



Monetary Policy Committee

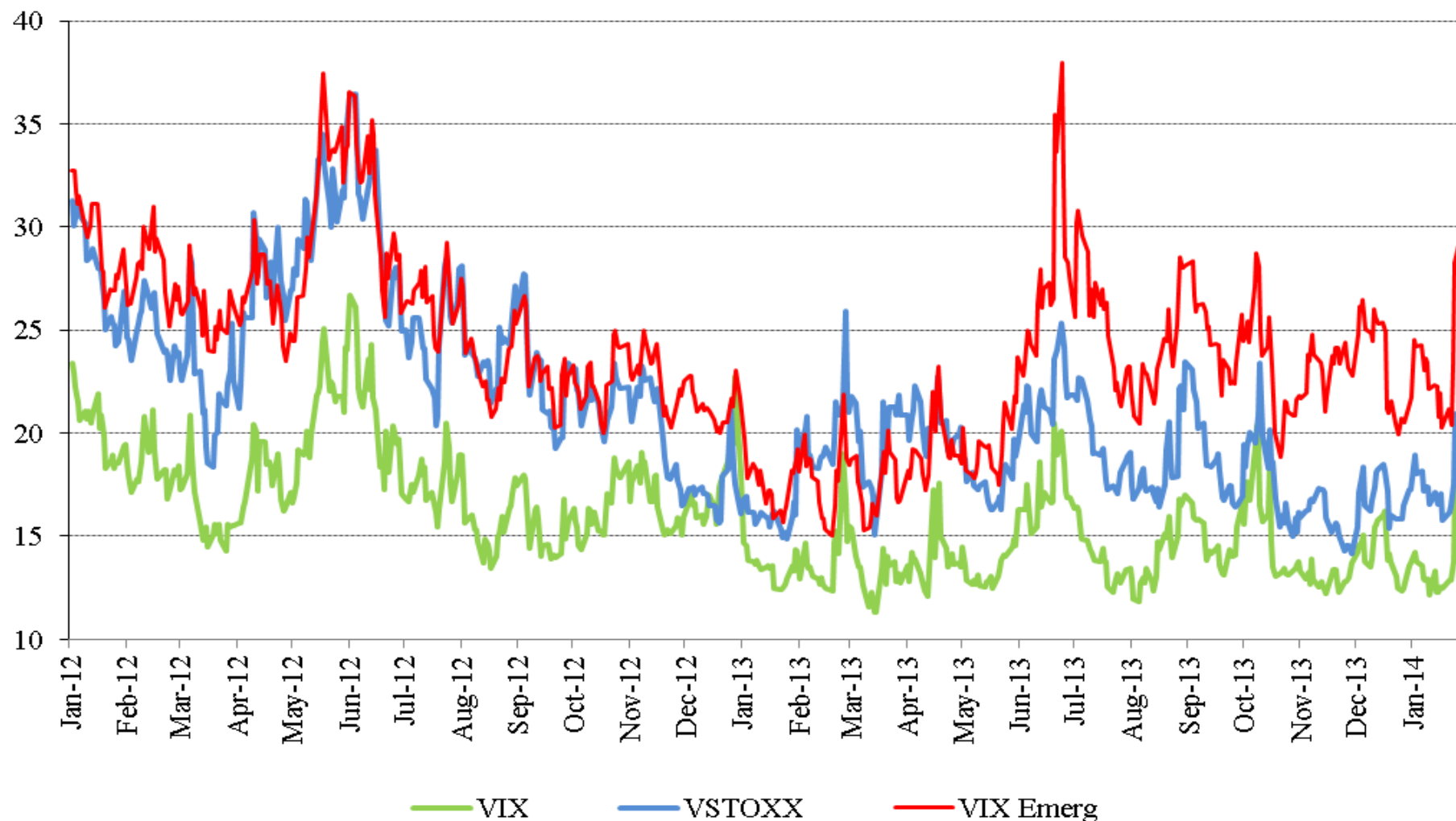
Financial Markets Developments

J. Pandoo

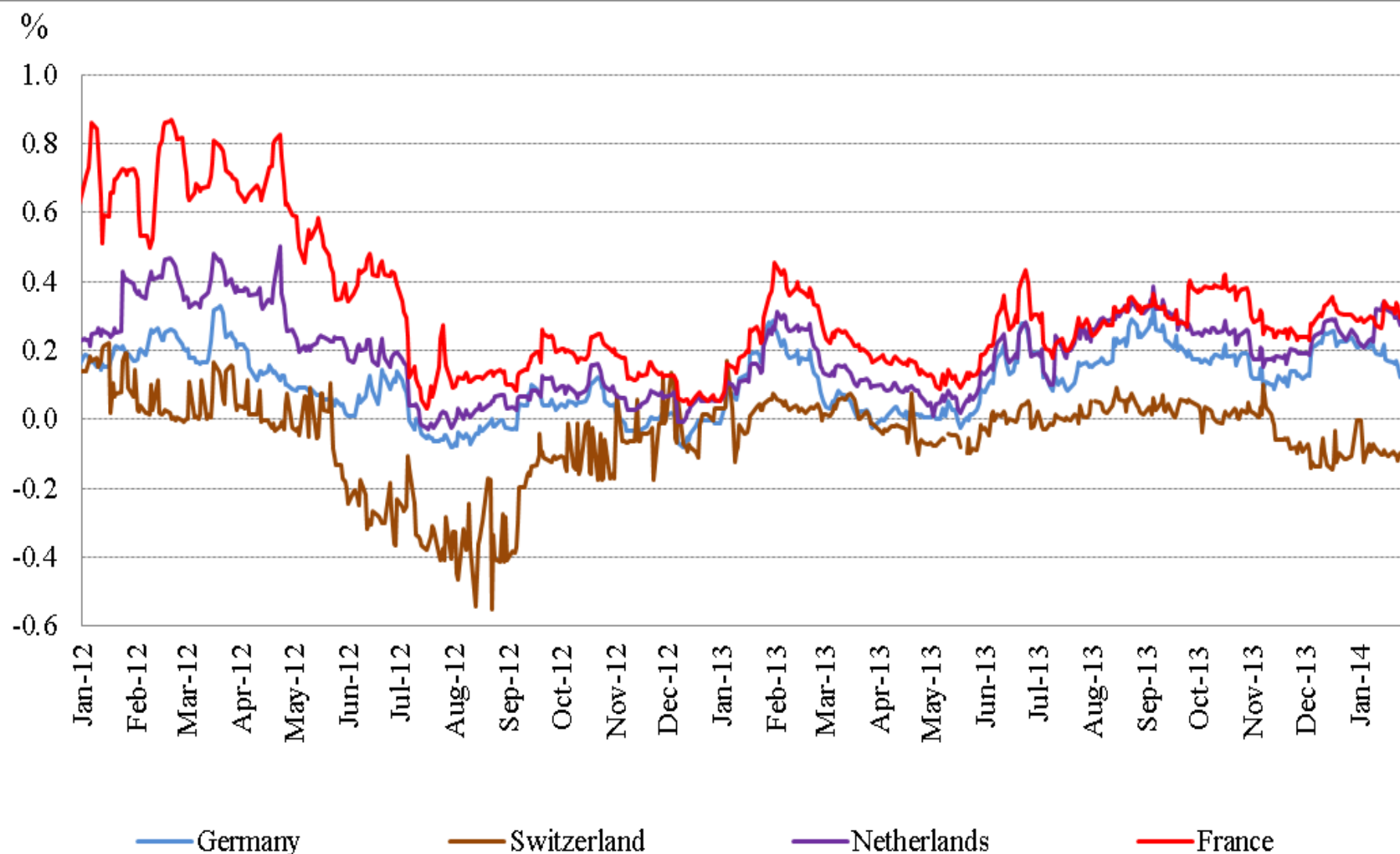
Head-Financial Markets Operations

3 February 2014

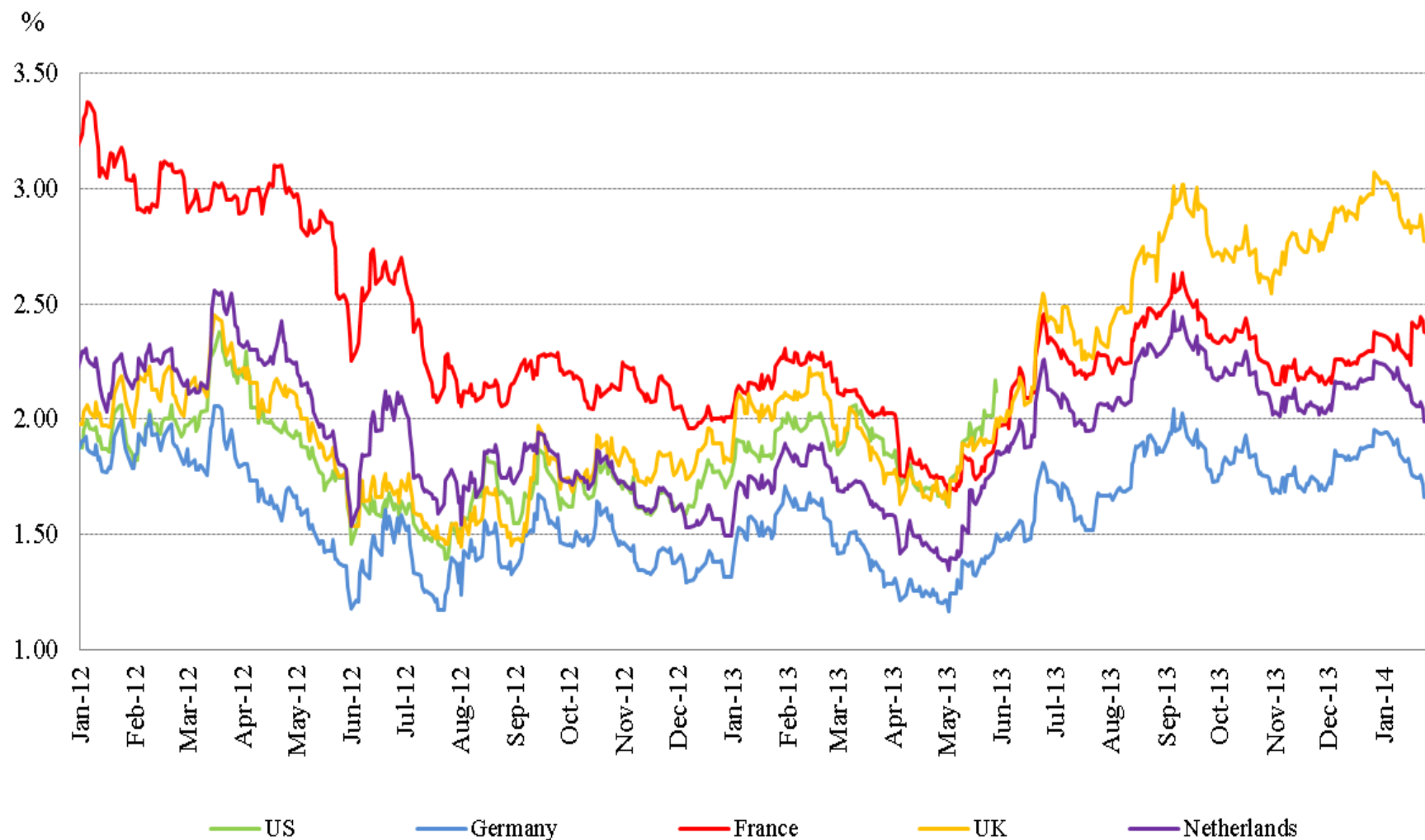
Volatility Indices



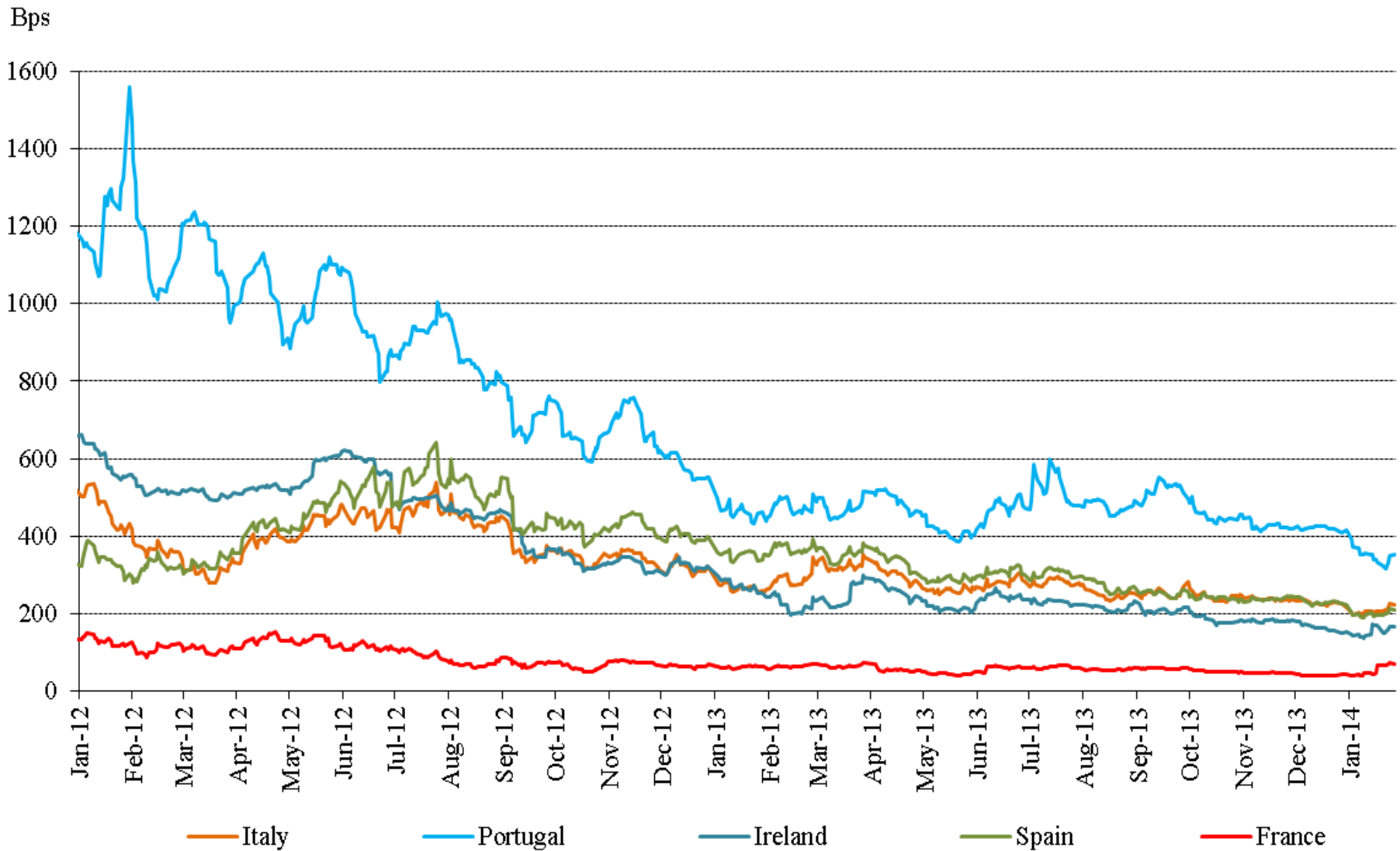
2-Year Yields in Selected European Countries



