

## DEBT MARKETS

### Global

The US treasury yield softened during the week on worst that expected economic data with respect to housing and manufacturing data. The trend continued when FOMC clarified that raising Fed rate is not on cards in immediate future. The 1 yr, 5 yrs and 30 yrs yield started the week with 1.13%, 2.70% and 4.44% respectively, while they ended lower at 1.13%, 2.58% and 4.33% respectively by the end of week.

### Domestic

The inflation based on Wholesale Price Index for week ended June 13, 2009 was seen at negative 1.14%, higher than negative 1.61% noted previous week.

### CALL & CBLO

The money market rates closed range-bound tracking continued surplus liquidity in the system. Overnight Mibor was noted at 3.30% while call rates range was noted at 3.10% - 3.40% and CBLO rate fluctuated between 2.80 and 3.40%

### Government Securities and Treasury Bills

The G-Sec yields eased during the week tracking US treasury yield and fall in oil prices. The week started with 10 yrs bond 6.05% paper at 7.01% yield and 5 yrs benchmark paper 6.07% at 6.61% yield. However they closed lower by the end of the week with 10 yrs benchmark paper closing below 7% and 5 yrs benchmark closing at 6.50 yield. The 6.07% 5 yrs benchmark was the highest traded paper during the week while the 10 yrs benchmark was sparsely traded. Cut-offs in T-Bill auction was in line with market expectation aiding the market sentiment.

The G-Sec yields hardened slightly ahead of G-Sec auction of 150 Bn announced by RBI. G-Sec auctions worth Rs 150 Bn saw development on primary dealers in 2 securities worth 3.52 Bn in 7.40% 2035 paper.

### Corporate Bonds

The Corporate bond yield was flat on week on week basis on the back of stable government bond yield. The 5 yrs benchmark traded at 8.05% level while 10 yrs benchmark traded at 8.65% level.

### Rupee

The rupee depreciated against the dollar on weekly basis because of weak capital market and strengthening of dollar against major currencies on comment by Russian authority showing confidence on Dollar as reserve currency. The closed at 48.61 against the Dollar.

### Fund Manager's Comment

The liquidity remained ample during the week. However due to the quarter ending it may tighten slightly in the coming week. The short term rates have come down significantly during the month. However we feel that there may be a rally of further 15-25bps. Hence the short term rates may remain range bound for sometime. As far as Corporate Bonds and Government Securities yield is concerned it is felt that we may see some softening in the next quarter as most of the higher borrowing has been absorbed by the market. We are also bullish on Corporate Bonds as there may be compression in spreads if there is a rally in Government Bonds.

### Market Indicators as on 26th June, 2009

	26/06/09	19/06/09	% change
INR/USD	48.61	48.08	1.10%
Inflation	-1.14	-1.61	-29.19%
Oil (\$/bbl)	69.29	69.40	-0.16%
Gold (\$/oz)	938.05	933.30	0.51%
10 years G-Sec	7.01	6.93	1.15%
10 years AAA	8.65	8.65	0.00%
Call Money	3.28	3.27	0.31%

## EQUITY MARKETS

Subdued global cues and concerns of below-par monsoon were a drag on the broader indices in the initial part of the week. The stock market sentiment turned positive as possibility of persistent flow of liquidity from international market got a new lease of life during the second half of the week. On Wednesday it received a late bolt when ECB opened its unlimited tap offering over \$ 440 bn to banks through its discount window for up to one year. Even the Federal Reserve announced an extension of the emergency funding facilities and swap lines till February 2010 instead of maturing in September 2009. Following this stock and commodity markets, including bullion, was set on a firm upward motion. Sensex and Nifty went up by 243 points (1.67%) and 62 points (1.43%) to close at 14,765 and 4,376 respectively

FII unloading persisted for the second week and net sales increased substantially on Thursday. FII net selling at Rs. 14 bn on Thursday was the highest single day sale since October 16, 2008 when it sold Rs. 19 bn. Overall volumes were under pressure and the daily average dropped by over 10% in domestic institutions persisted with net buying, particularly from the insurance sector.

Sector wise capital goods (+7%) gained the most, as the market perception was that the new budget would give a

strong impetus to building infrastructure, IT stocks (+3%) were in the fore and they gained as the rupee dropped over 3% this week. Banking sector received a strong boost as global liquidity position signaled comfort. Despite a gain of over 4.3% on Friday, this sector index closed the week only with a gain 2.5%. Auto, Metal and Healthcare were the three sectoral indices that had lost some ground this week. However, the overall trend will continue to be in alignment with the global cues. That is the global liquidity position.

However, the introduction of a free-float methodology in Nifty and expiry of derivatives resulted in volatility through the week. Speculation on budget expectations will be key driver of sentiment this week. Markets are likely to experience volatility ahead of the budget. Positive global cues could boost sentiment. During the week, Annual Economic Survey on July 2 and Rail Budget on Friday are important events that markets would be watching closely. However, foreign investors have turned jittery ahead of the budget. Investors would be closely watching the progress of monsoon which is believed to be 93% of the long term average.

### Taurus Benchmark Indices Movement

Indices	26/06/09	19/06/09	Points change	% change
BSE Sensex	14764.64	14521.89	242.75	1.67
S&P CNX Nifty	4375.50	4313.60	61.90	1.43
BSE 100	7710.97	7570.32	140.65	1.86
BSE 200	1798.57	1761.66	36.91	2.09
CNX Midcap	5511.15	5308.20	202.95	3.82
S&P CNX 500 Shariah	1042.56	1018.79	23.77	2.33

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

19/06/09 to 25/06/09	Equity	Debt
FII	-1998.60	242.20
MFs	1691.60	2904.00

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