

## DEBT MARKETS

### Global Update

The US bond market saw positive economic data flow last week supporting the expectation of higher growth. While the crude inventory level dipped, the home sales data surged. The unemployment numbers showed some softening. The positive economic data flow got reflected in US treasury yield which firmed up week-on week with 10 yrs note yield closing at 3.40% (3.33% last week). Commodity in general and crude in particular also increased with prices crossing USD 90 per barrel. Also the ongoing uncertainties and instability in Eurozone continued with Fitch downgrading Portugal debt rating.

### Government Securities and Treasury Bills

The G-sec market remained bullish overlooking the rising primary and food price inflation and surging commodity prices. The food price inflation moved up to 12.33% and primary article inflation recorded 15.35% week on week. Crude touched USD 91 per barrel. The much awaited RBI's OMO purchase saw RBI buying 8000 Crs bond at aggressive price. The 7.80% GOI 2020 bond received the cut-off of 7.9065 better than the prevailing market price. RBI auction of 91days and 182 days T-Bills saw the cutoffs at 7.19% and 7.34% respectively.

### Liquidity Call

Liquidity condition continued to remain in negative zone. LAF figures showed an average daily borrowing by SCBs of Rs. 155k Cr from RBI ( Rs.112k previous week) on the back of

advance tax outflow. Overnight rates like MIBOR, and CBLO remained firm and traded between 6.96%-7.02% and 6.90% - 7.00% respectively.

### Corporate Bond

Corporate bond papers traded in a small range. The 5Year AAA rated corporate bond yields closed at 8.95% marginally higher while 10 yrs benchmark bond yields marginally went up to close at 8.96% 3 bps lower week on week.

### Rupee

The Indian Rupee marginally appreciated last week on account of firm stock market and exporter selling dollars. It traded in a range of 45.47 to 45.11 to close at 45.11 appreciating 0.54% week on week basis.

### Fund Manager's Comment

The tight liquidity condition continued, with LAF showing the highest ever borrowing by SCBs from RBI, the key factor for liquidity is the government spending (nearly ₹1 lakh Cr lying with RBI) which is expected to gain some momentum from 2nd week of Jan 2011. So the liquidity may continue to be in tighter zone in coming week with some reprieve from advance tax flowing in back in the system. The 10 yrs bond may trade in the narrow range of 7.86%-8.01%. Inflation data and Govt decision on diesel price hike may increase the volatility in next week

Market Indicators as on 24th December, 2010

	24/12/2010	17/12/2010	% change
INR/USD	45.11	45.36	-0.54
Inflation	7.48%	7.48%	NA
Oil (\$/bbl)	91.51	88.02	3.97
Gold (\$/oz)	1381.47	1375.45	0.44
10 years G-Sec	7.92	7.98	-0.06
10 years AAA	8.96	8.99	-0.02
NSE Mibor	6.96	6.85	0.11

Source: Bloomberg

## EQUITY MARKETS

The Indian equity market ended the week with a positive in a very narrow range bound market. The BSE sensex ended the week with 1.05%, a gain of 105 points while nifty ended the week higher by 1.06%, a gain of 63 points. CNX mid cap and BSE small cap underperformed the market as they posted gain of 0.4% and 1.9% respectively.

On the Sectoral front, Metal index gained maximum at 3.9% followed by BSE IT (1.8%) and Auto Index was up by 1.3%. On the loosing side, Cap ital goods index lost 0.9% followed by OIL & Gas (-0.4%) and Realty (-0.2%).

Among the BSE 200 stocks, Hero Honda gained 14% followed by Essar Shipping (10.7%), Rcom (10.1%) and Pipava Shipyard gained 9.6%. On the losing side, Opto circuit lost 9.6% followed by KSK Energy (-6.7%) and Torrent Power (-6.7%).

Food inflation in India rebounded to 12.13% from 9.46% for the week ended 11th Dec. The shortage is attributed to the depleting stocks due to the unexpected Nov rains. To control the Prices of onion and other vegetables Govt has halted the exports.

JSW Steel agreed to buy a controlling stake in Ispat Inds & plans to assume \$2 bn of Ispat's debt. It will have to shell out

₹21.6 bn for the stake. This is biggest acquisition by an Indian steelmaker in 31/2 years.

Tata Steel and a consortium of five public sector units are buying time, even as the world's third-largest mining company, Rio Tinto, offered US\$3.9bn for Australia's Riversdale Mining. The Tata Steel nominee on the board of Riversdale abstained from voting on a resolution to announce and recommend the offer to shareholders.

On the global news front, The ECB will lend banks \$196.8 bn for 3 months to meet their liquidity needs over the year-end period after 270 banks asked for the unlimited funds over 98 days, at its average benchmark interest rate. The ECB's withdrawal of emergency stimulus is being complicated by concerns about the fiscal health of countries including Ireland, Spain and Greece. China raised interest rates for the second time in 10 weeks to counter the fastest inflation in more than two years and more moves may follow. The benchmark one-year lending rate will rise by 25 basis points to 5.8% and the one-year deposit rate will climb by the same amount to 2.75%

### Taurus Benchmark Indices Movement

Indices	24/12/10	16/12/10	Points change	% change
BSE Sensex	20073.66	19864.85	208.81	1.05%
S&P CNX Nifty	6011.60	5948.75	62.85	1.06%
BSE 100	10461.92	10372.26	89.66	0.86%
BSE 200	2483.53	2462.38	21.15	0.86%
CNX Midcap	8698.75	8665.10	33.65	0.39%
S&P CNX 500 Shariah	1410.33	1395.74	14.59	1.05%

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

16/12/10 to 24/12/10	Equity	Debt
FII's	-55.10	338.60
MFs	731.80	16782.90

Source : SEBI site

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