

## DEBT MARKETS

### Domestic Key Event

- Inflation based on CPI @ 3.41% YoY (Dec) vs 3.63% YoY (Nov)
  - o Predominantly driven by reduction in food inflation & lower core inflation
  - o Food inflation @1.37% YoY (Dec) vs 2.11% YoY (Nov)
  - o Core inflation @4.98% YoY (Dec) vs 6.98% YoY (Nov)
- IIP @ +5.7% YoY (Nov) vs -1.8% YoY (Oct)
  - o Manufacturing, Electricity and mining grew @ 5.5%, 8.9% & 3.9% respectively.
  - o Positive base effect, -3.4% YoY fall in Nov 2015.
- Trade Deficit @ \$10.4 bn (Dec) vs \$13 bn (Nov)
  - o Exports grew to \$23.88 bn(+5.72% YoY)
  - o Imports grew to \$34.25 bn(+0.46% YoY)
  - o India's gold imports fell by 55% as compared to previous month.

### Yield Movement

The 10-yrs corporate bond (PSU AAA) ended at 7.26% compared to 7.27% last Friday. The 1-yr CD ended at 6.55% compared to 6.50% last Friday.

### Liquidity

Average surplus liquidity during the week (excluding Cash Management Bills (CMB's)) reduced as an impact of tax outflows to ₹1.21 lakh crores compared to ₹2.25 lakh crores in the previous week. CMB of ₹1.85 lakh crores matured during the week against which 2.5 lakh crores CMB were reissued which got fully subscribed. The outstanding CMB's issued till date is approximately ₹5.96 lakh crores out of the 6 lakhs crores limit under MSS. Government's cash balances stood at ₹15,700 crores compare to 14,125 crores a week ago. The weighted average CBLO rate for the week was 6.17% compared to 5.84% in the previous week.

### Fund Manager Comments

Bonds were trading range bound throughout the week. CPI inflation for the month of December came slightly lower than expectations. In absence of any fresh triggers we expect yields should trade in the range of 6.35%-6.55% for the week. Market will also watch for Trump's policies once he assumes office on 20 January.

### Market Indicators as on 13th January, 2017

	13-Jan-17	6-Jan-17	change
INR/USD	68.16	67.96	-0.28%
Brent Crude Oil (\$/bbl)	55.14	56.33	-2.11%
Gold (\$/oz)	1197.58	1172.85	2.11%
CBLO (Average)	6.17%	5.84%	0.33%
10-year G-Sec(GOI)	6.42%	6.39%	0.03%
10-year AAA PSU(Ind)	7.26%	7.27%	-0.01%
US 10-year Gilt	2.40%	2.42%	-0.02%

Source: Bloomberg

### Weekly Statistical Supplement

	6-Jan-17	30-Dec-16
Reserve Money	13754.30	14355.70
YoY Growth %	-31.00%	-27.30%
Currency in Circulation	8980.20	9383.80
Forex Reserves (USD Bn)	359.15	360.30

Scheduled Commercial Banks	23-Dec-16	YoY Growth %
Deposits	105162.40	15.2%
Credit	73480.6	5.1%
	23-Dec-16	25-Dec-15
Incremental Credit/Deposit YTD %	8.28%	75.40%

Source: RBI (Amount in bn)



- Sensex and Nifty went up by 479 points (1.80%) and 157 points (1.90%) respectively, to close at 27238 and 8400 respectively.
- The World Bank reduced India's growth rate for 2016-17 fiscal to 7% from its previous estimate of 7.6% due to demonetization, but asserted that the growth momentum in 2017-18 & 2018-19 would be 7.6% and 7.8%. Fitch Ratings has also downgraded India's growth outlook to 6.9% for 2016-17 from the earlier estimates of 7.4% due to demonetization.
- Retail inflation eased to 3.41% in December from 3.63% in November, due to moderation in food prices. Cereals was marginally higher at 5.25%. Impact of demonetization is visible in CPI, especially in food product prices which have fallen sharply.
- Foreign Portfolio Investors (FPIs) again remained the net sellers in the cash market. FPIs sold \$ 144 million in the cash market. Markets were supported by the Domestic Institutional Investors (DIIs) who bought \$ 199 million in the cash market.
- US President elect Donald Trump on Wednesday promised a "major border tax" on companies that shift jobs outside the United States.
- The U.S. dollar fell against the other major currencies on Friday and the dollar index posted its largest weekly decline since late October as optimism cooled over President-elect Donald Trump's economic policy proposals.
- Oil prices went up this week, supported by a weaker dollar and expectations that OPEC and other producers will cut output as part of a deal to curb global oversupply.
- The New York Federal Reserve on Friday raised its outlook on U.S. economic growth in final quarter of 2016 and first three months of 2017 following the release of December data on domestic retail sales and producer prices.

## Taurus Benchmark Indices Movement

Indices	13/1/2017	6/1/17	Points change	% change
S&P BSE Sensex	27238.06	26759.23	478.83	1.79%
Nifty 50	8400.35	8243.80	156.55	1.90%
S&P BSE 100	8650.13	8478.29	171.84	2.03%
S&P BSE 200	3625.61	3555.68	69.93	1.97%
Nifty Free Float Midcap 100	15178.65	14854.20	324.45	2.18%

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

	Equity	Debt
FPIs (09/01/2017 - 13/01/2017)	-1504.23	-1180.80
MFs (05/01/2017 - 11/01/2017)	1892.50	3822.80

Source : FPI - CDSL  
Source : MF - SEBI

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