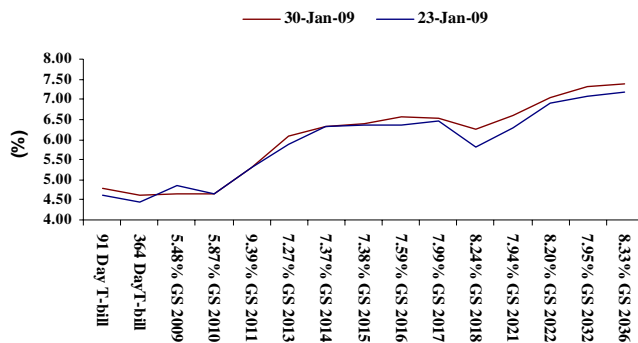


MARKET SNAPSHOT

| | 30-Jan-09 | 23-Jan-09 |
|-------------------|-----------|-----------|
| Indicators | | |
| CALL Wt Avg. (%) | 4.19 | 4.21 |
| CBLO Wt Avg. (%) | 2.94 | 3.85 |
| WPI (%) | 5.64 | 5.60 |
| Crude (USD/bbl) | 41.44 | 42.27 |

| AAA Corporate Bond Yields and Spread | | | | |
|--------------------------------------|----------------------|-----------|------------------|-----------|
| | Yield (%) Annualised | | Spread over Gsec | |
| | 30-Jan-09 | 23-Jan-09 | 30-Jan-09 | 23-Jan-09 |
| 1 Year | 8.25 | 8.05 | 365 | 339 |
| 3 Year | 8.90 | 8.75 | 347 | 336 |
| 5 Year | 9.00 | 8.75 | 291 | 281 |
| 10 Year | 9.10 | 8.95 | 284 | 314 |

| Government Security (indicative annualised) 30-Jan-09 | | | | |
|---|---------------------|----------------------|-------------------|--------------------|
| Security | Traded Price | | Traded Yield | |
| | Closing Price (Rs.) | Previous Close (Rs.) | Closing Yield (%) | Previous Close (%) |
| 91 Day T-bill | 98.82 | 98.91 | 4.77 | 4.63 |
| 364 Day T-bill | 95.61 | 99.96 | 4.60 | 4.45 |
| 5.48% GS 2009 | 100.30 | 100.24 | 4.66 | 4.86 |
| 5.87% GS 2010 | 101.14 | 101.15 | 4.64 | 4.65 |
| 9.39% GS 2011 | 109.35 | 109.35 | 5.29 | 5.31 |
| 7.27% GS 2013 | 105.10 | 105.85 | 6.07 | 5.89 |
| 7.37% GS 2014 | 105.08 | 105.00 | 6.31 | 6.33 |
| 7.38% GS 2015 | 105.84 | 106.00 | 6.38 | 6.35 |
| 7.59% GS 2016 | 106.40 | 107.60 | 6.57 | 6.36 |
| 7.99% GS 2017 | 110.01 | 110.50 | 6.54 | 6.47 |
| 8.24% GS 2018 | 114.40 | 117.84 | 6.26 | 5.81 |
| 7.94% GS 2021 | 112.08 | 114.80 | 6.60 | 6.30 |
| 8.20% GS 2022 | 111.00 | 112.25 | 7.03 | 6.89 |
| 7.95% GS 2032 | 108.70 | 111.60 | 7.31 | 7.06 |
| 8.33% GS 2036 | 112.75 | 115.45 | 7.38 | 7.17 |



Monetary policy Highlights:

- Repo rate retained at 5.5%
- Reverse Repo rate retained at 4%
- CRR retained at 5%
- SLR retained at 24%
- Bank rate retained at 6%
- GDP target for FY 08-09 revised to 7% with a downward bias
- March-end inflation projected to decelerate to below 3%

G-Sec Market:

The G-Sec market remained wary, beginning the week with a status quo Monetary Policy Review. Though no change in the key Policy rates was already factored in, comments by officials hinting the revision of the borrowing calendar heavily marred the sentiment. The higher than expected inflation further added gloom. Despite the announcement of cut in the petrol and diesel prices, the market participants preferred to remain light, poised for the auctions announced in the week. The 10 year Benchmark security took a massive hit tracking the auction of a New 10 year security. The 10 year Benchmark security ended the trade day at Rs.114.40 (6.17%), gaining a huge 45 bps, as compared to its closing of Rs.117.84 (5.72%) a week earlier.

T-Bill Auctions:

Both T-Bill auctions conducted on Jan 21 were fully subscribed. RBI set the cut-off price for the 91 Day T-Bill at Rs.98.82 (4.79%) (4.66% observed last week) and for the 364 Day T-Bill at Rs.95.62 (4.59%) (previous cut-off at 4.50%).

RBI announced the sale of 91 Day T-Bill for a notified amount of Rs.8,000 Cr & 182 Day T-Bill for Rs.1,500 Cr via multiple price based auctions to be conducted on Feb 4, 2009.

G-Sec Auctions:

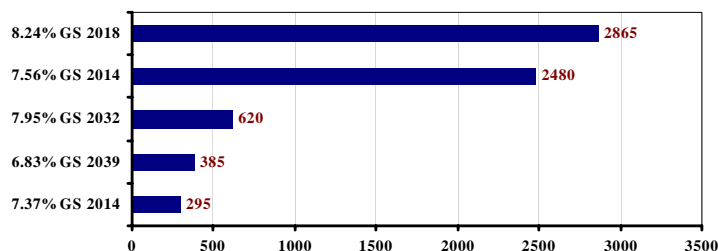
RBI set the cut-off price for the buy back of 7.55% GS 2010 conducted on Jan 29 at Rs.104.02 (4.29%). The tender was fully subscribed to the tune of Rs.3,000 Cr.

