

## DEBT MARKETS

- Consumer price (CPI) inflation for the month of November came in at 4.88% vs 3.58% in the last month. This is a sizeable jump in consumer inflation and is also higher than most expectations. Persistent rise in fuel and vegetable prices contributed significantly to the rise in inflation.
- Wholesale price (WPI) based inflation came in at 3.93% vs 3.59% in the last month.
- Index of industrial production (IIP) witnessed some moderation in the month of October with the index growing only by 2.2% compared to 4.2% in the previous month.
- The US Federal Reserve raised policy interest rates by 25 basis points, in an expected move. This was the last Fed meeting chaired by Janet Yellen.
- Yield on government bonds rose after the data releases. The benchmark 10 year government bond

yield rose to 7.13% by the end of the week having breached 7.20% earlier. This compares to last weeks close of 7.09% on the same bond.

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.13%, a rise of 4 basis points closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 7.80%, indicating that spreads over gilts have remained stable.
- One year CDs yielded about 6.92%, indicating a rise of 12 basis points in yields over the week.

### Fund Manager Comments

The high level of inflation readings have put a lid to any expectation of a rate reduction from RBI in the near future. State election results for Gujarat and Himachal Pradesh due on Monday are likely to drive sentiment in the near term.



Sensex and Nifty went up by 213 pts. (0.60%) and 68 pts. (0.70%) to close at 33,463 and 10,333 respectively.

Industrial output as measured by the index of industrial production (IIP) rose by 2.2% in October 2017. Pace of growth slowed down from over 4% in August and September 2017. Electricity generation was higher by 3.2% YoY, while manufacturing sector grew by 2.5%. Of the 22 industry groups covered under manufacturing sector, 9 recorded an increase in production. The mining sector witnessed a sharp fall in its growth in October; it grew by a meagre 0.2% as compared to 4.9% growth recorded in the preceding three months. Growth in cumulative industrial output during April-October 2017 was 2.5%.

Inflation based on wholesale prices accelerated to an eight-month high of 3.93% in November due to a sharp rise in onion prices and costlier seasonal vegetables, government data showed on Thursday. Calculated on wholesale price index (WPI), the inflation was 3.59% in October this year, and 1.82% in November last year.

India's current account deficit (CAD) more than doubled to USD 7.2 bn during July-September 2017 from USD 3.4 bn recorded during the year ago quarter. However, it was down by half when compared to the deficit of USD 15 bn recorded during the April-June 2017 quarter. At 1.2%, CAD as% of GDP during July-

September 2017 quarter was higher than the ratio of 0.6% recorded during the July-September 2016 quarter. However, it was lower when compared to ratio of 2.5% recorded in the quarter ended June 2017. The higher CAD can be attributed to the increase in merchandise trade deficit. It expanded to USD 32.8 bn in the July-September quarter from the deficit of USD 25.6 bn recorded a year ago.

The Bank of England's (BOE) Monetary Policy Committee (MPC) voted 9-0 on Thursday to keep its monetary policy unchanged, leaving the UK interest rate at 0.5 per cent in a result widely expected by markets. The unanimously dovish vote to maintain rates and quantitative easing reflects a desire to shelter a fragile British economy dented by Brexit uncertainty.

The US Federal Reserve raised interest rates by 25 bps on Wednesday, but left its rate outlook for the coming years unchanged even as policymakers projected a short-term acceleration in U.S. economic growth. The move, coming at the final policy meeting of 2017 and on the heels of a flurry of relatively bullish economic data, represented a victory for a central bank that has vowed to continue a gradual tightening of monetary policy. Having raised its benchmark overnight lending rate three times this year, the Fed projected three more hikes in each of 2018 and 2019 before a long-run level of 2.8% is reached.

## Taurus Benchmark Indices Movement

| Indices                     | 15/12/2017 | 8/12/17  | Points change | % change |
|-----------------------------|------------|----------|---------------|----------|
| S&P BSE Sensex              | 33462.97   | 33250.30 | 212.67        | 0.64%    |
| Nifty 50                    | 10333.25   | 10265.65 | 67.60         | 0.66%    |
| S&P BSE 100                 | 10797.50   | 10745.63 | 51.87         | 0.48%    |
| S&P BSE 200                 | 4563.77    | 4544.71  | 19.06         | 0.42%    |
| Nifty Free Float Midcap 100 | 19962.30   | 20014.75 | -52.45        | -0.26%   |

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

|                                | Equity  | Debt     |
|--------------------------------|---------|----------|
| FPIs (11/12/2017 - 15/12/2017) | 1571.50 | -1140.02 |
| MFs (07/12/2017 - 08/12/2017)  | 1648.43 | 7531.83  |

Source : FPI - CDSL

Source : MF - SEBI

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