TAURUS Mutual Fund

TAURUS RECAP

WEEKLY REPORT - 16th - 20th MAY 2011

DEBT MARKETS

GLOBAL UPDATE

US treasuries continued the bullish trend, as yields fell for the sixth weekly drop on account of European sovereign debt concerns. The 10 yrs note dropped by 3 basis to close at 3.15, after touching a 2011 low of 3.09 earlier during the week. The 2 yrs paper yield closed at 0.52%, 2 basis lower compared to last week. Nymex crude fell by 0.16% to close at 99.49. Gold prices, though, rose, amidst uncertainty and closed the week at USD 1512 per ounce.

MACRO ECONOMIC INDIACATORS:

The WPI inflation for the month of April 2011 remained elevated at 8.66% (YoY) vis-à-vis 9.04% in March. The inflation rate for the month of February 2011 was revised upwards to 9.54% from the provisional 8.31% and that for March 2011 to 9.04% from 8.98% tracking a correction in programming error.

GOVERNMENT SECURITIES AND TREASURY BILLS

The higher than expected inflation rate and steep upward revisions of earlier released numbers

led to a sell-off. The new 10 yrs benchmark security 7.80% GS 2021 ended at ₹96.34 (8.35%) vis-à-vis the previous closing of ₹96.85 (8.27%). The cut-off prices for the G-Sec auctions held on May 20th were set as follows: 7.59% GS 2016 at ₹96.46 (8.49%), for 8.08% GS 2022 at ₹97.05 (8.49%) and for 8.26% GS 2027 at ₹96.71 (8.64%). The notified amount for the three securities was ₹4,000 Cr, ₹5,000 Cr and ₹3,000 Cr respectively. The cut-off price for the 91 Days T-Bill at ₹98.02 (8.10%) (compared to the previous cut-off of 8.06%) and for the 364 Days T-Bill at ₹92.36 (8.29%) (compared to previous cut-off of 8.20%). Both the bills were fully subscribed.

LIQUIDITY CALL

The tight systemic liquidity continued with the liquidity infusion witnessed via RBI's LAF Repo window averaged at ₹51803 Cr on a daily basis. The average infusion stood at ₹65223 Cr a week earlier. Money market rates moved northwards with the Call ending at an average rate of 7.40%. The CBLO levels moved to 7.25% compared to 7.18% in the previous week. RBI has discontinued the second LAF facility from May 17th 2011.

CORPORATE BONDS

The corporate bond yields marked a mixed trend across tenors. The 1 year bond traded at a yield of around 9.75% compared to 9.80% seen a week earlier. The 1 year CD yield was seen trading at 9.98% compared to 9.90% seen previously. The 10 yrs AAA bond ended at a yield of around 9.49% compared to previous week's closing of 9.48%.

RUPEE

The rupee saw a lacklustre movement this week. It traded in a range of 44.88 to 45.18 to close at 45.02 depreciating 0.34% WoW.

FUND MANAGER COMMENTS

The money market curve flattened slightly on issuance pressure in the 3m segment. The 3m prime CD levels went up by 15 basis to 9.35%, where as one year remained flat at 9.95% levels. The pressure is likely to continue in the 3m segment and we expect the yield to go up by another 15-20 basis points. The 10 yrs segment would depend, on the announcement of diesel price hike, if any. The likely range for the 10 yrs benchmark would be 8.20%-8.35%.

Market Indicators as on 20th May, 2011

	20/05/2011	13/05/2011	% change
INR/USD	45.02	44.87	0.34
Oil ($/bbl)	99.49	99.65	-0.16
Gold ($/oz)	1,512.30	1,495.02	1.16
10 years G-Sec	8.35	8.27	0.08
10 years AAA	9.49	9.44	0.05
NSE Mibor	7.42	7.47	-0.05

Source: Bloomberg

EQUITY MARKETS

Indian equity market continued to be under pressure because of the increased macroeconomic concerns. BSE Sensex lost 1.11% while the Nifty lost 1.05% during the week. The BSE Midcap and BSE Small cap index underperformed the market as they lost 2.1% & 2.2% respectively.

On the sectoral indices front, Oil& Gas sector lost 4.6% on the news of increased subsidy sharing by the upstream companies. This followed by Realty Index (-4%), Bankex (-3.4%) and Auto Index (-1.18%). Capital good index posted weekly gain of 4% fuelled by strong result by Larsen and Toubro.

Among stocks, LT gained 8.1% followed by IDFC (4.5%), TCS (4.3%) and HDFC Bank (2.3%). On the losing side, SBI lost 12.4% followed by ONGC (-10%), SAIL (-7.8%) and Rcom (-7.7%).

India's WPI-based inflation rose 8.66% YoY in Apr'11, as against 9.04% in Mar'11 and 10.88% in Apr'10. The Govt has revised up February's inflation to 9.54% from the provisional estimate of 8.31%. The annual inflation in food articles declined to 7.47% in the week ended May 7, 2011, as against 7.7% in the previous week. The inflation in the primary articles group decreased to 10.94% in the week under review, as against 11.96% in the previous week. The inflation in the fuel & power group fell to 12.1% in the reporting week, as against 12.25% in the previous week.

Food inflation continued its downward trend for the third straight week., It was helped mainly by the base effect and a decline in the price of items such as pulses, wheat, vegetables, milk and poultry products. Based on the annual Wholesale Price Index, the food inflation rose 7.47% on a year-on-year basis during the week ended May 7, lower than the 7.7% annual rise reported in the previous week. The food inflation reading during the same week a year ago was 22.15%

The government has increased the burden of fuel subsidy payable by upstream oil firms from one-third to 38.8% for 2010-11 fiscal. Of the ₹78,159-crore revenue that retailers lost on selling diesel, LPG and kerosene at government-controlled rates in 2010-11, upstream companies ONGC, Oil India and GAIL have been ordered to contribute ₹30,296.75 crore (38.8%).

State Bank of India (SBI), the country's largest, declared its worst quarterly result in over a decade on Tuesday, dragging down the stock markets. The bank's fourth quarter net profit fell 99% to ₹20.88 crore as against ₹1,866 crore in the corresponding quarter of 2009-10. This has lead by increased provision for the bad loans as well as the statutory provision against the standard assets. But even on the like to like comparison, the profitability of the bank got hit by the increased funding cost which reflected in the reduced NIM.

On the global news front, Fitch downgraded Greece debt rating and said that even a voluntary restructuring of the country's debt or extending the debt repayment schedule would be considered as a default. IMF with European Union approved a 26 billion-euro ($36.8 billion) loan to Portugal with duration of three years to stem the region's sovereign debt crisis.

Japanese economy saw the biggest contraction since the financial crisis at an annualized 3.7% in the three months ended March. Furthermore consumers are making deeper spending cut thus needing urgent policy actions. Anticipation of monetary stimulus has led to the weakness in yen and that in turn handed support to the market.

Taurus Benchmark Indices Movement

Indices	20/05/11	13/05/11	Points change	% change
BSE Sensex	18326.09	18531.28	-205.19	-1.11
S&P CNX Nifty	5486.35	5544.75	-58.40	-1.05
BSE 100	9557.05	9681.11	-124.06	-1.28
BSE 200	2260.30	2293.15	-32.85	-1.43
CNX Midcap	7873.15	8034.90	-161.75	-2.01
S&P CNX 500 Shariah	1283.40	1289.48	-6.08	-0.47

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

16/05/2011-20/05/2011	Equity	Debt
FIIs	-4215.70	726.40
Mfs	-583.80	53.90

Source : SEBI site