

## DEBT MARKETS

### Global Update

The US treasury yields rose last week, mainly on account of positive economic data. The new home sales climbed 27%, highest for many decades, and the order for durable goods rose by 2.8%, highest since Dec 2007. The yield for benchmark 10 yrs paper rose by 5 bps to 3.82%, where as the yield for 2 yrs note rose by 4 bps to 1.07% last week. In another development, Greek Prime Minister appealed to European Union and IMF for help to meet the deficits.

### Domestic

The much awaited RBI policy was announced last week, with RBI raising the Repo, Reverse Repo and CRR by 25 bps each to 3.75%, 5.25% and 6.00% respectively. There was no change in the SLR and Bank Rate. The bond market rallied post announcement, due to absence of any negative surprises, and traders looking for value investment opportunities. The 10 yrs benchmark paper traded in a narrow range of 12 bps, opening the week at 8.08%, touching an intra-day low of 7.95%, only to close at 8.06% on Friday. The short end of the curve too rallied as mutual fund looked for short term investment opportunities.

### CALL & CBLO

Liquidity remained comfortable in the system with average of 40K-60K Cr going in Reverse Repo. Overnight rates traded in a wide range with MIBOR trading between 3.60-3.99, while Call traded in range of 2.5%-3.90%, CBLO traded at 0.01%-3.80% during the week.

### Government Securities and Treasury Bills

The trading interest returned last week in G-Sec market, as the NDS platform volume averaged 8-10K. The 10 yrs benchmark paper 6.35% 2020 paper gained post policy, only

to lose all the gains on Friday and close at 8.06%. The G-Sec auction of Rs. 12,000 Cr. was fully subscribed. The cut-off yields for 8.26 GOI 2027 was 8.43%, 7.02 GOI 2016 was 7.65 % and cut-off price for the Floating rate bond (FRB), 2020 was 92.30. The T-Bill auctions held on Wednesday too were fully subscribed. The 91days T-Bill cut off was at a yield of 4.17% which fell from 4.26% seen in previous auction. The bid-to-cover ratio was at 3.13. The 364 days T-Bill cut off was placed at a yield of 5.09% which little bit higher from 5.06% seen in last auction. The bid-to-cover ratio was at 4.03.

### Corporate Bonds

Corporate bond yield fell as the spread reduced with Govt bonds. The 5yrs bond traded at 8.25% while 10yrs benchmark Bond traded around 8.75%.

### Rupee

The Indian Rupee remained range-bound last week, following the equity markets. The Rupee-Dollar traded in a range of Rs. 44.40- 44.75, closing at 44.43, 10 paise weaker than last weeks close.

### Fund Manager's Comment

The most important event for last week was the monetary policy, in which RBI struck a fine balance of curtailing the inflationary expectations without putting pressure on GDP growth. Market cheered the 8% plus growth estimates for FY11 by RBI. The short tenor papers rose the most, with concentration of buying around 1-2 yrs segment. The one year yield fell by 30 bps during the week. This week the yield curve is likely to remain stable, with upward bias. The one year prime CDs shall trade around 6.10%-6.20% levels and the benchmark 10yrs paper is likely to trade in a range of 8.0%-8.15%.

### Market Indicators as on 23rd April, 2010

	23/04/2010	16/04/2010	% change
INR/USD	44.4300	44.3300	0.23
Inflation	NA	9.90	NA
Oil (\$/bbl)	85.12	83.24	2.26
Gold (\$/oz)	1157.60	1137.00	1.81
10 years G-Sec	8.06	8.08	-0.25
10 years AAA	8.7500	8.8600	-1.24
Call Money	3.50	3.55	-1.41

Source: Bloomberg

## EQUITY MARKETS

The Indian equity markets ended the week with a slight gain as Sensex ended higher by 0.59% and nifty ended higher by 0.79%. The Week started with RBI monetary policy review and as per market estimate, its increase the key policy rates by just 25bps each. Mid cap and small cap indices out performed the market as they posted weekly gain of 1.55% and 2.03% respectively.

On the sectoral front, consumer durables was the highest gainer( +4.93%) followed by metal (+2.40%) and Capital Goods (1.11%). FMCG index reported some losses because of the negative sales news during the month.

