

DEBT MARKETS

Global

The US treasury hardened on the start of week as the New Home Sales for June was noted at 384,000 compared to market estimates of 352,000. However all through the week the rates eased on lower than expected consumer confidence index, worst than expected consumer durable data and unemployment data. The 2yrs, 5yrs and 30yrs yields closed at 1.17%, 2.63% and 4.41% respectively.

Domestic

Overall the G-Sec yield hardened ahead of First Quarter Review of Monetary Policy. RBI kept the policy rates unchanged stressing both on government borrowing and accommodative policy. The yields also hardened ahead of auction for 120 bn Rupees. RBI also conducted the auction of 90 bn Rupees of T-Bills and 20 bn Rupees of SDL during the week. The WPI inflation for the week ended July 18, 2009 was negative 1.54% lower than negative 1.17% in previous week.

CALL & CBLO

The money market rates remained easy during the week on surplus liquidity in the system. The overnight MIBOR rate was steady between 3.29%-3.30% during the week. The Inter-bank call and CBLO range were 3.10%-3.30% and 1.80%-3.30% respectively.

Government Securities and Treasury Bills

The G-Sec yield hardened during the week first on nervousness ahead of First Quarter Review of Monetary

Policy, profit booking, oversupply of Govt papers, fears of rising inflation and partial devolvement in bond auction. The 10 yrs benchmark bond closed at 6.99% compared to 6.92% last week.

Corporate Bonds

The corporate bond yields closed higher on week-on-week tracking G-Sec yields. The 5yrs benchmark bond traded at 8.55% up 20 bps while 10yrs benchmark bond traded at 8.68% level up by 8 bps on week-on-week basis.

Rupee

The rupee appreciated nearly 0.60% against the Dollar because of Dollar weakening against major currencies, and strong equity market. The Rupee started the week at 48.23 against the Dollar while ended at 47.93 against the Dollar by the end of the week.

Fund Manager's Comment

While the market is showing signs of bearishness it remains to be seen as to how much the yields go higher considering the benchmark yield is touching 7.00%. We feel that the buy back by the Reserve Bank of India may provide a lot of confidence to the market. The yields may range between 7.00% to 7.10% on a ten year benchmark. On the liquidity front the position looks ample as of present.

Market Indicators as on 31st July, 2009

	31/07/09	24/07/09	% change
INR/USD	47.93	48.23	-0.62%
Inflation	-1.54	-1.17	31.62%
Oil (\$/bbl)	68.86	68.01	1.25%
Gold (\$/oz)	953.00	950.00	0.32%
10 years G-Sec	6.99	6.92	1.01%
10 years AAA	8.68	8.60	0.93%
Call Money	3.30	3.30	0.00%

EQUITY MARKETS

Indian stocks ended with gains for the third consecutive week and key indices ended at their best levels for the year. They have also regained all the loss since the middle of June 2008. Sensex posted a gain of 1.9% during the week; 8.1% during the month of July and 62.4%; so far, in 2009. The market opened in a subdued note, on the back of lower than expected performance by the private sector oil giant, RIL. A sharp fall in this scrip took the market down on Monday, despite positive cues from global market and the index fell further the next two days in line with global trend to touch the week's low. A sharp rebound on RIL stock on the last day helped the market close at its best in over a year. Sensex and Nifty went up by 291 points (1.89%) and 68 points (1.49%) to close at 15,670 and 4,636 respectively.

During the first half of the week, mid and small cap stocks went against the trend in blue chip stocks. As a result these stocks ended with larger gains. The CNX Mid Cap Index gained 3.1% while the BSE Small Cap Index gained 2.6%. Market has also seen some value picking. FMCG and IT sectors lead the rally for the first time this year and these indices gained respectively by 6.1% and 4.9%. Despite a sharp blow on the last day, Realty index also gained 3% during the week. They derived their strength on the promise of further flow of funds through PE and QIP routes. Banking stocks got hammered since the announcement of quarterly credit policy statement, but selective scrip posted strong gains on the last day when PSU giant SBI declared much better results than expected.

The credit policy was a non event and status quo on all RBI tools was left untouched. But it gave a clear indication that there is hardly room for further cuts in policy interest rate. This was seen as negative by a section of the market that was speculating for a 25 basis cut in repo and reverse repo rates. There was a nominal improvement in the overall volume. There was a reluctance of all segments to make long term commitment. But it improved on the last day from FIs and DIs. For the past two weeks, FIs and DIs were seen on the opposite of the net position, except Friday when both were net buyers while the entire selling came from retail and HNI clients. Market was nervous and volatile, moving in sharp jerks and spurts. FIs invested US\$ 241 mn in cash. For current month total investment is US\$ -272 mn. DI invested US\$ 68 mn in cash. For current month total investment is US\$ 1,195 mn.

The trend in 1st quarter earnings results continued to remain the same as companies continued to post much higher growth in bottom line than in top line. But the bottom line growth rate was seen dropping from previous week's highs. A study of 1168 companies (Ex-banking and financials) registered bottom line growth of 15.4% (34%) while the top line growth was just 1.6% (8%). Bottom line got a higher boost in general, on the back of low raw material costs, low interest payout and improved other income.

Taurus Benchmark Indices Movement

Indices	31/07/09	24/07/09	Points change	% change
BSE Sensex	15670.31	15378.96	291.35	1.89
S&P CNX Nifty	4636.45	4568.55	67.90	1.49
BSE 100	8176.54	8044.95	131.59	1.64
BSE 200	1909.63	1874.43	35.20	1.88
CNX Midcap	5950.20	5770.45	179.75	3.11
S&P CNX 500 Shariah	1104.92	1095.28	9.64	0.88

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

24/07/09 to 30/07/09	Equity	Debt
FIs	3083.80	340.30
MFs	-420.80	3116.10

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