

DEBT MARKETS

- The purge of royal princes and ministers in Saudi Arabia and other developments in the middle eastern region like the resignation of Lebanon's PM dominated geopolitics this week. Crude oil prices rose in view of the uncertainties.
- Index of industrial production (IIP) for the month of September came in at 3.9% as compared to 4.5% in the previous month. In other news, GST rates for a large number of products (more than 170 of them) which were earlier in the highest rate slab of 28% have been reduced. Most are now taxed at 18%. Consequently only 50 items will now be taxed at 28% rates. Further rationalization of GST rates and procedures can be expected.
- Yield on government bonds continued to rise sharply even as RBI announced yet another open market sale of securities scheduled for Nov 23. The 10 year benchmark bond closed the week trading at a yield of 6.96%, a rise of 10 basis points over the closing levels last week.

- The markets will now look for direction from the inflation numbers due to be announced on Monday evening.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.96%, a rise of 10 basis points closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx.. 7.65%, indicating that spreads over gilts have remained relatively static.
- One year CDs yielded about 6.60%, indicating relatively flat yields over the week.

Fund Manager Comments

Inflation prints due on Monday are likely the next big trigger for a decisive move. Bond markets have been nervous on the continued supply of securities through the open market operations of RBI. Geopolitical tensions have added to the uncertainties.



Sensex and Nifty went down by 371 pts. (-1.10%) and 131 pts. (-1.30%) to close at 33,315 and 10,322 respectively.

The GST Council may consider reducing items in the 28% tax slab and slash rates for daily use items, plastic products and hand-made furniture as it looks to provide relief to consumers. The council will also deliberate on the suggestions of GoM to cut tax rates for the composition scheme businesses to 1% and lower rates for non-AC restaurants. The council is set to review the GST returns filing cycle and make it taxpayer friendly. The council may rationalize rates in sectors where taxation has gone up because the goods were either exempt from excise or attracted lower VAT rates under the previous indirect tax regime.

The industrial production growth measured by IIP dipped to 3.8% in September after making a remarkable comeback in August at 4.3%. India's core sectors grew by 5.2% in September, the highest growth rate since April, on account of

robust performance of coal, petroleum refinery and natural gas segments. Manufacturing sector, which accounts for more than three-fourths of the entire index, grew 3.4% in September, compared with 3.1% growth in August, and 0.9% in September 2016. Capital Goods which showed growth for the first time in FY18 in August continued the momentum accelerating at 7.4% in September. Mining continued to show strong growth at 7.9%. Electricity has been dismal at mere 3.4%.

China's trade surplus with the U.S. fell to \$26.62 billion in October from \$28.08 billion in September, reported on Wednesday ahead of President Donald Trump's visit to the country. China's trade surplus with the U.S. was \$222.98 billion in the first 10 months of 2017. China's consumer inflation rate accelerated to 1.9% in October from a year earlier, beating market expectations. The consumer price index (CPI) had been expected to rise 1.8% on-year compared with an increase of 1.6% in September. Producer prices rose 6.9% on-year, unchanged from previous month's increase.

Taurus Benchmark Indices Movement

Indices	10/11/17	3/11/17	Points change	% change
S&P BSE Sensex	33314.56	33685.56	-371.00	-1.10%
Nifty 50	10321.75	10452.50	-130.75	-1.25%
S&P BSE 100	10767.96	10903.38	-135.42	-1.24%
S&P BSE 200	4537.46	4592.14	-54.68	-1.19%
Nifty Free Float Midcap 100	19575.95	19778.75	-202.80	-1.03%

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

	Equity	Debt
FPIs (06/11/2017 - 10/11/2017)	7185.54	-2857.49
MFs (02/11/2017 - 08/11/2017)	1308.41	16460.83

Source : FPI - CDSL
Source : MF - SEBI

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