

DEBT MARKETS

Domestic Data

- Exports during April 2017 showed growth of 19.77%, valued at \$ 24635.09 million as compared to \$20568.85 million during April 2016
- Imports during April 2017 showed growth of 49.07%, valued at \$ 37884.28 million as compared to \$25413.72 million during April 2016
- The GST Council fixed rates on almost all of the goods and services along with the cess to be levied on luxury/demerit goods. The rates are broadly in line with the existing rate structure.

Yield Movement

The 10 year AAA bond ended at 7.69% as compared to 7.74% in previous week. The 1 year CD yield was seen trading at 6.85% as compared to 6.81% in previous week.

Liquidity

The weekly average surplus tightened marginally at ₹3.17 tn for the week ending May 20 compared to ₹3.36 tn for the week ending May 12 as regular outflows from auctions and CIC outweighed the coupon related inflows. The utilisation was to the extent of ₹139bn as on May 12, although lower than the previous week's ₹511 bn.

Our calculations indicate that the government's shortfall on cash balances may have been erased by this week on the back of inflows to the government in the form of regular auction and excise and customs duty. The shortfall was ~₹150 bn on May 12 and ~₹500bn on May 5. Average overnight funding rates for the week inched higher by about 5bps to 6.13%. While maintaining the uptrend, the pace of weekly increase in currency in circulation (CIC) seems to be stabilising gradually. CIC for the week ending May 12 increased by ₹187 bn to ₹14.74 tn.

Fund Manager Comments

The G-sec market started the week on a good note helped by a lower than expected April CPI inflation at 2.99%, igniting market hopes for a softer RBI tone ahead. Softening of UST 10-yr yield due to weaker inflation and activity data further buoyed the market. Besides, sharp gains on INR due to weaker broad dollar has also helped. For the rest of the week, bond yield rose modestly on profit taking and amid some pressure on INR. Market nervousness further increased on Friday ahead of the weekly Gsec auction, whose results also disappointed the market, especially for the longer dated papers. The new 10-yr paper (6.79% 2027) was up ~4bps on Friday from the beginning of the week. Amid lack of new domestic triggers, markets will keep a watch on the OPEC meeting and FOMC minutes this week for global cues.

Market Indicators as on 19th May, 2017

	19-May-17	12-May-17	change
USD/INR	64.64	64.31	-0.51%
Brent Crude Oil (\$/bbl)	53.61	50.84	5.45%
Gold (\$/oz)	1,255.93	1,228.43	2.24%
CBLO (Average)	6.16%	6.03%	+13 bps
10-year G-Sec(GOI)	6.85%	6.91%	-6 bps
10-year AAA PSU(Ind)	7.69%	7.74%	-5 bps
US 10-year Gilt	2.24%	2.33%	-9 bps

Source: Bloomberg

Weekly Statistical Supplement (INR Bn)

	12-May-17	5-May-17
Reserve Money (INR bn)	19547	19473
YoY Growth %	-10.40%	-10.29%
Currency in Circulation (INR bn)	14743	14555
Forex Reserves (USD bn)	375.3	375.7

Scheduled Commercial Banks (INR bn)	28-Apr-17	YoY Growth %
Deposits	105093	10.33%
Credit	75454	4.33%
	28-Apr-17	29-Apr-16
Incremental Credit/Deposit YTD %	111.6%	-8.7%

Source: RBI (Amount in bn)



Having commenced the week on a positive note, Nifty lost momentum after touching the historic peak of 9533 in Wednesday's trade, even as selling pressure dragged the index towards 9400 levels. Thursday witnessed one of the worst falls for the indices in the last five months. In this week, Nifty managed a meagre gain of just 0.3% for the week while Nifty Midcap 100 index bore the brunt and lost 1.7%.

The Cabinet has given its nod to two decisions key to the energy sector: the new Coal Linkage Policy, and the setting up of 10 new nuclear power reactors.

A series of negative news from the White House is roiling global markets, impact of which trickled down to Indian markets too. Doubts are being raised on President Donald Trump's ability to implement market-friendly policies. Furthermore, the rout in the Brazilian index has seen heavy offloading in the Indian equity markets as well. US Dollar index slumped to a six-month low at one point, quite predictable given the slew of political controversies doing the rounds in US. However, the GST rate announcement did provide some relief in early Friday trades but that too turned out to be short-lived as markets again succumbed to selling pressure.

Taurus Benchmark Indices Movement

Indices	19/5/2017	12/5/17	Points change	% change
S&P BSE Sensex	30464.92	30188.15	276.77	0.92%
Nifty 50	9427.90	9400.90	27.00	0.29%
S&P BSE 100	9760.08	9775.99	-15.91	-0.16%
S&P BSE 200	4108.58	4123.28	-14.70	-0.36%
Nifty Free Float Midcap 100	17921.35	18240.40	-319.05	-1.75%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (15/05/2017 - 19/05/2017)	3867.67	7913.04
MFs (11/05/2017 - 17/05/2017)	420.95	-8913.25

Source : FPI - CDSL
Source : MF - SEBI

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