December 09, 2011 - December 16, 2011

BNP PARIBAS
MUTUAL FUND

Week at a Glance

MARKET REVIEW

EQUITY MARKET

- Benchmark indices extended losses and sealed the week at multi-year lows on a closing basis. Sensex slipped 4.45% to 15491.35 while Nifty plunged 4.42% to 4651.60.

- Soft domestic economic data and concerns over economic growth weighed on the sentiment. The market crashed in the period following the RBI policy. Moody's Investor Service said that the Indian government's move to put on hold its plan to allow 51% FDI in multi-brand retail was credit-negative.

- Uncertainty with regards to implementation of the measures agreed at the EU summit and concerns over rating downgrade of some European nations affected risk appetite. Italian borrowing costs edged up though Spanish debt auction garnered robust demand. US Federal Reserve kept the key policy rates unchanged. Selling pressure across the board dragged some index heavyweights to fresh 52-week lows.

- All sectors plunged, led by capital goods, durables, realty and banks. Lower capitalisation indices slipped in excess of 6%, each. FII were net sellers of ₹1383.1 crores worth equities as against ₹1198.9 crores worth buyers in the previous week.

The week ahead: Indices may remain volatile in the coming week. Global macroeconomic developments and economic data will continue to influence sentiment.

Source: Verity Analytics

Market Indicators	As on 16th Dec 2011	Change over (%) 1-Week	Change over (%) 1-Year
Developed Markets			
Dow Jones	11866.39	-2.68	3.09
FTSE 100	5387.34	-2.63	-9.17
Xetra Dax	5701.78	-5.00	-23.20
Nikkei 225	8401.72	-1.60	-22.71
Emerging Markets			
BOVESPA	56096.93	-3.81	-19.98
RTS	1373.73	-2.66	-26.97
Shanghai	2224.84	-4.06	-30.26
Sensex	15491.35	-4.66	-28.23

Sources: NewsWire18, Verity Analytics

DEBT MARKET

- Government bonds extended gains cheered by RBI's decision to maintain status quo on interest rates and as the bank said that it would continue to conduct bond purchase auctions under open market operations as and when required.

- The 10-year benchmark yield fell sharply to 8.37% after the policy release from 8.46% before. The yield was also significantly lower from the previous week's 8.52%.

- The weakness in macro economic fundamentals like a slowing GDP growth during Jul-Sep and 2-year low October IIP rate (-5.1% y-o-y) had ramped up pressure on RBI to ease its anti-inflationary stance. However, uncertainty prevailed in the face of the higher-than-expected November inflation (9.11% y-o-y) disappointed traders as it stayed significantly above RBI's comfort level. Interestingly, weekly food inflation figures continued to support bond sentiment – food inflation dipped to 4.35% y-o-y, the lowest since 2008.

- Liquidity deficit worsened due to advance tax payments. Call rates touched 9.20% from 8.50%. The weekly average infusion of funds by RBI surged to ₹94,888 crore revealing the pressure on liquidity in the banking system.

- At the treasury bill auction, the yield on 91-day bill fell to 8.47% from 8.60%, while yield on 364-day bill eased to 8.25% from 8.44%.

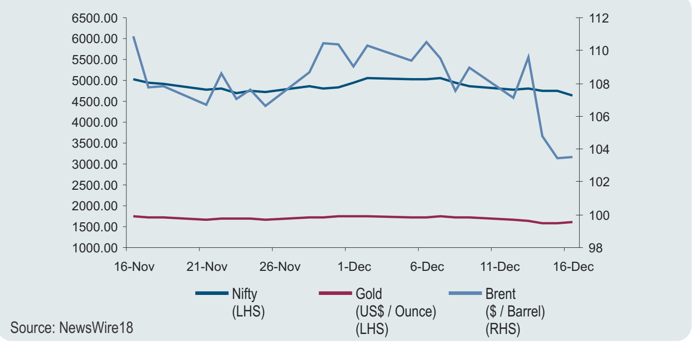
The week ahead: Bond yields may continue easing on hope of more bond purchases by the RBI in coming weeks. Sentiment also remains upbeat as RBI hints at easing policy stance hereon. However, liquidity conditions would be watched with cautions along with details of the upcoming bond auctions.

