

DEBT MARKETS

G-SEC Market

Previous week, market witnessed range bound activity as caution ahead of the US FOMC meet weighed on market sentiment considerably. At the week start, buoyed by lower than expected SDL auction size, bond market opened in the positive territory. Moreover, RBI OMO purchase auction added to momentum. However, looming uncertainty over US Fed meet caused participants to refrain from position building. While the US policymakers were expected to stay put on key rates, the accompanying commentary was closely watched for cues on future interest rate trajectory. Meanwhile, domestic bond market was thinly traded with prices noting limited volatility. As expected, US FOMC maintained status quo on policy rates. The forward guidance indicated of low probability on a near term rate hike. In lieu of this development, market mood turned upbeat. Intensified buying selling underscored market activity for the next couple of sessions. The weekly G-Sec auction cutoffs too, rendered support to market dynamics. Overall, as the week ended, gilts noted marginal gains in the range of 1-2 bps across the curve.

The 10Y benchmark 7.59% GS 2026 closed at ₹101.04 (7.44%) as compared to ₹100.90 (7.46%) on previous closing.

LIQUIDITY

RBI infused average gross liquidity via Repo under LAF window worth ₹10,735 Cr in this week compared to an infusion of ₹15,171 Cr in previous week. Infusions via the MSF route averaged ₹474 Cr. The Call rate ended at 6.55% compared to 6.43% from the previous week. The CBLO ended at 5.37% compared to 6.45% in the previous week.

CORPORATE BONDS

The 10 yrs AAA bond ended at 8.18% as compared to 8.16% in previous week. The 1 yr CD yield was seen trading at 7.58% as compared to 7.55% in previous week.

FUND MANAGER COMMENTS

Bonds are expected to trade in a narrow range with a tightening bias ahead of retail inflation numbers. Tight liquidity amidst slew of IPOs has led to spread widening of the money market curve. Non SLR curve is expected to underperform gilt securities as demand for corporate bonds continue to remain weak. RBI is expected to anchor overnight rate near the policy rate.

Market Indicators as on 29th April, 2016

	29-Apr-16	22-Apr-16	change
INR/USD	66.33	66.48	0.23%
Brent Crude Oil (\$/bbl)	48.13	45.11	6.69%
Gold (\$/oz)	1293.53	1233.03	4.91%
10 year G-Sec(GOI)	7.44	7.46	-0.02
10 year AAA PSU(Ind)	8.18	8.16	0.02
Avg. CBLO	6.08	6.49	-0.41
US 10 year Gilt	1.83	1.89	-0.06

Source: Bloomberg



Sensex and Nifty went down by 232 points (-0.90%) and 50 points (-0.60%) to close at 25,607 and 7,850 respectively. Earnings season began in full swing and added to the swings in the markets as Telcos and Cement cos surprised the street positively whereas select Banks and Tech stocks were much below expectations. On global side anticipation and then reaction to US Fed & Bank of Japan's decisions, kept the market active.

Apart from the secondary markets there was buzz in the primary markets too during the coming week, as Diagnostics company Thyrocare Technologies and microfinance lender Ujjivan Financial Services hit capital markets this week to raise funds through their initial public offerings.

The joint parliamentary committee on Insolvency and Bankruptcy Code submitted its report, paving the way for clearance of the bill by the parliament. The report has been submitted, reportedly, without any dissenting notes with the government accommodating all the amendments moved by the members of opposition parties. The bill adds to measures initiated by the government to deal with the problem of NPAs of banks.

In an important pro-financial innovation development, the RBI has put out a consultation paper on peer-to-peer (P2P) lending and proposed to bring such platforms under its purview by defining them as NBFCs.

India has received \$51 bn FDI during the April-February period of FY16, as India has touched the 'highest ever' mark during the period. The FDI numbers indicates that the government has been able to create a suitable climate in which the foreign investors feel

confident that interest is protected. Ease of doing business is critical for creating a suitable business climate and the government is making lot of efforts to improve it. In FY12, India had attracted FDI worth \$46.55 bn.

The Bank of Japan held off from expanding monetary stimulus, defying market expectations for action even as soft global demand, an unwelcome rise in the yen and weak consumption threatened to derail a fragile economic recovery. BOJ decided to maintain its pledge to increase base money at an annual pace of 80 trillion yen (\$732 billion) via aggressive asset purchases, as it also left unchanged a 0.1% negative rate it applies to some of the excess reserves that financial institutions park at the BOJ.

The Federal Reserve left interest rates unchanged, but kept the door open to a hike in June while showing little sign it was in a hurry to tighten monetary policy amid an apparent slowdown in the U.S. economy. In a statement that largely mirrored the one issued after its last policy meeting in March, the U.S. central bank's rate-setting committee described an improving labour market but acknowledged that economic growth seemed to have slowed.

U.S. GDP increased at a 0.5% annual rate, the weakest since the first quarter of 2014, as economic growth braked sharply in the first quarter as consumer spending softened and a strong dollar continued to undercut exports, but a pick-up in activity is anticipated given a buoyant labor market. Growth was also held back by businesses stepping up efforts to reduce unwanted merchandise clogging up warehouses. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, also increased at a 1.9% rate.

Taurus Benchmark Indices Movement

Indices	29/04/16	22/04/16	Points change	% change
S&P BSE Sensex	25606.62	25838.14	-231.52	-0.90
Nifty 50	7849.80	7899.30	-49.50	-0.63
S&P BSE 100	7973.88	8022.05	-48.17	-0.60
S&P BSE 200	3321.63	3341.18	-19.55	-0.59
Nifty Free Float Midcap 100	13195.30	13245.85	-50.55	-0.38

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (25/04/2016 - 29/04/2016)	1681.68	182.15
MFs (21/04/2016 - 27/04/2016)	325.00	3817.10

Source : FPI - CDSL
Source : MF - SEBI

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