The G-Sec auctions conducted on Jan 30 were fully subscribed. The cut-off price for the security 7.56% GS 2014 was set at Rs.107.40 (6.02%) and for 6.83% GS 2039 at Rs.93.75 (7.35%). The cut-off yield for the New 10 year security was set at 6.05%.

SDL Auctions:

Seven states announced the sale of their 10 year State Development Loans to raise an aggregate amount of

Top Traded Securities as on Jan 30



| Government Borrowing Programme (Rs. Cr.) | |
|--|--------|
| Budgeted Net Government Borrowings for 2008-09 | 170571 |
| Budgeted Gross Borrowings for 2008-09 | 241146 |
| Of which G-sec | 215146 |
| 364 Day T-Bills | 26000 |
| Net Borrowings till Date | 159425 |
| Gross Borrowings till Date | 229000 |
| G-sec | 200000 |
| 364 Day T-Bills | 29000 |
| Gross Borrowings Programme Completed (%) | 94.96% |
| MSS Outstandings (T-bill and Dated Securities) | 106772 |
| Dated Securities Issued under MSS (FY 2008-09) | 11000 |
| Redemption of Dated Securities under MSS | 47544 |

| Special Bonds | Indicative Yield (%) Annualised | Indicative Price |
|-----------------|---------------------------------|------------------|
| 8.30% FERT 2023 | 7.90 | 103.44 |
| 7.95% FERT 2026 | 7.90 | 100.46 |
| 8.20% OIL 2024 | 7.75 | 103.95 |
| 8.40% OIL 2026 | 7.75 | 106.09 |
| 8.03% FCI 2024 | 7.85 | 101.60 |
| 8.23% FCI 2027 | 7.85 | 103.63 |

| Forthcoming Auctions | | |
|----------------------|-----------------|------------------|
| Security | Date of Auction | Amount (Rs. Cr.) |
| 91 Day T-Bill | 4-Feb-09 | 8000 |
| 182 Day T-Bill | 4-Feb-09 | 1500 |
| Goa SDL | 5-Feb-09 | 200 |
| Haryana SDL | 5-Feb-09 | 1295 |
| Himachal Pradesh SDL | 5-Feb-09 | 100 |
| Punjab SDL | 5-Feb-09 | 353.97 |
| Rajasthan SDL | 5-Feb-09 | 800 |
| Tamil Nadu SDL | 5-Feb-09 | 1000 |
| West Bengal SDL | 5-Feb-09 | 1000 |

Rs.4,748.97 Cr via yield based auctions to be conducted on Feb 5. The notified amounts of the same are as follows: Goa - Rs.300 Cr, Haryana - Rs.1,295 Cr, Himachal Pradesh - Rs.100 Cr, Punjab - Rs.353.97 Cr, Rajasthan - Rs.800 Cr, Tamil Nadu - Rs.1,000 Cr and West Bengal - Rs.1,000 Cr.

■ Corporate and PSU bonds:

Bank of India came up with the sale of its perpetual bonds to raise Rs.200 Cr. Oriental Bank of Commerce introduced its issue of 15 years maturity, Upper Tier II bonds for raising Rs.250 Cr (+ Green-Shoe option). The market participants were disappointed tracking the non-event Monetary Policy review. Amid lack of any fresh cues, market conditions remained lack luster. Traders indulged in minimum activity despite some interest witnessed from the PF segment.

The short tenor papers remained stable, however, the longer tenor yields hardened marginally. The 10 year AAA bond was seen quoted at a yield of around 9.10% at the end of the week, v/s 8.95% seen a week earlier. The Month end CD rates rose to 5.7% on Friday v/s 5.6% a week earlier, and 1 year CD traded higher at 7.30%, the same observed on Jan 23.

■ Money market:

The Reporting week for the midnight witnessed a comfortable liquidity scenario throughout. The excess systemic liquidity led the net funds absorbed by RBI through the LAF windows to rise to an average of around Rs.58,257 Cr daily as compared to an average of Rs.50,546 Cr observed a week earlier. The money market rates, too, remained low, with the call rate ending the trade at an average rate of 4.19% on Friday, v/s a close of 4.21% observed a week earlier. The CBLO ended 2.94% this week vis-à-vis 3.85% last week.

■ Macro- Economic Indicators:

The provisional inflation rate for the week ended Jan 17 inched upwards to 5.64% vis-à-vis 5.60% observed last week. The Wholesale Price Index rose 0.2% from 230 to 230.5. The Primary Articles group declined 0.1%, the Fuel & power group rose 0.1% and the Manufactured products ended 0.3% higher. The revised inflation rate for the week ended Nov 22, 2008 stood at 8.26% as compared to the provisional estimate of 8.40 % reported earlier.

Weekly Learning:

Holding of Government Securities

All entities regulated by the RBI should necessarily hold their investments in Government Securities in dematerialised form.

This can be either through SGL with the RBI or CSGL with a PD, scheduled commercial bank, etc or in demat account with depository participants.

All future purchase/sale transactions should be compulsorily through SGL/CSGL/demat accounts by all the RBI regulated entities.w.e.f. July 1, 2002.

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
Geetha

Settlements

M N Suresh
Anita P Mohite
Smita Nair
Shyam Margaj

Delhi Office

K K Mittal
Reshu Sharma
Satish Sharma
Bangalore Office
Srinivas R
Rakesh Ojha

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Kruti Dalal

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