



Outlook:-

Bonds yields are likely to trade in a narrow range around their three week highs on Friday morning ahead of a bond auction later during the day. Since the last few days there has been some selling, so short covering also may be there but and hike would be capped by glut of supplies hitting the market and tightening monetary stance by central bankers across Asia. Australia was the first central bank to overturn loose monetary policy and South Korean central bank is expected to follow suit.

Earlier on Wednesday bond yields ended lower from three weeks' highs after inflation rate for end September unexpectedly slowed, giving a brief respite to the market in the backdrop of uncertainties over the timing of exit from easy money policy. The wholesale price index rose by 0.7% y-o-y in the week ending 26 Sept, below both market forecasts and the previous week's 0.83% y-o-y rise. The benchmark 10 year bond, 6.90%-2019, yield closed at 7.22%, after falling as low as 7.17% after the data. It had ended at 7.24% on Wednesday. Volumes were a heavy Rs.9775 crore (\$2.1 billion) on the RBI's trading platform.

News:-

- ◆ India's largest bank - State Bank of India - is foraying into the international market to raise close to \$1 billion, riding on the back of improved sentiment for Indian paper. The bond issuance will be part of the bank's Medium Term Note programme or MTN which envisaged the bank raising up to \$1 billion in 2004. The amount was later scaled up to \$5 billion in February 2007. Last week, SBI filed an update to the offering circular under the MTN programme with the Singapore Stock Exchange. An MTN programme allows an issuer to raise funds on an ongoing basis through various products such as floating rate notes or on a fixed rate after obtaining prior regulatory and other approvals. Companies opt for MTN programmes as it offers a lot of flexibility. SBI plans to raise between \$700 million and \$1 billion through this bond issue, the proceeds of which will be used to fuel the bank's growth plans.
- ◆ The engineering and construction major, Larsen & Toubro (L&T), has raised US\$600 million (approximately Rs.2780 crore) through qualified institutional placements (QIPs) and issue of foreign currency convertible bonds (FCCBs). The company has completed the US\$400 million share sale to qualified institutional buyers at Rs.1,659.30 at a 1.1% discount to Wednesday's closing price of Rs.1,677.25. The US\$200 million bonds, with a coupon rate of 3.5%, have been issued at Rs.1,659.30, a 15% premium to the base price of Rs.1,660. It will mature in 2014. The company proposes to utilize the proceeds for capital growth. It will also tap opportunities coming up in power, hydrocarbon, railways, road, port, airport, water management technology and urban infrastructure. The funds will help strengthen the company's financial position and allow it to bid for large upcoming projects.

Govt. Bonds

| Security | Yield | Previous | LTP |
|-------------------|-------|----------|-------|
| 6.90%-2019 | 7.22% | 97.80 | 97.91 |
| 6.07%-2014 | - | - | - |
| 7.40%-2035 | - | - | - |
| 7.02%-2016 | 7.23% | 98.85 | 98.82 |

Treasury Bills

| Bill (Most Traded) | Yield | LTP |
|--------------------|-------|-------|
| 091 Days | 3.10% | 99.35 |
| 182 Days | 3.15% | 99.10 |
| 364 Days | 3.40% | 98.59 |

PSU Taxable Bonds

| Bond | Yield | CMP |
|---------------------|-------|--------|
| PFC18-11.25% | 8.85% | 114.53 |
| PFC10-8.70% | 5.77% | 102.11 |
| PFC12-6.90% | 7.78% | 97.90 |
| IRFC19-8.55% | 8.66% | 99.25 |

Corporate Debentures

| Security | Yield | CMP |
|----------------------|-------|--------|
| HDFC11-6.84% | 6.91% | 99.83 |
| RIL13A-11.45% | 8.50% | 109.96 |
| HDFC13-9.90% | 8.15% | 106.22 |
| RGTI14-10.90% | 8.90% | 106.92 |

Corporate Bond Spreads

| Duration | AAA | AA+ | AA |
|----------------|-----|-----|-----|
| 1 year | 67 | 87 | 107 |
| 3 year | 92 | 112 | 132 |
| 5 year | 114 | 134 | 154 |
| 10 year | 123 | 143 | 163 |

Overnight Money Market

| Instrument | Avg. Rate | Change |
|-------------------|-----------|--------|
| CBLO | 2.4777 | 0.3307 |
| Repo | 2.8556 | 0.1107 |
| Call Money | 3.2504 | 0.0204 |

MIBOR Swap Rate

| Duration | Avg. Rate | Std. Dev. |
|------------------|-----------|-----------|
| Overnight | 3.29 | 0.0041 |
| 14 days | 3.44 | 0.1818 |
| 1 Month | 3.77 | 0.2008 |

Other Important Data

| | |
|-------------------------------|----------|
| Sensex | 16843.54 |
| Rs/US\$ | 46.19 |
| Gold (US\$/t oz.) | 1047.800 |
| Crude Brent (US\$/bbl) | 68.74 |



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