



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

1-7 November 2010

INDICATORS

Inflation Rate for the week ending 23 October 2010

Categories	Weekly	Annual
Primary articles	-0.39	15.43
Fuel, power, light & lubricant	0.00	10.67

- Annual **WPI inflation rate for primary articles** for the week ending 23 October 2010 stood at 15.43% as compared to previous week's level of 16.62%.
- The annual **inflation** in food articles decreased to 12.85% for the week ended 23 October 2010, from 13.75% for the previous week.
- **Foreign Exchange Reserves** as on 29 October 2010 stood at US \$298.0 billion, up by US\$ 2.6 billion over previous week.
- India's manufacturing **Purchasing Manager's Index** rises to 57.2 in October from 55.1 in September
- The United Nations Development Programme ranked India 119 out of 169 countries in **Human Development Index**.
- The **call money rates** as on 4 October 2010 traded in the range of 3.3 – 7.0 percent.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 6.8%.
- One year **LIBOR** for US\$ as on 3 November 2010 stood at 0.76%.



Dear Reader,

Even as the RBI continued to raise interest rates, making this the sixth increase of 25 bp

this year, the US Federal Reserve decided to purchase assets worth \$600 billion. This increases the risk of excess global liquidity pushing up asset prices and exchange rates in India. Already, over the last two months, the benchmark equity indices have increased by almost 15% while the currency has appreciated by over 5% against the dollar. The RBI will need to remain vigilant and step up its intervention in the currency market.

Chandrajit Banerjee

Director General, CII

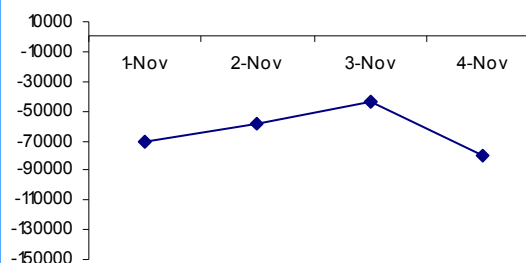
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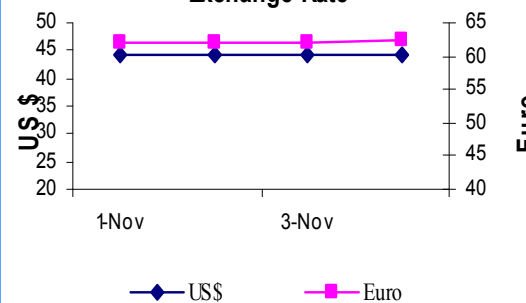
POLICY UPDATE

- The Second Quarter Review of Monetary Policy for 2010-11 increased policy rates for the sixth time this financial year. Both reverse repo and repo rate saw an increase of 25 basis point each. Accordingly, the repo rate stands raised to 6.25% and the reverse repo rate to 5.25%. The CRR has been left unchanged at 6.0%.
- To prevent housing asset bubble, RBI has limited loan to value ratio on home loans to 80% and also lifted risk weight on home loans Rs 75 lakh and above to 125%.
- Concerned over teaser home loans, the RBI asked banks to keep more money aside for offering such a product to provide cushion for any default.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 22 October 2010	% Variation over	
		Fortnight	Year
Total Bank Credit	34,76,133	0.2	21.2
Food Credit	47,215	-5.1	31.1
Non Food Credit	34,28,918	0.3	21.1
Aggregate Deposit	48,75,254	1.8	17.3
Broad Money (M3)	55,99,762	1.8	17.1
Credit Deposit Ratio	62.1		

Source: RBI

EQUITY MARKETS

- U.S. stocks rose for the fifth straight week as investors took heart from Republican gains in the elections and on news that more cheap money from the Federal Reserve was on the way. But investors locked in some profits on Friday, offsetting a robust payrolls report. Despite the better than expected payrolls figures on Friday from the U.S., any optimism seems to have been short-lived and replaced with caution.
- Britain' FTSE 100 closed at a 29-month high on Friday following surprisingly strong U.S. jobs data that reinforced optimism about the economy.
- Indian key benchmark indices continued their uptrend during Mahurat trading, with the BSE Sensex getting past the intimidating 21,000 mark. Trading was also marked by a lot of stability as no major volatility was seen throughout the trading session. All sectoral indices witnessed gains, with the auto and pharma sectors posting the highest gains.
- Coal India soared 40% to 342.35 on debut, creating many records—the biggest initial public offering, biggest coal producer in the world and top trading on debut.
- Total turnover during the week on BSE stood at Rs 27,424 crore and at NSE Rs 91,473 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for December delivery closed at US \$ 86.9 per barrel on 5 November 2010, up by \$ 4.7 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1395.5 per ounce as on 5 November 2010, up by US \$ 48.8 per ounce over the week.

Global Stock Indices	Closing Value as on 5 November 2010	Weekly Change (%)
NYSE: DJIA	11,444.1	2.9
FTSE 100	5,875.4	3.5
Nikkei 225	9,626.0	4.6
Straits Times	3,240.3	3.1
KOSPI	1,939.0	3.0

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 4 November 2010	Week's % Change
BSE SENSEX	21,005.0	4.9
BSE 500	8,405.1	4.6
S&P CNX NIFTY	6,312.5	4.9
S&P CNX 500	5,197.1	4.5

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,960.0	397.7
Year -to-date FII (US\$ million)	26,754.5	9,58.2
Weekly Mutual Funds# (Rs Crore)	-41.9	1,408.9

Source:SEBI

*as on 28 October 2010

Commodity Spot Indices	Closing Value as on 6 November 2010	Week's % Change
MCX AGRI	2,625.3	3.2
MCX METAL	3,825.6	2.1
MCX ENERGY	2,688.8	4.2
MCX COMDEX	2,997.7	3.0

Source: MCX, NCDEX

GLOBAL NEWS

USA

- US non-farm payroll employment increased by 151,000 in October and the unemployment rate was unchanged at 9.6%. Since 2009, non-farm payroll employment has risen by 874,000.
- According to the FOMC statement on 3 November, the committee intends to purchase a further \$600 billion of long term treasury securities by the end of the second quarter of 2011. a pace of about \$75 billion per month. Also the committee will maintain the target range for the federal funds rate at 0 to 0.25.
- Productivity increased 1.9% in the non-farm business sector during the third quarter of 2010 as unit costs decreased 0.1%

Europe

- Volume of retail trade in September decreased by 0.2% in euro area and by 0.1% in the EU 27 as compared to the previous month.
- In September 2010 compared with August 2010, the industrial producer price index rose by 0.3% in the euro area and by 0.2% in the EU 27.

Asia

- The Yuan fell in the spot and offshore forwards markets on Monday after the dollar's global rebound driven by a strong U.S. payrolls report, allowing the People's Bank of China to fix a weaker Yuan mid-point
- The Bank of Thailand and Finance Ministry have prepared to take more actions if the baht further strengthens after the US Federal Reserve launches the monetary easing programme.
- The Bank of Japan kept interest rates at zero and held off on easing monetary policy after Federal Reserve's bond buying plan failed to trigger yen gains sharp enough to warrant an immediate policy response.
- In a historic decision, the International Monetary Fund board agreed Friday to boost the voting power of big emerging economies and make China the third leading voice in the global lender.

Disclaimer

The data used here are from various published and electronically available primary and secondary sources. We have taken care to verify and cross-check the accuracy of such data. However, despite due diligence, the source data may contain occasional errors. In such instances, CII is not responsible for such errors.

CII Economy Update is a weekly report prepared by the **CII economic Research Group**.
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