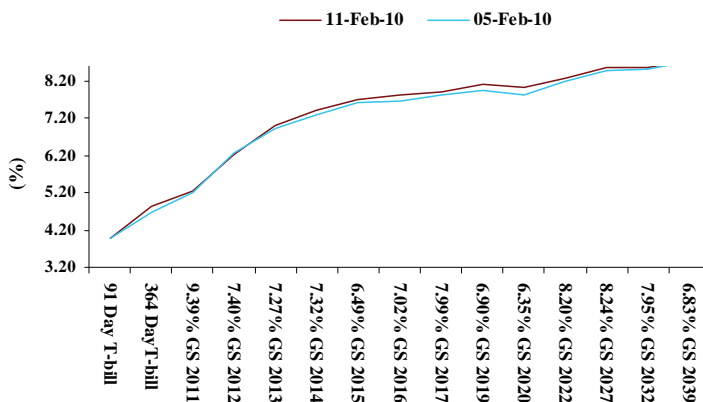


MARKET SNAPSHOT

	11-Feb-10	05-Feb-10
Indicators		
CALL Wt Avg. (%)	2.32	2.92
CBLO Wt Avg. (%)	3.23	3.28
WPI (%)	7.31 (Dec)	4.78 (Nov)
Crude (USD/bbl)	74.52	73.14

AAA Corporate Bond Yields and Spread				
	Yield (%) Annualised		Spread over Gsec	
	11-Feb-10	5-Feb-10	11-Feb-10	5-Feb-10
1 Year	6.65	6.45	143	129
3 Year	7.72	7.65	70	71
5 Year	8.52	8.40	73	78
10 Year	8.83	8.75	81	92

Government Security (indicative annualised) 11-Feb-10				
Security	Traded Price		Traded Yield	
	Closing Price (Rs.)	Previous Close (Rs.)	Closing Yield (%)	Previous Close (%)
91 Day T-bill	99.06	99.05	3.97	3.98
364 Day T-bill	95.39	95.54	4.85	4.68
9.39% GS 2011	105.51	105.65	5.25	5.21
7.40% GS 2012	102.54	102.55	6.24	6.25
7.27% GS 2013	101.14	101.42	7.02	6.93
7.32% GS 2014	100.13	100.55	7.42	7.30
6.49% GS 2015	95.33	95.75	7.71	7.61
7.02% GS 2016	96.77	97.55	7.81	7.64
7.99% GS 2017	101.27	101.78	7.91	7.82
6.90% GS 2019	93.20	94.10	8.10	7.95
6.35% GS 2020	89.73	90.90	8.02	7.83
8.20% GS 2022	100.68	101.21	8.27	8.20
8.24% GS 2027	98.80	99.25	8.55	8.50
7.95% GS 2032	95.51	96.09	8.57	8.51
6.83% GS 2039	81.39	81.75	8.76	8.72



G-Sec Market:

The G-Sec market opened on a positive note tracking the rise in US Treasuries. The release of the GDP data in the beginning of the week marked a marginal sell-off. Apprehensions over FY 2010-11 borrowing and the upcoming inflation and IIP data kept the sentiment subdued. The market further lost strength amidst rumors of issuance of Cash Management Bills to meet Government cash needs. The market recovered partially post comments from a Finance Ministry Official stating that the Government is not mulling any issuance of CMBs currently. Towards the fag end of the week the yields hardened taking cues from the fall in US Treasury prices and the higher primary articles and fuel and power inflation rate. The security 6.35% GS 2020 ended at Rs.89.73 (7.86%) vis-à-vis Rs.90.90 (7.68%) last week.

T-Bill Auctions:

RBI set the cut-off price for the 91 Day T-Bill at Rs.98.99 (4.09%) (same as its previous cut-off) and for the 364 Day T-Bill at Rs.95.36 (4.88%) (compared to its previous cut-off of 4.67%). Both the bills were fully subscribed.

RBI announced the sale of 91 Day T-Bill for a notified amount of Rs.5,000 Cr and 182 Day T-Bill for Rs.1,500 Cr via multiple price auctions to be conducted on February 17.

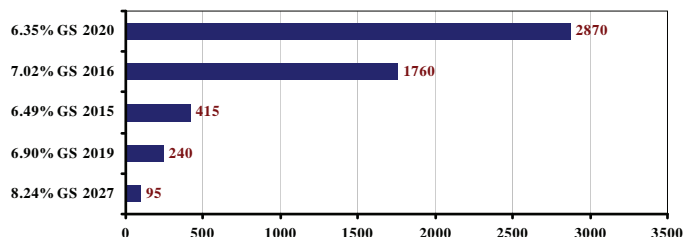
SDL Auctions:

Three states announced the sale of their 10 year State Development Loans to raise an aggregate amount of Rs.3,477 Cr via yield based auctions to be conducted on February 15. The notified amounts for the same are as follows: Kerala - Rs.1,480 Cr, Uttar Pradesh - Rs.1,197 Cr and West Bengal - Rs.800 Cr.

