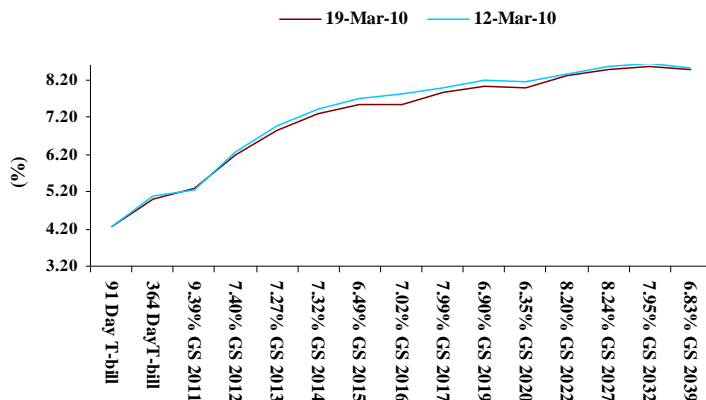


## MARKETSNAPSHOT

	19-Mar-10	12-Mar-10
<b>Indicators</b>		
CALL Wt Avg. (%)	3.45	3.27
CBLO Wt Avg. (%)	3.05	2.38
WPI (%)	9.89 (Feb)	8.56 (Jan)
Crude (USD/bbl)	82.20	82.11

AAA Corporate Bond Yields and Spread				
	Yield (%) Annualised		Spread over Gsec	
	19-Mar-10	12-Mar-10	19-Mar-10	12-Mar-10
1 Year	6.75	6.75	142	126
3 Year	7.55	7.80	60	79
5 Year	8.53	8.55	86	82
10 Year	8.88	8.90	90	73

Government Security (indicative annualised) 19-Mar-10				
Security	Traded Price		Traded Yield	
	Closing Price (Rs.)	Previous Close (Rs.)	Closing Yield (%)	Previous Close (%)
91 Day T-bill	98.95	98.95	4.27	4.27
364 Day T-bill	95.25	95.19	5.00	5.07
9.39% GS 2011	105.08	105.18	5.28	5.26
7.40% GS 2012	102.54	102.37	6.19	6.29
7.27% GS 2013	101.65	101.27	6.84	6.97
7.32% GS 2014	100.60	100.14	7.29	7.41
6.49% GS 2015	96.15	95.50	7.53	7.69
7.02% GS 2016	98.02	96.70	7.55	7.83
7.99% GS 2017	101.58	100.81	7.85	7.99
6.90% GS 2019	93.74	92.75	8.01	8.18
6.35% GS 2020	90.03	88.88	7.98	8.17
8.20% GS 2022	100.45	100.20	8.30	8.34
8.24% GS 2027	99.45	98.76	8.47	8.55
7.95% GS 2032	95.65	94.89	8.56	8.64
6.83% GS 2039	83.78	83.59	8.49	8.51


■ **Highlight of the week:**

The RBI on Friday (post market hours) raised the LAF Repo rate from 4.75% to 5% and the LAF Reverse Repo rate from 3.25% to 3.5% with immediate effect. These measures have been taken keeping in mind that while the recovery in growth has proceeded broadly along expected lines, the inflationary pressures have intensified beyond RBI's baseline projection. These measures are expected to anchor inflationary expectations and contain inflation going forward

■ **G-Sec Market:**

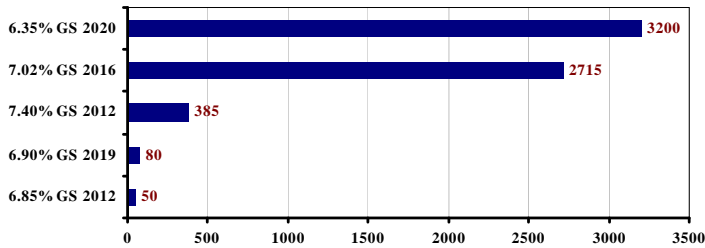
Monday marked the release of monthly inflation data that came in higher at 9.89%. The market chose to ignore the same and traded with a positive bias. It further took supportive cues from the rally in US Treasuries. However, profit booking and comments from Mr. Montek Ahluwalia stating that RBI may take short-term measures to tame inflation capped earlier gains. However, mid-week, most securities indulged in a robust rally tracking lower food inflation, comments from an Official stating that the borrowing for the next fiscal will be evenly spaced and rating upgrade by S&P on India from negative to stable. On the contrary, Mr. Chakrabarty stated that there was high probability of a front loaded calendar and that all tools including monetary action could be used to tame inflation. The market rallied towards the fag end of the week in absence of any negative triggers. The security 6.35% GS 2020 ended at Rs.90.03 (7.83%), more than a rupee higher vis-à-vis Rs.88.88 (8.01%) last week.

■ **T-Bill Auctions:**

RBI set the cut-off price for the 91 Day T-Bill at Rs.98.91 (4.42%) (compared to its previous cut-off of 4.34%) and for the 182 Day T-Bill at Rs.97.72 (4.68%) (compared to its previous cut-off of 4.70%). Both the bills were fully subscribed.

RBI will conduct multiple price auctions on March 23 for the sale of 91 Day T-Bill for a notified amount of Rs.5,000 Cr and 364 Day T-Bill for Rs.3,000 Cr.

