



## Monetary Policy Review – Bond Outlook

In today's Monetary policy review, the Central Bank increased Repo and Reverse repo rates by 25 bps each to 8.50% and to 7.50% respectively.

RBI governor D. Subbarao signaled there will be little likelihood of further rate increases in the December review, after a further 25 bps increase in the policy rate today.

The 10-year benchmark bond yield was at 8.73% from 8.76% before the policy decision. It had fallen to an intra-day low 8.67 percent, post the central bank's review.

**We expect that interest rates at current level are peaked out and there are very few chances of further rate hike. Given the scenario, it is wise to go for investment in Bonds.**

*We have analyzed the following two fundamentally strong bonds:*

### Muthoot Finance – Secured NCD

Muthoot Finance Ltd. - Secured NCD	
Series	12.25%, 3 Years
Face Value (Rs)	1000
Close Price (Rs)	995
Trade Volume (Lot Nos)	162
<b>Yield (%)</b>	<b>13%</b>
<b>Rating</b>	<b>Crisil AA- and ICRA AA-</b>

### Investment Rationale

Yield of approximately 13% on today's weighted average price of Rs 995.

We expect the yield to come down to the range of 12.25% to 12.50% translating into the price range of Rs 1010 to Rs 1125.

We advice investors to buy the bond and to hold it till maturity.

The bond can be held till maturity since the tenor is low and since the trading volume is low.

### IIFL – Secured NCD

IIFL - Secured NCD	
Series	11.90%, 5 Years
Face Value (Rs)	1000
Close Price (Rs)	960
Trade Volume (Lot Nos)	3,546
<b>Yield (%)</b>	<b>13%</b>
<b>Rating</b>	<b>Crisil AA- and CARE AA-</b>

### Investment Rationale

Yield of approximately 13.18% on today's weighted average price of Rs 960.

We expect the yield to come down to approximately to 12.50%, and the bond should trade in the range of Rs 970 to Rs 980.

We advice investors to buy the bond.

Trading volume is good and investors should buy it from stock market NSE and BSE.

## For Further Details/Clarifications please contact:

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**BSE - INB 011219632**

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