

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> July 2013)

IN THIS POLICY, THE INVESTMENT RISK IN INVESTMENT PORTFOLIO IS BORNE BY THE POLICYHOLDER.



Saravana Kumar  
Chief Investment Officer

## Message from CIO's Desk

The month of July 2013 saw the benchmark indices; BSE Sensex and CNX Nifty losing around 0.26% and 1.72% respectively, even as the Mid-cap index, CNX Mid-cap shed 6.39% during the same period.

## Equity Funds

### Equity Fund (ULIF 001 04/02/04 TEL 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity linked securities.

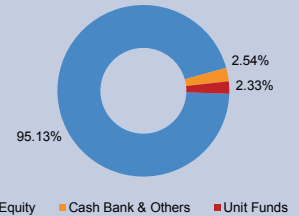
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹33.8033  
**Benchmark** : BSE Sensex - 100%  
**Corpus as on 31 July, 13** : ₹2,240.78 Crs.

#### Fund Performance

PERIOD	DATE	NAV	BSE Sensex	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	34.4596	19894.98	-1.90%	-2.76%
Last 1 Year	31-Jul-12	30.0129	17236.18	12.63%	12.24%
Last 2 Years	29-Jul-11	32.4385	18197.20	2.08%	3.11%
Last 3 Years	30-Jul-10	32.2569	17868.29	1.57%	2.68%
Last 4 Years	31-Jul-09	26.8350	15670.31	5.94%	5.41%
Last 5 Years	31-Jul-08	26.0850	14355.75	5.32%	6.15%
Since Inception	02-Mar-04	10.0000	5823.17	13.80%	13.59%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



### Whole Life Mid-Cap Equity Fund (ULIF 009 04/01/07 WLE 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in Mid Cap Equity and Mid Cap Equity linked securities.

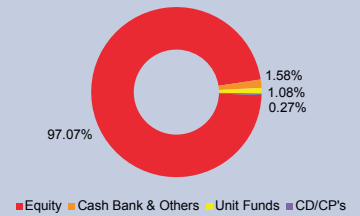
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹15.0087  
**Benchmark** : NSE CNX MIDCAP-100%  
**Corpus as on 31 July, 13** : ₹1,587.79 Crs.

#### Fund Performance

PERIOD	DATE	NAV	NSE CNX MIDCAP	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	15.5173	8363.70	-3.28%	-17.82%
Last 1 Year	31-Jul-12	13.4248	7168.50	11.80%	-4.12%
Last 2 Years	29-Jul-11	13.8498	8017.35	4.10%	-7.41%
Last 3 Years	30-Jul-10	13.8923	8415.30	2.61%	-6.53%
Last 4 Years	31-Jul-09	10.2840	5950.20	9.91%	3.67%
Last 5 Years	31-Jul-08	10.1280	5536.95	8.18%	4.42%
Since Inception	08-Jan-07	10.0000	5156.45	6.38%	4.47%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



### Large Cap Equity Fund (ULIF 017 07/01/08 TLC 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity linked securities.

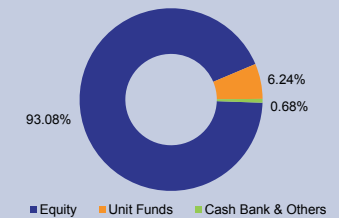
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹11.8589  
**Benchmark** : CNX Nifty-100%  
**Corpus as on 31 July, 13** : ₹920.48 Crs.

#### Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	12.0870	6034.75	-1.89%	-4.85%
Last 1 Year	31-Jul-12	10.5408	5229.00	12.50%	9.81%
Last 2 Years	29-Jul-11	10.9588	5482.00	4.03%	2.34%
Last 3 Years	30-Jul-10	10.6060	5367.60	3.79%	2.27%
Last 4 Years	31-Jul-09	8.8260	4636.45	7.66%	5.49%
Last 5 Years	31-Jul-08	8.2260	4332.95	7.59%	5.79%
Since Inception	07-Jan-08	10.0000	6279.10	3.11%	-1.59%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



### Future Equity Pension Fund (ULIF 020 04/02/08 FEP 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity linked securities.

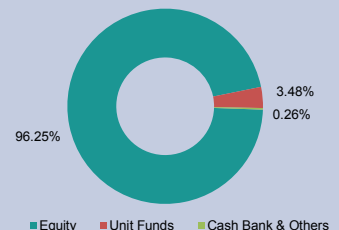
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹12.9814  
**Benchmark** : CNX Nifty-100%  
**Corpus as on 31 July, 13** : ₹216.04 Crs.

#### Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	13.5072	6034.75	-3.89%	-4.85%
Last 1 Year	31-Jul-12	11.7278	5229.00	10.69%	9.81%
Last 2 Years	29-Jul-11	12.4935	5482.00	1.93%	2.34%
Last 3 Years	30-Jul-10	12.1513	5367.60	2.23%	2.27%
Last 4 Years	31-Jul-09	10.0070	4636.45	6.72%	5.49%
Last 5 Years	31-Jul-08	9.1110	4332.95	7.34%	5.79%
Since Inception	04-Feb-08	10.0000	5463.50	4.87%	0.91%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



### Select Equity Fund (ULIF 024 06/10/08 TSE 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the fund is to provide income distribution over a period of medium to long term while at all times emphasizing the importance of capital appreciation. The fund will invest significant amount in equity and equity linked instruments specifically excluding companies predominantly dealing in Gambling, Lotteries/Contests, Animal Produce, Liquor, Tobacco, Entertainment (Films, TV etc) Hotels, Banks and Financial Institutions.

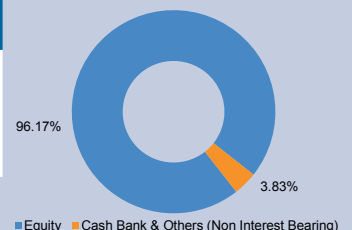
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹19.4576  
**Benchmark** : CNX India 500 Shariah Index - 100%  
**Corpus as on 31 July, 13** : ₹213.13 Crs.

#### Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	19.2028	1374.11	1.33%	1.34%
Last 1 Year	31-Jul-12	17.0807	1215.84	13.92%	14.53%
Last 2 Years	29-Jul-11	17.7502	1275.35	4.70%	4.49%
Last 3 Years	30-Jul-10	17.0684	1298.75	4.46%	2.35%
Last 4 Years	31-Jul-09	13.9520	1104.92	8.67%	5.95%
Since Inception	06-Oct-08	10.0000	844.46	14.81%	10.94%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> July 2013)

## Super Select Equity Fund (ULIF 035 16/10/09 TSS 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to provide income distribution over a period of medium to long term while at all times emphasizing the importance of capital appreciation

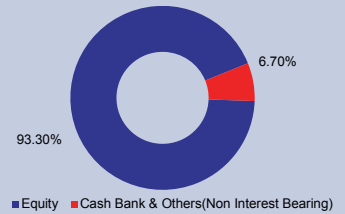
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹12.6692  
**Benchmark** : CNX India 500 Shariah Index - 100%  
**Corpus as on 31 July, 13** : ₹559.03 Crs.

### Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	12.4733	1374.11	1.57%	1.34%
Last 1 Year	31-Jul-12	11.1458	1215.84	13.67%	14.53%
Last 2 Years	29-Jul-11	11.6166	1275.35	4.43%	4.49%
Last 3 Years	30-Jul-10	11.1416	1298.75	4.38%	2.35%
Since Inception	16-Oct-09	10.0000	1217.76	6.44%	3.60%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Top 200 Fund (ULIF 027 12/01/09 ITT 110)

### Fund Details

**Investment Objective** : The Top 200 fund will invest primarily in select stocks and equity linked instruments which are a part of BSE 200 Index with a focus on generating long term capital appreciation. The fund will not replicate the index but aim to attain performance better than the performance of the Index. As a defensive strategy arising out of market conditions, the scheme may also invest in debt and money market instruments.

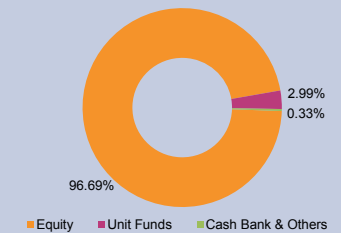
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹19.1230  
**Benchmark** : BSE 200 - 100%  
**Corpus as on 31 July, 13** : ₹158.73 Crs.

### Fund Performance

PERIOD	DATE	NAV	BSE 200	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	20.4291	2461.12	-6.39%	-7.73%
Last 1 Year	31-Jul-12	17.7540	2114.47	7.71%	7.40%
Last 2 Years	29-Jul-11	18.8510	2256.48	0.72%	0.32%
Last 3 Years	30-Jul-10	18.5097	2281.63	1.09%	-0.16%
Last 4 Years	31-Jul-09	15.1930	1909.63	5.92%	4.43%
Since Inception	12-Jan-09	10.0000	1091.37	15.31%	17.47%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Balanced Funds

### Aggressive Growth Fund (ULIF 006 01/07/06 TAL 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to maximize the returns with medium to high risk.

