

## DEBT MARKETS

### Global

The US treasury yield which had hardened last week on good GDP number, maintained the upward bias on better manufacturing data and statement after FOMC meeting that the FED support to market will be for extended period of time and stimulus may be maintained, compromising on inflation front. The benchmark 10yrs bond closed at 3.52%. The 2yrs, 5yrs and 30yrs yields closed at 0.87%, 2.33% and 4.40% respectively.

### Domestic

The bullishness in the market seen last week on SLR hike, lost its steam on concern of auction result, and ahead of FOMC meeting. The 10yrs benchmark bond closed 7.31% after touching 7.23% on Finance Ministry statement that growth remained the area of concern and hence withdrawal/exit policy may be delayed. RBI conducted the G-Sec auction of Rs. 90 bn during the week. Also it conducted 91days and 364 days T-Bill auction worth Rs. 90 bn. Both the auctions were fully subscribed. RBI has announced State Development Loan auction for the next week for six States and G-Sec worth Rs. 100 bn.

### CALL & CBLO

Even though the liquidity remained comfortable during the week the overnight rates. The range for MIBOR was 3.29-3.30% during the week. The Inter-bank Call and CBLO range were 3.00 %- 3.50% and 1 %-3.45% respectively.

### Government Securities and Treasury Bills

The rally last week seen because of hike in SLR requirement was held back on cautious approach before

auction result and FOMC meeting. The 10Y benchmark bond which was trading around 7.23% came to 7.31% on cautious approach. However an aggressive cut-off result revived the buoyancy of the market by the close of the week.

### Corporate Bonds

The corporate bond yields closed lower during the week. The 5 yrs benchmark bond traded between 8.35% while 10 yrs benchmark bond traded at 8.77% levels.

### Rupee

The rupee appreciated against the dollar during the week as there was speculation of Fed keeping the borrowing cost near zero, and also on crude prices easing from the recent high. The Rupee ended at 46.82 against the dollar, appreciating 15 Paise week-on week basis.

### Fund Manager's Comment

The ten year Government Security yields have been showing a downward trend. With the policy rates remaining unchanged and also SLR hike by the Central Bank it is expected that the bond yields would show further softening over a period of time. The liquidity is expected to be comfortable as there is surplus cash with both banks and mutual funds. The corporate bond yields would also soften with the Government bond yields. However one has to remain cautious on the inflation front which could be a wild card.

### Market Indicators as on 6th November, 2009

	6/11/2009	30/10/2009	% change
INR/USD	46.82	46.97	-0.32
Inflation	NA	1.51	NA
Oil (\$/bbl)	77.61	77.42	0.25
Gold (\$/oz)	1094.00	1043.00	4.89
10 years G-Sec	7.31	7.30	0.14
10 years AAA	8.77	8.82	-0.57
Call Money	3.29	3.28	0.30

## EQUITY MARKETS

The markets staged a recovery after a steep correction during the first half of last week. The trading was characterised by bouts of sharp intra-day volatility, especially in the last three trading sessions. The BSE Sensex managed to cross the 16,000 level during the last session of the week. During the week, the Sensex rose 262 points or 1.65% to 16,158, while Nifty rose 84 points or 1.79% to 4,796. However, mid-caps outperformed the broader indices during the week, whereas small-caps underperformed. The bulls appeared to have gained their appetite for stocks this week. Fear seems to have gained more credence than greed these days. Volatility has escalated as traders and investors get cautious after a stupendous rally that began in early March.

The government has also come out with disinvestment policy, which is likely to bring in over ~ Rs 600 bn in its kitty from unlisted PSUs and PSUs with over 90% promoter holding. Also during the week The International Monetary Fund (IMF) said that it has sold 200 tons of gold to the Reserve Bank of India (RBI) for US\$6.8bn. India's foreign exchange reserves held at the central bank totaled US\$285.5bn on Oct. 23, of which gold comprised more than US\$10bn.

Corporate earnings and economic activity have show signs of improvement but there remains some apprehension

about immediate prospects. The Indian market has concluded the 2Q result season with many below expectations than otherwise. This has ruled out further re-rating since strong run up in the last six months has already built-in this revival in financial numbers. FII were net sellers initially, but started buying during the second half of the week. For the week FIIs sold US\$ 108 mn in cash. For CY09 their total investment is US\$ 3,693 mn. For the week DII invested US\$ 319 mn in cash. For CY09 their total investment is US\$ 5,128 mn.

The sentiment will remain at the mercy of global cues and trend in fund flows. The US Fed's promise on keeping interest rates low is positive for equities, going ahead. On the domestic front, the assurance that the fiscal stimulus will be continued, capital inflows and divestment talk are positive signs. However, volatility could be the order of the day as FIIs could resort to year-end profit taking. Stock-specific activity will continue depending on the news flow on corporate and economic data. Inflation and inflationary expectations coupled with concerns over overheated valuations and possible asset bubbles could keep a lid on the gains.

### Taurus Benchmark Indices Movement

Indices	06/11/09	30/10/09	Points change	% change
BSE Sensex	16158.28	15896.28	262.00	1.65
S&P CNX Nifty	4796.15	4711.70	84.45	1.79
BSE 100	8523.07	8333.18	189.89	2.28
BSE 200	2011.08	1962.88	48.20	2.46
CNX Midcap	6836.50	6579.80	256.70	3.9
S&P CNX 500 Shariah	1154.48	1132.92	21.56	1.90

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

30/10/09 to 05/11/09	Equity	Debt
FIIs	-1146.00	225.20
MFs	504.10	3649.50

Source : SEBI site

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