

## DEBT MARKETS

- US treasury yields rose during the week. Yield on the benchmark 10 year T-Notes crossed the psychologically important number of 2.60%.
- Back home, the RBI Dy Governor's comments that banks would have to fend for themselves on bond marked to market valuations instead of depending on the central bank to provide succour, sent shivers down the spine of bankers.
- The comments led to a jump in bond yields with the benchmark 10 year bond yield moving up by about 10 basis points to 7.38%.
- News that the government had cut its additional borrowing from INR 50,000 crores to INR 20,000 crores gave a new lease of life to bonds and yield on the 10 year benchmark bond fell to 7.22%.

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.49%, a rise of 4 basis

points closing levels of the previous week. The new 10 year bond closed the week trading at a yield of 7.29%, a rise of 2 basis points in yield terms over the close of past week.

- Yield on 10 year AAA PSU bond traded at approx.. 7.92%, indicating that spreads over gilts have compressed a bit.
- One year CDs yielded about 7.20%, indicating a rise of about 15 basis points in yields over the week.

### Fund Manager Comments

Fiscal slippage continue to weigh on the sentiments of bond market participants. Short term surprises like lower additional borrowing by the government serve to assuage sentiment a bit. However, weakness is likely to persist for some more time, until clear signals on fiscal slippage and policy interest rates emerge in the first week of February.



Sensex and Nifty went up by 919 pts. (2.70%) and 213 pts. (2.00%) to close at 35,512 and 10,895 respectively.

The government has reduced its additional market borrowing requirement for 2017-18 by more than half to ₹200 billion. The government had earlier decided to borrow ₹500 billion through dated government securities. Additional borrowing requirements have been reassessed taking note of revenue receipts and expenditure pattern.

Wholesale price-based inflation eased to a three-month low of 3.58% in December 2017 as food prices softened, prompting the industry to seek measures in budget to strengthen agriculture supply chain. Wholesale price index (WPI) based inflation was 3.93% in November 2017 and 2.10% in December 2016. Inflation on food articles slowed to 4.72% in December, from 6.06% in November 2017. In fuel and power segment, inflation rose to 9.16% in December against 8.82% in previous month. Core inflation rose to 3.2% in December from 3.0% in November.

Exports rose 12.36% in December to \$27.03 billion YoY on account of strong performance by sectors like engineering goods and petroleum products. Imports surged significantly to

\$41.91 billion, up 21.12%, on increased inbound shipments of crude oil and gold. The trade deficit was \$14.88 billion, up about 41% YoY while cumulative trade deficit YTD is \$114.8bn against \$78bn in the same period last year.

The government's net direct tax collection for first nine and a half months of the current fiscal grew at its fastest pace in the last four years. Net direct tax collection rose nearly 19% to ₹6.89 lakh crore as on Jan 15. With this, the government has achieved about 70% of its ₹9.8 lakh crore target set in the Budget.

Retail investors are preferring SIP option for investing in mutual funds as the industry garnered over ₹6,200 crore through this route in December, a surge of 56% from the year-ago period. The total money garnered by fund houses through SIPs increased to over ₹59,000 crore in 2017 as compared to about ₹40,000 crore in 2016.

On Israel PM Benjamin Netanyahu's visit to India, firms from the nation kicked off talks of investments in India. Israel has an investment of over \$130 million in India mainly for use on the agricultural, irrigation and renewable energy sectors. New investments are also looking at the manufacturing space.

## Taurus Benchmark Indices Movement

Indices	19/1/2018	12/1/18	Points change	% change
S&P BSE Sensex	35511.58	34592.39	919.19	2.66%
Nifty 50	10894.70	10681.25	213.45	2.00%
S&P BSE 100	11353.80	11204.58	149.22	1.33%
S&P BSE 200	4802.10	4755.10	47.00	0.99%
Nifty Free Float Midcap 100	21308.80	21694.55	-385.75	-1.78%

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

	Equity	Debt
FPIs (15/01/2018 - 19/01/2018)	3596.20	-140.19
MFs (11/01/2018 - 17/01/2018)	3091.71	579.72

Source : FPI - CDSL  
Source : MF - SEBI

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