

DEBT MARKETS

GLOBAL UPDATE

US treasury yield fell last week as uncertainties in middle east boosted the demand for the relatively safe government papers. Egypt's approval of Iranian naval ships to pass through the Suez Canal was seen as "provocative" by Israel, pushing up both the Crude oil and Gold prices in the commodity markets. The 10 yrs Treasury note yield came off by 5 basis to close at 3.58% and 2 yrs yield came off by 9 basis to 0.75% compared to last week.

GOVERNMENT SECURITIES AND TREASURY BILLS

Domestic bond market found some buying interest from traders ahead of the budget at the end of this month. The lower crude oil prices and muted food inflation pushed the yield down by around 4-5 basis point across the curve. The most active G-Sec, 8.08 coupon 2022 paper closed the week at an yield of 8.16, 6 basis point lower compared to last week. With the system witnessing tight liquidity, the cut-off for 91 days T-bill was set at 7.14% while the cut-off for 182 days bill 7.53%.

LIQUIDITY CALL

Liquidity condition tightened further last week going beyond the comfort level of RBI yet again. The average amount under LAF was negative INR 99k Cr. against INR 75k Cr last week. Overnight rates like MIBOR, and CBLO showed the strain and traded between 6.86% - 6.96% and 6.10% - 6.70% respectively.

CORPORATE BONDS

Corporate bond papers did not show any significant move, without any major catalyst. The 5 yrs AAA rated corporate bond yields closed at 9.19% while 10 yrs benchmark bond yields remained range bound to close at 9.20%, showing a flat yield curve.

RUPEE

The Indian Rupee appreciated against USD amidst overall weakening of USD against a basket of global currencies and rise in Indian equity markets. It traded in a range of 45.13 to 45.55 to close at 45.21 appreciating 1.04% WoW.

FUND MANAGER COMMENTS

The tight liquidity conditions and primary CD issuances pressure kept on the short term rates on elevated levels. The money market yield curve turned more flat with the spread of 3m-12m coming down to 10 bps only. The G-Sec markets saw some buying as Crude oil prices came down.

This week the movement of G-Sec rates will mainly be as per the budgetary expectation, mainly on the fiscal front. The short end of the curve for money market instruments is likely to become completely flat on deluge of supply in the 3 month segment. The 3m prime CD rates is likely to breach 10%. The 10 yrs benchmark may trade in a range of 8.05%-8.20%.

Market Indicators as on 18th February, 2011

	18/02/2011	11/2/2011	% change
INR/USD	45.21	45.69	-1.04
Oil (\$/bbl)	86.2	85.58	0.72
Gold (\$/oz)	1,389.53	1,357.05	2.39
10 years G-Sec	8.11	8.15	-0.04
10 years AAA	9.20	9.25	-0.05
NSE Mibor	6.86	6.72	0.14

Source: Bloomberg

EQUITY MARKETS

Indian equity market closed the week with a positive gain on the back of the broad based buying and decreased inflation pressure. The BSE sensex posted a gain of 2.7% while nifty closed the week 2.8%. The BSE small cap and CNX midcap outperformed the market after a long gap. The Small cap index gained 4.1% while CNX midcap ended the week with a positive gain of 2.9%.

On the sectoral front, Bankex lead the gain with 4.9% followed by BSE Metal (4%), Capital Goods (3.9%), Consumer Durable (3.4%) and FMCG (2.9%). Only realty index ended in the negative territory as it lost 2.2% during the week.

Among the BSE 200, Hind copper gained 37% followed by United Spirits (18.9%), Bombay Dyeing (18.1%) and Tech Mahindra (15.5%). On the negative side, Anant Raj industries lost 19.8% followed by Shree renuka sugar (-7.3%), Petronet LNG (-6.1%) and Sintex Industries (-6.0%).

India's Wholesale Price Index (WPI) increased 8.23% YoY in Jan'11, as against 8.43% rise in Dec'10, and 8.53% in Jan'10. The average inflation so far in FY11 stands at 7.44%, as against 9.42% recorded in the corresponding period of the previous year. The WPI for the primary articles group rose by 2.4% YoY, with prices of food articles rising by 2% YoY.

Meanwhile, India's food inflation stood at 11.05% in the week ended February 5, 2011, as against 13.07% in the preceding week, and 22.27% in the year-ago week. Inflation in the primary articles group stood at 14.59% in the reporting week, as against 16.24% in the previous week, and 22.12% in the year-ago week.

Inflation in the fuel & power group climbed 11.92% in the week under review, as against 11.61% in the previous week, and 9.51% in the year-ago week.

India's export in January grew 32.5% YoY to \$20.6 bn YoY, while the imports rose 13.1% YoY to \$28.6 bn. The country's exports increased 29.4% YoY to \$184.6 bn, while the imports grew 17.6% YoY to \$273.6 bn in Apr'10-Jan'11 period. India's balance of trade widened to \$8 bn in Jan'11, as against \$2.6 bn in Dec'10, while the total trade deficit stood at \$89 bn in Apr'10-Jan'11 period

India's GSM subscriber base grew by 2.53% in Jan'11 from the previous month with the addition of 13.71 mn new mobile phone users. According to data released by the COAI, the total number of GSM subscribers in the country crossed 556.68 mn in Jan'11, as against 542.97 mn in Dec'10. Bharti Airtel alone saw addition of over 3.3 mn new users Jan'11. The Company Airtel now has a market share of 27.99%, with 156 mn subscribers.

On the global News, President Obama sent \$3.7 tn budget that projects the fed deficit will exceed \$1 tn for the 4th consecutive year in 2012 before falling to more "sustainable" levels by the middle of the decade. The deficit for the current fiscal year is forecast to hit a record \$1.6 tn, 10.9 % of GDP up from the \$1.4 tn. It would be \$1.1 tn in 2012 and 2015 it would decline to \$607 bn. After markets closed, the People's Bank of China raised the reserve requirement ratio for domestic banks by 50 basis points to curb lending and cool inflation

Taurus Benchmark Indices Movement

Indices	18/02/11	11/02/11	Points change	% change
BSE Sensex	18211.52	17728.61	482.91	2.72
S&P CNX Nifty	5458.95	5310.00	148.95	2.81
BSE 100	9475.64	9213.10	262.54	2.85
BSE 200	2241.37	2178.71	62.66	2.88
CNX Midcap	7699.35	7483.90	215.45	2.88
S&P CNX 500 Shariah	1266.43	1237.86	28.57	2.31

Weekly FII & MF Net Flows (₹. in crs.)

14/02/2011 - 18/02/2011	Equity	Debt
FII	55.70	2248.70
MFs	273.40	-1371.00

Source : SEBI site

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