TAURUS Mutual Fund

TAURUS RECAP

WEEKLY REPORT - 5th - 9nd APRIL 2010

DEBT MARKETS

Global Update

Optimistic market expectation that the jobless claim for the week would be lower, along with the positive home sale data enhanced the recovery story of the economy which in turn heightened the risk appetite. Also the growing expectation of fed rate hike was reflected in the bond prices last week. The US treasury yield firmed up to touch psychological level of 4.00%.However the actual figure for jobless claim being lower than the expectation, and healthy response in auction led to easing of yield to 3.85%-3.89% before closing the week at 3.92%.

Domestic

The last week euphoria of benign borrowing calendar fizzled as there was realization that the net borrowing for the first half would be higher than the last year's half yearly borrowing figure. Also the RBI announcement of auction for Rs12K Cr this week along with expected double digit inflation had the dampening impact on the bond yield during the week. The 10yrs benchmark bond closed the week at 8.00%, higher by 15 bps after the devolvement of auction signalling bearishness. Also the impending RBI monetary policy meet on 20th April and further rate hike is being discounted by the market.

CALL & CBLO

Post advance tax outflow last month liquidity resumed in the market. The overnight rates remained range-bound with Mibor traded in the range of 3.71%-3.56%, while call and CBLO ranged between 2.75%-3.50% and .01%-4.00% respectively.

Government Securities and Treasury Bills

Post borrowing calendar market remained volatile with bearish overtone where the reason were rising yield in US treasuries, apprehension on auction cut-offs, expected double digit inflation, and upcoming RBI monetary policy. Where the market is expecting RBI raising policy rates, the auction held last week worked as dampener, where auction saw devolvement to nearly 10% of auction amount. The 10yrs benchmark bond hardened to 8.00%. Last week RBI auctioned 12K Cr bond,(of which 6.35% GOI 2020, 6.85% GOI 2010,8.26% GOI 2027). The cut-offs were 7.96%, 5.98%,and 8.29% respectively). The cut-off expectation for benchmark 6.35% GOI was 6.90%. T-Bills auction conducted last week saw yield easing as 91days T-Bills saw cut-off came to 3.97% against 4.38% on previous auction and 364days T-Bills saw 5.06% against 5.20%. RBI is scheduled to auction Rs. 13K Cr of bonds this week.

Corporate Bonds

Corporate bond yield remained range-bound with easing bais on liquidity driven rally ,even though Govt. bond showed volatility with upward bias. The 5yrs bond traded at 8.48% while 10yrs benchmark Bond traded around 8.80%.

Rupee

The Indian Rupee appreciated during the week with strong portfolio investment, exporter selling dollar and weakening of Dollar overseas on speculation of china may allow minor revaluation of its currency. The Rupee-Dollar traded in a range of Rs. 44.44- 44.29, closing at 44.29 per dollar.

Fund Manager's Comment

On the backdrop of devolvement of auction last week along with expected policy rates hike on scheduled RBI monetary policy meet on 20th and inflation expected to touch double digit number, bond market may remain cautious ahead of RBI policy meet. This may also add volatility in bond yield movement with 10yrs benchmark bond yield is expected to trade between 7.90%-8.15% with on upward bias. While money market rates on the shorter end of curve (upto 6 months) is likely to be comparatively stable, 1yr segment may see the yield hardening by 15-25 Bps this week. The market will closely watch RBI monetary policy action due this 20th April along with auction results for further cues on yield direction.

Market Indicators as on 9th April, 2010

	09/04/2010	31/03/2010	% change
INR/USD	44.2900	44.9175	-1.40
Inflation	NA	NA	NA
Oil ($/bbl)	84.68	84.37	0.37
Gold ($/oz)	1160.63	1119.80	3.65
10 years G-Sec	8.00	7.83	2.17
10 years AAA	8.8000	8.7950	0.06
Call Money	2.80	5.28	-46.97

Source: Bloomberg

EQUITY MARKETS

Indian equity markets continued its upward journey during the week on the back of strong FIIS flow and stable global cues. Sensex has gained 1.36% and ended the week at 17692 while nifty posted a gain of 1.35% and the ended the week at 1.35%. Both, Mid cap and small cap sector continued to outperform the main indices as they posted gain of 3.19% and 4.14% respectively.

