

## DEBT MARKETS

### Global Update

US treasury bond market extended its rally based on worse than expected non-farm payroll data for July. Against the market expectation of -65000 the data recorded -131000. The negative data coupled with expectation that monetary stimulus may be provided by Fed led to sustained buying interest in treasury papers. The 10yrs bond closed at 2.82% from last week 2.93%. The next major event where market will look closely is FOMC meet on 10th of this month.

### Domestic

Domestic bond markets have kind of de-leverged from US treasury market where in the sustained rally in US market was contradicted by rising yield in domestic market. The factors impacting domestic market were liquidity pressure, continued supply of Govt. papers and apprehension of further rate hike showed some softness last week based on negative US data, cooling off of Chinese economy and statement from RBI that measures taken to control inflation are apt. The high of 7.92% touched by 10 yrs benchmark bond saw value buying leading to spurt rally. The benchmark bond closed at 7.81, range-bound from the earlier week's close.

### CALL & CBLO

Liquidity remained at neutral band last week with net LAF was positive. Overnight rates like MIBOR, and CBLO too came down and traded between 6.00%-4.74% and 4.39%-4.54% respectively.

### Government Securities and Treasury Bills

The G-Sec market remained range-bound with 10 yrs benchmark trading in a range of 7.80%-7.92%. Last week RBI conducted Rs.13000 Cr bond auction. The 8.32% 2032 which was re-issued at 8.41%, devolved on PDs to tune of Rs. 341 Cr of the

scheduled Rs. 3000 Cr. Whereas the Rs. 5000 Cr. of 7.46% 2017 was bought lower than market expectation at 7.93% and Rs. 5000 Cr of 8.13% 2022 was auctioned at 8.13%. It also auctioned INR 70 bn 91 days T-bill at cut-off yield of 5.98%, 24bps higher from previous auction and INR 15 bn 182 days T-bill at 6.35%, 40bps higher.

### Corporate Bonds

Corporate bond yields too rose following the G-Sec yields. The 5yrs bond traded lower week on week at 8.49% while 10yrs benchmark Bond traded around 8.81%.

### Rupee

The Indian Rupee appreciated against USD week on week on taking cues from the overseas global market and equity induced FII flows. The Rupee-Dollar traded in a range of 46.25 – 47.15 to close at 46.15 appreciating 0.55% week on week basis.

### Fund Manager's Comment

The liquidity conditions improved last week with LAF amount showing positive for 4 out of 5 days. The impact was there on the short end yields, which came down by 10-15 bps. The new valuation guidelines for the money market instruments came into effect from 2nd August, which took away a big uncertainty from the FI markets. The G-Sec markets mainly gyrated on comments by various RBI officials.

The coming week there is no major economic data coming. Traders would be investing on the shorter end of the curve, that has moved up by 25-40 bps over last fortnight, remaining unsure about the long end. The likely range for the one year prime CDs may come down to 7.40%-7.60%, where as 10yrs benchmark G-Sec may trade in a range of 7.70%-7.85%.

### Market Indicators as on 6th August, 2010

	6/08/2010	30/07/2010	% change
INR/USD	46.1500	46.4075	-0.55
Oil (\$/bbl)	80.7	78.95	2.22
Gold (\$/oz)	1205.00	1181.00	2.03
10 years G-Sec	7.82	7.82	0.00
10 years AAA	8.81	8.83	-0.01
Call Money	4.78	4.86	-0.08

Source: Bloomberg

## EQUITY MARKETS

The Indian equity markets continued to remain on the positive zone for one more month. The BSE sensex has posted a gain of 1.54% while Nifty has posted a gain of 1.3%. The revival of monsoon rains in the crucial sowing month of July 2010 augurs well for the Indian economy which is driven by strong domestic demand. Most automobiles firms including Tata Motors, Maruti Suzuki, Hero Honda and Bajaj Auto have reported strong sales in the month just gone by.

On the indices front, most of them has managed to post significant gain during the week. The Consumer durable sector was up by 3.19% followed by IT (3%), Realty (2.24%) Bankex (2.19%). Oil and gas sector lost approx 0.48% during the week.

Among the index stocks, Tata motor posted a gain of 5.6% followed by Airtel (+5.41%), HCL Tech (5.06%). On the losing side, Sail lost 3.9% followed by Reliance power (-3.6%) and Rcom (-3.30%).

IT sector was the biggest gainer during the week after cognizant posted excellent quarter results building confidence in the investors regarding future outlook of IT industry. The strong guidance by the company augur well for the Indian IT companies.

Cable and distribution companies surged on Friday after the TRAI announcement for complete migration from analogue to digital cable services till December 2013. Due to this, the digital companies has posted strong gains as it will support their growth and business prospect.

Cumulative rain fall in the country was below normal by 2%, total rainfall was 485.0 mm. In 31 out of 36 sub-divisions rainfall is

Excess / Normal. Total cropped area affected by deficient rainfall is 20.5% (78.2% last year). The current reservoir levels are at 34% of their full reservoir level (FRL) against their LPA of 37% of FRL. The current storage level is ~92% of its 10 yrs average as opposed to ~82% last week.

FII's invested US\$ 454 mn in cash. For current month total investment is US\$ 454 mn. For CY10 total investment is US\$ 3,152 mn. DII sold US\$ 171 mn in cash. For current month total investment is US\$ -171 mn. For CY10 total investment is US\$ 1,113 mn.

Inflation in the food price index rose to an annual 9.53% in the week ended July 24 as fruit and vegetables became cheaper. It was marginally higher at 9.67% in the previous week. The fuel price index rose at an annual 14.26% in the week under review, as against a 14.29% reading in the previous week, data released on Thursday showed.

On August 5th the president, Vladimir Putin, announced a temporary ban on the export of grain crops. Extremely dry and hot weather in Russia has caused a sharp reduction in wheat production and spurred the fastest spike in the global price of the crop since 1973.

Venezuela, the largest oil producer in S. America, is shipping 200,000 barrels a day of crude to China to repay \$20 bn of debt borrowed from the Asian nation to finance power, agriculture and technology projects. They are planning to ramp up China shipments to 1 mn barrels a day by 2012.

### Taurus Benchmark Indices Movement

Indices	06/08/10	30/07/10	Points Change	% Change
BSE Sensex	18143.99	17868.29	275.70	1.54%
S&P CNX Nifty	5439.25	5367.60	71.65	1.33%
BSE 100	9674.09	9556.67	117.42	1.23%
BSE 200	2311.27	2281.63	29.64	1.30%
CNX Midcap	8546.30	8415.30	131.00	1.56%
S&P CNX 500 Shariah	1313.86	1298.75	15.11	1.16%

### Weekly FII & MF net flows (Rs. in crs.)

02/08/2010 to 05/08/2010	Equity	Debt
FII's	3323.40	1225.80
MF's	-307.10	3222.90

Source : SEBI site

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