

DEBT MARKETS

Global

The US treasury yield softened sharply on comments from Fed that lowest interest rate regime would continue for extended period of time. Also lower industrial production figure (negative 1.9%, against expected negative 1.8%) coupled with lower PPI which painted a sluggish economy further pushed the yield down. The benchmark 10 yrs bond closed at 3.34%. The 2 yrs, 5 yrs and 30 yrs yields closed at 0.70%, 2.15% and 4.28% respectively.

Domestic

The bullish stance of bond market last week reacted sharply in line with positive US market, lower monthly inflation figure, aggressive cut-offs during auction, and absence of any auction in next week.

The benchmark 10 yrs paper 6.90% GOI 2019 closed at 7.18% against 7.29% last week. During last week RBI conducted G-Sec auction of 100 bn , Rs. 50 bn of 91 days T-bill and Rs.20 bn of 364 days T-Bills. The G-Sec auction was fully subscribed. The cut-offs for the T-bill were 3.28% and 4.53% respectively.

CALL & CBLO

The liquidity remained comfortable during the week. The range for MIBOR was 3.29%-3.30% during the week. The Inter-bank Call and CBLO range were 3.10%-3.35% and 0.50%-3.65% respectively.

Government Securities and Treasury Bills

The bond market saw sharp rally during last week tracking US market, bullish sentiment seen in auction cut-offs, lower monthly inflation data and because absence of auction

in coming week. The bullish sentiment was reflected in the G-Sec and T-bills cut-offs. RBI conducted Rs.100 bn of G-Sec auction of 7.32%GOI 2014, 6.90% GOI 2019, and 7.50% GOI 2034. The cut-offs were, 6.90%, 7.56% and 8.28% respectively. The cut-offs for 91 days T-bill was 3.28% same as last week but for 364 days it was 4.53 lower than the earlier.

Corporate Bonds

The corporate bond yields closed lower during the week tracking G-Sec market .The 5 yrs benchmark bond traded between 8.10% while 10 yrs benchmark bond traded at 8.55% levels.

Rupee

The rupee depreciated against the dollar during the week due to volatility in equity market and Dollar strengthening overseas. The Rupee ended at 46.66 against the dollar, depreciating nearly 0.6 % on week-on week basis.

Fund Manager's Comment

Due to the sudden bullishness the yield on Government Securities edged lower during the week and this was expected since a lot of bearishness has been seen the market over the past so many days on account of higher expected inflation. The yields are further expected to be range bound with a downward bias over a period of time. However a big rally is not expected. A view can be taken on income funds and also gilt fund wherein it can offer reasonable returns over the short term funds. Also, the yields on the short term funds may remain stable with a slightly downward bias. The corporate bonds would keep on tracking the gilt markets.

Market Indicators as on 20th November, 2009

	20/11/2009	13/11/2009	% change
INR/USD	46.66	46.34	0.69
Inflation	1.34	NA	NA
Oil (\$/bbl)	76.60	75.91	0.91
Gold (\$/oz)	1150.00	1120.00	2.68
10 years G-Sec	7.18	7.29	-1.51
10 years AAA	8.55	8.65	-1.16
Call Money	3.29	3.29	0.00

EQUITY MARKETS

The market extended its winning streak for the week on sustained buying by foreign funds. A rally on the first two trading sessions of the week was followed by correction over the next two days but the market bounced back on the last trading session of the week. For the week Sensex rose 173 points or 1.03% to 17,022 in the week. The Nifty rose 53.5 points or 1.07% to 5052.5. Hopes of consolidation among PSU banks boosted shares of state-run banks. Metal stocks gained on rising commodity prices on the London Metal Exchange. Moreover, Government is further considering a 20% stake sale in SAIL, proceeds of which would partly fund the company's Rs 70,000 crore expansion projects.

Industrial data expanded to 9.1% in September 2009 indicating that stimulus measures were producing results. Foreign investors are pumping in money into stocks on the back of clearer signs that economic recovery is on track. FII inflow in November 2009 totaled Rs 5,345.6 crore. Comments by the deputy chairman of the planning commission that the government is not considering imposing a tax to curb an

influx in overseas funds also helped ease worries of likely measures from the policymaker to stem inflows. In fact, the business confidence index survey prepared by NCAER and MasterCard went up 21% in October to 143.7 points as compared to 119.9 in October 2008.

The inflation rose to 1.34% for the October, 2009 as compared to 0.5% in the preceding week. The prices for manufactured products rose to 1.3% for the week, as compare to 0.3% for the preceding week. Credit growth continues to show deceleration and grew modestly by 9.47%. Equities could remain volatile ahead of the settlement of contracts. The ongoing recovery phase as well as the assuring words of the finance minister that stimulus packages are unlikely to be withdrawn should sustain stock prices. The strong global liquidity situation could also support equities. Investors will also closely watch the debate in parliament on three key reform bills - the State Bank India Amendment Bill, the Pension Fund Regulatory and Development Authority, and the Insurance bill.

Taurus Benchmark Indices Movement

Indices	20/11/09	13/11/09	Points change	% change
BSE Sensex	17021.85	16848.33	173.02	1.03
S&P CNX Nifty	5052.45	4998.95	53.50	1.07
BSE 100	8955.67	8865.64	90.03	1.02
BSE 200	2112.95	2091.21	21.74	1.04
CNX Midcap	7162.25	7097.60	64.65	0.91
S&P CNX 500 Shariah	1207.95	1198.98	8.97	0.75

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

13/11/09 to 19/11/09	Equity	Debt
FII	2618.50	1266.10
MFs	-736.70	5529.40

Source : SEBI site

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