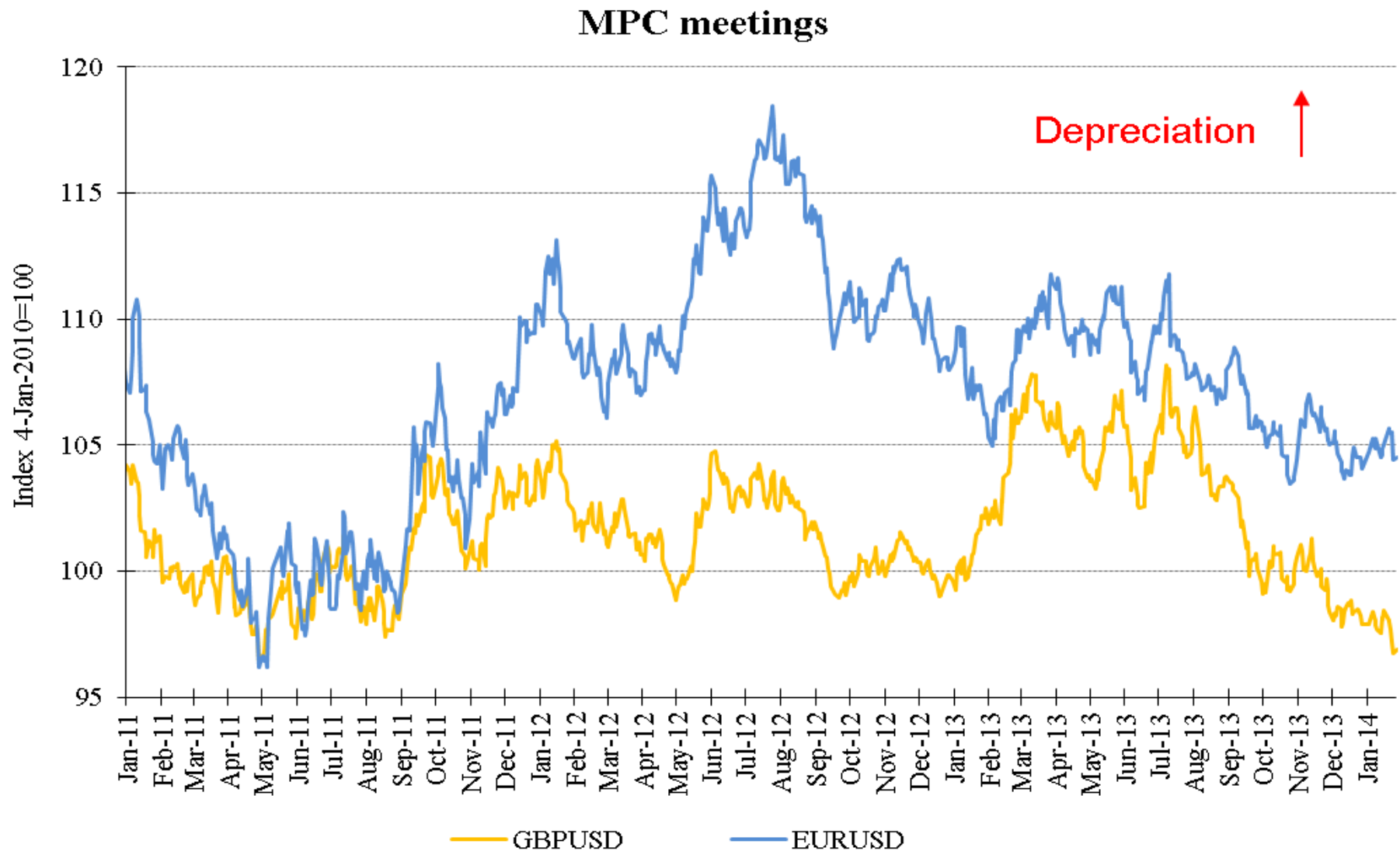
10-Year Yields in Selected Countries



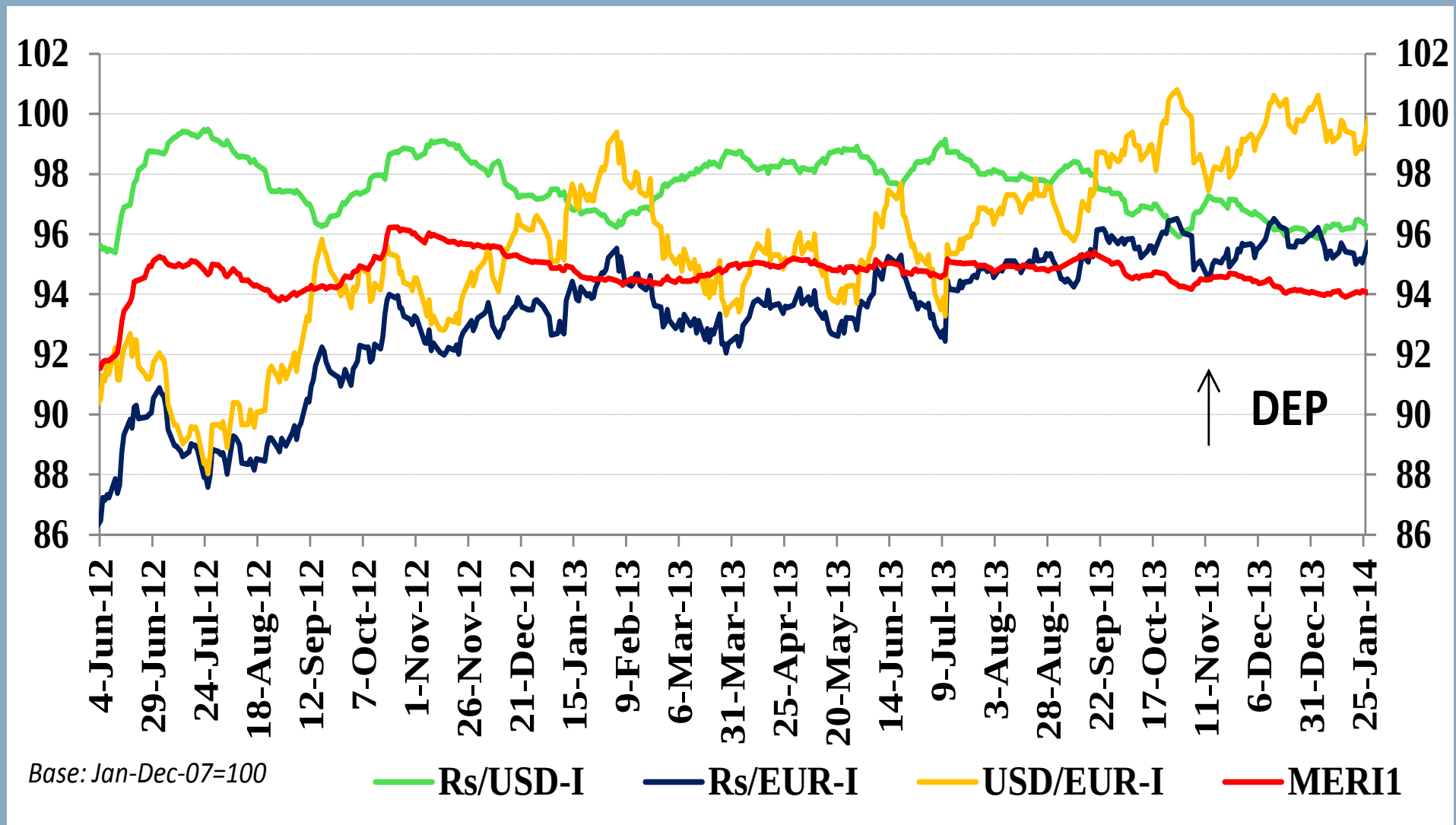
10-Year Bond Spreads to German Bunds



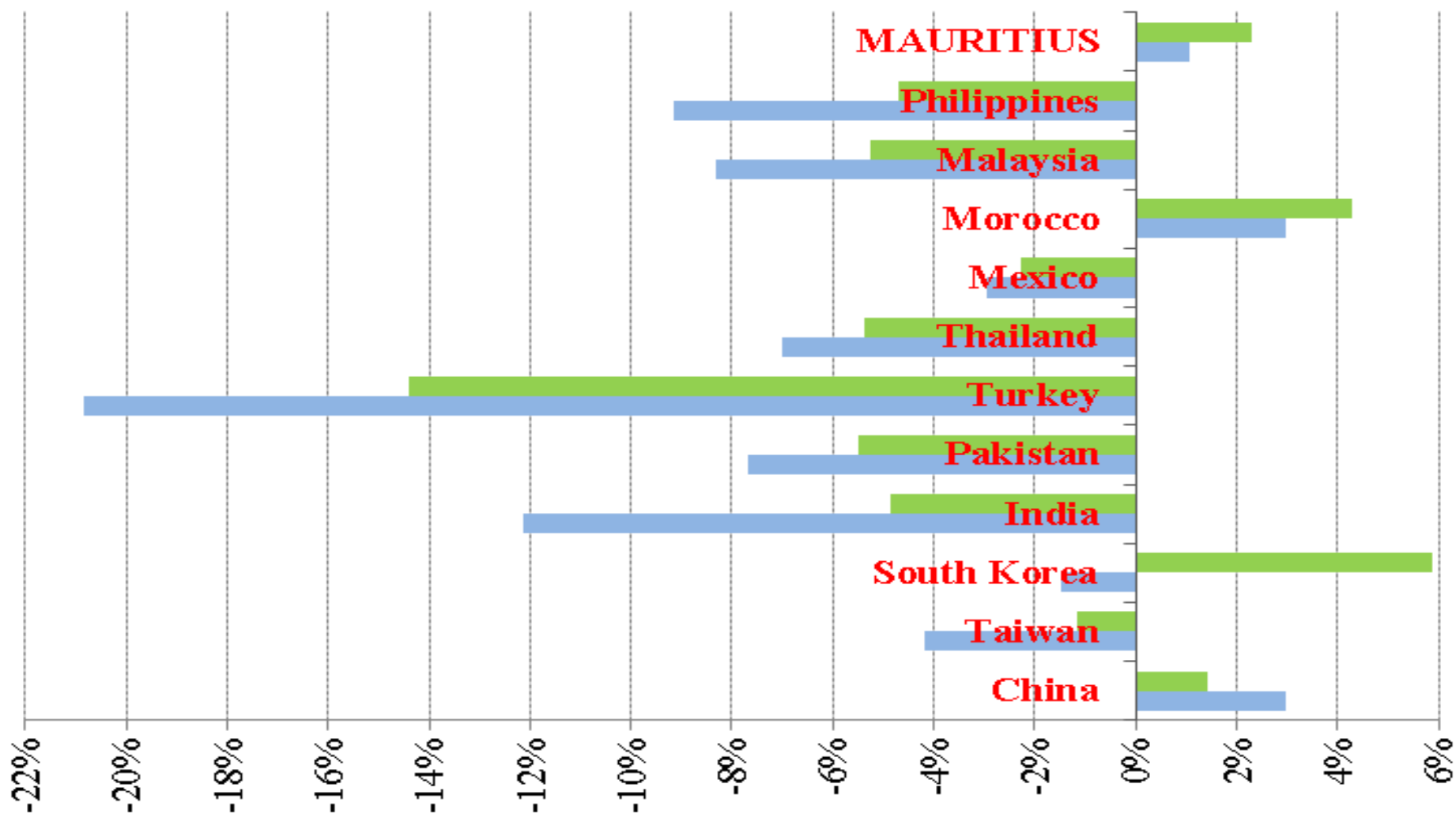
Movements of EUR & GBP against USD



Exchange Rate Movements



Exchange Rate of Selected Currencies vis-à-vis the US Dollar

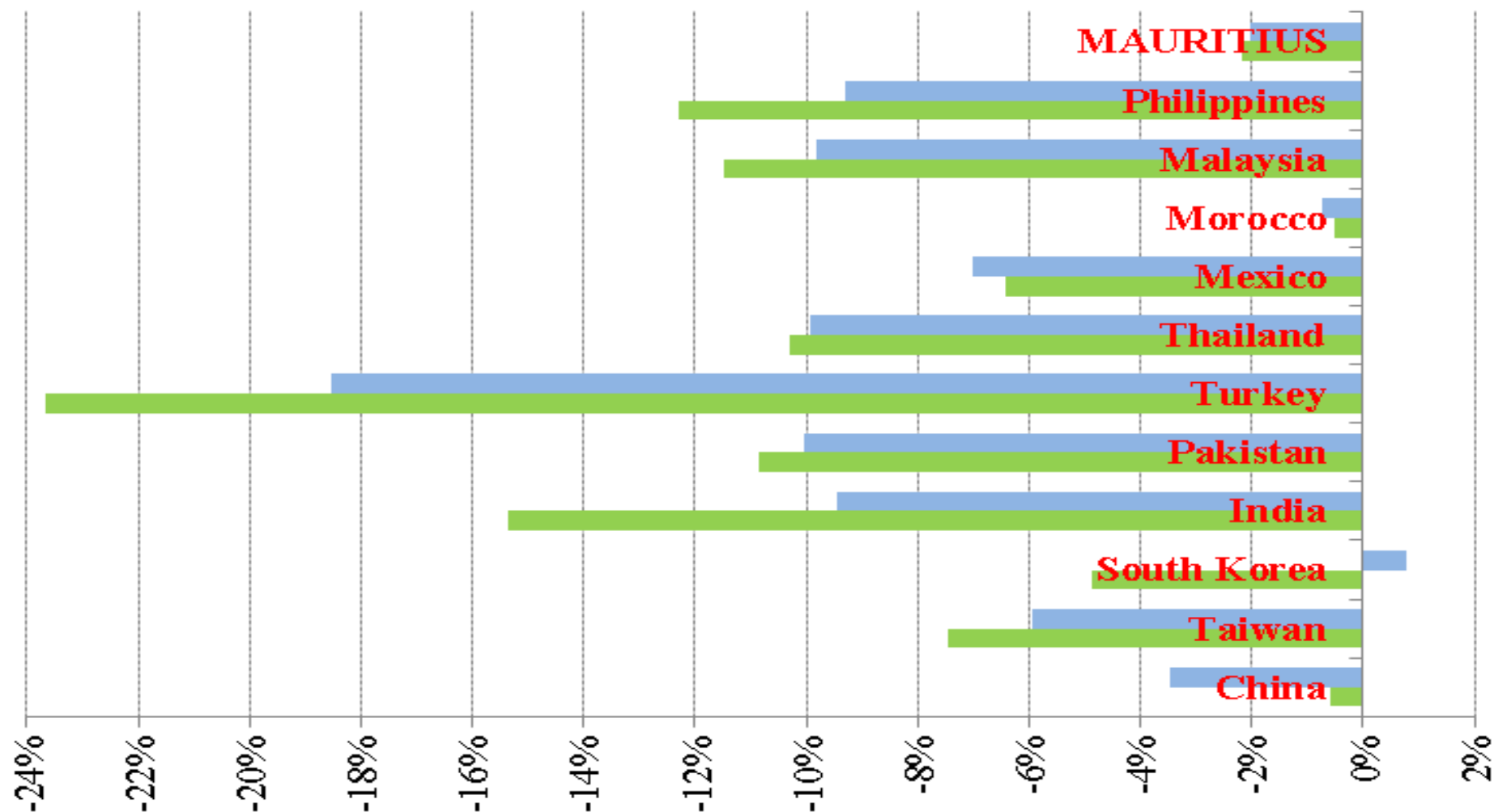


Source: Reuters

■ APP/(DEP) since end-Jun-13

■ APP/(DEP) since end-Dec-12

Exchange Rate of Selected Currencies vis-à-vis the Euro

