V. FINANCIAL MARKETS

Risks to the global financial system increased in Q2 of 2010 in the wake of market concerns about fiscal sustainability in the Euro area and possible spillover to other parts of the world. Domestic financial markets functioned normally during Q1 of 2010-11 though there was some spillover from global volatility. While call money rates edged up due to tight liquidity conditions created by higher revenue inflows to the government, medium to long-term bond yields moderated because of expectations of lower fiscal deficit. Exchange rate of the Indian rupee exhibited some depreciation and equity prices remained mostly subdued, reflecting the impact of the global market trends and FII flows. Housing prices exhibited moderate growth in Q4 of 2009-10.

V.1 The global financial markets witnessed greater volatility, drop in risk appetite and flight to safety during Q2 of 2010, reflecting rising fiscal sustainability concerns, weaker outlook for recovery than anticipated earlier and waning investor confidence. Domestic markets, particularly equity, exhibited spillover of global market volatility, notwithstanding the firmer domestic recovery in growth. Domestic fiscal concerns, which had impacted the government bond market in 2009-10 and kept pressure on the medium to long-term yield, remained contained in Q1 of 2010-11 because of the expectation of lower fiscal deficit resulting from larger realisations through 3G/BWA spectrum auctions. Sudden tightening of liquidity in the system in June 2010 exerted pressure on short-term interest rates, though the medium to long-term bond yields declined on receding domestic fiscal risks.

International Financial Markets

V.2 Although global financial market conditions had improved during 2009 in terms of reduced risk spreads and higher market activity, risks resurfaced towards the end of 2009 and intensified during the first half of 2010. A series of events, starting from debt default of Dubai World, the Greek sovereign debt crisis, spreading of contagion to Spain and other euro area countries and weakening of market confidence reflecting unresolved deep-rooted problems in the financial systems, contributed to the significant volatility in the global financial markets.

V.3 During Q2 of 2010, global financial markets turned highly volatile as fiscal problems of the euro area and other advanced economies and the risk of anaemic global growth, together led to significant deterioration in investor confidence. Deteriorating fiscal position across euro area continued to cause jitters in financial markets, despite transient stability instilled by the announcement of a significant European rescue package. These developments forced investors to scale down their risk exposures.

V.4 The perception that unsustainable public debt of the advanced economies would weigh heavily on the global growth outlook, continues to unsettle equity markets. The signs of growing stress and the fragility of the global financial system were evident in the rising Libor-OIS spreads (Chart V.1a). Specific events, such as growing geopolitical risk in the Korean peninsula, the second sovereign downgrade of Spain by the rating agencies, and difficulties faced by the Spanish savings banks, also weakened the market confidence.

V.5 Investors, cautious about the rising and potential risks in the global financial system, reduced their exposure to risky assets. Consequently, there was flight to safe haven assets. This led to a significant fall in sovereign bond yields (Chart V.1b and c). At the same time, investors' risk perception towards countries inflicted with fiscal problems remained high (Chart V.1d). In both the advanced and emerging market economies (EMEs) stock prices fell significantly and remained volatile (Chart V.1e). Corporate credit spreads, which had remained broadly stable after the Dubai World default, again widened (Charts V.1f and g). The fiscal problems and uncertainty about the growth outlook for the euro area also led to high volatility in currency markets with sharp depreciation of the Euro against other major currencies, though with some recovery in July 2010 (Chart V.1h). While the Euro depreciated against the US dollar, the EME currencies like Russian ruble, Turkish lira, Indian rupee, South Korean won, Argentine peso and Mexican peso came under depreciation pressure due to volatile capital flows and the general safe haven flight to the US dollar (Table V.1).

V.6 Increased volatility in international markets was rapidly transmitted to India and other EMEs through volatile capital flows during Q2 of 2010. Reflecting the impact of global market uncertainty, capital inflows to India moderated, led by portfolio flows. This, in turn, led to depreciation of the rupee and moderation in stock prices.