On the sectoral front, consumer durable and power sector outperformed the market as they posted weekly gain of 4.54% and 3.15% respectively. Auto sector was up by 1.97%, Bankex and Oil & Gas was up by 1.7% while Cap goods, FMCG and realty was up by 1.2%-1.1%. The healthcare was the lowest among the all at 0.075.

Among the index stocks, Reliance infra was the highest gainer at 8.5% followed by BHEL, Hero Honda, and Rcom which psted gain in the range of 7.4%-4.6%. On the loosing side, HUL lost 4.1%, Hindalco lost 2.7% and Sun pharma lost 1.7%.

The Union Cabinet on Thursday approved a proposal for disinvesting stake in SAIL. With this the government hopes to garner an estimated Rs 16,000 crore by selling its equity and issuing fresh shares to the public. As part of the proposal, which was approved by the Cabinet Committee on Economic Affairs (CCEA), SAIL will raise an additional 10% of the paid-up equity and the government on its part will disinvest 10% of its holding.

As per the latest RBI weekly supplement, the growth in non food credit picked up further to 17.2% YoY during the fortnight ended March 26, 2010, while the growth in the deposit mobilization moderated to 17.1%. 25% of the yearly lending happened in the fortnight ending March 26, 2010. As a result the CD ratio improved to 71.2% during the week ending March 26, 2010.

The price index of Primary Articles rose to 14.50% on a yearly basis. On a weekly basis too it has increased by 60 bps. Under Primary Articles, the price index of Food Articles has accelerated to 17.70% (YoY). It went up by 91 bps on a weekly basis making it the third straight week of sequential increase. The price index of Non-food Articles continues to decline down at 11.56% on a yearly basis. For the fourth week in succession, it has decreased on a weekly basis - this week by 20 bps because of decrease in prices of oil seeds. The prices of other non food articles increased though.

The much awaited 3G auction started on 9th April 2010. Government targets to mop up approx Rs. 40000cr from these auctions. The telcom companies are expected to bid aggressively for the same.

The Indian rupee continue to remain on uptrend on the back of strong foreign flow and weak dollar. During the week rupee gained approx 1.4%. The uptrend for the rupee is expected to continue on back of strong export growth, weakness in dollar and strong foreign flows in the Indian markets.

Among the global news, Eurozone finance ministers approved a $40.5bn emergency aid to troubled Greece to manage its debt pile. This will help the country to borrow at much lower rate of 5% compared to current market rates of 7%. The U.S. government increased its crude oil price forecast for 2010 to average $80.74 a barrel that's 31 % higher than the 2009 average price of $61.66 a barrel.

We expect mrket to remain in the positive trend on the back of stable global cues and the money inflow, but the sentiment will be driven by the corporate results which should start flowing in by Tuesday starting from Infosys. As per the consensus the Q4FY10 earning should be in line with the expectation and should fuel more optimism in the market. Going ahead, we remain cautiously optimistic for the Indian equity markets.

Taurus Benchmark Indices Movement

Indices	01/04/10	09/04/10	Points change	% change
BSE Sensex	17692.62	17933.14	240.52	1.35
S&P CNX Nifty	5290.90	5361.75	71.25	1.36
BSE 100	9374.11	9503.77	129.66	1.38
BSE 200	2217.55	2252.61	35.06	1.58
CNX Midcap	7774.10	7980.40	206.30	2.65
S&P CNX 500 Shariah	1284.85	1303.14	18.29	1.42

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

01/04/10 to 08/04/10	Equity	Debt
FII's	3462.70	289.30
MF's	-644.20	36464.70

Source : SEBI site