

Domestic Highlights

INDICATORS	20.12.08	13.12.08
FOREX RATES		
US DOLLAR	48.44	47.26
EURO	67.93	65.72
POUND	70.83	70.51
100 JAPANESE YEN	53.34	52.90
FWD PREMIA		
1 MONTH	5.85	5.46
3 MONTH	5.03	4.77
6 MONTH	3.39	3.44
12 MONTH	2.36	2.46
INDICATORS		
INFLATION	6.61	6.84
FOREX RESERVE (\$bn)	254.05	250.45
OVERNIGHT RATES		
NSE O/N MIBOR	5.84	6.62
CALL RATE	5.91	6.60
CBLO RATE	5.03	5.34
REPO RATE	6.50	6.50
TERM MONEY RATE		
NSE 14 DAY MIBOR	7.47	7.55
NSE 1 M MIBOR	8.20	8.44
NSE 3 M MIBOR	9.16	9.26
SHORT TERM PAPER		
90-DAY COMM. PAPER	11.63	12.45
CUT OFF YIELD		
91 DAY TBILL	5.05	5.22
182 DAY TBILL	5.05	5.28
364 DAY TBILL	5.11	5.34

WEEKLY DEVELOPMENTS	
➤	Under India's Government spending program, India has issued fertilizer bonds worth 40 billion rupees to 16 fertilizer companies, while it will issue Oil companies bonds worth 220 billion rupees (\$4.5 billion).
➤	Dec 31, 2008. RBI will auction 5 billion rupees of 91-day treasury bills and 10 billion rupees of 364-day T-bills.
➤	Jan1, 2009. Government plans to buy back market intervention bonds (MSS bonds) worth 100 billion rupees (\$2.1 bln). The buy back of bonds includes 5.87 percent 2010 bonds for 50 billion rupees and 7.55 percent 2010 bonds for an equivalent amount.
➤	Jan2, 2009. Central bank plans to sell bonds worth 100 bln rupees through Multiple price auction. The auction includes 7.46 percent bonds maturing in 2017 for 60 billion rupees and the 7.4 percent 2035 bonds for 40 billion rupees.
➤	Overseas investors sold \$152.2 million more Indian equities than they bought in the week through Dec. 24, compared with \$140.4 million in net purchases last week. (Source: SEBI).
➤	Corporate tax collections fall 22 pct in Oct-Dec, Quarterly earnings due in January seen dismal. Technology, bank stocks fall on economic woes. Reliance Petro jumps 6.3 pct as giant refinery starts. BSE Sensex fell 2.51 percent, or 239.80 points, to 9,328.92, its lowest close since Dec. 8.
➤	Tension with Pakistan gives The benchmark 10-year bond yield a late lift which touched an intra-day low of 5.52 percent ended at 5.61 percent.

GOVERNMENT BORROWING PROGRAMME

Particulars	Amount
BUDGETED BORROWINGS	216146
GROSS BORROWING COMPLETED	181000
- DATED	155000
- 364 DAY T-BILLS	26000
% OF BORROWING COMPLETED	84
BALANCE BORROWING	35146
NET BORROWING TILL DATE	114972

Particulars	Amount (Rs.Cr)
MSS OUTSTANDING	120353
OMO SALES IN 2008-09	0
FOURTHCOMING AUCTION	(RS Crore)
DATE	31-DEC-08
PAPERS ON OFFER	91 Day & 364 Day T-Bill
NOTIFIED AMT	1500

RBI CORNER

(Amt in Rupees crore, Rate in per cent)

DATE	STANDING LIQUIDITY			REPO						REVERSE REPO	
	SPECIAL REFINANCE	BALANCE	RATE	1DAY	RATE	14/15 DAY	RATE	1/2/3 MNTH SWP	RATE	1DAY	RATE
24/12/08	5948.55	5808.63	6.5/7.5	*0	6.50	5035	6.5/7.5	1040	6.5/7.5	*15375	5.00
23/12/08	6583.30	6512.63	6.5/7.5	2100	6.50	4455	6.5/7.5	1040	6.5/7.5	7585	5.00
22/12/08	6283.30	7640.51	6.5/7.5	3870	6.50	4380	6.5/7.5	1040	6.5/7.5	5130	5.00

* Refers to 2Day, # Under Special term repo facility.