Source: Verity Analytics

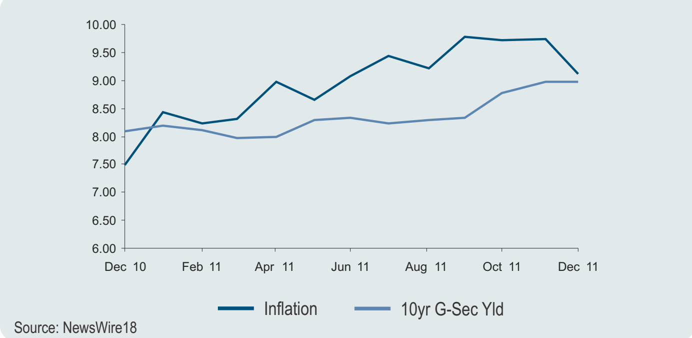
Benchmark Rates: Treasury	As on 16th Dec 2011	Absolute Change 1-Week	Absolute Change 1-Year
Call Rate	9.00	0.35	2.15
NSE MIBOR	8.98	0.38	2.13
5 Yr. AAA Bond Spreads	0.82	0.01	-0.04
10 Year Yield	8.37	-0.15	0.42
Repo	8.30	0.55	2.30
CBLO	6.00	-2.00	-0.75
91 Day Tbill	8.30	-0.15	1.11
182 Day Tbill	8.25	-0.15	0.95
364 Day Tbill	8.15	-0.05	0.81
Gold($/oz)	1598.43	-112.27	228.47
Brent($/bbl)	103.48	-5.51	11.67
INR	52.71	0.67	7.35

Sources: NewsWire18, Verity Analytics

BNP PARIBAS
MUTUAL FUND



Source: NewsWire18
(Data as on 16th Dec 2011)



Source: NewsWire18
(Data as on 16th Dec 2011)

FII & MFs Net Flows				
	Equity		Debt	
	Latest	YTD*	Latest	YTD*
FII*	-1383.10	-4195	7779.40	28072
MF#	104.80	5897	2199.40	246311

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

(*Data as on 16th Dec 2011) (#Data as on 14th Dec 2011)

Sources: SEBI, Verity Analytics

LAF Volumes (`Cr.)	Today	Previous	1 week	1 Month
Repo*	148470	111845	83195	104470
Reverse Repo*	465	15	0	0

Source: RBI (*Data as on 16th Dec 2011)

Tenor	CP (%)	CD (%)
3 Months*	9.80	9.40
6 Months*	10.00	9.65
1 Year*	10.20	9.70

Source: NewsWire 18 (*Rates as on 16th Dec 2011)

RECENT EVENTS

RBI keeps policy rates unchanged; IIP contracts; Inflations slips…

The Reserve Bank of India (RBI) released its mid-quarter policy review on December 16, 2011. The central bank kept the key policy rates unchanged - the repo and reverse repo rates under the liquidity adjustment facility (LAF) stayed at 8.5% and 7.5%, respectively. The marginal standing facility (MSF) rate stayed at 9.5% while cash reserve ratio remained at 6%.

The central bank said global economic situation continues to be fragile with no credible solution as yet to the Euro area sovereign debt problems. Growth in emerging market economies was moderating on account of sluggish growth in advanced economies and the impact of monetary tightening to contain inflation.

Further, the deceleration in India's economic activity in Q2 FY12 was mainly on account of a sharp moderation in industrial growth. The index of industrial production (IIP) contracted by 5.1% y-o-y in October 2011. The slide was mainly due to contraction in manufacturing and mining activities. The contraction was particularly sharp in capital goods with a decline of 25.5% y-o-y.

Wholesale price index (WPI) based inflation moderated to 9.11% y-o-y in November from 9.73% y-o-y in October, driven largely by decline in primary food articles inflation. Fuel group inflation went up marginally. Notably, non-food manufactured products inflation remained elevated, actually increasing to 7.9% y-o-y in November from 7.6% y-o-y in October, reflecting rising input costs.

In its outlook and guidance, the RBI said that downside risks to growth have increased significantly. Further, the inflation projection for March 2012 was retained at 7%. Monetary policy actions are likely to reverse the cycle, responding to the risks to growth.

Source: Verity Analytics

BACK TO SCHOOL

Emerging Market Fund

An emerging market fund is a type of a mutual fund scheme that invests the majority of its assets in the financial markets of a developing country or a group of developing countries. Such countries could be in Eastern Europe, Africa, the Middle East, Latin America, the Far East and Asia.

The "emerging market" label has been adopted by the investment community to identify developing countries with superior growth prospects. The high potential for rewarding investment opportunities in this type of fund comes with relatively high risk. An emerging economy may be vulnerable to political and economic instability, have low average per-capita income, and in the process of building its industrial and commercial base.

Source: Verity Analytics