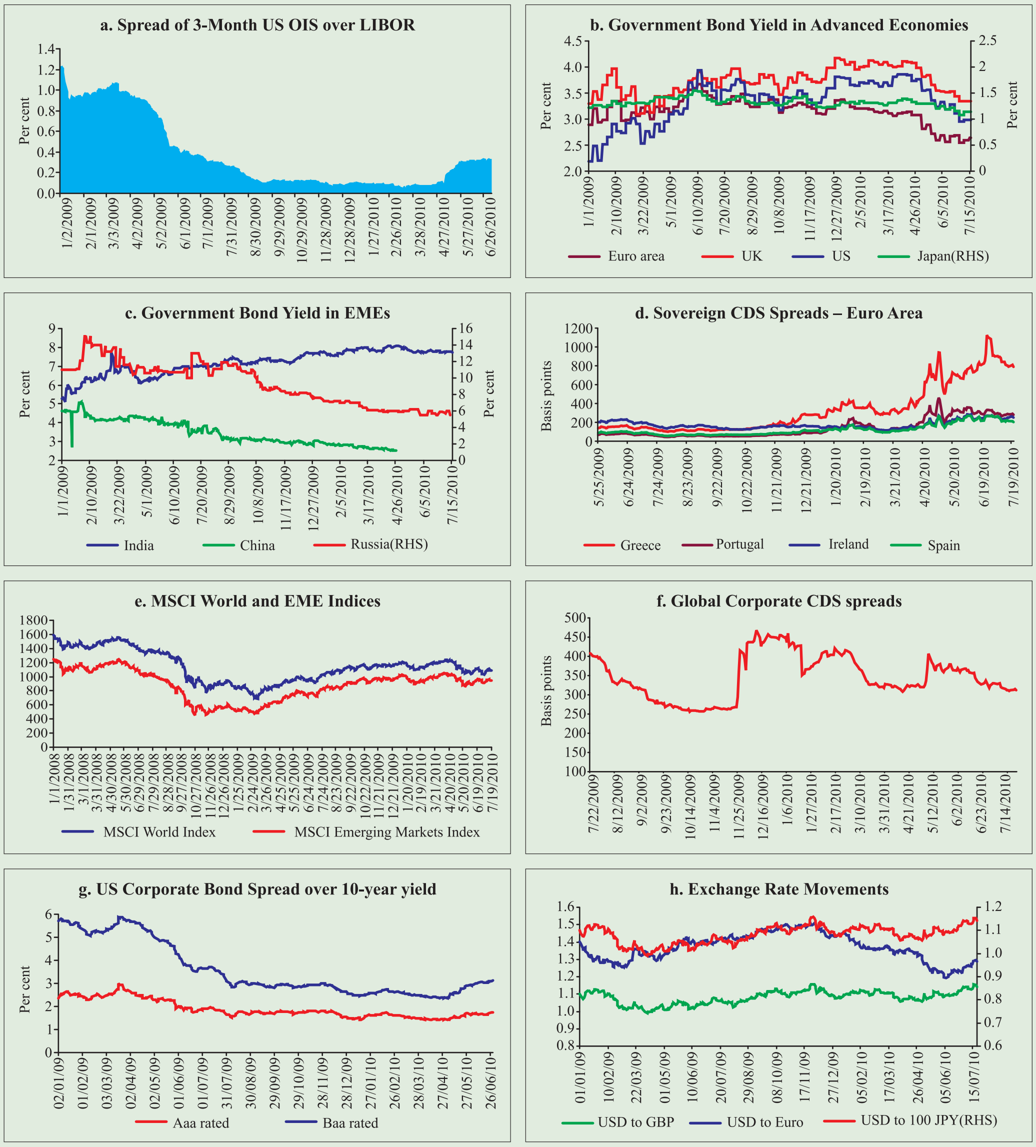
Domestic Financial Markets

V.7 The concerns in domestic financial markets shifted from the large fiscal deficit and rising inflation in 2009-10 to escalated uncertainties in the global markets and the associated risks to global recovery in Q1 of 2010-11. Nevertheless, several segments of financial markets witnessed further recovery in trading volumes in Q1 of 2010-11, although marked by some increase in price volatility (Table V.2 and Chart V.2). Except for some increase in spread/volatility in certain segments, overall financial market conditions remained stable.

Money Market

V.8 Liquidity conditions in the inter-bank market tightened significantly in June 2010, reflecting temporary withdrawal of liquidity from the banking system due to sharp increase in the Government's one-off collections through 3G/BWA spectrum auction (about Rs.1,31,000 crore) besides the first installment of advance tax payments. Thus, call rate that had mostly remained around the lower bound of the informal LAF corridor up to May 2010, increased subsequently and hovered around the upper bound of the informal LAF corridor (Chart V.3). Responding to this liquidity tightening, the Reserve Bank's

Chart V.1: Indicators of Global Financial Market Developments



Source: The IMF, the Federal Reserve of St. Louis, the Bloomberg and the Datastream.

LAF window turned from reverse repo to repo mode. In order to address the liquidity pressures, additional liquidity support was provided to scheduled commercial banks under the LAF to the extent of 0.5 per cent of their net demand and time liabilities (NDTL). The Reserve Bank also conducted second LAF on a daily basis. These measures helped overcome liquidity stress in money markets and contain volatility in call rates.

V.9 Transaction volumes in the collateralised borrowing and lending

Table V.1: Currency and Stock Price Movement in EMEs

(Per cent)

Items	End-March 2009 @	End-March 2010 @	July 19, 2010*	Items	End-March 2009 @	End-March 2010 @	July 16, 2010*
1	2	3	4	1	2	3	4
Appreciation (+)/Depreciation (-) of the US Dollar				**Stock Price Variations**			
Japanese Yen	-2.0	-4.9	-6.5	Indonesia (Jakarta Composite)	-41.4	93.7	7.7
Chinese Yuan	-2.6	-0.1	-0.8				
Russian Ruble	44.3	-13.0	3.3	Brazil (Bovespa)	-32.9	71.9	-11.4
Turkish Lira	27.7	-9.1	1.1	Thailand (SET Composite)	-47.2	82.6	5.0
Indian Rupee	27.5	-11.4	3.7	India (BSE Sensex)	-37.9	80.5	2.4
Indonesian Rupiah	25.6	-21.3	-0.7	South Korea (KOSPI)	-29.2	40.3	2.7
Malaysian Ringgit	14.4	-10.3	-2.0	China (Shanghai Composite)	-31.7	31.0	-22.0
South Korea Won	38.9	-17.8	6.5				
Thai Baht	12.8	-8.9	-0.1	Taiwan (Taiwan Index)	-39.2	52.0	-3.2
Argentine Peso	17.3	4.4	1.5	Russia (RTS)	-66.4	128.0	-11.6
Brazilian Real	31.2	-19.8	-1.5	Malaysia (KLSE)	-30.1	51.3	1.2
Mexican Peso	32.9	-12.3	3.9	Singapore (Straits Times)	-43.5	69.9	2.4

@: Year-on-year variation. * Variation over End-March.
Source: Bloomberg, IFS, IMF.

