

DEBT MARKETS

GLOBAL UPDATE

US treasury paper remained range bound last week. The yields went up during the first half of the week, only to pare losses on Friday on New York Fed President Mr. Dudley's comments. He noticed that US economic recovery is still far from the mark from the Federal Reserve's target. The 2 yrs note closed the yield at 0.80%, 7 basis higher compared to previous week, where as the 10 yrs note closed unchanged at 3.44%.

GOVERNMENT SECURITIES AND TREASURY BILLS

The G-Sec markets remained lacklustre as traders focussed on short term money market instruments. Lack of any trigger and the trading opportunity in the volatile short end of money market curve saw many a trading positions being built in 3m CDs. The T-Bill auctions held last week were fully subscribed. The 91-Days T-Bill auction worth ₹5,000 cr saw a cut-off of ₹ 98.21 implying a yield of 7.31%. The bid-to-cover ratio was at 2.19 and the weighted average yield was at 7.27%. The 182-Day T-Bill auction worth ₹2,000 cr saw a cut-off of ₹96.40, implying a yield of 7.49%. The bid-to-cover ratio was at 4.36 and the weighted average yield was at 7.47%.

LIQUIDITY CALL

Liquidity conditions tightened last week. The average amount under LAF was negative INR 92k Cr. against INR 69k Cr last week. The strain on liquidity was visible on the system on 31st March as overnight MIBOR rose to a two year high of 9.24%. Overnight rates like MIBOR, and CBLO traded between 7.23% -9.24% and 6.70% - 9.00% respectively.

CORPORATE BONDS

Corporate bond yield curve remained inverted with 5 yrs bonds trading at higher yield compared to 10 yrs papers. The yields went up by 1-2 basis points across the curve. The 5 yrs AAA rated corporate bond yields closed at 9.2250% while 10 yrs benchmark bond yields remained range bound to close at 9.1500%.

RUPEE

The Indian Rupee appreciated marginally against USD as equity market rallied on fresh inflows from domestic and foreign players. It traded in a range of 44.51 to 44.91 to close at 44.58 appreciating 0.22% WoW.

FUND MANAGER COMMENTS

The money market traders were stars last week, with yields coming off by 150 basis points in 3m segment and 75-100 basis points in 6m-12m segment, as spurt of buying was seen by Mutual Funds to build the portfolio for coming quarter. The sudden squeeze in liquidity on 31st March took MFs by surprise, pushing the 3m rates to trade with a volatility of 75-80 basis points.

This week the short end of the curve may see further buying as mutual funds, flush with cash, after meeting the redemptions, would look to buy at these levels, so as not to miss this rally. The likely range for 3m prime CD would be 8.75-9.25. The 10 yrs benchmark G-Sec is likely to trade in a range of 7.90%-8.05% in this week.

Market Indicators as on 1st April, 2011

	1/04/2011	25/03/2011	% change
INR/USD	44.58	44.68	-0.22
Oil (\$/bbl)	107.94	104.91	2.89
Gold (\$/oz)	1,428.80	1,436.60	-0.54
10 years G-Sec	7.99	7.99	0.00
10 years AAA	9.15	9.14	0.02
NSE Mibor	9.24	7.79	1.45

Source: Bloomberg

EQUITY MARKETS

Indian equity market continued its positive territory during the week. The BSE sensex has posted a weekly gain of 3.2% while the NIFTY index posted gain of 3.0%. BSE mid cap and small cap outperformed the market as they posted weekly gain of 3.89% and 4.46% respectively.

On the sectoral front, Realty gained 7.15% followed by Consumer durable (5.97%), Auto (5.74%), Power (3.3%) and Metal (3.18%).

