

## DEBT MARKETS

- RBI's monetary policy committee (MPC) met last week to set policy interest rates. It decided to reduce the policy repo rate by 25 basis points to 6.00%. Consequently the reverse repo rate also gets reduced to 5.75%. The decision to cut rates was a 4-2 majority decision.
- Additionally the MPC decided to keep the policy stance unchanged at neutral.
- RBI's projection for consumer inflation for the first half of financial year 2019-20 has been reduced to 2.9%-3.0% from the projected 3.2% 3.4% earlier. Similarly inflation projection for the third quarter of financial year 2019-20 has also been reduced to 3.5%-3.8% from the 3.9% projected earlier.
- GDP growth projections for financial year 2019 20 has also been reduced to 7.2% from the 7.4% number projected earlier.
- RBI has also announced an additional USD 5 bn 3 year dollar rupee swap for April 23 in an effort to infuse durable liquidity into the banking system. The last such swap was conducted on March 26 and was a success with cut off premia for 3 years coming in at about 3.7% pa. Bid to cover ratio was also a healthy 3:1

- The US employment report released last week showed that total non farm payrolls increased by 196 thousand in March 2019 against an expectation of 180 thousand. Unemployment rate came in at 3.8%

### Yield Movement

- The benchmark 10 year government bond (7.17% bond maturing in 2028) closed the week trading at a yield of 7.50%, unchanged from the closing levels of the previous week. The newly issued 7.26% bond maturing in 2029 trades at a yield of 7.35%.
- Yield on 10 year AAA PSU bond traded at approx. 8.55%, unchanged from the previous week.
- One year CDs yielded about 7.75%, unchanged from previous week.

### Fund Manager Comments

Bond markets do not seem to be enthused by the RBI's policy statement and the fear of rising oil prices. Inflation data due later this month may set the tone for further price action.



## EQUITY MARKETS

- Sensex and Nifty went up by 189 pts. (0.50%) and 42 pts. (0.40%) to close at 38,862 and 11,666 respectively. Markets extended the winning streak further after the RBI cut the policy repo rates.
- India's Supreme Court ruled that the Reserve Bank of India had overstepped its mark when directing banks to declare a default when a company defers loan payments, and force the company into bankruptcy if it does not resolve its debt position within 180 days. The court found that the central bank could intervene on individual corporate defaults but could not undertake such a sweeping action. It is a big blow to the RBI's effort to rein in India's corporate debt.
- RBI came up with its First Bi-Monthly Policy review 2019-20. Highlights: Repo rate cut by 25 basis to 6.0%, Reverse Repo adjusts to 5.75%, MSF and Bank Rate at 6.25%, CRR unchanged at 4.0%, The MPC has maintained neutral policy stance, while GDP projection has been reduced to 7.1% from 7.4% for FY20. H1 growth in the range 6.8-7.1% and H2 at 7.3-7.4%, MPC estimates that the output gap remains negative and acknowledges that the domestic economy is facing headwinds, especially on the global front. The inflation projection has been lowered once again to 2.4% in Q4FY19 (from 2.8% earlier). H1 FY20 inflation projection is reduced to 2.9-3.0% against 3.2-3.4% earlier and H2 FY20 projection is 3.5-3.8%. The policy is fairly dovish (with inflation projections lowered sharply once again).
- According to Skymet Weather, Monsoon 2019 is likely to be 'below normal' to the tune of 93% (with an error margin of +/- 5%) of the LPA of 887 mm for the four-month period from June to September. This forecast comes at a time when about 42% of India's land area is already facing drought, with 6% exceptionally dry (four times the spatial extent of drought last year).
- Fitch Ratings kept India's sovereign rating unchanged at the lowest investment grade of 'BBB-' with a stable outlook.
- The WTO released an estimate for global trade in 2018, which grew by 3%, well below the 3.9% that the WTO had forecast in September. It expects the growth in trade to fall to 2.6% this year. The organisation blamed tariffs and related retaliatory measures, but also weaker economic growth, volatile markets and tighter monetary policy in developed countries. It warned governments that it would be a "historic mistake" to forget the "fundamental importance" of the rules-based trade system.
- US President Donald Trump said on Thursday the United States and China were close to a trade deal that could be announced within four weeks while warning Beijing that it would be difficult to allow trade to continue without a pact. The two countries are engaged in intense negotiations to end a month-long trade war that has rattled global markets, but hopes of a resolution soared after both sides expressed optimism following talks in Beijing last week.

### Taurus Benchmark Indices Movement

Indices	05-04-19	29-03-19	Points change	% change
S&P BSE Sensex	38862.23	38672.91	189.32	0.49%
Nifty 50	11665.95	11623.90	42.05	0.36%
S&P BSE 100	11845.89	11809.19	36.70	0.31%
S&P BSE 200	4922.75	4907.57	15.18	0.31%
Nifty Midcap 100	18246.35	18258.50	-12.15	-0.07%

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

	Equity	Debt
FPIs (02/04/2019 - 05/04/2019)	8989.08	-355.27
MFs (28/03/2019 - 03/04/2019)	-2874.47	10683.66

Source : FPI - CDSL

Source : MF - SEBI

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