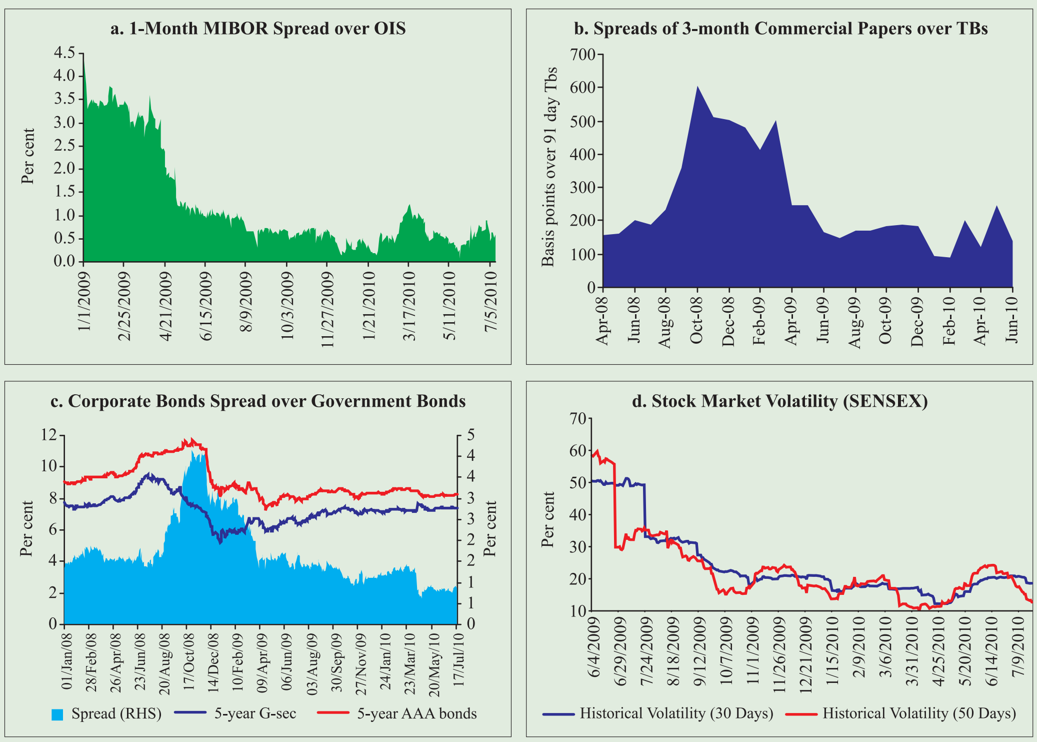
obligation (CBLO) and market repo segments continued to remain high during Q1 of 2010-11 (Table V.3). As in the previous year, banks were the major borrowers in the collateralised segment and mutual funds (MFs) were the major

Table V.2: Domestic Financial Markets at a Glance

Year/Month	Call Money		Govt. Securities Market		Foreign Exchange Market			Liquidity Management		Stock Markets			
	Daily Turnover (Rs. crore)	Call Rates* (Per cent)	Daily Turnover^ (Rs. Crore)	10-Year Yield@ (Per cent)	Daily Inter-bank Turnover (US$ mn)	Exchange rate@ (Rs./ US$)	RBI's net FC purchase (+)/ sale (-)	MSS Out-standing# (Rs. crore)	Average Daily LAF (Rs. crore)	Daily BSE Turnover (Rs. crore)	Daily NSE Turnover (Rs. crore)	BSE Sensex**	CNX Nifty**
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2008-09	**22,436**	**7.06**	**10,879**	**7.54**	**34,812**	**45.92**	**-34,922†**	**1,48,889**	**2,885**	**4,498**	**11,325**	**12303**	**3713**
2009-10	**15,924**	**3.24**	**14,426**	**7.23**	**30,107**	**44.95**	**-2,635†**	**23,914**	**1,00,015**	**5,651**	**16,959**	**15585**	**4658**
Apr-09	21,820	3.28	15,997	6.55	27,796	50.06	-2,487	75,146	1,01,561	5,232	15,688	10911	3360
May-09	19,037	3.17	14,585	6.41	32,227	48.53	-1,437	45,955	1,25,728	6,427	19,128	13046	3958
Jun-09	17,921	3.21	14,575	6.83	32,431	47.77	1,044	27,140	1,23,400	7,236	21,928	14782	4436
Jul-09	14,394	3.21	17,739	7.01	30,638	48.48	-55	22,159	1,30,891	6,043	18,528	14635	4343
Aug-09	15,137	3.22	9,699	7.18	27,306	48.34	181	19,804	1,28,275	5,825	17,379	14415	4571
Sep-09	16,118	3.31	16,988	7.25	27,824	48.44	80	18,773	1,21,083	6,211	18,253	16338	4859
Oct-09	15,776	3.17	12,567	7.33	28,402	46.72	75	18,773	1,01,675	5,700	18,148	16826	4994
Nov-09	13,516	3.19	17,281	7.33	27,599	46.57	-36	18,773	1,01,719	5,257	16,224	16684	4954
Dec-09	13,302	3.24	14,110	7.57	27,439	46.63	0	18,773	68,522	4,671	13,948	17090	5100
Jan-10	12,822	3.23	12,614	7.62	32,833	45.96	0	9,944	81,027	6,162	17,813	17260	5156
Feb-10	13,618	3.17	12,535	7.79	34,040	46.33	0	7,737	78,661	4,125	12,257	16184	4840
Mar-10	17,624	3.51	8,544	7.94	32,755	45.50	0	3,987	37,640	4,751	13,631	17303	5178
Apr-10	16,374	3.49	14,242	8.01	36,242 P	44.50	0	2,737	57,150	4,696	13,828	19679	5295
May-10	16,786	3.83	24,225	7.56	39,997 P	45.81	0	922	32,798	3,940	12,937	16845	5053
Jun-10	14,258	5.16	21,300	7.59	36,216 P	46.57	..	317	-47,347	4,204	13,005	17300	5188

