

DEBT MARKETS

Global Data

FOMC minutes:

- Federal Reserve officials expected at their policy meeting earlier this month that it would "soon be appropriate" to raise short-term interest rates once again, a signal the U.S. central bank could lift its benchmark rate at its next gathering in June
- Plans to shrink its \$4.5 trillion in holdings of Treasury and mortgage securities later in the year by gradually allowing increasing amounts of those securities to mature without reinvesting them.
- The slowdown in the 1st Quarter was seen as transitory.

OPEC meeting:

- OPEC and non-members led by Russia decided to extend cuts in oil output by nine months to March 2018 as they battle a global glut of crude after seeing prices halve and revenues drop sharply in the past three years.

Yield Movement

The 10 year AAA bond ended at 7.65% as compared to 7.69% in previous week. The 1 year CD yield was seen trading at 6.73% as compared to 6.85% in previous week.

Liquidity

The weekly average surplus improved marginally at ~₹3.3 tn for the week ending May 26 compared to ₹3.2 tn for the week ending May 20 as regular outflows from auctions and CIC offset the coupon related inflows. Government continues to utilize Ways and Means advances to the extent of ₹350bn as on May 19, higher than the previous week's ₹139 bn, prompting RBI to have issued 77-day CMB this week to the tune of ₹300bn. While maintaining the uptrend, the pace of weekly increase in currency in circulation (CIC) seems to be settling at a significantly lower pace. CIC for the week ending May 19 increased by mere ₹77 bn to ₹14.81 tn.

Fund Manager Comments

Domestic yields picked up marginally during early part of the week but softened in latter half of the week due to softening bias of UST 10-yr yield post FOMC minutes and fall in crude prices. Also, good results of the weekly Gsec auction on Friday boosted bond prices further. The new 10-yr paper (6.79% 2027) was down ~ 5.8bps WoW. For the week, markets will keep a watch on the India GDP data and US core PCE and NFP data on Friday for global cues, and will await RBI policy next week.

Market Indicators as on 26th May, 2017

	26-May-17	19-May-17	change
USD/INR	64.45	64.64	0.29%
Brent Crude Oil (\$/bbl)	52.15	53.61	-2.72%
Gold (\$/oz)	1266.76	1255.93	0.86%
CBLO (Average)	5.85%	6.16%	- 31 bps
10-year G-Sec(GOI)	6.79%	6.85%	- 6 bps
10-year AAA PSU(Ind)	7.65%	7.69%	- 4 bps
US 10-year Gilt	2.25%	2.24%	+ 1 bps

Source: Bloomberg

Weekly Statistical Supplement (INR Bn)

	19-May-17	12-May-17
Reserve Money (Rs bn)	19826	19547
YoY Growth %	-9.35%	-10.40%
Currency in Circulation (Rs bn)	14819	14743
Forex Reserves (USD bn)	379.3	375.3

Scheduled Commercial Banks	12-May-17	YoY Growth %
Deposits (Rs bn)	106417	12.1%
Credit (Rs bn)	76286	5.6%
	12-May-17	13-May-16
Incremental Credit/Deposit YTD %	149.8%	-15.2%

Source: RBI (Amount in bn)



Sensex and Nifty went up by 563 pts. (1.80%) and 167 pts. (1.80%) to close at 31,028 and 9,595 respectively.

In US, the Nasdaq on 17 May 2017 saw its worst one-day decline since the day after U.K.'s vote to exit from the European Union rattled markets, as turmoil in Washington cast doubt on President Donald Trump's pro-growth agenda that had helped to drive stocks to records.

UK retail sales rebounded in April, following a steep quarterly decline in the first three months of the year, data showed, suggesting the economy began the second quarter on a stronger footing. Retail sales grew by 2.3% on the month in April. Compared with April last year, sales were 4% higher

Rating agency, Moody's lowered China's rating to A1 from Aa3 at a time when Chinese companies are reliant on the overseas bond market for funding. Chinese stock market headed towards to the lowest levels seen since

September 2016 amid concerns over rising debt and slowing economic growth.

OPEC decided it would extend cuts in oil output by nine months to March 2018. This comes as the group seeks to curb a global supply overhang which has depressed prices and revenues over the past three years. The proposed cuts are expected to be shared again by non-OPEC producers. Led by Russia, non-OPEC producers had initially curbed output in conjunction with OPEC in a landmark deal for the first half of the year from January.

Back at home, the Sensex and the Nifty, both hit their record high levels supported by flows from domestic institutions. The South-West monsoon is likely to make its onset over South Kerala during May 30-31, around the time earlier predicted by India Met Department (IMD). On the macro front, the government will announce data on Q4 March 2017 gross domestic product (GDP) on Wednesday, 31 May 2017.

Taurus Benchmark Indices Movement

Indices	26/5/2017	19/5/2017	Points change	% change
S&P BSE Sensex	31028.21	30464.92	563.29	1.85%
Nifty 50	9595.10	9427.90	167.20	1.77%
S&P BSE 100	9903.68	9760.08	143.60	1.47%
S&P BSE 200	4153.07	4108.58	44.49	1.08%
Nifty Free Float Midcap 100	17586.45	17921.35	-334.90	-1.87%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (22/05/2017 - 26/05/2017)	4849.41	2827.90
MFs (18/05/2017 - 24/05/2017)	3656.51	8036.61

Source : FPI - CDSL
Source : MF - SEBI

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