

DEBT MARKETS

- GST collections in July 2019 grew by 5.8% YoY to 1.02 lakh crores. This is the third month this year where collections have crossed 1 lakh crores.
- This rate of growth is however below the nominal rate of growth projected by the union government in the federal budget.
- The government's financial position for the first three months of the 2019-20 fiscal year shows that the government has met 61.4% of its fiscal deficit target, lower than the 68.7% budgeted target in the corresponding period last year. The expenditure (capital and revenue) and receipts (capital and revenue) during Apr-June 2019 have largely been lower than that in the corresponding period last year.
- The percentage of actual revenue collections to budget estimates stood at 14.4%, lower than the 15.5% target in the comparable period a year ago.
- Likewise, the revenue expenditure incurred in the first three months at 26.9% is slightly lower than the expenditure incurred in the corresponding period of last year (29%).
- Tax revenue collections during the first three months of 2019-20 grew at a rate of 14.7%.

- The US Federal Reserve cut policy interest rates by an expected 0.25%. However, the Fed chairman did not give any hints on further rate reductions in the coming months.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.35%, down by 18 basis points from the yield levels witnessed at the close of last week.
- Yield on 10 year AAA PSU bond traded at approx. 8.45%, down by about 10 basis points from the previous week.
- One year CDs yielded about 6.60%, 30 bps lower than the closing levels of previous week.

Fund Manager Comments

The Monetary Policy Committee of RBI meets this week to set policy interest rates. We expect the committee to reduce policy interest rates. The extent of the reduction would decide the sentiment in bond trading during the latter half of the week.



EQUITY MARKETS

- Sensex and Nifty went down by 765 pts. (-2.00%) and 287 pts. (-2.50%) to close at 37,118 and 10,997 respectively.
- Auto sales in July in India continued to go down as companies curtailed dispatches to dealers owing to poor demand. Rating agency CRISIL has revised its growth estimate for FY20 to 6.9%, from its earlier estimate of 7.1%.
- Gross GST collections stood at Rs 1.02trn in July, marginally up from the previous month.
- RBI allowed domestic banks to directly sell their bad loans in manufacturing and infrastructure sectors to investors abroad as part of one-time settlement (OTS) exercises. The move will allow overseas investors to take direct loan exposure to Indian corporates
- The Comptroller and Auditor General of India (CAG) has pointed out lacunae in the GST regime, saying that system validated input tax credit through invoice matching is not in place and a non-intrusive e-tax system still remains elusive after two years of its roll out
- U.S. President Donald Trump moved to impose a 10% tariff on a remaining \$300 billion list of Chinese imports starting Sept. 1, after U.S. and Chinese negotiators failed to kick-start trade talks between the world's two largest economies. "Trade talks are continuing, and during the talks the U.S. will start, on September 1st, putting a small additional Tariff of 10% on the remaining 300 Billion Dollars of goods and products coming from China into our Country. Oil prices plummeted more than 6% after Trump's statement.
- The Federal Reserve cut interest rates on July 31 to shore up the economy against risks including global weakness, but the head of the US central bank said he did not view the move as the start of a lengthy series of rate cuts. Fed Chairman Jerome Powell cited global weakness, simmering trade tensions and a desire to boost too-low inflation and move up plans to stop winnowing its massive bond holdings. Financial markets had widely expected this.
- Forecast for the Rainfall - Quantitatively, the rainfall over the country as a whole during the second half of the season is likely to be 100% of the long period average (LPA) with a model error of $\pm 8\%$. The rainfall during August is likely to be $99 \pm 9\%$ of LPA as was predicted in June. The season (June to September) rainfall over the country as a whole is likely to be normal ($96\% \pm 4\%$ of LPA) as was predicted in June.
- Foreign investors turned net sellers in Indian Equity markets in July as they pulled out more than Rs 11,000 crore (nearly \$2 billion), highest in 2019 after the central government proposed higher tax surcharge proposed on super rich. This is the highest ever outflow after October 2018 when foreign investors pulled out Rs 27,622 crore from India's equity markets, and a little over Rs 10,000 crore from the debt markets. Incidentally, India's July outflow is also the highest in the emerging markets followed by Brazil. This indicates that the investors have started to shift to other economies that could yield higher returns.

Taurus Benchmark Indices Movement

Indices	02-08-2019	26-07-2019	Points change	% change
S&P BSE Sensex	37118.22	37882.79	-764.57	-2.02%
Nifty 50	10997.35	11284.30	-286.95	-2.54%
S&P BSE 100	11095.16	11381.60	-286.44	-2.52%
S&P BSE 200	4584.67	4703.65	-118.98	-2.53%
Nifty Midcap 100	15709.25	16165.35	-456.10	-2.82%

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

	Equity	Debt
FPIs (29/07/2019 - 02/08/2019)	-668.72	-1439.82
MFs (25/07/2019 - 31/07/2019)	5954.76	10313.64

Source : FPI - CDSL
Source : MF - SEBI

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