

DEBT MARKETS

G-SEC Market

Market participants eluded taking one sided heavy position ahead of domestic inflation data. The announcement of the new 14-year security, however, reinvigorated some interest in the 15-19 year segment. Generally, past trends dictate that no fresh issuances are made in a security once it reaches an outstanding of ~₹90,000 Cr. Keeping this historical trend in perspective, participants sought to exit their current positioning in the current liquid 15 yrs securities. The weekly auction came in on expected line. Despite the new 14- yrs cut off being slightly higher than expected, market sentiment remained guarded. Overall, this week's activity noted muted response broadly indicative of intraday positioning. Next week, with the crucial Apr CPI data release lined up, bond market is expected to some volatility as it tempers with the monetary policy expectations. Recent rise in food prices on the back of heat wave across many part of the nation remains a cause of concern.

The 10Y benchmark 7.59% GS 2026 closed at ₹101.04 (7.44%) unchanged from previous closing.

LIQUIDITY

RBI infused average gross liquidity via Repo under LAF window worth ₹9,992 Cr in this week compared to an

infusion of ₹10,735 Cr in previous week. Infusions via the MSF route averaged Rs 438 Cr. The Call rate ended at 6.52% compared to 6.55% from the previous week. The CBLO ended at 6.36% compared to 5.37% in the previous week.

CORPORATE BONDS

The 10 yrs AAA bond ended at 8.17% as compared to 8.18% in previous week. The 1 yr CD yield was seen trading at 7.50% as compared to 7.58% in previous week.

FUND MANAGER COMMENTS

RBI action in a bid to bring down liquidity deficit could support bond prices next week, albeit marginally. Traders would keenly await retail inflation numbers. A sub five number with benign food prices could aid market sentiment. Money market rates may ease marginally as demand from asset managers improves following IPO issue maturities.

Market Indicators as on 6th May, 2016

	6-May-16	29-Apr-16	change
INR/USD	66.56	66.33	-0.34%
Brent Crude Oil (\$/bbl)	45.37	48.13	-5.73%
Gold (\$/oz)	1,288.99	1,293.53	-0.35%
10 year G-Sec(GOI)	7.44	7.44	0.00
10 year AAA PSU(Ind)	8.17	8.18	-0.01
Avg. CBLO	6.35	6.08	0.27
US 10 year Gilt	1.78	1.83	-0.05

Source: Bloomberg



Sensex and Nifty went down by 378 points (-1.50%) and 116 points (-1.50%) to close at 25,229 and 7,733 respectively, down for second consecutive week. Global cues too weighed on the indices. China manufacturing data and downgrade in Eurozone growth forecast led to resurfacing of fears about slower global growth.

India has moved a step closer to adopting a new bankruptcy law after the Lok Sabha passed the legislation on Thursday. If approved by Rajya Sabha, the law will ensure time-bound settlement of insolvency, enable faster turnaround of businesses and create a data base of serial defaulters-all critical in resolving India's bad debt problem which has crippled bank lending. The creation of the law will also improve India's position in the World Bank's Doing Business ranking.

Core sector growth hit a 16-month high in March, marking a strong end to FY16 and pointing to a possible industrial recovery ahead of the new financial year. India's core sector expanded 6.4% in March, higher than 5.7% in February. In anticipation of a good monsoon, fertiliser output rose 22.9% in March, matching this previous high of January 2010. In March, refinery output rose 10.8% compared to a 1.5% YoY and cement output was up 11.9%. Steel production grew 3.4% after falling constantly for eight months.

RBI published a draft discussion paper for issuance of new banking licenses "on tap" laying a framework for consideration of new applications. Key changes from earlier paper being a) Near impossible for industrial houses to apply b) elimination of an additional tier in the form of "Non-Operating Financial Holding Company or NOHFC" as sponsor of a bank to individuals/entities that do not have other group entities

Gold imports fell 67% in April, as jewellers' strike opposing one per cent excise duty on non-silver jewellery significantly hit demand, according to gold and silver refiner MMTC Pamp. Gold imports declined to 19.6 tonnes in April, against 60 tonnes in the year-ago period. Of the total imports, bullion shipments were at 13.14 tonnes in April this year, down from 54 tonnes in the year-ago period.

In India, the Lok Sabha cleared the finance bill, signing off on the government's tax proposals for the year aimed at reducing litigation, checking tax evasion and simplifying tax laws.

Indian government retained the excise duty on jewellers despite opposition from some political parties but kept its promise of rolling back provisions relating to taxation of withdrawals from the Employees' Provident Fund.

J.P. Morgan's composite global manufacturing purchasing managers' index, which aggregates PMI data from around the world, registered 50.1 in April, just above the breakeven line of 50. US added weaker-than-expected 160,000 nonfarm jobs in April.

The EC reduced its 2016 GDP forecast to 1.6% from 1.7% and cut its inflation outlook to just 0.2%, well below the 0.5% February forecast. Also this week, the European Central Bank's monthly bulletin indicated that economic risks remain tilted to the downside. Draghi said Germany is partially responsible for the global savings glut owing to the current account surplus Germany has run, in excess of 5% for more than a decade.

Taurus Benchmark Indices Movement

Indices	06/05/16	29/04/16	Points change	% change
S&P BSE Sensex	25228.50	25606.62	-378.12	-1.48
Nifty 50	7733.45	7849.80	-116.35	-1.48
S&P BSE 100	7860.61	7973.88	-113.27	-1.42
S&P BSE 200	3278.71	3321.63	-42.92	-1.29
Nifty Free Float Midcap 100	13001.85	13195.30	-193.45	-1.47

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (02/05/2016 - 06/05/2016)	-773.62	769.57
MFs (28/04/2016 - 03/05/2016)	-61.40	-874.20

Source : FPI - CDSL
Source : MF - SEBI

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