

DEBT MARKETS

Domestic Key event

- Consumer price index - Inflation (CPI):
 - Inflation based on CPI @ 3.65% YoY (Feb) vs 3.17% YoY (Jan)
 - Predominantly driven by higher food prices and unfavorable base effect.
 - Food inflation @2.01% YoY (Feb) vs 0.53% YoY (Jan)
 - Core inflation @4.83% YoY (Feb) vs 5.08% YoY (Jan)
- Wholesale price index - Inflation (WPI):
 - Inflation based on WPI @ 6.55% YoY (Feb) vs 5.20% YoY (Jan)
 - Predominantly driven by spurt in mineral, food and fuel prices.
- Trade Deficit @ \$8.89 bn (Feb) vs \$9.84 bn (Jan):
 - Exports grew to \$24.49 bn(+17.48% YoY)
 - Imports grew to \$33.38 bn(+21.76% YoY)

Global Data

- Unchanged Fed guidance, maintains long term Fed Fund rate at 3%. FOMC hikes fed fund rates by 25 bps to 0.75%-1.00%.
- Bank of japan kept its monetary policy rates unchanged and maintain the pace of its asset purchase.
- China's central bank raised short-term interest rates by 0.1 percent but leaves benchmark rate unchanged.

Yield Movement

The 10-year corporate bond (PSU AAA) yield eased to 7.89% level compared to 7.95% level seen last Friday. The 1-year CD traded at 6.73% level compare to 6.66% level last Friday.

Liquidity

Average surplus liquidity during the week decreased to ₹ 4.74 lakh crores compared to ₹4.95 lakh crores in the previous week on account of advance tax outflows. RBI is continuously using Reverse Repo window to drain surplus liquidity. The outstanding reverse repos as on 17 March reduced to ₹4.18 lakh crores compare to ₹4.74 lakh crores last Friday. Cash management bill (CMB's) worth ₹50000 crores matured during the week now there are no CMB's outstanding in market which were issued post demonetization. The weighted average CBLO rate for the week was 5.86% compared to 5.83% in the previous week.

Fund Manager Comments

Volatile trading activity witnessed during the week in light of several domestic and international events. 10 Year benchmark G-sec traded in a wide range of 6.74%-6.90% during the week. BJP win in state election and strengthening of rupee provided reason to cheer, however higher than expected WPI prints kept investors on back foot. Easing in core inflation and accommodative policy stance by Fed provided support to market with 10 Year benchmark G-sec easing 4 bps over the week. Market will watch for central government's borrowing calendar numbers for first half of FY18 to be released on Friday.

Market Indicators as on 17th March, 2017

	17-Mar-17	10-Mar-17	change
INR/USD	65.48	66.61	1.73%
Brent Crude Oil (\$/bbl)	51.22	50.66	1.11%
Gold (\$/oz)	1229.29	1204.73	2.04%
CBLO (Average)	5.86%	5.83%	0.03%
10-year G-Sec(GOI)	6.86%	6.90%	-0.04%
10-year AAA PSU(Ind)	7.89%	7.95%	-0.06%
US 10-year Gilt	2.50%	2.58%	-0.08%

Source: Bloomberg

Weekly Statistical Supplement

	3-Mar-17	24-Feb-17
Reserve Money	17460.20	16795.00
YoY Growth %	-16.00%	-18.60%
Currency in Circulation	12458.20	11984.10
Forex Reserves (USD Bn)	364.11	364.01

Scheduled Commercial Banks	3-Mar-17	YoY Growth %
Deposits	105427.50	12.7%
Credit	75160.7	4.1%
	3-Mar-17	4-Mar-16
Incremental Credit/Deposit YTD %	21.92%	83.20%

Source: RBI (Amount in bn)



- Sensex and Nifty went up by 703 points (2.40%) and 226 points (2.50%) to close at 29,649 and 9,160 respectively.
- Consumer Price Index (CPI) rose to 3.7 % in February 2017 from 3.2 % in January 2017. CPI rose for the first time after recording a fall in past six months. Inflation increased in rural and urban India both.
- Wholesale Price Index (WPI) in February 2017 gone up significantly to 6.55%, making a 39-month high. WPI was at 5.25% in January 2017. Core inflation moderated to 2.44% in Feb from 2.68% in January.
- Foreign Portfolio Investors (FPIs) invested US\$ 1003 million in cash. Domestic Institutional Investors (DIIs) sold US\$ 225 million in cash.
- The US Federal Reserve increased its benchmark interest rate by 25 basis points (bps) for the second time in last 3 months.
- The Bank of Japan (BoJ) kept monetary policy on hold on Thursday, in a widely-anticipated decision, underlining the diverging monetary policy paths of major central banks.
- China and Saudi Arabia will increase their cooperation in the oil sector, including in Saudi oil exports to China, the two countries said in a joint communique issued on Saturday at the end of Saudi Arabian King Salman's visit to Beijing.

Taurus Benchmark Indices Movement

Indices	17/3/2017	10/3/17	Points change	% change
S&P BSE Sensex	29648.99	28946.23	702.76	2.43%
Nifty 50	9160.05	8934.55	225.50	2.52%
S&P BSE 100	9464.70	9208.05	256.65	2.79%
S&P BSE 200	3970.12	3860.06	110.06	2.85%
Nifty Free Float Midcap 100	16901.70	16291.20	610.50	3.75%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (13/03/2017 - 17/03/2017)	9433.01	4393.51
MFs (09/03/2017 - 15/03/2017)	1010.00	14371.90

Source : FPI - CDSL
Source : MF - SEBI

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