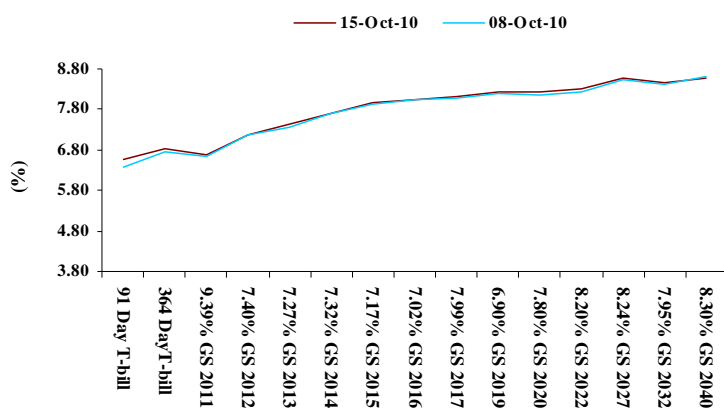


**MARKET SNAPSHOT**

	15-Oct-10	08-Oct-10
<b>Indicators</b>		
CALL Wt Avg. (%)	6.40	5.80
CBLO Wt Avg. (%)	5.85	5.28
WPI (%)	8.62 (Sep)	8.50 (Aug)
Crude (USD/bbl)	82.69	81.67

Security	Traded Price		Traded Yield	
	Closing Price (Rs.)	Previous Close (Rs.)	Closing Yield (%)	Previous Close (%)
91 Day T-bill	98.39	98.44	6.56	6.37
364 Day T-bill	93.62	93.69	6.83	6.75
9.39% GS 2011	101.90	101.96	6.68	6.66
7.40% GS 2012	100.49	100.50	7.18	7.17
7.27% GS 2013	99.95	100.05	7.42	7.38
7.32% GS 2014	99.20	99.20	7.70	7.70
7.17% GS 2015	97.56	97.64	7.95	7.93
7.02% GS 2016	95.96	95.92	8.05	8.06
7.99% GS 2017	100.18	100.23	8.11	8.10
6.90% GS 2019	92.74	92.90	8.23	8.20
7.80% GS 2020	98.24	98.78	8.23	8.14
8.20% GS 2022	100.42	100.99	8.31	8.23
8.24% GS 2027	98.49	98.92	8.59	8.53
7.95% GS 2032	96.67	96.97	8.45	8.42
8.30% GS 2040	98.74	98.67	8.59	8.60


**G-Sec Market:**

The G-Sec market witnessed a range bound opening. The 10 year security took a hit, in wake of being on sale for the upcoming auctions and nearing the limit for issuance of a single security. The partial acceptance of bids for 182 Day T-Bill auction marred market sentiment. Apprehensions over Friday's inflation data and G-Sec auction supply kept the prices in check. The stubborn weekly as well as monthly inflation rate pushed yields northwards. Comments from Mr. Rangarajan who stated that RBI may need to hike rates to tame inflation also led to a sell-off. The 10 year benchmark security 7.80% GS 2020 ended at Rs.98.24 (8.07%) vis-à-vis its close of Rs.98.78 (7.98%) in the previous week.

**G-Sec Auctions:**

The cut-off price for the security for the security 7.17% GS 2015 was set at Rs.97.55 (7.80%), for 7.80% GS 2020 at Rs.98.25 (8.07%) and for 8.26% GS 2027 at Rs.98.76 (8.40%). The notified amounts for the same were Rs.4,000 Cr, Rs.4,000 Cr and Rs.3,000 Cr respectively. The three securities were fully subscribed.

**SDL Auctions:**

The auction for the sale of West Bengal State Development Loan conducted on October 12 witnessed a cut-off yield of 8.39%. The state raised Rs.500 Cr.

**T-Bill Auctions:**

RBI set the cut-off price for the 91 Day T-Bill at Rs.98.39 (6.56%) (compared to its previous cut-off of 6.40%) and for the 182 Day T-Bill at Rs.96.71 (6.82%) (compared to its previous cut-off of 6.57%). Both the bills were fully subscribed.

RBI announced the sale of 91 Day T-Bill for a notified amount of Rs.4,000 Cr and 364 Day T-Bill for Rs.2,000 Cr via multiple price auctions to be conducted on October 20.

AAA Corporate Bond Yields and Spread				
	Yield (%) Annualised		Spread over Gsec	
	15-Oct-10	8-Oct-10	15-Oct-10	8-Oct-10
1 Year	8.25	8.00	142	127
3 Year	8.45	8.20	85	64
5 Year	8.60	8.54	65	62
10 Year	8.70	8.68	47	54

**Corporate bonds:**

The corporate bond market witnessed limited primary issuances. This led to lackluster activity in the secondary market. The PF fraternity marked interest in the G-Sec category. A truncated trade week in Delhi, too, limited activity from the PF segment. In the week ahead, we expect the 10 year AAA PSU paper to trade in the range of 8.70% - 8.75%.

