

DEBT MARKETS

Global Update

The US bond market fell last week, as US non-farm payrolls numbers showed lesser than expected decrease, fuelling speculations of increase in benchmark rates by Fed Reserves. The non-farm payrolls dropped by 36000 last month. The 10yrs notes' yield rose by 7 bps to 3.68% where as the 2yrs note rose by 8 basis points to 0.90%. The treasury department will issue USD 74B worth of securities this week, divided among 3yrs (USD 40 B), 10 yrs (USD 21 B) and 30 yrs (USD 13 B) papers.

Domestic

The interest rates rose again last week, with 10yrs touching 5.97%, highest in 17 months. The market is worried about the inflation effects of the fuel price rise in budget. The investors are keenly watching the release of schedule for debt auction for next financial year. Market is worried about it being front loaded, thus having a negative impact on liquidity of the system. The liquidity condition was easy, with average LAF deployment being around Rs. 70K Cr last week.

CALL & CBLO

The liquidity condition in market was comfortable with Rs. 65K-70K in LAF. CBLO range for the week was 1.00%-3.50%. The range for the Mibor was 3.31%-3.35%, while call ranged between 2.90%-3.40%.

Government Securities and Treasury Bills

The government securities market saw markets getting jittery about the likely rise in inflation due to fuel price hike.

The 10yrs benchmark bond closed at 7.97% taking the levels to highest since October 2008. The short term rates continue to trade at higher levels which was reflected in the cut-offs for 91 days and 364 days T-Bills. The cut-offs were 4.13% and 5.01% respectively.

Corporate Bonds

The corporate bond yield was range-bound for the last week as the volumes were still missing on the corporate bonds. The 5yrs benchmark bond traded around 8.59% while 10yrs benchmark bond traded around 8.88%.

Rupee

Indian Rupee appreciated in line with the overseas movement of USD. Opening the week at 45.90, it appreciated on all the 4 trading days of the week. The Rupee closed the week at 45.61 appreciating 1.02%.

Fund Manager's Comment

The 10 yrs benchmark paper is trading very close to the psychological levels of 8%. With traders being wary of the auction calendar being front loaded, it is likely to cross the barrier this week. The liquidity condition is comfortable in the system, even after absorbing the outflow due to CRR hike. The short end rates are likely to stabilize at current levels, with reduced interest in the market participants. The 10yrs benchmark paper is likely to trade in a range of 7.90% – 8.10% this week.

Market Indicators as on 5th March, 2010

	5/03/2010	26/02/2010	% change
INR/USD	45.6150	46.0850	-1.02
Inflation	NA	NA	NA
Oil (\$/bbl)	81.5	79.66	2.31
Gold (\$/oz)	1134.65	1117.60	1.53
10 years G-Sec	7.975	7.885	1.14
10 years AAA	8.9083	8.8825	0.29
Call Money	3.35	3.35	0.00

Source: Bloomberg

EQUITY MARKETS

The Indian stock market remains buoyant during the week on the back of positive sentiments from the Union Budget which has increased allocation for the infrastructure development and rural development. The market also supported by strong buying from the global and domestic investors. The BSE Sensex surged by 3.44% during the week and ended at 16994 while Nifty surged by 3.38% and ended the week at 5088. The Mid-cap and small-cap sector outperformed during the week. BSE Mid-cap sector posted a weekly gain of 6.64% while small-cap index posted a gain of 5.87%.

On the sectoral front, Metal sector surged by 7.55% followed by Realty (6.07%), Auto (5.33%) and Power (4.70%). IT and Oil & Gas sector were among the lowest gainer at 1.19% and 2.70% respectively. The sentiment in the Metal sector became positive on account of increasing iron ore and coal prices which in turn will lead to increasing steel prices. Steel prices have increased by 2-3% after hike in central excise duty in the budget. While the net impact of excise duty hike, from 8% to 10%, comes to around Rs 600 per tonne, a few producers have also factored in hike in input cost and raised prices by up to Rs.1,000 per tonne. This led to a rally in the sector. Among the major gainers, Suzlon energy gained 11.97%, Tata motor gained 11.7%, JP Associated gained 10.67% while Jindal steel surged 10.13%. HCL Tech and BPCL were among the major losers as they lost 4.63% and 4.48% respectively during the week.

During the week Indian cement makers have increased the prices in the range of Rs.10-Rs.12 across India on back of the increased excise duty and fuel prices. This is the highest ever price rise in the commodity.

India's exports continued its upward rise for the third consecutive month in January, growing by 11.5%, riding on the back of increased demand from the Western and new diversified markets. According to official figures released

here on Tuesday, exports increased to \$14.34 billion in January from \$12.86 billion a year ago. Imports clocked a positive growth for the second straight month after falling for 11 months in a row since December 2008. Inward shipments rose by 35.5% to \$24.70 billion from \$18.22 billion.

India's annual food price inflation based on wholesale prices rose slightly to 17.87% for the week ended February 20 from 17.58 the week before, as per official data released Thursday. The government's decision to hike auto fuel prices has resulted in fears that food prices could rise further in the coming months. This could result in overall inflation going above RBI estimates of 8.5%.

The auto industry reported better numbers in February compared with January, primarily due to the pre-budget buying scenario, which was triggered by expectations of a rollback in excise duty and implementation of the new emission norms. Sales were also high due to the easy availability of finance and buoyant demand. The low-base effect of last year also helped. Tata Motors' total sales went up by 55%, M&M reported sales at 27,894 units (19,994) in February, an increase of 39.5% and Maruti Suzuki's domestic sales were up 20% at 84,765 units while exports rose 38.8% to 11,885 units.

In the global news arena, Australian Central Bank again raised its key interest rates to 4% as it remains optimistic about its economic rebound. In US economic data, initial jobless claims for the week ended February 27, 2010 totaled 469,000, which was in-line with the consensus call. Continuing claims dropped more than expected to 4.50 million.

We expect market will continue to remain in the positive zone during the next week on back of the strong export numbers and Auto sales. The IIP numbers are also expected to be announced during this week which was expected to be higher number than the previous month.

Taurus Benchmark Indices Movement

Indices	05/03/10	26/02/10	Points change	% change
BSE Sensex	16994.49	16429.55	564.94	3.44
S&P CNX Nifty	5088.70	4922.30	166.40	3.38
BSE 100	9078.98	8758.51	320.47	3.66
BSE 200	2151.67	2071.72	79.95	3.86
CNX Midcap	7584.70	7167.25	417.45	5.82
S&P CNX 500 Shariah	1246.04	1206.40	39.64	3.29

Weekly FI & MF net flows (Rs. in crs.)

26/02/10 to 04/03/10	Equity	Debt
FIs	3398.80	109.20
MFs	-833.50	893.90

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