TAURUS Mutual Fund

TAURUS RECAP

WEEKLY REPORT - 5th - 9th OCTOBER 2009

DEBT MARKETS

Global

The US treasury yield hardened on concern of excess supply of securities during auction last week. Even though the response was good in shorter end of the curve, a lackluster response for long dated securities pushed the yield higher sharply. The benchmark 10yrs bond closed at 3.25%. The 2yrs, 5yrs and 30yrs yields closed at 0.88%, 2.22% and 4.09% respectively. Last week the Reserve Bank of Australia, decided to raise the cash rate by 25bps to 3.25%.

Domestic

The domestic market started the week with softening bias on RBI's comment on raising HTM limit. However the yield hardened with Mr. Subbarao's positive statement on economic recovery and indicated on consensus on withdrawal of accommodative policy. The yield further hardened on no announcement of OMO purchase and higher than expected T-Bills cut-off. The 10yrs benchmark bond started the week at 7.17% but closed higher at 7.31%.The inflation for the week ended 26 September 2009 was 0.70% lower than the last week 0.83%.

CALL & CBLO

The liquidity 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 2.50 %-3.50% and 0.02%-3.65 % respectively.

Government Securities and Treasury Bills

The cautious stance of last week coupled with some positive statement on economic recovery by Dr Subbarao and hinting of exit policy led to sell off in bond market. The sentiment became more bearish on no announcement of OMO purchase by RBI and higher T-Bills cut-off. This led to weak participation during auction, resulting in devolvement of two of the three securities during auction. Auction of 7.02% GOI 2016, 6.90% GOI 2019, 8.28% GOI 2032, were 7.28%,7.31%, 8.34% respectively higher than the expected. The inflation based on Wholesale Price Index for week ended September 26, 2009 was seen at 0.70%, lower than 0.83% noted previous week. The T-Bills auction of Rupees 90 bn, though fully subscribed saw higher cut-off. The cut-off for 91 days T-Bill was 3.23% and 364days T-Bills was 4.59%, higher than last week.

Corporate Bonds

The corporate bond yields closed higher tracking G-Sec yield during the week. The 5yrs benchmark bond traded at 8.60% while 10yrs benchmark bond traded at 8.88%.

Rupee

The rupee appreciated sharply against the dollar last week due to sharp depreciation of dollar against Asian currencies and ballooning inflow of portfolio capital. The Rupee ended at 46.42 against the dollar, appreciating nearly 3% on week on week basis.

Fund Manager's Comment

The Government Securities yields have been hardening during the past week on account of future expectation of higher inflation and expected tightness in the liquidity scenario on account of the busy season. While yields may move with an upward bias the liquidity could also somewhat tighten and hence it is expected that the rates may not go down further from here. The corporate bond yields would also track the sovereign yields. The ten year G-Sec may trade between 7.30-7.40% during the week.

Market Indicators as on 9th October, 2009

	9/10/09	1/10/09	% change
INR/USD	46.42	47.76	-2.81
Inflation	0.70	0.83	-15.66
Oil ($/bbl)	68.07	68.07	0.00
Gold ($/oz)	1052.00	995.00	5.73
10 years G-Sec	7.31	7.22	1.25
10 years AAA	8.88	8.83	0.57
Call Money	3.30	3.30	0.00

EQUITY MARKETS

Indian Stocks failed to hold on to the gains of the previous two weeks and lost most of these gains in the first week of October. Key indices lost close to 3%. Sensex and Nifty declined by 492 points (-2.87%) and 138 points (-2.72%) to close at 16,643 and 4,945 respectively. The market continues to be volatile as the main indices continue to consolidate after hitting multi-month highs. The selling pressure was mostly on the large cap side that enjoyed a strong pullback over the last month.

The BSE Mid Cap Index corrected marginally by 0.01%, however, the BSE Small Cap Index fell higher by 2.84%. Among the sectoral indices telecom sector was the hardest hit. Notification from Telecom regulator that companies can do second by second billing came as a bolt as market was already negative on the sector due to falling ARPU's. This index lost 11%. The sudden strength of the rupee affected the sentiment on IT stock and this index lost over 7%.Defensive were once again in favor with FMCG sector gaining over 6%.Consumer durables gained 5.6%.

A positive guidance from Infosys, a bonus by Reliance Industries and good cues from the global markets, did not help the markets much as telecom stocks dragged the indices on concerns over competition and lower tariffs. The performance of the stocks post IPOs haven't been all that inspiring either. The outlook has turned a little murky after a seven-month rally as most players are reluctant to take fresh bets in the absence of fresh good news. FII's displayed mixed trend and the market attracted fresh selling pressure at every pull back. FII's sold US$ 53 mn in cash. For current month their total investment was US$ 151 mn. DII's sold US$ 204 mn in cash. For current month their total investment was US$ -274 mn. Dollar ended weak against all the currencies. Inflation for the week decreased to 0.7% from 0.83% of the previous week.

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. Any disappointment could lead to correction in the market considering that the markets have run up considerably.

Taurus Benchmark Indices Movement

Indices	09/10/09	01/10/09	Points change	% change
BSE Sensex	16642.66	17134.55	-491.89	-2.87
S&P CNX Nifty	4945.20	5083.40	-138.20	-2.72
BSE 100	8754.86	8941.42	-186.56	-2.09
BSE 200	2058.76	2096.63	-39.87	-1.90
CNX Midcap	6749.25	6698.10	51.15	0.76
S&P CNX 500 Shariah	1178.08	1211.52	-33.44	-2.76

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

02/10/09 to 08/10/09	Equity	Debt
FIIs	1939.10	2808.70
MFs	-1612.40	11429.70