Among the stocks, SBI gained 9.4%, Tata Motors was up by 7.84% IDFC was up by 5.76% while TCS lost 3.20%, Sunpharma lost 3.07% and Tata Steel lost 2.16%.

RBI this week announced the monetary policy for the current financial year and expressed concern on the increasing inflation rates. The apex bank in a measure to tame the inflation increased a 25 bps hike in the repo and reverse repo rates in an intension to suck liquidity from the system. Following the hikes, the CRR now stands at 6% while the repo and reverse repo rates stand at 5.25% and 3.75%, respectively. The CRR hike comes into effect from April 24. The RBI expected the hike in CRR to absorb Rs 12,500crore from the banking system. Among other major announcement, RBI kept credit growth target at 20% and also permitted banks to keep infrastructure bond under MTM category. This will help the bank to reduce interest rate sensitivity of their bond portfolio.

As per the latest RBI Weekly release, the growth in non food credit remain stable at 17.2% yoy during the fortnight ended April 09, 2010, while the growth in the deposit mobilization further moderated to 16.1%. As a result incremental CD ratio improved to 74.7% during the week ending April 09, 2010. The demand deposits declined slightly to 13.3% of the total deposits for week ended April 09, 2010 as against 14.2% in the

preceding fortnight.

The two big private sector banks declared results during weekend. For the quarter, ICICI Bank reported net profit of Rs 1,005.57 crore as against Rs 743.76 crore, a growth of 35.32% on year-on-year basis (YoY). The bank managed to growth its loan book after a long gap of eight quarters. HDFC Bank reported net profit of Rs 836 crore, a growth of 32.6% on year-on-year basis (YoY). It NIM margin stands at 4.4%.

RIL's net profit jumped 19.09% to Rs 4,710 crore as against Rs 3,955 crore, on year-on-year basis (YoY). While revenues surged 120.71% to Rs 57,570 crore versus Rs 26,082, (YoY). The gross refining margin came in at USD 7.50 per barrel while the market was expecting close to USD 9/bbl. Operating margin of the company for the Q4FY10 declined to 15.87% versus 21.9%. Petchem margins slipped to 14.4% from 17.6% and refining margins declined to 3.87% versus 10.8%. Refining capacity utilisation stood at 108% in the fourth quarter. Cash balance at the end of March 31, 2010 was at Rs 21,874 crore

Among the major global news, CITI bank posted a profit of 4.4 billion dollars in the first quarter of this year. Goldman Sach and Greece after the SEC announced it was investigating Goldman for fraud in connection with a package of structured products it marketed during the height of the financial crisis. European Commission data showed the Greek budget deficit jumped to 13.6% of gross domestic product in 2009.

We expect the market to follow its current range bound trend as we look forward for the result season, till date the results are in line with the expectation. The important drivers for the market in the near term would be mix of positive news from global arena, expectation from monsoon and the portfolio investments. We remain cautiously optimistic about the markets.

### Taurus Benchmark Indices Movement

Indices	23/04/10	16/04/10	Points Change	% Change
BSE Sensex	17694.20	17591.18	103.02	0.59%
S&P CNX Nifty	5304.10	5262.60	41.50	0.79%
BSE 100	9399.81	9330.01	69.80	0.75%
BSE 200	2232.81	2213.44	19.37	0.88%
CNX Midcap	7983.30	7890.95	92.35	1.17%
S&P CNX 500 Shariah	1288.92	1290.56	-1.64	-0.13%

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

16/04/10 to 22/04/10	Equity	Debt
FII's	528.40	917.90
MF's	-68.80	9820.50

Source : SEBI site

Any information contained herein is for informational purpose only and does not constitute advice or offer to sell/purchase units of the schemes of Taurus Mutual Fund. Information gathered and provided in this document is believed to be from reliable sources and the Fund does not warrant the accuracy and/or completeness of any information. Taurus AMC disclaims any liability for actions taken by anyone on the basis of the opinions contained herein. The material contained herein cannot be reproduced, distributed or quoted anywhere without express written consent of Taurus AMC. Mutual Fund Investments are subject to market risks. Please read the Scheme Information Document carefully before investing