS	1381.87	-0.89	-28.11
Shanghai	2199.42	-0.24	-25.47
Sensex	15454.92	-1.84	-31.93

* as on 29th Dec 2011

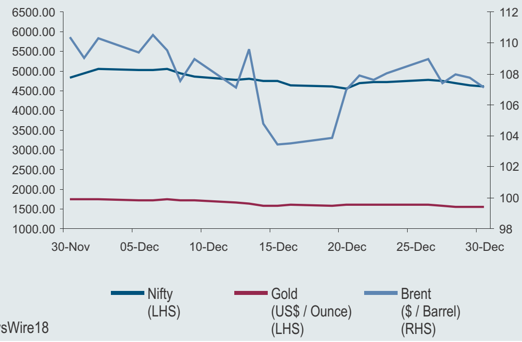
Sources: NewsWire18, Verity Analytics

Benchmark Rates

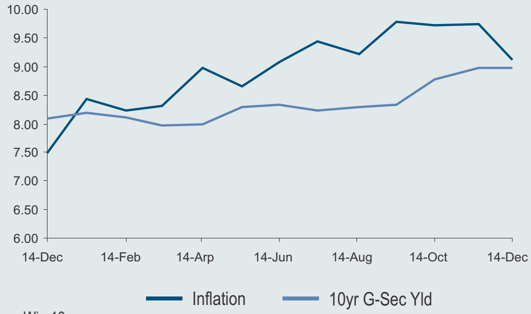
Treasury	As on 30th Dec 2011	Absolute Change	
		1-Week	1-Year
Call Rate	8.55	-1.30	1.75
NSE MIBOR	8.99	-0.86	2.22
5 Yr. AAA Bond Spreads	0.86	-0.14	-0.10
10 Year Yield	8.56	0.21	0.65
Repo	8.70	-0.50	2.45
CBLO	7.45	-0.97	1.25
91 Day Tbill	8.40	0.05	1.30
182 Day Tbill	8.35	0.10	1.05
364 Day Tbill	8.30	0.15	0.81
Gold($/oz)	1561.90	-44.53	156.30
Brent($/bbl)	107.10	-0.93	14.39
INR	53.11	0.14	8.15

Sources: NewsWire18, Verity Analytics

BNP PARIBAS
MUTUAL FUND



Source: NewsWire18
(Data as on 30th Dec 2011)



Source: NewsWire18
(Data as on 30th Dec 2011)

FII & MFs Net Flows				
	Equity		Debt	
	Latest	YTD*	Latest	YTD*
FII*	342.20	-2470	1379.20	21672
MF#	176.10	6267	16230.00	294197

(₹ Cr) YTD* - From Jan' 11 Source: SEBI

(*Data as on 30th Dec 2011) (#Data as on 29th Dec 2011)
Sources: SEBI, Verity Analytics

LAF Volumes (₹Cr.)	Today	Previous	1 week	1 Month
Repo*	114670	116530	173330	77850
Reverse Repo*	13,275	8,840	20	305

Source: RBI (*Data as on 30th Dec 2011)

Tenor	CP (%)	CD (%)
3 Months*	9.70	9.50
6 Months*	9.80	9.60
1 Year*	9.95	9.75

Source: NewsWire 18 (*Rates as on 30th Dec 2011)

RECENT EVENTS

Infrastructure industries growth rate rebounds in November…

According to the latest data released by the Commerce Ministry, the eight core infrastructure industries registered a growth rate of 6.8% y-o-y in November 2011. The growth rate is higher than the 3.7% y-o-y in November 2010 and 5-year low of 0.3% y-o-y in October 2011.

During April-November FY12, the cumulative growth rate of the eight core industries was 4.6% as against their growth of 5.6% during the corresponding period in FY11.

The eight core infrastructure industries account for 38% of India's factory output. The performance of this sector is seen as an advance indicator of industrial activity. The infrastructure industries include coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity.

Crude oil, natural gas and fertilisers witnessed growth contraction. All other segments registered robust growth in November led by cement (16.6% y-o-y), electricity (14.1% y-o-y) and refinery products (11.2% y-o-y).

Further, coal production registered a growth rate of 4.9% y-o-y in November compared with contraction of 9% y-o-y in the last month. Steel and electricity are the only sectors, which showed positive growth rates for the last successive 12 months.

Source: Verity Analytics

BACK TO SCHOOL

Scheme Information Document

The Scheme Information Document (SID) sets forth concisely the information about the scheme that a prospective investor ought to know before investing. The SID contains details like type of the scheme, investment objective of the scheme, asset allocation pattern, investment strategies, terms of issue, risk factors, benchmark, load, minimum application amount etc. The SID should be read in conjunction with the Statement of Additional Information and not in isolation. The SID is available at AMC offices / AMC web-site / Investor Service Centres / Distributors.

This document provides valuable information to the investor, which helps him in taking investment decisions. This document is a part of, and enclosed with the offer document of the new scheme.

Source: Verity Analytics

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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 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 name 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 factor, 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.**