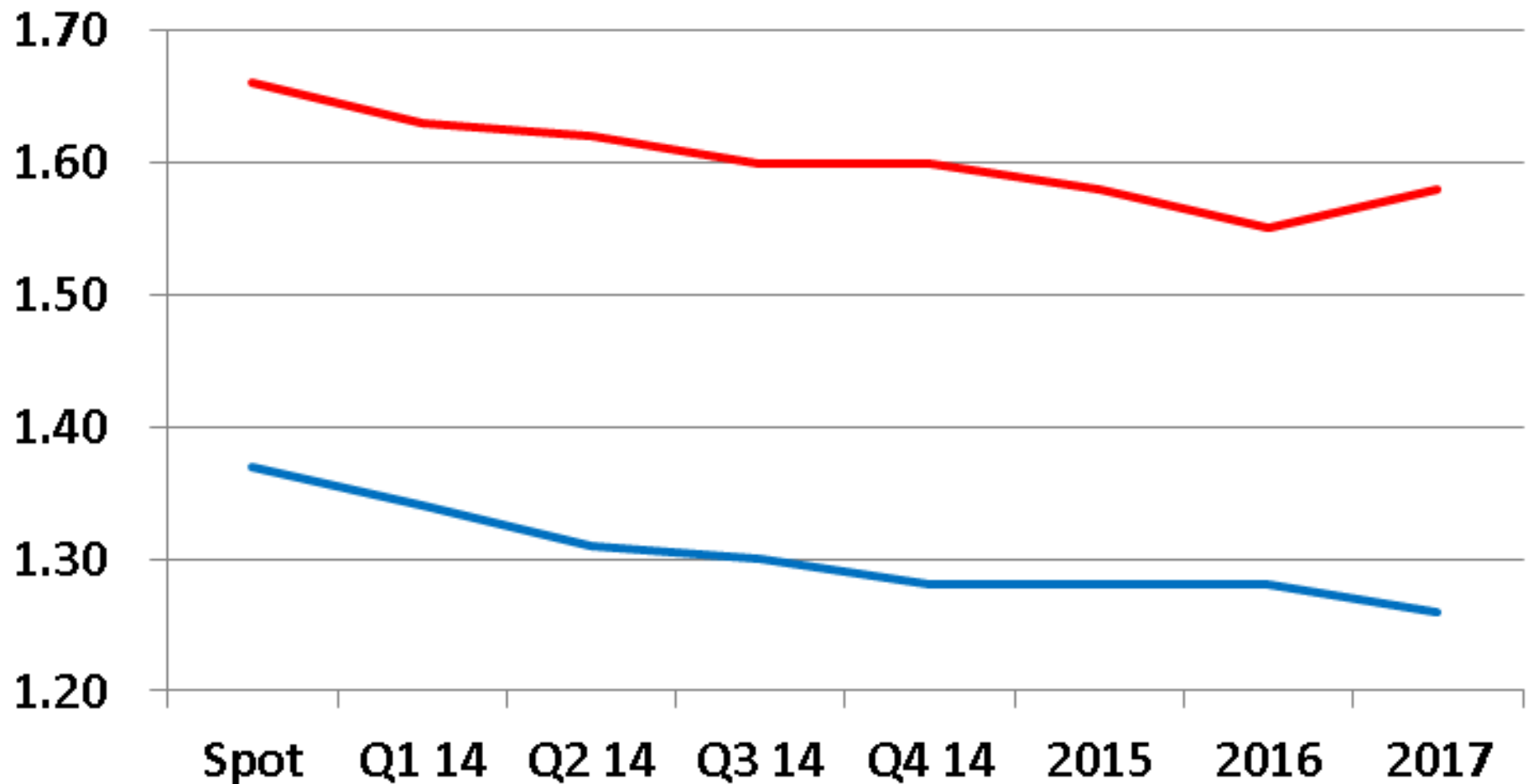


Source: Reuters

■ APP/(DEP) since end-Jun-13

■ APP/(DEP) since end-Dec-12

Bloomberg Spot Forecast: EURUSD & GBPUSD



* As at 29-Jan-14.

— EURUSD — GBPUSD

Exchange Rate Outlook

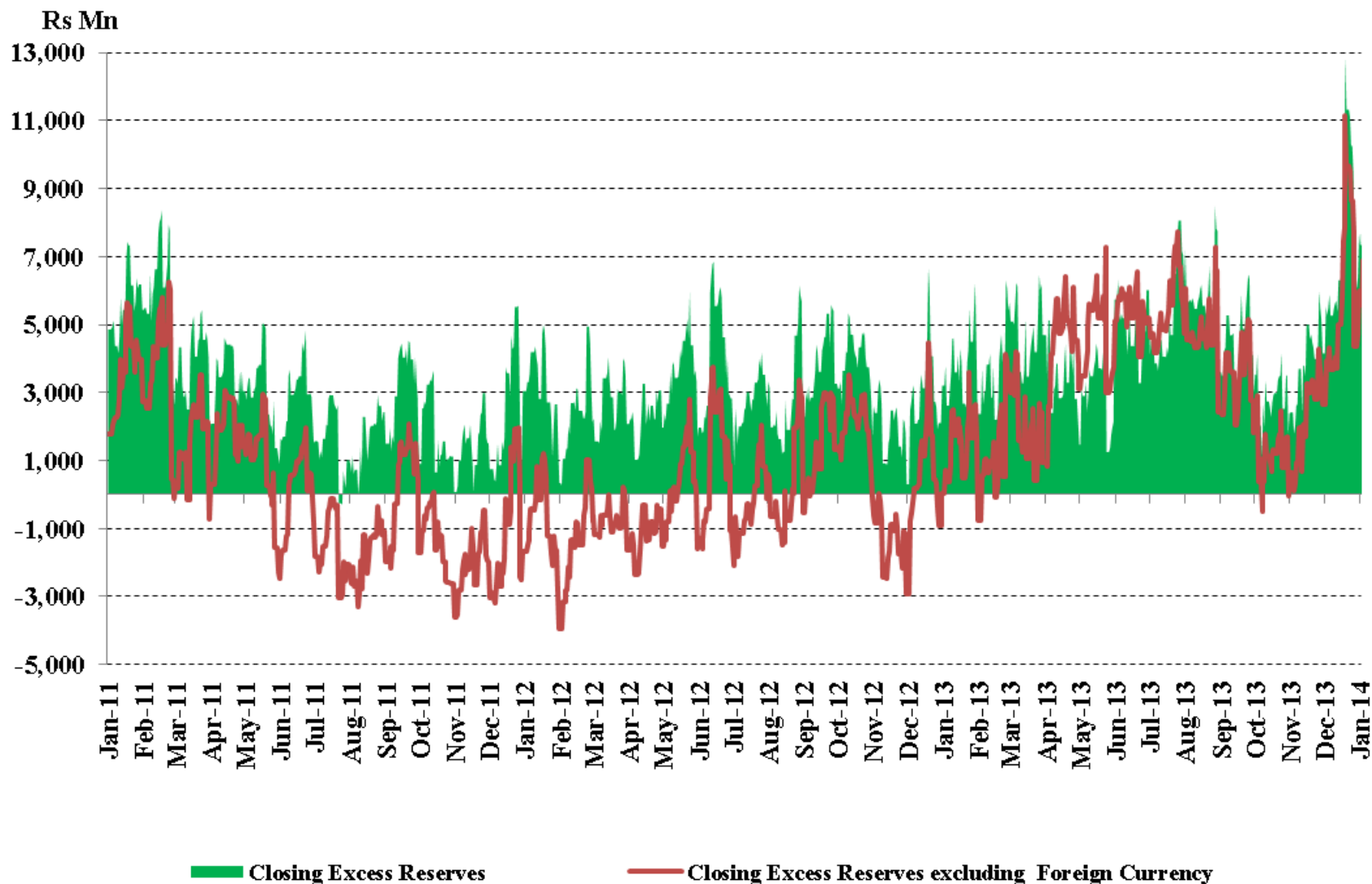
International

- The relative growth outlook is improving in both the US and the Euro zone, but the Fed is expected to move away from extremely accommodative policy measures long before the ECB, setting the scene for a USD uptrend