Among the nifty stocks, DLF gained 9.17% followed by Maruti (7.51%), Hero Honda (7.48%) and Reliance power (6.94%). On the losing side, Kotak bank lost 0.52% followed by HCL Tech (-0.87%) and Sun pharma (-2.77%)

The Index of six core industries having a combined weight of 26.7% in the Index of Industrial Production (IIP) stood at 268.9 in Feb'11 and grew 6.8%, as against 4.2% in Feb'10. The crude oil production grew 12.2% in Feb'11, as against 4% growth in Feb'10. The petroleum refinery production grew 3.2% in Feb'11, as against 0.7% growth in Feb'10. The coal production registered a growth of (-) 5.7% in Feb'11, as against 6.7% growth in Feb'10. The electricity generation grew 7.2 % in Feb'11, as against 6.9% growth in Feb'10. The cement production grew 6.5% in Feb'11, as against 7.9% in Feb'10. The production of finished (carbon) steel registered grew 11.5% in Feb'11, as against (-) 0.2% in Feb'10.

India's exports valued at US\$23.59 bn (₹1,072.15 bn) in Feb'11, as against US\$15.75 bn (₹730.02 bn) in Feb'10, registering 49.7% YoY rise in Dollar terms, and 46.9% YoY growth in Rupee terms. The country's cumulative value of exports stood at US\$208.22 bn (₹9,492.78 bn) in Apr'10-Feb'11 period, as against US\$158.4 bn (₹7,533.84 bn) in Apr'09-Feb'10 period, registering 31.4% YoY growth in Dollar terms and 26% YoY rise in Rupee terms. India's imports valued at US\$31.7 bn (₹1,440.37 bn) in Feb'11, as against US\$26.16 bn (₹1,212.12 bn) in Feb'10, representing 21.2% YoY growth in Dollar terms and 18.8% YoY rise in Rupee terms. The cumulative value of imports recorded at US\$305.29 bn (₹13,921.78 bn) in Apr'10-Feb'11 period, as against US\$258.74 bn (₹12,289.44 bn) in Apr'09-Feb'10 period, registering 18% YoY growth in Dollar terms and 13.3% YoY rise in Rupee terms.

The Government has released the third edition of the Consolidated FDI Policy. The major changes include: (1) companies will now have the option of prescribing a conversion formula; (2) Inclusion of fresh items for issue of shares against non-cash considerations; (3) Removal of the condition of prior approval in case of existing JVS / technical collaborations in the same field; (4) Simplification & Rationalization of the guidelines relating to down-stream investments and (5) In the agriculture sector, FDI will now be permitted in the development and production of seeds and planting material.

India has released the provisional 2011 Census report, which shows that the country's population has increased to about 1,210.2 mn, or 17.5% of the world population. Literacy rate has marked a 9% increase, while the growth rate has reduced from 21.15% to 17.64, compared to the last time the government counted heads of its citizens in 2001. A positive feature was the notable growth in overall literacy rate as well as in the number of literate women. The literacy rate went up to 74% from about 65 in the last census, while women outpaced men in literacy with a 12% increase.

Food inflation for the week ending March 19 came down to single digit at 9.5% from 10.05% a week ago as prices of cereals, wheat, vegetables, onions and egg, meat and fish eased. According to data released by the government today, food articles showed a decline of 0.50% during the week with prices of cereals declining by -0.23% while that of wheat falling by -1.42%. Vegetables became cheaper by 3.81% while onion prices fell by -8.86% during the week under review.

On the global news front, Asian currencies strengthened, led by South Korea's won and Indonesia's rupiah, on speculation overseas investors are adding to their holdings of the region's assets to take advantage of the economic growth outlook. US consumer confidence index fell to 63.4 in March from an upwardly revised 72.0 in February. Economists had been expecting the index to drop to 64.0 from the 70.4 originally reported for the previous month.

Taurus Benchmark Indices Movement

Indices	01/04/11	25/03/11	Points change	% change
BSE Sensex	19420.39	18815.64	604.75	3.21
S&P CNX Nifty	5826.05	5654.25	171.80	3.04
BSE 100	10104.68	9789.66	315.02	3.22
BSE 200	2384.95	2310.58	74.37	3.22
CNX Midcap	8129.10	7824.15	304.95	3.90
S&P CNX 500 Shariah	1341.18	1298.47	42.71	3.29

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

28/03/2011-31/03/2011	Equity	Debt
FII	4543.60	-1667.50
MFs	-723.30	-7748.70

Source : SEBI site

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