



**Outlook:-**

Bonds yields are likely to trade higher near their four week highs early on Monday, tracking a sharp drop in US Treasury prices. Markets will also be awaiting the August industrial output due by noon. The finance ministry said after market hours on Friday, it would sell Rs.10,000 crore (\$2.2 billion) of bonds on 16 October. It will also sell Rs.7000 crore of treasury bills on 14 October.

Earlier on Friday bond yields rose to four week highs, after disappointing bond auction results raised concerns about the strength of demand in a market already nervous about a central bank policy review on 27 October. The benchmark 10 year bond, 6.90%-2019, yield ended at 7.32%, just off the day's high of 7.33 % which was its highest since 14 September. It had ended at 7.22% on Thursday. The yield rose 10 basis points this week. Volumes were Rs.5645 crore (\$1.2 billion) on the RBI's trading platform. At Friday's Rs.10,000 crore (\$2.2 billion) bond auction, primary dealers who underwrote the sale had to buy Rs.730 crore of bonds to cover a shortfall in bids. RBI said on Friday it had set a cut-off price of Rs.97.13 at the auction of the 6.90% bond maturing in 2019. The cut off price corresponds to a yield of 7.3145%. Primary dealers had to buy Rs.576 billion rupees of the 2019 bond. It set a cut-off price of Rs.98.60 for 7.02% bonds maturing in 2016. The cut off price corresponds to a yield of 7.2808% and the bonds were fully subscribed. It set a cut-off price of Rs.99.37 at the auction of the 8.28% bonds maturing in 2032, yielding 8.3408%.

**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.

**Govt. Bonds**

Security	Yield	Previous	LTP
6.90%-2019	7.32%	97.91	97.13
6.07%-2014	-	-	-
7.40%-2035	-	-	-
7.02%-2016	7.30%	98.85	98.46

**Treasury Bills**

Bill (Most Traded)	Yield	LTP
091 Days	3.11%	99.26
182 Days	3.11%	99.26
364 Days	4.42%	95.83

**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	83	103	123
3 year	96	116	136
5 year	115	135	155
10 year	116	136	156

**Overnight Money Market**

Instrument	Avg. Rate	Change
CBLO	3.9007	2.2512
Repo	3.2371	1.4954
Call Money	3.9076	0.7159

**MIBOR Swap Rate**

Duration	Avg. Rate	Std. Dev.
Overnight	3.26	0.0177
14 days	3.42	0.1787
1 Month	3.73	0.1955

**Other Important Data**

Sensex	16642.46
Rs/US\$	46.42
Gold (US\$/t oz.)	1047.800
Crude Brent (US\$/bbl)	68.74



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