

## DEBT MARKETS

### G-SEC Market

Traders kept on piling duration as we approach domestic monetary policy. Bonds ended in green in anticipation of dovish policy. The week opened on a somber note as various US Fed policymakers concurred that the US economy was indeed indicating strong economic recovery and thereby an April Fed rate hike could be a larger possibility than previously anticipated. Amidst these not-so-favorable cues, domestic bond market opened steady. However, sentiment remained dampened which reflected across domestic markets - equities, debt and currencies. The key sentiment-changer came in from the US Fed chief's unexpectedly dovish speech. In her comments, Yellen emphasized that recovery in the economy remained uneven and growing external weakness could potentially weigh on its nascent recovery. What baffled market was when the central bank stated that it was prepared to inject stimulus in the economy if needed. Following this dovish commentary, domestic markets rejoiced as witnessed in softening of yields. However, such optimism remained contained initially as caution ahead of financial year end prevailed.

The new 10Y benchmark 7.59% GS 2026 closed at ₹100.88 (7.46%) as compared to ₹100.55 (7.51%) on previous closing.

### LIQUIDITY

RBI infused average gross liquidity via Repo under LAF window worth ₹17,854 Cr in this week compared to an infusion of ₹21,520 Cr in previous week. Infusions via the MSF route averaged ₹832 Cr. The Call rate ended at 9.36% compared to 6.94% from the previous week. The CBLO ended at 7.38% compared to 7.03% in the previous week.

### CORPORATE BONDS

The 10 yrs AAA bond ended at 8.40% as compared to 8.34% in previous week. The 1 yr CD yield was seen trading at 7.80% as compared to 8.05% in previous week.

### FUND MANAGER COMMENTS

Liquidity is expected to ease in April on the back of government spending and G-sec maturities. Bonds are expected to trade with a positive bias until policy after which governor's commentary will be closely contemplated. At current levels, bonds seem to have priced in a 25bps cut. A hawkish commentary with 25bps cut should go down negative and rates may harden. Non SLR securities should outperform the SLR curve due to seasonal factors.

### Market Indicators as on 31st March, 2016

	31-Mar-16	23-Mar-16	change
INR/USD	66.25	66.64	0.59%
Brent Crude Oil (\$/bbl)	39.60	40.44	-2.08%
Gold (\$/oz)	1,232.75	1,220.11	1.04%
10 year G-Sec(GOI)	7.47	7.51	-0.04
10 year AAA PSU(Ind)	8.40	8.34	0.06
Avg. CBLO	6.65	7.00	-0.35
US 10 year Gilt	1.77	1.88	-0.11

Source: Bloomberg



Sensex and Nifty went up by 1.22% and 1.29% respectively in the week. BSE Smallcap and Midcap remained outperformers which went up by 3.01% and 2.51% respectively in the same period.

Indian government allowed 100% FDI in marketplace e-commerce companies, as this may bring regulatory clarity to the existing and future online retail sellers in the country, it may hamper consumer interest on several accounts. The government has now prohibited any discounts to consumers by e-commerce companies, though the guidelines are meant to provide level playing field to offline retailers, also the government notification says post sales, delivery of goods to the customers, customer satisfaction and any warrantee/guarantee of goods and services sold on online platforms will now be the responsibility of the seller and not the e-commerce company.

Asian Development Bank (ADB) reduced its economic growth forecast for India to 7.4% in 2016-17, from 7.6% in 2015-16, with tepid external demand offsetting the pickup in domestic demand. ADB said "GDP growth in India is expected to dip marginally this year as expansion in public investment weakens under fiscal constraints, private corporations continue to deleverage, and external demand remains anaemic. Moreover, the weak balance sheets of public sector banks will hamper lending and growth prospects."

In what could reverse a three-month decline in industrial production, eight core sector industries surged to a 15-month high of 5.7% in February, almost double the 2.9% of January. These industries had expanded by 2.3% in February 2015. Only one segment, steel, had a fall in February output against three - crude oil, natural gas and steel - in January.

Japan's manufacturing activity contracted in March at the fastest

pace in more than three years as new export orders shrank sharply. Japan Manufacturing PMI Index fell to 49.1 in March on a seasonally adjusted basis, unchanged from a preliminary reading and below the final 50.1 in February.

S&P cut its outlook for China's sovereign credit rating to negative from stable, but maintained the rating at AA-, saying the government's reform agenda is on track but likely to proceed more slowly than expected. The downgrade for China's outlook follows a similar move by ratings agency Moody's in early March. The Chinese government has grown increasingly active in trying to control the conversation over its economic outlook both at home and abroad, concerned that negative sentiment could encourage capital flight that would sabotage attempts to reinvigorate growth through investment.

The government securities (Gsec) market, bond prices rose after the Reserve Bank of India (RBI) increased the limits for investment by foreign portfolio investors (FPI) in both Central Government Securities and State Development Loans (SDL) for the half year ending September 2016 in two tranches.

Federal Reserve chairwoman Janet Yellen in a speech in New York reiterated a need to proceed cautiously in lifting interest rates in the backdrop of weaker-than-expected growth overseas and a cloudy US inflation outlook

While FIs were net buyers in the market with huge inflow of US\$ 1,214 mn in cash, DIs were net sellers in the market US\$ 955 mn in cash. FIs were net sellers for a whole financial year as total investments by FIs in FY16 stood at US\$ -512 mn. At the same time, markets witnessed excitement from DIs as they pumped as much as US\$ 1,085 mn. in the market.

## Taurus Benchmark Indices Movement

Indices	01/04/16	23/03/16	Points change	% change
S&P BSE Sensex	25269.64	25337.56	-67.92	-0.27
Nifty 50	7713.05	7716.50	-3.45	-0.04
S&P BSE 100	7818.40	7807.85	10.55	0.14
S&P BSE 200	3254.43	3245.10	9.33	0.29
Nifty Free Float Midcap 100	12791.95	12636.75	155.20	1.23

## Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (28/03/2016 - 31/03/2016)	5478.32	-2291.56
MFs (28/03/2016 - 30/03/2016)	-2158.90	6348.60

Source : FPI - CDSL  
Source : MF - SEBI

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