

DEBT MARKETS

- The monetary policy committee (MPC) of RBI met this week to decide on policy interest rates. With a 5-1 vote, the committee decided to keep policy interest rates on hold. They also decided to keep the policy stance at "calibrated tightening".
- While no change has been made to the policy stance, the committee however lowered their inflation forecast for the remainder of the financial year and the first half of the next financial year to 2.8%-3.2% and 3.8%-4.2% respectively.
- Both the rupee and bonds rallied on the lowered inflation forecasts, giving rise to speculation that the monetary policy committee may be readying itself to revert to a "neutral" stance on monetary policy.
- OPEC, the cartel of oil producing countries, decided to cut production by approx. 1.2 million barrels per day, giving a brief fillip to oil prices.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.46%, down by 15 basis points from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.65%, unchanged from the previous week.
- One year CDs yielded about 8.20%, down by 10 basis points from the previous week.

Fund Manager Comments

The MPC surprised a bit by lowering inflation forecast but keeping the "calibrated tightening" stance unchanged. Market participants took this as a dovish sign of likely loosening of the policy stance in the next meeting in February 2019. Continued bullishness in the bond market would depend on sustainability of lower oil prices. With OPEC deciding to cut production, this may not materialise. In such a case we might witness a reversal of the bond market rally witnessed in the aftermath of the policy announcements.



EQUITY MARKETS

- Sensex and Nifty went down by 521 pts. (-1.40%) and 183 pts. (-1.70%) to close at 35,673 and 10,694 respectively. Market remained cautious due to the presence of event risk in the market in the form of RBI credit policy and the OPEC meet.
- The Chinese government expressed confidence that it could reach a trade agreement with America by March 1st, following Donald Trump's undertaking to postpone by 90 days the imposition of new tariffs on Chinese goods that were due to come into effect on January 1st. Mr Trump offered his olive branch in the trade war after a meeting with Xi Jinping at the G20 summit. However, there was some confusion about the details, as American officials contradicted Mr Trump's assertions about Chinese concessions. That spooked stockmarkets. The Dow Jones Industrial Average, NASDAQ and S&P 500 indices fell by more than 3% in a day.
- The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) kept the benchmark repo rate unchanged at 6.5% in its fifth bi-monthly monetary policy review for the current financial year 2018-19. In order to align the SLR with the LCR requirement, SLR will be reduced by 25 bps every calendar quarter until the SLR reaches 18% of NDTL. The first reduction of 25bps will take effect in the quarter commencing January 2019. The inflation projection for H2 FY19 is 2.7% - 3.2% (from earlier 3.9% - 4.5%) and 3.8% - 4.2% in H1 FY20 from 4.8% earlier with risk tilted to the upside.
- The Nikkei India Manufacturing Purchasing Managers' Index strengthened from 53.1 in October to 54.0 in November, signalling the strongest improvement in the health of the sector in almost one year. This is the 16th consecutive month that the manufacturing PMI remained above the 50-point mark. In PMI parlance, a print above 50 means expansion, while a score below that denotes contraction. Manufacturers increased production at the second-quickest pace since October 2016, buoyed by stronger demand conditions and greater sales.
- HUL's Board of Directors approved the merger of the company with GlaxoSmithKline Consumer Healthcare, subject to regulatory and shareholders' approval.
- OPEC tentatively agreed an oil output cut but could not decide parameters for reductions as it was waiting for a commitment from Russia.
- India has signed an agreement with Iran to pay for crude oil it imports in Indian rupees, as per newspaper report.
- U.S. markets also declined as the US bond market sent unsettling signs about economic growth, lingering worries around U.S.-China trade also added to uncertainty. However after news broke that the Federal Reserve could tighten monetary policy at a slower pace than previously expected led to recovery.

Taurus Benchmark Indices Movement

Indices	07-12-18	30-11-18	Points change	% change
S&P BSE Sensex	35673.25	36194.30	-521.05	-1.44%
Nifty 50	10693.70	10876.75	-183.05	-1.68%
S&P BSE 100	10922.49	11119.17	-196.68	-1.77%
S&P BSE 200	4544.67	4626.51	-81.84	-1.77%
Nifty Midcap 100	17054.50	17503.60	-449.10	-2.57%

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

	Equity	Debt
FPIs (03/12/2018 - 07/12/2018)	-383.14	2743.66
MFs (29/11/2018 - 05/12/2018)	1338.8	24866.36

Source : FPI - CDSL

Source : MF - SEBI

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