

## DEBT MARKETS

### Global

The US treasury yield hardened week-on-week basis based on positive comment from Fed on economic recovery. Also better than expected jobless claim data firmed up the US treasury yield. The 10yrs treasury yield started the week at 3.35% but hardened to 3.46% by the close of the week. The benchmark 10yrs bond closed at 3.46%. The 2yrs, 5yrs and 30yrs yields closed at 0.94%, 2.38% and 4.30% respectively.

### Domestic

The domestic market mirrored the US yield movement on strong IIP data, rising crude prices and devolvement of G-Sec auction. The 10yrs yield opened higher in the offset of the week at 7.35% and closed at 7.40%. The rise in yield was supported by devolvement in auction in one of the security. The cut-off yield for the new 5 yrs security was set at 7.32%. The cut-off for auction of 6.35% GOI 2020 and 7.35% GOI 2024 was set at 7.92% and 8.35% respectively. An amount of Rs 2.10 bn was devolved on primary dealers.

### CALL & CBLO

The liquidity remained comfortable during the week. The overnight MIBOR rate was steady at 3.30 % during the week. The Inter-bank Call and CBLO range were 3.00 %-3.35% and 2.89%-3.65 % respectively.

### Government Securities and Treasury Bills

The bond market yield hardened tracking US yield supported by good IIP data, and rising crude prices. The IIP data for the

month of August was 10.40% higher than the market expectation. The RBI conducted the G-Sec auction of Rs 100 bn for three securities during the week. Also Rs 90 bn of T-bill was auctioned during the week, the cut-off for which was 3.23% and 4.05% for 91 days and 182 days respectively, higher than the last cut-off. Inflation for the week ended October 3, 2009 came as 0.92% .

### Corporate Bonds

The corporate bond yields closed comparatively flat during the week. The 5yrs benchmark bond traded between 8.60-64% while 10yrs benchmark bond traded at 8.88% levels.

### Rupee

The rupee continued its appreciation against the dollar. The Rupee ended at 46.31 against the dollar, appreciating 14 paise week-on week basis.

### Fund Manager's Comment

The bond yields hardened slightly during the week. However the yields are expected to remain range bound as figures are coming mixed from the global economies as well. We expect the ten year to trade around 7.30%-7.40% during the week. The liquidity is expected to be comfortable and all eyes would be set on the RBI credit policy coming up next week.

### Market Indicators as on 16th October, 2009

	16/10/09	9/10/09	% change
INR/USD	46.31	46.42	-0.24
Inflation	0.92	0.70	31.43
Oil (\$/bbl)	76.03	68.07	11.69
Gold (\$/oz)	1053.67	1052.00	0.16
10 years G-Sec	7.37	7.31	0.82
10 years AAA	8.88	8.88	0.00
Call Money	3.30	3.30	0.00

## EQUITY MARKETS

Positive cues from the global markets and a strong IIP boosted domestic sentiments and helped recoup losses of the previous week. IIP numbers came at 10.4%, the highest in the last 22 months. The market crossed psychological levels of 17,000 and 5,000 for Sensex and Nifty, respectively. The BSE Sensex rose 680 points or 4.1% to close at 17,323, while Nifty rose 197 points or 4% to 5,142.2 in the same period. Mid caps did better, the BSE Mid-Cap index jumped 4.9% during the period.

The index of India's industrial production grew by 10.4% in August 2009 which is the highest growth rate so far in the current financial year. First time after October 2007, the index of industrial production (IIP) has registered double digit growth rate. India's industrial production rose by 5.8% in April-August 2009 -10 versus 4.8% in the same period a year earlier. The manufacturing output climbed by 10.2% as against 1.7% in August 2008, while electricity saw a growth rate of 10.6% versus 0.8% in the same period last year. Overall Consumer Goods output was at 8.5% versus 6.4% YoY. Capital Goods production soared to 8.3% from 0.9% in the same month of last year. Fourteen of the 17 segments saw growth during August, with seven of

these 14 registering double-digit growth. Inflation, though rising gradually could turn out to be a dampener in the coming months. Inflation for the week ended October 3, 2009 inched marginally up from last week 0.7% to 0.92%.

Every time the indices soar to multi-month highs, there is fear in the air. Liquidity continues to flow in from the foreign shores while on the domestic front there appears more caution and less action. Rising fund inflows from FIs boosted by an appetite for risk will play an important role in the coming weeks. Out of the Rs 4,400 crore pumped in the month of October, around Rs 3,500 crore came in the first three days of previous week.

Further, the market direction would also depend on the global cues and how the second quarter results fare. Results have been more or less in line or better than street expectations. The coming truncated week will have a deluge of numbers for the market to ponder over. Global cues will continue to have a major influence on the broader market. Any disappointment could lead to correction in the market considering that the markets have run up considerably.

### Taurus Benchmark Indices Movement

Indices	17/10/09	09/10/09	Points change	% change
BSE Sensex	17326.01	16642.66	683.35	4.11
S&P CNX Nifty	5141.80	4945.20	196.60	3.98
BSE 100	9128.35	8754.86	373.49	4.27
BSE 200	2149.64	2058.76	90.88	4.41
CNX Midcap	7186.60	6749.25	419.35	6.21
S&P CNX 500 Shariah	1222.13	1178.08	44.05	3.74

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

09/10/09 to 15/10/09	Equity	Debt
FIs	2470.30	1605.70
MFs	-805.10	2949.80

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