

## DEBT MARKETS

### Global Update

The global debt markets continued to surge last week on concerns that European debt crisis may spread beyond Greece. On Friday, though some profit booking and positive employment data (addition of 290K jobs in April) pushed up the yield by 4 bps. The yield of US 10 yrs paper closed at 3.43%, coming off by 23 bps, making a 38 bps fall last fortnight, the largest since December 2008. The S&P 500 index fell by 6.4% where as Crude Oil fell by around 13% to USD 75/barrel on the uncertainty.

### Domestic

The Indian treasury markets followed their US counterpart and the yields fell to the lowest levels in this calendar year. The issuance of the new 10 yrs benchmark 7.80 May 2020 paper added to the already bullish sentiments with the traders. The new benchmark yield came off by 12 bps to close the week at 7.64%, after touching an intra week low of 7.57%. The G-Sec trading volume consistently clocked over Rs 15K Cr per day on RBI NDS platform.

### CALL & CBLO

Liquidity remained comfortable in the system with average of 450K-75K Cr going in Reverse Repo. Overnight rates traded in a wide range with MIBOR trading between 3.87-3.90, while Call traded in range of 2.25%-4.50%, traded at 2.49%-4.51% during the week.

### Government Securities and Treasury Bills

The new 10 yrs benchmark was traded actively by the market participants, which gained because of the uncertainty in Europe. The cut-off levels for last week's G-Sec auction was

8.23% for 8.32% 2032, 8.12% for INR 30 bn 8.26% 2027 paper, INR 50 bn each of 8.20% 2022 and 7.02% 2016 gilt at 7.78% and 7.39% respectively. On Wednesday the INR 90 bn of short term dated securities were auctioned. The INR 70 bn of 91 Days T-bills had a cut-off of 4.13% (4 bps lower) and INR 20 bn of 364 Days T-bills was at 4.91% (18 bps lower).

### Corporate Bonds

Corporate bond yields remained sticky last week. The yields did not move either way more than 4-5 bps. The 5yrs bond traded at 8.17% while 10yrs benchmark Bond traded around 8.75%.

### Rupee

The Indian Rupee fell against USD as the greenback gained across all the major currencies, mainly on account of European Debt crisis. The Rupee-Dollar traded in a wide range of 44.45 – 45.72 to close at 45.48, depreciating 2.33% over the week.

### Fund Manager's Comment

The longer end of the curve saw big trading positions getting exchange, but action was missing from the shorter end. The 6m-12m rates were very stable trading at the levels prevailing previous week. The absence of primary issuances was another reason (along with interest at the longer end of yield curve) of the lacklustre movement. The coming week will be important for the interest rate traders, as they would be keenly watching the developments in Europe (Govt formation in UK) and the total auction amount raised by auction of 3G spectrum. The 10 yrs is likely to trade in a range of 7.55%-7.75% with upside bias.

### Market Indicators as on 7th May, 2010

	7/05/2010	30/04/2010	% change
INR/USD	45.4775	44.4400	2.33
Inflation	NA	NA	NA
Oil (\$/bbl)	75.15	86.15	-12.77
Gold (\$/oz)	1208.40	1179.00	2.49
10 years G-Sec	7.63	7.76	-0.41
10 years AAA	8.75	8.71	0.03
Call Money	3.75	3.90	-0.15

Source: Bloomberg

## EQUITY MARKETS

During the week, the global equity market remain under pressure on the back of negative cues from the Greece debt problem and EU turmoil. This is also reflected on the performance on the Indian equity indices. The BSE sensdex, the benchmark index has fallen by 4.5% while nifty posted a negative gain of 4.93%. The positive news for the market was the Supreme court decision on the RIL-RNRL gas raw of which ruling came in the favour of RIL. Thus RIL has recovered from its lows and posted modest gain. BSE mid cap and small cap also faced selling pressure as they lost 4.88% and 5.41% respectively.

On the sectoral front, All the indices has posted negative gains. Realty was the largest looser as it lost 9.52% followed by Metals (-9.64%), Bankex (-5.82%), Capital Goods (-5.56%) and rest all the sectors have lost in the range of 1%-4%.

Among index stocks, Reliance infra lost 13.8% followed by Sterlite, Tata motors, JP associates and Tata steel which lost in the range of 13% - 9%. Only gainer among the index stock was Reliance industries which posted some modest gain.

For the first time in seven years, India's exports showed an annual decline. They declined by 4.7% in 2009-10, despite a recovery witnessed since November 2009. At \$176.5 billion, exports last year were lower than the \$185.3 billion in 2008-09. In March, exports grew a whopping 54.4%. Sectors like engineering goods, handicraft, leather, cotton yarn, readymade garments, carpets and oilmeal continue to take a beating. Growth has been seen in marine products, tea, iron ore, tobacco, plastics, fruits and vegetables.

India's annual food inflation declined to 13.93% for the week ended April 24 from 16.61% a week ago due to a fall in prices of wheat and vegetables, official data showed Thursday. Data on the Wholesale Price Index (WPI) released by the commerce

and industry ministry showed the index for food articles fell by 0.1% during the week under review.

The anxiety among investors over the outcome of the bitter battle between Mukesh Ambani-led RIL and his younger brother Anil Ambani group on gas came to an end on Friday, with the Supreme Court ruling that the government had the last word. The three-judge bench of the Supreme Court headed by Chief Justice K G Balakrishnan said the Ambani family MoU dividing KG-D6 gas between the brothers' group firms was not binding, both legally as well as technically.

Among global news, U.S. stocks tumbled the most in a year as waves of computerized trading exacerbated a selloff triggered by Europe's debt crisis. Computerized trades sent to electronic networks turned an orderly stock market decline into a rout. Nasdaq OMX Group Inc. canceled trades in 286 securities that rose or fell 60% or more. Australia's central bank increased the benchmark interest rate for the 6th time since early October after policy makers raised their outlook for inflation and judged the nation is insulated from Greece-sparked debt woes. The euro hit a one-year low of 1.29 USD as fears spread over Europe's financial stability. Stock markets also tumbled, with nearly \$1 trillion wiped off the value of shares worldwide. Investors cut their holdings of European equity funds by more than \$2 billion in the week to May 5, the biggest outflows in almost a year; amid concern Greece's debt crisis would spread.

We continue to remain cautious on the market as we wait for the global market to settle down as EU is approaching on deals to counter the Greece debt issue. Strong appreciation in dollar is a cause for concern for the emerging markets in near term. For near term, we continue to remain cautiously optimistic on the Indian equity markets.

### Taurus Benchmark Indices Movement

Indices	07/05/10	30/04/10	Points Change	% Change
BSE Sensex	16769.11	17558.71	-789.60	-4.50%
S&P CNX Nifty	5018.05	5278.00	-259.95	-4.93%
BSE 100	8937.65	9379.04	-441.39	-4.71%
BSE 200	2127.07	2230.17	-103.10	-4.62%
CNX Midcap	7769.50	8061.10	-291.60	-3.62%
S&P CNX 500 Shariah	1227.63	1280.91	-53.28	-4.16%

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

30/04/10 to 05/05/10	Equity	Debt
FII's	1197.30	106.90
MF's	-371.20	3153.00

Source : SEBI site

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