

DEBT MARKETS

Fiscal Deficit:

- Apr 16 - Jan 17 @ 5.64 lakh crores, Exceeded yearly Budget target of 5.34 lakh crores
- Apr 16 - Jan 17 @ 105.7% of Budgeted Estimate (BE) vs 95.8% in previous year.
- Widened from 93.9% of BE in first 9 months.

GDP/GVA:

- GDP growth estimate maintained @ 7.1% for Fy2017, depicting limited impact of demonetization.
- GVA growth estimated @ 6.7% for FY2017 V/s earlier estimate of 7.0%
- GDP - 3QFY17 @ 7.0% YoY vs 6.9% YoY in 3Q Fy16, lower than 7.4% YoY in 2QFY17
- GVA - 3QFY17 @ 6.6% YoY vs 7.0% YoY in 3Q Fy16, lower than 6.7% YoY in 2QFY17

Yield Movement

The 10-year corporate bond (PSU AAA) yield rose to 7.80% level compared to 7.75% level seen last Friday. The 1-year CD traded at 6.60% level compare to 6.63% level last Friday.

Liquidity

Average surplus liquidity during the week (excluding Cash Management Bills (CMB's)) increased to ₹4.71 lakh crores compared to ₹4.05 lakh crores in the previous week. RBI is continuously using Reverse Repo window to drain surplus liquidity. The outstanding reverse repos as on 03 March rose to ₹ 5.24 lakh crores compare to ₹ 4.45 lakh crores last Friday given the ₹50000 crores of CMB matured during the week. CMB's outstanding in market is ₹1 lakh crores out of the 6 lakh crores limit under MSS. The weighted average CBLO rate for the week was 5.60% compared to 5.81% in the previous week.

Fund Manager Comments

Bond yields remained range-bound at the start of the week. US 10-year treasury yields harden 11 bps over the week as expectation of Fed rate hike in march policy building up. However, on Thursday gilt yields dropped sharply contrary to US treasury yield movement, both old and new 10 year benchmark g-sec bonds rallied as traders started covering overnight short position as they were unable to find securities in the interbank repo market. 10-year new g-sec saw steep drop in yield breaching the 6.80% level, fundamentally there were limited reasons for bonds to rally and we expect 10 year yields to trade again in range of 6.85%-6.95% band.

Market Indicators as on 3rd March, 2017

	3-Mar-17	23-Feb-17	change
INR/USD	66.81	66.83	0.03%
Brent Crude Oil (\$/bbl)	55.00	55.54	-0.97%
Gold (\$/oz)	1234.55	1257.15	-1.80%
CBLO (Average)	5.60%	5.81%	-0.21%
10-year G-Sec(GOI)	6.77%	6.91%	-0.14%
10-year AAA PSU(Ind)	7.80%	7.75%	0.05%
US 10-year Gilt	2.49%	2.38%	0.11%

Source: Bloomberg

Weekly Statistical Supplement

	24-Feb-17	17-Feb-17
Reserve Money	16460.70	16060.20
YoY Growth %	-19.50%	-22.20%
Currency in Circulation	11641.50	11314.10
Forex Reserves (USD Bn)	362.79	362.73

Scheduled Commercial Banks	17-Feb-17	YoY Growth %
Deposits	104867.20	12.8%
Credit	74852.5	4.8%
	17-Feb-17	19-Feb-16
Incremental Credit/Deposit YTD %	20.32%	79.4%

Source: RBI (Amount in bn)



- Sensex and Nifty went down by 61 points (0.21%) and 42 points (0.47%) respectively, to close at 28832 and 8898 respectively.
- The data released by the Central Statistics Office (CSO) on Tuesday showed that GDP expanded by 7% in the third quarter which surprised many market participants. Market participants expected derailing in the economy due to the demonetization. The CSO retained its first advance growth estimate for the entire financial year 2016-17 at 7.1%.
- Nikkei India Manufacturing Purchasing Managers' Index (PMI) gone up to 50.7 in February 2017 from 50.4 in January 2017, while Nikkei India Services PMI gone up to 50.3 in February 2017 from 48.7 in January 2017.
- Gold fell 1 percent on Friday and was on track for its biggest weekly loss in 2017 as speculation grew that the U.S. Federal Reserve would press ahead with a rate increase this month. Fed Chair Janet Yellen said on Friday that the central bank is set to raise its benchmark interest rate later this month as long as economic data on jobs and inflation holds up.
- USD rose against the emerging markets currencies during the week. The depreciation was largely driven as a result of USD gaining strength after comments by US Fed members. Though EM currencies have weakened in the week, most of these currencies are stronger against the USD over the last 1/3 months.
- Crude oil prices registered a loss of more than 1% for the week on the back of rising U.S. output, rise in the number of active oil rigs, record domestic supplies and overall strength in the dollar.

Taurus Benchmark Indices Movement

Indices	3/3/17	23/2/2017	Points change	% change
S&P BSE Sensex	28832.45	28892.97	-60.52	-0.21%
Nifty 50	8897.55	8939.50	-41.95	-0.47%
S&P BSE 100	9187.65	9239.67	-52.02	-0.56%
S&P BSE 200	3852.78	3874.76	-21.98	-0.57%
Nifty Free Float Midcap 100	16364.05	16357.65	6.40	0.04%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (27/02/2017 - 03/03/2017)	1503.76	322.01
MFs (23/02/2017 - 01/03/2017)	2303.10	18451.70

Source : FPI - CDSL
Source : MF - SEBI

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