DEBT MARKETS

G-SEC Market

Bonds traded in a narrow range previous week. Volume remained subdued on the back of limited working sessions. Post a string of liquidity augmenting measures announced by the RBI its Bi-monthly policy, participants had taken to profit booking. At a meeting with state finance secretaries, Finance Ministry advised states to stick to fiscal rectitude and also recognized the associated benefits that result in terms of lower interest rates and credibility. Separately, IMD forecasts suggested that monsoons were likely to be 106% of the Long Period Average. With bright prospects of a good rainfall, expectations of easing inflation pressures took ground. Lower than expected CPI inflation further added to the overall optimism. Broadly, confluence of these factors had a favorable impact on bond market dynamics, reflective of yields softened considerably. As the week neared close, caution over G-Sec auction and reservations over carrying positions over the long weekend weighed on investor sentiment.

The 10Y benchmark 7.59% GS 2026 closed at ₹101.04 (7.44%) as compared to ₹100.96 (7.45%) on previous closing.

LIQUIDITY

RBI infused average gross liquidity via Repo under LAF window worth ₹12,363 Cr in this week compared to an infusion of ₹7,393 Cr in previous week. Infusions via the MSF route averaged ₹981 Cr. The Call rate ended at 6.38% compared to 6.36% from the previous week. The CBLO ended at 5.68% compared to 6.39% in the previous week.

CORPORATE BONDS

The 10 yrs AAA bond ended at 8.08% as compared to 8.10% in previous week. The 1 yr CD yield was seen trading at 7.38% as compared to 7.46% in previous week.

FUND MANAGER COMMENTS

Sentiment has improved post benign inflation trajectory. Vegetable and fruit prices which generally spurt during this period has hardly made any significant up move. However low water levels and risk of excessive monsoon continue to remain a concern. Liquidity is expected to ease gradually however money market rates will stay firm on the back of continuous IPOs. On the global front, comments from Fed officials and OPEC members will be closely contemplated.

Market Indicators as on 13th April, 2016

	13-Apr-16	7-Apr-16	change
INR/USD	66.65	66.47	-0.26%
Brent Crude Oil ($/bbl)	44.18	41.94	5.34%
Gold ($/oz)	1242.47	1240.69	0.14%
10 year G-Sec(GOI)	7.44	7.45	-0.01
10 year AAA PSU(Ind)	8.13	8.16	-0.03
Avg. CBLO	5.93	6.50	-0.57
US 10 year Gilt	1.75	1.72	0.03

Source: Bloomberg

Sensex increased by 953 points or 3.86% to settle at 25,627 in the truncated week while S&P Nifty increased by 295 points or 3.91% to settle at 7,850 supported by a series of encouraging domestic news and economic data. Strength among the global peers amid rally in commodity and crude oil prices on reports of Russia-Saudi Arabia agreement to freeze output further cheered investors' sentiment. Further support to global sentiment came from positive Chinese trade data.

Retail inflation measured by the Consumer Price Index (CPI) eased to a six-months low of 4.83% in March from 5.26% in February. CPI fell for the second consecutive month, supported by lower food inflation, especially in pulses, fruits & vegetables, oils and fats, and milk and milk products. While the slide in CPI is a relief, sticky-inflation in some items, especially services such as health, education and personal care, remains a concern as core inflation remained above 5% (at 5.4% in March).

IIP growth turned positive to 2.0% in February, despite a high base of last year, after declining in previous three months. The improvement in IIP was broad based with manufacturing growth turning positive to 0.5% in February after three consecutive months of decline. Mining and electricity too saw their growth accelerating. Capital goods continued to be major drag on industrial activity reflecting weakness in investment activity while consumer durables output saw mild upturn on-year reflecting some improvement in demand. In fiscal 2017, assuming a normal monsoon, an uptick in the rural economy will drive consumption.

After two consecutive droughts, the India Meteorological Department (IMD) said the monsoon this year is expected to be "above normal." It forecast monsoon at 106% of the Long Period Average (LPA). This is the first time since 1999 that department has made an "above normal" prediction. Even according to Skymet, monsoon 2016 is likely to be above normal at 105% of LPA and normal onset of rains is expected resulting in good rainfall over Peninsular India.

With the upsurge of digitalization, government's plan to raise the farmers' income by double by the 2022, would gain forward momentum with plans to launch an online national agricultural products market platform. Govt will facilitate integration of 585 wholesale markets across India which will increase options to farmers to sell their produce.

The announcement by some of the country's biggest banks along with the RBI to launch a Unified Payments Interface (UPI) has just ushered in the Uber moment for Indian banking and promises to change the landscape for the industry. The mega app promises to bring every banking function to the smartphone and reduce the cost and time taken for making simple payments. One can use the app to pay for any transaction below ₹1 lakh for as low as ₹50.

Risk assets rallied, led by EM equities. A weaker yen boosted Japanese stocks. The MSCI World Index entered positive territory for the year. Crude oil prices hit a 2016 high, ahead of the April 17 OPEC meeting.

In US, better-than-expected Chinese trade data proved to be a catalyst for stocks as investors have feared a "hard landing" in China's economy. Additionally, bank earnings set a positive tone as companies kicked off the first earnings season of 2016.

China reported exports rose 18.7% in yuan terms in March, compared to a year earlier, while imports dipped only a slight 1.7%. That was a huge improvement for the month of February as usually the data at this time of year tends to be distorted by the New Year holidays.

Taurus Benchmark Indices Movement

Indices	13/04/16	08/04/16	Points change	% change
S&P BSE Sensex	25626.75	24673.84	952.91	3.86
Nifty 50	7850.45	7555.20	295.25	3.91
S&P BSE 100	7956.38	7668.10	288.28	3.76
S&P BSE 200	3314.71	3199.13	115.58	3.61
Nifty Free Float Midcap 100	13135.30	12793.10	342.20	2.67

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (11/04/2016 - 13/04/2016)	551.15	392.13
MFs (7/04/2016 - 12/04/2016)	354.60	3210.00

Source : FPI - CDSL
Source : MF - SEBI