

DEBT MARKETS

- RBI's monetary policy committee met earlier in the week to decide on policy interest rates. On the back of weak GDP growth figures and relatively contained inflation, the committee unanimously decided to reduce policy interest rates by 25 basis points.
- Additionally the committee also decided to change the monetary policy stance to "accommodative" from "neutral".
- Currency in circulation has decreased by 7200 crores while forex reserves have increased by USD 2 bn to USD 422 bn
- The rate cut spurred the bond market into action and the yield on the benchmark 10 year govt bond fell sharply to 6.88% only to give up gains and retrace the path later.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.97%, lower by about 6 basis points than the yield levels witnessed last week.
- Yield on 10 year AAA PSU bond traded at approx. 8.15%, 10 basis points lower than the previous week.
- One year CDs yielded about 7.10%, 5 bps lower from previous week.

Fund Manager Comments

The expected rate cut has been made, though some analysts were disappointed that it was only 25 basis points. However, the change in stance to accommodative ensures that a rate hike in the immediate future is off the table. Marketmen would now look towards the inflation data release due next week. This comes ahead of the presentation of the final union budget which is due on July 5.



EQUITY MARKETS

- Sensex and Nifty went down by 98 pts. (-0.20%) and 52 pts. (0.40%) to close at 39,616 and 11871 respectively.
- RBI Policy Highlights:
 - o Repo rate cut by 25 basis to 5.75%. Reverse Repo adjusts to 5.50%, MSF and Bank Rate to 6.0%.
 - o CRR unchanged at 4.0%. The decision of the MPC is consistent with the objective of achieving the medium term target for CPI inflation of 4% within a band of +/- 2%, while supporting growth.
 - o GDP projection reduced to 7.0% from 7.2% for FY20 (H1 growth in the range 6.4-6.7 per cent and H2 at 7.2-7.5 per cent).
 - o The inflation projection has been lowered marginally. H1 FY20 inflation projection is being raised marginally to 3.0-3.1 per cent against 2.9-3.0 per cent earlier and H2 FY20 projection has been lowered to 3.4 - 3.7 per cent from 3.5-3.8 per cent earlier.
 - o All MPC members were unanimous in their decision to Reduce Repo by 25 basis and change stance of monetary policy from neutral to accommodative.
 - o RBI will ensure adequate liquidity in the inter-bank market
 - o The policy is very dovish. There is room for further policy cuts. At this point we estimate at least on more 25 basis cut in FY20.
- India GDP growth slips to 5.8% in Q4, stands at 5-year low of 6.8% in full FY19
- Media reports suggested that the government may infuse around Rs 40000 crore into state-run lenders in 2019-2020.
- Brent crude futures, the international benchmark for oil prices, were at \$60.50. Brent and WTI on Wednesday hit their lowest levels since January, at \$59.45 and \$50.60 per barrel respectively, amid a surge in U.S. crude inventories and record production, and as a global economic slowdown was starting to hit energy demand. Amid surging output, U.S. commercial crude oil inventories surged by 6.8 million in week to May 31, to 483.26 million barrels, their highest levels since July 2017.
- Mexican and U.S. officials resumed talks on trade and migration, with the Trump administration resisting calls from U.S. businesses and some Republican lawmakers to ease up on a plan to impose import tariffs on its southern neighbor. Vice President Mike Pence said talks were positive but emphasized the White House still wants Mexico to commit to working harder to combat illegal immigration. If the tariffs go ahead, the U.S. would be in a serious trade dispute with both China and Mexico - a situation that U.S. business groups are keen to avoid. Meanwhile, Trump said he would decide whether to carry out his threat to hit Beijing with tariffs on at least \$300 billion in Chinese goods after the upcoming G20 summit.

Taurus Benchmark Indices Movement

Indices	07-06-19	31-05-19	Points change	% change
S&P BSE Sensex	39615.90	39714.20	-98.30	-0.25%
Nifty 50	11870.65	11922.80	-52.15	-0.44%
S&P BSE 100	11982.01	12044.07	-62.06	-0.52%
S&P BSE 200	4957.28	4986.55	-29.27	-0.59%
Nifty Midcap 100	17781.85	17959.05	-177.20	-0.99%

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

	Equity	Debt
FPIs (03/06/2019 - 07/06/2019)	1915.01	5180.43
MFs (30/05/2019 - 05/06/2019)	-2299.36	7291.96

Source : FPI - CDSL

Source : MF - SEBI

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