

## DEBT MARKETS

### Domestic Key Event

Inflation based on CPI @ 3.17% YoY (Jan) vs 3.41% YoY (Dec)

- Predominantly driven by reduction in food inflation
- Food inflation @ 1.3% YoY (Jan) vs 2.0% YoY (Dec)
- Core inflation remained sticky @ 5.09% YoY (Jan) vs 4.90% YoY (Dec)
- Sharp drop in price of vegetables and pulses helped which contributes 22% & 8% respectively in food basket.

WPI based inflation @ 5.25% YoY (Jan) vs 3.39% YoY (Dec)

Trade Deficit @ \$9.84 bn (Jan) vs \$10.37 bn (Dec)

- Exports grew to \$22.11 bn (+4.32% YoY)
- Imports grew at faster pace to \$31.95 bn (+10.70% YoY)

### Yield Movement

The 10-year corporate bond (PSU AAA) rose to 7.67% level compared to 7.55% level last Friday. The 1-year CD traded at 6.57% level compare to 6.62% level last Friday.

### Liquidity

Average surplus liquidity during the week (excluding Cash Management Bills (CMB's)) decreased to ₹3.75 lakh crores compared to ₹3.94 lakh crores in the previous week. The outstanding reverse repos as on 17 February is approximately ₹4.43 lakh crores compare to ₹4.12 lakh crores last Friday. CMB worth ₹50,000 crores matured during the week which were not reissued. The outstanding CMB's issued till date is approximately ₹1.5 lakh crores out of the 6 lakh crores limit under MSS. The weighted average CBLO rate for the week was 5.71% compared to 6.11% in the previous week.

### Fund Manager Comments

Market reacted positively after the announcement of repurchase of securities worth ₹20,000 crores by Government of India. The total amount accepted was ₹20,919.87 Crore. But the momentum could not continue as Fed chair Janet Yellen signalled more interest rate hikes will be appropriate for the economy resulting yields moving northwards. Market is expected to be range bound with truncated week and lack of any fresh triggers.

### Market Indicators as on 17th February, 2017

	17-Feb-17	10-Feb-17	change
INR/USD	67.02	66.88	-0.20%
Brent Crude Oil (\$/bbl)	55.09	56.00	-1.63%
Gold (\$/oz)	1234.95	1233.65	0.11%
CBLO (Average)	5.71%	6.11%	-0.40%
10-year G-Sec(GOI)	6.85%	6.81%	0.04%
10-year AAA PSU(Ind)	7.67%	7.55%	0.12%
US 10-year Gilt	2.42%	2.41%	0.01%

Source: Bloomberg

### Weekly Statistical Supplement

	10-Feb-17	3-Feb-17
Reserve Money	15782.90	15342.80
YoY Growth %	-22.60%	-24.40%
Currency in Circulation	10972.70	10491.30
Forex Reserves (USD Bn)	362.79	363.15

Scheduled Commercial Banks	3-Feb-17	YoY Growth %
Deposits	105624.30	13.5%
Credit	74789.9	5.1%
	3-Feb-17	5-Feb-16
Incremental Credit/Deposit YTD %	18.57%	75.90%

Source: RBI (Amount in bn)



- Sensex and Nifty went up by 135 points (0.50%) and 28 points (0.30%) respectively, to close at 28469 and 8822 respectively.
- The Wholesale Price Index (WPI) for January 2017 went up to 5.25% from 3.39% in December 2016 and 3.15% the month before. In December 2016, WPI inflation was a negative 1.07%. Food prices continued to fall in January by 0.56%. As compared to this, prices of high speed diesel rose by a massive 31% while petrol prices rose by 15.66%. The overall inflation index of the fuel and power segment also shot up to 18.44% from 8.65% in the previous month.
- The dollar index (DXY) moved up again but closed off the high seen in the week even as comments by Yellen and Fischer clearly indicated that US Fed is on its way to achieve its 2% inflation goal and that may warrant the US central bank to gradually raise rates. Odds of a rate hike in March increased to 36% from less than 30% a week ago, but global markets are largely pricing-in two rate hikes in the year. A strong dollar is typically bearish for gold, which is denominated in dollars and struggles to compete with yield-bearing assets when borrowing costs rise.
- Emerging Markets (EMs) currencies gained against the USD in the week. EM assets continue to receive inflows. As a result, EM equity markets were higher in the week. China's economy is showing signs of stability with imports increasing by 15% in January. China's exports are rising on the back of higher exports to US, EU and LATAM. Yuan appreciated mildly during the week.
- Even with FPI inflows continuing in the week, INR ended the week 0.2% lower. FPI inflows increased to USD 1.5 billion in the week led by equity inflow on Friday which was largely a one-off led by inflow into HDFC Bank stock after FPI limit opened up. The window is shut again. Excluding the large one-off inflow, equity inflows were muted and have been declining over the last three weeks.
- FIIs invested US\$ 46 million in cash. For the current month, total investment is US\$ 208 million. DII invested US\$ 137 million in cash. For the current month, total investment is US\$ 474 million.

## Taurus Benchmark Indices Movement

Indices	17/2/2017	10/2/17	Points change	% change
S&P BSE Sensex	28468.75	28334.25	134.50	0.47%
Nifty 50	8821.70	8793.55	28.15	0.32%
S&P BSE 100	9124.02	9094.26	29.76	0.33%
S&P BSE 200	3827.91	3818.75	9.16	0.24%
Nifty Free Float Midcap 100	16169.30	16227.70	-58.40	-0.36%

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

	Equity	Debt
FPIs (13/02/2017 - 17/02/2017)	913.94	2820.00
MFs (09/02/2017 - 15/02/2017)	380.70	924.30

Source : FPI - CDSL  
Source : MF - SEBI

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