

DEBT MARKETS

- Fiscal deficit for the period April to August 2017 has hit 96% of the yearly target.
- This alongwith the likelihood of a fiscal stimulus to address slowing growth created a buzz that the government may borrow an additional 1 lakh crores in the second half of this financial year.
- The likelihood of additional borrowing dampened mood in the bond markets before value buying ensured that prices recover.
- The geopolitical tensions added to the apprehensions and kept the market on its tenterhooks and jittery. Yield on the benchmark 10 year government security crossed the 6.70% levels in nervous trading.
- The Indian rupee weakened considerably to 65.70 to the USD before recovering ground to about 65.35.
- The benchmark 10 year government bond closed the week trading at a yield of 6.66%, a rise of 2 basis points from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx.. 7.47%, indicating that spreads over gilts have remained steady.
- One year CDs yielded about 6.65%, indicating a rise of 10 basis points in yield level from last week's close.

Fund Manager Comments

The market awaits the interest rate decision from RBI's monetary policy committee which meets on October 3 & 4, 2017. The committee's decision is likely to be announced on the afternoon of October 4, 2017. Most analysts expect no change in rates, with an indication that rates may be eased in the next bi monthly meeting in December. The government is however hoping that the monetary policy committee reduces rates and helps in pushing forward growth which seems to be stuttering.

Yield Movement

- Yields on 10 year benchmark government bonds traded in the range of 6.66%-6.71%.



The Indian equity market extended losses for second consecutive week after the rupee hit a 6-month low due to economic growth concerns, however later the currency recovered slightly. In addition, reports of the Indian Army's retaliatory fire on insurgents at the Indo-Myanmar international border left the domestic markets spooked in a week that was already consumed by volatility and heavy FII selling. The crash early in the week could also be attributed to the economic stimulus, which could increase the fiscal deficit of the country.

The U.S. is the second-most competitive economy in the world, its highest ranking in eight years, the World Economic Forum said Tuesday as the country's innovation edge and business optimism bolstered its standing. Switzerland retained its No. 1 ranking, according to the forum's global competitiveness report for 2017-18. Rounding out the top 10 behind the U.S. among 137 countries are Singapore, the Netherlands, Germany, Hong Kong, Sweden, the United Kingdom, Japan and Finland. The U.S. moved up from third

place last year. It lost its top status during the financial crisis and recession of 2007-09, and fell as low as No. 7 in 2012-2013 before steadily climbing the past few years.

Asian Development Bank, lender predicts China's economy will grow 6.7% this year, compared with an earlier prediction of 6.5%. Growth next year is tipped at 6.4%, up from a previous estimate of 6.2%. China's economy grew at its slowest rate in over 25 years in 2016 and the ratings agency S&P also added to concerns about its massive debt levels last week by cutting the country's credit rating for the first time since 1999.

The coming week is going to be a truncated one, despite that it promises to be full of action as all eyes will be on RBI monetary policy meet on Oct 4. In addition, September manufacturing PMI will also be announced by the govt. The ongoing volatility in currency and crude oil prices will also be closely tracked. Development on the geo political front too will have an impact on the sentiment.

Taurus Benchmark Indices Movement

Indices	29/9/2017	22/9/2017	Points change	% change
S&P BSE Sensex	31283.72	31922.44	-638.72	-2.00%
Nifty 50	9788.60	9964.40	-175.80	-1.76%
S&P BSE 100	10172.64	10353.92	-181.28	-1.75%
S&P BSE 200	4280.88	4355.29	-74.41	-1.71%
Nifty Free Float Midcap 100	18107.95	18393.85	-285.90	-1.55%

Weekly FPI and MF net flows (₹ in crs.)

	Equity	Debt
FPIs (25/09/2017 - 29/09/2017)	-5899.95	-3081.57
MFs (21/09/2017 - 27/09/2017)	4494.49	8082.58

Source : FPI - CDSL
Source : MF - SEBI

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