

DEBT MARKETS

- Bond prices remained stable this week on lack of fresh cues.
- RBI conducted open market sale of securities worth INR 10,000 crores.
- State Government Securities worth about 16,000 crores are due for sale on July 25, 2017.
- US treasury yields fell. 10 Year US treasuries trade at 2.27%.
- Republican efforts to replace/overhaul the Obamacare healthcare bill remained unsuccessful
- The next meeting of the US Fed's Federal Open Market Committee (FOMC) is scheduled for July 26, 2017. Expectations are that the Fed would maintain status quo and not change interest rates

Yield Movement

- Yields on 10 year benchmark government bonds traded in a narrow range of 6.42% - 6.46%.
- Yield on 10 year AAA PSU bond traded at approx.. 7.35%.
- One year CDs yielded about 6.50%.

Fund Manager Comments

Market sentiment would take cues from any comments that the Fed makes on their balance sheet unwinding of large US treasury holdings. Soft inflation numbers announced last week would also put pressure on RBI's monetary policy committee to reduce interest rates in order to avoid the spectre of deflation. These should provide support to bond prices. RBI has also announced another open market sale of securities scheduled for Aug 10 for an amount of INR 10,000 crores. This is a continuation of a trend of withdrawing sustainable liquidity that we have witnessed for the past few weeks.



Sensex and Nifty went up by 8 pts. and 29 pts. to close at 32,029 and 9,915 respectively.

The Indian ministry of Finance is working on the capital infusion strategy for public sector banks (PSBs). The funds infusion matrix is being prepared on the basis of representations received from various banks for their capital needs. The government will soon announce the list of beneficiaries. Earlier, RBI deputy governor S S Mundra had said that PSBs may require more than the Rs.100 bn capital infusion budgeted by the government in FY18 on account of higher provisioning for bad loans and haircut on stressed assets. The government is likely to infuse more capital into state-run banks during FY18.

The south-west monsoon showed strong signs of revival across parts of the country with the week ending on July 19, recording 11% excess rainfall. India received 75.3 millimetres (mm) of rainfall from July 12 to July 19. The country was expected to witness 67.6 mm of rainfall.

The Bank of Japan (BOJ) kept monetary policy steady on Thursday but once again pushed back the timing for achieving its ambitious inflation target, reinforcing views it will lag well behind other major central banks in scaling back its

massive stimulus programme. With robust exports and private consumption pointing to a steady though modest recovery, the Japanese central bank slightly raised its growth forecasts and offered a more upbeat view of the world's third-largest economy than last month.

The euro saw a sharp surge as Mario Draghi spoke on Thursday afternoon, with the president of the ECB discussing inflation expectations and the potential end of its asset-purchase program. Draghi said the central bank saw signs of "unquestionable improvement" in euro zone growth and pointed to plans for policymakers to begin discussing possible changes to its quantitative easing (QE) program in the fall. He did not set a set a time frame for the tightening of the bank's ultra-loose monetary policy, but said that policymakers were unanimously agreed on opening talks after the summer recess.

Britain's annual inflation rate dropped slightly in June to 2.6%, reversing the trend of accelerating prices since the vote last June to leave the EU. The figure was a surprise: analysts had expected an increase of nearly 3%. Lower inflation eases the pressure on the Bank of England to raise interest rates for the first time since 2007.

Taurus Benchmark Indices Movement

Indices	21/7/2017	14/7/2017	Points change	% change
S&P BSE Sensex	32028.89	32020.75	8.14	0.03%
Nifty 50	9915.25	9886.35	28.90	0.29%
S&P BSE 100	10270.72	10239.08	31.64	0.31%
S&P BSE 200	4315.91	4304.15	11.76	0.27%
Nifty Free Float Midcap 100	18262.20	18278.85	-16.65	-0.09%

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

	Equity	Debt
FPIs (17/07/2017 - 21/07/2017)	2479.15	1966.25
MFs (13/07/2017 - 19/07/2017)	961.3	13489.5

Source : FPI - CDSL
Source : MF - SEBI

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