* : Average of daily weighted call money borrowing rates. ^: Average of daily outright turnover in Central Government dated securities.
@ : Average of closing rates. #: Average of weekly outstanding MSS. **: Average of daily closing indices. †: Cumulative for the financial year.
LAF : Liquidity Adjustment Facility. MSS: Market Stabilisation Scheme. BSE: Bombay Stock Exchange Limited.
NSE : National Stock Exchange of India Limited. P: Provisional. .. : Not available.
Note: In column 10, (-) indicates injection of liquidity, while (+) indicates absorption of liquidity.

Chart V.2: Spread and Volatility in Domestic Financial Markets



lenders. The collateralised segment of the money market accounted for around 87 per cent of the total volume during Q1 of 2010-11.

V.10 The average certificates of deposit (CD) issuance was placed around Rs.20,600 crore during this financial year (till July 2, 2010) so far, as compared with the average

Chart V.3: Money Market Interest Rates

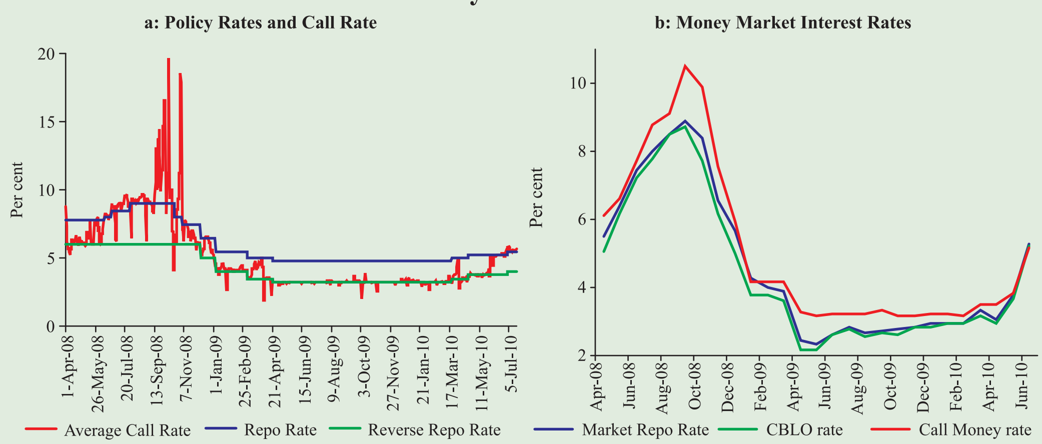


Table V.3: Activity in Money Market Segments

(Rupees crore)

Year/Month	Average Daily Volume (One Leg)						Commercial Paper		Certificates of Deposit	
	Call	Market Repo	CBLO	Total (2 to 4)	Money Market Rate (%)*	Term Money	Outstanding	WADR (%)	Outstanding	WADR (%)
1	2	3	4	5	6	7	8	9	10	11
Apr-09	10,910	20,545	43,958	75,413	2.41	332	52,881	6.29	2,10,954	6.48
May-09	9,518	22,449	48,505	80,472	2.34	338	60,740	5.75	2,18,437	6.20
Jun-09	8,960	21,694	53,553	84,207	2.69	335	68,721	5.00	2,21,491	4.90
Jul-09	7,197	20,254	46,501	73,952	2.83	389	79,582	4.71	2,40,395	4.96
Aug-09	7,569	23,305	57,099	87,973	2.62	461	83,026	5.05	2,32,522	4.91
Sep-09	8,059	27,978	62,388	98,425	2.73	381	79,228	5.04	2,16,691	5.30
Oct-09	7,888	23,444	58,313	89,645	2.70	225	98,835	5.06	2,27,227	4.70
Nov-09	6,758	22,529	54,875	84,162	2.87	191	1,03,915	5.17	2,45,101	4.86
Dec-09	6,651	20,500	55,338	82,489	2.91	289	90,305	5.40	2,48,440	4.92
Jan-10	6,411	14,565	50,571	71,547	2.97	404	91,564	4.80	2,82,284	5.65
Feb-10	6,809	19,821	63,645	90,275	2.95	151	97,000	4.99	3,09,390	6.15
Mar-10	8,812	19,150	60,006	87,968	3.22	393	75,506	6.29	3,41,054	6.07
Apr-10	8,187	20,319	50,891	79,397	3.03	423	98,769	5.37	3,36,807	5.56
May-10	8,393	17,610	42,274	68,277	3.72	330	1,09,039	6.85	3,40,343	5.17
Jun10	7,129	9,481	31,113	47,723	5.22	447	99,792	6.82	3,21,589	6.37

