

DEBT MARKETS

Global

The US treasury remained range-bound and flat with easing bias on comments from FOMC that inflation would be stable. Also pending home sales data which came below the market expectation and non farm payroll employment data which was significantly lower than the market expectation led to a small rally in bond markets. The week started with 10yrs benchmark treasury paper at 3.82% and closed at 3.80%.

Domestic

Last week saw bond market moving in tandem with comments from PM economics advisory panel, and expectation from G-Sec cut-offs during auction. Even though the 10yrs bond started the week at 7.67%, the bond yield firmed up on comment from the advisory panel that "too much of stimulus may be injurious to economy". Also fear of rising inflation and expectation of better IIP data next week coupled with no clarity on RBI stance during monetary policy, and pending US data on employment, retail sales, inflation, pushed the yield higher. The 10Y benchmark bond yield touched the week high on 7.76% by the close of the week.

CALL & CBLO

The money market rates were volatile and higher even though liquidity returned back in system. The range for MIBOR was 3.32 % during the week. The Inter-bank Call and CBLO range were 3.10%-4.50% & 2.00%-4.45% respectively.

Government Securities and Treasury Bills

The domestic G-sec market saw yield hardening on the backdrop of uncertainties on RBI stance on policy rates,

government stance on withdrawal of fiscal stimulus and fiscal deficit, announcement of new borrowing programmes. For the coming week and domestic inflation and IIP data would be released. Traders opted for sitting light rather than taking any fresh position and hence the trading volume dropped significantly. The cut-off for auction last week for 7.32% GOI 2014 was 7.27%. The cut-off for auction of 6.90% GOI 2019 was 7.77%. The cut-off for auction of 8.28% GOI 2032 was set at 8.33%. The Primary Articles Index, for the week ended 26 December 2009, declined to 282.2 from 284.1 seen last week. The inflation was noted at 14.39% (y-o-y), lower than 15.49% seen previous week.

Corporate Bonds

The corporate bond yields were flat and range bound .The 5yrs benchmark bond traded around 8.40% while 10yrs benchmark bond traded around 8.65%.

Rupee

Forex market saw some huge volume last week with rupee appreciating nearly 2% against the dollar helped by bounce in other Asian currencies and robust FII inflow. The rupee closed at 45.77 against the dollar from 46.59 last week.

Fund Manager's Comment

The volumes in the fixed income markets have dried up as traders do not want to build the position among the uncertainty of RBI stance to interest rates. The markets are expected to remain range bound and the 10 yrs benchmark is likely to trade in a range of 7.55%-7.75%. In the short end the pressure is likely to be released as money starts flowing back to mutual funds at the beginning of Q4. One year CD rates are likely to ease by 10-15 basis points in the coming week.

Market Indicators as on 8th January, 2010

	8/01/2010	01/01/2010	% change
INR/USD	45.77	46.59	-1.76
Inflation	NA	NA	NA
Oil (\$/bbl)	82.75	79.36	4.27
Gold (\$/oz)	1138.00	1097.32	3.71
10 years G-Sec	7.76	7.695	0.84
10 years AAA	8.6	8.625	-0.29
Call Money	3.32	3.30	0.61

Source: Bloomberg

EQUITY MARKETS

The Indian markets continued with its consolidation trend during the week. BSE Sensex and Nifty went up by 75 points (0.4%) and 44 points (0.48%) to close at 17540 and 5245 respectively. However, BSE Mid and Small-Cap indices, however, outperformed the benchmark Sensex and gained 3.4% and 4.1%, respectively. On the sectoral front, the major indices mirrored a mixed trend, with the BSE Realty index gaining the maximum of 5.6%, followed by the BSE Metals index; the BSE IT index ended in the red, losing 4.4%. Reduction in ECB norms for real estate sector and increase in exemption limit under section 80C fuelled the rally in the real estate sector. Grasim Industries (11.4%), JP Associates (10.3%) Cairn India (8.5%) and DLF (8%) were the among top gainers during the week while Maruti (8%) TCS (6.7%) and HCL Tech (5.3%) were the losers. Strong auto sales numbers and improvement in the export market reflected as positive sentiment in the markets.

All India wireless subscribers stood at ~506 mn in November 2009, with monthly subscriber accretions at ~17.6 mn. Tata Docomo (TD) continued to top industry net adds with subscriber adds at ~3.3 mn, followed by BHARTI, Vodafone Essar (VE) and RCOM at ~2.8 mn each. Among the top operators, BHARTI's net adds were marginally up M-o-M at 2.8 mn (versus 2.7 mn in October 2009); RCOM adds jumped ~32% M-o-M, while VE adds declined ~7% M-o-M. Idea and BSNL reported the sharpest M-o-M jump in net adds – up 34% and 100%+ respectively.

Car sales in the domestic market zoomed 40% in December, led by revival in economic growth and easier

retail financing and also due to a low base of last year. Overall auto sales also recorded handsome gains as all the segments-cars, two-wheelers, three-wheelers and commercial vehicles-grew. Total domestic sales were up 67.5% at 10 lakh units against 5.97 lakh units in December 2008. Year-end discounts have also added to demand for cars. In December, 13 of the 16 car makers recorded growth in sales, including top three players-Maruti Suzuki, Hyundai India and Tata Motors. The growth in December follows a 61% surge in November, which was the fastest pace since February 2004.

The food price inflation data released on 7th January falls to 18.22% for 12 months to 26th December from 19.83% the week before. The fuel index rose an annual 4.85% in late December. The index has risen about 8% since the end of March 2009.

Unemployment in the 16-nation euro zone rose to 10% in November, up from 9.9% in October. That's the highest rate since August 1998, and in Spain, unemployment was 19.4% but in US the labor department reported jobless claims last week rose by just 1,000 to 434,000, which is less than expected.

January will be the month of expectation from the credit policy and the Q3FY10 results. With the union budget on site, sector specific stories will have a field play during the month. These events will drive the sentiments in the market. Liquidity still remains a key positive for markets. Continued liquidity from FIIs and domestic institutions may further keep up the momentum in the market.

Taurus Benchmark Indices Movement

Indices	07/01/10	31/12/09	Points change	% change
BSE Sensex	17540.29	17464.81	75.48	0.43
S&P CNX Nifty	5244.75	5201.05	43.70	0.84
BSE 100	9342.89	9229.71	113.18	1.23
BSE 200	2213.00	2180.25	32.75	1.50
CNX Midcap	7611.90	7432.80	179.10	2.41
S&P CNX 500 Shariah	1278.77	1269.50	9.27	0.73

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

01/01/10 to 07/01/10	Equity	Debt
FII's	3436.60	2639.20
MFs	-1131.90	17498.60

Source : SEBI site

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