Top Traded Securities as on March 19



Government Borrowing Programme (Rs. Cr.)	
Budgeted Net Government Borrowings for 2009-10	397957
Budgeted Gross Borrowings for 2009-10	492000
Of which G-sec	451000
364 Day T-Bills	41000
Net Borrowings till Date	397864
Gross Borrowings till Date	489000
G-sec	418000
364 Day T-Bills	38000
MSS de-sequestering	33000
Gross Borrowings Programme Completed (%)	99.39%
MSS Outstandings (T-bill and Dated Securities)	2736

Special Bonds	Indicative Yield (%) Annualised	Indicative Price
8.30% FERT 2023	8.50	99.75
7.95% FERT 2026	8.55	96.30
8.20% OIL 2024	8.50	98.95
8.40% OIL 2026	8.55	100.25
8.03% FCI 2024	8.50	97.45
8.23% FCI 2027	8.55	98.65

Forthcoming Auctions		
Security	Date of Auction	Amount (Rs. Cr.)
SDL auctions	23-Mar-10	2884
91 Day T-Bill	23-Mar-10	5000
364 Day T-Bill	23-Mar-10	3000

**SDL Auctions:**

Five states announced the sale of their 10 year State Development Loans to raise an aggregate amount of Rs.2,884.18 Cr via yield based auctions to be conducted on March 23. The notified amounts for the same are as follows: Andhra Pradesh - Rs.1,383.14 Cr, Himachal Pradesh - Rs.620 Cr, Jammu & Kashmir - Rs.27.04 Cr, Maharashtra - Rs.800 Cr and Mizoram - Rs.84 Cr.

**Corporate bonds:**

The market witnessed a positive bias across maturities. The short term papers, specifically CDs, rallied tracking the positive outlook for the fiscal year to come. The 1 month paper yield tightened in wake of uncertainty with regards to the liquidity scenario and possible rate tightening. In comparison to last week, the week under review marked increased activity from all segments, viz. traders, investors and provident funds. The PF category as well as the EPFO supported the market as they tried to achieve their investment target before fiscal year end. Since major issuances were done with by the months of January and February, the market remained devoid of major fresh supply. Going ahead, any unexpected issuance from huge issuers such as PFC, REC and IRFC would impart upward pressure on bond yields and in their absence the positive scenario would continue to prevail.

The 10 year AAA bond traded at a yield of around 8.88% vis-à-vis 8.90% observed in the previous week. The 1 year bond traded at a yield of around 6.75%, same compared to a week earlier. The 1 year CD yield declined trading at 6.35% as compared to 6.45% observed on March 12.

In the primary market, UCO Bank raised Rs.400 Cr via 8.90% (semi-annual) 15 year paper. IDBI Bank raised Rs.500 Cr via sale of 9.05% (annual) 10 year bonds. HDFC issued 14 month zero coupon bond offering an annual yield of 6.60% to raise Rs.500 Cr. NHB issued 6.30% (annual) 3 year bond (with a put/call option at the end of 13th month) to raise Rs.500 Cr. IDFC raised Rs.175 Cr via sale of 7.25% (annual) 2 year bonds. Tata Communications Ltd. issued 7.74% (annual) 2 year paper to raise Rs.400 Cr. LIC Housing Finance issued 7.99% (annual) 3 year bond to raise Rs.200 Cr. Exim Bank offered annual yields of 6.40% and 6.30% over 3 year bonds (put/call at the end of 13th month) to raise Rs.250 Cr and Rs.100 Cr respectively.

■ **Money market:**

The liquidity scenario remained tight tracking the outflow arising from advance tax payment. The volume of funds parked at RBI's LAF Reverse Repo window marked a sudden decline to Rs.10,326 Cr on an average daily basis vis-à-vis Rs.66,459 Cr observed a week earlier. Money market rates too marked elevated levels in wake of the tight systemic liquidity. The Call rate ended at an average of 3.45% on Friday as compared to 3.27% observed a week earlier. The CBLO ended at an average rate of 3.05% v/s 2.38% previously.

■ **Macro- Economic Indicators:**

The headline inflation rate for the month of February 2010 came in at 9.89% vis-à-vis 8.56% observed for the month of January 2010. The primary articles index remained flat, the fuel and power index grew by 1.5% whereas the manufactured products rose 0.6%. The steep rise in the fuel and power index was primarily in wake of the hike announced for fuel prices in the Union Budget. The inflation rate for the month of December was revised upwards to 8.1% from the provisional rate of 7.3% reported earlier.

The weekly release of index for primary articles printed a 0.9% decline, YoY growth rate being 14.16% as compared to 15.08% last week. The fuel and power index inched up marking 12.68% growth (YoY) from 11.38% the earlier 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

**Debt Fund Management**  
Sabita Braganza

**Settlements**  
M N Suresh  
Anita P Mohite  
Smita Nair  
Shyam Margaj

**Delhi Office**  
K K Mittal  
Reshu Sharma  
Satish Sharma  
**Bangalore Office**  
Srinivas R

**Risk Management**  
Kruti Dalal

**STCI Primary Dealer Ltd.**

Marathon Emperor, Marathon Nextgen Compound, Off Ganpatrao Kadam Marg, Lower Parel (W), Mumbai-400.13  
Dealing Room: (022) 24991094-97, (022) 66202217-20 ● Settlements: (022)66202262-64, Fax (022) 66202288  
Delhi Office: (011) 23351091 ● Bangalore Office: (080) 22208891  
Please mail your feedback to stcipd@stcipd.com ● Website: <http://www.stcipd.com>

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