CBLO: Collateralised Borrowing and Lending Obligation. WADR: Weighted Average Discount Rate.
* : Weighted average rate of call, market repo and CBLO.

issuance of around Rs.16,700 crore during 2009-10. The volume in commercial paper (CP) market picked up, as corporates increasingly took recourse to CPs for financing their working capital requirements, which is evident from a significant rise in the share of 'manufacturing companies' in the outstanding amount of CPs (Table V.4). The tightening of liquidity in money markets led to some upward pressure on interest rates.

Government Securities Market

V.11 The Reserve Bank continued with the policy of front-loading of market borrowings during the first half of 2010-11. Accordingly, the Government would complete a major part (about 63 per cent) of the gross market borrowing programme for 2010-11 in the first half of the year so as to limit any crowding-out concerns in the latter

Table V.4: Major Issuers of Commercial Paper

(Rupees crore)

End of Period	Leasing and Finance		Manufacturing		Financial Institutions		Total Outstanding
	Amount	Share (%)	Amount	Share(%)	Amount	Share(%)	
1	2	3	4	5	6	7	8=(2+4+6)
Mar-09	27,183	61.5	12,738	28.8	4,250	9.6	44,171
Jun-09	34,437	50.1	23,454	34.1	10,830	15.8	68,721
Sep-09	31,648	39.9	31,509	39.7	16,071	20.3	79,228
Dec-09	36,027	39.9	42,443	47.0	11,835	13.1	90,305
Mar-10	39,477	52.3	22,344	29.4	13,685	18.1	75,506
Jun-10	42,572	42.7	43,330	43.4	13,890	13.9	99,792

Table V.5: Issuances of Central and State Government Dated Securities

	2008-09	2009-10	2009-10$	2010-11$
1	2	3	4	5
Central Government				
Gross amount raised (Rs. crore)	2,61,000	4,18,000	1,62,000	1,51,000
Devolvement on Primary Dealers (Rs. crore)	10,773	7,219	1,873	1,834
Bid-cover ratio (Range)	1.2-4.5	1.4-4.3	1.52-3.51	1.39-3.87
Weighted average maturity (years)	13.8	11.2	11.9	10.3
Weighted average yield (per cent)	7.69	7.23	6.93	7.62
State Governments				
Gross amount raised (Rs. crore)	1,18,138	1,31,122	20,266	23,322
Cut-off yield (per cent)	5.80-9.90	7.04-8.58	7.04-7.89	8.05-8.58
Weighted average yield (per cent)	7.87	8.11	7.52	8.31

$: Up to June 30.

half of the year when the private credit demand is normally strong (Table V.5). Due to outflow of liquidity from the banking system on account of 3G/BWA auctions and rise in policy rates, there was an upward movement in the primary market yields of Treasury Bills except for 364-day T-bills which showed a slight moderation initially (Table V.6). The tightening liquidity conditions were partially addressed by scaling down the issuance of Treasury Bills in June 2010 from the planned Rs. 37,000 crore to Rs. 15,000 crore. Further, the second quarter auction calendar for T-Bills has planned for a reduction in net issuance by Rs.24,000 crore. The Government also bought back dated securities to the tune of Rs. 9,614 crore up to July 20, 2010. The notified amount of dated securities for July 2, 2010 auction was lowered from the planned amount of Rs.13,000 crore to Rs.10,000 crore. Cash management bills of 28 and 35 days maturity were also issued in May 2010.

Table V.6: Treasury Bills in the Primary Market

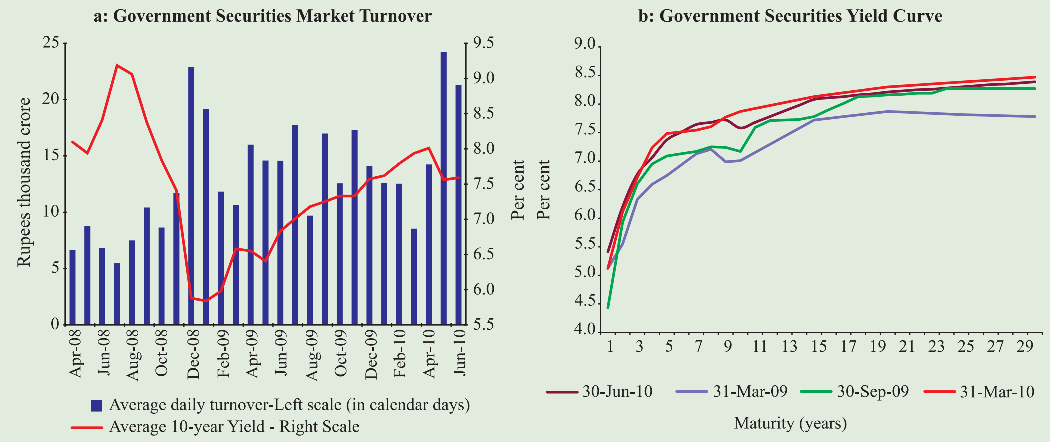
Year/ Month	Notified Amount (Rupees crore)	Average Implicit Yield at Minimum Cut-off Price (Per cent)		
		91-day	182-day	364-day
1	2	3	4	5
2008-09	**2,99,000**	**7.10**	**7.22**	**7.15**
2009-10	**3,80,000**	**3.57**	**4.00**	**4.37**
2010-11	**87,000**	**4.66**	**4.90**	**5.21**
Apr-10	36,000	4.14	4.64	5.07
May-10	36,000	4.39	4.76	4.92
Jun-10	15,000	5.29	5.31	5.49

