

DEBT MARKETS

Global Update

Last week the yields came off in US on account of increased risk aversion and investors seeking safer asset because of looming Greek crisis. No decision on bailout package by EU led to risk averseness led buying in treasuries. Fed's commitment to keep the rates unchanged gave room for renewed interest in US treasuries. The benchmark 10yrs treasury closed at 3.65% down by 15 bps from last week close.

Domestic

The rally in Government bond extended to last week because of the following factors. A) Better than expected cut-offs in treasury auction. B) Least expectation of RBI intervention before next policy. C) Softening Inflation number as released last week D) Rally in US treasury yield .The 10yrs 6.35% GOI traded at 8.04%.lower by 4 bps. The cut-off for the new benchmark 10yrs bond came to 7.80% lower than the market expectation of 7.85% closing at 7.76% on bullish note. Inflation for the period came lower with primary and fuel inflation clocking 13.55% and 12.69% respectively.

CALL & CBLO

Liquidity remained comfortable in the system with average of 30K-55K Cr going in Reverse Repo. Overnight rates traded in a wide range with MIBOR trading between 3.80-3.91, while Call traded in range of 3.50%-4.10%, CBLO traded at 1.40%-4.00% during the week.

Government Securities and Treasury Bills

Better than expected cut-off, return of interest in G-Sec, softening US treasuries and inflation led to range bound rally in Govt Bonds. Also widely accepted belief that RBI may not raise policy rates in inter policy phase as the inflation which

has been the main concern of RBI is believed to have peaked in April. Also US Fed commitment to keep the policy rate lowest for extended period have soothed the market for value buying. The Cut-Offs for 10yrs new benchmark bond came at 7.80% lower than the market expectation of 7.85%.G-Sec auction of Rs. 12,000 crs. was fully subscribed. The cut-off yields for new 10yrs security, 7.38 % GOI 2015 and 8.28% GOI 2032 was 7.80%, 7.41% and 8.43% respectively. The RBI is auctioning Rs.15000 crs of bond this week.

Corporate Bonds

Corporate bond yields too fell tracking Govt bonds. The 5Y bond traded at 8.20% while 10yrs benchmark Bond traded around 8.75%.

Rupee

The Indian Rupee remained range-bound last week, following the equity markets. The Rupee-Dollar traded for most of the week around Rs. 44.45-44.60, closing at 44.44, 1 paisa weaker than last weeks close.

Fund Manager's Comment

Last week the most important event was auction of new 10 yrs benchmark. Traders welcomed it on a bullish note, and the significance can be felt with the two papers (old and new benchmark) trading with a yield differential of 25 bps. The trading volume too came back, with average clocking around Rs. 9-10K regularly. In the shorter end of the yield curve, the pent up demand of quality papers by mutual fund led to a 30-40 bps rally in the 6m-12m segment. This week we expect the yields at shorter end to be more stable because of likely issuances by banks. The 1yr segment should trade around 6.05%-6.15% this week.

Market Indicators as on 30th April, 2010

	30/04/2010	23/04/2010	% change
INR/USD	44.4400	44.4300	0.02
Inflation	NA	NA	NA
Oil (\$/bbl)	86.15	85.12	1.21
Gold (\$/oz)	1179.00	1157.60	1.85
10 years G-Sec	8.04	8.06	-0.25
10 years AAA	8.7500	8.7500	0.00
Call Money	3.90	3.50	11.43

Source: Bloomberg

EQUITY MARKETS

The Indian equity markets remained volatile during the week. The week started with a negative trend because of the Greece concern but later during the week it gained momentum on the back of good results, specially by banks. The BSE Sensex finished 0.77% lower while the Nifty ended 0.49% down during the week. BSE Mid-cap and Small-cap sector outperformed the market as they reported modest gain on the weekly basis. Mid-cap index gained 0.74% while Small-cap index gained marginal 0.08%.