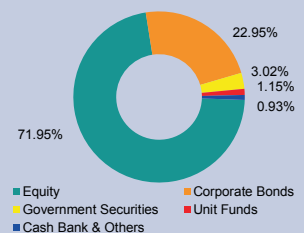
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹16.4578  
**Benchmark** : BSE Sensex - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 31 July, 13** : ₹246.78 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	17.2941	-4.84%	-1.72%
Last 1 Year	31-Jul-12	15.5146	6.08%	9.80%
Last 2 Years	29-Jul-11	15.8728	1.83%	4.48%
Last 3 Years	30-Jul-10	15.7256	1.53%	4.01%
Last 4 Years	31-Jul-09	13.5320	5.02%	5.61%
Last 5 Years	31-Jul-08	11.9630	6.59%	6.48%
Since Inception	01-Jul-06	10.0000	7.28%	7.96%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Whole Life Aggressive Growth Fund (ULIF 010 04/01/07 WLA 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to maximize the returns with medium to high risk.

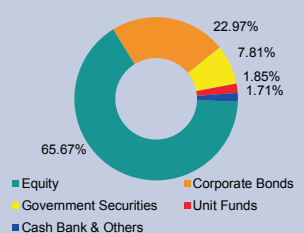
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹16.0254  
**Benchmark** : Nifty - 65%, CRISIL Composite Bond Index - 35%  
**Corpus as on 31 July, 13** : ₹361.05 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	16.5505	-3.17%	-3.08%
Last 1 Year	31-Jul-12	14.6897	9.09%	8.22%
Last 2 Years	29-Jul-11	14.7743	4.15%	3.98%
Last 3 Years	30-Jul-10	14.2751	3.93%	3.74%
Last 4 Years	31-Jul-09	12.2660	6.91%	5.67%
Last 5 Years	31-Jul-08	10.6660	8.48%	6.24%
Since Inception	08-Jan-07	10.0000	7.45%	6.08%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Fixed Income Funds

### Whole Life Income Fund (ULIF 012 04/01/07 WLI 110)

### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate income through investing in a range of debt and money market instruments of various maturities with a view to maximizing the optimal balance between yield, safety and liquidity. The Fund will have no investments in equity or equity linked instruments at any point in time.

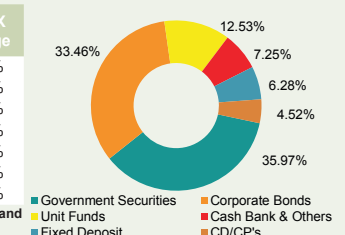
**Fund Manager** : Mr. Saravana Kumar  
**NAV as on 31 July, 13** : ₹15.5703  
**Benchmark** : CRISIL Composite Bond Index - 100%  
**Corpus as on 31 July, 13** : ₹227.78 Crs.

### Fund Performance

PERIOD	DATE	NAV	Crissil Composite Bond Fund Index	NAV Change	INDEX Change
Last 6 Months	31-Jan-13	15.3585	1943.07	1.38%	0.21%
Last 1 Year	31-Jul-12	14.4753	1849.96	7.56%	5.26%
Last 2 Years	29-Jul-11	13.1511	1699.88	8.81%	7.03%
Last 3 Years	30-Jul-10	12.3580	1613.57	8.01%	6.47%
Last 4 Years	31-Jul-09	11.6830	1543.10	7.44%	5.99%
Last 5 Years	31-Jul-08	10.2660	1382.84	8.69%	7.08%
Since Inception	08-Jan-07	10.0000	1298.79	6.98%	6.36%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> July 2013)

## Guaranteed NAV Funds

The fund would be predominantly invested in equity at inception, wherein the dynamic asset allocation mechanism allocates the portfolio between equity and debt. This dynamic asset allocation is based on the performance of equity markets and movements in interest rates. The equity allocation may be reallocated to debt if the equity markets or interest rates fall, to safeguard the guarantee.

Over time, the asset mix will predominantly shift to debt to protect the guarantee. This dynamic asset allocation process will drive the returns generated by the Apex Return Lock-in Fund. The dynamic asset allocation shifts the allocation of the fund from an equity bias to a debt bias, overtime. This would mean that the Guaranteed NAV would not mimic the highest level of the equity market, over the period the guarantee is applicable. Any unexpected and sharp falls in equity market and/or interest rates, during the period the guarantee is applicable, may trigger the allocation to completely move towards debt, to protect the highest NAV achieved prior to the fall. Overall, it is an ideal fund for an investor who wants to take advantage of high returns in a positive market scenario while safe-guarding the investment during any downturn.

