Global Markets Overview

- The U.S. markets remained closed on Monday on account of President’s Day. Trading activity resumed the next day following the upbeat German economic sentiment data. However, stocks declined subsequently, pressured by concerns that the Federal Reserve might scale back its bond-buying program.
- At the start of the week, European stocks took comfort from a G-20 meeting, which urged action to address a weak global economy. Despite concerns over upcoming Italian elections, markets rallied given stronger-than-anticipated German ZEW economic sentiment data. However, later, stocks retreated to negative terrain given weak Euro zone Purchasing Managers’ Index (PMI) data.
- Asian shares remained mixed with a negative bias. Initially, Japanese shares rallied on a weaker yen after Japan’s economic and monetary policies escaped criticism at the G20 meeting. However, later, Japanese shares retreated as the yen rose after the nation’s Finance Minister denied considering purchases of foreign bonds. Though Asian stocks recovered towards the end, tepid economic growth in Europe and worries over the U.S. Federal Reserve’s quantitative easing program capped major gains.

Domestic Equity Market Overview

- Indian equity markets rose initially during the week but reversed the trend thereafter as investors preferred to remain on sidelines ahead of the Union Budget. Moreover reports that the U.S. Federal Reserve policymakers could pull back their asset purchase plan hit domestic bourses along with other global markets.
- Key benchmark indices, S&P BSE Sensex and CNX Nifty, dropped 0.78% and 0.63% respectively during the week.
- Markets started the week on a positive note as traders were expecting more fiscal reforms measures in the Budget. Markets got further support on news that overseas investors pumped in $4 billion into the Indian stock markets in the first two weeks of February.
- As the week progressed, bourses witnessed volatility after positive cues from global bourses were offset by selling pressure in Banking and Metal stocks. Markets witnessed the biggest loss in seven months after minutes of the U.S. Federal Reserve meeting showed that they might stop their asset-buying program.
- Towards the end of the week, markets remained in the negative territory as investors remained cautious ahead of the Union Budget and mixed global cues.
- The BSE sectoral indices witnessed a mixed trend. Realty, IT and HC were top gainers, while the Metal, FMCG and Bankex were major laggards.

Domestic Fixed Income Overview

- The 10-year benchmark bond closed down 3 bps at 7.80%, compared to the previous week’s close of 7.83%.
- Banks’ net average borrowings under the Reserve Bank of India’s (RBI) Liquidity Adjustment Facility (LAF) stood at Rs. 1,27,047 crore, higher compared to the previous week’s figure of Rs. 1,20,049 crore.
- The RBI conducted the auction of State Development Loans (SDLs) of eight State Governments cumulatively worth Rs. 7,645 crore, for which the cut-off yield stood in the range of 8.59% to 8.66%. The Government of Maharashtra and Tamil Nadu retained additional subscription of Rs. 375 crore and Rs. 200 crore respectively.
- The RBI conducted the auction of 91-days and 364-days Treasury bills worth Rs. 10,000 crore, for which the cut-off yield stood at 8.02% (Rs. 98.04) and 7.90% (Rs. 98.04) respectively during the week.
- The RBI issued a note on March 21, 2013 regarding the purchase plan hit domestic bourses along with other global markets.
- The cancellation of Rs. 12,000-crore debt auction, scheduled for this week, came after the Government had opened bidding for two years of Rs. 12,000 crore, for which the cut-off yield stood at 8.02% (Rs. 98.04) and 7.90% (Rs. 98.27), respectively.
- As per the RBI’s weekly statistical supplement, bank loans rose 16.4% from a year ago due to higher repayments.

Currency & Commodity Overview

- INR gained marginally against the dollar mainly due to foreign inflows. However, most of the gains got reversed as the Federal Reserve’s latest policy meeting raised concerns about how long the U.S. central bank would stick to its stimulus plan.
- The euro hit six-week lows after the European Central Bank’s (ECB) statement on repayment of loans signalled some banks still felt the need to keep hold of the emergency loans.
- Gold started the week on a positive note. However, prices fell after improved global economic outlook dampened the metal’s appeal. The metal recovered later after weak U.S. economic data increased hopes that the Federal Reserve might continue with its bond-buying program.
- Brent crude commenced the week on a flat note. Prices rose marginally on hopes of improved global economic condition. However, it fell on Tuesday following Euro zone worries. It continued with the falling trend as the week progressed due to higher supplies from Saudi Arabia.
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