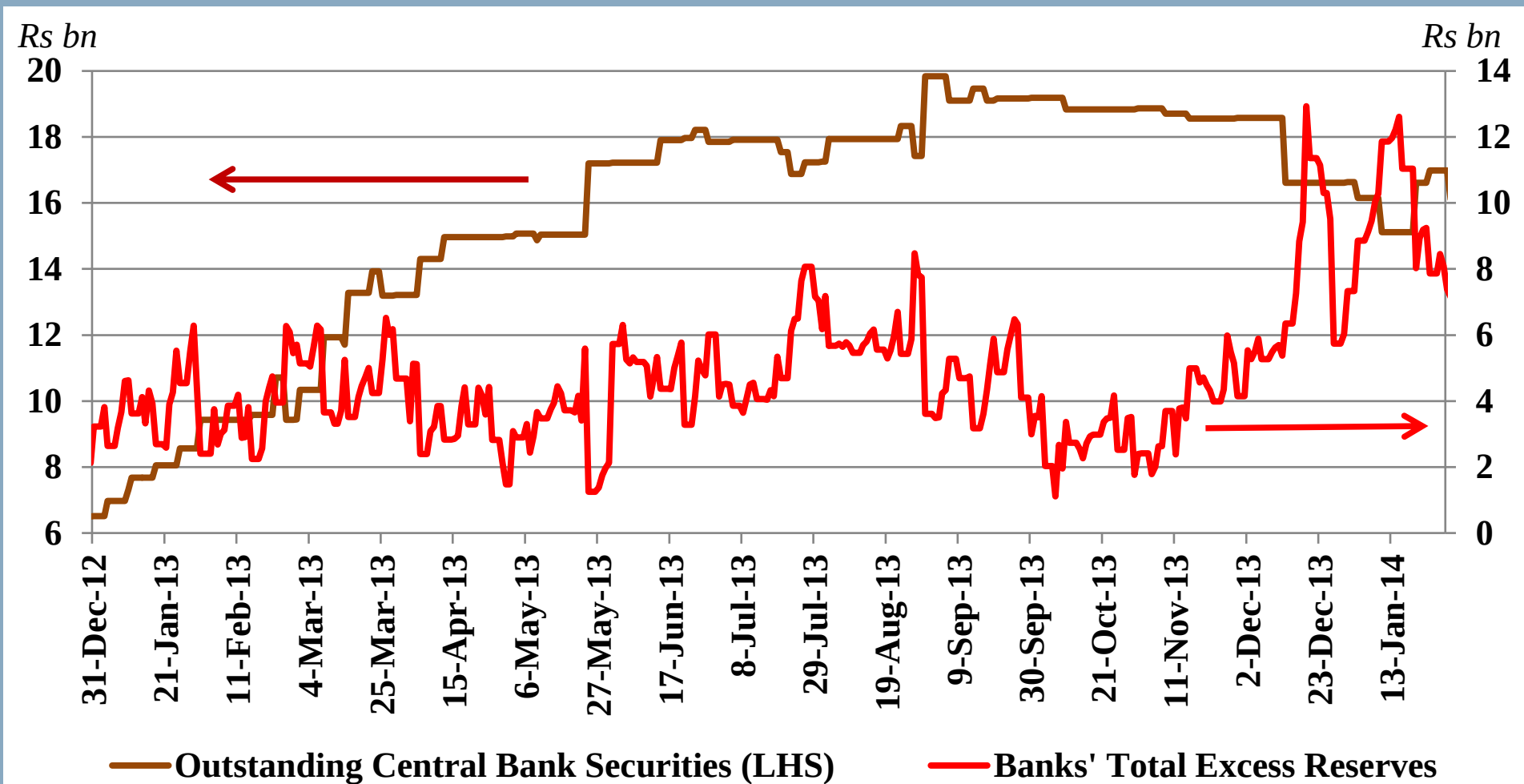
Domestic

- The rupee will continue to be driven by international currency movements and domestic demand and supply conditions

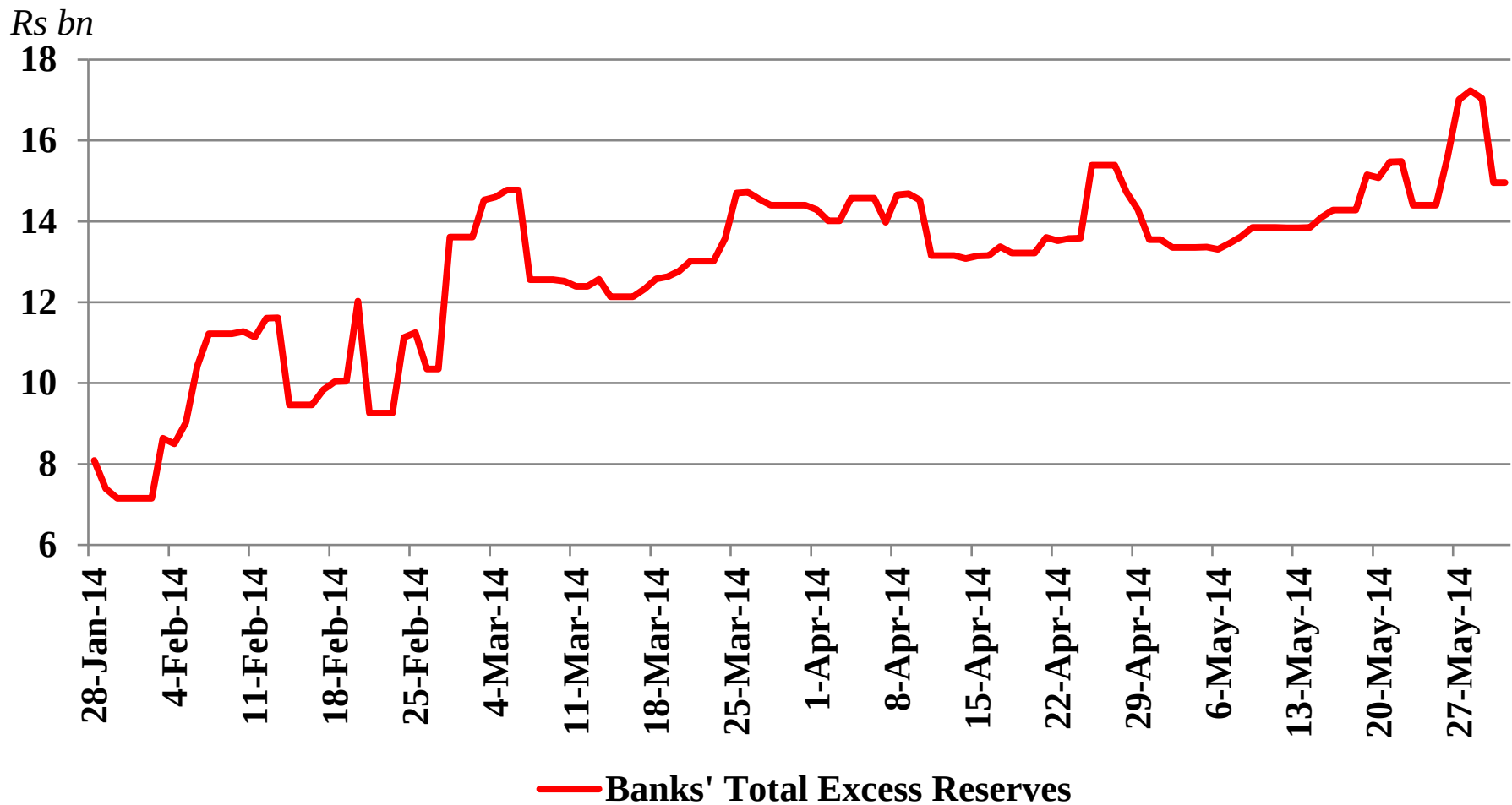
Banks Excess Reserves



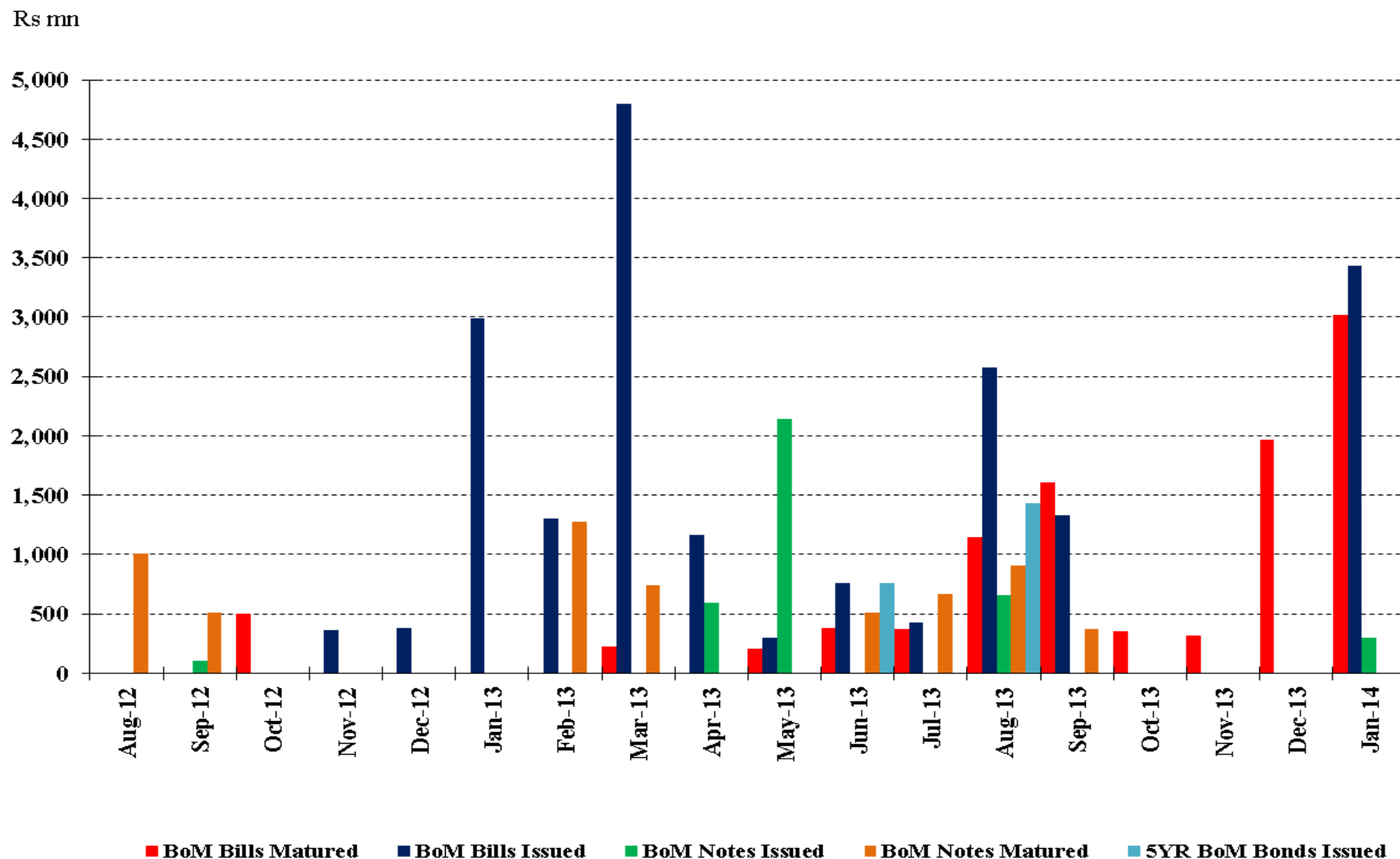
Issuance of BOM Instruments & Banks' Excess Reserves (Rs bn)