### APEX Return Lock-In Fund (ULIF 032 18/02/09 ARL 110)

Fund Details		Fund Performance				Asset Allocation	
<b>Investment Objective</b>	The investment objective for Apex Return Lock-in Fund is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%.	<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>NAV Change</b>		
<b>Fund Manager</b>	Mr. Saravana Kumar	Last 6 Months	31-Jan-13	12.9498	-1.33%	Equity	48.81%
<b>The highest NAV recorded on reset date</b>	₹13.2568	Last 1 Year	31-Jul-12	11.6905	9.30%	Corporate Bonds	48.63%
<b>Corpus as on 31 July, 13</b>	₹321.73 Crs.	Last 2 Year	29-Jul-11	11.6507	4.72%	Cash Bank & Others	2.05%
		Last 3 Year	30-Jul-10	11.4066	3.86%	Unit Funds	0.52%
		Last 4 Year	31-Jul-09	10.1380	5.96%		
		Since Inception	10-Jun-09	10.0000	6.09%		
<b>Note:</b> The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.							

### APEX Return Lock-In Fund II (ULIF 033 03/08/09 AR2 110)

Fund Details		Fund Performance				Asset Allocation	
<b>Investment Objective</b>	The investment objective for Apex Return Lock-in Fund II is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%.	<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>NAV Change</b>		
<b>Fund Manager</b>	Mr. Saravana Kumar	Last 6 Months	31-Jan-13	12.1450	-1.04%	Equity	49.94%
<b>The highest NAV recorded on reset date</b>	₹13.4226	Last 1 Year	31-Jul-12	10.9051	10.21%	Corporate Bonds	43.30%
<b>Corpus as on 31 July, 13</b>	₹233.80 Crs.	Last 2 Year	29-Jul-11	10.9299	4.86%	Cash Bank & Others	1.84%
		Last 3 Year	30-Jul-10	10.5835	4.33%	Unit Funds	4.92%
		Since Inception	10-Nov-09	10.0000	5.06%		
<b>Note:</b> The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.							

### Equity Outlook

The month of July 2013 saw the benchmark indices; BSE Sensex and CNX Nifty losing around 0.26% and 1.72% respectively, even as the Mid-cap index, CNX Mid-cap shed 6.39% during the same period.

FII's were net sellers with outflows of around USD 1 billion in July 2013 even as the DII's were net sellers to the tune of around USD 258 million, with Insurance companies' net buyers of around USD 108 million and domestic mutual funds, net sellers to the extent of a muted 365 million over the month. In the seven months of the calendar year 2013, the FII's have been net buyers to the tune of USD 12.5 billion with the DII's net sellers to the tune of USD 7.9 billion, Insurance companies and mutual funds selling Indian equities to the tune of USD 5.3 billion and USD 2.6 billion respectively. The FII holdings in the Nifty stocks stood at a record high of 21.8% as of June 2013 even as the DII holdings rose marginally to 12.9%, albeit still at levels seen in December 2010.

Consensus earnings estimates for the broad market (MSCI India) were revised down by 0.4% FY 2014 (E) to 12% and remained largely unchanged for FY 2015 (E) at 15% over the month.

HSBC's India manufacturing PMI for July 2013 came in at 50.1 as against 50.3 in June 2013, easing marginally as output continued to decline even as new export orders continued to expand, albeit at the slower pace than the prior month. The PMI reflected a sharp up tick in input prices possibly stemming from the weak INR even as the output price increase has been more modest, implying declining corporate margins due to weak pricing power with the manufacturers.

The central government's gross tax collections grew at an anaemic 4% year on year during April-June 2013, below the budget estimate of 19% year on year. The direct tax collection grew 8% year on year, even as the indirect tax collection declined 4% year on year, during April-June 2013. The pressure on the tax collection stems from a slowdown in domestic growth, industrial activity and international trade.

The government approved FDI limit increases in a clutch of sectors including defense and telecom to ease the pressure on the INR. FDI in telecom will increase to 100%, resulting in the foreign investor not needing an Indian partner to comply with local regulations and having the freedom to bring in equity as per the growth requirement. In the defense sector, while the government has retained the 26% overall cap, it has opened a window for case-by-case approval for a higher limit.

In an effort to boost the sagging exports, the Ministry of Commerce and Industry had increased the interest-rate subvention to 3% from 2%. This move will benefit exporters, which are micro and small enterprises, irrespective of export sector. Additionally, exporters belonging to handlooms, handicraft, carpets, toys & sports goods, processed agricultural products, readymade garments, 235 tariff lines in engineering sectors and six tariff lines in textiles made-ups are eligible for this subvention. The export target for FY2014 could be reduced to USD 325 billion from USD 350 billion as a result of a muted global growth scenario.

