TAUURUS
Mutual Fund

TAURUS RECAP

WEEKLY REPORT - 6th - 10th JULY 2009

DEBT MARKETS

Global

The US treasury yield eased throughout this week with 10 yrs bond starting with 3.51% and touched the lowest level of 3.31% during the week. However the better than expected numbers in labour market led to sharp hardening of yield with 10 yrs bond closing at 3.40 by the end of week. The 2yrs, 5yrs and 30yrs yields closed at 0.92%, 2.32% and 4.30% respectively. This week Bank of England announced no change in Bank Rate of 0.50%.

Domestic

For the bond market the budget projected the fiscal deficit of 6.8% which translates into 900 bn Rupees of extra borrowing against the expected extra borrowing of 400 bn Rupees. The RBI conducted the purchase OMO of rupees 75 bn but bought only 16.69 bn Rupees of security. The auction of 150 bn Rupees was announced for July 10, 2009. The IIP data was 2.7 better than market expectation. Inflation data for the week ended June 27, 2009 was negative 1.55% lower than the 1.30 noted last week.

CALL & CBLO

The money market rates remained easy during the week on surplus liquidity in the system. The overnight MIBOR rate was 1.75-3.27 during the week and the Interbank Call rates and CBLO rates were 3.00%-3.30% and 0.10% - 3.25% respectively.

Government Securities and Treasury Bills

The Government security market opened with bullish sentiment on positive budget expectation, however with fiscal deficit figure of 6.8% and increased borrowing announcement, market sold off ending the yield higher. The 10 yrs benchmark bond ended at 7.08% on budget day. The sentiment turned more negative on RBI announcement of 150 bn auction. The auction was fully subscribed except one security which devolved. The cut off for new 10 yrs paper was 6.90%.The RBI has announced another 120 bn Rupees auction next week.

Corporate Bonds

The corporate bond yields were higher week-on-week on the back of rise in government bond yield. The 5yrs benchmark bond traded at 8.05% levels, and 10 yrs benchmark traded at 8.63%level, higher by 20 and 15 bps respectively

Rupee

Due to sharp fall in equities and disappointment from budget rupee depreciated against the dollar. The rupee ended at 49.01 against the dollar down by nearly 2.3% week-on-week basis.

Fund Manager's Comment

The markets which had corrected rallied after an aggressive cut off on the new ten years benchmark. While the markets are anticipating a further rally there may be a cap on the rally since the credit policy and also announcement of the borrowing calendar is expected in the coming days. The liquidity would be remaining comfortable. However a sharp decline in the long term rates as far as one year is concerned is not expected. Hence the markets may remain range bound for the coming week.

Market Indicators as on 10th July, 2009

	10/07/09	03/07/09	% change
INR/USD	49.01	47.89	2.34%
Inflation	-1.55	-1.30	19.23%
Oil ($/bbl)	60.31	65.63	-8.11%
Gold ($/oz)	913.50	929.30	-1.70%
10 years G-Sec	6.97	6.83	2.05%
10 years AAA	8.63	8.50	1.53%
Call Money	3.17	3.20	-0.94%

EQUITY MARKETS

Indian budget could not help to hold the high spirits of the market that has been in a decoupling freak since the new stable government was elected. The re-coupling trend was set in motion on Monday, during the middle of the budget presentation itself. The fact was that, the market was aware that the Finance Minister can not give any relief to any sector when its own revenue growth is sharply lower and the budget deficit was already over stretched, even before this budget through two stimulus packages and the vote on account budget. But still the bulls were waiting for a miracle which did not happen. The end result was the worst post budget market performance ever. On Monday itself key indices gave up a whopping 6%. When the market could not sustain persistent net selling pressure from FII it gave another 3% during the last hour of the market on Friday, despite better than expected results from Infosys. An over all loss of close to 10% in key indices was the worst weekly performance since October 2008, post Lehman fall. Sensex and Nifty declined by 1,409 points (-9.45%) and 420 points (-9.5%) to close at 13,504 and 4,004 respectively.

In the cash segment alone, FIIs net sold close to a billion dollars worth stocks. The worst hits were the top gainers of the recent bear market rally between March to June second week. Realty stocks lost ground, despite positive response of many of their QIPs in the recent past. This sector index lost over 17% this week. Bank and Capital goods, another two favourites of bulls lost over 13%. Defensive FMCG was the most favoured sector, as the enhanced budgetary spend in tier two economy - rural and urban poor – is expected to keep the demand going. Auto stocks also were in favour amid expected enhanced demand for low end products from rural area. When FMCG sectoral index gained 4% and auto index lost just one present. IT stocks received some buying support on Friday on the back of higher than expected revenue growth reported by Infosys. All reliance group stocks were also under pressure, amid concerns of escalating issues in the dispute between the Ambani brothers. Neither the falling crude price do any good for the Oil & Gas sectors, including the marketing companies, despite a 10% hike in retail price of petrol and diesel the previous week.

The Indian market is back in line with the global cues. The condition is expected to remain the same and the market would tag along with the trend in global market, which in turn is dictated by the relative strength of the US dollar. The global stock trend since October has been in inverse direction to the dollar. Even IMF upward revision of GDP figures could not help, neither the G8+G5 meeting that issued its first consensus statement - agreeing to desist trade protection, ensure availability of liquidity and unrestricted credit flow - have not help prop up the green shoot anymore. Thus now, global events would take precedence. However, investors should also closely watch the progress of Monsoon which seems to be below the long term average and creating a lot of jittery to the investors.

Taurus Benchmark Indices Movement

Indices	10/07/09	03/07/09	Points change	% change
BSE Sensex	13504.22	14913.05	-1408.83	-9.45
S&P CNX Nifty	4003.90	4424.25	-420.35	-9.50
BSE 100	7062.59	7799.42	-736.83	-9.45
BSE 200	1649.25	1819.02	-169.77	-9.33
CNX Midcap	5152.25	5537.45	-385.20	-6.96
S&P CNX 500 Shariah	964.42	1048.41	-83.99	-8.01

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

03/07/09 to 09/07/09	Equity	Debt
FIIs	4193.00	4182.60
MFs	-102.10	12141.60