

DEBT MARKETS

Domestic Key Event

- o RBI in consultation with government converted four securities maturing in 2017-18 to longer tenor securities maturing in 2024-25 and 2029-30 worth ₹37,078 crore.
- o Devolvement of long dated securities maturing 2034 happened in weekly G-Sec auction worth ₹1324.76 cores

Yield Movement

The 10-year corporate bond (PSU AAA) ended at 7.25% compared to 7.28% last Friday. The 1-year CD traded flat at 6.55% level compare to last Friday.

Liquidity

Average surplus liquidity during the week (excluding Cash Management Bills (CMB's)) increased to ₹2.51 lakh crores compared to ₹1.74 lakh crores in the previous week. RBI is conducting longer term reverse repos and stopped re-issuing

CMB to absorb excess liquidity. The outstanding reverse repos as on 27 January is approximately ₹2.65 lakh crores. CMB worth ₹95,000 crores matured during the week which were not reissued. The outstanding CMB's issued till date is approximately ₹3.95 lakh crores out of the 6 lakh crores limit under MSS. Government's cash balances stood at ₹12,850 crores compare to 15,650 crores a week ago. The weighted average CBLO rate for the week was 6.09% compared to 5.73% in the previous week.

Fund Manager Comments

Week started with yields moving upward tracking weaker US treasury yields in absence of any major domestic cues. However, as the trading week progressed market witnessed some buying momentum ahead of the union budget on the expectation of positives on fiscal front. Market participants will watch for fiscal deficit and GDP data due on 30th January. The Government will present Annual budget on 01 February, which will provide further direction. Also, US FOMC Interest Rate decision and the Nonfarm Payroll data will be crucial to watch.

Market Indicators as on 27th January, 2017

	27-Jan-17	20-Jan-17	change
INR/USD	68.04	68.18	0.21%
Brent Crude Oil (\$/bbl)	54.86	54.94	-0.15%
Gold (\$/oz)	1191.30	1210.57	-1.59%
CBLO (Average)	6.09%	5.73%	0.36%
10-year G-Sec(GOI)	6.40%	6.46%	-0.06%
10-year AAA PSU(Ind)	7.25%	7.28%	-0.03%
US 10-year Gilt	2.49%	2.48%	0.01%

Source: Bloomberg

Weekly Statistical Supplement

	20-Jan-17	13-Jan-17
Reserve Money	14659.90	14369.10
YoY Growth %	-26.90%	-28.40%
Currency in Circulation	9874.80	9508.00
Forex Reserves (USD Bn)	360.78	359.84

Scheduled Commercial Banks	6-Jan-17	YoY Growth %
Deposits	105841.70	14.7%
Credit	74134.2	5.1%
	6-Jan-17	8-Jan-16
Incremental Credit/Deposit YTD %	13.03%	74.24%

Source: RBI (Amount in bn)



- Indian equities scaled back to pre - demonetisation levels driven by solid set of results from consumer discretionary & financials. Sensex and Nifty went up by 848 points (3.10%) and 292 points (3.50%) respectively to close at 27882 and 8641 respectively.
- India & the UAE signed a strategic agreement to store around 37 million barrels at Mangalore facility to hedge against any emergency. Under the agreement, India will have the first right to storage of crude in case of any emergency and the overseas company can move cargoes in case of change in the demand scenario.
- Foreign Portfolio Investors (FPIs) turned net buyers for the week after a long time. FPIs bought US\$ 174 million in cash market. Domestic Institutional Investors continued to support the market with net buying of US\$ 211 million in cash market.
- On Tuesday, China's central bank raised interest rates on the medium-term lending facility (MLF) to cut debt levels and boost financial stability.
- The White House on Thursday floated the idea of imposing a 20 % tax on goods from Mexico to pay for a wall at the southern U.S. border, sending the peso tumbling and deepening a crisis between the two neighbours. Mexican President Enrique Pena Nieto announced on Twitter that he was scrapping a planned trip to meet with U.S. President Donald Trump, who has repeatedly demanded that Mexico pay for a wall on the U.S. border.
- Emerging Markets (EMs) currencies were largely stronger against the USD, a continuation of trend seen in the last few weeks. The appreciation bias in EM currencies was led by Mexican Peso once the Mexican President cancelled his meeting with President Trump. Overall, the recent increase in commodity prices has been positive for a large number of Ems.
- Oil futures finished lower on Friday, logging a modest weekly loss, as investors turned their attention to rising production in the U.S. and away from OPEC and other producers' commitment to curbing global oversupply.
- Indian markets are eagerly awaiting the Union Budget which will be announced on 1st Feb 2017.

Taurus Benchmark Indices Movement

Indices	27/1/2017	20/1/2017	Points change	% change
S&P BSE Sensex	27882.46	27034.50	847.96	3.14%
Nifty 50	8641.25	8349.35	291.90	3.50%
S&P BSE 100	8919.83	8612.97	306.86	3.56%
S&P BSE 200	3738.93	3612.43	126.50	3.50%
Nifty Free Float Midcap 100	15641.35	15117.15	524.20	3.47%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (23/01/2017 - 27/01/2017)	1115.79	-1575.18
MFs (19/01/2017 - 25/01/2017)	2107.10	6529.90

Source : FPI - CDSL
Source : MF - SEBI

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