

## DEBT MARKETS

### GLOBAL UPDATE

Treasury notes were stronger in this week, as fears for inflation softened. The CPI index excluding food and energy rose by 0.1% for the month of March against expectations of 0.2% by economists. The 2 yrs note closed the yield at 0.70%, 11 basis lower compared to previous week, where as the 10 yrs note eased by 17 basis & closed at 3.41% on Friday Vs 3.58% previous week.

### GOVERNMENT SECURITIES AND TREASURY BILLS

The truncated trade week witnessed a negative sentiment in the market. The market traded on a bearish note ahead of the auction announcement on Monday. The lower than expected IIP data could not provide any substantial support to the G-Sec prices. The 2022 maturity papers continued to witness a massive sell-off post the rise of trade volumes in the new 10 yrs Benchmark security. Mid-week the market traded on a cautious note ahead of the release of the monthly inflation data and the fresh auction supply. The higher than expected monthly inflation data release on Friday led to a massive sell-off. The fresh auction supply further added to the pressure. The new 10 yrs benchmark security 7.80% GS 2021 ended at ₹ 98.71 (7.99%) vis-à-vis the previous closing of ₹ 99.61 (7.86%).

The cut-off prices for the G-Sec auctions held on April 15 were set as 7.59% GS 2016 at ₹97.50 (8.21%), 8.08% GS 2022 at ₹98.74 (8.25%) and 8.26% GS 2027 at ₹98.15 (8.47%). The shortest paper 7.59% GS 2016 devolved on the Primary dealers to the tune of ₹875 Cr. The T-Bill auctions held last week were fully subscribed. The 91-days T-Bill auction worth ₹4,000 Cr saw a cut-off of ₹98.24 implying a yield of 7.19%. The bid-to-cover ratio was at 2.65. The 182days T-Bill auction worth ₹2,000 Cr saw a cut-off of ₹96.42, implying a yield of 7.49%. The bid-to-cover ratio was at 3.87.

### LIQUIDITY CALL

The earlier week had marked huge under covering of products. The week under review was the early half of

the Reporting fortnight. Hence, higher product maintenance as well as auction payment led to a liquidity deficit in the system. The system reversed from an absorption mode by RBI to an infusion mode of funds. The daily average infusion of liquidity by RBI amounted to ₹24,903 Cr as against absorption of ₹57,978 Cr seen last week. Overnight rates like MIBOR, and CBLO traded between 6.74% -6.86% and 5.80% - 7.50% respectively.

### CORPORATE BONDS

The corporate bond market witnessed investments from the PF segment in the SBI and other bonds having maturity in the range of 2014-2026. In wake of the sell-off in the underlying G-Sec market traders reduced their positions in the corporate bonds too. The bond yields exhibited a mixed trend with the 1year bond trading at a yield of around 9.55% vis-à-vis 9.60% a week earlier. The 10 yrs AAA bond ended at a yield of around 9.21% compared to previous week's closing of 9.17%.

### RUPEE

The Indian Rupee depreciated against USD. It closed the week at 44.34 as compared to 44.08 depreciating 0.58% WoW.

### FUND MANAGER COMMENTS

The money market rates stabilized after coming down in the first week of April. The Mutual Fund demand kept the 3 month levels at sub 8.5%. The G-Sec market, though, was not in such luck, with only positive being bullish cut-off of the new 10 yrs paper. Post the auction, the sentiments turned bearish and the yields went up by 20 basis points across the board.

This week may see the money market rates going up in the 3,6 and 12 month segment, mainly on account of issuance pressure. Due to lack of any major data coming out this week, the trading is likely to be range bound. The likely range for 10 yrs would be 7.95%-8.10%.

Market Indicators as on 15th April, 2011

	15/04/2011	8/04/2011	% change
INR/USD	44.08	44.34	0.58
Oil (\$/bbl)	112.86	109.66	-2.84
Gold (\$/oz)	1,474.93	1,486.70	0.80
10 years G-Sec	7.86	7.99	0.13
10 years AAA	9.17	9.21	0.04
NSE Mibor	5.92	6.86	0.94

## EQUITY MARKETS

The Indian equity market performed in line with the global indices. The BSE sensex lost 0.33% while Nifty lost 0.3% for the week. High inflation and lesser than expected result from the IT major Infosys were major reason for a negative return. BSE midcap and small cap outperformed the major Indices. Both were up 0.5% and 0.41% respectively.

