

DEBT MARKETS

Global

The bullish sentiment witnessed last week was halted by the reporting of Dubai World crisis and amidst treasury supply concern. Also better than expected employment data and improved stock market sentiment pushed the yield higher. The benchmark 10yrs bond closed at 3.38%. The 2yrs, 5yrs and 30yrs yields closed at 0.72%, 2.12% and 4.33% respectively.

Domestic

Indian bond market yield hardened because of better than expected IIP data. The GDP growth for second quarter FY 2009-10 was noted at 7.9%, significantly higher than market expectations of 6.3%. Also apprehension of auction result and further supply concern, and rising inflationary pressure pushed the yield higher. The 10yrs benchmark bond which was trading at 7.19% last week moved sharply to close at 7.47%. During the week RBI auctioned Rupees 55 bn of T-Bills and 90 bn of G-Sec. The cut-offs for 91 days T-Bills and 364 days T-Bills are 3.32% and 4.49% higher than the previous week. The G-Sec auctions were fully subscribed with the cut-offs being in line with market expectations. The cut-off for auction of 7.02% GOI 2016 was 7.31%. The cut-off for auction of 6.90% GOI 2019 was 7.39%. The cut-off for auction of 8.28% GOI 2032 was 8.32%.

CALL & CBLO

The liquidity remained comfortable during the week. The range for MIBOR was 3.28%-3.30% during the week. The Inter-bank Call and CBLO range were 3.00%-3.35% and 0.50%-3.40% respectively.

Government Securities and Treasury Bills

Better than expected IIP data, comments from EAC concerning rising inflation, and apprehension about auction cut-offs

were the main drivers of yield in Indian bond market. Also rising US yield on the backdrop of better than expected employment data and thus heightening risk appetite also put pressure on Indian bond yield. The 10 yrs benchmark bond closed at 7.49% significantly higher than the last week. The T-Bills cut-off last week saw some upward bias with 3.39% and 4.49% on 91 days and 364 days T-Bills, marginally higher than last week. The G-Sec auction was fully subscribed with cut-offs in line with market expectation.

Corporate Bonds

The corporate bond yields closed higher during the week tracking G-Sec market. The 5yrs benchmark bond traded between 8.25% while 10yrs benchmark bond traded at 8.63% levels.

Rupee

The rupee appreciated against the dollar helped by a rally in the equity market and continuing portfolio capital inflows and general weakness of dollar overseas. Rupee closed at 46.30 appreciating nearly 30 Paise during the week.

Fund Manager's Comment

The market reacted adversely to the positive GDP surprise and also expected inflationary pressures building up in the economy. Thus the yields closed higher in the week in spite of an aggressive cut-off on the gilt auctions. The yields are expected to trading within 10-15 bps as there is no clear direction on interest rates. However any higher yields can provide an opportunity to invest in income funds on a long term perspective. The short term rates may start to move higher since with inflation moving up and there would be an expectation of an impending action from the Central Bank.

Market Indicators as on 4th December, 2009

	4/12/2009	27/11/2009	% change
INR/USD	46.30	46.65	-0.75
Inflation	NA	NA	NA
Oil (\$/bbl)	77.35	76.35	1.31
Gold (\$/oz)	1161.40	1177.63	-1.38
10 years G-Sec	7.47	7.19	3.89
10 years AAA	8.63	8.50	1.53
Call Money	3.29	3.29	0.00

EQUITY MARKETS

The Indian equity market started the week with a strong positive move on back of the pleasant surprise on the GDP front which has grown by 7.9% during Q2FY10. During the Sensex gained 470 points and ended at 17,102 point posting a weekly gain of 2.8%. Nifty posted a gain of 3.4% and ended the week at 5,109. The Mid-cap and Small-cap stocks were back in the limelight, both the BSE Mid-and Small-Cap indices outperformed the broader indices and gained 4.6% and 6.6%, respectively. On the sectoral front, all the major indices ended in the green during the week, with the BSE Realty gained maximum of 9.4%, followed by the BSE Metals and Healthcare indices which gained 7.3% and 6.6%, respectively. BSE metal index outperformed the senesx by 4.5% on back of the strong jump in heavyweights like Hindalco (11.4%) and Sail (10.9%).

India's GDP during the Q2FY09 has surprisingly grown by 7.9% compared to 6.1% during the previous quarter. The bulk of the recovery was led by a 9.2% growth in manufacturing, while mining and construction activities also expanded by 9.5% and 6.5%, respectively. But agriculture continued to be a major drag with a mere 0.9% growth. India's fiscal deficit during the April to October 2009 period was Rs 2.45 lakh crore (\$52.7 billion), or 61% of the full-year target, the government said in a statement on Monday. Tax receipts were Rs 2.14 lakh crore and total

expenditure was Rs 5.37 lakh crore for the first seven months of 2009/10 fiscal year. Foreign Direct Investment (FDI) into country increased by over 56% to USD 2.3 billion in the month of October, despite the persisting global financial crisis. The FDI inflows in the year ago period stood at USD 1.5 billion.

Carmakers continued to see double-digit sales growth in November, helped by last year's low base effect, when car sales had plummeted to its lowest level on negative customer sentiment impacted by the global financial meltdown. Fiscal stimulus in the domestic market and healthy order-book for exports pushed the sales of auto companies in November. Among the global news Bank of America is planning to repay \$45bn of the US bailout money which helped to build confidence in the US financial system. Royal bank of Australia increased interest rates for the third time by 25bps to 3.75% on the sign of recovery in the economy.

Indian markets are expected to remain strong due to a combination of ample global liquidity & and ongoing recovery in the economy. However, a strong rebound in dollar, if any, may spoil the surge in emerging market equities. Market will also wait for the response towards the two new IPO of JSW energy and Godrej properties which will open during the week.

Taurus Benchmark Indices Movement

Indices	04/12/09	27/11/09	Points change	% change
BSE Sensex	17101.54	16632.01	469.53	2.82
S&P CNX Nifty	5108.90	4941.75	167.15	3.38
BSE 100	9081.51	8762.05	319.46	3.65
BSE 200	2146.28	2068.95	77.33	3.74
CNX Midcap	7351.80	7037.00	314.80	4.47
S&P CNX 500 Shariah	1233.79	1187.96	45.83	3.86

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

27/11/09 to 03/12/09	Equity	Debt
FII's	4097.60	439.20
MFs	39.10	1943.50

Source : SEBI site

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