

The Week That Was:

Indices	As on 19th Dec 08	As on 26th Dec 08	Difference	
			Points	% Terms
SENSEX	10099.91	9328.92	(770.99)	-7.63%
NIFTY	3077.50	2857.25	(220.25)	-7.16%
NIFTY JUNIOR	4603.10	4325.25	(277.85)	-6.04%
CNX MIDCAP	3769.20	3589.40	(179.80)	-4.77%
BSESMCAP	3744.02	3548.54	(195.48)	-5.22%

Net Inflow / Outflow*

	Rs. Crore
FIIs - Cash	(613.9)
FIIs - F&O	(1794.4)
MFs	396.6

FII Cash, F&O and MF numbers are for 3 days of the week

Markets drop further on concerns

Markets edged lower last week, reversing its earlier gains of the preceding two weeks. Global economic uncertainties and concerns about corporate earnings weighed on the market ahead of next quarter earnings reporting season. The market slipped on all the four trading sessions of the truncated week on lower volumes. Lower inflation figure could not cheer the market. A sharp drop in advance tax payment by Indian companies in the third quarter pointing to dismal earnings and worsening geo political situation triggered a sell-off in the market on Friday. At close on weekend, Sensex lost 7.63% and Nifty slipped 7.16% over its last week's levels. The BSE Mid-Cap fell 4.81% and the BSE Small-Cap index slipped 5.22% in the week.

Wipro to acquire Citi Unit for USD127Mn

Wipro Ltd has agreed to buy Citi Technology Services Ltd, an IT services arm of the US-banking giant Citigroup, for about \$127 mn (Rs.621.5 crore) in cash. As part of the transaction, Wipro and Citi will sign a Master Services Agreement for the delivery of Technology Infrastructure Services (TIS) and Application Development and Maintenance (ADM) services for a period of six years. The agreement provides for the delivery of at least \$500 mn in service revenues over the period of the contract. Based in Mumbai and Chennai, Citi Technology Services provides IT services to Citi and its affiliates around the world. Citi Technology Services presently has approximately 1,650 employees trained in Citi processes and technologies, servicing Citi businesses in more than 32 countries. Apart from strong competencies in TIS, Citi Technology Services has expertise in ADM for Cards, Capital Markets and Corporate Banking. This transaction strengthens Wipro's existing relationship with Citi with a long-term agreement for Wipro to deliver TIS and domain-led ADM services to all Citi business segments.

BHEL bags Rs.2100 Cr power plant order from NTPC

Bharat Heavy Electricals (BHEL) has bagged two orders for the supply and installation of the main plant equipment for Mauda Super Thermal Power Project (STPP) in Maharashtra in an international competitive bidding. Cumulatively valued at around Rs.2100 Cr, the contracts have been placed on BHEL by NTPC for setting up the 1000 mega watt steam generator and steam turbine generator packages at Mauda STPP, located in Nagpur. These units will add 24 mn units every day to the grid on commissioning. The key equipment for the contracts will be manufactured at BHEL's Haridwar, Trichy, Ranipet, Hyderabad, Bangalore, Bhopal and Jhansi Plants. The company's Power Sector - Western

Region will undertake erection and commissioning of the equipment. BHEL manufactured sets are already operating at NTPC's many other projects.

RPL commissions Jamnagar refinery

Reliance Petroleum Ltd (RPL) commissioned its refinery last week, having processing capacity of 580,000 barrels per day, at the Jamnagar special economic zone (SEZ) in Gujarat. RPL refinery has been completed in 36 months from concept to commissioning. The refinery is the sixth largest refinery in the world capable of processing 5,80,000 barrels of oil per day (bopd). The secondary processing units of the refining complex are currently under synchronization and commissioning.

Dec F&O rollovers in line

The December F&O series, which got crunched at start of the month, was curtailed in the end, where the rollovers remained in line. Around 66% of the flagship Nifty contracts were rolled over to the January series. Market-wide rollovers stood at 79%, which was inline with the average of the previous expiries. The outstanding rolled position of Rs.22000 Cr was up by 11.8% as against Rs.19700 Cr that was seen in the beginning of December series. In contract terms the market wide OI was up by 3.58% (2,164,633 vs. 2,089,877).

FII's turn sellers: Domestic funds lends support

FII's were sellers to the tune of Rs.613.9 Cr in the cash market and were sellers to the tune of Rs.1794.4 Cr in the derivatives market for three days of trading last week. Domestic funds on the other hand turned buyers to the tune of Rs.396.6 Cr for three days of trading last week.

Going Forward

The markets this week may witness higher volatility and higher impact costs due to lack of volume in markets as we move towards the final few days of the year end. Much of the market direction in the coming few trading sessions may take cues from the cross border developments and the undertone is likely to be cautious. As we close the year, any large scale buying is unlikely to be seen in the very short term.

The Week That Was:

Major Economic indicators

	Current Week*	Last Week	Change
Inflation (13/Dec/ 2008)	6.61%	6.84%	-0.23
WPI (Points)	230.7	231.1	-0.4
10 YR IGB (Yield) (26/Dec/2008)	5.60%	5.52%	+0.8%
10 YR UST (Yield) (26/Dec/2008)	2.17%	2.14%	+0.3%
Avg. LAF Bal. With RBI (Rs. Cr)	8565	18838	-10273
Currency (Rs. /\$) (26/Dec/2008)	48.43	47.25	1.18
India 's Forex Reserve (Billion \$) (19/Dec/2008)	254.1	250.45	+3.6

*Current reported week

WPI - Inflation

The inflation for week ended December 13, 2008 has come in further lower at 6.61% as against 6.84% in the previous week. The fall in inflation is due to the cascading effect of cuts in fuel prices, falling prices of manufactured goods and some food items. The index for Primary Articles was down 0.4% since price for Food Articles was down 0.5%. The Fuel and Power index was down 3.7% while manufacturing index was

down 0.3%.

The inflation rate for the week ended October 18, 2008 was revised to 10.82% from the provisional estimate of 10.68%.

US Treasuries

The 10yr US treasuries remained in a narrow range of 2.09%-2.17%. The 10yr US treasury rose during the week on account of increase in unemployment claims, fall in housing starts. The 10yr also remain range bound on account of fall in inflation. The 10yr US treasury closed at 2.17% on account of profit booking.

Outlook

Liquidity was easy during the week with CBLO around 5.50% and call rates in the range of 6.00%-6.25%. Banks lent on an average Rs.8500 crs. to RBI. Liquidity should be relatively easy next week on account of second week of reporting. RBI has announced T-Bill auction worth Rs. 1500 crs. RBI has announced auction of "7.46% GSEC 2017" worth Rs. 6000crs and "7.40% GSEC 2035" worth Rs. 4000crs. The 10-year GSEC touched a low of 5.70% on account of India-Pakistan tension and some amount of profit booking by traders; the 10 yr GSEC closed at 5.60%. The 10-yr would continue to trade in the range of 5.40%-5.60% band.



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 and money markets. Statutory: Kotak Mahindra Mutual Fund has been established as a trust under the Indian Trusts Act, 1882, by Kotak Mahindra Bank Limited (liability Rs. NIL) with Kotak Mahindra Trustee Company Limited as the Trustee and with Kotak Mahindra Asset Management Company Limited as the Investment Manager. Before investing, please read the Offer Documents.