

## DEBT MARKETS

- Rising yields compelled RBI to cancel a scheduled open market sale of securities late on Friday of the previous week which perked up sentiment when trading opened on Monday.
- Yield on government bonds fell sharply on the news of cancellation of sale of securities through OMO but bonds lost most of their price gains towards the end of trading on Friday. The 10 year benchmark bond closed the week trading at a yield of 7.01%, after having hit 6.88% earlier.
- After Moody's upgraded India's credit rating market players are expecting a similar action by Standard & Poors this week.
- RBI's monetary policy committee is scheduled to meet on December 5 and 6 to decide on policy interest rates. Most marketmen expect RBI to keep rates on hold on the back of slightly higher inflation numbers reported earlier this month.

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.01%, a rise of 5 basis points closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx.. 7.70%, indicating that spreads over gilts have shrunk a bit.
- One year CDs yielded about 6.60%, indicating relatively flat yields over the week.

### Fund Manager Comments

While the cancellation of bond sale was a pleasant outcome for traders, bond markets lost their enthusiasm quickly. An upgrade from S&P should lift sentiment again, if it happens. The next big trigger for the market would be the MPC's decision on interest rates in early December.



Sensex and Nifty went up by 336 pts. (1.00%) and 106 pts. (1.00%) to close at 33,679 and 10,390 respectively.

OPEC's meeting next week could be a volatile one for the energy market, as the cartel seeks to extend its agreement to limit oil production against rising U.S. output. OPEC is expected to extend its deal with Russia and other oil producers to keep 1.8 million barrels a day off the market, but what's not clear is for how long.

In another big decision that affects the distribution of media, the Federal Communications Commission proposed abolishing the network-neutrality rules drawn up under the Obama administration which require internet providers to treat all online traffic the same. Under the FCC's plans broadband companies will only have to state what their network policies are; compliance will be controlled by another regulator, the Federal Trade Commission.

An ordinance amending the Insolvency and Bankruptcy Code (IBC) has practically barred promoters of companies undergoing the resolution process from bidding for their own companies when they are auctioned as part of bankruptcy proceedings. Besides, sister concerns and corporate guarantors will also not be eligible to bid for these companies. The ordinance, promulgated on Thursday, added Section 29A to the Code for above effect.

Standard & Poor's kept its outlook on India stable and lauded the Modi government's fiscal consolidation drive. The ratings agency retained its BBB- rating while taking a favourable view on reforms being undertaken. S&P last changed India's rating in January 2007, to BBB-, which is the lowest investment grade rating for bonds. S&P said that sizable fiscal deficit and high government debt detracts from sovereign credit profile. S&P expects the Indian economy to grow robustly over 2018-2020.

The government plans to allow food grains during surplus production years to be used for production of ethanol that can be blended with petrol, in a bid to widen the availability of raw materials needed for making bio-fuel, according to a draft national policy on bio-fuels. The draft policy, prepared by the oil ministry, has proposed an indicative target of 20% blending of ethanol in petrol and 5% of bio-diesel in diesel by 2030. The current blending ratio is 2% for petrol and less than 0.5% for diesel. A faster adoption of bio-fuels can help cut oil import bill, boost job generation, spur indigenous technological development and cut environmental pollution.

## Taurus Benchmark Indices Movement

Indices	24/11/2017	17/11/2017	Points change	% change
S&P BSE Sensex	33679.24	33342.80	336.44	1.01%
Nifty 50	10389.70	10283.60	106.10	1.03%
S&P BSE 100	10850.76	10743.38	107.38	1.00%
S&P BSE 200	4578.02	4530.48	47.54	1.05%
Nifty Free Float Midcap 100	19984.25	19642.60	341.65	1.74%

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

	Equity	Debt
FPIs (20/11/2017 - 24/11/2017)	2106.45	2041.94
MFs (16/11/2017 - 22/11/2017)	4466.28	5668.16

Source : FPI - CDSL  
Source : MF - SEBI

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