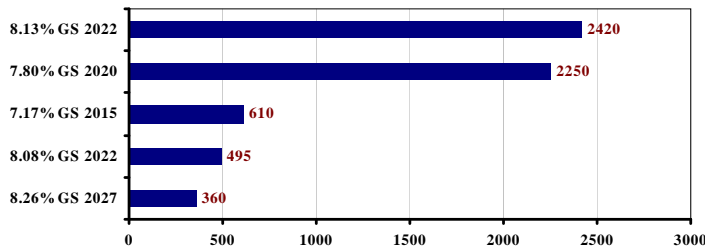
The week under review marked a rise in most corporate bond yields. The 10 year AAA bond ended at a yield of around 8.70% compared to 8.68% in the previous week. The 1 year bond traded at a yield of around 8.25% compared to 8% a week earlier. The 1 year CD yield was seen trading at 8.30% compared to 8.10% seen previously.

In the primary market, IDFC announced the sale of its 8.50% (annual) 2 year bond to raise Rs.225 Cr. PGC announced the issuance of its 4 - 15 year STRPP paper to raise Rs.1,500 Cr. The coupon for the issuance will be decided on book building basis with a cap at 8.727% (annual). L&T Infrastructure Finance issued tax free bonds for the retail segment to raise Rs.700 Cr. The issue has two bonds with maturity 10 years, 7.50% with a buy back option after 5 years and 7.75% with a buy back after 7 years.

**Money market:**

The week under review marked steep infusion of liquidity by the RBI into the system. The beginning of a new Reporting fortnight, leading to higher product maintenance by banks, and auction outflow led to the tightness in systemic liquidity. RBI infused funds worth Rs.75,569 Cr on an average daily basis into the system via the LAF Repo window. The earlier week marked an infusion of Rs.11,421 Cr daily. In the money market the Call ended at an average rate of 6.40% as against 5.80% observed the week earlier. The CBLO levels moved from 5.28% seen on October 1 to 5.85% on Friday in the week under review.

Top Traded Securities as on Oct 15



Government Borrowing Programme (Rs. Cr.)	
Budgeted G-Sec Gross Borrowings for 2010-11	457143
Budgeted G-Sec Net Borrowings for 2010-11	345010
Budgeted Redemptions	112133
G-Sec Gross Borrowings till Date	317000
G-Sec Gross Borrowing Completed (%)	69.34%
Maturities till date	83034
Net G-Sec Borrowings till Date	233966
364 Day T-Bill Gross Borrowings till date	19000
Cash management bills issued	12000
MSS Outstandings (Dated Securities)	0

Special Bonds	Indicative Yield (%) Annualised	Indicative Price
8.20% OIL 2024	8.53	98.75
6.90% OIL 2026	8.56	87.35

Forthcoming Auctions		
Security	Date of Auction	Amount (Rs. Cr.)
91 Day T-Bill	20-Oct-10	4000
364 Day T-Bill	20-Oct-10	2000

■ **Macro- Economic Indicators:**

The Index of Industrial Production for the month of August 2010 dipped significantly to 5.6% (YoY), much lower than the revised 15.2% for the month of July. Mining, Manufacturing and Electricity sectors grew at 7%, 5.9% and 1% respectively. As per Use-based classification sectoral growth rates are 3.7% in Basic goods, -2.6% in Capital goods, 10% in Intermediate goods and 6.9% in Consumer goods (durables: 26.5% and non-durables: -1.2%). The IIP for the month of July was revised upwards from 13.8% to 15.2%.

The WPI inflation for the month of September 2010 inched up to 8.62% vis-à-vis 8.51% seen a for the month of August. The primary articles index rose by 1.5%, fuel and power index up by 0.3% whereas the manufactured products index rose by 0.3%. The inflation rate for the month of July was revised upwards to 10.31% v/s 9.97% provided earlier.

With regards to the weekly release of primary articles index for the week ended October 2, the index rose 0.7% marking an inflation rate of 18.54% (YoY) v/s 18.53% seen a week earlier. The fuel and power index rose 0.1% taking the inflation rate to 11.14% (YoY) v/s 10.73% last week.

<b>Head of Treasury</b> Prasanna Patankar	<b>Treasury Sales</b> Siddharth Shah	<b>Fixed Income</b>	<b>Equity Desk</b>	<b>Settlements</b>	<b>Delhi Office</b>	<b>Bangalore Office</b>
<b>Government</b>	Subodh Kapadekar	<b>Research</b>	Rajiv Ranjan	M N Suresh	K K Mittal	Srinivas R
<b>Securities</b>	Rahul Sangle	Meghna Patel	Alok Baadkar	Anita Mohite	Satish Sharma	Raghu N
Manish Jadhvani	Shivangani Singh	<b>Debt</b>	<b>Risk Management</b>	Smita Nair	Reshu Sharma	
Nirav Shah	Payal Shah	<b>Fund Management</b>	Kruti Dalal	Shyam Margaj	Anshul Arora	
		<b>&amp; Mutual fund</b>		Rakesh Ojha		
		Sabita Braganza				

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