

DEBT MARKETS

G-SEC Market

Government securities rallied considerably following government's commitment to limit the fiscal deficit to 3.5% of fiscal deficit. Expectation that RBI will ease soon aided the rally. The momentum sustained for next couple of sessions as robust volumes along with strong price action characterized market activity. Mid-week, RBI OMO purchase auction announced previously, rendered some support. Moreover, strengthening equities and currency markets added to upbeat momentum. The start of the week saw market open on a cautious note as participants remained anxious over Union Budget announcement. The second half of the current fiscal has seen investor sentiment dip significantly marred by global cues coupled with adverse demand supply dynamics. Against this backdrop, last week bond market witnessed massive selloff as market players anticipated fiscal slippage in FY17. However, as the week progressed, hopes of inter policy rate cuts dimmed. Likely profit booking amid weak buying support weighed down market mood. As a result, gilts pared up some gains registered at the start of the week. By the end of the week, RBI issued notification of Government switch operations to the tune of ₹37,600 Cr being carried out.

The new 10Y benchmark 7.59% GS 2026 closed at 99.69 (7.63%) as compared to ₹98.70 (7.78%) on previous closing.

LIQUIDITY

RBI infused average gross liquidity via Repo under LAF window worth ₹12,909 Cr in this week compared to an

infusion of ₹17,192 Cr in previous week. Infusions via the MSF route averaged ₹1,576 Cr. The Call rate ended at 6.74% compared to 6.58% from the previous week. The CBLO ended at 5.71% compared to 6.85% in the previous week.

CORPORATE BONDS

The 10 yrs AAA bond ended at 8.58% as compared to 8.67% in previous week. The 1 yr CD yield was seen trading at 8.07% as compared to 8.23% in previous week.

FUND MANAGER COMMENTS

Liquidity deficit has eased off late, following a steep reduction in government cash balance. However current easiness is not expected to stay on for long given final tax outflow will push up the govt. balance once again. Money market rates have eased considerably on expectation of rate cut after the govt. delivered on its mandate of limiting the fiscal deficit at 3.5% of GDP. Rates are expected to remain firm till tax outflows. Bias is expected to remain negative for NBFCs as recent exposure limits caps the demand. Duration assets may see some easing as anecdotal food prices and weather updates continues to deliver positive data points.

Market Indicators as on 4th March, 2016

	4-Mar-16	26-Feb-16	change
INR/USD	67.10	68.63	2.29%
Brent Crude Oil (\$/bbl)	38.72	35.10	10.31%
Gold (\$/oz)	1,258.95	1,223.46	2.90%
10 year G-Sec(GOI)	7.64	7.78	-0.14
10 year AAA PSU(Ind)	8.58	8.67	-0.09
Avg. CBLO	6.63	6.80	-0.17
US 10 year Gilt	1.87	1.75	0.12

Source: Bloomberg



Sensex and Nifty went up by 1,492 points (6.40%) and 456 points (6.50%) to close at 24,646 and 7,485 respectively. It was led and accompanied by a global equity rally. INR also turned around by gaining 2% though it was overshadowed by Brazilian Real & Russian Rouble which gained ~6% & 3% respectively.

Indian Finance Minister Arun Jaitley presented what looked like a pro-farmer budget, doubling the allocation for farmers' welfare, agriculture and irrigation from last year. Other positive take from the budget being nearly ₹2 lac crore earmarked for roads and railways. Jaitley kept tax slabs unchanged, except for some relief for those with an annual income of less than ₹5 lakh. Jaitley said the Modi government's agenda for 2016-17 was to undertake transformative measures based on nine pillars - agriculture and farmer welfare, rural sector, social sector, education skills and job creation, infrastructure investment, financial sector reforms, governance reforms and ease of doing business, fiscal discipline, and tax reforms to reduce compliance burden. The crucial take from it all being that the fiscal deficit target of 3.9% was met and target of 3.5% has been maintained for FY17 which raises expectation of a rate cut from the RBI.

Eight core sectors growth in India rose to a three-month high of 2.9 % in January due to sharp pick-up in coal, cement and electricity generation as they grew by 9.1%, 9% and 6%, respectively. Refinery production too grew by 4.8% from 4.7% last year. However crude oil, natural gas and steel recorded dipped last month. The cumulative growth of core sectors in April-January period of 2015-16 came in at 2%, lower than 5.3% in the 10 months of the previous financial year.

Manufacturing activity across much of Asia shrank in February with China suffering a seventh straight month of decline as China's PMI Index stood at 49.0 in February, down from 49.4, a blow to policymakers who only a day earlier resumed an easing cycle in a fresh effort to spur growth. Japan's factories saw their weakest growth in eight months, while Indonesia and Malaysia contracted for the 17th and 11th month respectively. Taiwan went into reverse gear for the first time in 3 months as orders wilted. India was perhaps the only standout, and for merely maintaining modest growth driven by cutting prices to attract demand, as Indian Manufacturing PMI Index held steady at 51.1.

China's central bank stepped up efforts to cushion its economic slowdown amid plunging stock prices and a weakening currency, cutting the amount of cash the nation's lenders must lock away. The required reserve ratio will drop by 0.5% effective March 1, the PBOC said, as that will take the level to 17% for the biggest banks, still one of the highest such ratios in the world. The move marks a return to more traditional easing after the central bank indicated in recent weeks it would spur growth by guiding interbank markets lower and injecting liquidity through open-market operations.

Although the U.S. manufacturing sector remains in contraction territory, the situation appears to be stabilizing as the dollar's appreciation has stalled. The situation remains somewhat different in Europe, where deflation remains a bigger threat. Indeed, headline inflation figures are once again negative. Deflationary pressure and tepid growth will add to the pressure at a key meeting of the European Central Bank (ECB) this week.

Taurus Benchmark Indices Movement

Indices	04/03/16	26/02/16	Points change	% change
S&P BSE Sensex	24646.48	23154.30	1492.18	6.44
Nifty 50	7485.35	7029.75	455.60	6.48
S&P BSE 100	7581.57	7106.90	474.67	6.68
S&P BSE 200	3152.63	2958.08	194.55	6.58
Nifty Midcap 100	12314.15	11518.20	795.95	6.91

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (29/02/2016 - 04/03/2016)	3544.28	-2516.11
MFs (25/02/2016 - 02/03/2016)	1822.70	19260.90

Source : FPI - CDSL
Source : MF - SEBI

Any information contained herein is for informational purpose only and does not constitute advice or offer to sell/purchase units of the schemes of Taurus Mutual Fund. Information gathered and provided in this document is believed to be from reliable sources and the Fund does not warrant the accuracy and/or completeness of any information. Taurus AMC disclaims any liability for actions taken by anyone on the basis of the opinions contained herein. The material contained herein cannot be reproduced, distributed or quoted anywhere without express written consent of Taurus AMC.

Mutual Fund Investments are subject to market risks, read all Scheme related Documents carefully.