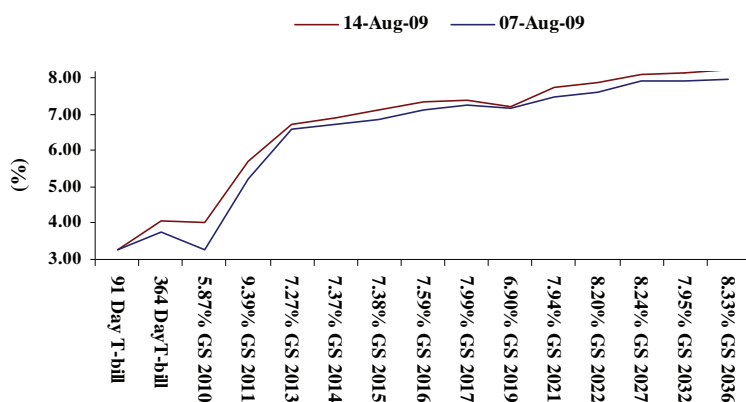


MARKET SNAPSHOT

	14-Aug-09	07-Aug-09
Indicators		
CALL Wt Avg. (%)	3.24	3.31
CBLO Wt Avg. (%)	1.34	2.64
WPI (%)	-1.74	-1.58
Crude (USD/bbl)	70.52	71.94

AAA Corporate Bond Yields and Spread				
	Yield (%) Annualised		Spread over Gsec	
	14-Aug-09	7-Aug-09	14-Aug-09	7-Aug-09
1 Year	6.40	6.10	211	187
3 Year	7.65	7.50	134	124
5 Year	8.29	8.25	137	121
10 Year	8.75	8.77	152	161

Government Security (indicative annualised) 14-Aug-09				
Security	Traded Price		Traded Yield	
	Closing Price (Rs.)	Previous Close (Rs.)	Closing Yield (%)	Previous Close (%)
91 Day T-bill	99.22	99.19	3.28	3.27
364 Day T-bill	96.26	96.44	4.05	3.77
5.87% GS 2010	100.68	100.93	4.04	3.26
9.39% GS 2011	106.56	107.17	5.73	5.23
7.27% GS 2013	102.24	102.16	6.74	6.61
7.37% GS 2014	102.32	102.03	6.89	6.75
7.38% GS 2015	101.85	101.61	7.12	6.86
7.59% GS 2016	101.90	102.65	7.35	7.12
7.99% GS 2017	104.16	104.24	7.42	7.28
6.90% GS 2019	98.55	99.05	7.23	7.19
7.94% GS 2021	102.50	103.42	7.76	7.50
8.20% GS 2022	103.50	104.70	7.91	7.61
8.24% GS 2027	102.80	103.10	8.10	7.93
7.95% GS 2032	99.46	99.50	8.16	7.95
8.33% GS 2036	102.63	103.00	8.25	7.99



■ Highlight of the week:

The Government of India, in consultation with the RBI, has decided to issue a new short-term instrument, known as Cash Management Bills, to meet the temporary cash flow mismatches of the Government. The Cash Management Bills will be non-standard, discounted instruments issued for maturities less than 91 days. The Cash Management Bills will have the generic character of Treasury Bills and will be reckoned as an eligible investment in Government Securities by banks for SLR purpose. The announcement of the auction of the proposed Bills will be made by the RBI one day prior to the date of auction.

The Reserve Bank's Central Board approved the transfer of surplus profit to the Government of India amounting to Rs.25,009 Cr for the year ended June 30, 2009 as against Rs.15,011 Cr for the year ended June 30, 2008.

■ G-Sec Market:

The G-Sec market started the trade week on a subdued note tracking the rise in the US Treasury yields. Through the week, the announcement of Cash Management Bills and the rally in the US Treasuries supported the market. The higher than expected IIP number and the fresh supply lined up in the week marred the sentiment. Towards the fag end of the week, the yields rose further tracking the devolvement in two auction papers. The 10 year Benchmark security 6.90% GS 2019 ended at Rs.98.55 (7.11%) vis-à-vis Rs.99.30 (7%) last week.

■ T-Bill Auctions:

RBI set the cut-off price for the 91 Day T-Bill at Rs.99.17 (3.36%) (3.27% observed last week) and for the 364 Day T-Bill at Rs.96.01 (4.17%) (previous cut-off at 3.80%). 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. The auctions will be conducted via the multiple price method on August 18.

