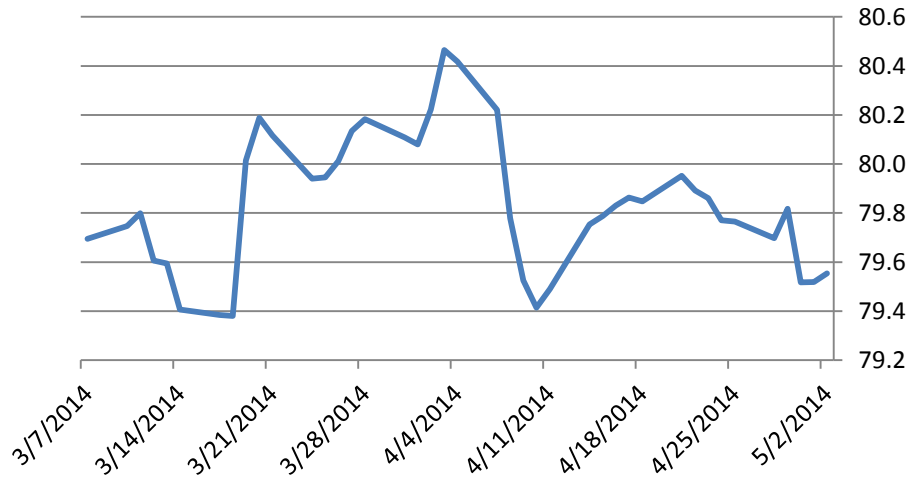


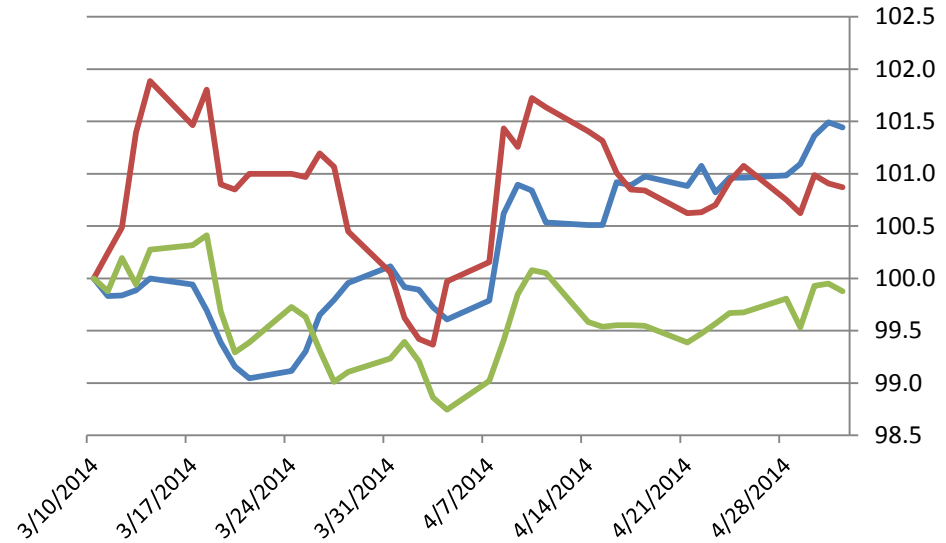
Currency Update

- ❑ GBP gained in early April primarily on the back of better than expected Inflation adjusted manufacturing and industrial production number. Growing speculation of rate hike will keep the bias positive for UK pound.
- ❑ Japanese yen fell considerably in early April after sales tax increase took effect. However it recouped most of the losses after BOJ's chief underplayed stimulus hope.
- ❑ Brazilian real has been appreciating for a number of reasons including heavy foreign fund inflow, bias of policymakers to let currency appreciate and expectation of a better political outcome.
- ❑ Dollar index remained well supported by back to back optimistic economic indicators. Fed's tightening bias also supplemented gains.
- ❑ Among emerging economies, Indian rupee has been fairly stable moving in a tight range. However, this month rupee may turn volatile as domestic and foreign investors closely eye exit polls and election outcome scheduled to be out in the third week.

