

DEBT MARKETS

Global

The major event which decided the direction of yield movement in US was the bullish cut-offs, in 2 yrs, 5 yrs, 7 yrs, bond auction on the backdrop of last week positive statement from FED and soft crude prices. The cut-off yield was set at 0.80% for 2 yrs note, 2.18% for 5 yrs and 2.84% for 7 yrs. The 10 yrs bond which started the week at 3.35% and ended at 3.25% on aggressive cut-offs. The 2 yrs, 5 yrs and 30 yrs yields closed at 0.74%, 2.11% and 4.23% respectively.

Domestic

The domestic bond market was characterised by some profit booking on the offset of the week but on the backdrop of bullish US market, soft crude prices and absence of any auction, G-Sec yield softened to close flat on week-on week basis. The benchmark 10 yrs paper 6.90% GOI 2019 a yield of 7.19% marginally up by 1 bps from last week close. During the week RBI conducted the T-Bills auction of Rupees. 70 bn in 91 days and 182 days segment.

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 3.05% - 3.30% and 1.25% - 3.18% respectively.

Government Securities and Treasury Bills

The bullish sentiment seen last week was halted by profit booking on the start of the week, however the market took fresh position tracking US yield, soft crude prices and absence of any auction, thus pulling the 10 yrs benchmark yield at 7.19% flat on week-on week basis. The 5 yrs benchmark bond closed 7.32% 2014 closed 4 bps higher

while 8.24% 2027 paper closed down by 2 bps on week-on week basis. The T-Bill auctions were fully subscribed. The 91 days T-Bill auction worth Rs 50 bn cr saw a cut-off yield of 3.28%, similar to previous week's cut-off. The 182 days T-Bill auction worth Rs 20 bn saw a cut-off yield of 3.74%, lower than 3.82% seen previous auction.

Corporate Bonds

The corporate bond yields closed lower during the week tracking G-Sec market. The 5 yrs benchmark bond traded between 8.00% while 10 yrs benchmark bond traded at 8.50% levels.

Rupee

The rupee appreciated against the dollar during the start of the week, however due to heightened global risk aversion on close, Rupee shed its all gain to close at 46.60 marginally flat after depreciating 47.06 against the dollar in a volatile session on Friday.

Fund Manager's Comment

While the bonds yields closed lower than the previous week it is expected to be trading in a range as the yields have come off to the extent of around 35 bps on the ten year Government Bond during the past one month. The factors which need to be watched are to be based on future inflation and also the Government Tax receipts. We feel that while the inflation figures are on the up the tax receipts may be better as the GDP numbers have come out very positive. Thus the bonds may remain volatile during the coming days. Any yield reversal can be an opportunity to invest in income funds. The liquidity is expected to be comfortable even though there would be tax outflows during the coming month.

Market Indicators as on 27th November, 2009

	27/11/2009	20/11/2009	% change
INR/USD	46.65	46.66	-0.02
Inflation	NA	NA	NA
Oil (\$/bbl)	76.35	76.60	-0.33
Gold (\$/oz)	1177.63	1150.00	2.40
10 years G-Sec	7.19	7.18	0.14
10 years AAA	8.50	8.55	-0.58
Call Money	3.29	3.29	0.00

EQUITY MARKETS

The Indian equity markets started the week with a positive note but shed off the gain during the end of the week. The restructuring of debt announced by the Dubai world, a Dubai Government owned company has negatively impacted the market sentiment and led to a sharp correction. During the week, the Sensex lost 389pts (-3%) and ended at 16,632pts. Simultaneously, Nifty lost 111 (-2.2%) points and ended at 4,941 points. The markets had hit a one month high on Wednesday to 17,180 on back of the continued FII buying and news of Reliance Industries bidding for bankrupt chemical company Lyondell Basell. But the rallies fizzle out after the news of Dubai debt restructuring. On the sectoral front, most major indices ended in the red during the week, with the BSE Realty index losing the maximum of 6.3%, followed by BSE IT and Bankex indices

India's core sector growth during October, slowed to 3.5% from 4.1% reported during the previous month. Year to date growth stands at 4.7% compared to 3.3% during corresponding period last year. Foreign investors are pumping money into stocks on the back of clearer signs that economic recovery is on track. FII inflow in November 2009 totaled Rs 5,497cr. Finance Secretary said that Dubai

debt worries are unlikely to impact remittances from the region. He also said it was too early to assess the impact of Dubai debt worries on the Indian economy and companies. Also RBI's D Subbarao on Friday said an assessment of the impact of Dubai's debt problems was needed before deciding on a response.

On the global front, Vietnam has devalued its currency and raised interest rates. Japan's unemployment rate in October 2009 unexpectedly fell for a third month, a sign that the worst may be over for the labour market. The jobless rate declined to 5.1%. The rate has been declining since reaching a post war high of 5.7% in July 2009. Household spending rose 1.6% in October 2009 from a year ago.

Early next week, we will have important data cues in the form of GDP data for Q2FY10 and the monthly auto sales numbers. Going ahead these data will determine the market sentiment. Bloomberg estimates GDP to come at 6.3% compared to 6.1% in Q1FY10. Further we have crucial data from US ISM mfg index and non mfg index, then we have Initial jobless claim. The strong global liquidity situation and assuring words of finance ministry about Dubai crisis should support the Indian equity markets.

Taurus Benchmark Indices Movement

Indices	27/11/09	20/11/09	Points change	% change
BSE Sensex	16632.01	17021.85	-389.84	-2.29
S&P CNX Nifty	4941.75	5052.45	-110.70	-2.19
BSE 100	8762.05	8955.67	-193.62	-2.16
BSE 200	2068.95	2112.95	-44.00	-2.08
CNX Midcap	7037.00	7162.25	-125.25	-1.75
S&P CNX 500 Shariah	1187.96	1207.95	-19.99	-1.65

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

20/11/09 to 26/11/09	Equity	Debt
FII	-160.10	-692.00
MFs	-377.80	2609.90

Source : SEBI site

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