DEBT MARKETS

- The US Federal Reserve confirmed that it was withdrawing the monetary support (through bond purchases) that it had been providing so far and indicated that it will start reducing its balance sheet beginning October.

- The Fed statement was judged as "hawkish" by the market with a greater likelihood of a rate increase in December.

- In other news, the bickering between the North Korean leader Kim Jong Un and the American President Trump continued with Kim taking the highly unusual step of releasing a personally signed statement threatening a nuclear test in the Pacific Ocean.

- The geopolitical tensions kept the market on its tenterhooks and jittery. Yield on the benchmark 10 year government security crossed the 6.60% levels in nervous trading.

Yield Movement

- Yields on 10 year benchmark government bonds traded in the range of 6.60% - 6.66%.

- The benchmark 10 year government bond closed the week trading at a yield of 6.66%, a rise of 6 basis points from the closing levels of the previous week.

- Yield on 10 year AAA PSU bond traded at approx.. 7.46%, indicating that spreads over gilts have remained steady.

- One year CDs yielded about 6.55%, indicating no change in yield level from last week's close.

Fund Manager Comments

Geopolitical tensions are likely to continue to affect market sentiment in the short run. The market also awaits the economic stimulus announcement likely to be made by the Prime Minister Narendra Modi on Monday Sep 25. The next big event that the market looks forward to is the interest rate decision emanating out of the monetary policy committee meeting in the first week of October.

The Nifty started the week at 10,133.10 and marked new life highs at 10,178.95 and a low of 9,952.80. The index closed the week at 9,964.40, losing 121.00 points or 1.20%.

During the end of the week, geopolitical tensions once again when North Korea Foreign Minister indicated possibility of test of Hydrogen bomb in the pacific ocean after U.S. President ordered new sanctions on individuals, companies and banks doing business with North Korea. In the monetary review policy meeting, U.S. Federal Reserve kept benchmark interest rates unchanged and said that it will move ahead to shrink its balance sheet starting October this year. The reduction in assets will be slow with just $10 billion a month to start and will rise every three months until the amounts reach $30 billion and $20 billion per month. Bank of Japan on the expected lines kept monetary stimulus unchanged to propel inflation to desired level. On the economic front, Japanese economy is growing well above its potential and jobless rate has hit the lowest level. Moody's, S&P Global Ratings has downgraded China rating to A+ from AA - citing the risks from a soaring debt burden.

US leading economic index climbed by 0.4 percent in August after rising by 0.3% in July. Economists had expected the index to edge up by 0.2%. US initial jobless claims fell to 259,000, a decrease of 23,000 from the previous week's revised level of 282,000. The continued decrease surprised economists, who had expected jobless claims to climb to 300,000 from the 284,000 originally reported for the previous week.

Eurozone consumer confidence index rose to -1.2, marking the highest score since April 2001, when the reading was -0.9. Economists had expected the reading to remain unchanged at August's -1.5. The UK budget deficit decreased to its lowest August level since 2007 on higher sales tax. Public sector net borrowing excluding interventions decreased by GBP 1.3 billion from the previous year to GBP 5.7 billion in August.

Back at home, government is considering measures to boost growth which is going off track. As a matter of fact, India's economic expansion has fallen for six consecutive quarters, dipping to a three-year low of 5.7% in the April-June quarter. Foreign institutional investors largely remained on the sell side of the market amid concerns to growth and risks to the government's commitment to fiscal consolidation.

Volatility is expected to rule bourses given the geopolitical tensions and expiry of derivatives contract for the month of September 2017.

Taurus Benchmark Indices Movement

Indices	22/9/2017	15/9/2017	Points change	% change
S&P BSE Sensex	31922.44	32272.61	-350.17	-1.09%
Nifty 50	9964.40	10085.40	-121.00	-1.20%
S&P BSE 100	10353.92	10515.62	-161.70	-1.54%
S&P BSE 200	4355.29	4428.72	-73.43	-1.66%
Nifty Free Float Midcap 100	18393.85	18951.95	-558.10	-2.94%

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

	Equity	Debt
FPIs (18/09/2017 - 22/09/2017)	-2407.04	1379.46
MFs (14/09/2017 - 20/09/2017)	2204.29	-2452.70

Source : FPI - CDSL
Source : MF - SEBI