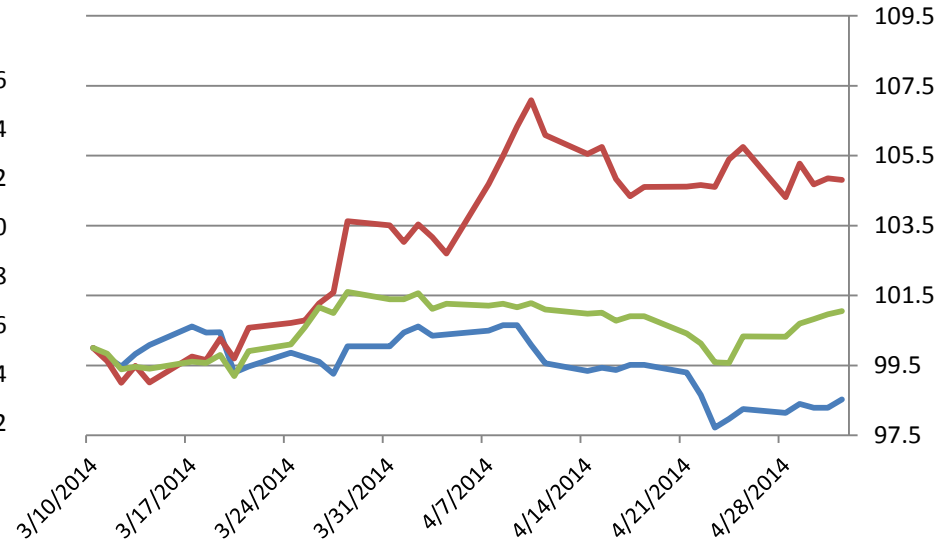
— US Dollar Index



— GBP — YEN — EUR

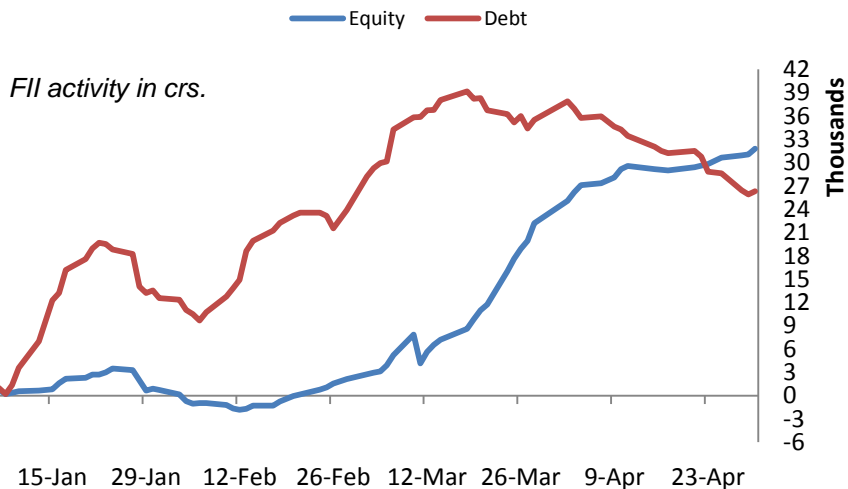
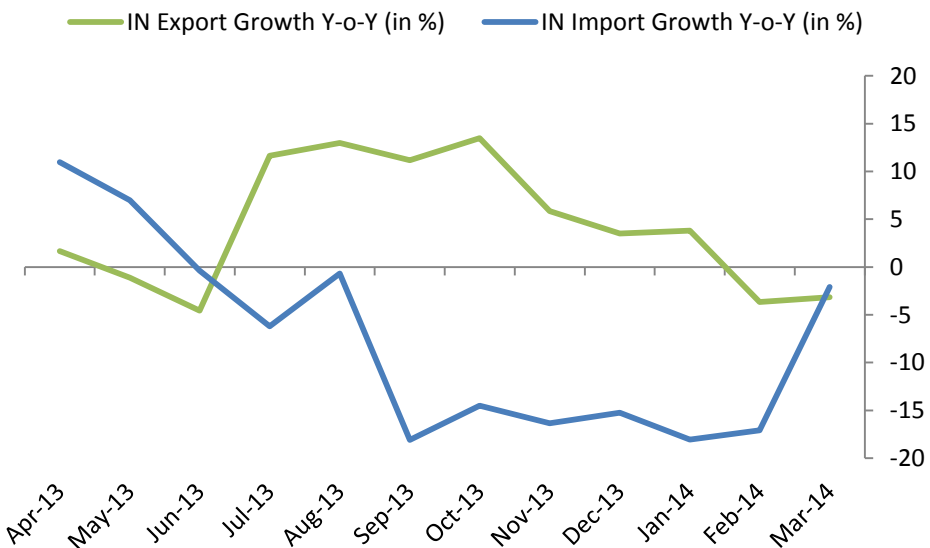
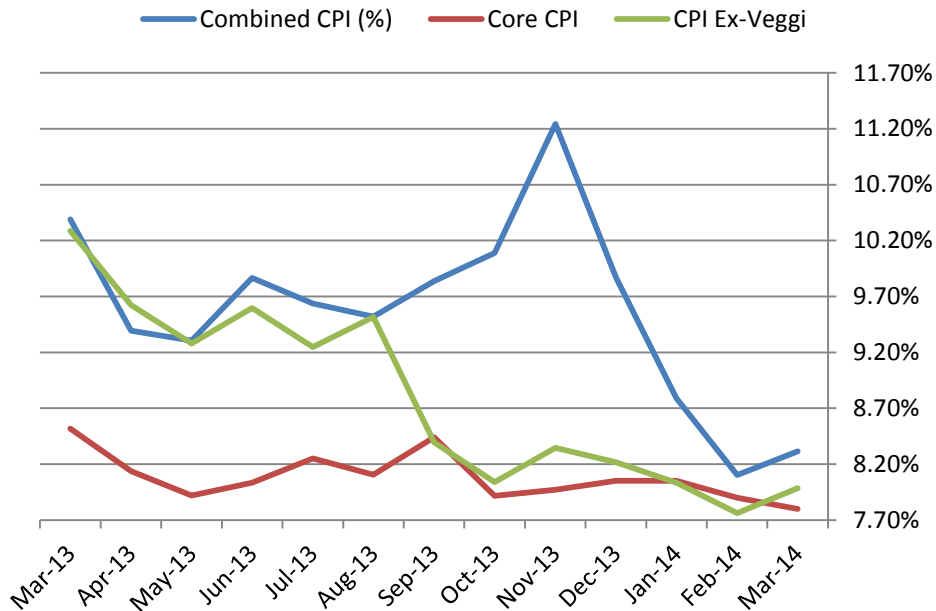


