

## DEBT MARKETS

### Global

The US treasury yield remained range bound during last week ranging from 3.34% to 3.39%. The rates softened on lower inflation and housing data but hardened on the announcement of \$123 bn. treasury auction, and on expectation of reversal of accommodative policy. The benchmark 10yrs bond closed at 3.39%. The 2yrs, 5yrs and 30yrs yields closed at 0.93%, 2.34% and 4.21% respectively. Last week also saw the crude prices rising above \$80 per barrel and sharp weakening of dollar, which impacted the treasury yield.

### Domestic

The domestic treasury yield started the week on positive note on comments from Finance ministry that the borrowing would not exceed the target level. However disinclination on raising HTM cap, rising inflation, lacklustre auction cut-off and on the backdrop of rising US yield the rates firmed up with 10yrs benchmark bond closing at 3.45% from 3.35%. The inflation for the week ended October 10, 2009 was 1.21% higher than 0.92% reported last week. During the week RBI auctioned securities worth Rs100 bn. T-Bills worth Rs 90 bn. And State Loan worth Rs.34 bn.

### CALL & CBLO

Even though the liquidity remained comfortable during the week the overnight rates. The range for MIBOR was 3.27-3.30 % during the week. The Inter-bank Call and CBLO range were 2.25% - 4.10% and 0.20%-5.00 % respectively.

### Government Securities and Treasury Bills

The bond market yield firmed up on the close of the week on no positive announcement on raising HTM cap.

Moreover, the participants were cautious ahead of monetary policy review by RBI. The rates hardened also because of rising inflation, higher crude prices, and higher cut-offs of G-Sec auction. The auction of 100 bn G-Sec was fully subscribed. The cut-offs for 7.02% GOI 2016 was 7.48% , 6.90% GOI 2019 was 7.48% and the cut-off for auction of 8.28% GOI 2032 was set at 8.43%. The cut off for the 91 days and 364 days T-bills were 3.23% and 4.54% respectively.

### Corporate Bonds

The corporate bond yields closed lower during the week. The 5yrs benchmark bond traded between 8.53-58% while 10yrs benchmark bond traded at 8.20%-8.85% levels.

### Rupee

The rupee depreciated against the dollar on weak equity market and rising crude prices. The Rupee ended at 46.52 against the dollar, appreciating 20 Paise week-on week basis.

### Fund Manager's Comment

While the credit policy is due in the next week, it is expected that the policy rates would remain unchanged and thus this could provide a relief rally in the market. Also, on the other side the inflation is moving into higher trajectory and this could help in providing the Central Bank to give a hawkish stance for the future. The liquidity is however expected to be comfortable. The Ten year G-Sec may trade in the range of 7.40% to 7.60% range. The corporate bonds would track the G-Sec yields.

### Market Indicators as on 23rd October, 2009

	23/10/2009	16/10/09	% change
INR/USD	46.52	46.31	0.45
Inflation	1.21	0.92	31.52
Oil (\$/bbl)	78.54	76.03	3.30
Gold (\$/oz)	1053.00	1053.67	-0.06
10 years G-Sec	7.45	7.37	1.09
10 years AAA	8.84	8.88	-0.45
Call Money	3.28	3.30	-0.61

## EQUITY MARKETS

Markets closed lower with both the Sensex and Nifty declining by 512 points (-2.96%) and 145 points (-2.82%) to close at 16,811 and 4,997 respectively. After witnessing a surge last week, Indian markets wrapped this week on a disappointing note shedding over 2%, as it failed to sustain the 17,000 mark during the week. Intense selling by foreign funds in frontline stocks amid discouraging global cues, rising inflation and mixed Q2 earnings pulled the sentiments down and were prime reasons for the correction.

Smaller stocks were relatively insulated the BSE Mid-cap and Small-cap indices were down by less than 1.5%. On Friday, SEBI allowed stock exchanges to increase their trading hours. During the week Indian federal bond yield rose sharply to one-and-a-half month highs on Friday, October 23 after cut-off yields of a bond auction were higher than expectations and the market shifted its focus to next week's monetary policy for further cues. The whole price index (WPI) is expected to gallop in coming months as the statistical base effect becomes unfavorable and an economic recovery spurs demand for manufactured products. The Consumer Price Index is already in double digits

The results announced so far have been mostly stronger than expected. The management guidance has been mixed.

Besides the extremely weak global indices throughout the previous week, the pending court hearing in the Reliance & RNRL gas disputes dented the domestic market sentiment heavily which reversed bullish run. On Friday Reliance further corrected as partner in KG Basin-Hardy Oil said a D9 well will be plugged and abandoned. Further, the bank stocks fell after Moody on Wednesday downgraded the ratings of 13 Indian commercial banks after its global review of systemic support indicators for individual banking systems.

Liquidity holds the key for stocks as most Q2 results announced so far exceeded market expectations. The major event next week is the quarterly review of the monetary policy by the Reserve Bank of India (RBI) on Tuesday, October 27, 2009. The RBI is expected to keep its benchmark lending and borrowing rates unchanged. The RBI has pumped in massive liquidity in the banking system in the past one year to help revive the domestic economy in the aftermath of the global financial crisis. Further there would be huge volatility as we enter the October expiry week.

### Taurus Benchmark Indices Movement

Indices	23/10/09	17/10/09	Points change	% change
BSE Sensex	16810.81	17326.01	-515.20	-2.97
S&P CNX Nifty	4997.05	5141.80	-144.75	-2.82
BSE 100	8859.05	9128.35	-269.30	-2.95
BSE 200	2089.52	2149.64	-60.12	-2.80
CNX Midcap	6988.35	7186.60	-180.25	-2.51
S&P CNX 500 Shariah	1188.16	1222.13	-33.97	-2.78

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

16/10/09 to 22/10/09	Equity	Debt
FII	3538.10	1674.30
MFs	-1597.10	4928.60

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