

## DEBT MARKETS

- India's GDP growth for Q2 of FY18 came in at 6.3%, higher than the 5.7% seen in the previous quarter. This was largely in line with expectations. GDP growth was driven primarily by the industrial sector.
- In another data release the Indian government's fiscal deficit for the period April 2017 - October 2017 stood at INR 5.25trn, which is 96% of the budgeted fiscal deficit. This compares to 79% figure for the deficit figure of the corresponding period last year.
- Standard & Poors decided to keep India's credit rating unchanged. This comes after Moody's had upgraded India's credit rating recently.
- Yield on government bonds rose after the S&P decision and the release of GDP figures. The benchmark 10 year government bond yield rose to 7.05%. This compares to last weeks close of 7.00% on the same bond.
- 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 7.05%, a rise of 5 basis points closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx.. 7.75%, indicating that spreads over gilts have remained stable.
- One year CDs yielded about 6.65%, indicating a marginal rise in yields over the week.

### Fund Manager Comments

GDP figures more or less met expectations. However, revenue slippage and likely slippage in the deficit are concerns for the marketplace. RBI's action on policy rates would decide the future course of the markets.



Sensex and Nifty went down by 846 pts. (-2.50%) and 268 pts. (-2.60%) to close at 32,833 and 10,122 respectively.

India's economy regained momentum in the September quarter as the manufacturing sector shrugged off any teething impact from the July 1 implementation of the Goods and Services Tax to propel gross domestic product (GDP) growth to 6.3%. GDP growth recovered in the second fiscal quarter from a three-year low of 5.7% in the preceding three-month period, while Gross Value Added (GVA) growth accelerated to 6.1% from 5.6% in the first quarter. GDP growth for the first half of the financial year (April-September) was 6% compared with 7.7% in the year-earlier period. The manufacturing sector expanded by 7% in the quarter, a robust acceleration from 1.2% in the first quarter. Still, the pace was slower than the 7.7% seen in the second quarter of 2016-2017. Other sectors that witnessed growth of more than 6% were electricity, gas, water supply and other utility services, and trade, hotels, transport and communication services related to broadcasting. Agriculture, however, remained a cause for concern which grew at 1.7%.

India's gross fiscal deficit (GFD) (₹ 5.25 trn) crossed 96% of the annual target by October 2017 itself, as compared to last year, the government had exhausted only 79.3% of its annual deficit target. Government's expenditure rose by 12.3% to ₹12.9 trn during April-October 2017. Revenue expenditure increased by 10.1% and capital expenditure rose by 30.3%. However, its non-debt receipts increased by only 5.5% to ₹7.7 trn because of a sharp fall in transfer of profits by the RBI. Net tax revenues increased by a healthy 19.5% to ₹6.3 trn. Non-debt receipts that mainly comprise of disinvestment proceeds also rose by 31.4% to ₹385.6 bn during April-October 2017.

The Index of eight core industries grew by 4.7% in October 2017 against a growth of 7.1% in October 2016. The Index recorded a cumulative growth of 3.5% during the period of April-October 2017. Steel and refinery products witnessed the highest growth of 8.4% and 7.5% in October 2017 while a year ago it was much higher at 17.4% and 12.6% respectively.

## Taurus Benchmark Indices Movement

Indices	1/12/17	24/11/2017	Points change	% change
S&P BSE Sensex	32832.94	33679.24	-846.30	-2.51%
Nifty 50	10121.80	10389.70	-267.90	-2.58%
S&P BSE 100	10593.22	10850.76	-257.54	-2.37%
S&P BSE 200	4479.88	4578.02	-98.14	-2.14%
Nifty Free Float Midcap 100	19691.70	19984.25	-292.55	-1.46%

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

	Equity	Debt
FPIs (27/11/2017 - 30/11/2017)	3273.34	-223.85
MFs (23/11/2017 - 27/11/2017)	1631.73	5158.44

Source : FPI - CDSL  
Source : MF - SEBI

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