

DEBT MARKETS

G-SEC Market

Market remained on bearish mode during the week and participants refrained themselves from any substantial position ahead of major global events like US FOMC and US Presidential elections, leading to gradual weakening of yields. Besides, supply fears and lack of OMOs added to the woes. The Fed reiterated its rhetoric of a rate hike by December, while the BoE sounded little hawkish on inflation and BoJ remained status quo on stance and tone. Even the intermittent relief in the form of sharp softening in US Treasuries and plunging crude oil prices failed to render any meaningful impact on market dynamics. Added to this uncertainty, issuance of 8-yrs FRB bond continually kept the market in the guessing zone. High PD underwriting cutoff served as one crucial indicator of uneasiness over likely demand appetite for such issuances. Expectations of devolvement, just as seen in the last week, came to reflect on investor sentiment. The weekly auction cut offs came as a bit of a surprise with the FRB bond issuance getting lapped up in mere 10 bids. The government has also announced ₹15,000 crs buyback of 2017 papers which will boost market sentiments.

The benchmark G-sec 7.59% 2026 closed at ₹104.37 (6.94%) vis-à-vis ₹104.73 (6.89%) on previous week closing. New 10 yr benchmark 6.97% 2026 closed at 6.84% as compared to 6.79% yield on previous week closing.

LIQUIDITY

RBI infused average gross liquidity via Repo under LAF window worth ₹3,818 Cr in this week compared to an infusion of

₹10,989 Cr in previous week. Infusions via the MSF route averaged ₹274 Cr. The Call rate ended at 6.19% compared to 6.20% from the previous week. The CBLO ended at 6.21% compared to 6.20% in the previous week.

CORPORATE BONDS

The 10-yrs corporate bond (AAA) ended at 7.55% as compared to 7.51% in previous week. The 1-yr CD yield was seen trading at 6.95% compared to 6.93% in previous week.

FUND MANAGER COMMENTS

Liquidity condition improved over the week with average surplus of ₹17,657 crore for week ending Nov 04 compare to a deficit of ₹48,085 crore week prior, on account of government spending during the start of month. Government's cash balance decrease to ₹29,364 crore compare to 42,302 in previous week. We expect system liquidity conditions to hover in the current range with a tightening bias this week, as outflows related to custom and excise, SDL and G-Sec auctions along with FCNR redemptions are expected to more than offset the inflows from G-Sec buyback, coupon flows and government spending. We expect new 10-yrs paper to trade in 6.80%-6.90% range while the old 10-yrs paper is expected to trade in the range of 6.90%-7.00% for this week. Market will watch outcome of US elections and will be the deciding factor in which way the mood swings.

Market Indicators as on 4th November, 2016

	4-Nov-16	28-Oct-16	change
INR/USD	66.71	66.78	0.11%
Brent Crude Oil (\$/bbl)	45.58	49.71	-8.31%
Gold (\$/oz)	1304.60	1275.50	2.28%
10-year G-Sec(GOI)	6.94	6.89	0.05
10-year AAA PSU(Ind)	7.55	7.51	0.04
CBLO	6.21	6.20	0.01
US 10-year Gilt	1.79	1.85	-0.06

Source: Bloomberg



Sensex and Nifty went down by 667 points (-2.40%) and 204 points (-2.40%) to close at 27,274 and 8,434 respectively. This was in sync with fall in global stocks on uncertainty about the outcome of US presidential elections next week.

On the domestic front there was cheerful news, that a broad consensus has been formed on the GST rate(s) which are anti-inflationary in nature. But the decision of charge cess disappointed market.

The GST Council decided upon a 4-slab tax structure of 5%, 12%, 18% and 28%, with lower rates for essential items and the highest for luxury and de-merits goods, many of which would also attract an additional cess. About 50% of the CPI basket will be taxed at zero rate, with a view to keep inflation under control. This will include essential food grains and items consumed by the masses. The highest tax slab of 28% will be applicable to items which are currently taxed at 30-31% (excise duty plus VAT). However, a lot of the items in this category which are mass consumed by middle and lower-middle classes, like soaps and detergents, could be brought under the 18% slab. Luxury cars, tobacco and aerated drinks would also be levied with an additional cess on top of the highest tax rate.

Pharma stocks took a big beating as U.S. prosecutors are bearing down on generic pharmaceutical companies in a sweeping criminal investigation into suspected price collusion, a fresh challenge for an industry that's already reeling from public outrage over the spiralling costs of some medicines.

S&P reiterated its sovereign rating and outlook on India but ruled out any upgrade for this year and the next, citing weak public finances.

India's manufacturing PMI in October rose to 54.4, a 22 months high (52.1 in Sept). Although foreign orders contributed to the

upturn in total new work, the rate of growth in new business from abroad eased to a three-month low. Services PMI rose to 54.5 in October after it dropped to 52 in September.

September core sector grew by 5.0% compared with 3.2% for August. Coal, Crude oil and Natural gas production continued to be negative while good growth was seen in Refinery products at 9.3%, steel at 16.3% and Cement at 5.5%.

Global equities fell this week on risk aversion ahead of next Tuesday's US presidential election.

The US Fed left its benchmark rate unchanged, sending new signals that there could be a rate hike in December. Inflation has "increased somewhat since earlier this year," Fed officials said in a statement, noting also that some investors' expectations of future inflation "have moved up but remain low." They wanted to see some further evidence of economic progress before raising rates.

US nonfarm payrolls rose slightly less than expected in October, adding 161,000 new jobs, but upward revisions to the prior two months' data made up for any shortfall. This data help make the case for the December rate hike.

This was an eventful week in the United Kingdom, with Brexit once again in the headlines. On Thursday, the UK High Court decided that Parliament must vote on invoking Article 50 of the Lisbon Treaty before Prime Minister May's government can begin negotiations, which had been tentatively scheduled for next March. The legal maneuvering could delay the triggering of Article 50, but likely will not change the outcome.

Taurus Benchmark Indices Movement

Indices	4/11/16	28/10/2016	Points change	% change
S&P BSE Sensex	27274.15	27941.51	-667.36	-2.39
Nifty 50	8433.75	8638.00	-204.25	-2.36
S&P BSE 100	8684.88	8925.39	-240.51	-2.69
S&P BSE 200	3648.59	3754.45	-105.86	-2.82
Nifty Free Float Midcap 100	15192.60	15841.35	-648.75	-4.10

Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (01/11/2016 - 04/11/2016)	-1504.42	-496.32
MFs (27/10/2016 - 02/11/2016)	1870.00	38.20

Source : FPI - CDSL
Source : MF - SEBI

Any information contained herein is for informational purpose only and does not constitute advice or offer to sell/purchase units of the schemes of Taurus Mutual Fund. Information gathered and provided in this document is believed to be from reliable sources and the Fund does not warrant the accuracy and/or completeness of any information. Taurus AMC disclaims any liability for actions taken by anyone on the basis of the opinions contained herein. The material contained herein cannot be reproduced, distributed or quoted anywhere without express written consent of Taurus AMC.

Mutual Fund Investments are subject to market risks, read all Scheme related Documents carefully.