On the sectoral indices front, FMCG index gained by 2.1% followed by Cap goods (1.73%), Bankex (0.63%) and Auto index (0.45%). On the losing side, IT index lost 4.57% followed by Realty (-2.19%) and Metal (-0.76%).

Among the nifty stocks, Hero Honda gained 10.12% on the news of special dividend, followed by JP associate (5.46%), ITC (4.22%) and L&T (2.93%). In the negative zone, Infy lost 7.37% followed by DLF (-5.57%) and Siemens (4.22%).

The growth in factory output slowed to 3.6% in Feb'11, as against 3.95% expansion (revised upward from 3.7%) in Jan'11, and 15.1% expansion in Feb'10. The manufacturing growth plummeted to 3.5% in Feb'11, as against 16.1% in Feb'10. The capital goods sector contracted 18.4% in Feb'11, as against 46.7% growth in Feb'10. The production in the consumer non-durables segment rose 6.1% in Feb'11, as against 0.8% contraction in Feb'10. The capital goods grew 10.4% in Feb'11, as against 6.7% in Feb'10. The consumer durables segment grew 23.4% in Feb'11, as against 29.1% in Feb'10, while the intermediate goods rose 8.4% in Feb'11, as against 15.9% growth in Feb'10. The mining growth declined to 0.6% in Feb'11, as against 11% in Feb'10. The electricity generation output rose by 6.7% in Feb'11, as against 7.3% growth in Feb'10. Industrial output growth stood at 7.8% YoY in Apr'10-Feb'11 period, as against 10% YoY expansion in Apr'09-Feb'10 period.

The Wholesale Price Index (WPI) for the year rose to 8.98% in March as against 8.31% in February on higher fuel and manufactured product prices. Food price index rose 8.28% and the fuel price index climbed 12.97% in the year to April 2. In the previous week, annual food and fuel inflation stood at 9.18% and 13.13%, respectively.

Infosys reported Q4FY11 results below our expectation with USD revenue growth of 1.1% due to dismal volume growth of -0.9% QoQ. Revenue contribution of the top 6-10 clients de-grew by 6.3% QoQ for Q4FY11 after a flat Q3FY11. However, improvement in realization (2.4% QoQ, @cc 2.1% QoQ) was a positive surprise. The management guidance of rupee EPS was ~10% below expectation. The management is factoring in ~300bps of margin erosion due to currency appreciation, lower utilization and wage inflation, which is on the conservative side.

On the global news front, US Labor Department said its producer price index rose by 0.7% in March following a 1.6% increase in February. Economists had been expecting a somewhat more substantial increase in producer prices of about 1.0%.

Japan's industrial production growth was upwardly revised to 1.8% month-on-month for February. The rate was revised from 0.9%. On an annual comparison, production increased 2.9%.

China raised bank's required reserves ratio by 0.5 % pt for the fourth time this year to fight against high inflation. China's official reserve requirement ratio for most of banks will be 20.5% after the latest increase, this is in continuation with what Chinese govt had mentioned abt more tightening to curb inflation...

### Taurus Benchmark Indices Movement

Indices	15/04/11	08/04/11	Points change	% change
BSE Sensex	19386.82	19451.45	-64.63	-0.33
S&P CNX Nifty	5824.55	5842.00	-17.45	-0.30
BSE 100	10125.68	10157.07	-31.39	-0.31
BSE 200	2397.24	2402.67	-5.43	-0.23
CNX Midcap	8317.85	8288.30	29.55	0.36
S&P CNX 500 Shariah	1339.99	1349.02	-9.03	-0.67

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

08/04/2011-13/04/2011	Equity	Debt
FII's	-474.70	1002.50
MFs	231.00	939.30

Source : SEBI site

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