



20<sup>th</sup> Feb 2009

**DAILY HEADLINES**

- BOJ said it will buy 1 trillion yen (\$10.7 billion) in corporate bonds from financial institutions and extend lending programs.
- Inflation fell below 4.0% at 3.92%, the lowest level in 13-months, much lower than previous week's annual rise of 4.39%.
- Government says no plans to bail out fraud-hit Satyam Computers.
- NALCO may incur losses for the first time in its history in 2009-10, as per CMD

**EQUITY MARKET ROUNDUP**

- Markets ended marginally higher amidst a volatile trading session supported by firming global cues.
- Market breadth continued to be weak with Advance/Decline ratio at 0.84 with lower volumes.
- US market ended negative with Dow ending near 6-Yr low due to deteriorating macro-economic data & dismal outlook from HP.

**OUTLOOK**

- Today markets are expected to open on a negative note surrounded by weak global cues.
- Volumes could be lean amidst high volatility as skepticism will prevail over a long holiday session.

**DEBT MARKET & FOREX ROUNDUP**

- Bond yields pared its initial gains & hardened after the cut-off rate in OMO by RBI came at higher than expected levels.
- Out of Rs.6000 cr planned OMO, RBI bought bonds worth Rs. 5000cr only, declining bids for 7.40% 2035 paper.
- Total trading volumes were lean with Rs. 6655.65 cr, as traders preferred to be on sidelines ahead of bond auction on 24<sup>th</sup> Feb & RBI employee strike followed with extended holiday
- Benchmark 10Yr G-Sec rose 5bps to 6.11% after touching an intraday low of 6.01%. Most actively traded 8.24% 2018 yields rose 5bps to 6.42%.
- Shorter end of the yield curve contracted while longer end hardened, thus, making the curve more steepish.
- Longer end of AAA bond yield curve inched up 6-14bps while shorter end fell 15-54bps.
- Banks resisted to park money under 5 day LAF window with bids amounting to Rs. 290bn under the Reverse Repo.
- Higher activity was witnessed in money market instruments & Call rates rose 10bps to 4.33% while CBLO rates fell marginally by 2bps to 3.97%.
- Rupee retreated from its lows & gained 10 bps to close at 49.62 due to unwinding of arbitrage position in NDF & spot market followed with RBI intervention.

**OUTLOOK**

- Bond market will certainly be gripped with pessimism after the OMO conducted by RBI. Thus, yields are expected to harden & activity will remain lackluster due to RBI employee strike, which will result into delay of settlement ahead of long holiday session.
- Shorter end of the yield curve is expected to soften while longer end will remain volatile after RBI rejected bid for 2035 paper.
- Rupee is expected to trade sideways with a downward bias as concerns on shortfall in exports targets is unfavorable.
- Dollar will extend its rally against Yen as Japan sought measures to revive economy & credit market.

**PERFORMANCE TABLE OF CATEGORY AVERAGE**

	7 D	14 D	1 M	3 M	Remarks
Liquid Funds	6.9	7.0	7.2	8.0	Source: ICRA All returns are Simple Annualized
Liquid Plus Funds	7.7	8.2	9.0	7.8	
	1 M	3 M	6 M	1 Yr	
Short Term Funds	6.9	17.2	13.0	9.8	
Income Funds	1.7	25.3	17.0	8.9	
Gilt Funds (incl ST)	-55.6	27.9	25.6	12.8	

INDIAN INDICES			
	Last	Abs. Change	% Change
Sensex	9042.6	27.5	0.3
Nifty	2789.4	13.2	0.5

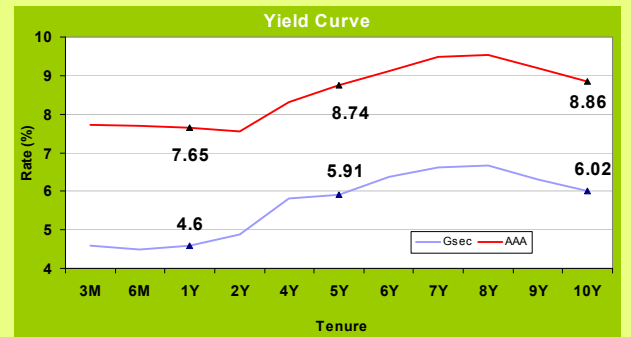
GLOBAL INDICES			
	Last	Abs. Change	% Change
Dow	7465.9	(89.6)	(1.2)
NASDAQ	1442.8	(25.2)	(1.7)
Hangseng *	12784.0	(239.3)	(1.8)
Nikkei *	7455.4	(102.3)	(1.4)

\* As of 8.30 AM

INSTITUTIONAL ACTIVITY			
	Last	MTD	YTD
FII's Cash:	(433.7)	(844.0)	(5094.2)
Mutual Funds	(107.4)	(1347.3)	(2211.5)

\* MF & FII figures delayed by 1 day, as reported by SEBI.

INTERNATIONAL BULLION / ENERGY			
	Last	Abs. Change	% Change
Gold (USD/oz)	974.00	-2.50	-0.26
Silver (USD/oz)	14.04	0.11	0.75
Crude Oil (USD/bbl)	38.76	-0.72	-1.82



MONEY MARKET*		
	Wgt. Avg. Rate	Volume (Rs Cr)
Call	4.33%	21847.93
CBLO	3.97%	53705.05
Market Repo	4.26%	19467.00

\* Source CCIL.

LAF WINDOW		
	Amt (Bln)	Net Bid Accepted
Reverse Repo@4%	290.95	19
Repo@5.5%	0	0
Net R Repo (Amt)	290.95	

ECONOMIC DATA			
Data	Country	Actual	Previous
Inflation	IN	3.92%	4.39%
Jobless Claims	US	627 K	623 K

SPOT RATE - CURRENCY MONITOR			
	Last	Abs. Change	% Change
USD	49.62	(0.05)	(0.10)
EUR	63.00	0.25	0.40
100 YEN	52.98	(1.06)	(1.96)



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