

DEBT MARKETS

Global

The US treasury yield softened on week-on week basis on value buying and higher than expected jobless claim. The Jobless Claims for week ended September 26, 2009 were noted at 551,000; which were higher than 535,000 estimated by market. The benchmark 10yrs bond closed at 3.31%. The 2yrs, 5yrs and 30yrs yields closed at 0.94%, 2.31% and 4.05% respectively.

Domestic

The bond market saw the yields hardening as there was no announcement of raising HTM cap by RBI and also due to apprehension on borrowing calendar. The 10yrs benchmark yield closed at 7.22 higher week on week basis. The inflation for the week ended September 19, 2009 came higher than the market expectation at 0.83%.

CALL & CBLO

The Money market rates remained comfortable during the week. The overnight MIBOR rate was steady at 3.29% during the week. The Inter-bank Call and CBLO range were 2.40 %-3.30% and 0.02%-4.00 % respectively.

Government Securities and Treasury Bills

Last week bond market was more cautious than aggressive on account of no HTM announcement as expected. Also market was cautious ahead of any announcement on borrowing calendar. The bond yield hardened with 10yrs bond touching 7.22% on close of the week from 7.12% witnessed last week. On the contrary T-Bill auction saw

lower cut-off with the cut-off of 91 days was 3.15% against 3.40% and 3.80% on 182 days T-Bills against 4.03% last week. The inflation for the week came at 0.83% higher than last week. Market participants are expecting shooting of inflation in the weeks to come.

Corporate Bonds

The corporate bond yields closed flat during the week. The 5yrs benchmark bond traded at 8.45% while 10yrs benchmark bond traded at 8.83%.

Rupee

The rupee appreciated against the dollar due to steady flow of dollar from portfolio investors. The Rupee ended at 47.76 against the dollar, appreciating 22 paise on week on week basis.

Fund Manager's Comment

With the passage of the September quarter it is expected that the short term rates may fall slightly more but with the busy season coming they may not fall significantly. Also one has to keep an eye on the inflationary pressures building up in the system, hence a cautious stance has to be taken. As far as the liquidity is concerned it may remain comfortable for sometime. The rupee has appreciated in the past week and any outflows from the system may impact the liquidity. The 10 yrs Government Bond yields is expected to be in the range of 7.15-7.35% in the short term and the corporate bonds are expected to follow the same track.

Market Indicators as on 1st October, 2009

	1/10/09	25/09/09	% change
INR/USD	47.76	47.98	-0.46
Inflation	0.83	0.37	124.32
Oil (\$/bbl)	68.07	64.30	5.86
Gold (\$/oz)	995.00	990.00	0.51
10 years G-Sec	7.22	7.13	1.26
10 years AAA	8.83	8.83	0.00
Call Money	3.30	3.30	0.00

EQUITY MARKETS

Sensex and Nifty went up by 442 points (2.65%) and 124 points (2.51%) to close at 17,135 and 5,083 respectively. Sustained buying by foreign funds helped market score gains last week as S&P CNX Nifty rose above 5,000 mark and BSE Sensex surged past the 17,000. Both the indices hit their highest level in more than 16 months mark. Midcap gained 1.79% whereas small cap gained 0.73% and underperformed the broader markets. On the sectoral front Banks, IT, CG, Metals and Oil and Gas gained 5.27%, 4.48%, 1.88%, 1.79% and 1.44% respectively.

Exports fell for eleventh straight month by 19.4% to \$14.29 billion in August 2009 y-o-y as the global slump crimped demand for Indian goods. Imports dropped 32% to \$22.7 billion in August 2009 y-o-y. India's trade deficit shrank to \$8.37 billion in August 2009 from \$15.79 billion a year earlier. The companies have raised huge money through QIP, IPO, and FCCBs etc. Inflation for the week was 0.83% v/s 0.37%. A decent debut of Oil India on the bourses may

boost government's divestment plan. Reliance Infratel has also announced its intention to raise Rs 5,000 crore from the primary market. Auto numbers have also been pretty good for September.

Optimism about Q2 September 2009 results after advance tax collections registered a positive growth in the second quarter may keep equities firm even as traders will refrain from building large positions. The market sentiment remains firm on more signs of a recovery in the economy and on sustained buying by foreign funds. Firm global stocks have supported domestic bourses and investors here will continue to take cues from overseas markets. Companies plan to raise at least Rs 40,000 crore through Initial Public Offers (IPOs)/ Follow on Public Offers (FPOs) in the second half of the current financial year. Shares of auto and cement firms will be in focus as they had unveiled good monthly sales data for September 2009.

Taurus Benchmark Indices Movement

Indices	01/10/09	25/09/09	Points change	% change
BSE Sensex	17134.55	16693.00	441.55	2.65
S&P CNX Nifty	5083.40	4958.95	124.45	2.51
BSE 100	8941.42	8739.21	202.21	2.31
BSE 200	2096.63	2051.07	45.56	2.22
CNX Midcap	6698.10	6606.65	91.45	1.38
S&P CNX 500 Shariah	1211.52	1187.28	24.24	2.04

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

25/09/09 to 01/10/09	Equity	Debt
FII	7245.40	-1574.30
MFs	-976.50	6624.50

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