

DEBT MARKETS

Global Update

Positive economic indicators along with depreciating dollar overseas had its impact on US govt yield pushing it to the highest level since June last year, at 3.95%. US employers added 162K jobs in March. This week there is a scheduled auction of USD 82B of US notes and bonds, including a record USD 40B of 3yrs securities.

Domestic

Last week the much awaited auction calendar was released. The 6 months auction calendar though front loaded, announced 63% of gross borrowing in first half against the market expectation of 70%. The 10yrs bond touched the week' lowest at 7.75% before closing the week at 7.85% on profit booking and concerns on new 10yrs bond auction. The next event that the market is eagerly awaiting is the RBI quarterly monetary policy due on April 19 for the further direction in yield.

CALL & CBLO

Liquidity remained tight in the system with reverse repo absorbing Rs 5K-7K only on average. Also overnight rates moved sharply with Mibor traded in the range of 4.21%-5.47%, while call and CBLO ranged between 2.50%-6.00% and 3.75%-5.75% respectively.

Government Securities and Treasury Bills

Reacting positively on expected borrowing calendar, the 10yrs bond yield softened , touching the intra week low of 7.75%. However, inflationary pressure specially on the backdrop of rising crude prices along with upcoming bond

auctions in April, led to profit booking to close at 7.85% on benchmark 10yrs G-Sec. The auction conducted for 91days and 182days T-Bills were. 4.38% and 4.62% against 4.42% and 4.68% ast week. RBI would hold its first auction on April 9, of Rs. 120B of bonds maturing in 2012, 2020 and 2027.

Corporate Bonds

Corporate bond yield eased tracking Government bond. The 5yrs bond traded at 8.53% while 10yrs benchmark Bond traded around 8.79%, down by 3-5 basis points w-o-w.

Rupee

The Indian Rupee appreciated during the week with strong portfolio investment and general weakening of Dollar overseas. The Rupee-Dollar traded in a range of 44.97-44.91, closing at 44.91 per dollar.

Fund Manager's Comment

The 10yrs benchmark broke out of the trading range of 7.80%-7.90% after the announcement of the auction calendar, only to go back in the sticky range. The market sentiments were positive because of the benign calendar, but bearish sentiments in US treasuries put pressure on Indian yields. The short tenor yield movement was very different, though, with rates coming down by 50-75 basis points in the 3m-12m tenor.

The long tenor rates are likely to trade around 7.80% this week, where as short tenor yields likely to continue the bullish sentiments as mutual funds look to buy shorter tenor papers.

Market Indicators as on 2nd April, 2010

	31/03/2010	26/03/2010	% change
INR/USD	44.9175	45.2400	-0.71
Inflation	NA	NA	NA
Oil (\$/bbl)	84.37	80	5.46
Gold (\$/oz)	1119.80	1107.50	1.11
10 years G-Sec	7.83	7.86	-0.38
10 years AAA	8.7950	8.9125	-1.32
Call Money	5.28	3.50	50.86

Source: Bloomberg

EQUITY MARKETS

The Indian equity markets witnessed another flat week as the Sensex was up by 0.27% at 17644 while Nifty was up by 0.16% and shut the shop at 5282. The mid-cap and small-cap sector outperformed the broader market as they gained 1.53% and 3.28% respectively. The IT sector was under pressure on the back of rising Rupee. Rupee was at 18 months high to its strongest level since September 2008 on speculation that the nation's pace of economic growth is attracting overseas funds to local equities.

On the sectoral front, consumer durables was the highest gainer at 2.70% followed by Metal (1.79%), Cap Goods (1.42%), Power (1.38%) and Realty at 1.11%. HDFC Bank (6.49%) was the highest gainer among index stocks followed by DLF (5.5%) and Unitech (4.95%). Infosys was the highest loser among the index stock as it lost 3.8%. The other index stocks which went down included HUL (-3.4%), Hero Honda (-3.26%) and Bharti Airtel (-2.63%)

The price index of Primary Articles has slightly declined to 13.86% on a yearly basis owing to low base. However on a weekly basis, it has increased by 39 bps. Under Primary Articles, the price index of Food Articles has increased to 16.35% (Y-o-Y). It went up by 60 bps on a weekly basis. The price index of Non-Food Articles has decreased to 12.57% on a yearly basis. On a weekly basis too it has declined by 12 bps (third straight week of sequential decline) because decreases prices of oil seeds and fibers. The price index of minerals stood at -9.62% on a yearly basis. On a weekly basis too, it has remained unchanged. The Fuel Group Price index has rose marginally to 12.75% on a yearly basis and by 3 bps on a weekly basis.

India's Balance of Payments (BoP) surplus in the third quarter stood at US\$1.77bn versus a deficit of US\$17.88bn in the corresponding period of the previous fiscal year, the Reserve Bank of India (RBI) said on Wednesday. The BoP surplus for the April-December 2009 period came in at US\$11.3bn versus US\$20.38bn in the year-ago period, the RBI said. Despite a low trade deficit during Q3 FY10, the current account deficit was higher at US\$12.03bn as against US\$11.67bn a year ago, mainly due to lower invisibles surplus, the Central Bank said in

a statement. As the surplus in capital account exceeded the current account deficit, there was a net accretion to foreign exchange reserves of US\$11.3bn during April-December 2009 as against a drawdown of US\$20.4bn in the year-ago period.

The country's major auto makers such as Maruti Suzuki, Hyundai and Hero Honda, on Thursday reported robust monthly sales in March, despite price hikes following increase in excise duty, helping 2009-10 end on a strong note. Maruti Suzuki reported a 11.04% jump in its total sales at 95,123 units against 85,669 units during the same month last year. Mahindra & Mahindra witnessed an increase of 16.30% in domestic sales for March at 29,944 units. In the two-wheeler segment, market leader Hero Honda saw a 17.35% increase in sales at 4,14,638 units last month, the best-ever reported by the company for March.

Among the major global news, Russia's Central Bank cut its main interest rates for the 12th time in less than a year to resuscitate lending and contain the ruble's gains as the economic recovery stutters. Bank Rossii lowered the refinancing rate a quarter of a point to a record-low 8.25% and cut the repurchase rate charged on one-and seven-day central bank loans to 7.25% from 7.5%. Obama Opens the Door to Offshore Drilling, opening up areas from Delaware to Florida to drilling, including some new areas of the Gulf of Mexico, which has accounted for much of the new U.S. oil supply in recent years. The move is intended to reduce reliance on foreign oil by increasing domestic production, although the amount of oil present offshore is uncertain.

The next week will see the start of earning season which will set the sentiments for the markets. We expect the Q4 earnings to be in line to estimates while surprises can be expected in the banking and cement sector earnings. The strong Rabi crop should pull down the inflation rate which will further boost the sentiment in the Indian markets. Going ahead we expect market to be remain in range bound with positive bias.

Taurus Benchmark Indices Movement

Indices	01/04/10	26/03/10	Points change	% change
BSE Sensex	17692.62	17644.76	47.86	0.27
S&P CNX Nifty	5290.50	5282.00	8.50	0.16
BSE 100	9374.11	9336.74	37.37	0.40
BSE 200	2217.55	2206.24	11.31	0.51
CNX Midcap	7774.10	7656.90	117.20	1.53
S&P CNX 500 Shariah	1284.85	1284.01	0.84	0.07

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

26/03/10 to 30/03/10	Equity	Debt
FII	3205.70	1419.60
MFs	-684.30	-15026.60

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