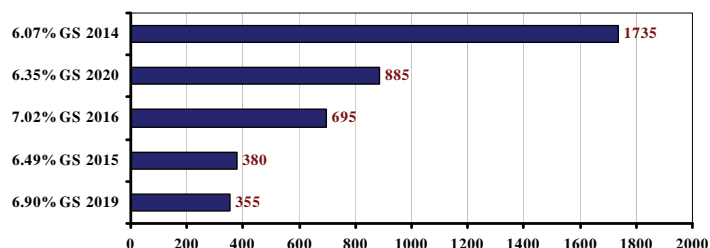
■ G-Sec Auctions:

RBI set the cut-off price for the security 6.35% GS 2020 at Rs.92.13 (7.45%) and for 7.35% GS 2024 at Rs.96.30 (7.77%). The cut-off yield for the New 7 year security was set at 7.02%. The paper 7.35% GS 2024 was fully subscribed, however, devolvement was seen in the new 7 year security and 6.35% GS 2020 to the tune of Rs.285.5 Cr and Rs.630 Cr respectively.

■ Corporate bonds:

Despite the directionless trend observed in the G-Sec market, the corporate bond market witnessed a range bound movement. Buying by a large insurance company at market levels, put a cap on the yields. Retirement funds as well as other insurance companies also supported the market. The MF segment showed a selling pressure due to withdrawals at their end.

Top Traded Securities as on Aug 14



Government Borrowing Programme (Rs. Cr.)	
Budgeted Net Government Borrowings for 2009-10	397957
Budgeted Gross Borrowings for 2009-10	477093
Of which G-sec	451093
364 Day T-Bills	26000
Net Borrowings till Date	158911
Gross Borrowings till Date	235000
G-sec	225000
364 Day T-Bills	10000
Gross Borrowings Programme Completed (%)	49.26%
MSS Outstandings (T-bill and Dated Securities)	19772
OMO purchases in 2009-10	36397

Special Bonds	Indicative Yield (%) Annualised	Indicative Price
8.30% FERT 2023	8.10	103.00
7.95% FERT 2026	8.10	100.05
8.20% OIL 2024	8.10	102.20
8.40% OIL 2026	8.10	104.20
8.03% FCI 2024	8.10	100.75
8.23% FCI 2027	8.10	102.70

Forthcoming Auctions		
Security	Date of Auction	Amount (Rs. Cr.)
91 Day T-Bill	18-Aug-09	5000
182 Day T-Bill	18-Aug-09	1500

The 10 year AAA bond was seen being quoted at a yield of around 8.75% at the end of the week, as against 8.77% a week earlier and the 1 year at 6.40% compared to 6.10% the previous week. The 1 year CD traded at 5.85%, higher than 5.7% observed on August 7.

In the primary market, IL&FS came up with the sale of its 9.25% (annual) 7 year bonds to raise Rs.200 Cr. Development Credit Bank came up with the issuance of 11.25% (annual) 10 year bonds to raise Rs.8 Cr. South Indian Bank closed the sale of its 9.75% (semi annual) 128 month paper and raised Rs.200 Cr. Corporation Bank raised Rs.550 Cr by issuing 8.45% (annual) 15 year bonds and Rs.100 Cr by issuing 9.05% (annual) perpetual bonds, both with a call option at the end of 10th year.

■ Money market:

The Reporting week as well as the cancellation of auctions in the earlier week led to easy systemic liquidity. The volume of the average funds parked at the LAF Reverse Repo window moved northwards to Rs.1,24,741 Cr as compared to an average of Rs.1,18,234 Cr seen a week earlier. The Call ended at an average rate of 3.24% on Friday as compared to 3.31% observed a week earlier. The CBLO ended at an average rate of 1.34% v/s 2.64% previously.

■ Macro- Economic Indicators:

The quick estimate of the Index of Industrial Production (IIP) for the month of June 2009 came in as a huge surprise at 290.2, marking a steeply high 7.8% growth over June 2008. The cumulative growth for the period April-June 2009-10 stands at 3.7%. The individual sectors, viz. the Mining, Manufacturing and Electricity for the month of June 2009 grew at 15.4%, 7.3% and 8.0% respectively as compared to June 2008. As per Use-based classification, the sectoral growth rates are 10.1% in Basic goods, 11.8% in Capital goods and 7.9% in Intermediate goods. The IIP growth rate for the month of May 2009 underwent its first downward revision from 2.7% to 2.2% and that for the month of March 2009 underwent its second and final upward revision to 0.3%.

The provisional inflation rate for the week ended August 1 stood at (-) 1.74% vis-à-vis (-) 1.58% observed a week earlier. The Primary articles index and the Manufactured products both rose up by 0.1% whereas the Fuel & Power index inched up marginally. The revised inflation rate for the week ended June 6 stood at (-) 1.01% as against the provisional rate of (-) 1.61%.

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
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Shyam Margaj

Delhi Office

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Bangalore Office
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