TAURUS Mutual Fund

TAURUS RECAP

WEEKLY REPORT - 29th JUNE - 3rd JULY 2009

DEBT MARKETS

Global

The US treasury yield this week was majority range bound based on mixed economic data, and absence of any trigger. The benchmark 10 yrs bond started the week with 3.48% yield and ended flat with 3.49% at the end of the week. However the curve steepened tracking easing in short tenors and slight hardening at longer tenors. ADP Employment Survey was noted at negative 473,000 compared to markets estimates of negative 394,000. ISM Manufacturing Index was as per the market expectation at 44.8 against the estimate of 44.9.

Domestic

The inflation based on Wholesale Price Index for week ended June 20, 2009 was seen at negative 1.30%, lower than negative 1.14% noted previous week. The government announced the hike in fuel prices but had no major impact on bond market.

CALL & CBLO

The money market rates were range bound because of continued surplus liquidity in the system. Overnight call ranged from 3.10%-3.35% and the overnight CBLO rate ranges was from 2.00%-3.20%.The average amount in LAF during the week was negative 750-950 bn.

Government Securities and Treasury Bills

G-Sec yield hardened in the offset of the week on profit booking however the yield eased throughout the week as the G-Sec market became highly bullish tracking market expectations that Government may not increase the borrowing program by a large amount in the Union Budget 2009-10 and also because of negative inflation outcome and no auction from RBI. The 6.07% 2014 bond saw the yield close down by 28 bps at 6.22% while 10 yrs bond saw the lowest yield of 6.82%.

Corporate Bonds

The Corporate bond yield were lower week-on week on the back of a rally in govt bond yields. 5 yrs benchmark bond traded at 8.50% down by 15 bps week on week basis, while 10 yrs benchmark bond was flat.

Rupee

The rupee was bit volatile against USD because of rising oil prices and importer in the market during month end. However the rupee ended stronger because of gains in local equity market and dollar inflow from QIP proceeds .The rupee-dollar pair was in range of 47.74-48.00.The rupee closed at 47.89 at the end of week.

Fund Manager's Comment

The markets rallied on expectation of a fiscal deficit within estimated limits. However higher fiscal deficit in the budget presented today dashed all hopes of a rally on the Bond markets. While the near term 10 yrs G-Sec yields are expected to remain in the region of around 7.15%-7.25% it remains to be seen as to how much would be the buy back of bonds by the Central Bank to stabilize the markets. While we were expecting a rally post budget we have now turned cautious as the huge amount of borrowing would not be able to push the yield downward. The corporate bonds yields is expected to remain steady.

Market Indicators as on 3rd July, 2009

	03/07/09	26/06/09	% change
INR/USD	47.89	48.61	-1.48%
Inflation	-1.30	-1.14	14.04%
Oil ($/bbl)	65.63	69.29	-5.28%
Gold ($/oz)	929.30	938.05	-0.93%
10 years G-Sec	6.83	7.01	-2.57%
10 years AAA	8.50	8.65	-1.73%
Call Money	3.20	3.28	-2.44%

EQUITY MARKETS

Indian stocks were extremely volatile and once again it broke away from global trend towards the closing hours of the last day. This helped the market end in a positive note and at close most of the key indices gained one percentage point over the previous week. Sensex and Nifty went up by 148 points (1.01%) and 49 points (1.11%) to close at 14,913 and 4,424 respectively. This last leg gain was mainly due to the positive perception spelt out in the Economic survey released the previous day.

There was no dramatic change in the Railway Budget announced on Friday. Freight growth fixed at 55% and passenger revenue growth fixed at 10.8% were in line with similar growth achieved during the pervious year. Globally markets were seen struggling to hold asset and commodities prices high against a weak dollar. This was explicitly seen when the dollar fell during mid week on positive news on manufacturing front while the dollar firmed up on Friday on very bad news on jobs.

Oil & Gas sector was in focus this week and PSU oil stocks gained substantially on the back of a rise in petrol and diesel price and fall in global crude price. But it was not reflected firmly in the sector index due to reluctance of RIL to respond positively due to negative news on its dispute over gas supply to ADAG's RNRL. In general low liquid stocks were in the fast track while high liquid stocks were seen struggling to catch up. This week, when ONGC gained over 8.5%, RIL stock lost 0.3%. Consumer Durables and Metals were the top gainers with each of these sector indices gaining over 3.5%. IT and Telecom stocks were the laggards as both these indices shed over one percent.

Volume shrinkage continued and it was drastically down on F&O segment (-30%). FII interest was seen coming back, but reluctantly. They once again turned net buyers, but in low volumes. FIIs invested US$ 218 mn in cash. For current month total investment is US$ 134 mn. Most of the net selling was from the public – both retail and HNI. DII invested US$ 162 mn in cash. For current month total investment is US$ 91 mn.

Speculation on budget expectations will be key driver of sentiment this week. It is expected to announce an additional spending of Rs. 700-800 bn, over and above the vote on account budget presented in February. Most of this spending is likely to be directed towards rural and urban masses to generate purchasing power at the bottom of the society. On the policy side, stepped activism on reforms will be seen, as is being indicated in the Economic survey. However, global events should take precedence, if not later on Monday within a couple of days. Investors should also closely watch the progress of Monsoon which seems to be below the long term average.

Taurus Benchmark Indices Movement

Indices	03/07/09	26/06/09	Points change	% change
BSE Sensex	14913.05	14764.64	148.41	1.01
S&P CNX Nifty	4424.25	4375.50	48.75	1.11
BSE 100	7799.42	7710.97	88.45	1.15
BSE 200	1819.02	1798.57	20.45	1.14
CNX Midcap	5537.45	5511.15	26.30	0.48
S&P CNX 500 Shariah	1048.41	1042.56	5.85	0.56

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

26/06/09 to 02/07/09	Equity	Debt
FIIs	424.60	-1698.60
MFs	-108.20	86.20