

DEBT MARKETS

Global

The US treasury yield was lower than the previous week on value buying and better than expected auction cut-offs. US Treasury yields fell also because of weaker Non-Farm Payrolls than expected. The 3 yrs U.S treasury bond auction saw a cut-off of 1.40%, lower than 1.45% seen in previous auction held in October. The 10 yrs bond auction saw a cut-off of 3.47%, lower than 3.73% seen for auction held in August. The benchmark 10 yrs bond closed at 3.44%. The 2 yrs, 5 yrs and 30 yrs yields closed at 0.81%, 2.25% and 4.39% respectively.

Domestic

Indian bond market was bit bullish tracking US market and statement from PM that stimulus measures would be rolled back in 2010, easing fear of immediate exit policy. However the yield eased a bit on higher IIP number, profit booking, concern for auction cut-off and monthly inflation number. Overall the market closed range-bound marginally closing bullish on better auction cut-offs. The benchmark 10 yrs paper 6.90% GOI 2019 closed at Rs 97.45 implying a yield of 7.29%.

CALL & CBLO

The liquidity remained comfortable during the week. The range for MIBOR was 3.29%-3.30% during the week. The Inter-bank Call and CBLO range were 3.00%-3.35% and 2%-3.65% respectively.

Government Securities and Treasury Bills

Bond market remained range-bound week-on week basis, initially becoming bullish tracking US yield and comments from Indian PM on stimulus rollback. Bond market also saw

some selling on profit booking on better IIP data and on concern for monthly inflation. The week closed on positive note for better than expected auction cut-offs. The G-Sec auctions held today were fully subscribed. The cut-off for auction of 7.02% GOI was 7.36%. The cut-off for auction of 6.90% GOI 2019 was 7.34%. The cut-off for 8.24% GOI 2027 was 8.28%. RBI conducted Rupees 50 bn 91 days and Rupees 20 bn 182 days T-bill auction. Both the T-Bills were fully subscribed. The Index of Industrial Production for the month of September increased by 9.1% (y-o-y), which was higher compared to market expectations of around 7.0%.

Corporate Bonds

The corporate bond yields closed lower during the week due to liquidity driven buying. The 5 yrs benchmark bond traded between 8.30% while 10 yrs benchmark bond traded at 8.65% levels.

Rupee

The rupee appreciated against the dollar during the week helped by strong equity market and large inflow of portfolio investment. The Rupee ended at 46.34 against the dollar, appreciating nearly 1% on week-on week basis.

Fund Manager's Comment

While the market is factoring in higher inflation it still remains bullish on liquidity which provides a buffer in case of any adversities. Hence the yields are expected to be rangebound with a downward bias on the ten year Government security. The liquidity is expected to be comfortable and hence the short term rates are not expected to higher atleast for sometime.

Market Indicators as on 13th November, 2009

	13/11/2009	6/11/2009	% change
INR/USD	46.34	46.82	-1.03
Inflation	NA	NA	NA
Oil (\$/bbl)	75.91	77.61	-2.19
Gold (\$/oz)	1120.00	1094.00	2.38
10 years G-Sec	7.29	7.31	-0.27
10 years AAA	8.65	8.77	-1.37
Call Money	3.29	3.29	0.00

EQUITY MARKETS

The Sensex rose 691 points or 4.3% to 16,849 during the week, while Nifty rose 203 points or 4.2% to 4,999. Strong buying across-the-board lifted the market higher last week after a recent steep correction. Assurances from governments that stimulus packages around the world would continue and China's strong industrial production numbers were welcomed by the markets. Indian government's thrust on disinvestment also lifted market sentiments as proceeds may be used to reduce fiscal deficit that is expected at 6.8% of GDP for this fiscal.

Mid caps and small caps were under performers. The BSE Mid-Cap index rose 2.6% and BSE Small-cap index was up 3.3%. For the week FII's invested US\$ 359 mn in cash. For current month their total investment is US\$ 377 mn. For the week DII sold US\$ 26 mn in cash. For current month their total investment is US\$ 344 mn. India's industrial output rose 9.1% in September 2009 over September 2008. Consumer durable goods output surged by an annual 22.2%, manufacturing production rose 9.3%. Demand for steel remains strong from auto, rural construction and infrastructure sectors.

China reported continued strength in industrial production growth, keeping alive hopes of a recovery in the global

economy. The dollar index gained strength on the back of risk aversion that led to a decline in equities and higher demand for the safe-haven dollar. Exports declined 11.4% in October from a year earlier, their 13th drop in a row. In economic data from the US, jobless claims fell for the second straight week. The latest initial jobless claims tally came in at a lower-than-expected 502,000, which is the lowest weekly total since January. The shipping stocks rose after the Baltic dry index, which tracks rates to ship dry commodities, extended its rally for eleventh straight session. Inflation on monthly basis was released for the first time. For the month of October it was 1.34% versus 0.50% month over month basis.

Domestic bourses are likely to take a cue from global markets with no major domestic triggers in sight. US retail and industrial production numbers could influence the markets. The US Fed's promise on keeping interest rates low is positive for equities. However, market participants are expected to remain cautious of accelerating inflation which tends to put upward pressure on interest rates and undermine equities. Volatility could be the order of the day as FIIs could resort to year-end profit taking. Stock-specific activity will continue depending on the news flow on corporate and economic data.

Taurus Benchmark Indices Movement

Indices	13/11/09	06/11/09	Points change	% change
BSE Sensex	16848.33	16158.28	690.05	4.27
S&P CNX Nifty	4998.95	4796.15	202.80	4.23
BSE 100	8865.64	8523.07	342.57	4.02
BSE 200	2091.21	2011.08	80.13	3.98
CNX Midcap	7097.60	6836.50	261.10	3.82
S&P CNX 500 Shariah	1198.98	1154.48	44.50	3.85

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

06/11/09 to 12/11/09	Equity	Debt
FII's	3014.20	-756.90
MFs	16.30	5178.20

Source : SEBI site

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