DEBT MARKETS

G-SEC Market

Bonds ended with marginal gains as central bank acted as per market expectation. At the start of the week, bond market opened on an optimistic note as market increasingly factored in a 25 bps rate cut in the RBI Monetary policy In the Policy, while RBI delivered the highly anticipated 25 bps rate cut, the accompanying set of liquidity measures caught market unawares. Apart from revamping the entire liquidity framework, RBI emphasized on the need to infuse durable liquidity via asset purchases in the currency and bond markets. In a knee-jerk reaction, bond yields eased considerably, with the 10Y benchmark forming new lifetime high of 7.38%. Throughout the week, market remained extremely volatile amid strong price swings. Near the end of the week, anticipation over G-Sec and OMO Purchase auction cut offs impacted market momentum. Nonetheless, the underlying tone remained positive with gilts broadly improving 4-5 bps across the curve.

The 10Y benchmark 7.59% GS 2026 closed at ₹100.96 (7.45%) as compared to ₹100.88 (7.46%) on previous closing.

LIQUIDITY

RBI infused average gross liquidity via Repo under LAF window worth ₹7,393 Cr in this week compared to an infusion of ₹17,854 Cr in previous week. Infusions via the MSF route averaged ₹293 Cr. The Call rate ended at 6.36% compared to 9.36% from the previous week. The CBLO ended at 6.39% compared to 7.38% in the previous week.

CORPORATE BONDS

The 10 yrs AAA bond ended at 8.10% as compared to 8.25% in previous week. The 1 yr CD yield was seen trading at 7.80% as compared to 7.80% in previous week.

FUND MANAGER COMMENTS

Bond market is expected to trade range bound awaiting domestic retail price data. March CPI, due on April 12, is expected to come in at 5.00%. Monsoon updates thereafter will guide the markets. Money market rates are expected to harden albeit marginally as NBFCs raises aggressively to fund their client's IPO requirement. Corporate bonds which outperformed gilts should see some sign of fatigue next week.

Market Indicators as on 7th April, 2016

	7-Apr-16	31-Mar-16	change
INR/USD	66.47	66.25	-0.33%
Brent Crude Oil ($/bbl)	41.94	39.60	5.91%
Gold ($/oz)	1,240.69	1,232.75	0.64%
10 year G-Sec (GOI)	7.45	7.47	-0.02
10 year AAA PSU(Ind)	8.16	8.40	-0.24
Avg. CBLO	6.50	6.65	-0.15
US 10 year Gilt	1.72	1.77	-0.05

Source: Bloomberg

Sensex and Nifty went down by 596 points (-2.40%) and 158 points (-2.00%) to close at 24,674 and 7,555 respectively. India followed global ques. Global equities fell slightly this week, with a sudden surge in Japan's yen weighing on markets. A rising yen is often a sign of risk aversion by investors.

Rajan cuts the benchmark repurchase rate to 6.5% from 6.75%. Policy rate corridor narrowed from 100 bps to 50 bps; marginal standing facility rate reduced by 75 bps to 7 %, while reverse repo rate increased by 25 bps to 6 % Minimum daily maintenance of the cash reserve ratio reduced to 90 % of requirement from 95%. RBI expects inflation to decelerate modestly and remain around 5 % through March 2017.

India's Manufacturing PMI Index came at 8-month high of 52.4 in March, on the back of better domestic demand and increased output. India Services Business Activity Index also climbed to 54.3 in March from 51.4 in February. The combined reading of India Composite PMI Output Index, climbed to a 37-month high of 54.3 from 51.2 in February, suggesting a strong recovery in business activity.

Global trade tumbled 13% last year to $16.5 trillion in value terms, from $19 trillion in 2014, wreaking havoc on commodity producers, particularly vulnerable developing countries. In volume terms, global trade remained flat in 2015, as it is expected to grow by 2.8% this year and 3.6% next year. In comparison to other countries, particularly China, India's performance remained dismal. In dollar terms, India's exports of goods fell by 17.2% and imports fell by 15.3%, while China's exports drop by 2.9% and imports went down by 14.1%. India's overall trade deficit last year was $25 billion.

Despite the introduction of negative interest rates by the Bank of Japan at the end of January, the Japanese yen has risen roughly 10% versus the dollar so far this year, including a 3% gain this week. Finance minister Taro Aso warned that the government would take steps to counter one-sided moves in currency markets, calling the sharp appreciation "undesirable."

Global IT spending in 2016 will decline by 0.5% over 2015, Gartner said, citing weak economic conditions and currency fluctuations, revising its earlier estimate of 0.6% growth. Industry body Nasscom, forecasted that the Indian IT industry will grow at 12-14% in the April 2016-March 2017 period.

China's 10-year sovereign bonds headed for their biggest weekly decline in more than 10 months as signs of an improving economy reduced the chances of further stimulus. Rising inflation is adding to the pressure, with data due next week projected to show that consumer prices accelerated for the fifth straight month. The yield on government notes due January 2026 climbed 8 basis points this week to 2.92%, as it is the biggest increase in a similar-maturity benchmark yield since the end of May last year. In March, foreign exchange reserves edged up in China for the first time in five months, a sign of stability after months of heavy outflows. Reserves rose $10.26 billion to $3.213 trillion.

Taurus Benchmark Indices Movement

Indices	08/04/16	01/04/16	Points change	% change
S&P BSE Sensex	24673.84	25269.64	-595.80	-2.36
Nifty 50	7555.20	7713.05	-157.85	-2.05
S&P BSE 100	7668.10	7818.40	-150.30	-1.92
S&P BSE 200	3199.13	3254.43	-55.30	-1.70
Nifty Free Float Midcap 100	12793.10	12791.95	1.15	0.01

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (04/04/2016 - 07/04/2016)	3469.06	4155.81
MFs (31/03/2016 - 04/04/2016)	-3019.80	12340.80

Source : FPI - CDSL
Source : MF - SEBI