

## DEBT MARKETS

### GLOBAL UPDATE

US treasuries notes rallied, pushing yields to this year's low on speculation that Greece will struggle to pass austerity measures & will avoid European Union's first default. The 10 yrs. note dropped by 8 basis to close at 2.86. The 2 yrs. paper yield closed at 0.33%, 4 basis lower compared to last week. Nymex crude prices fall by 2.00% to close at USD 91.16 per barrel. Gold prices dropped and closed the week at USD 1503 per ounce.

### MACRO ECONOMIC INDICATORS:

With regards to the weekly inflation for June 11, the primary articles inflation rate stood at 12.62% vis-à-vis 12.86% last week. The index rose 0.8% tracking a steep rise in food articles prices. The fuel and power index remained unchanged at 12.84%.

### GOVERNMENT SECURITIES AND TREASURY BILLS

The trade week witnessed a strong G-Sec opening tracking the fall in crude oil price. The lack of concrete outcome of the Greek aid payout also kept the prices elevated. Some correction followed in wake of profit taking at higher levels. Mid-week, the G-Sec yields continued to rise tracking the rise in the US Treasury yields and fresh supply lined up for the week. With higher probability of Greece receiving aid, yields rose across the curve. The sell-off continued in wake of the announcement of likely hike in the prices of diesel, kerosene and LPG in the EGoM meet. The steep rise in weekly primary articles inflation also led to a rise in yields. However, Friday marked a gap up opening in wake of a sharp decline in crude price. The market traded apprehensive ahead of the EGoM meet on fuel price hike and the auction bidding. The postponement of EGoM (post market hours) and the aggressive auction cut-off prices strengthened G-Sec prices. The 10 yrs benchmark security 7.80% GS 2021 ended at ₹97.04 (8.24%) compared.

The cut-off prices for the G-Sec auctions held on June 24th were set as follows: 7.59% GS 2016 at ₹97.06 (8.34%), for 8.08% GS 2022 at ₹98.06 (8.35%) and for 8.28% GS 2032 at ₹96.92 (8.60%). RBI set the cut-off price for the 91 Days T-Bill at ₹98.00 (8.19%) (compared to the previous cut-off of 8.27%) and for the 182 Days T-Bill at ₹96.09 (8.16%) (compared to previous cut-off of 8.23%).

### LIQUIDITY CALL

The week under review witnessed a widened liquidity deficit post the outflow of the advance tax payment and the start of a

new Reporting fortnight. The net infusion by RBI into the system via the LAF Repo window averaged ₹1,00,445 Crs on a daily basis. The week earlier, market participants accessed funds worth ₹63,597 Cr on an average daily basis from the RBI. In the money market, the Call rate ended at an average rate of 7.65% on Friday as against 7.60% observed the week earlier. The CBLO levels moved to 7.26% compared to 6.33% in the previous week.

### CORPORATE BONDS

The corporate bond market activity remained centered around the PFC primary issue. The trading as well as PF fraternity exhibited interest in this issue. Trading in the secondary market remained minimal in wake of the primary market activity. The week ahead is expected to witness subdued activity tracking the month end.

The corporate bond yields hardened across the curve with the 1 yr bond trading at a yield of around 9.72% compared to 9.61% seen a week earlier. The 1 yr CD yield was seen trading at 9.81% compared to 9.79% seen previously. The 10 yrs AAA bond ended at a yield of around 9.61% compared to previous week's closing of 9.60%.

In the primary market, Punjab & Sind Bank raised ₹300 Crs via sale of 9.73% 124 months paper. PFC issued 9.64% 3 yrs, 9.62% 5 yrs and 9.61% 10 yrs paper to raise an aggregate amount of ₹3,000 Cr. HDFC came up with the issuance of its 9.90% 5 yrs security to raise ₹250 Cr.

### RUPEE

India's rupee depreciated this week due to month end dollar demand from importers to meet their monthly requirement. However, a sharp rally in local equities and renewed portfolio investments capped the rupee fall to a certain extent. It traded in a range of 44.85 to 45.01 to close at 45.00 depreciating 0.29% w-o-w.

### FUND MANAGER COMMENTS

The three month CD yields traded at sub 9 levels through out the week by moving 10-15 bps from its previous week's levels. Being a reporting week, there will be no over covering. So, weekly LAF average may come down in a range 50,000 Crs to 60,000 Crs. The money market rates are likely to come down by 10-15 basis points because of MF buying in this segment. The 10 yrs G-Sec would remain range bound and likely range for this week would be 8.15%-8.30%.

