

DEBT MARKETS

Global

The Dollar rose the most in a week against the Euro after Russia's Finance Minister Alexei Kudrin said the nation has full confidence in the US currency. US Treasury yields remained firm for the most part of the week, however, eased later tracking positive response to the Treasury auction. Retail Sales for May was at 0.50% in line with market expectations. Initial Jobless Claims for week ended June 7, 2009 was at 601,000, lower than market estimates of 615,000. The benchmark 10Y bond closed at 3.85%.

Domestic

The inflation for week ended May 30, 2009 was at 0.13%, lower than 0.48% noted previous week. The IIP for the month of April increased by 1.4% (y-o-y), which was higher than market expectations of negative 0.1%. The Mining, Manufacturing and Electricity segments noted a growth of 3.8%, 0.7% and 7.1% respectively. The decline for month of March was revised lower from negative 2.3% to negative 0.8%.

CALL & CBLO

The money market rates remained range bound tracking comfortable liquidity in the system. The overnight call of 3.10% - 3.30% and the overnight CBLO remained in the range of 2.50% - 3.10%. The average amount absorbed under LAF Reverse Repo was around Rs 1.30 trillion.

Government Securities and Treasury Bills

G-Sec yields opened range bound at 6.58%, however hardened significantly through the week tracking the continued hardening of US Treasury yields and bearish cut-offs in G-Sec auction. Further, RBI has announced the G-Sec auction of Rs 150 bn and T-Bill auction of Rs 60 bn for the forthcoming week. The 10 years benchmark closed 6.89%.

Corporate Bonds

The yields on long end of corporate bonds rose tracking the movement in G-Sec yields. However, the yields of the shorter end of the corporate bonds like CD and CP eased slightly tracking the comfortable liquidity in the system.

Rupee

The INR depreciated and closed at Rs 47.61 against the USD tracking the strengthening of Dollar against all the major currencies.

Fund Manager's Comment

Liquidity situation is expected to remain comfortable for the week. The impact of advance tax outflow from the system is moderate due to surplus liquidity. The rates on money market instruments are expected to remain range bound with easing bias. Yields on G-Sec hardened significantly last week which will trigger the some bout of value buying this week and might consolidate the yields at current level with slight easing bias.

Market Indicators as on 12th June, 2009

	12/06/09	05/06/09	% change
INR/USD	47.61	47.12	1.04
Inflation	0.13	0.48	-72.92
Oil (\$/bbl)	72.25	68.70	5.17
Gold (\$/oz)	939.10	955.30	-1.70
10 years G-Sec	6.89	6.56	5.03
10 years AAA	8.78	8.65	1.50
Call Money	3.28	3.25	0.92

EQUITY MARKETS

Indian stocks found it difficult to sustain the bullish trend this week despite very strong net inflows from FIIs in the cash segment. Sensex went up by 134 points (0.89%) and Nifty closed down by 4 points (-0.08%) to close at 15,238 and 4,583 respectively. The Sensex registered its 14th consecutive week of gains. The government's expectation of GDP growth rates between 8%-9% helped overcome the weak start to the week. FII inflow in June 2009 totalled Rs 5,595 crore and positive inflows from March 2009 sustained the rally. Better-than-expected IIP number at 1.4% for April and lower inflation of 0.13% were other positive triggers for the week.

There was a sudden reversal of sentiment since mid-week, the small and Mid-Cap stocks lost major grounds. The BSE Small Cap Index lost almost 7% while CNX Mid-Cap Index lost 2.3% amid losing volumes. The market continued to move in line with global cues and there was hardly any lasting impact of local fundamentals. Despite Sensex posting a nominal gain, the depth measured in terms of advance-decline ratio was sharply lower. Metal was the lead sectoral gainer with 4.5%. This was helped mainly by second line stocks that have indicated huge volume growth. IT sector got a positive rub from Satyam results for the quarter ending December, which defined

market expectations by many fold. Along with Satyam its new owner, Tech Mahindra, also lead the revival. From mid-week there was strong selling pressure on realty stocks and this sectoral index lost over 9%.

The key issue for global asset classes continued to be the strength and weakness of the dollar in terms of the Euro. Market momentum was in tandem with the move of the dollar-euro which was finding it difficult to break the 1.43 level it touched during the later part of the previous week. Liquidity generated from global market was the key strength and the market is expected to remain alienated to the global markets and move in sympathy with the net flow of funds from international markets.

The market could consolidate its gains at these levels but an up move will depend on global cues. Profit-booking could happen at higher levels in the run-up to the budget. However, strong foreign inflows could cushion the downside. Any policy action to revive growth in the badly hit SME, exports, textiles, commercial vehicles, infrastructure and housing segments would be a positive. The progress of the Monsoon and advance tax payouts will also be keenly watched.

Taurus Benchmark Indices Movement

Indices	12/06/09	05/06/09	Points change	% change
BSE Sensex	15237.94	15103.55	134.39	0.89
S&P CNX Nifty	4583.40	4586.90	-3.50	-0.08
BSE 100	7928.66	7912.56	16.10	0.20
BSE 200	1845.31	1848.04	-2.73	-0.15
CNX Midcap	5552.90	5682.95	-130.05	-2.29
S&P CNX 500 Shariah	1078.39	1068.02	10.37	0.97

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

05/06/09 - 11/06/09	Equity	Debt
FIIs	4091.20	63.60
MFs	594.30	4916.00

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