

## DEBT MARKETS

### Domestic Key Event

- As per CSO estimate, GDP growth for FY2017 is estimated at 7.1% vs 7.6% FY2016.
- GVA growth for FY2017 is estimated at 7.0% vs 7.2% FY 2016.
- Demonetization impact has not been factored in the estimate.
- India's core infrastructure industries output grows by 4.9% in November compare to 6.6% growth in October.

### FOMC minutes

- Hinted at possible factors that could alter the path for Fed interest rates uncertainties over future.
- Fiscal policies will determine future path of monetary policy.

### Yield Movement

Bonds rallied on account of banks cutting benchmark MCLR rates and government announcing reduction in borrowing plan for FY17. Subsequently RBI announced the weekly auction quantum at ₹11,000 Crore down from ₹14,000 Crore. The 10-yr corporate bond (PSU AAA) ended at 7.27% compared to 7.37% last Friday. The 1-yr CD ended at 6.50% compared to 6.55% last Friday.

### Liquidity

Average surplus liquidity during the week (excluding Cash Management Bills (CMB's)) improved to ₹2.25 lakh crores compared to ₹1.19 lakh crores in the previous week. CMB of ₹90,000 crores matured during the week against which 1 lakh crores CMB were reissued which got fully subscribed. The outstanding CMB's issued till date is approximately ₹5.31 lakh crores out of the 6 lakh crores limit under MSS. Government's cash balances stood at ₹14,125 crores compare to 13,675 crores a week ago. The weighted average CBLO rate for the week was 5.84% compared to 6.17% in the previous week.

### Fund Manager Comments

Reflecting some impact of the demonetisation, Index of Eight Core Industries growth slowed down sequentially which contributes 38% in IIP, prints of which are due this week. We will also have CPI and WPI data for the December month this week. Market will take cues from the upcoming domestic data. We expect yields should trade in the range of 6.35%-6.55%.

### Market Indicators as on 6th January, 2017

	6-Jan-17	30-Dec-16	change
INR/USD	67.96	67.92	-0.06%
Brent Crude Oil (\$/bbl)	56.33	55.41	1.66%
Gold (\$/oz)	1172.85	1152.27	1.79%
CBLO (Average)	5.84%	6.17%	-0.33%
10-year G-Sec(GOI)	6.39%	6.51%	-0.13%
10-year AAA PSU(Ind)	7.27%	7.37%	-0.10%
US 10-year Gilt	2.42%	2.45%	-0.03%

Source: Bloomberg

### Weekly Statistical Supplement

	30-Dec-16	23-Dec-16
Reserve Money	14355.70	14193.90
YoY Growth %	-27.30%	-29.70%
Currency in Circulation	9383.80	9418.70
Forex Reserves (USD Bn)	360.30	359.67

Scheduled Commercial Banks	23-Dec-16	YoY Growth %
Deposits	105162.40	15.2%
Credit	73480.6	5.1%
	23-Dec-16	25-Dec-15
Incremental Credit/Deposit YTD %	8.28%	75.40%

Source: RBI (Amount in bn)



# EQUITY MARKETS

- Sensex and Nifty went up by 133 points (0.50%) and 58 points (0.70%) respectively to close at 26,759 and 8,244 respectively.
- Eight Core sectors grew by 4.9% in November 2016, compared with 6.6% in October and 0.6% in November 2015. Electricity grew 10.2%, Steel growth slowed to 5.6%, Coal grew 6.4%, Cement slowed to 0.5%. Crude oil contracted 5.4% and Natural gas contracted 1.7%. YTD growth in core sector is 4.9%. Core sectors have 38% weightage in Index of Industrial Production (IIP).
- Foreign direct investment (FDI) grew by 27% to \$27.82 billion during April-October 2016-2017. FDI stood at \$21.87 billion in April-October 2015-2016, as per Department of Industrial Policy and Promotion (DIPP).
- Demonetization impact on services sector was clearly visible as services activity contracted for the 2nd consecutive month. The Nikkei India Services Purchasing Manager's Index (PMI) stood at 46.8 in December compared to 46.7 in November. The downturn in the PMI was broad-based by sub-sector, with hotels & restaurants firms the worst performers. Demonetization has also impacted the manufacturing sector as manufacturing PMI fell to 49.6 in December compared to 52.3 in November. Manufacturing PMI was below 50 mark for the first time in 2016.
- Foreign Portfolio Investors (FPIs) again remained net sellers in the market. Domestic Institutional Investors (DIIs) continued their buying trend in the equity markets. FPIs sold US\$ 242 million in cash. DIIs bought US\$ 214 million in cash.
- Mexico's central bank confirmed on Friday that they have sold dollars during the Asian trading session on Friday, its second intervention the day after it did the same during Mexican and U.S. trading hours to fight a slump in the peso. The dollar rose on Friday, boosted by a solid U.S. jobs report, but was headed for a second straight weekly loss after tumbling the day before on mixed U.S. economic data and actions by Chinese authorities to shore up the yuan.
- The US has reintroduced the bill "Protect and Grow American Jobs Act". The bill has recommended a hike in the minimum salary of H-1B employees from \$60,000 to \$100,000. The bill also removes the Master's degree exemption to the cap on the number of visas available. Immigration reform was one of the five executive actions that Trump plans to take on the first day at the office as the President.

## Taurus Benchmark Indices Movement

Indices	6/1/17	30/12/2016	Points change	% change
S&P BSE Sensex	26759.23	26626.46	132.77	0.50%
Nifty 50	8243.80	8185.80	58.00	0.71%
S&P BSE 100	8478.29	8386.69	91.60	1.09%
S&P BSE 200	3555.68	3511.05	44.63	1.27%
Nifty Free Float Midcap 100	14854.20	14351.45	502.75	3.50%

## Weekly FPI & MF net flows (₹ in crs.)

	Equity	Debt
FPIs (02/01/2017 - 06/01/2017)	-2304.48	1424.05
MFs (28/12/2016 - 04/01/2017)	2573.20	16487.60

Source : FPI - CDSL  
Source : MF - SEBI

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