

DEBT MARKETS

- The union government's fiscal deficit for the period April-November 2017 came in at 112% of the budgeted full year deficit. This gave rise to further concerns on the government not being able to meet its budgeted deficit numbers.
- Analysts expected the fiscal deficit to come in at 3.5% of GDP as against the budgeted 3.2% of GDP.
- GST collections for the month of November were about 80,000 crores, significantly less than expected. These numbers in the initial months were in the range of 90,000-94,000 crores per month. While reduced rates on a large number of items has probably contributed to this slowdown, the government also suspects large scale evasion through taking advantage of various loopholes.
- The fiscal burden was emphasised further when the government announced an additional 50,000 crores in borrowings through marketable securities in the January - March 2018 quarter.
- Bond market sentiment was badly dented due to these measures and newsflow. The benchmark 10 year government bond yield rose to 7.33% by the

end of the week, after having hit 7.40% earlier in the week. This compares to last weeks close of 7.27% on the same bond.

- RBI was forced to cancel auction of two government securities (worth about 11,000 crores) as bid yields were probably significantly higher than what RBI seemed to be comfortable with. This assuaged the market sentiment a bit.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.33%, a rise of 6 basis points closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx.. 7.83%, indicating that spreads over gilts have compressed a bit.
- One year CDs yielded about 7.10%, indicating a rise of 13 basis points in yields over the week.

Fund Manager Comments

The weakness in the bond market is likely to continue for some time. Trading volumes should pick up in the new year.



Sensex and Nifty went up by 117 pts. (0.30%) and 38 pts. (0.40%) to close at 34,057 and 10,531 respectively.

SEBI board paved the way for all stock exchanges to sell all products from October 2018, but it deferred its decision on disclosure of defaults by listed companies. The market regulator also announced a slew of other reforms. It has allowed listing of security receipts issued by an asset reconstruction company (ARC) on stock exchange platform. SEBI Board has also approved certain changes in the SEBI (Credit Rating Agencies; CRA) Regulations including increasing minimum net worth from ₹5 crore to ₹25 crore. Also, no CRA will be allowed to hold directly or indirectly more than 10% stake on the board of another CRA.

The Centre will borrow additional ₹50,000 crore during January-March, raising the gross market borrowing target of the government to ₹6.3 lakh crore for the financial year 2017-18. The extra borrowing during the current financial year may become a hindrance for the government to stick to the fiscal deficit target of 3.2% of the GDP during 2017-18.

The government has collected ₹808.1 billion as GST in November 2017 as on 25 December 2017, according to the ministry of finance. The collections have reported a decline from

₹833.5 billion in October 2017 and a peak of over ₹940 billion in July 2017. Of total 9.9 million taxpayers registered under GST so far, 1.7 million are composition dealers which are required to file returns every quarter. For the month of November 2017, 5.3 million filed returns.

China exported no oil products to North Korea in November, Chinese customs data showed, apparently going above and beyond sanctions imposed earlier this year by the United Nations in a bid to limit petroleum shipments to the isolated country. Tensions have flared anew over North Korea's ongoing nuclear and missile programs, pursued in defiance of years of U.N. resolutions. Last week, the U.N. Security Council imposed new caps on trade with North Korea, including limiting oil product shipments to just 500,000 barrels a year.

Oil prices surged to more than 2-year highs Tuesday on reports that a pipeline explosion in Libya has disrupted a big chunk of the country's crude supply. International benchmark Brent crude rose \$1.81, or 2.8%, to \$67.06, after hitting an intraday peak of \$67.10, its highest level since May 2015. Meanwhile, U.S. West Texas Intermediate crude futures jumped \$1.50, or 2.6%, to \$59.97, having traded as high as \$60, the best level since June 25, 2015.

Taurus Benchmark Indices Movement

Indices	29/12/2017	22/12/2017	Points change	% change
S&P BSE Sensex	34056.83	33940.30	116.53	0.34%
Nifty 50	10530.70	10493.00	37.70	0.36%
S&P BSE 100	11029.78	10983.52	46.26	0.42%
S&P BSE 200	4678.86	4654.67	24.19	0.52%
Nifty Free Float Midcap 100	21133.50	20834.00	299.50	1.44%

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