

DEBT MARKETS

Domestic Key Event

- Inflation based on WPI @ 3.39% YoY (Dec) vs 3.15% YoY (Nov)
 - o Predominantly driven by increase in fuel prices, offsetting the impact of drop in food prices.
 - o Manufacturing index @ 3.37% YoY (Dec) vs 3.20% YoY (Nov)
 - o Food inflation @ -0.07% YoY (Dec) vs 1.54% YoY (Nov)
- Global Event
 - o ECB kept its interest rates unchanged.

Yield Movement

The 10-year corporate bond (PSU AAA) ended at 7.28% compared to 7.26% last Friday. The 1-year CD ended at 6.60% compared to 6.55% last Friday.

Liquidity

Average surplus liquidity during the week (excluding Cash Management Bills (CMB's)) increased to ₹1.74 lakh crores

compared to ₹1.21 lakh crores in the previous week. CMB worth ₹1.06 lakh crores matured during the week which were not reissued. The outstanding CMB's issued till date is approximately ₹4.90 lakh crores out of the 6 lakh crores limit under MSS. Government's cash balances stood at ₹15,650 crores compare to 15,700 crores a week ago. The weighted average CBLO rate for the week was 5.73% compared to 6.17% in the previous week.

Fund Manager Comments

In absence of any major cues domestic bonds traded with an upward bias tracking weaker US treasury yields. Hawkish comments from the Fed Chair Yellen regarding normalization of interest rate in USA which also raised probability of Fed hiking rates more than twice in 2017. In absence of any fresh triggers we expect 10 year benchmark yield should trade in the range of 6.35%-6.55% for the week.

Market Indicators as on 20th January, 2017

	20-Jan-17	13-Jan-17	change
INR/USD	68.18	68.16	-0.03%
Brent Crude Oil (\$/bbl)	54.94	55.14	-0.36%
Gold (\$/oz)	1210.57	1197.58	1.08%
CBLO (Average)	5.73%	6.17%	-0.44%
10-year G-Sec(GOI)	6.46%	6.42%	0.04%
10-year AAA PSU(Ind)	7.28%	7.26%	0.02%
US 10-year Gilt	2.48%	2.40%	0.08%

Source: Bloomberg

Weekly Statistical Supplement

	13-Jan-17	6-Jan-17
Reserve Money	14369.10	13754.30
YoY Growth %	-28.40%	-31.00%
Currency in Circulation	9508.00	8980.20
Forex Reserves (USD Bn)	359.84	359.15

Scheduled Commercial Banks	6-Jan-17	YoY Growth %
Deposits	105841.70	14.7%
Credit	74134.2	5.1%
	6-Jan-17	8-Jan-16
Incremental Credit/Deposit YTD %	13.03%	74.24%

Source: RBI (Amount in bn)



- Sensex and Nifty went down by 204 points (0.70%) and 51 points (-0.60%) respectively, to close at 27035 and 8349 respectively.
- International Monetary Fund (IMF) downgraded India's growth rate to 6.6% for this year and 7.2% for next year. Earlier estimates were at 7.6% for this year as well as next year.
- December Wholesale Price Index (WPI) rose marginally to 3.39% from 3.15% in the previous month due to adverse base effect and rise in manufactured product prices. Food inflation continued to ease (partly due to demonetization impact) and came in at -0.7% with vegetables contracting by -33.1% YoY.
- Foreign Portfolio Investors (FPIs) again remained net sellers in the cash market. FPIs sold \$ 3 million in cash market. Domestic Institutional Investors (DIIs) remained net buyers this week too. DIIs bought \$ 32 million in cash market.
- The goods and services tax (GST) is set to be rolled out from 1 July 2017 after the central government and the state governments struck a consensus on the contentious issue of sharing of administrative powers.
- On Friday, Trump said his administration would put "America first" and promised new roads, bridges and highways. But market sentiment in the US was hit by the negative tone of the speech, which underlined uncertainty over how Trump will govern.
- Oil jumped on Friday after Saudi Arabia's Energy Minister Khalid al-Falih, speaking at the World Economic Forum in Davos, said that 1.5 million barrels a day of the roughly 1.8 million in cuts pledged by OPEC and non-OPEC countries have already been taken out of the market.

Taurus Benchmark Indices Movement

Indices	20/1/2017	13/1/2017	Points change	% change
S&P BSE Sensex	27034.50	27238.06	-203.56	-0.75%
Nifty 50	8349.35	8400.35	-51.00	-0.61%
S&P BSE 100	8612.97	8650.13	-37.16	-0.43%
S&P BSE 200	3612.43	3625.61	-13.18	-0.36%
Nifty Free Float Midcap 100	15117.15	15178.65	-61.50	-0.41%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (16/01/2017 - 20/01/2017)	553.68	-2133.29
MFs (12/01/2017 - 18/01/2017)	-8.90	4805.10

Source : FPI - CDSL
Source : MF - SEBI

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