Projection of Banks' Excess Reserves

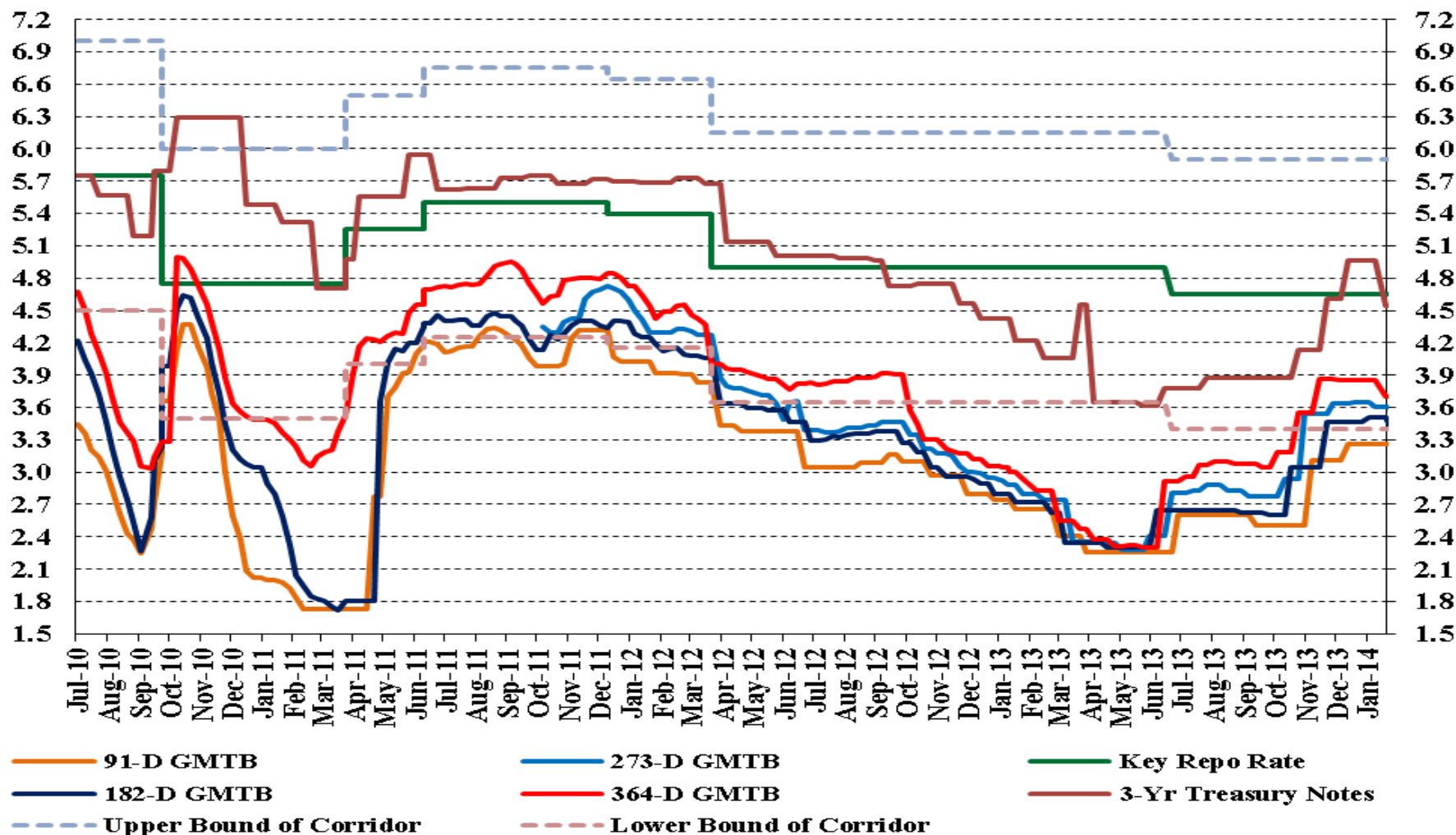


BoM Securities: Issuance and Maturing

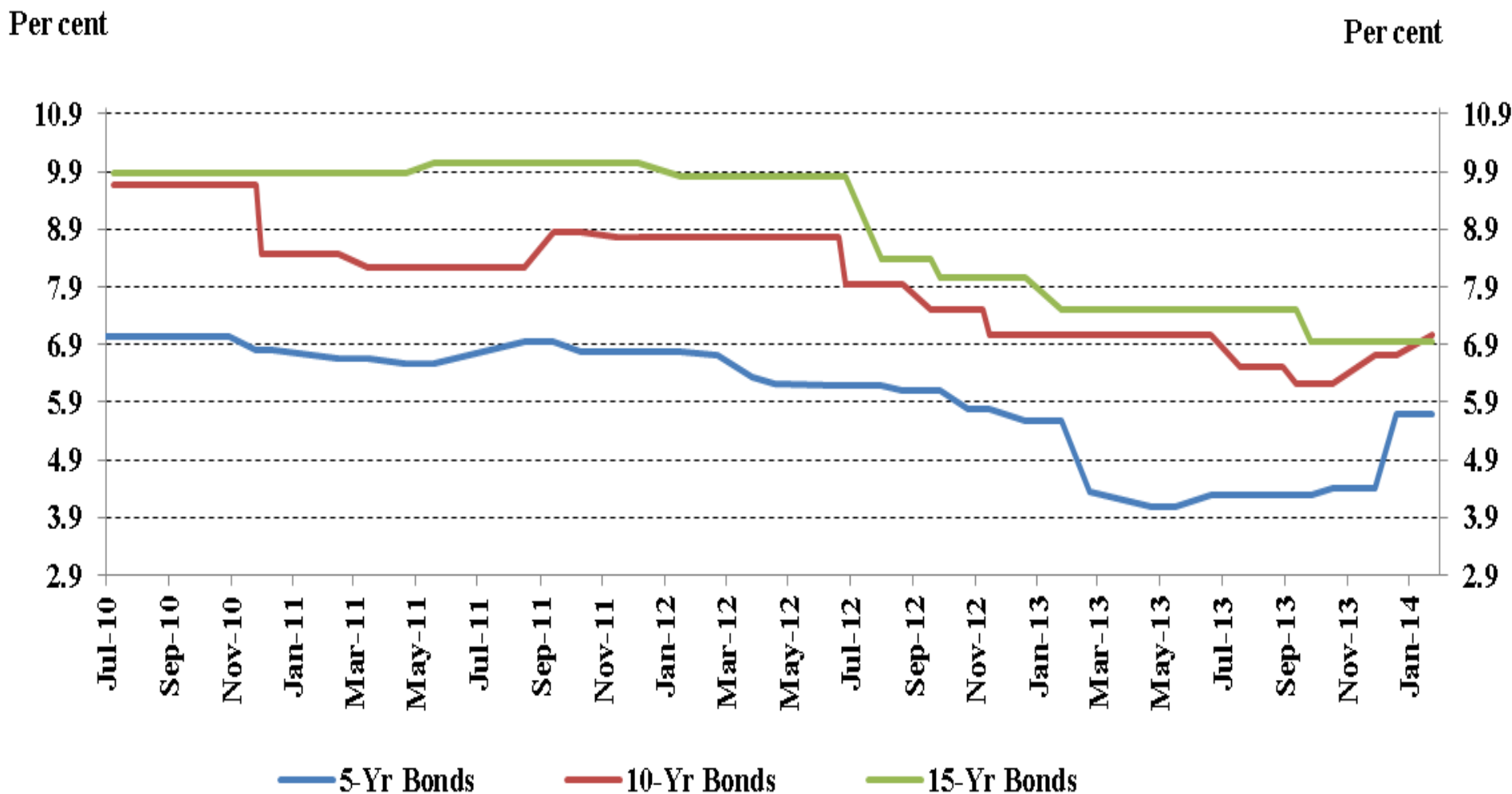


Weighted Yield on T-Bills & T-Notes

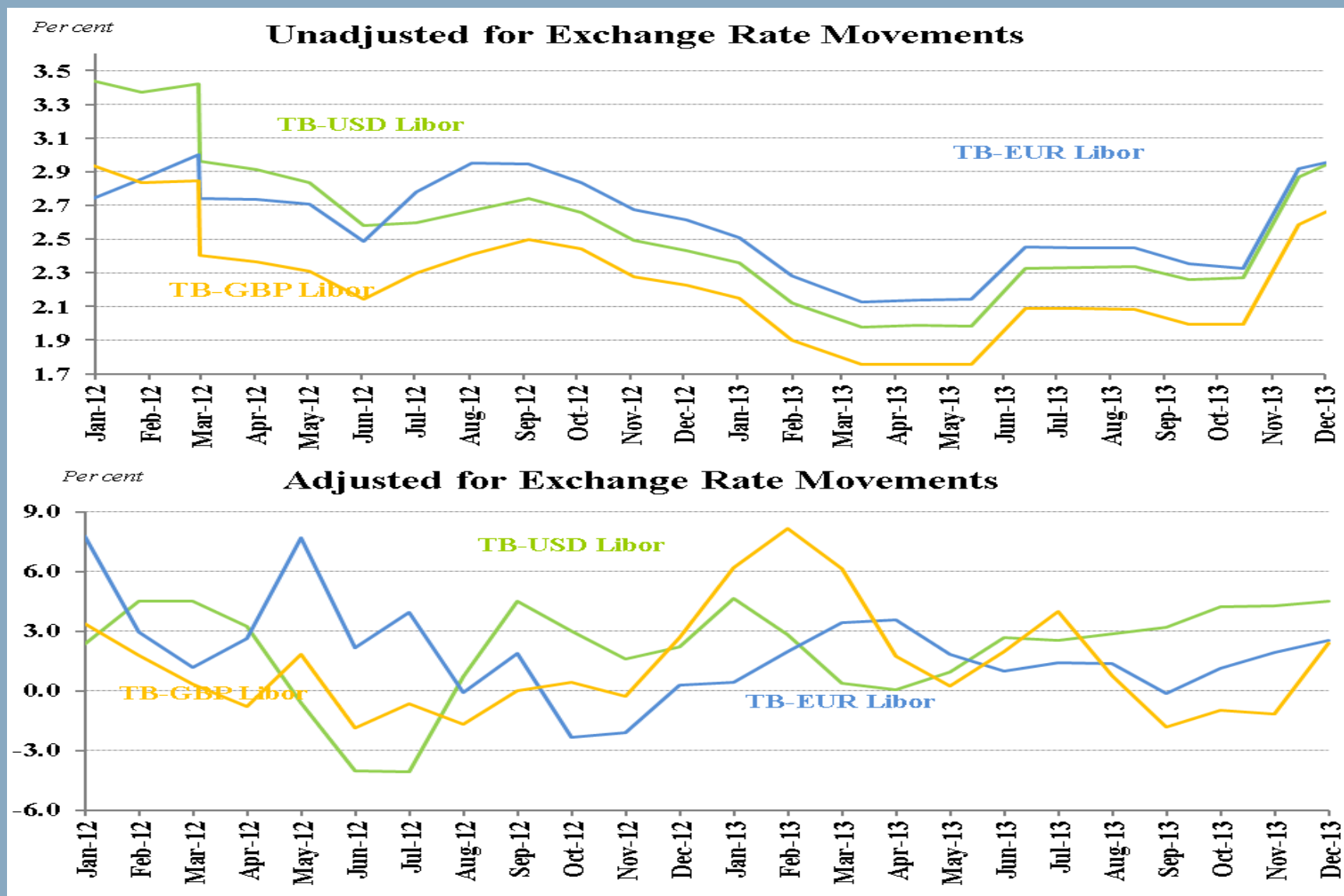
Per cent



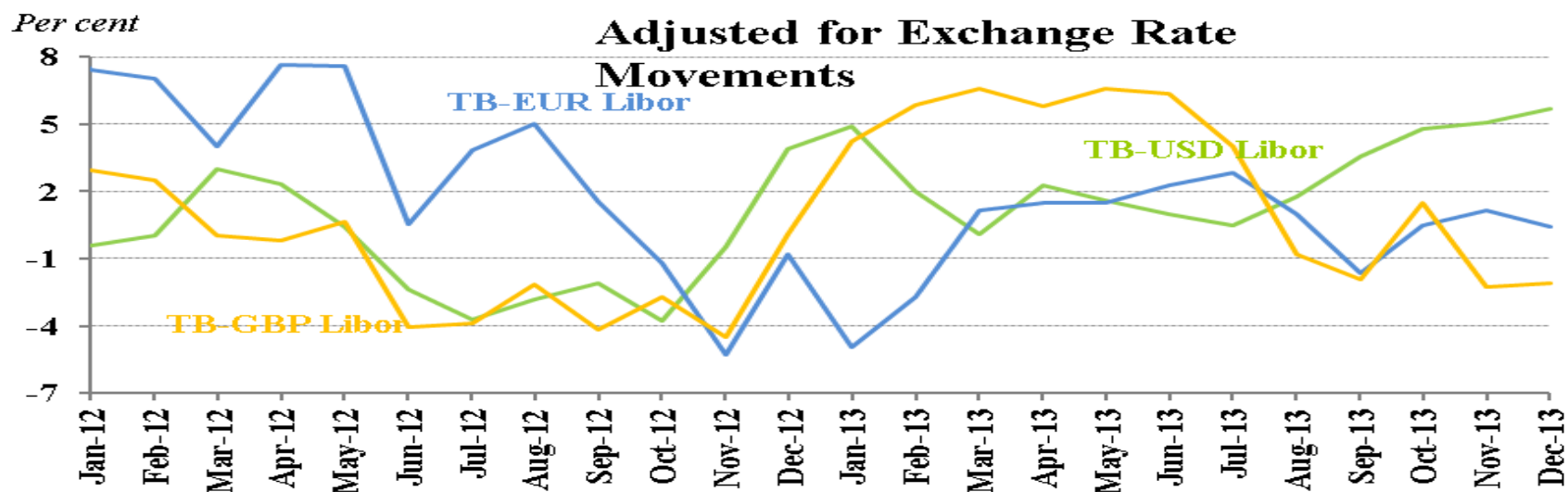
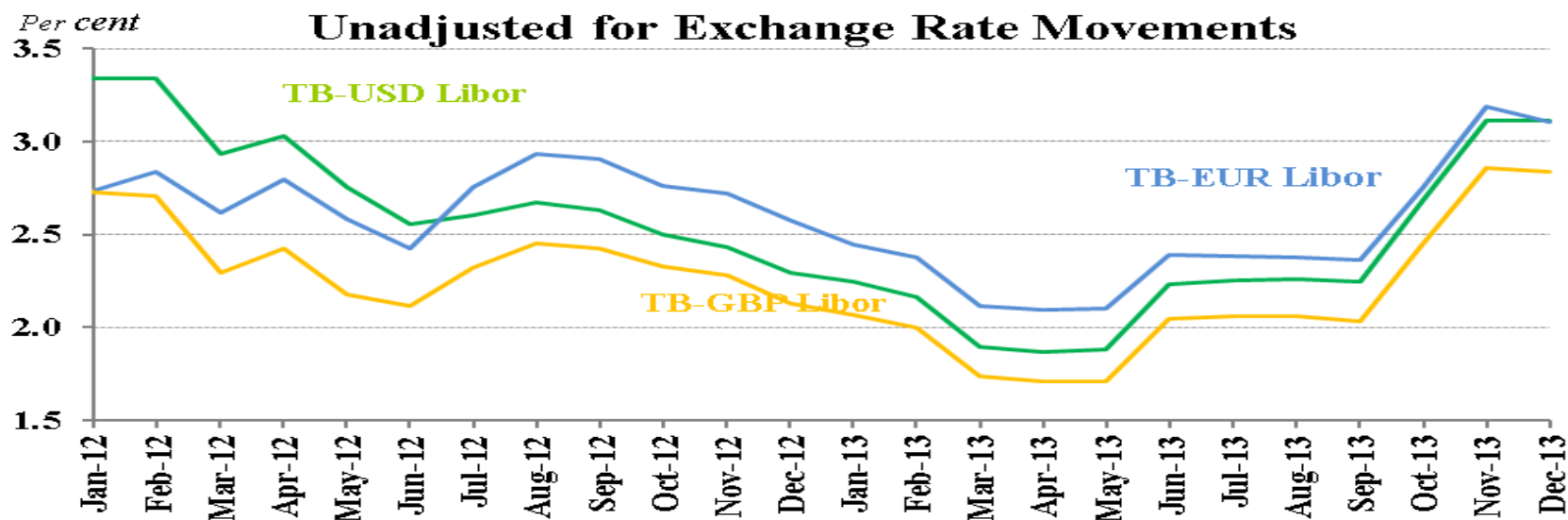
Yields on Long-Term GoM Bonds



