

Indian Economy

- The Wholesale Price Index (WPI)-based inflation rose to a six-month high of 6.1% in August against 5.79% in July, as per data released by the Ministry of Commerce and Industry. Food inflation surged to 18.18% in August against 11.91% in July.
- The RBI increased the repo rate by 25 bps at its Mid-Quarter Monetary Policy Review to 7.50%. Maintaining a spread of 100 bps, the reverse repo rate now stands at 6.50%. The RBI kept the Cash Reserve Ratio (CRR) unchanged at 4.00% of their Net Demand and Time Liabilities (NDTL). However, it reduced the minimum daily maintenance of CRR from 99% of the requirement to 95%, with effect from the fortnight beginning September 21.
- The RBI reduced the Marginal Standing Facility (MSF) rate by 75 basis points from 10.25% to 9.50% with immediate effect. With these changes, the MSF rate and the Bank Rate are recalibrated to 200 basis points above the repo rate.

Debt Market

- Bond yields rose during the week after witnessing intense volatility throughout. The U.S. Federal Reserve's decision to keep its stimulus program intact for now supported bond yields earlier but the Reserve Bank of India's (RBI) surprising move to increase the repo rate hit bond yields later.
- The yield on the 10-year benchmark bond moved up 9 bps to close at 8.58% against the previous week's close of 8.49%.
- The RBI conducted the auction 91-days and 364-days Treasury Bills for an aggregate amount of Rs. 12,000 crore, for which the cut-off stood at Rs. 97.46 (10.45%) and Rs. 91.38 (9.46%).
- Banks' net average borrowings under the RBI's Liquidity Adjustment Facility (LAF) window stood at Rs. 39,053.20 crore, lower compared to the previous week's average borrowings of Rs. 39,447.75 crore.

Daily Rates

%	20-Sep-13	1Wk Ago	Chg %*
NSE MIBOR	10.16	10.33	-1.65
CALL	9.99	10.27	-2.73
CBLO	7.76	10.26	-24.37
OIS- 1 Yr	8.86	9.29	-4.63
OIS- 5 Yr	8.31	8.42	-1.31

Economic Indicators

	Current
External Debts(\$bn)	390.05
GDP (2012/13) (%)	4.99
Latest Quarter GDP (%)	4.40
Trade Deficit (2012/13) (\$bn)	-190.92
Trade Deficit March quarter (\$bn)	-45.64
Fiscal Deficit (April- July 2013)(INR bn)	-3,406.09
Current Account Deficit (March qtr) (\$bn)	-18.17
WPI Inflation (%) (Aug 13)	6.10
CPI Inflation (%) (Aug 13)	9.52

Money Indicators

	Current
Bank Deposits Growth (%)	13.40
Credit Growth (%)	18.20
Export Growth (%)	12.97
Forex Reserve (\$bn)	275.35

Certificate of Deposit (AAA)

%	20-Sep-13	1 Wk Ago	1 Mth Ago
3-Month	9.84	10.68	11.65
6-Month	9.80	10.65	11.72
12-Month	9.66	10.29	10.91

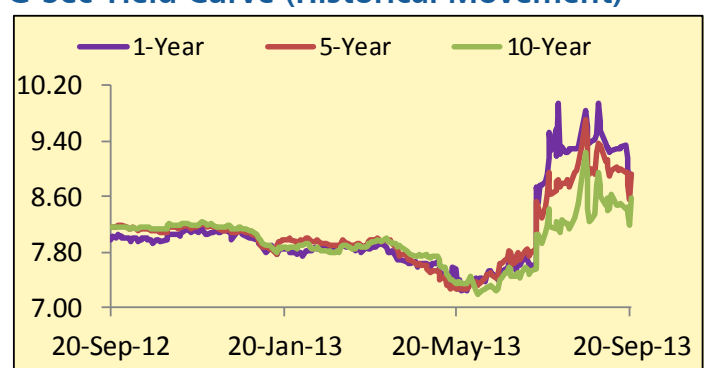
Commercial Papers (AAA)

%	20-Sep-13	1 Wk Ago	1 Mth Ago
3-Month	10.26	11.19	12.50
6-Month	10.38	10.97	11.94
12-Month	10.44	10.86	11.60

