

DEBT MARKETS

G-SEC Market

Bonds ended flat post a steep rally previous week on the back of fiscal prudence Finance Minister deciphered in FY17 budget. Enthused with announcement of RBI OMO purchase auction, market opened on a steady note. Broadly, concerns over investor appetite ahead of the impending SDL supply as also gradual INR depreciation weighed on the sentiment of investors. Amidst these cues, market remained thinly traded, whilst remaining supported by OMO announcement. Meanwhile, declining US Treasuries along with softening crude oil prices too, rendered supportive bias to gilts. The SDL auction cut offs came in on expected line, though widening spreads stood suggestive of the cautiousness over the UDAY issuances. RBI purchased the entire announced quantum of ₹15,000 Cr worth of securities, rendering support to bond market dynamics. By the end of the week, market sentiment remained steady, though underlying caution prevailed in lieu of release of Feb CPI in the incoming week.

The new 10Y benchmark 7.59% GS 2026 closed at 99.73 (7.63%) as compared to ₹99.69 (7.63%) on previous closing.

LIQUIDITY

RBI infused average gross liquidity via Repo under LAF window worth ₹14,736 Cr in this week compared to an

infusion of ₹12,909 Cr in previous week. Infusions via the MSF route averaged ₹1,422 Cr. The Call rate ended at 6.53% compared to 6.74% from the previous week. The CBLO ended at 6.69% compared to 5.71% in the previous week.

CORPORATE BONDS

The 10 yrs AAA bond ended at 8.57% as compared to 8.58% in previous week. The 1 yr CD yield was seen trading at 8.18% as compared to 8.07% in previous week.

FUND MANAGER COMMENTS

Bonds traded in a narrow range ahead of domestic inflation data points and Fed's FOMC meet scheduled next week. Liquidity remained fairly stable with overnight rate averaging near the RBI's policy rate. Going ahead liquidity may tighten as government ropes in final slab of tax dues. Spread assets may see some buying traction as value bargain.

Market Indicators as on 11th March, 2016

	11-Mar-16	4-Mar-16	change
INR/USD	67.05	67.10	0.07%
Brent Crude Oil (\$/bbl)	40.39	38.72	4.31%
Gold (\$/oz)	1,249.45	1,258.95	-0.75%
10 year G-Sec(GOI)	7.63	7.64	-0.01
10 year AAA PSU(Ind)	8.57	8.58	-0.01
Avg. CBLO	6.81	6.63	0.18
US 10 year Gilt	1.98	1.87	0.11

Source: Bloomberg



Sensex and Nifty went up by 72 points (0.30%) and 25 points (0.30%) to close at 24,718 and 7,510 respectively.

The European Central Bank (ECB) surprised markets last week with monetary stimulus measures that exceeded expectations, and reflect the ongoing challenges that Europe faces along its road to recovery. The cornerstone of the ECB's package was a cut in interest rates further into negative territory, bumping the deposit rate down to -0.4% from -0.3%. While the ramifications of negative rates are varied and debatable, the challenge for individual investors is clear: the drought for income continues.

In India the Rajya Sabha passed the Real Estate Bill to regulate the real estate sector, protect home buyers and ensure the timely execution of projects with an aim to boost investor confidence and stamp out illegal practices. In a key provision, the bill makes it mandatory for developers to put aside 70% of money collected from buyers during the pre-sale of homes and use that solely for funding the construction of the project. The bill also proposes that consumers and developers pay the same interest rate for any delays on their part. It also allows for developers to be arrested and jailed for up to three years for any violations.

Reforms continued as Govt unshackled the oil & gas sector with a new exploration regime that allows a higher price of gas for new deep-sea fields.

International rating agency, Fitch, upheld India's growth forecast at 7.5 percent for the financial year 2015-16 and projecting the GDP growth of 7.7 per cent in the FY2017. Brent crude climbed up nearly 50% to \$40/bbl from the low of \$27/bbl on January 20th on account of declined US inventory.

Indian government dropped a controversial proposal to tax pension withdrawals, caving in after an outcry by salaried workers threatened to undermine his party's prospects in upcoming state elections. Finance Minister Arun Jaitley had proposed in his Feb. 29 budget taxing lump-sum withdrawals exceeding 40% of an individual's retirement pot in the Employees' Provident Fund (EPF), unless the sum is reinvested in an annuity. The climbdown underscores the challenges for vital but politically-sensitive economic reforms in Asia's third-largest economy. Protests by farmers last year forced Modi to abandon a bill to simplify rules for industrial land sales in India.

January IIP contracted by -1.5% (third consecutive month of contraction). The biggest disappointed was the continuing sharp fall in capital goods (-20.4%), although the numbers are skewed on the downside by just one item in the capital index group (cable, rubber insulated which contributed to -3.1% fall in overall IIP). Manufacturing contracted by -2.8%, Mining grew by 1.2%, Electricity grew by 6.6%.

Taurus Benchmark Indices Movement

Indices	11/03/16	04/03/16	Points change	% change
S&P BSE Sensex	24717.99	24646.48	71.51	0.29
Nifty 50	7510.20	7485.35	24.85	0.33
S&P BSE 100	7604.43	7581.57	22.86	0.30
S&P BSE 200	3160.19	3152.63	7.56	0.24
Nifty Midcap 100	12300.35	12314.15	-13.80	-0.11

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (08/03/2016 - 11/03/2016)	3731.45	-1755.11
MFs (03/03/2016 - 09/03/2016)	-1506.90	22754.30

Source : FPI - CDSL
Source : MF - SEBI

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