

F.D.WATCH

DATED- 29th December

- **NEWS**

- **Bank deposits set to give negative return**

At present, most banks offer 6-6.5 per cent interest on one-year deposits, which is the lowest in recent times. Inflation, based on the wholesale price index, touched a 10-month high of 4.78 per cent in November. ICICI Securities said inflation could average 7 per cent this year, while Citi said it could cross 6 per cent by the end of the month to hover above 8 per cent by march.

- **World Banks grants loan worth \$100 mn for poverty alleviation.**

The World Bank has approved a loan of \$ 100 million for poverty reduction programme in Andhra Pradesh that has lead to an increase in incomes of around 10 million women since its inception in 2003. The loan is being offered by International Development Association (IDA), the World Bank's concessionary lending arm. It carries a maturity of 35 years and a 10 year grace period.

- **Corporates may issue bonds: banks to stay away**

Amidst expectations of rates hike in 2010, a few Indian Corporates may issue bonds this week and no immediate requirements may keep banks away from issuing such bonds.

- **RBI is likely to raise interest rate earlier than expected in order to contain inflation.**

Soaring food prices have raised concerns amongst analysts who feel that RBI may increase the rates by around 25 basis points.

• **RECOMMENDATIONS**

Company	6months	1year	2years	3years	4years	5years
Unitech**	11.00	11.00	11.50	12		
Solaris Chemtech		10.00	11.00	11.50		
Ind Swift Labs**	10.50	11.50	12.00	12.50		
Ind Swift Ltd **	10.50	11.50	12.00	12.50		
Shriram Transport		8.00	8.50	9.00	9.00	9.00
Valecha Engg**		9.00	9.50	10.00		
Mahindra Finance***		8.00	8.50	9.00		

*0.50% extra for Sr. Citizen

** 0.50% extra for Sr. Citizen & Shareholders

*** 0.25% extra for Sr. Citizen

• **CHANGES IN RATE OF INTEREST**

Company Name	Rate change W.E.F	6 months		1 year		2 year		3 year	
		New Rate	Old Rate	New Rate	Old Rate	New Rate	Old Rate	New Rate	Old Rate
		Ansal Properties & Infra	26.12.2009	11.5	-	12	11	12.25	11.5
ATUL LTD	21.12.2009			7	8	7.5	8.25	8	8.5
CAN FIN INDIA LTD	01.12.2009			6.75	7.50	7.25	7.75	7.50	7.75
FENNER (INDIA) LTD	16.11.2009			8.50	10.00	8.75	10.25	8.75	10.25
H R JOHNSON NON CUMMULATIVE SCHEME)				7.75	8.25	7.75	8.25	7.75	8.25
CUMMULATIVE SCHEME (yield)	01.12.2009			7.98	8.51	8.03	8.87	8.63	9.25
Birla Power Solutions	01.12.2009			10.50	10.00	11	10.5	11.5	11
Delhi Assam Roadways	15.12.2009	9	10	10	11.00	10	11.00	10	11.00
solaris chemtech	01.01.2010			10	10.00	10.5	11.00	11	11.50

- **MARKET REVIEW**

- The yield on the benchmark 10-year bond fell three basis points from its previous close to 7.7%. Rates on 10-year treasuries increased five basis points to 3.73% on Tuesday.
- The highest level since August 13, on concern the Federal Reserve will boost borrowing costs to prevent consumer prices from rising as the recovery gathers pace.
- Banks' operations were partially affected in some parts of the country due to strike called by All India Bank Employees' Association (AIBEA) and All India Bank Officers' Association (AIBOA).
- The urban development ministry has proposed that **home loans** in the priority sector should be limited to Rs. 5 lakh. Currently, loans up to Rs. 20 lakh can be granted under priority sector lending.
- Bankers foresee a substantial recovery from the economic slowdown in 2010 and feel that this could lead to a pick up in credit growth thereby resulting in higher interest rate regime
- Rising inflation could soon compel RBI to hike Cash Reserve Ratio (CRR) and policy rates. RBI has started exiting its accommodative monetary policy by restoring SLR in October.
- Another public sector lender, **Bank of India**, entered the home loan rate war by offering 8 percent fixed rate for the first two years. Prior this banking giants like SBI and HDFC introduced such offers.