TAURUS RECAP

TAURUS Mutual Fund

WEEKLY REPORT - 7th - 11th DECEMBER 2009

DEBT MARKETS

Global

It was one of the most volatile weeks for US treasuries. The 10yrs paper traded in a wide range of 20 basis points, closing the week at 3.55%, around 8 basis points above previous week's levels. The main reason for the fall was the tepid response for the UDF 74 bn of notes and bonds auctioned in the second half of the week. The spread between 30yrs and 2 yrs paper widened the highest levels in last 28 yrs to 369 basis points, suggesting that traders are betting Fed will keep interest rates lower, while government will keep issuing longer maturity papers.

Domestic

The Indian bond market opened weak on Monday as per global cues. The first half of the week saw sustained buying taking the 10 yrs benchmark paper 18 basis points lower to 7.43% on Tuesday. The market pared nearly all of its gain during the second half as benchmark paper closed at 7.58% levels. The economy seems to be doing fine with Industrial Output data showing a strong year on year growth of 10.3%. This, though, disappointed the market participants (expectation of 12%) as the yields came down by 4-5 basis points post the release of data. The inflation rate for the primary articles released this week rose to 13.9% (food price inflation 19.04%!!). This would provide a thought or two to the Reserve Bank of India for the next benchmark rate move sooner than later.

CALL & CBLO

The liquidity remained comfortable during the week with Reverse LAF figure consistently being around Rs. 100,000 Cr. The range for MIBOR was 3.29%-3.30% during the week. The Inter-bank Call and CBLO range were 3.10%-3.40% and 0.25%-3.74% respectively.

Government Securities and Treasury Bills

The volatile week saw huge movement in the yields. The benchmark on Friday did hit a high of 7.69%, in a freak trade, but traded in a range of 7.38%-7.58% during the week. The T-Bill cut-off on Wednesday saw higher cut-off 3.40% for 3 months paper and 3.82% for 6 months (both higher by 8 basis points). The Rs. 14000 Cr G-Sec Auction went smoothly without any devolvement, with 6.35% 2020 paper getting a bullish cut-off of 7.60%, 5 basis points better than expectation. The G-Sec trading volumes on the NDS-OM was dominated by the 10yrs benchmark and 11yrs papers, together accounting for more than 60% of the total traded volumes. Important point to note this week will be the vanishing of spread between the 6.35% 2020 paper with the 10 yrs benchmark, which only a month back used to be around 30-35 basis points.

Corporate Bonds

The corporate bond yields remained volatile tracking the G-Sec market. The 5yrs benchmark bond traded around 8.30% while 10yrs benchmark bond traded around 8.65% levels.

Rupee

The rupee depreciated against the dollar during the week. The rupee pared some of the losses during the second half, still closed 0.50% weaker at 46.5450 at the end of the week.

Fund Manager's Comment

The Fixed Income market is likely to remain sideways in the coming week and is likely to take cue from the Inflation data scheduled for 14th of the months. The Advance tax outflow would take some liquidity out of the system, but it is unlikely to affect the markets in any major way. We expect liquidity conditions to remain good and market will be plush with funds for the month.

Market Indicators as on 11th December, 2009

	11/12/2009	7/12/2009	% change
INR/USD	46.545	46.2925	0.55
Inflation	NA	NA	NA
Oil ($/bbl)	69.87	75.47	-7.42
Gold ($/oz)	1115.4	1161.40	-3.96
10 years G-Sec	7.575	7.475	1.34
10 years AAA	8.6475	8.6575	-0.12
Call Money	3.26	3.29	-0.91

Source: Bloomberg

EQUITY MARKETS

Sensex and Nifty movement during the week was flat with a gain of 0.1% while Nifty touched 19-months high on Friday. During the week markets remained in a very narrow range. Sensex ended the week at 17,119 pts, a mere gain of 13 pts. Nifty has gained approx 9 pts. during the week and ended at 5117. The BSE small cap has lost approx 0.8% during the week while the Mid cap indices has lost approx 2.66% on the profit taking. Telecom and cap good stock were among the major gainers during the week. Idea celluar was up by 9.13%, Bharti Airtel by 6.92%, BHEL by 7.36% and LT was up by 4.17%.

India's industrial production grew by 10.3% in October as against flat growth in the same period last year. In a seasonally adjusted month-on-month terms, the industrial output fell 1% in October 2009 - the first drop in the past 12 months. The General Index stands at 290.1, which is 10.3% higher as compared to the level in Oct'08. The cumulative growth for the period Apr-Oct FY10 stands at 7.1% (YoY). The growth in production for the mining, manufacturing and electricity sectors for the month of Oct09 stands at 8.2%, 11.1% and 4.7% respectively. The cumulative growth during Apr-Oct FY10 over the corresponding period of FY09 in these three sectors have been 7.9%, 7.1% and 6.5% respectively. The industrial recovery is broad-based since Jun09 with capital goods and consumer non-durables joining the rise. The growth in non food credit remain continues to remain subdued as it was flat at 10.5% in the week ending November 27, 2009. However, the growth in deposit mobilization has seen a sharp fall for the week ended November 27, 2009 as it fall to 15.0% in the week, from 18.9% in the preceding week.

Corporate advance tax payments grew by 14.7% in the second quarter, after declining by 3.7% in June. The government will conduct the auction for 3G wireless spectrum as scheduled on 14 January 2010. RBI Governor D Subbarao said that the capital flows into India are in line with requirement and as of now there is no concern of the flows building asset price bubbles. The Lok Sabha on Friday approved extra spending of $5.5 billion for the fiscal year ending March 2010. FIIs invested US$ 121 mn in cash. For current month total investment is US$ 553 mn. For CY09 total investment is US$ 4,727 mn. DII sold US$ 129 mn in cash. For current month total investment is US$-258 mn. For CY09 total investment is US$ 5,059 mn.

Asian stocks rose on a larger-than-expected surge in China's industrial production and a drop in US jobless claims to a one-year low boosted confidence in a global economic recovery. In the US, the big event to keep an eye will be the Federal Reserve's policy meeting and its outcome. Japan announced an additional stimulus package of $ 81 billion. This was primarily to give a boost to an economy. The money will be used primarily for consumer subsidies and for public works projects. Indian market will look out for the WPI data which will be released on Monday. Any substantial increase in the headline inflation may affect the positive sentiment in the markets. Market will also be waiting for the advance tax numbers which will provide further cues about the Q3 results.

Taurus Benchmark Indices Movement

Indices	11/12/09	04/12/09	Points change	% change
BSE Sensex	17119.03	17101.54	17.49	0.10
S&P CNX Nifty	5117.30	5108.90	8.40	0.16
BSE 100	9073.97	9081.51	-7.54	-0.08
BSE 200	2143.28	2146.28	-3.00	-0.14
CNX Midcap	7317.75	7351.80	-34.05	-0.46
S&P CNX 500 Shariah	1242.90	1233.79	9.11	0.74

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

04/12/09 to 10/12/09	Equity	Debt
FIIs	1567.90	1046.50
MFs	-1202.90	4108.50

Source : SEBI site