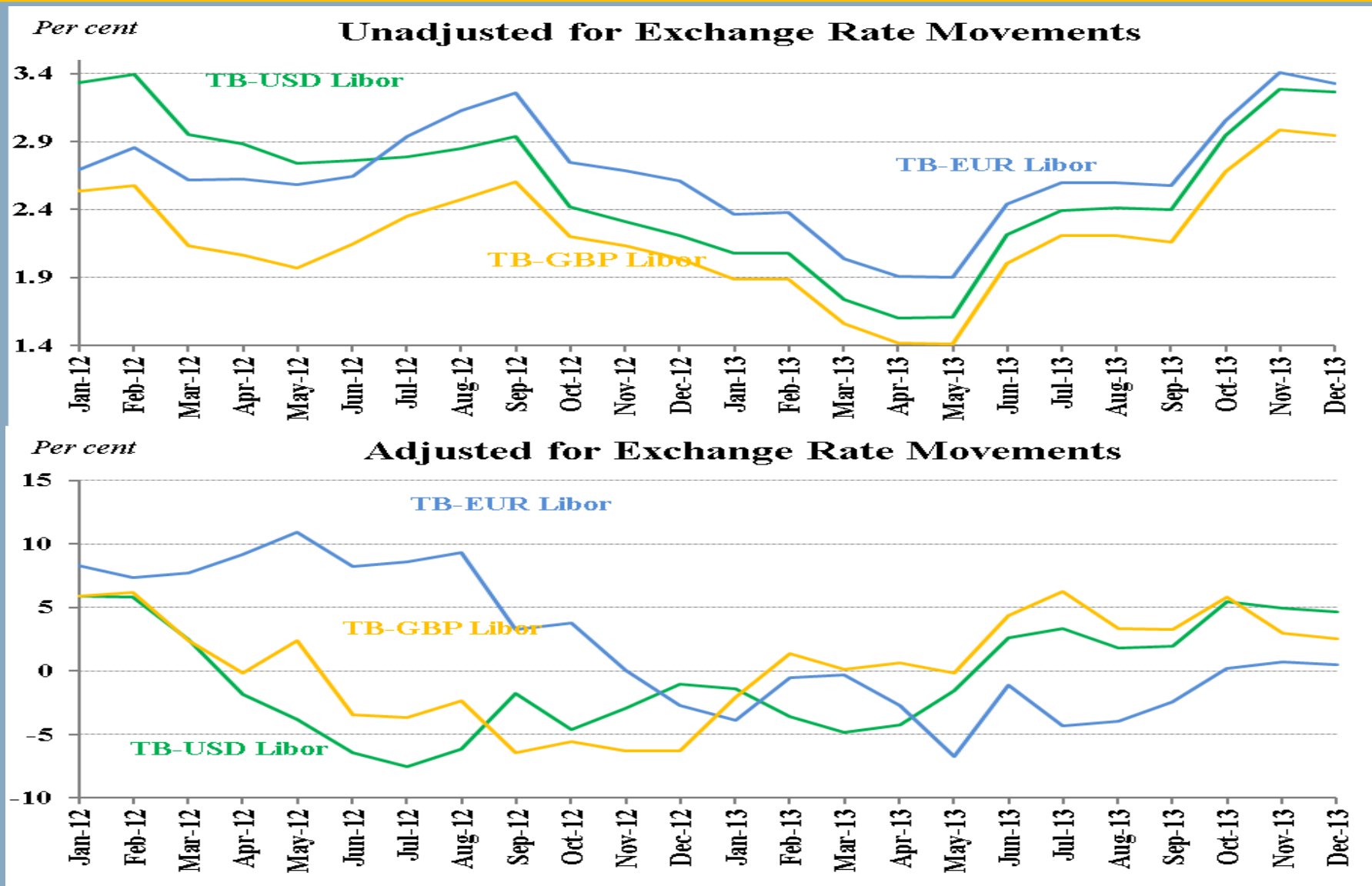
3-Month Interest Rate Differentials



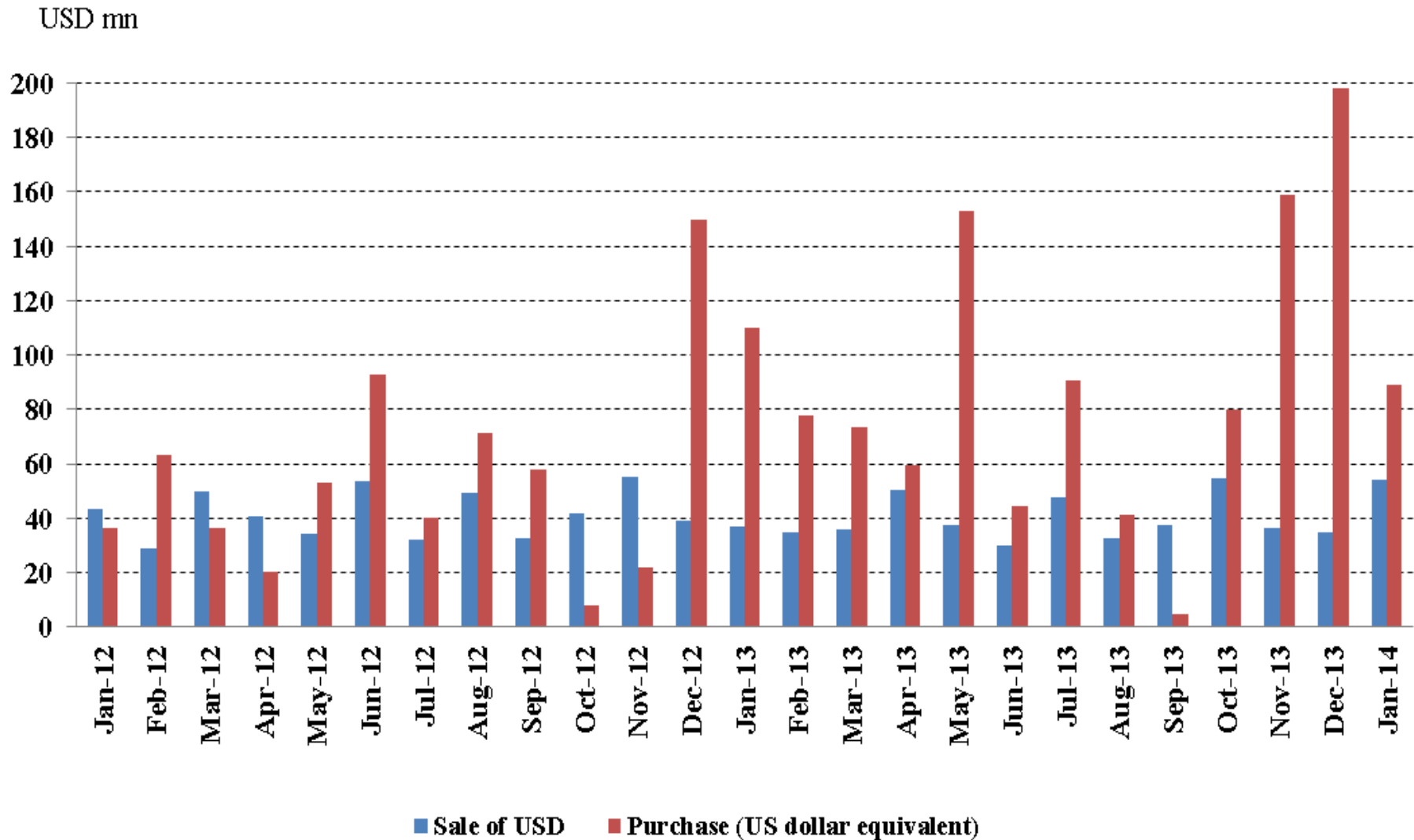
6-Month Interest Rate Differentials



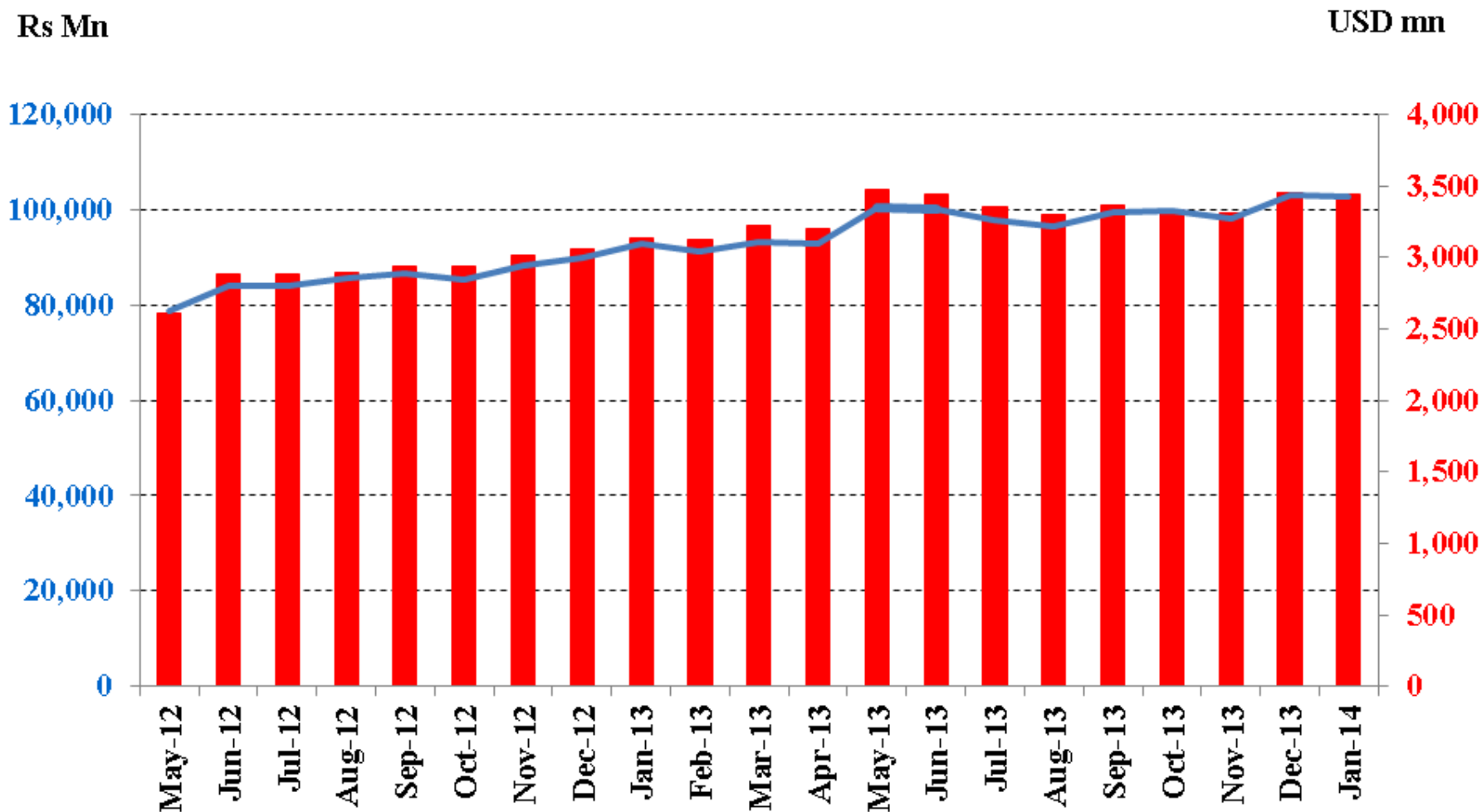
12-Month Interest Rate Differentials



BoM Intervention on Domestic Forex Market



BoM External Assets



Recent Policy Rate Cuts

							IMF ESTIMATES for 2014 (Oct-13 WEO) #					
DATE	COUNTRY	Rate Cut (bps)	Policy Rate	Inflation Rate	Ref. Period	Real Policy Int	GDP Growth	Unemployment Rate	GNS	Budget Balance	General Govt Gross	CAB
			(%)				(%)		(% of GDP)			
	MAURITIUS		4.65%	4.0 ¹	Dec-13	0.65%	3.7	8.0	15.3	-3.2	50.6	-9.1
21-Jan-14	Hungary	15	8.00%	2.13	Dec-13	5.87%	1.3	11.1	18.5	-2.8	80.0	2.0
19-Jan-14	Jordan	25	2.85%	5.89	Dec-13	-3.04%	3.5	12.2	18.3	-8.0	87.0	-9.1
08-Jan-14	Romania	25	3.75%	4.51	Dec-13	-0.76%	2.2	7.1	23.7	-2.0	38.1	-2.5
24-Dec-13	Armenia	25	7.75%	7.00	Dec-13	0.75%	4.8	18.0	16.5	-2.3	44.1	-8.6
17-Dec-13	Serbia	50	9.50%	8.48	Dec-13	1.02%	2.0	24.9	14.1	-6.2	71.3	-6.5
17-Dec-13	Hungary	20	3.00%	2.13	Dec-13	0.87%	1.3	11.1	18.5	-2.8	80.0	2.0
17-Dec-13	Sweden	25	0.75%	0.21	Dec-13	0.54%	2.30	7.7	24.4	-1.5	42.2	5.5
16-Dec-13	Albania	25	3.00%	2.17	Dec-13	0.83%	2.1	10.5	11.8	-6.3	68.3	-10.5
10-Dec-13	Botswana	50	7.50%	6.78	Dec-13	0.72%	4.1	n/a	35.3	1.5	13.8	-1.2
05-Dec-13	Egypt	50	8.25%	6.91	Dec-13	1.34%	2.8	12.8	15.4	-13.2	91.8	-0.9
03-Dec-13	Uganda	50	11.50%	4.95	Dec-13	6.55%	6.5	n/a	14.4	-6.0	34.7	-13.9
27-Nov-13	Albania	25	3.25%	2.17	Dec-13	1.08%	2.1	10.5	11.8	-6.3	68.3	-10.5
27-Nov-13	Thailand	25	2.25%	2.20	Dec-13	0.05%	5.2	0.7	31.0	-3.2	48.3	-0.2
26-Nov-13	Hungary	20	3.20%	2.13	Dec-13	1.07%	1.3	11.1	18.5	-2.8	80.0	2.0
25-Nov-13	Angola	50	9.25%	9.18	Dec-13	0.07%	6.3	n/a	19.0	-0.8	35.1	4.6

¹ Year-on-Year inflation rate.

Except Mauritius.

Source: <http://www.tradingeconomics.com>; <http://www.cbrates.com>; The Economist.

Recent Policy Rate Cuts

							IMF ESTIMATES for 2014 (Oct-13 WEO) #					
DATE	COUNTRY	Rate Cut (bps)	Policy Rate	Inflation Rate	Ref. Period	Real Policy Int	GDP Growth	Unemployment Rate	GNS	Budget Balance	General Govt Gross	CAB
			(%)				(%)		(% of GDP)			
	MAURITIUS		4.65%	4.0 ¹	Dec-13	0.65%	3.7	8.0	15.3	-3.2	50.6	-9.1
19-Nov-13	Chile	25	4.50%	1.73	Dec-13	2.77%	4.5	6.4	20.9	-0.2	13.2	-4.0
