

## DEBT MARKETS

- The preceding week was a short trading week with Diwali holidays during the latter half of the week. Trading therefore was subdued.
- Bond yields remained relatively stagnant. Yield on the benchmark 10 year government security crossed the 6.75% levels in nervous trading. It closed the week at 6.76%.
- The central bank has announced yet another open market sale of government securities in order to moderate liquidity in the system.
- The minutes of the monetary policy committee meeting were released this week. It showed that one member Prof Dholakia was of the view that the economy had enough slack to absorb any rise in inflation and therefore the situation warranted a sharp reduction in rates. However another member (from RBI) Mr Michael Patra adopted a hawkish tone to pitch for a rate hike.

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.76%, relatively flat from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx.. 7.50%, indicating that spreads over gilts have remained stable.
- One year CDs yielded about 6.65%, indicating a stable yield levels from last week's close.

### Fund Manager Comments

Trading was relatively subdued during the week due to Diwali holidays. Further, hawkish tone adopted by at least one member of the monetary policy committee dampened sentiment as this raises doubts on whether RBI may oblige with a rate reduction in the next meeting scheduled for December.



Markets ended flat in the last week. The Nifty closed down 0.21 percent at 10,146.55, after hitting a record high of 10,251.85 on October 17. The Sensex also touched an all-time high of 32,699.86 in Diwali week. Further cues to be derived from quarterly earnings season.

The IMF Chief Christine Lagarde believes that India is on solid growth track because of structural reforms - demonetization and GST conducted recently. The International Monetary Fund has suggested India to consider setting up an independent fiscal council.

Niti Aayog cited the economic slowdown that began in 2013-14 has bottomed out and the GDP is likely to grow 6.9 to 7% this fiscal and 7.5% in 2018-19. Meanwhile, PTI said that the finance ministry is working on capital infusion strategy for PSBs, expected to be finalized by December.

Wholesale inflation fell to 2.60% during September 2017, which was 64 basis points lower than 3.24% clocked in August 2017. An official statement said the dip was driven by lower fruits and vegetable prices that fell by 15% during September 2017 compared with August 2017. However, compared with September 2016, vegetable prices rose by 15.48%, and the price of fruits was up by 2.93%. Onion prices, too, zoomed

79.78%. Inflation was at 1.36% in September 2016. The Consumer Price Index-based inflation remained unchanged month on month at 3.3% in September 2017.

Federal Reserve Chair Janet Yellen on Sunday sketched a bright outlook for the US economy and for inflation prospects in coming months, saying the impact of the recent hurricanes will likely slow economic growth slightly but only temporarily and should be followed by a rebound by year's end. Speaking to an international banking seminar, Yellen acknowledged that the persistence of undesirably low inflation this year has been a surprise. But she said she expected inflation to start picking up as the effects of temporary factors, such as falling prices for consumer cellphone service, begin to fade.

Hillary Clinton said Brexit would put Britain at a very big disadvantage and force companies to move resources to continental Europe. Further, Inflation in Britain has hit 3% for the first since early 2012 - a development that reinforces expectations that the Bank of England will raise interest rates next month for the first time in a decade. The Office for National Statistics mentioned consumer price inflation was 3% in the year to September, up from the previous month's 2.9%. The increase, which brings the rate to its highest level since March 2012, was widely anticipated in the markets and was largely due to rising prices for food and a range of transport costs.

## Taurus Benchmark Indices Movement

Indices	19/10/2017	13/10/2017	Points change	% change
S&P BSE Sensex	32389.96	32432.69	-42.73	-0.13%
Nifty 50	10146.55	10167.45	-20.90	-0.21%
S&P BSE 100	10552.02	10567.54	-15.52	-0.15%
S&P BSE 200	4443.53	4445.30	-1.77	-0.04%
Nifty Free Float Midcap 100	18789.90	18723.35	66.55	0.36%

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

	Equity	Debt
FPIs (16/10/2017 - 18/10/2017)	-1633.12	1831.72
MFs (12/10/2017 - 18/10/2017)	3702.05	10709.25

Source : FPI - CDSL  
Source : MF - SEBI

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