DEBT MARKETS

GLOBAL UPDATE

US treasuries bonds yields rose after a record rally last week. The Commerce Department said U.S. gross domestic product grew at an annual rate of 1.3% in the second quarter, up from the previously reported 1.0%. Consumer spending and export growth both were stronger than earlier estimated. The 10 yrs benchmark yields went up by 8 basis points to 1.91%. The commodities fell further last week. Nymex crude was down by 0.8% for the week and ended at $79.20. Gold decreased by 1.98% and closed the week at $ 1623.97/oz.

MACRO ECONOMIC INDICATORS:

The Government surprised the markets by announcing an extra borrowing worth ₹52,800 Cr for H2 2011-12 amounting to a total of ₹2.2 lakh crore compared to budgeted 1.67 lakh crore. RBI released the Issuance Calendar for marketable dated securities for the second half of the fiscal year 2011-2012 covering the period from October 1, 2011 to March 31, 2012. The calendar has scheduled 17 auctions to raise an aggregate amount of ₹2,20,000 Cr up to the end of February.

GOVERNMENT SECURITIES AND TREASURY BILLS

The G-Sec market opened rangebound amidst signals of weakening global economy, declining crude oil prices and US 10 yrs Treasury were trading at around 1.82-1.85% levels. However, because of uncertainty over government borrowing program for H2 2011-12, yields in G-sec market did not decline. The markets turned bearish around mid-week tracking comments from Mr. Gokarn who mentioned that food inflation remained high and that higher oil prices would add to inflation. The 10 yrs yield closed at 8.34% on Wednesday, hardening from 8.32% levels seen

previously. RBI set the cut-off price for the 91 days T-Bill at ₹97.94 (8.44%) and for the 182 days T-Bill at ₹95.95 (8.47%). The cut-off yields in previous auctions were 8.44% and 8.40% respectively.

LIQUIDITY CALL

Tracking the reporting week, the systemic liquidity eased during the week. RBI infused net average liquidity worth ₹74,828 Cr in this week, compared to an infusion of ₹ 55,467 Cr in previous week. The Call rate hardened in wake of the tight liquidity and reflecting the higher Repo rate. The Call rate ended at an average of 8.31% as compared to 8.26% observed the week earlier. The CBLO moved to 8.08% compared to 6.81% in the previous week.

CORPORATE BONDS

There were no primary issuances during the week. The activity in secondary market remained on the lower side with limited participation from market participants. The 10 yrs corporate bond traded around 9.50% levels during the week and increased sharply to close at 9.58% levels tracking Government announcement of higher than budgeted borrowing during H2 2011-12. The yields could move higher on account of crowding out of private sector investment. The 1 yr bond traded at a yield of around 9.38% compared to 9.45% seen a week earlier. The 1 yr CD.

yield was seen trading at 9.55% compared to 9.10% seen previously. The 10 yrs AAA bond ended at a yield of around 9.58% compared to previous week's closing of 9.48%.

RUPEE

The Indian rupee almost touches 50-mark this week, but closed at 49.43 on Friday. The rupee came down to close to the psychological 50-level mark at 49.90 as the lingering Euro zone crisis further pushed up the demand for dollar globally. It moved in the range of 47.82-49.90 during the week. The depreciation has been 4.58% in a week over the close of 47.27 last Friday.

FUND MANAGER COMMENTS

This week, witnessed busy activity in terms of quarter end CD issuances of approximately INR 300-350 Bn of issuances. However, amidst such high volumes, the upward pressure in CDs was soon reversed because of Mutual Fund demand. 3M CDs came down to 9.00% & 1Y up to 9.45%.

For next week, we expect inter-bank deficit at RBI's repo window to be in INR 550-750 Bn range. Expected trading range for 3M CD yields is 9.15%-9.25%. The 10 yrs G-Sec for the next week may remain in the range of 8.45%-8.60%.

