TAURUS Mutual Fund

TAURUS RECAP

WEEKLY REPORT - 7th - 11th FEBRUARY 2011

DEBT MARKETS

Global Update

US treasury yield saw further rise in yields on account of data releases that showed US economy is gathering momentum. Initial jobless claims came at 383k (expectation 420k), the University of Michigan consumer sentiment index rose to 75.1 (from 74.2) and housing starts for January rose 1.7% (against -4.3%). Though, 10 year benchmark paper touched a yield of 3.77% highest levels since April 2010, it came off after Egyptian President Hosni Mubarak resigned. The benchmark 10 yield closed at a yield of 3.63% on Friday.

Government Securities and Treasury Bills

Domestic bond market remained lacklustre throughout the week, due to lack of any major catalyst. The lower crude oil prices and muted IIP (1.6% for December 2010) pushed the yield down by around 2-4 basis point across the curve. Despite bearish sentiment, the apex bank successfully sold INR 100 bn of gilts last week. The cut-off were in line with market expectation, the yield for INR 30 bn 7.17% 2015, INR 40 bn 8.13% 2022 and INR 30 bn 8.30% 2040 was set at 8.17%, 8.23% and 8.58% respectively with average bid-to cover of 2.35X. With the system witnessing some respite in the liquidity, the cut-off for INR 50 bn 91 days T-bill was set lower by 4 bps at 7.19% while the cut-off for 182 days bill worth INR 15 bn was set at 7.49% as against 7.45% in previous auction with the bid-to-cover of 3.48X and 3.85X respectively.

Liquidity Call

Liquidity condition remained tight last week going beyond the comfort level of RBI yet again. The average amount under LAF was negative INR 75k Cr. against INR 72k Cr last week. Overnight rates like MIBOR, and CBLO showed the strain and traded between 6.65% - 6.72% and 6.40% - 6.70 % respectively.

Corporate Bonds

Corporate bond papers did not show any significant move, without any major catalyst, following G-Sec market. The 5 yrs AAA rated corporate bond yields closed at 9.20% while 10 yrs benchmark bond yields remained range bound to close at 9.19%, showing a flat yield curve.

Rupee

The Indian Rupee depreciated marginally against USD amidst overall weakening of Indian equity markets. It traded in a range of 45.23 to 45.80 to close at 45.68 depreciating 0.19% WoW.

Fund Manager's Comment

The tight liquidity conditions, coupled with supply pressure kept on the short term rates on elevated levels stretching the borrowing cost for banks and in turn impacting the cost of borrowing for corporate. The money market yield curve turned more flat with the spread of 3m-12m coming down to 30 bps only. The G-Sec markets saw some buying as Crude oil prices came down.

This week the traders would take cues for the G-Sec markets from the inflation data, for January, to be released on 14th February. The money market rates may rise further as liquidity is likely to remain negative and above the +/-1% of NDTL. The 3m prime CD rates may test 10%, which may generate buying interest from MFs. The 10 yrs benchmark may trade in a range of 8.05%-8.20%.

Market Indicators as on 11th February, 2011

	11/2/2011	4/2/2011	% change
INR/USD	45.69	45.60	0.19
Oil ($/bbl)	85.58	89.03	-3.88
Gold ($/oz)	1,357.05	1,348.85	0.61
10 years G-Sec	8.15	8.20	-0.05
10 years AAA	9.25	9.26	-0.01
NSE Mibor	6.72	6.59	0.13

Source: Bloomberg

EQUITY MARKETS

Indian equity markets continued to remain in the negative zone for the week. The BSE sensex and NIFTY, both lost 3.2% during the week. The CNX mid cap and BSE small cap continued to underperform the market as they lost 4.1% and 4.5% respectively.

On the sectoral front, Bankex ended the week on flat note while, rest all the other sector has ended in red. BSE consumer goods lost 6.3% followed by Metal (-5.6%), Power (-3.8%), Capital Goods (-3.5%) and BSE Oil & Gas(-2.0%).