12-Nov-13	Armenia	50	8.00%	7.00	Dec-13	1.00%	4.8	18.0	16.5	-2.3	44.1	-8.6
11-Nov-13	Latvia	125	0.25%	0.69	Dec-13	-0.44%	4.2	10.7	24.9	-0.5	34.6	-1.3
07-Nov-13	Peru	25	4.00%	2.81	Dec-13	1.19%	5.7	6.0	23.2	0.3	17.1	-5.1
07-Nov-13	Eurozone	25	0.25%	1.40	Dec-13	-1.15%	n/a	n/a	n/a	n/a	n/a	n/a
07-Nov-13	Serbia	50	10.00%	8.48	Dec-13	1.52%	2.0	24.9	14.1	-6.2	71.3	-6.5
05-Nov-13	Romania	25	4.00%	4.51	Dec-13	-0.51%	2.2	7.1	23.7	-2.0	38.1	-2.5
29-Oct-13	Hungary	20	3.40%	2.13	Dec-13	1.27%	1.26	11.1	18.5	-2.8	80.0	2.0
25-Oct-13	Mexico	25	3.50%	3.60	Dec-13	-0.09%	3.0	4.5	24.0	-4.1	45.8	-1.5
22-Oct-13	Jordan	25	4.50%	5.89	Dec-13	-1.39%	3.5	12.2	18.3	-8.0	87.0	-9.1
18-Oct-13	Serbia	50	10.50%	8.48	Dec-13	2.02%	2.0	24.9	14.1	-6.2	71.3	-6.5
17-Oct-13	Chile	25	4.75%	1.73	Dec-13	3.02%	4.5	6.4	20.9	-0.2	13.2	-4.0
16-Oct-13	Mozambique	50	8.25%	5.53	Dec-13	2.72%	8.50	11.1	8.5	-7.2	49.1	-41.7
15-Oct-13	Sri Lanka	50	6.50%	7.42	Dec-13	-0.92%	6.8	4.0	29.6	-5.2	32.0	-4.4

¹ Year-on-Year inflation rate.

Except Mauritius.

Recent Policy Rate Hikes

							IMF ESTIMATES for 2014 (Oct-13 WEO) #					
DATE	COUNTRY	Rate Hike (bps)	New Policy Rate	Inflation Rate	Ref. Period	Real Policy Int Rate	GDP Growth	Unemployment Rate	GNS	Budget Balance	General Govt Gross Debt	CAB
			(%)				(%)		(% of GDP)			
	MAURITIUS		4.65%	4.0¹	Dec-13	0.65%	3.7	8.0	15.3	-3.2	50.6	-9.1
29-Jan-14	S. Africa	50	5.50%	5.40	Nov-13	0.10%	2.9	26.2	13.2	-4.7	44.7	-6.1
28-Jan-14	Turkey	550	10.00%	7.71	Dec-13	2.29%	3.5	9.5	12.9	-2.3	34.9	-7.2
28-Jan-14	India	25	8.00%	10.88	Dec-13	-2.88%	5.1	n/a	31.3	-8.5	68.1	-3.8
15-Jan-14	Brazil	50	10.50%	6.35	Dec-13	4.15%	2.5	6.0	16.0	-3.2	69.0	-3.2
27-Dec-13	Tunisia	50	4.50%	6.00	Dec-13	-1.50%	3.7	16.0	17.4	-4.3	49.7	-6.6
27-Nov-13	Brazil	50	10.00%	6.35	Dec-13	3.65%	2.5	6.0	16.0	-3.2	69.0	-3.2
13-Nov-13	Pakistan	50	10.00%	7.36	Dec-13	2.64%	2.5	6.9	14.3	-5.5	66.6	-0.6
14-Nov-13	Indonesia	25	7.50%	7.26	Dec-13	0.24%	5.5	5.8	30.6	-2.5	26.8	-3.1
29-Oct-13	India	25	7.75%	10.88	Dec-13	-3.13%	5.1	n/a	31.3	-8.5	68.1	-3.8
09-Oct-13	Brazil	50	9.50%	6.35	Dec-13	3.15%	2.5	6.0	16.0	-3.2	69.0	-3.2

¹ Year-on-Year inflation rate.

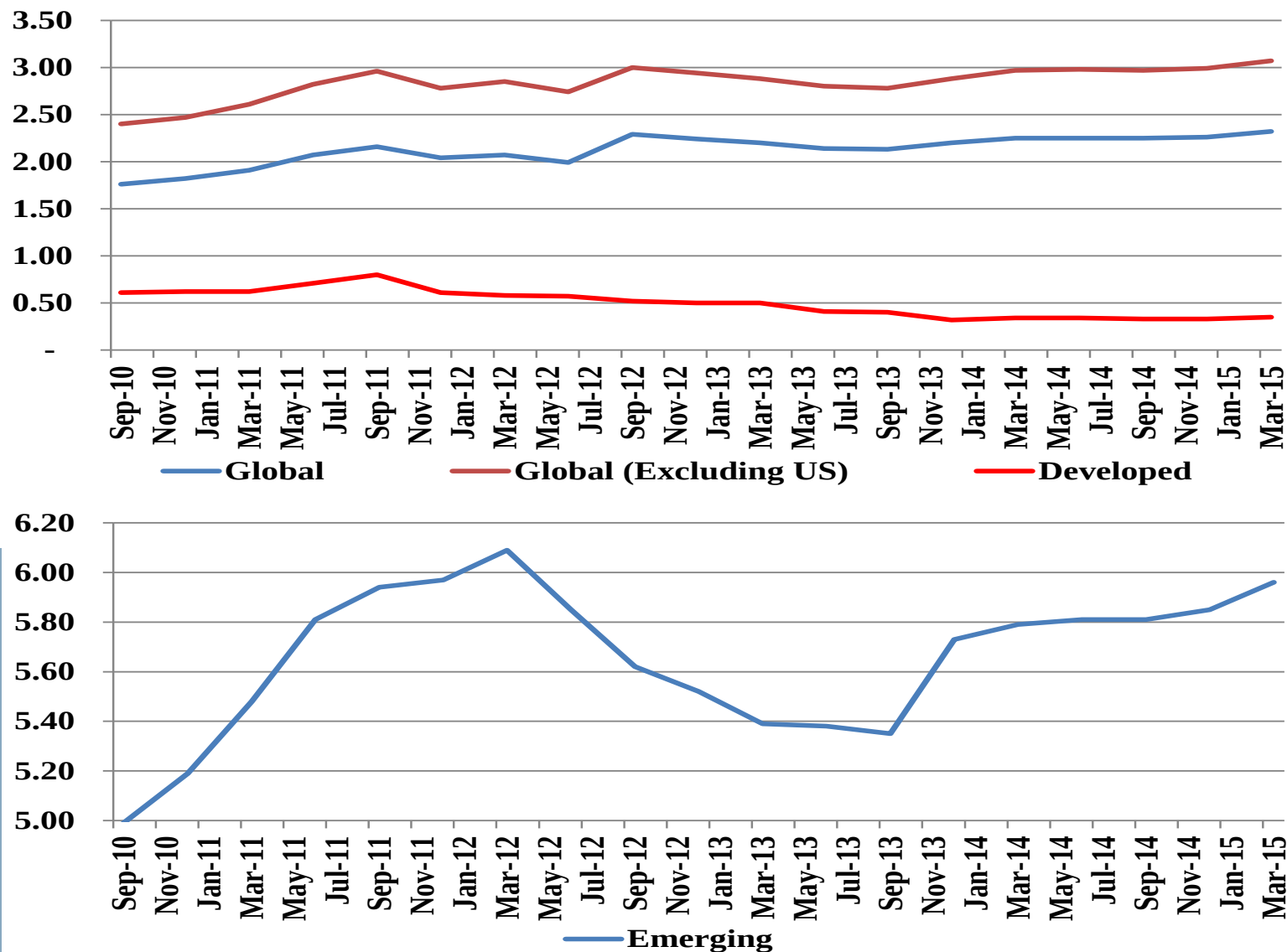
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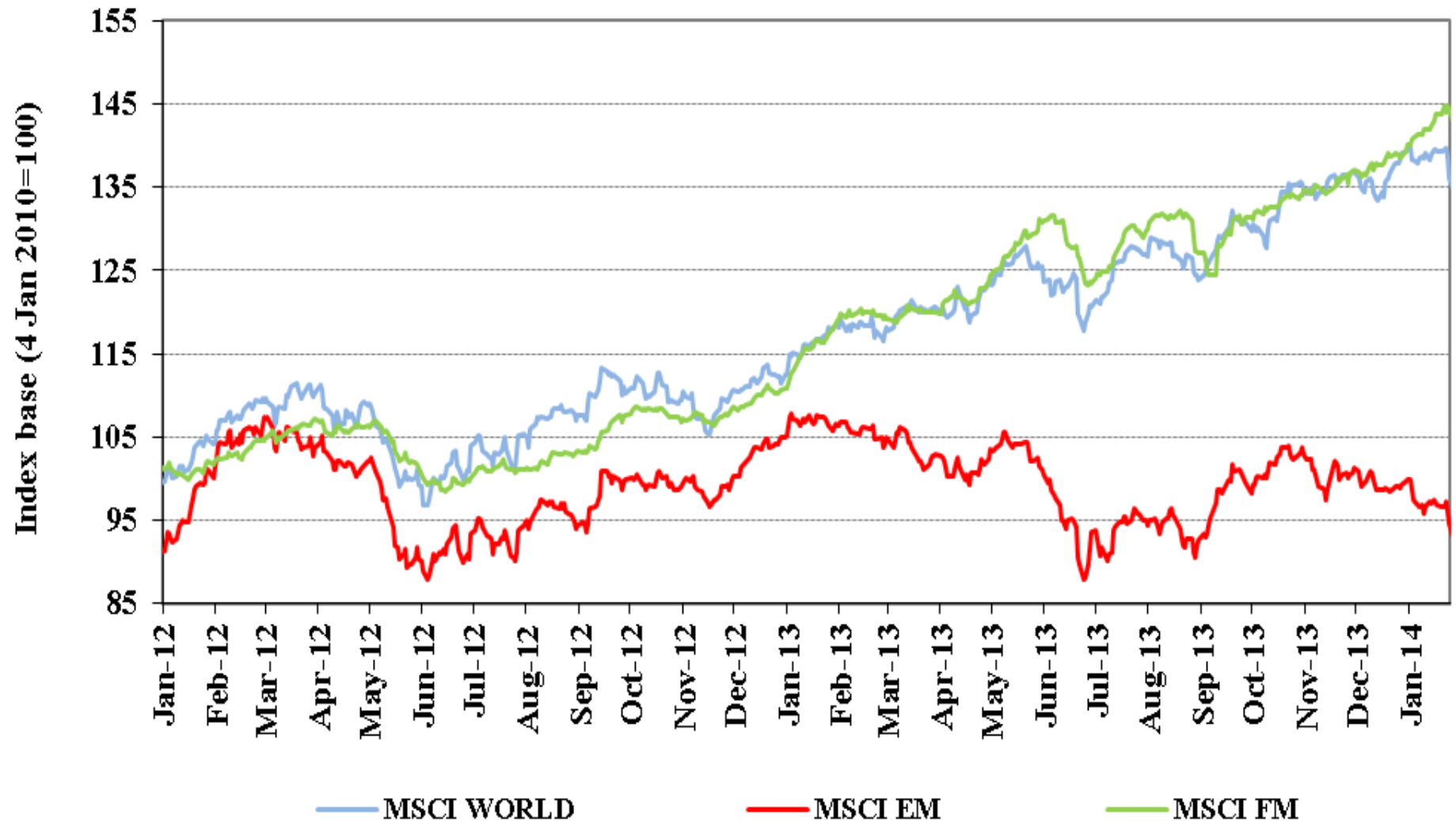
Forecast of Policy Interest Rates