Corporate bonds:

The market that witnessed range bound trading for several weeks, lost support with the 10 year yield touching 8.80% + levels. Both the trader as well as the investor fraternity marked little interest. The traders were keen to sell-off even at higher yields but were looking for quantum bids. Tracking attractive returns from the G-Sec market, investors such as EPFO, NPS and the PF segment switched

Top Traded Securities as on Feb 11



Government Borrowing Programme (Rs. Cr.)	
Budgeted Net Government Borrowings for 2009-10	397957
Budgeted Gross Borrowings for 2009-10	492093
Of which G-sec	451093
364 Day T-Bills	41000
Net Borrowings till Date	409911
Gross Borrowings till Date	483000
G-sec	418000
364 Day T-Bills	32000
MSS de-sequestering	33000
Gross Borrowings Programme Completed (%)	98.15%
MSS Outstandings (T-bill and Dated Securities)	7736

Special Bonds	Indicative Yield (%) Annualised	Indicative Price
8.30% FERT 2023	8.40	100.55
7.95% FERT 2026	8.45	97.15
8.20% OIL 2024	8.40	99.75
8.40% OIL 2026	8.45	101.05
8.03% FCI 2024	8.40	98.25
8.23% FCI 2027	8.45	99.60

Forthcoming Auctions		
Security	Date of Auction	Amount (Rs. Cr.)
SDL auctions	15-Feb-10	3477
91 Day T-Bill	17-Feb-10	5000
182 Day T-Bill	17-Feb-10	1500

interest from the corporate bond market. The market witnessed a lesser fall as compared to that seen in the G-Sec market. The primary issuance from REC witnessed limited appetite, the bulk being in the 5 year bond. Investors looking for higher returns would probably find better opportunities in the week to come.

The 10 year AAA bond was seen being quoted at a yield of around 8.83% vis-à-vis 8.75% observed in the previous week. The 1 year bond traded at a yield of around 6.65%, compared to 6.45% observed a week earlier. The 1 year CD yield traded higher at 6.45% as compared to 6.25% observed on February 5.

In the primary market, REC issued 3 year and 5 year papers offering a yield of 7.65% (annual) and 8.45% (annual) respectively to raise Rs.500 Cr. L&T Finance raised Rs.250 Cr via issuance of 8.40% (semi-annual) and 8.50% (annual) 3 year papers. IDFC came up with the sale of its 8.77% (annual) 10 year bonds to raise Rs.100 Cr. HDFC issued 7.35% (annual) 2 year paper to raise Rs.500 Cr. Sundaram Home Finance raised Rs.100 Cr via issuance of 10% (annual) 83 month paper. DLF placed 10% 2 year and 10.5% 3 year bonds, both offering semi-annual yields.

Money market:

The amount of funds deployed at RBI's LAF Reverse Repo window marked a gradual decline through the week. The daily average of funds parked by the market participants stood at Rs.89,031 Cr vis-à-vis an average of Rs.1,04,537 Cr observed a week earlier. However, the money market rates remained in a comfortable zone. The Call ended at an average rate of 3.23% on Friday as compared to 2.92% observed a week earlier. The CBLO ended at an average rate of 2.32% v/s 3.28% previously.

Macro- Economic Indicators:

CSO released the advance estimate of GDP growth for the year 2009-10. The advance estimate at factor cost stood at 7.2% for the current fiscal as against a growth of 6.7% in 2008-09.

The quick estimate of the Index of Industrial Production (IIP) for the month of December 2009 came in at a robust

331.7, marking a steep growth of 16.8% (YoY). The cumulative growth for the period April-December 2009-10 stands at 8.6%. The individual sectors, viz. the Mining, Manufacturing and Electricity for December 2009 grew at 9.5%, 18.5% and 5.4% respectively. As per the Use-based classification, the sectoral growth rates are 7.5% in Basic goods, 38.8% in Capital goods, 21.7% in Intermediate goods and 12% in Consumer goods. Fourteen out of the seventeen industry groups have shown positive growth.

The Primary articles index increased 0.1% marking a Y-o-Y growth of 15.75% vis-à-vis 14.56% observed a week earlier. The Fuel and power index grew at 10.44% (Y-o-Y) v/s 5.88% last week. The steep rise is primarily tracking the base effect (cut in petrol and diesel prices implemented last year same week).

Government Securities

Prasanna Patankar
Manish Jadhvani
Rahul Sangle

Institutional Sales

Siddharth Shah
Subodh Kapadekar
Suresh Gonsalves
Shivangani Singh

Fixed Income Research

Meghna Patel
Mutual Fund
Abhishek Bandiwdekar

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