

DEBT MARKETS

Monetary policy Committee (MPC) Minutes

Policy rates kept status quo as members emphasize their concern over stickiness in core inflation and uncertainty in global market. Key take away from minutes suggest that RBI's action will hinge on:

- Inflation trajectory moving towards 4% on a sustained basis.
- Demonetisation impact on growth and inflation is uncertain but transitory.
- Global financial conditions volatility poses threat to inflation.
- Conditions are conducive for banks to transfer past cuts (175 bps since Jan 2015).

Global Data

- U.S. GDP growth revised up to 3.5% rate in third quarter, compared with a prior estimate of 3.2%.
- The BoJ kept its monetary policy unchanged and stated an optimistic stance on the growth outlook of Japan in 2017.

Yield Movement

The domestic bond yields rose as market perceived the tone of the MPC members as hawkish also tracking the volatility in currency which breached 68 level mark against US dollar during the week. The benchmark 10-year yield ended the week at

6.54% compared to 6.50% last Friday. The 10-year corporate bond (PSU AAA) ended at 7.45% compared to 7.37% last Friday. The 1-year CD eased to 6.55% compared to 6.65% last Friday.

Liquidity

Average surplus liquidity during the week (excluding Cash Management Bills (CMB's)) reduced to INR 1.25 lakh crores compared to INR 2.12 lakh crores in the previous week. INR 72,781 crores of Cash Management bills (CMB) were issued during the week. The outstanding CMB's issued till date is approximately INR 5.37 lakh crores out of the 6 lakh crores limit under MSS. The weighted average CBLO rate for the week was 5.84% compared to 5.98% in the previous week.

Fund Manager Comments

Systemic liquidity is under comfortable zone, also short term CD rates are trading at similar levels compare to last week, however post demonetization NBFC's are under pressure resulting in increased spread of NBFC CP over CD's. Truncated trading volume is being witnessed during the year end and in the absence of any fresh triggers, this week we expect long term rates to be range bound and trading should pick up since the start of new year.

Market Indicators as on 23rd December, 2016

	23-Dec-16	16-Dec-16	change
INR/USD	67.83	67.77	-0.08%
Brent Crude Oil (\$/bbl)	55.16	55.21	-0.09%
Gold (\$/oz)	1133.95	1134.84	-0.08%
CBLO (Average)	5.84%	5.98%	-0.14%
10-year G-Sec(GOI)	6.54%	6.50%	0.04%
10-year AAA PSU(Ind)	7.45%	7.37%	0.08%
US 10-year Gilt	2.54%	2.60%	-0.06%

Source: Bloomberg

Weekly Statistical Supplement

	16-Dec-16	9-Dec-16
Reserve Money	14364.70	18383.11
YoY Growth %	-27.80%	-7.53%
Currency in Circulation	9582.30	9809.48
Forex Reserves (USD Bn)	360.61	362.99

Scheduled Commercial Banks	9-Dec - 16	YoY Growth %
Deposits	105913.10	15.9%
Credit	73391.2	5.8%
		9-Dec-16
Incremental Credit % /Deposit YTD	7.08%	66.69%

Source: RBI (Amount in bn)



- Sensex and Nifty went down by 449 points (1.7 %) and 154 points (1.9%) respectively, to close at 26040.7 and 7985.75 respectively.
- FPIs remained net sellers in cash markets and outflow this week stood at USD 444mn in cash markets. DIIs invested USD 346mn in cash markets.
- The government clarified that accordingly to amended Cyprus treaty, investors need to pay only 10% tax with retrospective effect from November 1, 2013 instead of 30% tax they have already paid.
- Average turnover in cash and derivatives markets has gone down significantly on YoY basis resulting in lower liquidity amidst higher volatility.
- The U.S. dollar edged slightly lower against a basket of currencies in pre-holiday trade on Friday, slipping from its 14 year-high as investors took profits in the run-up to the Christmas weekend.
- ECB in its economic bulletin said euro zone inflation may exceed 1% at the turn of the year. This is the highest inflation level the region may see since 2013. The medium-term outlook for global activity remains one of strengthening growth, albeit below its pre-crisis pace, the ECB said.
- OPEC members agreed to lower production by a combined 1.2 million barrels per day starting from January 1, their first such deal since 2008. The pact was followed by an agreement from 11 non-OPEC producers, led by Russia, to reduce their supplies by 558,000 barrels a day.
- The Bank of Japan unsurprisingly left monetary policy unchanged - it's effectively on autopilot anyway basically committing in September to continue its asset buying program and keeping the 10-year bond yield at zero until it exceeds its 2% inflation target.
- Over the weekend, PM's statements about lower contribution of taxes by the financial markets raised the risk of higher taxes from the capital markets. There is a fear that long term capital gains will be taxed, although FM tried to clarify to calm the nerves.

Taurus Benchmark Indices Movement

Indices	23/12/2016	16/12/2016	Points change	% change
S&P BSE Sensex	26040.70	26489.56	-448.86	-1.69%
Nifty 50	7985.75	8139.45	-153.70	-1.89%
S&P BSE 100	8193.54	8368.86	-175.32	-2.09%
S&P BSE 200	3428.70	3507.20	-78.50	-2.24%
Nifty Free Float Midcap 100	14077.60	14620.20	-542.60	-3.71%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (19/12/2016 - 23/12/2016)	-2602.25	-574.85
MFs (15/12/2016 - 21/12/2016)	2340.20	1129.00

Source : FPI - CDSL
Source : MF - SEBI

Any information contained herein is for informational purpose only and does not constitute advice or offer to sell/purchase units of the schemes of Taurus Mutual Fund. Information gathered and provided in this document is believed to be from reliable sources and the Fund does not warrant the accuracy and/or completeness of any information. Taurus AMC disclaims any liability for actions taken by anyone on the basis of the opinions contained herein. The material contained herein cannot be reproduced, distributed or quoted anywhere without express written consent of Taurus AMC.

Mutual Fund Investments are subject to market risks, read all Scheme related Documents carefully.