Top 3 traded G-Sec

Description	Maturity	Closing Yield %	Chg %
07.16 GS 2023	20-May-23	8.58	1.07
08.33 GS 2026	09-Jul-26	9.01	0.16
07.28 GS 2019	03-Jun-19	8.87	0.13

G-Sec Yield Curve (Historical Movement)



Spread Analysis

- Yields on Gilt securities remained mixed across the tenure. It declined on the shorter end of the curve by up to 31 bps while increased on the longer end by up to 14 bps.
- Corporate Bond yields decreased across the curve in the range of 8 to 53 bps with the highest change seen on 1-year paper.
- Spread between AAA Corporate Bond and Gilt contracted across the maturities in the range of 4 to 26 bps, barring 15-year paper, where it expanded by 10 bps.

Equity Market

- Indian equity markets closed in green amid intense volatility throughout the week. The policy decisions of the U.S. Federal Reserve (Fed) and the Reserve Bank of India (RBI) mainly dictated the movement of the bourses.
- During the first half of the week, markets remained volatile ahead of the outcome of the Fed's policy meeting. Back home, higher Wholesale Price Index-based inflation numbers for the month of August reduced the possibility of a rate cut by the RBI. However, recovery in the rupee helped improve sentiments to some extent. Strong global cues and continuous buying of Indian shares by Foreign Institutional Investors supported bourses further.
- Markets surged on the back of strong buying in rate-sensitive sectors after the Fed surprised market participants by keeping its stimulus plan intact for the time being. The Fed's decision renewed hopes of more foreign fund inflows in emerging markets like India and the benchmark S&P BSE Sensex closed at its highest level in nearly three years. However, bourses erased most of their gains on the last trading session of the week after the RBI unexpectedly increased its policy rate by 25 bps to tame inflation.
- Key benchmark indices, S&P BSE Sensex and CNX Nifty, gained 2.69% and 2.76%, respectively over the week. The broader indices, S&P BSE Mid-Cap gained by 0.85% but S&P BSE Small-Cap fell by 0.44%.
- All the sectoral indices on BSE closed in green except S&P BSE Healthcare and Realty. S&P BSE Bankex was the top gainer and rose by 4.99% followed by FMCG and Auto, which gained 4.60% and 2.38% respectively.

Spreads Movement

Spreads		AAA	AA+	AA	AA-
	1 Yr	0.88%	0.97%	1.11%	1.30%
20-Sep	3 Yr	0.66%	0.80%	0.93%	1.12%
	5 Yr	0.42%	0.57%	0.71%	0.89%
	1 Yr	1.11%	1.20%	1.34%	1.53%
Prv Wk	3 Yr	0.70%	0.84%	0.97%	1.16%
	5 Yr	0.61%	0.76%	0.90%	1.08%

Indices Performance

	20-Sep-13	52 Wk High	52 Wk low	1 Wk Ago	Chg %
S&P BSE Sensex	20,264	20,740	17,449	19,733	2.69
CNX Nifty	6,012	6,229	4,888	5,851	2.76
S&P BSE 200	2,373	2,509	2,042	2,311	2.66
CNX Midcap	7,085	8,859	6,331	6,997	1.26
CNX Div Opp*	1,557	1,801	1,335	1,524	2.16
S&P BSE Smallcap	5,485	7,697	5,086	5,509	-0.44

*CNX Dividend Opportunities

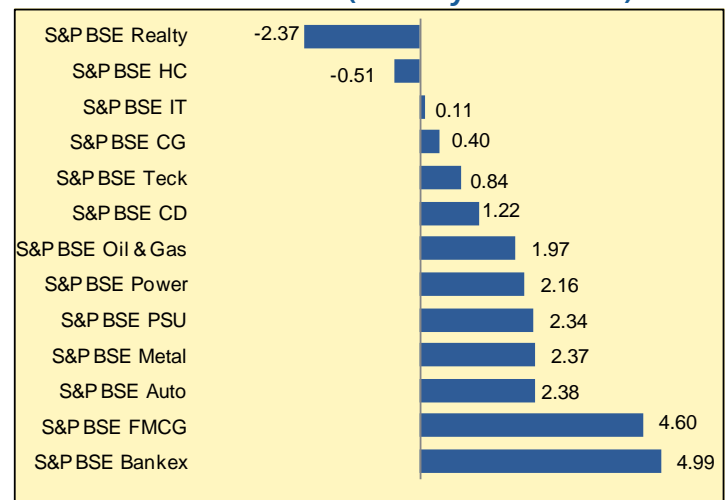
Indices Price Ratios

Ratios	P/E	P/B	Dividend Yield
S&P BSE Sensex	17.88	2.78	1.44
CNX Nifty	17.47	2.88	1.47
S&P BSE 200	16.43	2.30	1.51
CNX Midcap	13.67	1.55	1.76
CNX Div Opp*	9.08	1.71	3.13