V.12 During Q1 of 2010-11, though short-term yields remained low till end-May due to surplus liquidity conditions, they hardened thereafter, reflecting the tightness in liquidity arising out of 3G/BWA auctions as well as quarterly advance tax payments. The yield at the longer end eased, presumably on expectations of improved fiscal position of the government because of higher than anticipated 3G/BWA auction revenues (Chart V.4). As fiscal deficit concerns for 2010-11 receded, the volume in government securities market improved in Q1 of 2010-11.

Credit Market

V.13 The spreads on corporate bonds over the government bond yield declined in Q1 of 2010-11 over the levels in Q4 of 2009-10, indicating further reduction in risk

Chart V.4: Turnover and Yield in Government Securities Market



for corporates due to improved growth outlook (Chart V.2c).

V.14 Bank deposit rates have started moving upward, reflecting not only the competition for attracting deposits but also a change in the interest rate environment reflected in gradually rising policy rates (Table V.7). During Q1 of 2010-11, a few banks raised their deposits rates in the range of 75-100 basis points. On the lending side,

Table V.7: Deposit and Lending Rates of Banks

(Per cent)

	Mar 09	Sep 09	Dec 09	Mar 10	Jun 10
1	2	3	4	5	6
1. Domestic Deposit Rate					
Public Sector Banks					
Up to 1 year	2.75-8.50	1.00-7.00	1.00-6.25	1.00-6.50	1.00-6.25
> 1year-3 years	8.25-9.25	6.50-8.00	6.00-7.25	6.00-7.25	6.00-7.25
> 3 years	8.00-9.00	7.00-8.50	6.25-7.75	6.50-7.75	6.50-7.75
Private Sector Banks					
Up to 1 year	2.50-9.25	2.00-7.50	2.00-6.75	2.00-6.50	2.00-6.50
> 1year-3 years	7.25-9.25	6.00-8.75	5.25-7.50	5.25-7.75	6.25-7.50
> 3 years	7.25-9.75	6.00-9.00	5.75-8.00	5.75-8.00	6.50-8.00
Foreign Banks					
Up to 1 year	2.25-9.25	1.80-8.00	1.25-7.00	1.25-7.00	1.25-7.00
> 1year-3 years	3.50-9.75	2.25-8.50	2.25-7.75	2.25-8.00	3.00-8.00
> 3 years	3.60-9.50	2.25-9.50	2.25-8.50	2.25-8.75	3.00-8.50
2. BPLR					
1. Public Sector Banks	12.25-13.50	11.00-13.50	11.00-13.50	11.00-13.50	11.00-13.50
2. Private Sector Banks	13.00-16.50	12.50-16.75	12.50-16.75	12.50-16.75	12.50-16.75
3. Foreign Banks	10.00-15.50	10.50-16.00	10.50-16.00	10.50-16.00	10.50-16.00
3. Actual Lending Rate*					
1. Public Sector Banks	4.00-17.75	3.50-17.50	3.25-18.00	3.25-18.00	
2. Private Sector Banks	4.00-24.00	4.10-26.00	3.50-25.84	3.00-28.00	
3. Foreign Banks	5.00-28.00	2.76-25.50	3.50-22.00	3.60-23.00	

* : Interest rate on non-export demand and term loans above Rs. 2 lakh excluding lending rates at the extreme five per cent on both sides.

the benchmark prime lending rates (BPLRs) of SCBs have remained unchanged since July 2009. The switch over to the base rate system from July 1, 2010 is expected to bring about greater transparency in lending rates. The base rates announced by major public sector banks so far are in the narrow range of 7.25 per cent to 8.0 per cent.

Foreign Exchange Market

V.15 The Indian rupee exhibited greater two-way movement against the US dollar during Q1 of 2009-10. The rupee strengthened against the US dollar in April 2010 on the back of capital inflows and positive growth outlook. Subsequently, with the signs of the euro area debt crisis spreading further and the US dollar strengthening against most currencies, and withdrawal of funds by the FIIs, the rupee came under depreciation pressure (Chart V.5a). The exchange rates in the non-deliverable forward market (NDF), the currency future market and the spot market have exhibited similar pattern (Chart V.5b).

V.16 Increased volatility in the foreign exchange market resulted alongside increase in turnover in the spot, forward and futures markets (Chart V.6a and b). The rupee-dollar futures continued to dominate the currency futures segments in the exchanges, accounting for about 90 per cent of the total notional values. The higher trading volumes, particularly in the futures market, have coincided with the increased volatility in the spot exchange rate.

Equity and Housing Markets

V.17 The sustained growth in equity prices that was witnessed in 2009-10, exhibited some correction in Q1 of 2010-11, mainly due to transmission of shocks from global markets (Table V.8), though there has been some recovery in July 2010.