(per cent)										
	Current Official Rate 24-Jan-14	Inflation Rate	REUTERS (23-Jan-14)				JP MORGAN (24-Jan-14)			
			Mar-14	Jun-14	Sep-14	Dec-14	Mar-14	Jun-14	Sep-14	Dec-14
Global	2.25						2.25	2.25	2.25	2.26
Developed	0.32						0.34	0.34	0.33	0.33
Emerging	5.74						5.79	5.81	5.81	5.85
US	0.13	1.5	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Euro area	0.25	0.7	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
UK	0.50	2.0	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Japan	0.05	1.6	0.05	0.05	-	-	0.05	0.05	0.05	0.05
Canada	1.00	1.2	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Australia	2.50	2.7					2.50	2.50	2.25	2.25
New Zealand	2.50	1.6					2.75	3.00	3.25	3.25
Brazil	10.50	5.9					10.75	11.00	11.00	11.00
Russia	5.50	6.5					5.50	5.25	5.00	5.00
India	7.75	6.2					7.75	8.00	8.25	8.50
China	6.00	2.5	6.00	6.25	-	-	6.00	6.00	6.00	6.00
Indonesia	7.50	8.2					7.50	7.75	7.75	7.75
Malaysia	3.00	3.2					3.00	3.00	3.00	3.00
Thailand	2.25	1.9					2.00	2.00	2.00	2.00
Philippines	3.50	4.1					3.50	3.50	3.50	3.75
South Korea	2.50	1.1					2.50	2.50	2.50	2.50

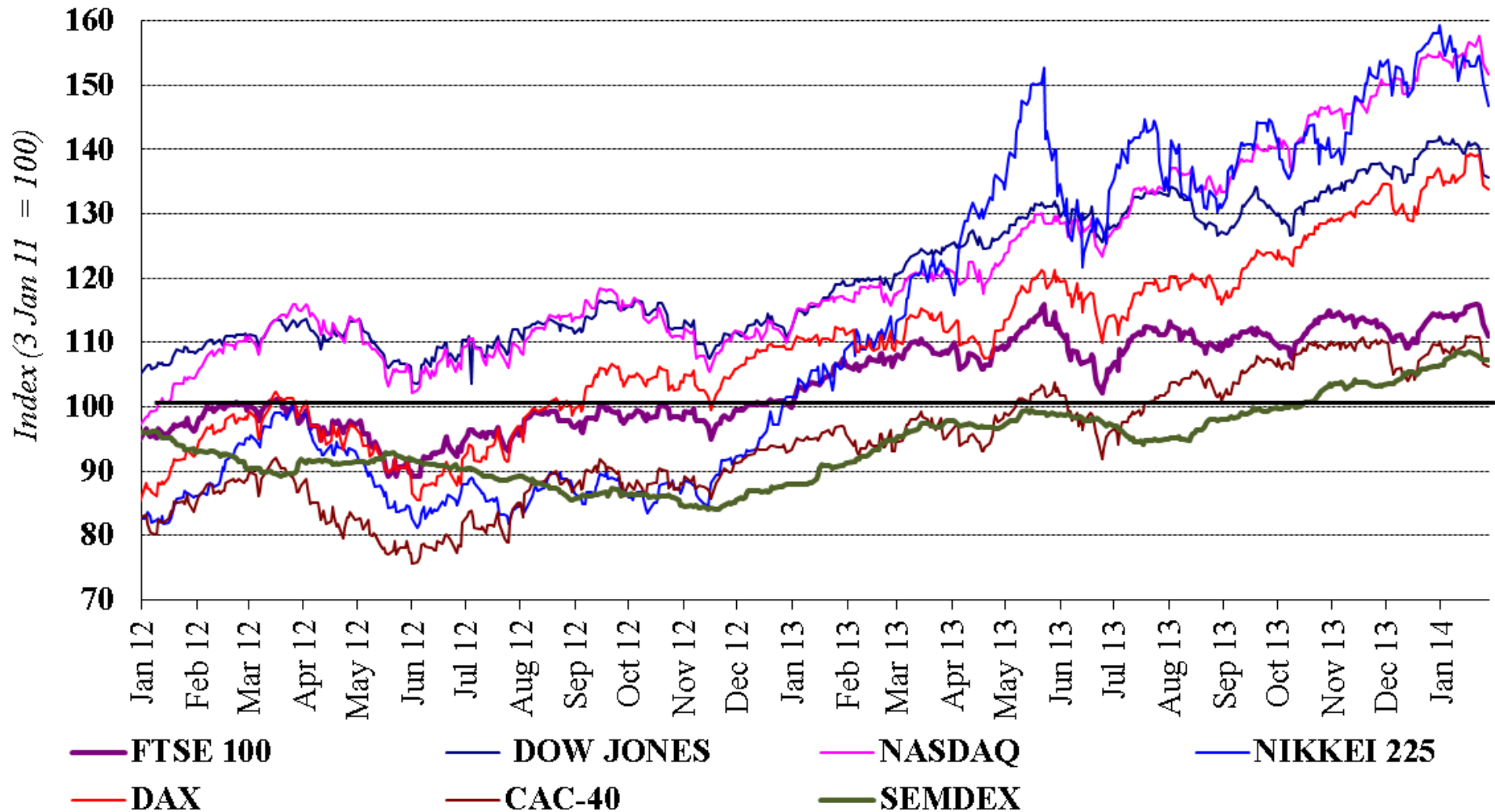
Policy Interest Rates (%) – GDP Weighted (JP Morgan)



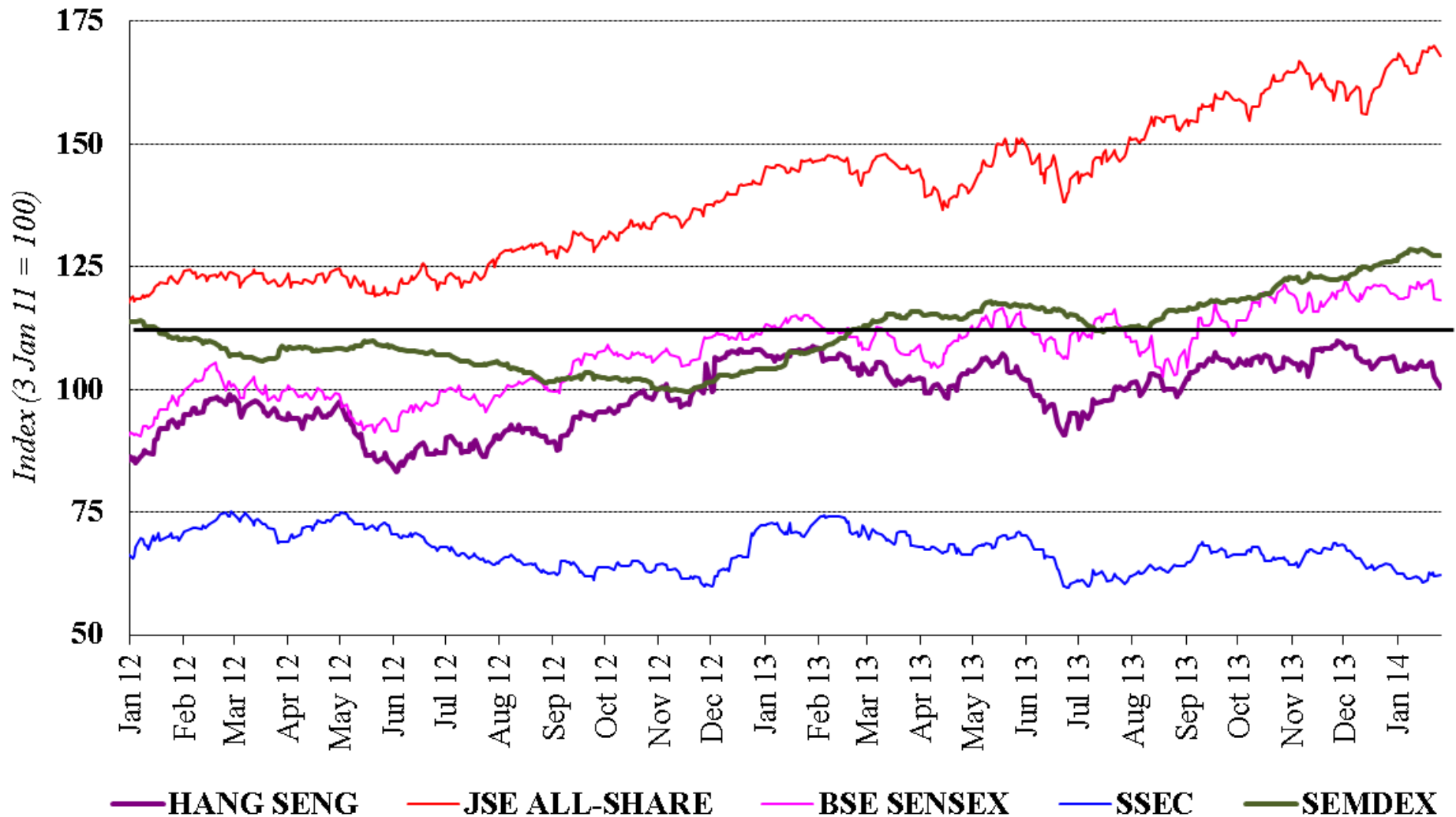
MSCI World, Emerging & Frontier Market Indices



Developed Market Indices & SEMDEX



Emerging Market Indices & SEMDEX



Foreign Investment on Local Stock Market

