# DEBT MARKETS

## Global

The US treasury yield hardened due to better than expected economic data, higher than expected deficit and rally in global equity market. The Monthly Budget Statement for June, noted a deficit of USD 94.3 bn against the market expectation of USD 97.0 bn deficit. The Inflation based on PPI for June came as negative 4.60%, lower than market expectations of negative 5.20%. Advanced Retail Sales climbed to 0.60% compared to market estimates of 0.40%. The Initial Jobless Claims for week ended July 12, 2009 was noted at 522,000 lower than market expectations of 553,000. The 2yrs, 5yrs, 10yrs and 30yrs yields started the week at 0.94%, 2.35%, 3.47% and 4.37% respectively while ended higher at the 2yrs, 5yrs, 10yrs and 30yrs yields closed at 0.98%, 2.45%, 3.57% and 4.45% respectively.

## Domestic

The RBI announced the auction of 120 bn Rupees lower than 150 bn auctions in previous weeks. Inflation as measured by wholesale price index for the week ended July 4 came higher at negative 1.21% compared to negative 1.55% last week.

## CALL & CBLO

The money market rates remained easy during the week on surplus liquidity in the system. The overnight MIBOR rate was steady between 3.27%- 3.30% during the week. The Inter-bank call rates and CBLO rates were 3.05%-3.35% and 1.60%-3.40% respectively.

## Government Securities and Treasury Bills

The yields eased tracking RBI announcement of G-Sec auction worth Rs.120 bn lower than market expectation. The week started on bullish note with 10 yrs benchmark bond touching the low yield of 6.79% and the 5 yrs benchmark bond at 6.38%. However due to some fear on borrowing calendar, systematic profit booking was seen during the week. The Rs.120 bn auction was fully subscribed. The cut-off yield for 6.07%-2014, 7.94%-2021, and 7.40%-2035 were 6.49%, 7.17% and 7.74% respectively. The 10yrs benchmark bond 6.90%-2019 closed at 6.84%.

## Corporate Bonds

The corporate bond yield were lower week-on-week on the back of good bidding interest across market segments. The 5yrs benchmark bond traded at 7.90% down 15 bps while 10yrs benchmark bond traded at 8.54% level down 9 bps week-on-week.

## Rupee

The rupee appreciated on week-on week basis. The Rupee started the week at 49.08 against the Dollar while ended at 48.74 against the Dollar by the end of the week.

## Fund Manager's Comment

The markets have remained mostly range bound with yields movement around 10bps in the short end. The markets are expected to trade in a narrow range for the coming week. While the credit policy in the next week may keep the benchmark rates unchanged the central bank may come out with some indications on the expansionary policy which has been followed over the past few months and its outlook on inflation given the economic outlook has now stabilized considerably.

**Market Indicators as on 17th July, 2009**

| | 17/07/09 | 10/07/09 | % change |
|---|---|---|---|
| INR/USD | 48.74 | 49.01 | -0.55% |
| Inflation | -1.21 | -1.55 | -21.94% |
| Oil ($/bbl) | 63.15 | 60.31 | 4.71% |
| Gold ($/oz) | 938.00 | 913.50 | 2.68% |
| 10 years G-Sec | 6.84 | 6.97 | -1.87% |
| 10 years AAA | 8.54 | 8.63 | -1.04% |
| Call Money | 3.20 | 3.17 | 0.95% |

# EQUITY MARKETS

Indian stocks gained back almost all the losses of the previous week, in three strong sessions – Tuesday, Wednesday and Friday. Exuberance was back with a vengeance as previous week's correction was a bit sharp. Although the trend was more in line with global direction, it got de-coupled on Friday as domestic shorts were squished. The post budget blues were virtually neutralized and key index gained over 9% a shade lower than the previous week's loss. Sensex and Nifty went up by 1241 points (9.19%) and 371 points (9.27%) to close at 14,745 and 4,375 respectively.

The market sentiment also received a positive rub off from the initial quarter one results, wherein the bottom line has shown extraordinary growth. A pack of 51 companies (Ex-banking and financials) registered bottom line growth of 26% while the top line growth was only 11%. However, recovery in the mid and small cap segment was more subdued. Sector wise auto was a clear winner this week and this sectoral index gained 11% against fall of just 1%. This sector received a boost on the back of substantially increase in sales volume as well more than expected growth in revenue for Hero Honda on during the first quarter. IT is another sector that had done relatively better with a gain of 9.7%, on the back of a weak rupee, while it lost only 3.9% the previous week. The week's toppers were realty (17.6%) and banking (11.1%) sectors, a total reversal of the losses made the previous week. FMCG, the only gainer of the previous week (4.2%) was the least gainer this week (4.8%). Volumes were low during the beginning of the week, but improved during the last two days

Category wise net position was more balanced this week, unlike the previous week when FII were clear net sellers and DII's were the buyers. FII's sold US$ 8 mn in cash. DII invested US$ 351 mn in cash. Volatility increased during the middle of the week and peaked on Thursday. Surprisingly it turned to be one sided upward motion on Friday against the global trend with was more subdued.

The Indian market is back in line with the global cues. The condition is expected to remain the same and the market would tag along with the trend in global market, which in turn is dictated by the relative strength of the US dollar. The global stock trend since October has been in inverse direction to the dollar. Thus now, global events would take precedence. Besides, global cues, the market is expected to watch the Q1 results more closely while forming the sentiment during the next couple of weeks. However, Investors should also closely watch the progress of monsoon which seems to be recovering.

**Taurus Benchmark Indices Movement**

| Indices | 17/07/09 | 10/07/09 | Points change | % change |
|---|---|---|---|---|
| BSE Sensex | 14744.92 | 13504.22 | 1240.70 | 9.19 |
| S&P CNX Nifty | 4374.95 | 4003.90 | 371.05 | 9.27 |
| BSE 100 | 7721.04 | 7062.59 | 658.45 | 9.32 |
| BSE 200 | 1799.38 | 1649.25 | 150.13 | 9.10 |
| CNX Midcap | 5474.30 | 5152.25 | 322.05 | 6.25 |
| S&P CNX 500 Shariah | 1039.75 | 964.42 | 75.33 | 7.81 |

**Weekly FII & MF net flows (Rs. in crs.)**

| 10/07/09 to 16/07/09 | Equity | Debt |
|---|---|---|
| FIIs | 759.50 | 77.90 |
| MFs | 848.30 | 5886.00 |