

Inflation Rate for the week ending 9 th Jan'10		
Categories	Weekly	Annual
Primary articles	0.4	13.93
Fuel, power, light & lubricant	0.1	6.34

Indicators

- Annual **WPI inflation rate for primary articles** for the week ending 9th Jan'10 stood at 13.93% as compared to previous week's level of 13.82%.
- The annual inflation in food articles cooled off to 16.81% for the week ended 9th Jan'10, from 17.28% for the previous week.
- Foreign Exchange Reserves** as on 15th Jan'10 stood at US \$285.2 billion, up by US\$ 899 million over the previous week.
- The **call money rates** as on 22nd Jan'10 traded in the range of 2.10 – 3.35 percent.
- One year **LIBOR** for US\$ as on 20th Jan'10 stood at 0.88%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 3.93%.
- Core sector growth during December 2009 touched a four-month high of 6% compared to a meager growth of 0.7% in December 2008. The core sector registered a 4.8% growth during April – December 2009, as compared to 3.2% in the corresponding period a year ago.

Policy Developments

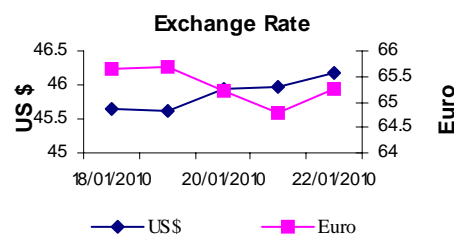
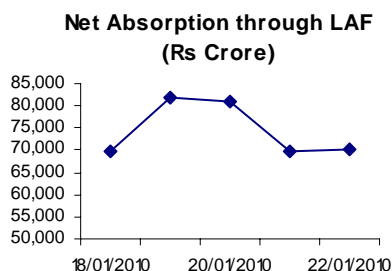
- The Central Board of Excise and Customs has issued a circular directing its field officials to issue pending service tax refunds within 30 days, and also relaxed certain norms for issue of such refunds. The refunds will boost the bottom lines of software exporters.

Dear Reader

A serious re-assessment in risk perceptions took place last week due to two major developments. China's last quarter growth of 10.7% brought forward fears of monetary tightening and Obama's plan to limit the size of banks lead to fears about increasing regulatory pressures. The dollar strengthened, equity markets fell globally and commodity prices retreated as a result of these concerns. In India, inflation continues to remain high and some tightening is widely expected in the monetary policy announcement at the end of this week.

Chandrajit Banerjee
Director General
Confederation of Indian Industry

- The cabinet committee on prices has decided to provide additional 10 kg of wheat or rice for the next two months through PDS to needy families. Wheat and rice will be sold at Rs 10.8/kg and Rs 15.37/kg, respectively, the MSP at which the government bought the grains.
- The Central Electricity Regulatory Commission (CERC) has notified regulation on renewable energy certificate (REC), according to which a central level agency is to be designated by the Commission for registration of renewable energy generators participating in the scheme.



Commodity Spot Indices	Closing Value as on 23 rd Jan'10	Week's % Change
MCX AGRI	2,140	-1.5
MCX METAL	3,180	-2.5
MCX ENERGY	2,593	-2.5
MCX COMDEX	2,621	-2.3

Source: MCX, NCDEX

Banking Indicators	Rs. Crore		
	Outstanding as on 1 st Jan'10	% Variation over	
Indicators		Fortnight	Year
Total Bank credit	3,020,808	2.7	13.7
Food Credit	46,359	2.9	-15.1
Non Food Credit	2,974,448	2.7	14.3
Aggregate Deposit	4,264,540	2.0	17.6
Broad Money (M3)	5,285,446	1.5	17.1
Credit Deposit Ratio	70.84		

Source: RBI

Equity Markets

- Global stock markets tumbled last week as investors see the liquidity cycle coming to an end with central banks beginning to roll back easy monetary policies to curb inflationary expectations. Meanwhile the World Bank has projected that the world economy will grow 2.7 percent this year, and 3.2 percent in 2011. According to the bank, the global economy will suffer the fallout from the financial crisis for years to come and the growth may wilt later this year as stimulus spending fades.
- The Sensex and the Nifty plunged around 4% this week on the back of weak global cues and ahead of RBI's third quarter monetary policy. Meanwhile the international rating agency Standard & Poor's has said that India will regain and sustain its pre-crisis GDP growth rates of about 9% starting 2011, provided it hastens policy reforms in areas that include taxation, education, and foreign investment regulations.
- All the BSE sectoral indices ended in the red. The BSE Realty Index was down 8%, the worst performer, as DLF fell 8.5% and Unitech lost 10.4%. The Capital Goods Index declined 6.5%, while Oil & Gas space was down 6%.
- Total turnover during the week on BSE stood at Rs 31,494 crore and at NSE Rs 88,502 crore.

Commodity Market

- NYMEX light sweet Crude Oil for March delivery closed at US \$ 74.5 per barrel on 22nd Jan'10, down by \$3.5 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1092.0 per ounce as on 22nd Jan'10, down by US \$ 38.5 per ounce over the week.

Global Stock Indices	Closing Value as on 22 nd Jan '10	Weekly Change (%)
NYSE: DJIA	10,173	-4.1
FTSE 100	5,303	-2.8
Nikkei 225	10,591	-3.6
Straits Times	2,820	-3.0
KOSPI	1,684	-1.1

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 22 nd Jan'10	Week's % Change
BSE SENSEX	16,860	-4.0
BSE 500	6,731	-3.9
S&P CNX NIFTY	5,036	-4.1
S&P CNX 500	4,311	-3.5

Source: NSE, BSE

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	-360	557
Year -to-date FII (US\$ million)	1,429	1,998
Weekly Mutual Funds# (Rs Crore)	-1,282	5,361

Source: SEBI *as on 21st Jan'10

Global Development

US

- The US President, Barack Obama has proposed forbidding banks with insured deposits to engage in proprietary trading solely for their own profit or investing in hedge funds. Also U.S. banking supervisors are set to propose rule revisions that would increase the amount of capital large banks must set aside against the risk of trading losses.
- The number of US workers filing new applications for jobless insurance, rose 36,000 to a seasonally adjusted 482,000 last week as a backlog of applications from the holidays was processed.

Euro

- The European Central Bank and the Swiss National Bank will end Swiss franc swap operations from January 31, because of improvements in credit markets.
- The French government has almost doubled its forecast for economic growth in 2010. The government now expects an annual pace of growth of 1.4 percent, up from the previous forecast of 0.75 percent.

Asia

- Chinese economy registered a growth rate of 10.7 percent in the fourth quarter of 2009. The quarterly growth exceeded most forecasts and raised 2009's expansion to 8.7 percent, up from a low of 6.1 percent in the first quarter.
- Thailand's exports rose by 26.1 percent in December from a year earlier to \$14.6 billion, the most in 17 months. Overseas sales fell 14.2 percent in 2009 to \$152.5 billion.
- A week after raising bank reserve ratio requirements for the first time since June 2008, the People's Bank of China (PBOC) lifted the auction yield on one-year bills in its regular open market operation for a second week in a row.

Disclaimer

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Confederation of Indian Industry

249-F, Sector 18, Udyog Vihar, Phase IV, Gurgaon - 122 015, Haryana, INDIA
Tel: +91-124-401 4060-67 • Fax: +91-124-401 4080 • Email: ecopolicy@cii.in • Website: www.cii.in