

DEBT MARKETS

Global

The Bank of England maintained its Bank Rate at 0.50%. The Committee also voted to continue to buy assets under asset purchases facility totalling GBP 125 billion. These purchases will be financed by the issuance of central bank reserves. The European Central Bank maintained its Main Refinancing Operations Rate at 1.00%. US Treasury yields hardened tracking concerns over auction supplies. Initial Jobless Claims for week ended May 31, 2009 was noted at 621,000 higher than market estimates of 620,000. The benchmark 10 years bond closed at 3.71%. Japan's current-account surplus narrowed for a third month in April 2009 as the global recession cut demand for exports. The surplus shrank 54.5% to 630.5 billion yen (\$6.4 billion) from a year earlier.

Domestic

The inflation for week ended May 23, 2009 was at 0.48%, lower than 0.61% noted previous week. The index increased tracking rise in prices of Primary Articles (tea, jowar etc) and Manufactured Products (textiles, leather etc).

CALL & CBLO

Call and CBLO rates eased slightly tracking the easy liquidity due to reporting week. Overnight call range was at 3.00% - 3.30a and the overnight CBLO rate was in the range of 0.50% - 3.24%. The daily average amount absorbed under LAF Reverse Repo was in the range of Rs 1.15 tn to Rs 1.31 tn.

Government Securities and Treasury Bills

The yields in the G-Sec market eased slightly initially tracking easing of US Treasury yields. The cut-offs in OMO auctions

were in line with market expectations which supported the market sentiment. However, on Friday G-Sec yields harden slightly tracking the results of G-Sec auction and low demand. In the G-Sec auctions of Rs 150 bn the cut-off for new 6 years G-Sec was at 6.49%, the cut-off for 8.20% GOI 2022 was at 7.45% and the cut-off for 7.50% GOI 2034 was at 7.75%. Further, RBI has announced the G-Sec auctions of Rs 150 bn to be held on June 11, 2009.

Corporate Bonds

Yields on corporate bonds eased tracking the G-Sec yields and easy liquidity. However, yields on longer end of CD and CP were remained at there previous week's level due to lower demand. 10 years AAA bond yields closed at 8.65% against 8.74% previous week.

Rupee

INR opened at Rs 46.95 against USD tracking the week economic data in US and rally in equity market. However the gains were capped later in the week due to suspected RBI intervention. INR closed at Rs 47.12 against USD.

Fund Manager's Comment

Liquidity is expected to remain comfortable. However, due to advance tax outflow there might be slight pressure on short term money market rates. Yields on G-Sec are expected to remain range bound with slight easing bias tracking the expectation of lower inflation number. Data to look for the week will be RBI LAF numbers, WPI inflation, G-Sec auction results and the flows in currency market.

Market Indicators as on 5th June, 2009

	05/06/09	29/05/09	% change
INR/USD	47.12	47.09	0.06
Inflation	0.48	0.61	-21.31
Oil (\$/bbl)	68.70	66.64	3.09
Gold (\$/oz)	955.30	976.00	-2.12
10 years G-Sec	6.56	6.70	-2.09
10 years AAA	8.65	8.74	1.03
Call Money	3.25	3.30	-1.52

EQUITY MARKETS

Indian stocks continued to remain bullish and the BSE Sensex surged past 15,000, extending the rally to the thirteenth consecutive week. There was neither any let down in the positive sentiment gathered from the election result nor from the global cues. Government's plans to introduce a slew of market-oriented economic reforms and some signs of recovery in the domestic and global economies boosted the key indices. BSE sensex rose 478 points or 3.3% to end the week at 15,104 and Nifty gained 138 points or 3.1% to end the week at 4,587.

FII net inflow was the key driver of large cap stocks. Market in general was very erratic and strong support came from FIIs whenever there was a sudden dip. Sensex and Nifty posted a gain of over 3% this week. There was a sudden improved interest in mid and small cap segments and many stocks in this segment were seen hitting the higher end of the rate ceiling consistently. But volumes in such stocks were extremely poor. BSE small cap index gained almost 8% while the CNX mid cap index gained over 6%. Except for Oil & Gas and Banking, the two sectors that posted the negative return, the rest of the sectoral indices had gained above 3% (more than the key indices). Consumer Durables and

Capitals Goods sectors were at the top with respective gains of 10% and 8.5%.

There was clear indication of continuity in the government policy from the President's address to the new Parliament on Thursday and there were indications of reforms that were pending for long. But the market did not respond either way. The market was clearly in alignment with international markets and key Indices moved in harmony with global indices. Liquidity generated from global market was the key strength and the market is expected to remain aligned to the global markets and move in sympathy with the net flow of funds from international markets.

The market could consolidate its gains this week but an upmove will depend on global cues. Profit-booking could happen at higher levels in the run-up to the budget. However, stronger foreign inflows (totaling Rs. 1,200 crore in first four days of June) could cushion the downside. Any policy action to revive growth in the badly hit SME, exports, textiles, commercial vehicles, infrastructure and housing segments would be a positive. The markets will also keep an eye on the progress of the Monsoons.

Taurus Benchmark Indices Movement

Indices	05/06/09	29/05/09	Points change	% change
BSE Sensex	15103.55	14625.25	478.30	3.27
S&P CNX Nifty	4586.90	4448.95	137.95	3.10
BSE 100	7912.56	7620.13	292.43	3.84
BSE 200	1848.04	1772.82	75.22	4.24
CNX Midcap	5682.95	5353.55	329.40	6.15
S&P CNX 500 Shariah	1068.02	1024.71	43.31	4.22

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

	Equity	Debt
FII	2015.80	2138.20
MFs	-1082.79	2806.99

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