

DEBT MARKETS

- Inflation data for the month of September was released last week. Inflation based on consumer prices (CPI) came in at 3.28%. This was well below market expectations of a 3.9% print.
- Inflation based on WPI also came in softer than expected at 2.6%. Expectations were of the rate being 3.3%. Lower food prices helped keep inflation in check.
- Index of industrial production (IIP) for August came in at a much better than expected 4.3% aided by a 9.4% gain in mining and a 3.1% gain in manufacturing.
- Bond yields, however, rose on lack of any clear signals on when or whether rates will be brought down. Yield on the benchmark 10 year government security crossed the 6.75% levels in nervous trading.
- The Indian rupee strengthened to 64.90 on the back of healthy foreign flows.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.76%, relatively flat from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx.. 7.50%, indicating that spreads over gilts have remained stable.
- One year CDs yielded about 6.65%, indicating a rise of 5 basis points in yield level from last week's close.

Fund Manager Comments

No clear signs on rate reduction has not enthused the bond markets. Inflation data does provide some succor though. With the next policy meeting only in December and further data on growth and inflation expected in mid November, the market feels that the central bank may wait and see the data trend before taking any decision on policy rate changes. Market trading may therefore remain and wait for trends to emerge in the macroeconomic data. The festive break of Diwali may also restrict trading volumes.



Sensex and Nifty went up by 618 pts. (1.90%) and 188 pts. (1.90%) to close at 32,433 and 10,167 respectively.

The five-member Prime Ministers Economic Advisory Council (PMEAC), met this week to discuss the reasons behind the slowdown in economic growth. The council is supposed to deliberate upon various measures to promote economic growth, boost consumer demand, attract private investments and provide incentives for employment generation. The council is going to outline growth measures required in the long term, which may form a part of the Union Budget 2018-19.

The IMF, in its report Fiscal Monitor, has suggested that India should adopt a fiscally neutral universal basic income and eliminate the food and fuel subsidies. The fund has proposed a transfer of ₹2,600 (in 2011-12 prices) to every Indian's account. If implemented, it will provide a better alternative to the existing inefficient and inequitable state subsidies by increasing the coverage of lower income groups by 20%.

Net direct tax collections grew by 15.8% to ₹3.9 trn upto Sep 17 on a YoY basis. Refunds worth ₹796.6 bn have been issued during Apr-Sep 17. Advance tax payments rose by 11.5% to ₹1.8 trn up to Sep 17. The growth rate in payment of corporate advance tax and personal advance tax was 8.1% and 30.1%, respectively. During Apr-Sep 17, 39.4% of the Budget Estimates of direct taxes for FY18 has been achieved.

The Index of Industrial Production (IIP) grew by 4.3% in Aug 17. This is its highest monthly growth in the current fiscal, primarily due to restocking post GST. Mining jumped to 9.4%, followed by an 8.3% increase in electricity generation. Mining alone contributed to 100 bps jump in IIP. Capital Goods showed growth for the first time in this Fiscal Year growing at 5.4%. Cumulative industrial production during Apr-Aug 17 grew by 2.2%, slower than the 5.9% growth recorded a year-ago.

China's overseas shipments rose from a year earlier, the latest sign that Asian trade is holding up on robust external demand and a brighter global outlook. Exports increased 8.1% while Imports rose 18.7%, with the fastest growth since March, to result in a trade surplus of \$28.5 bn. Trade surplus versus the U.S. rose to a record \$28.1 bn. The official factory gauge rose to a five-year high in September, and the IMF this week raised its global growth forecast as well as its estimate for China.

Applications for U.S. unemployment benefits declined this week to the lowest levels seen before hurricanes in late August and early September that eventually caused a spike in applications. While the Labour Department said the latest data still reflect the impacts of the Atlantic hurricane season, the number of filings for jobless benefits is consistent with a robust labour market. Jobless claims decreased by 15,000 to 243,000.

Taurus Benchmark Indices Movement

Indices	13/10/2017	6/10/17	Points change	% change
S&P BSE Sensex	32432.69	31814.22	618.47	1.94%
Nifty 50	10167.45	9979.70	187.75	1.88%
S&P BSE 100	10567.54	10383.08	184.46	1.78%
S&P BSE 200	4445.30	4370.24	75.06	1.72%
Nifty Free Float Midcap 100	18723.35	18528.20	195.15	1.05%

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

	Equity	Debt
FPIs (09/10/2017 - 13/10/2017)	-1224.36	5417.05
MFs (05/10/2017 - 11/10/2017)	2258.93	7738.24

Source : FPI - CDSL
Source : MF - SEBI

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