V.18 The activity in the primary segment of the domestic capital market displayed signs of revival in Q1 of 2010-11. Resources raised through public issues increased considerably (Table V.9). The resource mobilisation by

Chart V.5: Nominal Exchange Rate

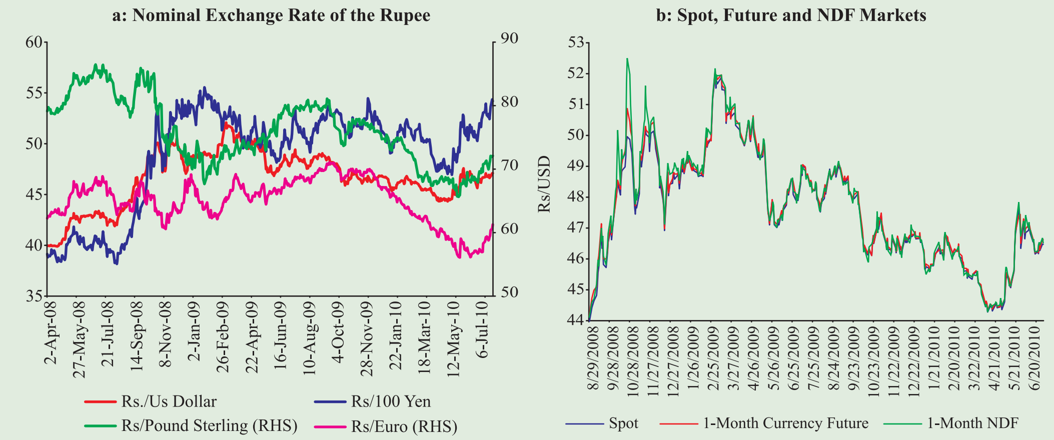
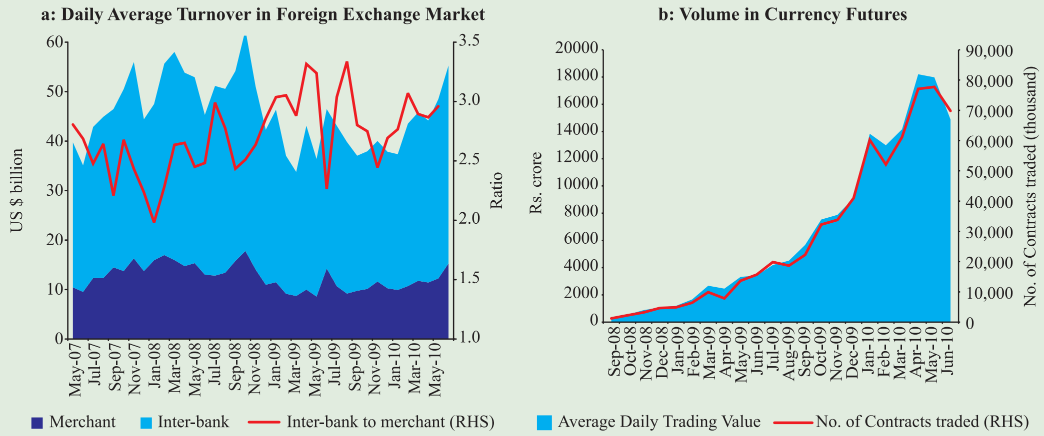


Chart V.6: Turnover in Foreign Exchange Market



mutual funds was, however, lower due to tight liquidity conditions and subdued stock markets. During 2009-10, mobilisation of resources by corporates through private placement (Rs.3,42,445 crore) was higher by 67.8 per cent.

V.19 Stock prices remained subdued during most part of Q1 of 2010-11 due to concerns regarding adverse global developments (Chart V.7a). While FII investments remained volatile, mutual funds turned net sellers due to increased market uncertainties. With increasing uncertainties and corrections in domestic stock prices, derivatives segment exhibited significant expansion in volumes (Chart V.7b).

V.20 A sustained and rapid rise in housing prices over successive quarters remains an area of concern from the standpoint of their possible spillover to demand pressures and the general price

Table V.8: Key Stock Market Indicators

Indicator	BSE				NSE			
	2008-09	2009-10	2009-10 (Apr- Jun)	2010-11 (Apr- Jun)	2008-09	2009-10	2009-10 (Apr-Jun)	2010-11 (Apr-Jun)
1	2	3	4	5	6	7	8	9
1. BSE Sensex/S&PCNX Nifty								
(i) End-period	9709	17528	14494	16945	3021	5249	4291	5313
(ii) Average	12366	15585	13078	17268	3731	4658	3964	5177
2. Coefficient of Variation	24.2	11.9	13.1	2.8	23.2	11.3	12.3	2.7
3. Price-Earning Ratio (end-period)*	13.7	21.3	19.0	21.1	14.3	22.3	20.0	22.3
4. Price-Book Value Ratio	2.7	3.9	3.5	3.4	2.5	3.7	3.6	3.8
5. Market Capitalisation to GDP Ratio (per cent)	59.0	106.5	92.2	82.0	55.4	103.8	89.8	76.5

*: Based on 30 scrips included in the BSE Sensex and 50 scrips included in the S&P CNX Nifty. @: As at end-period.
Source: Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE).