Measures aimed at expanding rupee liquidity included:

- Significant reduction in the Cash Reserve Ratio (CRR)
- Reduction of the Statutory Liquidity Ratio (SLR)
- A Special Repo window under the liquidity adjustment facility (LAF) for banks for on lending to non-banking financial companies (NBFCs), housing finance companies (HFCs) and mutual funds (MFs).
- A Special Refinance Facility, which banks, can access without any collateral.
- Unwinding the Market Stabilization Scheme (MSS) securities roughly synchronized with the Government borrowing program in order to manage liquidity.

FOREIGN EXCHANGE RESERVES

in million US Dollar

RESERVES	19.12.08	12.12.08	21.12.07
FOREIGN CURRENCY ASSETS	245308	241725	263934
GOLD	7861	7861	8357
SDRs	3	3	3
RESERVE TRANCHE POSITION	880	864	428
TOTAL	254052	250453	272722

Global Highlights
TENOR RATES

TENOR	MIFOR	USD LIBOR	EURO LIBOR	GBP LIBOR	JPY LIBOR
1 MONTH	6.81%	0.47%	2.71%	2.24%	0.83%
3 MONTH	6.67%	1.47%	2.99%	2.87%	0.89%
6 MONTH	5.36%	1.83%	3.06%	3.05%	1.01%
12 MONTH	4.58%	2.09%	3.14%	3.16%	1.10%

MAJOR CURRENCIES

CURR	OPEN	HIGH	LOW	CLOSE	CHG
EUR/USD	1.3925	1.4132	1.3903	1.4028	0.83%
GBP/USD	1.4943	1.4991	1.4577	1.4580	-2.28%
USD/JPY	89.15	90.99	89.08	90.84	1.71%
EUR/JPY	124.37	127.82	123.98	127.40	2.56%
USD/CHF	1.104	1.1063	1.0668	1.07	-3.10%
EUR/CHF	1.5376	1.5424	1.5007	1.5010	-2.23%

CENTRAL BANK RATES

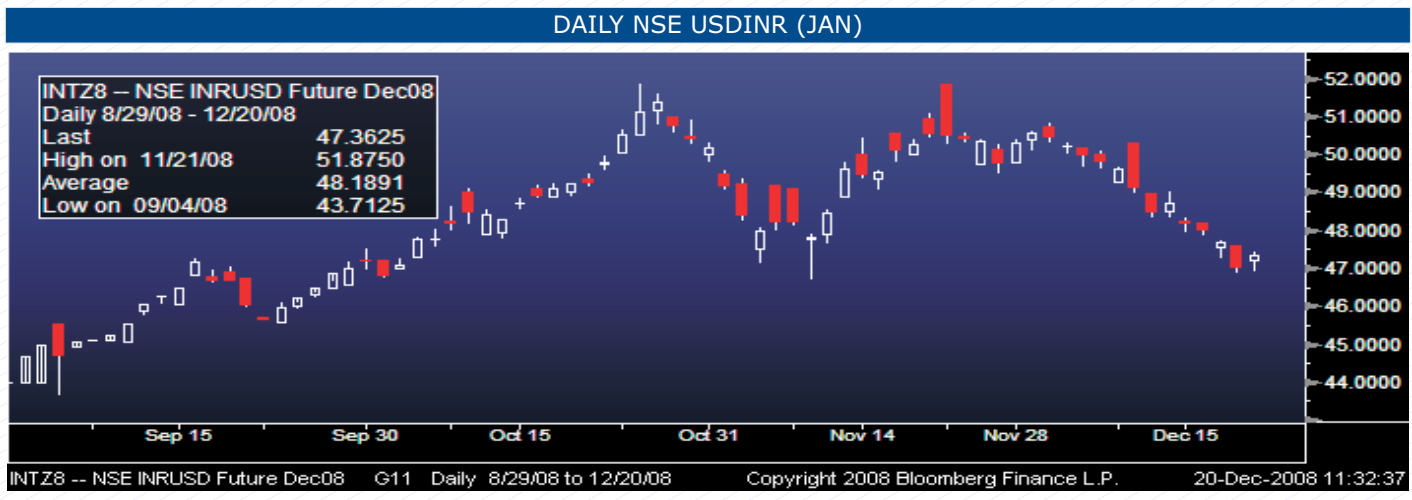
DATE	COUNTRY	REFERENCE	CURRENT	PREV.	CHG
23/12/08	Poland	Reference Rate	5.00%	5.75%	-0.75
22/12/08	Hungary	Base Rate	10.00%	10.05%	-0.50
22/12/08	China	Lending Rate	5.31%	5.58%	-0.27

