

## DEBT MARKETS

- Core sector growth for November 2017 came in at 6.8% and compares favorably to the print of 3.2% a year ago.
- Manufacturing Purchase Managers Index (PMI) for December came in at a healthy 54.7 compared to 52.6 for November. This indicates that there's an increase in output and new orders.
- The government issued a new 10 year paper this week, which is likely to become the new 10 year benchmark (replacing the current benchmark 6.79%, 2027 security). Cut off yield at the auction of this security came in at 7.17%.
- RBI rejected INR 4000 crores worth of securities in the auction held this week, which helped bonds to rally briefly.
- The new 10 year government bond yield closed the week trading at a yield of 7.09%. The current benchmark closed the week trading at a yield of 7.29%.
- There were reports that RBI is likely to transfer a higher than normal dividend payment to the government to help it tide over the tight fiscal situation being experienced now.

- The market now awaits the inflation prints for December which are due on Jan 12. Expectations are that CPI inflation is likely to exceed 5% while WPI inflation would be closer to 4%.

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.29%, a fall of 4 basis points closing levels of the previous week. The new 10 year bond closed the week trading at a yield of 7.09%
- Yield on 10 year AAA PSU bond traded at approx.. 7.83%, indicating that spreads over gilts have compressed a bit.
- One year CDs yielded about 7.10%, indicating no change in yields over the week.

### Fund Manager Comments

The sentiment in the bond market is likely to remain weak, in view of the higher inflation prints expected. Short term rallies may take place especially if RBI continues to express unhappiness over higher yields (through measures like cancellation of auctions etc.)



Sensex and Nifty went up by 97 pts. (0.30%) and 28 pts. (0.30%) to close at 34,154 and 10,559 respectively.

Manufacturing activity quickened to the fastest pace in five years in December, bolstered by a sharp rise in output and new orders. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to 54.7 in December, from 52.6 in November as growth was recorded across all three monitored categories - consumer, intermediate and investment. This is for the fifth consecutive month that the index has come in above 50-point mark.

Activity in the Eight core sectors of the economy accelerated to a 13-month high of 6.7% in November with growth being propelled by the steel and cement sectors. The index of core industries had grown by 5% in October. In November, the cement sector grew at a record high of 17.3% compared with a contraction of 1.34% in October. The steel sector grew 16.6% in November, the highest growth the sector has seen since October 2016. It had grown 8.44% in October 2017. Cumulatively, the growth in the eight core sectors during April-November this fiscal slowed to 3.9% as against 5.3% in the same period last fiscal.

President Donald Trump lashed out in his first tweet of 2018, saying Pakistan had repaid years of generous U.S. aid with "nothing but lies & deceit". On Thursday, President Trump's

administration announced that it is suspending more than \$1.15 billion security assistance to the Pakistani military until it takes "decisive action" against the Afghan Taliban and Haqqani network that are targeting U.S. personnel in Afghanistan.

In his New Year's Day speech, North Korea's leader Kim Jong-Un opened the way for talks with South Korea. In the address he called for reduced tensions on the Korean peninsula and flagged the North's possible participation in the Winter Olympics. But he remained steadfast on the issue of nuclear weapons, saying the North would mass produce nuclear missiles for operational deployment and again warned he would launch a nuclear strike if his country was threatened. Soon after US President Donald Trump hit back on social media, saying that he had a "nuclear button of his own" and it was "much bigger and more powerful" than Kim Jong-Un's

WTI Oil closed above \$62 a barrel for the first time in more than three years after another decline in U.S. inventories as refining activity hit a 12-year high and on concern about supply risks due to unrest in Iran. U.S. crude inventories fell to 424.5 million barrels last week, while U.S. production rose to 9.78 million barrels in the last week. Anti-government protests since last week in Iran, OPEC's third-largest producer, have added a geopolitical risk premium to oil prices, though the country's production and exports have not been affected.

## Taurus Benchmark Indices Movement

Indices	5/1/18	29/12/2017	Points change	% change
S&P BSE Sensex	34153.85	34056.83	97.02	0.28%
Nifty 50	10558.85	10530.70	28.15	0.27%
S&P BSE 100	11093.81	11029.78	64.03	0.58%
S&P BSE 200	4712.02	4678.86	33.16	0.71%
Nifty Free Float Midcap 100	21499.85	21133.50	366.35	1.73%

## Weekly FPI and MF net flows (₹ in crs.)

	Equity	Debt
FPIs (01/01/2018 - 05/01/2018)	1618.27	-212.96
MFs (28/12/2017 - 03/01/2018)	-685.97	10368.66

Source : FPI - CDSL  
Source : MF - SEBI

Any information contained herein is for informational purpose only and does not constitute advice or offer to sell/purchase units of the schemes of Taurus Mutual Fund. Information gathered and provided in this document is believed to be from reliable sources and the Fund does not warrant the accuracy and/or completeness of any information. Taurus AMC disclaims any liability for actions taken by anyone on the basis of the opinions contained herein. The material contained herein cannot be reproduced, distributed or quoted anywhere without express written consent of Taurus AMC.

**Mutual Fund Investments are subject to market risks, read all Scheme related Documents carefully.**