The monsoon session of Parliament, which starts on 5th August, is likely to witness a few important bills passed. Key bills such as the Food Security, Land Acquisition, Insurance, Direct Tax Code, and Real Estate bills are awaiting parliamentary approvals.

The Indian equity market offers the comfort of reasonable valuations. We believe that the Indian equities offer an attractive entry point for a long term investor with a 3-5 year view.

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> July 2013)

## Debt Outlook

July 2013 saw the 10 year Government securities (G-sec) harden by around 70 bps to close the month at 8.17% levels. The yields of the 30 year G-sec over the 10 year G-sec was 58 bps in July 2013 as against just 20 bps, seen in the prior month.

The corporate bonds hardened during the month of July 2013 in line with the G-sec market to close the month at around the 9.50% levels in the 10 year bonds, 100 bps higher than the June levels of 8.50%. As a consequence, the corporate bond spread over the erstwhile benchmark 10 year G-sec stood at around 120 bps in July 2013, expanding from 75 bps in the prior month.

On July 15<sup>th</sup>, after market hours, the RBI hiked the Marginal Standing Facility (MSF) rate by 200 bps to 10.25% with immediate effect, implying a corridor of 300bps from the policy rate of 7.25%, thereby raising the cost of short term funds. Simultaneously, it placed a ceiling on LAF support to 1% of NDTL effective July 17, 2013, thereby demonstrating its resolve to tighten liquidity. On July 23<sup>rd</sup>, the RBI tightened the liquidity further with bank-specific limits for LAF at 0.5% of banks NDTL stipulating a minimum daily CRR balance at 99% of requirement against the 70% earlier. While these measures were aimed at stabilizing the forex market by increasing the cost of overnight borrowings, the transmission of the yield pressure was effected across the G-Sec curve. The unintended consequence of the RBI measures was the increase in the borrowing costs for the government as the entire yield curve got pulled up, even as the yield curve inverted. The pressures were seen in the corporate bond market as the yields spiked up, raising concerns of higher borrowing costs for corporate India affecting economic growth.

The RBI in its Mid-quarter monetary Policy Review decided to keep the Cash reserve ratio (CRR) of scheduled banks unchanged at 4 % and keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 7.25%. The RBI revised the growth projection for 2013-14 marginally downwards from 5.7% to 5.5%.

The RBI stated that during Q1 of 2013-14, the inflation trajectory had moved largely in line with these expectations, although some risks to the path of inflation had surfaced in June 2013. The RBI expressed concern that the stronger than expected monsoon had not yet softened food inflation as much as it should have. In particular, the vegetable prices had been impacted by weather-driven supply disruptions. The RBI was also concerned about the firming up of crude oil prices reflecting in an upward adjustment of domestic prices of petroleum products, besides the programmed revisions in diesel prices. They believed that the sharp depreciation of the Indian rupee (INR) since mid-May was expected to pass through in the months ahead to domestic fuel inflation as well as to non-food manufactured products inflation through its import content. They opined that the timing and magnitude of the remaining administered price revisions was a source of uncertainty for the inflation outlook.

The RBI expressed concern that India, with its large Current Account Deficit (CAD) and dependence on external flows for financing it, remained vulnerable to the confidence and sentiment in the global financial markets. In fact, they opined that the large CAD, well above the sustainable level of 2.5 % of GDP for three years in a row, is a formidable structural risk factor. They explained that the recent measures by the RBI to restore stability to the foreign exchange market should be seen in this context and should be used as a window of opportunity to put in place policies to bring the CAD down to sustainable levels.

The RBI explained that the recent liquidity tightening measures were aimed at checking undue volatility in the foreign exchange market and the monetary policy would revert to supporting growth, as and when stability returned to the foreign exchange market. They placed the onus on the government to mitigate external pressures on the INR stating that the time available now should be used with alacrity to institute structural measures to bring the CAD down to sustainable levels.

Market watchers believe that the pressure on the yields would continue in the near term even if external sector stabilizes as the exit of this tight liquidity situation would be in a calibrated manner. Meanwhile, the collateral damage would be in the form of a sharp rise in short and long term interest rates that would eventually impact the availability and pricing of credit, resulting in weaker economic activity. The silver lining is in the form of a sharp fall in inflation, which can open up more space for the RBI to nudge interest rates downwards after restoring a semblance of stability to the external sector.

The 10 year benchmark G-sec would remain volatile at 8.00 - 8.40% levels and the near term direction of the Gsec yields would largely depend on the trajectory of the INR.

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