



ISO 9001:2008

Wealthmax Financial Market Report

Branches : Bangalore • Chennai • Hyderabad • Mumbai • Pune



Edition : December 12th 2011

Debt Market Report

Bonds rally further.....

Bond prices, which had risen smartly last week, rose further during the week. Yield on the 10 year benchmark (8.79% - 2021) closed the week at 8.53%, a fall of approximately 14 basis points over the previous week.

As RBI takes concrete steps to ease system liquidity

The bullishness in the bond market could be attributed to the confidence building efforts of the Reserve Bank of India (RBI). RBI extended its bond purchase program under open market operations to the third week, ostensibly to ease liquidity conditions. The RBI bought `9,100 crore of bonds last week through OMOs. The bonds bought were the 8.07% 2017 bond for `1,682 crore at 8.39% yield, the 7.83% 2018 bond for `4,439 crore at 8.46%, the 8.13% 2022 bond for `1,864 crore at 8.55% and the 8.28% 2027 bond for `1,109 crore at 8.77%.

And market expectations of further monetary steps aimed at easing tight money policy

Some marketmen are speculating that the specter of low growth and falling inflation would push RBI into taking measures at easing liquidity, possibly through a reduction in CRR, and a pause in policy interest rate hikes.

As food inflation falls

Food inflation fell to 6.6%, a significant fall from the double digit levels that this figure had registered just a couple of weeks ago. Primary article inflation too has fallen to 7% in November compared to 11% witnessed in October.

And industrial production collapses

The index of industrial production (IIP) for October 2011 showed a decline of 5.5% compared to the numbers witnessed in the same month last year. Even sequentially IIP for October 2011 is lower than that for September 2011. The average growth rate of IIP in the first half of the financial year has been 5%.

While GDP estimates are lowered.....

GDP growth for the second quarter of 2011-12 has come in at 6.9%, as against a growth rate of 7.7% in the first quarter. The government has pegged the growth rate for 2011-12 at 7.5% against the budget estimate of 9%.

Leading to speculation of monetary policy changing course

Slowing GDP growth as well as lower primary articles and food inflation is likely influence RBI's policy stance in the December policy review, which is due on Dec 16.

Outlook

The next policy review is due on Dec 16, and market-men are speculating that RBI may hold policy rates steady in view of lower food and primary article inflation numbers released earlier in the week. Further slower GDP growth and a fall in IIP are also likely to pressure RBI and further liquidity easing measures like reduction in CRR etc. too can not be ruled out. Given these considerations bonds are likely to trade firm going into the policy week.

Disclaimer:

The views of the fund managers should not be construed as advice. Investors must make their own investment decisions based on their specific investment objectives and financial positions and using qualified advisors as may be necessary. Opinions expressed in various articles are not necessarily those of Wealthmax Enterprises Management Private Limited(WEMPL) or any of its directors, officers, employees and personnel. Consequently WEMPL or any of its directors, officers, employees and personnel do not accept any responsibility for the editorial content or its accuracy, completeness or reliability and hereby disclaim any liability with regard to the same. Stock picks and mutual fund snapshots are not exhaustive and should not be construed as recommendations.

This Edition is Printed and Published by Mr. Djeeraj Singh on behalf of Wealthmax.

Please E-mail your feedback to ds@wealthmaxindia.com

WEALTHMAX ENTERPRISES MANAGEMENT PRIVATE LIMITED (An ISO 9001:2008 Company)

Wealthmax Square, 835, 17th Main, 23rd Cross, HSR Layout, Sector III, Bengaluru - 560 102.

Ph: 080-25723911 / 12 / 13, Fax: 080-25723914.

Website: www.wealthmaxindia.com

- Primary Equity • Secondary Equity • Mutual Funds • Commodities • Equity PMS
- Life Insurance • Non-Life Insurance • RBI & Post Office Schemes • Housing Loan • Real Estate