DEBT MARKETS

Global

People's Bank of China cut its benchmark one-year lending rates by 108 bps to 5.58% and one-year deposit rate to 2.52%, also cut banks' reserve requirement by 100 bps for six big banks.

US Treasury rose on expectation that the Fed may cut its benchmark rates in its next meeting in December by 50 bps

Domestic

GDP growth data for Jul-Sep was at 7.60% which was higher than expectation. India's headline inflation for the week ended down at 8.84% for the week ended 28th November, 2008 as against 8.90% previous week.

CALL & CBLO

Overnight rates remained range bound with slight easing bias as liquidity situation was comfortable with banking system. CBLO rates were also at comfortable levels with high volumes of around Rs 300 bn to Rs 350 bn per day.

Government Securities and Treasury Bills

G-Sec prices rose for most of the period of the week due to risk aversion of investors and also inflation looking to be under control. RBI set a cut-off yield of 7.1443% for the 91 day T-bill and 7.0587% for 182 day T-bill.

Corporate Bonds

Yields on corporate bonds remained range bound with slight easing bias. Spreads at the short end of the curve were down by 52 bps on account of improvement in the liquidity situation in the banking system. However, spreads at the medium and longer end of the curve were up by 5 bps and 17 bps respectively.

SPREADS OF CORPORATE BONDS AS ON 28th November 2008 OVER G-SECS

	Rating		
Tenure	AAA	AA +	AA
1 year	401.60	410.60	417.60
3 year	418.80	429.80	437.80
5 year	390.30	401.30	407.30
10 year	371.20	379.20	388.20

Rupee

INR closed higher as the demand of USD to meet month-end demand from importers and oil companies. Rupee ended the week on a weaker note ending at Rs. 50.11 per $1 on Friday, as against Rs. 50.02 per $1 previous week.

Fund Manager Comments

Expectations that RBI may cut interest rates and lower inflation number will help the positive sentiments in G-Sec market. Market sentiment will be positive tracking the comfortable liquidity and the absence of any major bond auctions during the week and will result in easing of Call, CBLO and short term CD rates.

EQUITY MARKETS

With the mood remaining extremely cautious, after attacks on Mumbai, the Sensex moved up in the positive mood and crossed the psychological mark of 9000. Sensex closed at 9092.72, up 178 points over last week. SNX CNX Nifty gained 62 points on w-o-w basis and closed at 2755.10. During the week key indices were highly volatile as alternate bouts of buying and selling often tossed the markets in green and red. Global markets soared following strong rally on the US after the US government bailed out banking giant Citigroup. The market moved further up north thanks to sustained buying in blue chips stocks. The rally was led by the banking stocks on hopes that the RBI would soon announce a rate cut in interest rates after China's central bank announced a sharp rate cut and short-covering ahead of the derivatives expiry also contributed to the sharp surge.

Inflation continued to ease and the GDP figures turned out to be better than what the market has expected. But the markets hardly reacted. Among the sectoral indices, BSE Realty eased by 5.13%. The Capital Goods index lost 2.58%. The PSU and Consumer Durables declined marginally. BSE IT, which gained 4.13%, TECK rose 3.84%, Power rose 2.71%, HC climbed 2.67%, and FMCG went up 2.59% were among the major gainers over the week.

Markets would continue to remain side ways in the coming days. Political events in the next week or so will also be closely watched by the markets.