On the sectoral Front, Realty sector gained maximum at 1.11% followed by Bankex 0.73%, consumer durable and Power (0.52%). FMCG, IT, Capital goods and Oil&Gas sector ended the week with negative return.

Among the index stocks, Infosys posted gain of 4.7% followed by TCS (3.4%), R Infra (3.04%), Wipro(2.59%). While on the loosing side, Hindalco lost 7.9% followed by HUL (-5.9%), R Power (-5.3%), DLF (-4.9%).

Food inflation cooled off by over one percentage point to a month's low of 16.61% in the week ended April 17 as pressure on prices declined with the arrival of rabi (winter) crops in the markets. Over the week, inflation declined from 17.65% as prices of masur, jowar, fruits and vegetables dropped around 2% and that of wheat by 1%. However, moong, urad and fish-inland became costlier. Pulses, however, remained expensive by about 30%, milk by 22% and fruits by about 10% over the last year.

Core sector industries expanded by 7.2% in March, indicating strong industrial growth for the month and a pickup in investment activity. The six industries - crude production, petroleum refinery products, coal, electricity, cement and finished steel - have a combined weight of 26.7% in the index of industrial production. The core sectors had grown by 3.3% in March 2009. The improved performance on the core sector points towards a strong number in the IIP which is to be announced on May 12, 2010.

On April 29 , Finance Minister Pranab Mukherjee announced several tax exemptions and sops before putting the Finance

Bill, 2010, to vote in the Lok Sabha. The bill was cleared by the House, amid a walk-out by the main opposition Bharatiya Janata Party, signalling approval for the Union Budget 2010-11. In his reply to the debate on the bill, Mukherjee announced a Rs 362.82-crore debt relief package for coffee growers and service tax concessions for construction industry, airlines and new hospitals with a minimum 100-bed capacity. Mukherjee also increased the export duty on iron ore lumps to 15% from 5% to ensure cheaper availability of iron ore for the domestic industry. He also announced shares transferred from companies to limited liability partnership (LLP) firms would not attract any tax. This, he said, was being done to allow tax-neutrality. In addition, the minister put a cap on service tax on domestic air flight at Rs 100 per travel and international travel by economy class at Rs 500, while fully exempting service tax on air travel to the North-East. The real estate sector, which has been protesting imposition of 10% service tax on sale of property, got a marginal relief in the form of higher abatement of 75% from 67%. This means service tax would now be levied only on 25% of the gross value, where such value includes the value of the land, instead of the earlier 33%. The effective rate would stand reduced to 2.5% from 3.4 %

Among the major global news, Rating agency S&P slashed Greek debt to junk status as investor's worried that political pressure could block a multi-billion euro bailout of Greece. Portugal was also downgraded to A- from A+, citing concerns about the Portuguese economy's ability to stabilize deteriorating public finances. S&P also lowered the National Bank of Greece S.A. (NBG) to BB+ from BBB+. This has sparked a havoc in the emerging market as they expect the money to be flown back from the emerging markets.

We expect equity markets to remain in a range bound tertiary for an extended time, as we await more results from the capital good and mining companies as well as infrastructure major. The execution track and margin outlook may put positive sentiments in the markets. We continue to remain cautiously optimistic on the Indian equity markets.

Taurus Benchmark Indices Movement

Indices	30/04/10	23/04/10	Points Change	% Change
BSE Sensex	17558.71	17694.20	-135.49	-0.77%
S&P CNX Nifty	5278.00	5304.10	-26.10	-0.49%
BSE 100	9379.04	9399.81	-20.77	-0.22%
BSE 200	2230.17	2232.81	-2.64	-0.12%
CNX Midcap	8061.10	7983.30	77.80	0.97%
S&P CNX 500 Shariah	1280.91	1288.92	-8.01	-0.62%

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

23/04/10 to 29/04/10	Equity	Debt
FII's	3322.20	2574.70
MF's	-104.20	7372.30

Source : SEBI site

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