



DEBT MARKET WATCH

July 14, 2012

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Government Security Market: Update

India's 10-year bonds completed a second weekly advance on speculation the central bank will ease monetary policy to arrest an economic slowdown. Industrial output rose 2.4 percent in May from a year earlier, compared with an average gain of 5.1 percent in the previous two years.

The yield on the 8.15 percent notes due June 2022 declined six basis points, or 0.06 percentage point, this week to 8.10%. The cost of one-year interest-rate swaps, or derivative contracts fell to 7.62 %.

Global Debt Market: Update

The Fed has purchased \$2.3 billion of mortgage and Treasury debt in two separate rounds of quantitative easing, or QE. Some Fed policy makers said the central bank will probably need to take more action to promote satisfactory growth in employment and to ensure that the inflation rate would be at the Committee's goal. U.S. Treasury 10-year note's yield rose one basis point to 1.49 percent after dropping to a record low 1.4387, also on June 1.

Italy's 10-year bonds fell for a second day, pushing the yield above 6 percent, after Moody's Investors Service cut the nation's credit rating by two steps and reiterated its negative outlook. Moody's lowered the country's bond rating to Baa2 from A3.

China, the world's second-largest economy, grew 7.6 percent in the second quarter from a year earlier, compared with the 8.1 percent pace in the first three months.

Bond Market Ahead

Much awaited Wholesale Price Index (WPI) to be released on July 16th, and the market will shape up the movement upward if WPI cools down. Weak India's export data and sharp fall in imports will lead to narrowing trade deficit. Delayed monsoon is worrying as the prices of fruits & vegetables up 50% in 10 days and stroke inflation up.

Bond Strategy

Buy 8.33% GOI 2026 around 8.28/30% levels with a Target of 8.21% and a stop loss of 8.33% levels.

Buy short maturity T-bill.

(Source: Bloomberg, GEPL Capital Research)

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ECONOMIC INDICATOR

PARTICULARS	As on Date		CHANGE
	14-Jul-12	7-Jul-12	
5 Year Indian Govt. Bond(%)	8.01	8.07	0.06
10 Year Indian Govt. Bond(%)	8.10	8.16	0.06
15 Year Indian Govt. Bond(%)	8.41	8.41	0.00
Call Money Market(%)	8.00	8.25	0.25
Crude Oil (in Dollar/barrel)	87.10	84.45	-2.65
US 10 Year Treasury (%)	1.49	1.55	0.06
UK 10 Year Treasury (%)	1.55	1.59	0.04
Rs. vs Dollar	55.15	55.46	0.31
FOREX with RBI (in Dollar/bn)	287.60	289.99	-2.39
INFLATION(%)	7.55	7.55	0.00
LAF(REPO @8.00 %)(in Rs. Crore, NOs for week ended)	246795.0	172470.0	-74325.00
LAF(REVERSE REPO @7.00%)(in Rs. crore)	1535.00	2490.00	-955.00

(Source: Bloomberg/www.rbi.org.in)

GEPL TECHNICAL VIEW

10 Year G-Sec Benchmark Chart



YIELD OUTLOOK

New 10 Year Government Bond 8.15%2022 Yield likely to move in the range of 8.05/8.15% levels.

(Source: GEPL Capital Research)

AUCTION SCHEDULED FOR THE WEEK

Date	Instrument	Nature of Flow	Amount (Cr)
17-Jul-12	SDL (13 state)	Auction	10280.00
18-Jul-12	91 DTB	Auction	7000.00
18-Jul-12	182 DTB	Auction	5000.00
20-Jul-12	5-9 Years Security	Auction	4000-5000
20-Jul-12	10-14 Years Security	Auction	6000-7000
20-Jul-12	15-19 Years Security	Auction	2000-3000
20-Jul-12	20 Years & Above Security	Auction	2000-3000

(Source: www.rbi.org.in)

ECONOMIC CALENDER

MONTHLY WPI: July 16,2012
RBI CREDIT POLICY: July 31,2012