— IDR — BRL — INR



India : Macro Update

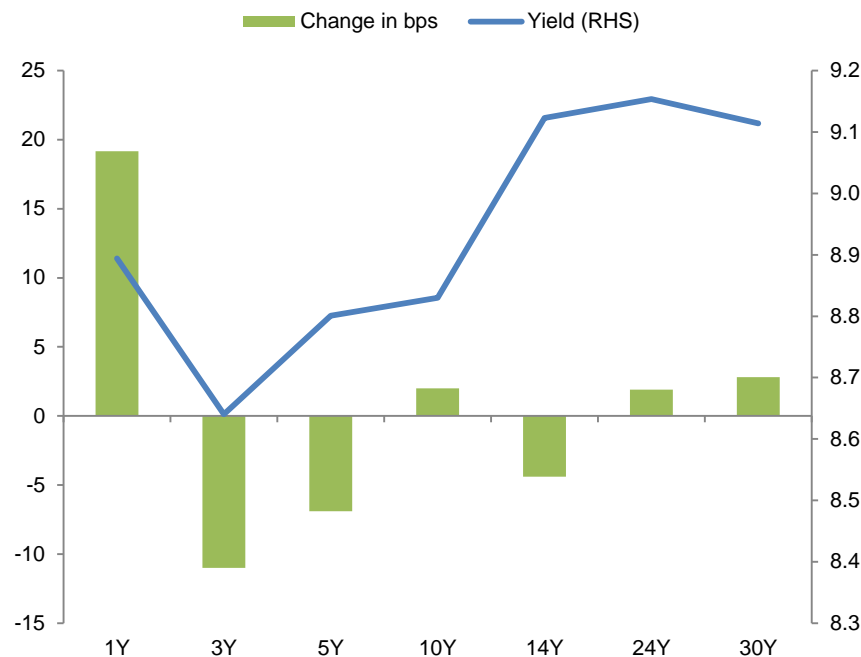
- ❑ WPI for March surprised many on the upside with core inching up marginally. Equity and debt traders didn't react much to WPI given RBI will analyze one more data point before the policy in early June.
- ❑ Export growth have receded after a short bout of increased demand from overseas. Rupee will hold key to macro situation in days to come.
- ❑ FII flow in equity and debt have entered into a consolidation phase after heavy buying in the initial months of calendar year 2014. Election outcome will drive currency and subsequently flows. Few research houses believe rupee may test 63-65 if India delivers fractured mandate.
- ❑ In a recent note IMD said that there is a 56% probability of below normal to deficient rains, as compared to a 44% chance of rains being normal or better. IMD will release a more detailed update on the monsoon in June.
- ❑ A key element rarely talked is the upcoming budget. P. Chidambaram has been quite successful in taming down fiscal deficit. It will be paramount to see if new government effectively follows tightening path.



Indian Debt Market

- ❑ Bond yields moved in a tight range due to lacking cues and mixed views. Short end of the curve moved up marginally tracking tight liquidity following regular auctions.
- ❑ Spread assets outperformed gilts, as continuous supply made demand supply dynamic unfavorable for government bonds.
- ❑ Strong demand for money market and 2Y bonds pulled yields down. Asset managers were seen parking funds accumulated in their long term closed ended NFOs.
- ❑ FILs sold treasury bills after RBI's circulation. Short maturity bills faced most of the heat.
- ❑ Insurance and other long only buyers added duration continuously to make up for their mandatory investment. Every rise in yield was taken as an opportunity to add duration.
- ❑ Spread compression in state loans compelled asset managers to book profits and look for other short corporate bonds till election results.
- ❑ FILs flow in debt market has not only slowed but started tapering as RBI tweaks rules for bond investing.

G-sec



Net Buy/Sell in Crs. (April 2014)

Entities	Gsec	T-bills	SDLs	Total
Foreign Banks	-5873	-11480	-1026	-18379
Public Sector Banks	4486	8030	346	12861
Private Sector Banks	3300	850	1772	5922
Mutual Funds	4287	6860	-3408	7738
Others	8594	4143	3685	16422
Primary Dealers	-14794	-8403	-1368	-24565

Corporate Bond Spread (Bps) as on Apr'14 end

Tenor	AAA	Month Ago	AA+	Month Ago	AA	Month Ago	AA-	Month Ago
1	47	74	58	82	69	93	92	111
3	58	53	68	63	79	75	102	94
5	52	51	61	62	73	74	93	93
10	50	59	60	70	72	83	93	101