ASIAN CURRENCIES

CURR	OPEN	HIGH	LOW	CLOSE	CHG
USD/SGD	1.4573	1.4611	1.4375	1.4462	-0.75%
USD/THB	34.50	35.07	34.44	34.98	1.39%
USD/KRW	1292.95	1349.20	1269.00	1299.50	0.79%
USD/CNY	6.8377	6.8555	6.8251	6.8413	-0.06%
USD/MYR	3.4700	3.4935	3.4595	3.4795	0.26%
USD/IDR	10940	11250	10925	11144	1.51%
USD/PHP	46.9450	47.9150	46.1600	47.5750	1.41%
USD/TWD	32.5400	33.1470	32.5380	33.0070	1.48%
USD/HKD	7.7510	7.7512	7.7496	7.7504	0.00%
USD/INR	47.3700	49.1950	47.3100	48.4437	2.52%

- Monday, China's foreign exchange reserves, the world's largest stockpile, shrank in October to less than \$1.89 trillion, first monthly fall since Dec 2003. The Reserves stood at \$1.906 trillion at the end of Sept.
- Monday, China's central bank cut banks' benchmark one-year lending and deposit rates by 0.27 basis points – to 5.31 percent and 2.25 percent respectively. The cut is followed by the fifth cut since mid-September.
- Wednesday, Japan's cabinet approved a record 88.5 trillion yen (\$980.6 billion) budget for the year from April.
- In US number of Americans filing for unemployment claims reaches 26-year high while consumers cut spending for fifth successive month.
- Potentially a hopeful sign of recovery is blessed amid U.S. applications for new mortgage loans hit highest level in five years.
- Japan's Industrial output fell 8.1 percent in November, posting the largest fall on record and dropping more than a median market forecast for a 6.8 percent slide.
- In an attempt to boost flagging car market, China will offer incentives for people to scrap their old cars. However a steep downturn in global demand for new cars has sent governments scrambling to provide emergency loans to the auto industry.

TECHNICAL PERSPECTIVE



View

Year-end short covering in dollar overseas and large unwinding in Euro brought bountiful recovery in USDINR (jan) from its lower lows posted last week at 47.08. Perhaps just a day ahead of Christmas holiday, distressed selling in equities related to expiry, while wholesale liquidation of dollars by exporters in spot market in anticipation of rate cut and lack luster demand from oil importers remained responsible for rupee's strength over dollar. On the whole, downward trend in the USDINR, seen since beginning of December, looks to be gaining strength as both rebounds proved to be short-lived with markets happy to sell into rallies. However, we see this recent downtrend more a product of policy expectations (lending support to equity) and dollar weakness rather than genuinely positive longer-term outlook in India. It is not a coincidence that INR strength in December coincided with a positive equity flow into India for the month of December. As such, we see broader up trend still intact (long-term). However **sensitive events like policy decisions favour much downward momentum in the pair USDINR (jan) in medium-term. Last day trade: USDINR (Jan) opened the day at 48.30, high/low 47.85/48.71 while end the day at 48.56. Strategic resistance is at 48.86 and 49.13, while downside support is at 48.28 and 48.05.**

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