Among the BSE 200 stocks, Sintex Industry gained 9.3%, followed by Welspun corp (8.6%), Federal Bank (6%), Jain Irrigation (5.2%) and Kotak Mahindra Bank (5.1%). On the losing side, Bombay Dyeing lost 24.3% followed by BEML (-22%), Punj Lyod (-20.6%) and Unitech (19.1%).

Industrial output showed its least increase in 20 months, at a meager 1.6% in December, raising concerns about India's growth story. Grim manufacturing figures again pulled down the Index of Industrial Production (IIP) from a strong 18 per cent in the same month a year ago. This has came as a shock to the market and now questions are raised on the sustainability of the GDP growth.

Food inflation eased to a 7-week low in January on the back of moderating vegetable and onion prices. Data released by the commerce and industry ministry on Thursday showed the food price index rose 13.07% in the year to January 29, slowing nearly 4% points from the previous week's 17.05%.

The net direct tax collections rose 20.37% YoY to Rs. 3,175.01 bn in Apr'10-Jan'11 period, as against ₹2,637.65 bn in Apr'09-Jan'10 period. The collections of Corporate Income Tax grew 24.78% to ₹2,168.72 bn in Apr'10-Jan'11 period, as against Rs. 1,737.99 bn in Apr'09-Jan'10 period. The collections of Personal Income Tax (including STT, and residual FBT/BCTT) grew 11.87% to ₹1,001.91 bn in Apr'10-Jan'11 period, as against ₹ 895.61 bn in Apr'09-Jan'10 period. Direct tax collection is buoyant despite higher tax refunds, which stood at Rs. 536.88 bn in Apr'10-Jan'11 period, as against ₹387.21 bn in Apr'09-Jan'10 period.

According to the Reserve Bank of India (RBI), the credit offtake from public and private sector banks in the country grew by 23.4% for the one-year period ended January 28, indicating an upswing in industrial activity. For the one-year ended January 28 credit offtake stood at ₹ 3,847 bn as against ₹3,118 bn in the year ago period. During the period, deposits went up to ₹ 5,128 bn from ₹4,439 bn as on January, 2010, according to latest data from the RBI.

In the domestic market, the passenger vehicles sales grew 30.97% YoY in Apr'10-Jan'11 period. While the passenger cars grew 31.31% YoY, utility vehicles grew 20.59% YoY and multipurpose vehicles grew 46.53% YoY in Apr'10-Jan'11 period. The domestic sales of Passenger Cars grew 26.28% YoY in Jan'11. The total passenger vehicle sales figures for Jan'11 compared to Jan'10 shows growth stands at 24.68%. The overall CVs sales grew 31.23% YoY Apr'10-Jan'11 period. While Medium & Heavy Commercial Vehicles registered growth of 37.69%, LCVs grew 26% Apr'10-Jan'11 period. In contrast to Jan'10, Jan'11 registered a growth of only 13%. The 3-wheelers sales grew 19.51% Apr'10-Jan'11 period.

On the global news front, China raised interest rates to 6.06 % from 5.81 % for the 3rd time since mid-Oct ahead of a report forecast to show inflation accelerated to the fastest pace in 30 mths. Russia central bank raised the mandatory reserve to 3.5 % for non-resident companies & 3 % for individuals and others, both from 2.5 %.

Taurus Benchmark Indices Movement

Indices	11/02/11	04/02/11	Points change	% change
BSE Sensex	17728.61	18008.15	-279.54	-1.55
S&P CNX Nifty	5310.00	5395.75	-85.75	-1.59
BSE 100	9213.10	9392.88	-179.78	-1.91
BSE 200	2178.71	2227.17	-48.46	-2.18
CNX Midcap	7483.90	7751.30	-267.40	-3.45
S&P CNX 500 Shariah	1237.86	1274.53	-36.67	-2.88

Weekly FII & MF Net Flows (₹. in crs.)

07/02/2011 - 11/02/2011	Equity	Debt
FIIs	-1436.60	-691.10
MFs	93.40	11036.10

Source : SEBI site