

DEBT MARKETS

Global Update

With better than expected employment data, positive retail sales figures and the \$110 Bn auction pushed the 10yrs paper yield to 3.91%. Strengthening economy with steady growth prospect lowered the risk aversion reducing the demand for US treasuries. The 10yrs bond closed higher at 3.89% against 3.68% last week, reaching the highest levels of 2010.

Domestic

RBI in an unexpected move increased the Repo and Reverse Repo Rate by 25 bps. This was pre-emptive step to rein in the rising inflation, which is spreading to manufacturing side. Domestic bond market benchmark 10yrs bond in reaction touched 8.01%. Participants bought in benchmark 10yrs G-Sec at around 8%. The 10yrs closed the week at 7.83% nearly flat against last week 7.82%. The next major event which is expected to give direction is the borrowing calendar which is due this week.

CALL & CBLO

March being the advance tax outflow month, liquidity came down with Rs 9K-35K Cr going in Reverse Repo from the levels of around Rs. 60-80K. Also overnight rates moved sharply with Mibor traded in the range of 3.60%-3.83%, while call and CBLO ranged between 3.00%-8.50% and 0.16%-9.00% respectively.

Government Securities and Treasury Bills

The Indian markets saw traders coming back to the market, putting bets on a benign borrowing calendar. The trading

range for 10yrs paper was 7.80%-7.90%. The SDL auction on Tuesday concluded with cut-off yields ranging within 8.38-8.41%. The auction garnered INR 30.84 bn for five state governments, reporting an overall bid-to-cover ratio of 3.67, with state government bonds yielding 50-55bps over benchmark G-Secs.

Corporate Bonds

Corporate bond yield remained volatile tracking Government bond. The 5yrs bond traded at 8.65% while 10yrs benchmark Bond traded around 8.90%.

Rupee

The Indian Rupee appreciated during the week with strong equity markets. The Rupee-Dollar traded in a 40 paisa range of 45.20-45.60, closing at 45.24.

Fund Manager's Comment

The bond market showed resilience after the surprise mid-term rate hike by RBI. The short as well as long end of the yield curve rallied by 10-12 basis points during the week. The liquidity condition remained positive, after the advance tax outflows. This week we expect the yield of 6-12 months papers are expected to fall further on mutual fund demand, who look to buy after meeting up with most of the redemptions. The 10yrs benchmark would take the direction from the borrowing calendar, which is likely to remain front loaded. The likely range for 10yrs paper would be 7.70%-7.90%.

Market Indicators as on 26th March, 2010

	26/03/2010	19/03/2010	% change
INR/USD	45.2400	45.4950	-0.56
Inflation	NA	9.89	NA
Oil (\$/bbl)	80	80.68	-0.84
Gold (\$/oz)	1107.50	1107.00	0.05
10 years G-Sec	7.86	7.89	-0.38
10 years AAA	8.9125	8.8500	0.42
Call Money	3.50	3.30	6.06

Source: Bloomberg

EQUITY MARKETS

The Indian equity markets continued its northward journey during the week as Sensex posted a gain of 0.38% while Nifty posted a gain of 0.36%. The Small and Mid - cap sector underperformed the market as they lost 0.02% and 0.79% respectively. On the sectoral front, Healthcare was the major gainer on the back of US health bill which is expected to be positive for CRAMS focussed health care companies. The Healthcare index was up by 5.37% followed by Oil & Gas 4.13%, Metal 3.69% and Bankex 2.85%. The major drag was seen in the Realty index which was down by 5.38% during the week.

According to the recent weekly data published by RBI, the growth in non food credit picked up to 16.4% YoY (12.9% YTD) during the fortnight ended March 12, 2010 while the growth in deposit mobilization inched up at 18%. The CD ratio continued to hover around 71.0% levels during the week ending March 12, 2010. However, incremental CD ratio dipped slightly to 64.8%.

Growth of the six key infrastructure sectors slowed to 4.5% in February, down from a robust 9.4% in January, raising a concern about the near-term sustainability of a higher growth rate. However, on a YoY basis, these six industries which include crude production, refining, coal, electricity, finished steel and cement showed considerable growth in

the month under review, February 2010 compared to a meagre 1.9% in February last year.

The rate of food inflation, as measured by the Wholesale Price Index (WPI), eased to a four-month low of 16.22% for the week ended March 13, primarily due to fall in prices of cereals and onions. The rate of food inflation stood at 16.3% for the previous week and at 7.46% during the corresponding period in 2009. The inflation rate for fuel products rose to 12.68%, compared to -6.06% in the corresponding period last year. The prices of petrol and high-speed diesel oil rose at the rate of 16.82% and 14.99%, respectively, on an annual basis during the week.

Among the major Global news, Japan's retail sales gained at the fastest pace in more than a decade in February. The sales rose 4.2% from a year earlier, the Trade Ministry said today in Tokyo, the biggest monthly jump since 1997. Eurozone agreed to bailout Greece fuelling positive sentiment in the global markets.

As the financial year comes to end this week we expect a very narrow range trading for the markets. Few of the IPO will be listing during the week because of which we may see stock specific buying interest. Overall we expect market to trade in a narrow range with positive bias.

Taurus Benchmark Indices Movement

Indices	26/03/10	19/03/10	Points change	% change
BSE Sensex	17644.76	17578.23	66.53	0.38
S&P CNX Nifty	5282.00	5262.80	19.20	0.36
BSE 100	9336.74	9302.77	33.97	0.37
BSE 200	2206.24	2198.96	7.28	0.33
CNX Midcap	7656.90	7601.85	55.05	0.72
S&P CNX 500 Shariah	1284.01	1280.12	3.89	0.30

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

19/03/10 to 25/03/10	Equity	Debt
FII's	1860.30	2132.10
MFs	-833.20	-1280.50

Source : SEBI site

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