

DEBT MARKETS

Domestic data:

- RBI kept the Repo rate unchanged at 6.25%.
- Slashed SLR by 50 bps to 20% effective from fortnight beginning Jun 24, 2017.

Yield Movement

The 10 year AAA PSU bond ended at 7.42% as compared to 7.62% in previous week. The 1 year CD yield was seen trading at 6.68% as compared to 6.84% in previous week.

Liquidity

The banking system liquidity surplus declined to average ~₹3.36 tn for the week ending Jun 9th as against ₹3.58 tn for the week ending Jun 3rd. The reduction in surplus liquidity last week was largely led by regular auction flows, 63 day CMB issuance and excise & customs related outflows. The WMA utilization by the government increased substantially to the high of ₹88,031 cr as on Jun 2nd as against from ₹34,855 cr as on May 26th and much above the 1HFY18 set limit of ₹60,000 cr. However, tax inflows in the form of excise and customs duty last week and

advance tax flows this week should be able to bring down the shortfall. This will also mean WMA issuances amount could reduce, implying marginally tighten liquidity. While maintaining the uptrend, the pace of weekly increase in currency in circulation (CIC) seems to be settling at a significantly lower pace. CIC for the week ending Jun 2nd increased by mere ₹72 bn to ₹14.95 tn.

Fund Manager Comments

RBI softened its tone with a significant downward revision of the inflation trajectory, by an average of 175 bps and 100 bps in the first and second half of this fiscal year, respectively. Furthermore, the RBI also revised down its real GVA growth forecast from 7.4% to 7.3%. The broader message was acknowledgment by the MPC of softer growth-inflation dynamics. It hinted that, contingent on the inflation outturn, future policy easing was possible. Markets rejoiced, with the benchmark 10-yr yield rallying ~8bps on policy day. The momentum continued in the remaining days of the week as well, with the 10yr yield touching the intraday lows of 6.488%, and easing ~12.5bps WoW to 6.50%. Markets will keenly watch May CPI data and the Fed policy on 14th June.

Market Indicators as on 9th June, 2017

	9-Jun-17	2-Jun-17	change
USD/INR	64.25	64.44	0.30%
Brent Crude Oil (\$/bbl)	48.15	49.95	-3.60%
Gold (\$/oz)	1266.76	1279.17	-0.97%
CBLO (Average)	5.97%	6.09%	- 12 bps
10-year G-Sec(GOI) 6.97 2026	6.63%	6.75%	- 12 bps
10-year AAA PSU(Ind)	7.42%	7.62%	- 20 bps
US 10-year Gilt	2.20%	2.16%	+ 4 bps

Source: Bloomberg

Weekly Statistical Supplement (INR Bn)

	2-Jun-17	26-May-17
Reserve Money (INR bn)	19824	19694
YoY Growth %	-8.52%	-8.67%
Currency in Circulation	14950	14878
Forex Reserves (USD bn)	381.2	378.8

Scheduled Commercial Banks	26-May-17	YoY Growth %
Deposits	105512	10.9%
Credit	75936	5.1%
		26-May-17
Incremental Credit/Deposit YTD %	121.9%	-12.4%

Source: RBI (Amount in bn)



- Sensex went down by 11 pts. (0.00%) and Nifty went up 15 pts. (0.20%) to close at 31,262 and 9,668 respectively.
- The Reserve Bank of India held its benchmark repo rate at 6.25 % saying the decision is consistent with a neutral monetary policy stance. Policymakers added that the inflation outlook for the next months is uncertain and revised down its GVA growth forecasts for 2017-2018 by 10bps to 7.3 %. The reverse repo rate was also left unchanged at 6 %, following a 25bps cut in April. SLR was cut by 50 basis to 20.0%. CRR was unchanged at 4 %.
- India's crucial monsoon rains are expected to reach 98 % of the long-term average in 2017, as per the IMD, 2 percentage points higher than its previous forecast, potentially boosting farm incomes and economic growth. Monthly rainfall across the country is likely to be 96 % of its long-term average during July, and 99 % of the average during August, both with a model error of 9 %.
- Saudi Arabia broke diplomatic relations and all land sea and air contacts with fellow Gulf Arab state Qatar on Monday, saying the move was necessary to protect the kingdom from what it described as terrorism and extremism. The United Arab Emirates (UAE), Bahrain and Egypt also cut ties with Qatar on Monday. Saudi Arabia's official state news agency, citing an official source, said the kingdom had decided to sever diplomatic and consular relations with Qatar "proceeding from the exercise of its sovereign right guaranteed by international law and the protection of national security from the dangers of terrorism and extremism".
- ECB Leaves Monetary Policy Unchanged. The ECB held its benchmark refinancing rate at 0 % for the eleventh consecutive meeting on June 8th.

Taurus Benchmark Indices Movement

Indices	9/6/17	2/6/17	Points change	% change
S&P BSE Sensex	31262.06	31273.29	-11.23	-0.04%
Nifty 50	9668.25	9653.50	14.75	0.15%
S&P BSE 100	9990.61	9971.63	18.98	0.19%
S&P BSE 200	4204.08	4190.49	13.59	0.32%
Nifty Free Float Midcap 100	17993.90	17769.65	224.25	1.26%

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

	Equity	Debt
FPIs (05/06/2017 - 09/06/2017)	-970.01	9814.12
MFS (01/06/2017 - 07/06/2017)	1443.5	11885.9

Source : FPI - CDSL
Source : MF - SEBI

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