

DEBT MARKETS

- The dominant news during the week was the geopolitical tensions arising out of North Korea's 6th nuclear test (its largest so far). Sentiment was subdued.
- US treasuries, however, rallied as "flight to safety" took over. Likelihood of gradual rate hikes in the US also aided sentiment in the market for treasuries.
- Indian government bonds traded subdued however, quickly giving up marginal gains. The 10 year benchmark bond traded in the yield band of 6.49% - 6.54%.
- The market now awaits the retail inflation print due in mid September and any substantial rise in this number may delay any rate reductions that the monetary policy committee may have in mind due to the soft GDP growth numbers.
- The benchmark 10 year government bond closed the week trading at a yield of 6.54%, a rise of 5 basis points from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx.. 7.35%, indicating that spreads over gilts have compressed marginally.
- One year CDs yielded about 6.5%, indicating a rise of 5 basis point in yield level from last week's close.

Fund Manager Comments

Bond market activity remains relatively subdued. The next trigger for the markets would be the release of retail inflation numbers which is due by the end of this week.

Yield Movement

- Yields on 10 year benchmark government bonds continue to trade in the range of 6.49% - 6.54%.



- Sensex and Nifty went down by 205 pts. (-0.60%) and 40 pts. (-0.40%) to close at 31,688 and 9,935 respectively.
- The US has proposed a series of new sanctions to be imposed on North Korea that includes an oil supply cut and freezing Kim Jong-un's assets. The draft proposal also includes banning textile imports from North Korea by other countries and banning Kim Jong-un from traveling internationally. It is still unclear whether this proposal has the backing of either China or Russia as both of them had expressed their concerns about imposing such sanctions on North Korea.
- The vice-chairman of America's Federal Reserve, Stanley Fischer, unexpectedly resigned for "personal reasons". His term was not due to end until June 2018. The resignation of Mr. Fischer, who has also served as head of the Bank of Israel and as chief economist of the World Bank, increases the pressure on President Donald Trump to fill a mounting list of vacancies at the Fed.
- Indian Government said that Directors of shell companies which have not filed tax returns for three or more years will be barred from taking similar positions elsewhere or getting reappointed, as it intensified the crackdown on firms that

exist only on paper. Directors of the companies that were struck off the RoC could face up to 10 years in jail if they were found siphoning off funds.

- With defaults on loans and corporate bonds nudging \$10 billion in 2017 so far and the total quantum of bad loans estimated to have crossed \$130 billion, the number of cases at the National Company Law Tribunal (NCLT) has jumped to around 250 across 10 benches. At the end of March, fewer than 40 cases had been referred to the tribunal. Banks are hoping to recover their loans via the Insolvency and Bankruptcy Code (IBC) and have already referred a dozen large accounts to the tribunal following a recommendation from the RBI. They are expected to approach the tribunal for another two dozen accounts.
- India's gems and jewellery exports is likely to decline by a staggering 30% in the financial year 2017-18 due to unfavourable government regulations and trade restriction from the Gulf countries. The signals of the steep decline in exports were already visible in July with over 26% fall in India's gems and jewellery shipment.

Taurus Benchmark Indices Movement

Indices	8/9/17	1/9/17	Points change	% change
S&P BSE Sensex	31687.52	31892.23	-204.71	-0.64%
Nifty 50	9934.80	9974.40	-39.60	-0.40%
S&P BSE 100	10351.90	10383.65	-31.75	-0.31%
S&P BSE 200	4355.89	4364.09	-8.20	-0.19%
Nifty Free Float Midcap 100	18573.95	18505.25	68.70	0.37%

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

	Equity	Debt
FPIs (4/09/2017 - 8/09/2017)	-3409.13	2470.34
MFs (31/08/2017 - 6/09/2017)	2078.3	17340.80

Source : FPI - CDSL
Source : MF - SEBI

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