

## DEBT MARKETS

### G-SEC Market

After a sharp rally in the past few weeks, Indian bond markets took a breather last week tracking the global bond sell-off and caution ahead of the key CPI inflation data release. Consistent improvement in US macro fundamentals soon turned the limelight on higher plausibility of near term monetary tightening. Moreover, various Fed officials too, evoked confidence in the domestic recovery, enough to ensure that hiking interest rates in Sep could be given a 'serious thought'. Added to that, the ECB communiqué focused on curbing expectations of further easing measures from the central bank. The ensuing impact to sharp hardening across global bond yields. Indian bonds too, emulated similar tendencies as participants remained of these unexpected developments. While no strong FPI-related outflows were witnessed, market remained in a cautious zone awaiting clarity in the upcoming US FOMC and BoJ policies due next week. Tracking these cues, market witnessed lackluster trading coupled with gradual rise in yields. SDL auction cutoffs on expected line signified of stable demand-supply dynamics. As the week neared close, systemic liquidity turned to deficit mode on back of advance tax outflows. Concomitantly, hopes of RBI OMO Purchase supported sentiment. Even then, bond yields remained in the negative registering marginal losses across the curve.

The benchmark G-sec 7.59% 2026 closed at ₹103.62 (7.05%) vis-à-vis ₹103.58 (7.06%) on previous week closing. New 10 yrs benchmark 6.97% 2026 closed at 6.86% as compared to 6.83 yield on previous week closing.

### LIQUIDITY

RBI infused average gross liquidity via Repo under LAF window worth ₹7,625 Cr in this week compared to an infusion of ₹3,620 Cr in previous week. The Call rate ended at 6.46% compared to 6.39% from the previous week. The CBLO ended at 5.62% compared to 6.43% in the previous week.

### CORPORATE BONDS

The 10 yrs AAA bond ended at 7.61% as compared to 7.59% in previous week. The 1 yr CD yield was seen trading at 7.25% compared to 7.21% in previous week.

### FUND MANAGER COMMENTS

Average system liquidity hardened to a surplus of ₹25,582 crore for Sep 17 compared to a ₹86,425 crore the week prior, hardening was on the back of outflow related to advance tax and weekly auction along with month-beginning seasonal pick up in currency in circulation (CIC). Government's cash balances have increased to ₹10,800 cr from nil in early part of the month. We expect system liquidity surplus to remain near neutral this week with the inflows offsetting the outflows. The new 10-yrs benchmark is expected to trade in 6.80%-6.90% range while the old 10-yrs paper is expected to trade in the range of 7.05%-7.10% for this week.

### Market Indicators as on 16th September, 2016

	16-Sep-16	9-Sep-16	change
INR/USD	66.99	66.68	-0.46%
Brent Crude Oil (\$/bbl)	45.77	48.01	-4.67%
Gold (\$/oz)	1310.25	1327.93	-1.33%
10 year G-Sec(GOI)	7.05	7.06	-0.01
10 year AAA PSU(Ind)	7.61	7.59	0.02
CBLO	5.62	6.43	-0.81
US 10 year Gilt	1.69	1.67	0.02

Source: Bloomberg



Sensex and Nifty went down by 198 points (-0.70%) and 87 points (-1.00%) to close at 28,599 and 8,780 respectively. Indian equity market erased most of its gain in last two weeks.

Media reports stated that the finance and commerce ministries were considering devaluation of rupee to boost exports. This was denied by Govt officials however.

Centre's Indirect Tax collections increased more than 27% in the April-August 2016 period spurred by an increase in Excise receipts by 49%. 43.2% of the Budget Estimates of indirect taxes for FY17 has been achieved till August.

India's Exports contracted 0.3% to \$21.51 bn in August. Cumulative exports for the April-August period of FY17 stood at \$108.51 bn, compared with \$111.85 bn for the corresponding period in FY16. Imports also declined by 14.09% to \$29.19 bn in August, compared with the year-ago period, when it was \$33.98 bn. Cumulative imports in the current financial year reached \$143.18 bn, compared with \$170.23 bn in the previous year. Trade deficit narrowed to \$7.7 bn.

India's IIP shrank by 2.4% in July on account of decline in the manufacturing output. June IIP reading was revised to a 1.9% increase, compared with the 2.1% rise reported earlier.

India's CPI fell to 5.05% in August from 6.07% in July due to sharp fall in vegetable prices. Pulses inflation moderated to 22% from 27.5% in July.

On the monsoon front, All-India rainfall has largely remained less than normal since August 10, leading to an overall monsoon deficit that now stands at 5%.

Petrol price was hiked by 58p/l while diesel rate was cut by 31p/l in line with international trends.

Steel sector was in action as the domestic steel players sought a reconfiguration of the minimum import price on steel products which would include expanding the list of items covered under the measure as well an extension of the duration.

Global equities were mixed this week, with markets continuing to focus on central bank policy, which appears to be reaching its effective limits in places like Europe and Japan. US retail sales, industrial production were sluggish while August UK economic data showed resilience.

China's economy is showing signs of modest improvement, recent data show. In August, industrial output advanced 6.3% while retail sales rose 10.6%. Fixed asset investment held steady at 8.1%. Many observers remain concerned over China's debt build-up.

The Japanese press this week reported that the Bank of Japan may explore pushing policy rates deeper into negative territory in a strategy shift. Quantitative easing has been the centerpiece of the BOJ strategy up to now, but the bank is reaching the limits of assets available for purchase. It is thought that concentrating policy on negative rates and buying fewer long-term bonds may cause the Japanese yield curve to steepen, potentially taking some of the pressure off of insurance companies and pension funds.

## Taurus Benchmark Indices Movement

Indices	16/09/2016	09/09/16	Points change	% change
S&P BSE Sensex	28599.03	28797.25	-198.22	-0.69%
Nifty 50	8779.85	8866.70	-86.85	-0.98%
S&P BSE 100	9018.31	9120.03	-101.72	-1.12%
S&P BSE 200	3768.39	3810.84	-42.45	-1.11%
Nifty Free Float Midcap 100	15336.30	15614.80	-278.50	-1.78%

## Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (12/09/2016 - 16/09/2016)	-1055.42	50.34
MFs (08/09/2016 - 14/09/2016)	-471.30	12765.50

Source : FPI - CDSL  
Source : MF - SEBI

Any information contained herein is for informational purpose only and does not constitute advice or offer to sell/purchase units of the schemes of Taurus Mutual Fund. Information gathered and provided in this document is believed to be from reliable sources and the Fund does not warrant the accuracy and/or completeness of any information. Taurus AMC disclaims any liability for actions taken by anyone on the basis of the opinions contained herein. The material contained herein cannot be reproduced, distributed or quoted anywhere without express written consent of Taurus AMC.

**Mutual Fund Investments are subject to market risks, read all Scheme related Documents carefully.**