Table V.9: Resource Mobilisation from Capital Market

(Rupees crore)

Category	2008-09 (Apr-Mar)	2009-10 (Apr-Mar)	2009-10 (Apr-Jun)	2010-11 (Apr- Jun)
1	2	3	4	5
A. Prospectus and Rights Issues*	14,671	32,607	236	7,737
1. Private Sector (a+b)	14,671	25,479	236	7,737
a) Financial	466	326	–	2,550
b) Non-financial	14,205	25,153	236	5,187
2. Public Sector	–	7,128	–	–
B. Euro Issues	4,788	15,967	215	4,844
C. Mutual Fund Mobilisation (net)@	-28,296	83,080	1,00,403	3,547
1. Private Sector	-34,017	54,928	81,456	14,109
2. Public Sector #	5,721	28,152	18,947	-10,562

*: Excluding offer for sale @: Net of redemptions. #: Including UTI Mutual fund.

Note: Data exclude funds mobilised under Fund of Funds Schemes.

Source: Mutual Fund data are sourced from Securities and Exchange Board of India.

level as well as financial stability (Table V.10 and Chart V.8). During Q4 of 2009-10, however, housing prices displayed subdued momentum in several cities, which could be attributed to concerns of high valuations and the volatile stock market.

V.21 Despite increasing global market uncertainties emanating from the euro area fiscal sustainability concerns, domestic markets functioned normally, though with higher volatility in some segments. Domestic equity prices moderated, though with some recovery in the recent period. The exchange rate showed greater two-way movement partly reflecting rising pressure on the euro and volatility in FII flows. Domestic money markets faced liquidity pressures, leading to hardening of short-term money market rates.

Chart V.7: Movement in Sotck Prices and Turnover

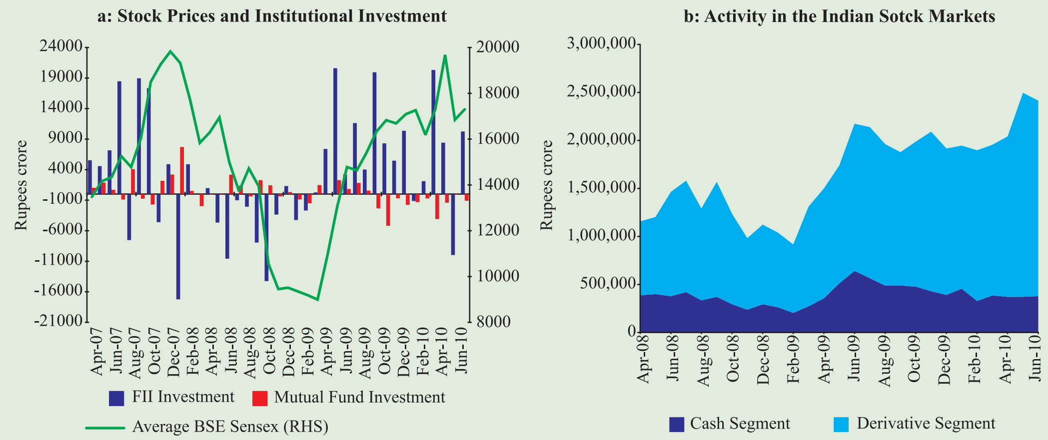


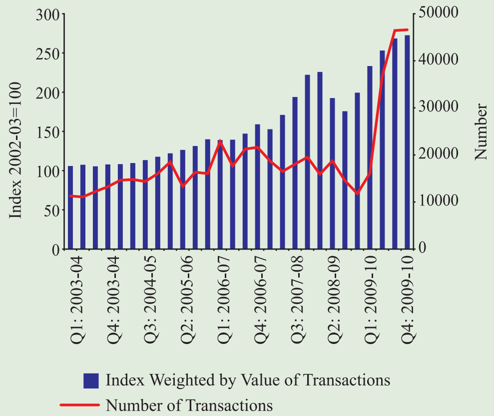
Table V.10: House Price Index (Base=Q4: 2008-09)*

(Per cent)

Quarter	Bangalore		Ahmedabad		Delhi#		Mumbai#	
	Index	Price Change (Q-on-Q)	Index	Price Change (Q-on-Q)	Index	Price Change (Q-on-Q)	Index	Price Change (Q-on-Q)
1	2	3	4	5	6	7	8	9
Q4: 2008-09	100.0	–	100.0	–	100.0	–	100.0	–
Q1: 2009-10	103.6	3.6	101.4	1.4	101.9	1.9	116.0	16.0
Q2: 2009-10	101.7	-1.9	104.2	2.7	103.2	1.3	131.0	12.9
Q3: 2009-10	100.8	-0.9	117.3	12.6	107.4	4.1	135.1	3.1
Q4: 2009-10	98.5	-2.3	124.3	5.9	136.4	27.0	136.4	1.0

* : Based on weights obtained from number of transactions
\# : Delhi and Mumbai indices are shifted to common base.
Source: Department of Registration and Stamps of the respective State Governments.

Chart V.8: Movement in Residential House Prices in Mumbai



Responding to these developments, the Reserve Bank initiated temporary liquidity facilities that helped contain inter-bank call rates around the ceiling of the LAF corridor. Medium to long-term yields, however, moderated on expectations of lower fiscal deficit of the Government and the general safe haven appeal of government bonds globally. The market activities in various segments improved and the primary segment of the domestic capital market exhibited larger mobilisation of resources.