

DEBT MARKETS

- US treasury yields rose during the week. Yield on the benchmark 10 year T-Notes crossed the psychologically important number of 2.70%.
- Back home, the bond market activity was relatively subdued due to the shortened trading week on account of the the Republic Day holiday on January 26.
- RBI reissued the new benchmark 10 year security for the second week in succession and cut off yield on the new security at the auction came in at 7.33%, slightly higher than what most marketmen expected.
- The government also announced the beneficiaries of the banking bailout that had been announced earlier. It is committing INR 88,000 crores to infuse capital into state owned banks.
- Bond yields remained range bound with the new benchmark 10 year bond yield moving up by about 2 basis points to 7.31%.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.31%, a rise of 2 basis points closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 7.90%, indicating that spreads over gilts have compressed a bit.
- One year CDs yielded about 7.40%, indicating a rise of about 20 basis points in yields over the week.

Fund Manager Comments

Fiscal slippage continue to weigh on the sentiments of bond market participants. The higher than expected cut off yield in the auction is also likely to dampen sentiment. Trading is likely to remain subdued until the presentation of the budget on Feb 1, 2018.



Indian Equity market scaled to a newer record high. Impressive quarterly results, GST Council further cut in GST rate of nearly 50 items and strong global markets boosted the market sentiment. Strong FIIs and DIIs participation too have boosting the market confidence.

During the week, the Government of India (GoI) unveiled details of capital infusion plan for public sector banks that includes ₹ 80000 crore through recap bonds and ₹8139 crore as budgetary support in this financial year, a move aimed at strengthening these banks' lending capacity and there by pulling the country out of a three-year low growth slump.

The government is likely to exceed the disinvestment target of ₹72,500 crore this year as ONGC is going to acquire government's 51.1% stake Hindustan Petroleum Corporation Ltd. for ₹36,915 crore. As a matter of fact, government's total divestment proceeds till 20th January 2018 stands at ₹54,338 crore. Both foreign and domestic institutional investors remained on the buy side of the markets.

Prime Minister Narendra Modi, who arrived in the snowy town of Davos in Switzerland, addressed the plenary session of the 48th World Economic Forum (WEF) in Davos, Switzerland.

As per IMF, India is projected to grow at 7.4% in 2018 as against China's 6.8%, making it the fastest growing country among

emerging economies following last year's slow down due to demonetization and the implementation of the GST.

Global stock markets continued to rise and gained in the week supported by better than expected earnings. Sentiments too got support from the International Monetary Fund revision in global growth forecast to 3.9% for 2018 and 2019, a 0.2% point increase from its last update in October. Also Inflation expectations are increasing on the back of weaker dollar, U.S. corporate tax cuts and signs of improving global growth. With solid global demand, Japanese exports rose 9% in the month of December 2017. Better sales and household spending together with continued growth in imports points out that Japanese economy would continue to do well in 2018. Back at home, Indian stock market benchmarks rose for eighth consecutive week, longest winning streak since 2010. Earnings so far have been positive and macro-economic factors are supporting the markets

Going ahead in the forthcoming week market is likely to remain subdued at the initial part and then onward much of trend would be dictate by the Union Budget due on 1st of February.

Taurus Benchmark Indices Movement

Indices	25/1/2018	19/1/2018	Points change	% change
S&P BSE Sensex	36050.44	35511.58	538.86	1.52%
Nifty 50	11069.65	10894.70	174.95	1.61%
S&P BSE 100	11493.10	11353.80	139.30	1.23%
S&P BSE 200	4852.15	4802.10	50.05	1.04%
Nifty Free Float Midcap 100	21455.75	21308.80	146.95	0.69%

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

	Equity	Debt
FPIs (22/01/2018 - 25/01/2018)	5990.74	3187.90
MFs (18/01/2018 - 24/01/2018)	389.79	-382.03

Source : FPI - CDSL
Source : MF - SEBI

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