

DEBT MARKETS

GLOBAL UPDATE

Treasury papers rose for the third continuous week as Federal Reserve is likely to maintain the monetary stimulus once the treasury buyback of USD 600 Mn is over in June 2011. The 10 yrs benchmark paper's yield fell by 10 basis to close at 3.29%. The 2 yrs note closed at 0.60%, 5 basis point lower than previous week. Nymex crude climbed nearly 1.5% and the Gold rose by 3.77% to close at record USD 1563.70 per ounce.

GOVERNMENT SECURITIES AND TREASURY BILLS

The G-Sec traders remained cautious as the trading volumes remained low ahead of the upcoming monetary policy. The nervous market saw yields going up by 5-7 basis across the curve, with the spread between 10-11 year coming down by 3-4 basis points. The 10 yrs benchmark closed at the highest yield since issuance, at 8.13%.

The cut-off prices for the G-Sec auctions were set as 7.83% GS 2018 at ₹98.60 (8.10%), 7.80% GS 2021 at ₹98.26 (8.06%) and 8.30% GS 2040 at ₹97.84 (8.50%). Cut off for West Bengal SDL came at 8.44%. The cut-off price for the 91 days T-Bill at ₹98.18 (7.44%) (compared to the previous cut-off of 7.19%) and for the 364 days T-Bill at ₹92.82 (7.76%) (compared to previous cut-off of 7.55%).

LIQUIDITY CALL

The liquidity conditions tightened last week with LAF showing a negative of INR 39k Cr compared to INR 7k Cr last week. Overnight rates like MIBOR, and CBLO traded between 6.89% -7.01% and 6.50% - 7.00% respectively.

CORPORATE BONDS

The corporate bond market was lacklustre, remaining range bound for most of the week. The bearish sentiment of G-Sec pushed up the yield of corporate bonds by 1-2 basis. The 10 yrs AAA paper closed at an yield of 9.2150%.

CURRENCY

The Indian Rupee moved in a narrow range of 44.22-44.63. It followed the global cues where USD remained under pressure, to close the week at its low of 44.22, appreciating 0.37% against USD.

FUND MANAGER COMMENTS

The money market rates flattened as the spread between 3m-12m came down by 12-15 basis points. The 3m issuances pushed up the CD rates close to 9.00%. The liquidity pressure, though, was evident in the GSec Market also, where the 10 yrs benchmark yields went up by 7-8 basis points.

This week all eyes will be on the RBI that is to announce the monetary policy on Tuesday. Though, there is some case for a 50 basis point hike, to give a strong signal against inflation, we believe that it would be another calibrated move of 25 basis. The money market rates is likely to move up by 10-15 basis point in the 3 months segment on account of issuance pressure. The likely range for 10 yrs would be 8.05%-8.20%.

Market Indicators as on 29th April, 2011

	28/04/2011	21/04/2011	% change
INR/USD	44.22	44.37	-0.33
Oil (\$/bbl)	113.93	112.29	1.46
Gold (\$/oz)	1,563.70	1,506.85	3.77
10 years G-Sec	8.13	8.10	0.03
10 years AAA	9.22	9.21	0.01
NSE Mibor	6.89	7.00	0.73

Source: Bloomberg

EQUITY MARKETS

The Indian equity market continued to remain in the positive zone for the week. The BSE Sensex gained 1.11% while Nifty gained 1.03% during the week. The BSE midcap and small cap continued to underperform the market as they lost 0.4% and 0.8% respectively.

Among the sectoral indices, BSE Oil & Gas index gained 2.77% followed by Metal Index (1.98%), Auto index (2.36%) and Bankex gained (1.21%). On the losing side, Capital index lost 2.4% followed by IT index (-0.8%) and Realty index (-1.2%).

On the Nifty stocks front, HCL Tech gained 7.52% followed by ONGC (6.35%), M&M (5.55%) and Hindalco Indus (5.04%). BHEL lost 7.55% followed by Grasim (-3.93%) and Infosys Tch (2.66%).

The annual rate of inflation in the food space rose in the second week of April but stayed below the double digit mark for the fourth straight week. The fuel inflation too inched higher in the same period. India's food inflation increased to 8.74% in the week ended April 9, 2011, as against 8.28% in the previous week, and 20.31% in the year-ago week. The index for 'Food Articles' group declined 0.1% to 182.9 from 183.0 in the previous week. The inflation in the primary articles group rose to 11.96% in the week under review, as against 11.4% in the

previous week, and 21.27% in the year-ago week. The index for this major group rose by 0.2% to 190.9 from 190.6 in the previous week.

India's exports grew by 43.9% to \$29.1 bn in FY11, with exports worth \$245.9 bn exports, a growth of 37.1% compared to the previous year. Engineering goods constituted the largest component of exports entailing considerable domestic value addition and engineering exports grew by 84.8% to \$60 bn. Petroleum products export grew by 50.6% to \$2.5 bn, while gems and jewellery exports increased by 15.3% to \$33.5 bn.

According to the Gem and Jewellery Export Promotion Council (GJEPC) the volume of exports of gem & jewellery from India grew 46.9% YoY to US\$43,139.24 mn in FY11, as against US\$29,358.49 mn in FY10. The exports cut & polished diamonds grew 54.9% YoY to US\$28251.92 mn in FY11, as against US\$18243.92 mn in FY10.

On the global news front, US housing starts rose by 7.2 percent to an annual rate of 549,000 in March after falling by 18.5 percent to a revised 512,000 in February. Economists had expected housing starts to rise to 525,000 from the 479,000 originally reported for the previous month.

Taurus Benchmark Indices Movement

Indices	29/04/11	21/04/11	Points change	% change
BSE Sensex	19135.96	19602.23	-466.27	-2.38
S&P CNX Nifty	5749.50	5884.70	-135.20	-2.30
BSE 100	9991.88	10209.66	-217.78	-2.13
BSE 200	2363.68	2415.54	-51.86	-2.15
CNX Midcap	8200.95	8313.95	-113.00	-1.36
S&P CNX 500 Shariah	1322.23	1345.10	-22.87	-1.70

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

22/04/2011-29/04/2011	Equity	Debt
FII's	-1079.50	149.70
MFs	172.30	-3010.50

Source : SEBI site

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