

DEBT MARKETS

Domestic Key event

- Fiscal Deficit for April - November, 2016 @ 85.8% of Budgeted Estimate (BE) vs 87% in previous year
- Fiscal deficit widened from 79.3% BE in first 7 months on account of reduced revenue.
- Viral Acharya appointed as deputy governor of RBI.
- RBI to allow trading of bond options starting 31st January 2017.
- Foreign portfolio investors pulled out ₹18,935 crore (Net) from debt market in December.

Global Data

- China dilutes dollar role in currency basket lowering it from 26.4% to 22.4%. from 01st January 2017.

Yield Movement

Subdued trading activity witnessed during the week in absence of any fresh triggers. The benchmark 10-year yield ended the week at 6.51% compared to 6.54% last Friday. The 10-yrs corporate bond (PSU AAA) ended at 7.37% compared to 7.45% last Friday. The 1-yr CD traded flat at 6.55% level.

Liquidity

Average surplus liquidity during the week (excluding Cash Management Bills (CMB's)) reduced to ₹1.19 lakh crores compared to ₹1.25 lakh crores in the previous week. CMB of ₹1,40,000 crores matured during the week which were reissued during the week, however ₹1,23,828 crores of CMB got subscribed. The outstanding CMB's issued till date is approximately ₹5.22 lakh crores out of the 6 lakh crores limit under MSS. Government's cash balances stood at ₹13,675 crores compare to 10,700 crores a week ago. The weighted average CBLO rate for the week was 6.17% compared to 5.84% in the previous week.

Fund Manager Comments

Banks started passing on the rate cut benefit to end customers with SBI announced a steep interest rate cut, by reducing its marginal cost of funds based lending rate by 90 basis points across all maturities. Union Bank of India, PNB and Kotak bank also cut their benchmark rates. 10-yrs benchmark yield has bounced back 10 bps towards the end of week from the highs of 6.61% during the week on account of value buying and recovery in domestic currency. We expect yields should trade in the range of 6.40%-6.60%.

Market Indicators as on 30th December, 2016

	30-Dec-16	23-Dec-16	change
INR/USD	67.92	67.83	-0.15%
Brent Crude Oil (\$/bbl)	56.82	55.16	3.01%
Gold (\$/oz)	1152.27	1133.95	1.62%
CBLO (Average)	6.17%	5.84%	0.33%
10-year G-Sec(GOI)	6.51%	6.54%	-0.03%
10-year AAA PSU(Ind)	7.37%	7.45%	-0.08%
US 10-year Gilt	2.45%	2.54%	-0.09%

Source: Bloomberg

Weekly Statistical Supplement

	23-Dec-16	16-Dec-16
Reserve Money	14193.90	14364.70
YoY Growth %	-29.70%	-27.80%
Currency in Circulation	9418.70	9582.30
Forex Reserves (USD Bn)	359.67	360.61

Scheduled Commercial Banks	9-Dec-16	YoY Growth %
Deposits	105913.10	15.9%
Credit	73391.2	5.8%
	9-Dec-16	11-Dec-15
Incremental Credit/ Deposit YTD %	7.08%	66.69%

Source: RBI (Amount in bn)



- Sensex and Nifty went up by 586 points (2.20%) and 200 points (2.50%) respectively to close at 26626 and 8186 respectively.
- The Union Cabinet passed 'The Specified Bank Notes Cessation of Liabilities Ordinance' which will end the government's and the RBI's liability on ₹500 & ₹1000 demonetised notes after the end of the FY2017. The Cabinet also cleared an ordinance to penalize the people who will hold banned notes after March 31, 2017.
- FII's again remained net sellers & sold US\$ 441 million in cash. For current month, total FII investment is US\$ -1,582 million. For CY16 total investment is US\$ -1,542 million. DII's remained net buyers & invested US\$ 640 million in cash. For current month, total investment is US\$ 1,238 million. For CY16 total investment is US\$ 5,326 million.
- Prime Minister Narendra Modi on Friday defended his decision to demonetise ₹500 & ₹1000 bank notes from circulation, as a deadline to end severe cash shortages passed with Indians still queuing at banks to deposit savings and withdraw money. Speaking in New Delhi at the launch of a digital payment app 'BHIM' which is linked with a nationwide biometric database, Modi requested the nation to reduce their dependence on cash.
- Advance tax payments by individuals in the Dec-2016 quarter witnessed a huge surge. The reason is believed to be the note ban. The total advance tax collection from individuals till Dec 2016 stood at ₹46,331 crore, up 38% YoY.
- After amending its tax treaties with Mauritius and Cyprus earlier this year, India revised its Double Taxation Avoidance Agreement (DTAA) with Singapore on Friday which will enable India to tax capital gains of Singapore-based investors transacting in Indian securities from April 1, 2017. For first two years, India and Singapore will share the taxes on such gains equally and from third year onwards, all such taxes will accrue to India.
- Japan's core consumer prices declined for nine straight months in November on a yearly basis, suggesting that the economy still lacks enough momentum to jumpstart inflation toward the central bank's ambitious 2% target.

Taurus Benchmark Indices Movement

Indices	30/12/2016	23/12/2016	Points change	% change
S&P BSE Sensex	26626.46	26040.70	585.76	2.25%
Nifty 50	8185.80	7985.75	200.05	2.51%
S&P BSE 100	8386.69	8193.54	193.15	2.36%
S&P BSE 200	3511.05	3428.70	82.35	2.40%
Nifty Free Float Midcap 100	14351.45	14077.60	273.85	1.95%

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (26/12/2016 - 30/12/2016)	-4432.02	91.55
MFs (22/12/2016 - 27/12/2016)	4174.30	3036.50

Source : FPI - CDSL
Source : MF - SEBI

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