Market Indicators as on 30th September, 2011

	30/09/2011	23/09/2011	% change
INR/USD	48.97	49.43	-0.92
Oil ($/bbl)	79.2	79.85	-0.81
Gold ($/oz)	1,623.97	1,656.80	-1.98
10 years G-Sec	8.43	8.30	0.13
10 years AAA	9.56	9.48	0.07
NSE Mibor	8.32	8.30	0.02

Source: Bloomberg

EQUITY MARKETS

Germany's parliament has approved reforms to the European Financial Stability Facility (EFSF) that would allow the fund to participate in the primary market and to recapitalize European banks in a much-anticipated vote in the Bundestag. But it is still to be seen how European Union along with IMF view the Greece situation. Greece is expected to run out of money by 10th October, if it is not able to secure the next €8 billion tranche to pay its bill next month. Chinese economy is showing signs of weakness. As per the HSBC Holdings Plc and Market Economics readings the manufacturing in the region contracted for the third consecutive month.

Barring Shanghai Comp. (down 2.79%), all world indices closed flat or in positive on weekly basis. US markets were up with Dow Jones up by 3.55%, S&P 500 up by 2.11%. European markets were up with FTSE 100 up by 2.57%, CAC40 up by 7.74%. In Asia, Nikkei was up 1.65%, Strait Times up by 0.35%, Hang Seng up by 1.94%. Indian indices Nifty and Sensex were closed W-o-W up by 3.03% and 3.32%.

On the domestic sectoral front it was mixed performance. Major gainer were IT Index up by 7.08%, FMCG Index up by 3.44%, Realty Index up by 4.47%, Oil and Gas index up by 3.48%, Bankex up by 2.73%. Under performance came from Consumer Durable index which was down by 5.28%, Capital Goods index down by 2.61%, Metal Index down by 1.87%. Amongst Sensex stocks, L&T and Coal India were major looser with weekly loss of 5.69% and 4.21% respectively. Other prominent looser were Sterlite Industries down by 3.3%, Hero MotoCorp down by 1.74%, Bajaj Auto down by 1.47%. Out performance came from DLF up by 12.9%, JP Associate up by 10.2%, TATA Motors up by 9.19%, Infosys up by 8.9% and TCS up by 6.9%.

On domestic news front, the eight core infrastructure industries (with a weight of 37.90% in IIP), posted a lower of growth of 3.5 % in August this year as compared to 4.4% achieved in the same month of 2010. The two laggards among the eight core sector industries during the month were natural gas and coal which witnessed negative growth rates of (-) 5.3% and (-) 15.3%, respectively.

The Union Cabinet has approved the Mines and Mineral Development and Regulation (MMDR) Bill, 2011, which has provisions for 26% profit-sharing by coal miners and an amount equivalent to royalty by others with project- affected people.

On Global news front, The US economy grew slightly more than previously reported in the second quarter, helped by consumer spending and export growth that was stronger than earlier estimated, that pointed to slow growth rather than a recession. GDP grew at annual rate of 1.3%, the Commerce Department said in its third and final estimate for the quarter, up from the previously estimated 1.0%. The revision was a touch above economists' expectations for a 1.2% pace and took GDP growth back to the government's original estimate of 1.3%. The economy expanded at a 0.4% rate in the first three months of the year.

US Consumer confidence slumped last week to the second-lowest level on record as Americans grew more concerned with their financial situation and the buying climate worsened. The Bloomberg Consumer Comfort Index dropped to minus 53 in the period ended Sept. 25 from minus 52.1 the prior week.

Taurus Benchmark Indices Movement

Indices	30/09/11	23/09/11	Points change	% change
BSE Sensex	16453.76	16162.06	291.70	1.80
S&P CNX Nifty	4943.25	4867.75	75.50	1.55
BSE 100	8613.22	8529.43	83.79	0.98
BSE 200	2028.27	2014.80	13.47	0.67
CNX Midcap	7094.00	7185.30	-91.30	-1.27
S&P CNX 500 Shariah	1184.71	1169.44	15.27	1.31

Weekly FII & MF Net Flows (₹. in crs.)

24/09/2011-29/09/2011	Equity	Debt
FIIs	-3090.60	-2151.10
MFs	83.40	2388.30

Source : SEBI site