Source: BSE, NSE

*CNX Dividend Opportunities

Sectoral Performance (Weekly returns %)



Institutional Flows (Equity)

(INR Cr)	Purchases	Sales	Net	YTD
FII Flows ¹	17,388	12,718	4,671	71,213
MF Flows ²	1,798	2,810	-1,012	-15,551
DII Flows ¹	3,915	7,461	-3,546	-42,336

¹as on 20th September 2013, ²as on 19th September 2013

Global Market

- U.S. markets gained initially after Larry Summers, who was expected to be more hawkish than other candidates, withdrew from the race to be the next Fed Chief. Most of the indices hit fresh closing highs after the Fed surprised markets by keeping its bond-buying program intact. Markets ended the week on lower note after St. Louis Fed President James Bullard said the U.S. central bank could taper its \$85-billion-a-month bond-buying program in October.
- European bourses rose initially after Larry Summers withdrew from the race to be next Fed Chief. Strong economic data from the Euro zone also supported sentiments. Disappointing Euro zone trade data and cautious stance of investors ahead of the Fed's policy meet hit markets to some extent. The Fed's policy decision and encouraging U.K. and Greek economic data helped markets move up again. However markets ended on a lower note after St. Louis Fed President James Bullard said the U.S. central bank could taper its \$85-billion-a-month bond-buying program in October.
- The Fed's move to leave its stimulus program unchanged for now and positive data from China and Japan boosted Asian markets as well. Later, investors turned cautious ahead of Sunday's federal elections in Germany. But this could not prevent bourses from gaining over the week.

Global Indices

Global Indices	20-Sep-13	1 Wk Ago	Chg %
Dow Jones	15,451	15,376	0.49
FTSE	6,596	6,584	0.19
CAC	4,204	4,115	2.17
Hang Seng	23,503	22,915	2.56
Shanghai	2,192	2,236	-1.98

Event Calendar

Release Date	Event	Country
16-Jul-13	U.S. Consumer Price Index (Y-o-Y) (June)	U.S.
23-Sep-13	HSBC/ Markit Flash Manufacturing PMI (September)	China
26-Sep-13	Gross Domestic Product (Y-o-Y) (2QF)	U.K.
26-Sep-13	Gross Domestic Product (Annualized) (2QT)	U.S.
27-Sep-13	Trade Deficit - RBI (Q2)	India

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Currency and Commodity Market

- The Indian rupee gained against the dollar as the Fed decided to maintain its stimulus program for the time being, which increased demand for risky assets. However, the currency dropped after the RBI unexpectedly hiked repo rate by 25 bps.
- The euro touched seven-month highs against the dollar after the Fed left its bond-buying program unchanged. The decision of the former U.S. Treasury Secretary to pull out as a candidate to lead the Fed also supported the euro.
- Gold prices fell initially on concerns over withdrawal of bond-buying program by the Fed. India's decision to sharply hike import duty on gold jewellery also hit prices. However, the metal surged more than 4% after the Fed decided to maintain its stimulus plan.
- Brent crude prices slipped after the U.S. agreed to call off military action against Syria and production from Libya rose. The Fed's move to leave its monetary stimulus program unchanged and fall in EIA inventories supported prices later.

Currency Market

	20-Sep-13	Gain+ / Loss-	Chg %*
USD/INR	62.24	-1.55	-2.42
EURO/INR	84.23	-0.44	-0.52
GBP/INR	99.90	-0.81	-0.80
USD/JPY	99.30	-0.04	-0.04

Commodity Market

(INR Spot)	20-Sep-13	52Wk High	52Wk low	Gain+ / Loss-	Chg%*
Gold(10 gm)	30190	33146	25180	566	1.91
Silver (1 kg)	50368	63888	39112	1767	3.64
Crude Oil (1 barrel)	6569	7527	4554	-345	-4.99

* Change % is the change over the previous week's close.