

DEBT MARKETS

G-SEC Market

Bonds rallied considerably post policy following dovish statement and positive monsoon update, hence, profit booking was imminent. Last week, OPEC countries failed to reach a consensus on freezing their oil outputs as dispute between Saudi Arabia and Iran stalled talks. Consequently, crude oil prices slumped as concerns of oversupply continued to dent market sentiment. Better than expected SDL auction cut offs added to market momentum. Coupled with that, expectations of RBI OMO purchases rendered positive bias to market dynamics. However, as the week neared close, prospects of an OMO announcement turned dim. As a result, participants resorted to offloading their positioning in the market. Separately, on the global front, sources indicated of a likely OPEC meeting in Russia next month, leading to rise in global crude prices. This development, along with disappointment on RBI OMO notice, accentuated pressure on gilts. By the end of the week, gilts recovered some of their losses, though remained in the negative on a week-on-week basis.

The 10Y benchmark 7.59% GS 2026 closed at ₹100.90 (7.46%) as compared to ₹101.04 (7.44%) on previous closing.

LIQUIDITY

RBI announced auction of 91 Days T-bill and 364 Days T-bill for a notified amount of ₹9,000 Crs and ₹6,000Crs respectively to be held on 27-Apr-16.

CORPORATE BONDS

The 10 yrs AAA bond ended at 8.16% as compared to 8.13% in previous week. The 1 yr CD yield was seen trading at 7.55% as compared to 7.38% in previous week.

FUND MANAGER COMMENTS

We expect bonds to trade with a negative bias. At current price, yield more or less has already priced-in an efficient monsoon. Fed outcome will be eyed however this time, its importance to domestic market is not as it was earlier. Overnight rate will continue to remain well anchored at repo rate however the spread of money market yield over policy rate would continue to stay northward as a number of companies line up for fresh fund raising.

Market Indicators as on 22nd April, 2016

| | 22-Apr-16 | 13-Apr-16 | change |
|--------------------------|-----------|-----------|--------|
| INR/USD | 66.48 | 66.65 | 0.24% |
| Brent Crude Oil (\$/bbl) | 45.11 | 44.18 | 2.11% |
| Gold (\$/oz) | 1,233.03 | 1,242.47 | -0.76% |
| 10 year G-Sec(GOI) | 7.46 | 7.44 | 0.02 |
| 10 year AAA PSU(Ind) | 8.16 | 8.13 | 0.03 |
| Avg. CBLO | 6.49 | 5.93 | 0.56 |
| US 10 year Gilt | 1.89 | 1.75 | 0.14 |

Source: Bloomberg



Sensex and Nifty went up by 211 points (0.80%) and 49 points (0.60%) to close at 25,838 and 7,899 respectively. Six out of last 8 weeks, Nifty has closed positive. Bank stocks joined the rally after Reserve Bank of India trimmed the list of companies whose loans need to be provided for against the risk of default. Over the past few weeks, the central banks of India, Indonesia, Turkey, Taiwan and Hungary have all lowered policy interest rates in an attempt to improve slow economic growth.

India's trade deficit narrowed to a five-year low of \$5.07 bn in March, with imports declining sharply by 21.6% YoY as against a decline of 5.5% of exports. Imports of oil and gold registered a sharp decline in March, falling by 35.30% and 80.5%, respectively. For the financial year 2015-16, India's trade deficit stood at \$118.5 bn, compared with \$137.7 bn in the previous financial year. Last week, finance minister Arun Jaitley had expressed concern over slowing exports, saying "one of the biggest areas of worry has been the declining exports".

March WPI was marginally higher at -0.85% compared with -0.91% in the previous month as manufactured articles prices rose by 0.4% MoM. Primary article index and food index fell MoM but was higher YoY due to base impact. This is the 17th consecutive month of disinflation in WPI and with easing food prices and global commodity prices; inflation could stay in the negative zone for another couple of months. Average inflation for FY16 is -2.50%. Core inflation rose to -1.07% from -1.60% in Feb as there was a slight uptick in some commodity prices.

The European Central Bank held the refinancing, marginal lending and deposit facility rates unchanged at 0.0%, 0.25% and -

0.40%, respectively, as it monitors the effects of a raft of new easing measures six weeks ago. The ECB's governing council voted, as expected, to keep the benchmark "refi" refinancing rate at its current all-time low of zero percent, after cutting it to that level in March. ECB president Mario Draghi warned that inflation may turn negative in the coming months.

Oil prices climbed in Asia on Friday, heading for their third weekly gain after OPEC said it was open to fresh calls on freezing output despite the failure to reach a deal at the weekend. A much-vaunted meeting Sunday in Doha collapsed after kingpin Saudi Arabia pulled out owing to bitter rival Iran's refusal to join in output limits, while Tehran said it was still in the process of raising production after the removal of nuclear-linked Western sanctions in January. US benchmark WTI crude was up by 1.25%, at \$43.72 and Brent crude for June climbed to \$45.02 a barrel.

In US thus far, the first-quarter earnings season is off to a solid start, with 59% of firms beating revenue expectations, and 82% of firms beating earnings expectations. As a result, investors have gained some confidence that corporate profits can regain the momentum that was lost in the last couple quarters. US jobless claims fell to lowest level since 1973 - New claims were only 247,000.

After a difficult start to 2016, Chinese stocks trading in Shanghai have rebounded from the low on January 28 (+12%).

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Taurus Benchmark Indices Movement

| Indices | 22/04/16 | 13/04/16 | Points change | % change |
|-----------------------------|----------|----------|---------------|----------|
| S&P BSE Sensex | 25838.14 | 25626.75 | 211.39 | 0.82 |
| Nifty 50 | 7899.30 | 7850.45 | 48.85 | 0.62 |
| S&P BSE 100 | 8022.05 | 7956.38 | 65.67 | 0.83 |
| S&P BSE 200 | 3341.18 | 3314.71 | 26.47 | 0.80 |
| Nifty Free Float Midcap 100 | 13245.85 | 13135.30 | 110.55 | 0.84 |

Weekly FPI & MF net flows (₹ in crs.)

| | Equity | Debt |
|--------------------------------|---------|----------|
| FPIs (18/04/2016 - 22/04/2016) | 2713.84 | 1688.35 |
| MFs (18/04/2016 & 20/04/2016) | -283.30 | -1311.10 |

Source : FPI - CDSL
Source : MF - SEBI

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