### Market Indicators as on 24th June, 2011

	24/06/2011	17/06/2011	% change
INR/USD	45.00	44.87	0.29
Oil (\$/bbl)	91.16	93.01	-1.99
Gold (\$/oz)	1,502.65	1,539.45	-2.39
10 years G-Sec	8.24	8.27	-0.03
10 years AAA	9.62	9.60	0.02
NSE Mibor	7.69	7.65	0.04

Source: Bloomberg

## EQUITY MARKETS

Indian market started the week on a negative note because of buzz on rethinking of the Mauritius tax treaty and its impact on the FDI flow. But during the course of the week, market managed to pull back and rebound on Friday on the back of the fall in the crude prices and news of allies decided to release 60m barrels from their strategic reserves; as a result, benchmark indices closed up 2% for the week.

On the sectoral level, IT (+3%) and Banking (+2.5%) lead the rally followed by Auto (1%) and Capital Goods (+1.4%), while Real Estate (-5%) lagged. However, Mid-cap and Small-cap indices had a rough week, as concerns on liquidity, funding, etc in a high-interest rate environment drove stock prices lower.

Among the stocks, Hero Honda gained 7.7% followed by HDFC (4.6%) and M&M (4.6%). On the losing side, Reliance Infra lost 8.6% followed by Cairn India (-4.6%) and Maruti Suzuki (+3.9%).

During the week, concerns raised for several factors related to FCCB, Interest rate and commodity prices. This has resulted in panic in the small cap indices and some of the stocks have corrected sharply because of the inherent weakness in their fundamentals.

India's federal government Friday decided to raise diesel and cooking fuel prices after a year to help state-run retailers trim their losses. The government allowed fuel retailers to increase diesel prices by 3 rupees per liter, cooking gas by 50 rupees for each 14.2 kilogram cylinder and kerosene by 2 rupees per liter, effective midnight. The panel also approved removing the current 5% import tax on crude oil, and reducing the import tax on all fuel products by five percentage points and excise duty on diesel to 2 rupees per liter from 4.60 rupees per liter.

IMD cuts monsoon forecast to 95% of LPA from 98%. This may impact the farm output and accelerate inflation. India food inflation shoot up to 9.13% for the week ended June 11, highest level in the past 6 months. This has resulted in RBI raising rates in its recent policy meet.

For the week ended 22 June 2011 (15 June 2011 - 22 June 2011), monsoon was above normal by 23%. Actual rain fall was 52.2 mm against 42.4mm.

Food inflation accelerated in the week ending June 11 on the back of costly fish, milk, chicken, egg and other items keeping up the pressure, fuelling expectations that the Reserve Bank of India (RBI) will maintain its tight monetary policy in the months ahead. Data released by the commerce and industry ministry showed food inflation quickened to an annual 9.13%, in the week to June 11, rising from the previous week's 8.96%. The index for food articles group rose 1.5% to 191.9 from 188.4 for the previous week due to higher prices of fish (5%), milk (4%), tea and chicken (3% each), jowar and egg (2% each) and fruit and vegetables (1% each)

Outward FDI by Indian corporate touched record \$43bn in FY11, with most of the outgo being in the form of guarantees to offshore investment companies (\$27bn). It is more than twice the amount (\$20.9bn) invested by India Inc in the pre crisis year.

On the global news front, Fed reduced its US GDP forecast to 2.7% - 2.9% from 3.1% - 3.3% and confirmed the end of QE2. It would maintain interest rates at exceptionally low levels (0 to 0.25%) for an "extended period" of time. There was no mention about QE3.

IMF expects global growth of 4.3% this year, down slightly from the 4.4% estimate offered in April in what it called a "mild slowdown of the global expansion." It kept forecast for India at 8.2% for 2011 and 7.8% for 2012. IMF also pointed out that global inflation picked up to 4% in Mar-11 quarter from 3.25% in Dec-10 quarter due to a higher-than-expected increase in commodity prices

### Taurus Benchmark Indices Movement

Indices	24/06/11	17/06/11	Points change	% change
BSE Sensex	18240.68	17870.53	370.15	2.07
S&P CNX Nifty	5471.25	5366.40	104.85	1.95
BSE 100	9522.56	9384.31	138.25	1.47
BSE 200	2249.48	2225.66	23.82	1.07
CNX Midcap	7799.10	7921.15	-122.05	-1.54
S&P CNX 500 Shariah	1276.10	1266.92	9.18	0.72

### Weekly FII & MF Net Flows (₹. in crs.)

20/06/2011-24/06/2011	Equity	Debt
FII	-1126.10	-436.60
MFs	1026.30	14762.80

Source : SEBI site

Any information contained herein is for informational purpose only and does not constitute advice or offer to sell/purchase units of the schemes of Taurus Mutual Fund. Information gathered and provided in this document is believed to be from reliable sources and the Fund does not warrant the accuracy and/or completeness of any information. Taurus AMC disclaims any liability for actions taken by anyone on the basis of the opinions contained herein. The material contained herein cannot be reproduced, distributed or quoted anywhere without express written consent of Taurus AMC. Mutual Fund Investments are subject to market risks. Please read the Scheme Information Document carefully before investing