DEBT MARKETS

Global

The US treasury yield eased week-on week on the backdrop of declining oil prices, rising equity market and expectation of 300bn dollar treasury buyback, and with Fed keeping the rate unchanged. At FOMC meeting member's view that though the economic condition stabilising, recovery will be gradual further pulled the yields down. The 10 yrs bond started the week at 3.78% but closed at 3.55% levels. The 2yrs, 5yrs and 30yrs yields closed at 1.15%, 2.68% and 4.54% respectively.

Domestic

Overall the G-Sec yield eased tracking US bond market and yield movement. The IIP data for the month of June was 7.8% higher than the markets expectation. Government announced that they would issue Cash Management Bills to manage temporary liquidity mismatches. Auction of G-Sec worth Rupees 120bn. was conducted during the week. RBI also auctioned 91 Days and 364 Days T-Bills auction worth Rupees 60bn. WPI inflation for the week 1 August was negative 1.74% lower than the previous 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 and CBLO range were 3.10%-3.30% and 0.85%-3.30% respectively.

Government Securities and Treasury Bills

G-Sec yield softened marginally week on week following US yield curve. Better than expected IIP data and RBI announcement of Government Cash management bill led to G-Sec buying by participants. The cautious buying was also propelled by easing crude prices, and lower inflation data for the week and cautious approach in equity market. The 120bn auction was fully subscribed .The coupon of new 7yrs bond was 7.02%, in line with market expectation. The 10yrs benchmark bond started the week at 7.12% touched the lowest level of 6.98% during week and closed at 7.06%.

Corporate Bonds

The corporate bond yields closed flat week-on-week basis tracking G-Sec yields. The 5yrs benchmark bond traded at 8.25% up 5 bps while 10yrs benchmark bond traded at 8.75% level down by 3 bps week-on-week basis.

Rupee

The rupee depreciated against the dollar because of weak equity market. The Rupee started the week at 47.85 against the Dollar while ended at 48.25 against the Dollar by the end of the week.

Fund Manager's Comment

The yields on the 10yrs Government Security had ranged between 7.00% to 7.13% for most of the week. The higher yield cut off on the 11 yrs Government Security auction made the yields jump higher. The short term rates remained range bound for most of the week.

We expect that liquidity would be comfortable in the system and the yields once again to be range bound as there is no clear direction as far as its movement is concerned.

Market Indicators as on 14th August, 2009

	14/08/09	7/08/09	% change
INR/USD	48.25	47.85	0.84%
Inflation	-1.74	-1.58	10.13%
Oil ($/bbl)	73.27	74.40	-1.52%
Gold ($/oz)	954.50	954.50	0.00%
10 years G-Sec	7.06	7.04	0.43%
10 years AAA	8.75	8.78	-0.34%
Call Money	3.30	3.30	0.00%

EQUITY MARKETS

Indian stocks reversed the trend, in line with global cues and the key indices ended the week with over 1.5% gain. The market opened the week nominally low and it struggled through the first three days to stay afloat above 15,000 levels for the Sensex. It was another Thursday which gave the turning point with a 5% gain in a single day. But the market struggled to find clear direction as the sudden spurt in stock prices on Thursday failed to uphold sustainable bullish sentiment. For the week Sensex and Nifty went up by 251 points (1.66%) and 99 points (2.2%) to close at 15,412 and 4,580 respectively.

Mid-week sharp strength in US stocks helped Indian stocks to gain ground on Thursday and it got a further flip on the back of higher than expected growth in IIP (7.8%) and the announcement of draft direct tax reform, which is likely to come in force after 2011 if all goes well. The euphoria was short lived as the follow up action in international market was not good enough to maintain the tempo and the stocks fell on Friday.

The gains were broad based and the mid and small cap stocks gained more than the large cap stocks. Virtually all sectoral indices were in positive territory this week, with the exception of FMCG which fell fractionally by just 0.1%. Realty and Metal sectors were at the forefront and they respectively gained by 7.8% and 4.8%.

Domestically, overall outlook for a normal monsoon seems to be a distance dream and the short fall is likely to be over 25%, sounding weakness for rural demand prospects. But still the broader trend of stock prices was inline and the net inflows from FIIs, who were once again net sellers in cash market except for Thursday. FIIs sold US$ 170mn in cash. For current month total investment is US$ -494mn. There was renewed interest from domestic institutions and they gave strong support at every low, absorbing most of the net sales from FIIs and public. DII invested US$ 318mn in cash. For current month total investment is US$ 520mn. Volumes were under pressure in cash segment and there was a further nominal drop. Globally liquidity availability for stock investment is the key factor that is framing the market trend. The market is expected to remain range bound with bouts of sharp movements depending on sudden change in fund flow.

Taurus Benchmark Indices Movement

Indices	14/08/09	07/08/09	Points change	% change
BSE Sensex	15411.63	15160.24	251.39	1.66
S&P CNX Nifty	4580.05	4481.40	98.65	2.20
BSE 100	8069.14	7907.49	161.65	2.04
BSE 200	1889.04	1849.33	39.71	2.15
CNX Midcap	5940.80	5803.00	137.80	2.37
S&P CNX 500 Shariah	1101.81	1075.17	26.64	2.48

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

07/08/09 to 13/08/09	Equity	Debt
FIIs	-726.20	-337.30
MFs	-312.80	1924.90