

DEBT MARKETS

- The most significant news of the week was Moody's credit rating upgrade of India to Baa2 from Baa3. The rating upgrade perked sentiment in the bond and equity markets.
- Inflation based on CPI for October 2017 came in at 3.58% compared to 3.28% in the previous month, primarily due to rise in prices of food and fuel.
- Inflation based on WPI also rose sharply to 3.59% in October compared to 2.60% in September primarily on the rise in prices of primary articles and the fuel group.
- India's trade deficit in October stood at \$14.02 bn compared to \$8.97 bn as exports shrunk and oil import bill rose in line with the rise in crude prices.
- Yield on government initially fell sharply on the rating upgrade but bonds lost all their price gains towards the end of trading on Friday. The 10 year benchmark bond closed the week trading at a yield of 7.05%, after having hit 6.95% earlier.

- In the wake of bonds having given up all their gains, RBI decided to cancel their scheduled open market sale of securities late on Friday. This is likely to perk up sentiment as trading opens on Monday.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.05%, a rise of 10 basis points closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx.. 7.70%, indicating that spreads over gilts have shrunk a bit.
- One year CDs yielded about 6.60%, indicating relatively flat yields over the week.

Fund Manager Comments

While the rating upgrade by Moody's was a pleasant surprise, bond markets lost their enthusiasm quickly. However, the cancellation of the OMO bond sale should revive sentiment and we should witness a bullish opening to bonds this week.



Sensex went up by 28 pts. (0.10%) and Nifty went down by 38 pts. (-0.40%) to close at 33,343 and 10,284 respectively.

After a gap of 13 years, US based credit rating agency Moody's Investor Services has upgraded India's sovereign credit rating to Baa2 from Baa3. The rating agency has also changed the outlook for India's rating to stable from positive. The upgradation is being seen as an acknowledgement of wide-ranging economic and institutional reforms undertaken by the current government which will help stabilize debt and enhance the country's growth potential.

India's trade deficit in October widened significantly as exports fell for the first time in 15 months, while higher crude and metal prices inflated the import bill. Trade deficit, the gap between imports and exports, stood 25% higher compared to last year at \$14 billion. The trade gap had stood at \$8.9 billion in September. Trade Deficit for April-October period has risen to \$ 86.1 bn compared with \$54.5bn for the same period last year.

India's wholesale inflation grew to 3.59%, hitting a six-month high in October, due to increase in prices of food and fuel

products. WPI recorded 2.6% jump in September and 1.27% in October, a year ago. CPI inflation rose to 3.58%, in October, from 3.28% in the previous month. Food inflation rose to 2.26% from 1.76% with vegetables rising to 7.5% from 3.9%. Fuel inflation rose to 6.4% from 5.56% due to rise in crude price.

Services export of India remained flat at \$13.73 billion in September year-on-year, while import slightly picked up to \$8.45 billion. In September 2016, India had exported services worth \$13.77 billion. The import grew 1.7 per cent from \$8.30 billion last year. In August 2017, the services export was \$13.7 billion, while the import came in at \$8.66 billion.

China's non-financial outbound investment slumped to \$86.3 billion in January to October, plunging 41% from a year earlier, as projects in some industries dried up. There was no new real estate, sports or entertainment deals for the period. Most outbound investment was in leasing and business services, manufacturing, wholesale and retail sales and information technology services.

Taurus Benchmark Indices Movement

Indices	17/11/2017	10/11/17	Points change	% change
S&P BSE Sensex	33342.80	33314.56	28.24	0.08%
Nifty 50	10283.60	10321.75	-38.15	-0.37%
S&P BSE 100	10743.38	10767.96	-24.58	-0.23%
S&P BSE 200	4530.48	4537.46	-6.98	-0.15%
Nifty Free Float Midcap 100	19642.60	19575.95	66.65	0.34%

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

	Equity	Debt
FPIs (13/11/2017 - 17/11/2017)	4637.75	-506.89

Source : FPI - CDSL

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