

DEBT MARKETS

Domestic Key event

Global Data:

- US Federal Reserve kept the rates unchanged. Fed played down the recent spate of weak economic data and said the slowdown seen during the first quarter was likely to be transitory.
- US nonfarm payrolls increased by +211K in April and the unemployment rate fell to 4.4%.

Yield Movement

The 10-year corporate bond (PSU AAA) yield rose to 7.75% level compared to 7.74% level seen last Friday. The 1-year CD traded at 6.73% level compare to 6.75% level seen last Friday.

Liquidity

The system-wide liquidity was surplus to the tune of INR 3.96 lakhs crores on 5th May compared to surplus of INR 3.89 lakhs crores on 28th April. Weighted average CBLO rate for the week was 5.97% compared to 6.07% in the previous week. The government continued to utilize WMA to the extent of Rs 157bn as on Apr 28 though, lower than Rs 259bn as on Apr 21. Collections in the form of excise and customs duty flows along with auctions should help in removing this shortfall during the coming week.

Fund Manager Comments

The G-sec market started the week bearish, with the current 10-yr paper bearing the effect of the illiquidity premium. However steady INR and marginal softening of US yields helped the current benchmark 10-yr paper yield to soften as the week passed. Sharp downward correction in Brent crude and other commodities helped the 10-yr paper to rally further as the week ended. The benchmark 10-yr yield eased ~2bps WoW. However, the shorter end of the curve tightened a bit on WoW basis. On domestic data front, the April CPI inflation and March IIP data is due to release on Friday post market hours.

Market Indicators as on 5th May, 2017

	5-May-17	28-Apr-17	change
INR/USD	64.38	64.25	-0.21%
Brent Crude Oil (\$/bbl)	49.10	51.73	-5.08%
Gold (\$/oz)	1228.01	1268.28	-3.18%
CBLO (Average)	5.97%	6.07%	-10 bps
10-year G-Sec(GOI)	6.94%	6.96%	-2 bps
10-year AAA PSU(Ind)	7.75%	7.74%	+1 bps
US 10-year Gilt	2.35%	2.28%	+7 bps

Source: Bloomberg

Weekly Statistical Supplement (INR Bn)		
	28-Apr-17	21-Apr-17
Reserve Money	19291	19096
YoY Growth %	-11.08%	-11.08%
Currency in Circulation	14320.00	14175.00
Forex Reserves (USD Bn)	372.73	371.14

Scheduled Commercial Banks	14-Apr-17	YoY Growth %
Deposits	105917	11.6%
Credit	76315	5.5%
	14-Apr-17	15-Apr-16
Incremental Credit/Deposit YTD %	114.27%	-10.72%

Source: RBI (Amount in bn)



- Sensex and Nifty went down by 60 pts. (-0.20%) and 19 pts. (-0.20%) to close at 29,859 and 9285 respectively.
- Indian Cabinet has approved an ordinance to amend the Banking Resolution Act to resolve the NPA crisis. The amendments will empower RBI to direct banks for more effective resolutions of stressed assets. RBI will be able to take action against loan defaulters and defaulting companies under the bankruptcy code. Banks will be asked to take haircuts. The amendments will also enable the RBI to set up multiple oversight committees to deal with NPAs. The ordinance has been approved by President Pranab Mukherjee.
- Indian Service sector activity rose for the third straight month in April, though at a slower pace. The Nikkei Services PMI Business Activity Index was down from 51.5 in March to 50.2 in April, according to a statement on Thursday. A reading above 50 on the index denotes expansion while one below the benchmark indicates contraction.
- OPEC is certain to extend cuts in oil output when its ministers meet later in May and will need to keep limiting production until as late as the end of 2018. The reaction of global crude inventories to the cuts will determine how long the Organization of Petroleum Exporting Countries and allied producers stick with their policy of pumping less

oil to counter a global glut.

- The Federal Reserve left the target range for its federal funds rate steady at 0.75% to 1% during its May 2017 meeting. Policymakers said the labour market has continued to strengthen despite a slowdown in economic activity during the first quarter, seen as transitory. U.S. central bankers were unusually explicit in their statement, indicating that a disappointing first quarter, in which the economy grew at an annualized rate of 0.7%, would not knock the committee off its plan to raise rates two more times this year after a hike in March. The Fed didn't signal any change to its balance sheet policy. It is discussing how to begin shrinking its \$4.5 trillion in holdings, and officials have said they hope to release a plan this year.

Taurus Benchmark Indices Movement

Indices	2/5/2017	5/5/2017	Points change	% change
S&P BSE Sensex	30021.49	29858.80	-162.69	-0.54%
Nifty 50	9339.85	9285.3	-54.55	-0.58%
S&P BSE 100	9700.80	9648.50	-52.30	-0.54%
S&P BSE 200	4095.07	4071.07	-24.00	-0.59%
Nifty Free Float Midcap 100	18143.35	18048.6	-94.75	-0.52%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (02/05/2017 - 05/05/2017)	1680.40	1177.53

Source : FPI - CDSL
Source : MF - SEBI

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