

DEBT MARKETS

Minutes - Monetary Policy Committee Meeting:

- All six-member voted - Status quo
- Shift its policy stance to neutral from accommodative which provides flexibility for future course of policy action in either direction.
- Emphasised CPI Inflation maintain closer to 4% in a calibrated manner.
- Sighted risk from high and sticky core inflation also remonetisation may lead to hardening of the headline inflation.
- Uncertainty about the global economic environment.

Yield Movement

The 10-year corporate bond (PSU AAA) rose to 7.75% level compared to 7.67% level last Friday. The 1-year CD traded at 6.63% level compare to 6.57% level last Friday.

Liquidity

Average surplus liquidity during the week (excluding Cash Management Bills (CMB's)) increased to ₹4.05 lakh crores

compared to ₹3.75 lakh crores in the previous week. RBI is continuously using Reverse Repo window to drain surplus liquidity. The outstanding reverse repos as on 23 February is approximately ₹4.45 lakh crores compare to ₹4.43 lakh crores last Friday. With No CMB maturing this week, CMB's outstanding in market is ₹1.5 lakh crores out of the 6 lakh crores limit under MSS. The weighted average CBLO rate for the week was 5.81% compared to 5.71% in the previous week.

Fund Manager Comments

Bond yields continued its upward bias this week with minutes of MPC meeting highlighting the sticky core inflation and uncertain international environment as a reason for a shift in policy stance to neutral. Market will take cues from US President Trump's speech on 28th February in a joint session of congress. Also, Yellen's speech and NFP data on Friday will set the tone for market expectations for Fed rate hike next month. In Domestic front market, will watch for GDP data for 3rd quarter and GDP estimate for FY2017.

Market Indicators as on 23rd February, 2017

	23-Feb-17	17-Feb-17	change
INR/USD	66.83	67.02	0.29%
Brent Crude Oil (\$/bbl)	55.54	55.09	0.82%
Gold (\$/oz)	1257.15	1234.95	1.80%
CBLO (Average)	5.81%	5.71%	0.10%
10-year G-Sec(GOI)	6.91%	6.85%	0.06%
10-year AAA PSU(Ind)	7.75%	7.67%	0.09%
US 10-year Gilt	2.38%	2.42%	-0.04%

Source: Bloomberg

Weekly Statistical Supplement

	17-Feb-17	10-Feb-17
Reserve Money	16060.20	15782.90
YoY Growth %	-22.20%	-22.60%
Currency in Circulation	11314.10	10972.70
Forex Reserves (USD Bn)	362.73	362.79

Scheduled Commercial Banks	3-Feb-17	YoY Growth %
Deposits	105624.30	13.5%
Credit	74789.9	5.1%
	3-Feb-17	5-Feb-16
Incremental Credit/Deposit YTD %	18.57%	75.90%

Source: RBI (Amount in bn)



- Market ended positive for the 5th consecutive week. Sensex and Nifty went up by 424 points (1.50%) and 118 points (1.34%) respectively, to close at 28893 and 8940 respectively.
- Low probability of US Federal Reserve hiking interest rates in the US in its March policy meeting also cheered the Indian markets.
- The dollar hit a one-week low on Friday, as the "Trumpflation trade" that took the dollar to 14-year highs earlier this year faded, and as worries over France's presidential election eased. The Euro, meanwhile, saw the weekly gains, due to a new alliance between French presidential candidate Emmanuel Macron and fellow centrist Francois Bayrou. That soothed fears that anti-EU, far-right leader Marine Le Pen could win May's election.
- In a report, US Energy Information Administration said that U.S. Gasoline Inventories fell to a seasonally adjusted annual rate of -2.628M, from 2.846M in the preceding quarter. Energy Information Administration also said that U.S. Crude Oil Inventories rose to a seasonally adjusted annual rate of 0.564M, from 9.527M in the preceding month.
- This week global cues will drive the global markets as Mr Trump may announce his plans about taxation. Q4 GDP data of India and the US and manufacturing PMI of China will be closely monitored.

Taurus Benchmark Indices Movement

Indices	23/2/2017	17/2/2017	Points change	% change
S&P BSE Sensex	28892.97	28468.75	424.22	1.49%
Nifty 50	8939.50	8821.70	117.80	1.34%
S&P BSE 100	9239.67	9124.02	115.65	1.27%
S&P BSE 200	3874.76	3827.91	46.85	1.22%
Nifty Free Float Midcap 100	16357.65	16169.30	188.35	1.16%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (20/02/2017 - 23/02/2017)	6357.26	-1280.60
Mfs (16/02/2017 - 22/02/2017)	-1468.80	10078.10

Source : FPI - CDSL
Source : MF - SEBI

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