



Inflation Rate for the week ending 14 <sup>th</sup> August '10		
Categories	Weekly	Annual
Primary articles	0.10	14.75
Fuel, power, light & lubricant	0.00	15.30

## Indicators

- **WPI inflation rate for primary articles** for the week ending 14<sup>th</sup> August '10 stood at 14.75% as compared to previous week's level of 14.87%.
- **Food inflation** decreased to **10.05%** for the week ended August 14<sup>th</sup> 2010 from 10.35% in the previous week. due to lower prices of Cereals, Rice and Pulses.
- **The Index of Six core industries having a combined weight of 26.7% in the IIP registered a growth of 3.9% in July 2010 compared to 3.2% in July 2009.**
- **FII have pumped in a record \$12 billion in the first eight months of 2010.**
- **All India rainfall during the week 19<sup>th</sup> - 25<sup>th</sup> Aug was 29% above long period average (LPA). Cumulative rainfall so far during this year's monsoon upto 25<sup>th</sup> August has been 2% below LPA.**
- **Foreign Exchange Reserves** as on 20<sup>th</sup> Aug'10 stood at US \$282.55 billion, down by US\$ 0.24 billion over previous week.
- The **call money rates** as on 27<sup>th</sup> Aug'10 traded in the range 3.2-4.65%.
- One year **LIBOR** for US\$ as on 25<sup>th</sup> Aug'10 stood at 0.91%.
- At the Treasury bills auctions held during the week, the **YTM for 91-day T-Bills** stood at 6.2%.
- At the auction of government bonds held on Friday, the cut-off rate for the 10-year paper was set at Rs 98.45 implying a yield of 8.03%

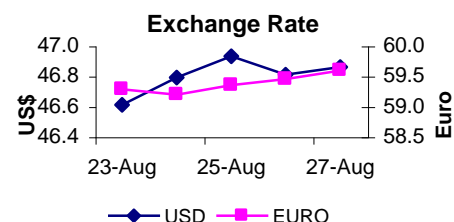
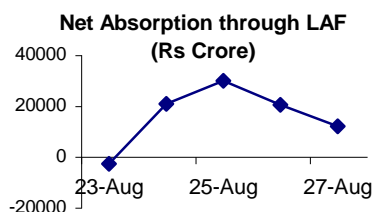
## Dear Reader

The headline inflation numbers have started showing signs of moderation, so that the August inflation rate is almost certain to fall to single digits. The bond market has begun to price this in and the 10-year yield which had been climbing since May is now showing signs of stabilizing at around 8.0%. Liquidity in the banking system has also become surplus after remaining in deficit since June 2010. However, a decline in lending rates is unlikely given the slowdown in deposit mobilisation.

Chandrajit Banerjee  
Director General  
Confederation of Indian Industry

## Policy Developments

1. The government handed out Rs 1,050 crore package of fresh incentives to exporters. DEPB and zero duty EPCG scheme extended further. Several sectors get 2% interest subvention.
2. Minimum investment in ULIPs to go up, insurance companies plan to raise this to match the returns prescribed by the regulator.
3. SEBI says arbitration proceedings to settle disputes between brokers & investors are to become more expensive to reduce complaints



Banking Indicators		(Rs. Crore)	
Indicators	Outstanding as on 13 <sup>th</sup> Aug '10	% Variation over	
		Fortnight	Year
Total Bank credit	33,64,511	0.2	20.1
Food Credit	46,928	-8.7	-4.0
Non Food Credit	33,17,583	0.4	20.5
Aggregate Deposit	46,31,579	-0.2	14.1
Broad Money (M3)	57,95,673	0.1	14.8
Credit Deposit Ratio	72.64		

Source: RBI

## Equity Markets

- The major indices closed the week with only modest declines after Fed Chairman Bernanke fueled a large rally on Friday, helping to offset some of the growing concerns regarding the pace of the economic recovery.
- Indian markets closed on negative note on Friday tracking weak cues from global markets as investors were skeptical ahead of US Federal Reserve Chairman, Ben Bernanke's speech. Negative opening of the European markets and decline in the US futures saw markets slipping below psychological levels. All the sectoral indices except oil & gas, edged lower and rate sensitive real estate and banking stocks were most affected while IT and consumer durables were the other laggards on the markets.
- Total turnover during the week on BSE stood at Rs 26,501 crore and on NSE at Rs 73,555 crore.

## Commodity Market

- NYMEX light sweet Crude Oil for September delivery closed at US \$ 75.17 per barrel on 27<sup>th</sup> Aug'10, up by \$1.71 over the previous week's level.
- New York spot price for **Gold** was US \$1,237.0 per ounce as on 26<sup>th</sup> August'10, up by \$3.5 over the previous week's level.

Indian Equity Indices	Closing Value on 27 <sup>th</sup> Aug'10	Week's % Change
BSE SENSEX	17,998.4	-2.2
BSE 500	7,310.9	-2.1
S&P CNX NIFTY	5,408.7	-2.2
S&P CNX 500	4,550.9	-1.7

Source: NSE, BSE

Global Stock Indices	Closing Value as on 27 <sup>th</sup> August'10	Weekly Change (%)
NYSE: DJIA	10,271.2	-1.2
FTSE 100	5,201.6	0.1
Nikkei 225	8,991.1	-2.1
Straits Times	2,938.7	0.1
KOSPI	1,728.6	-2.6

Source: Yahoo Finance

Commodity Spot Indices	Closing Value as on 28 <sup>th</sup> Aug'10	Week's % Change
MCX AGRI	2,312.5	-0.63
MCX METAL	3,421.4	0.90
MCX ENERGY	2,452.8	-1.04
MCX COMDEX	2,692.6	-0.04

Source: MCX, NCDEX

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	317.9	-85.3
Year -to-date FII (US\$ million)	12,894.0	8,436.4
Weekly Mutual Funds# (Rs Crore)	-1162.1	7469.8

Source:SEBI #For weekending 26th Augy'10

## Global Development

### US

- US jobless claim dropped by 31,000, the first decline in a month to 473,000 in the week ended Aug 21<sup>st</sup> 2010.
- US durable goods orders rose 0.3% after a revised 0.1% fall in June. Excluding transportation, orders dropped 3.8%, the biggest fall since January 2009 after rising 0.2% in June.
- The U.S. Federal Deposit Insurance Corporation announces on 20<sup>th</sup> August 2010 that 8 banks were closed down.

### Europe

- UK economy grew by 1.2% in the second quarter, revising up its initial estimate of 1.1% growth
- The euro area (EA16) industrial new orders index rose by 2.5% in June 2010 as compared with May 2010 index

### Asia

- Japan's unemployment rate fell to 5.2% in July, the first drop in six months time.
- Japan's consumer prices excluding fresh foods declined 1.1% in July from a year earlier, while household spending rose 1.1% lower than economists' estimate of 1.5% gain.
- South Korea's current account surplus reached \$ 5.88 billion in July from a revised \$ 5.10 billion in June, the largest surplus since March 2009 on Won weakness.

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