

## DEBT MARKETS

- India's Current Account Deficit (CAD) rose to USD 15.8 bn for the period April-June 2018. This compares to the USD 14.9 bn figure for the same period last year. CAD as a proportion of GDP was 2.4% this year as compared to 2.5% for last year.
- The Indian Rupee continues its weakening trend against the US Dollar and closed the week trading at well above the INR 72 to a dollar mark.
- The result of sharp currency depreciation is that retail prices for petrol and diesel continue to hit all time highs in almost all major cities of the country.
- Yield on 10 year AAA PSU bond traded at approx. 8.75%, a rise of 15 basis points from the previous week.
- One year CDs yielded about 8.20%, up by 20 basis points over the previous week.

### Fund Manager Comments

Weakness in the rupee vs the US dollar market continue to remain the prominent concern for the time being. With crude oil prices also remaining high, retail fuel prices have been on a gallop. The fear of these high prices feeding into inflation and inflationary expectations is visibly real. Bond yields have therefore hardened in sympathy and the increased likelihood of a rate increase in early October. Going forward, yields are likely to remain firm and continue to have an upward bias.

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 8.03%, higher by 8 basis point from the closing levels of the previous week.



## EQUITY MARKETS

Sensex and Nifty went down by 255 pts. (-0.70%) and 91 pts. (-0.80%) to close at 38,390 and 11,589 respectively.

The Indian rupee, continuing its losing streak against the US dollar for the seventh consecutive session, on Thursday breached the 72 mark for the first time. It has tanked more than 12% on a year-to-date basis. Besides strong demand for the American currency from importers, concerns of fears of rising fiscal deficit, sustained foreign capital outflows and widening current account deficit in the wake of soaring crude oil prices mainly weighed on the domestic currency.

The government of Argentina introduced a package of emergency measures to try to shore up the plummeting peso, which has lost more than 50% of its value against the dollar this year. Mauricio Macri, the president, announced an austerity plan and new taxes on exports as he pledged to reduce the budget deficit. The moves came after the central bank raised its main interest rate to 60% from 45%. The measures are designed in part to speed up disbursements from a \$50bn credit deal that has been agreed with the IMF.

Turkey's central bank said that its monetary stance would be "adjusted" at its meeting this month, a hint that it will raise interest rates despite intense political opposition. Turkey's annual inflation rate soared to 17.9% in August, far above the bank's official target of 5%. In an effort to halt the slide of the lira, the government reduced taxes on lira deposits and increased them on foreign-currency holdings.

India and the US signed an accord on secure military communications that both sides hailed as a breakthrough on Thursday, possibly opening the way for sales of sensitive US military equipment to India. The pact was signed after US Defence Secretary Jim Mattis and Secretary of State Mike Pompeo met External Affairs Minister Sushma Swaraj and Defence Minister Nirmala Sitharaman for India-US 2+2 talks aimed at deepening political and security ties. The two largest democracies of the world have drawn closer in recent years, seeking ways to counter-balance China's spreading influence across Asia, notably in Pakistan, Southeast Asia and the Indian Ocean. It is seen as an acknowledgment of India's rise as a economic and strategic power.

### Taurus Benchmark Indices Movement

Indices	7/9/18	31/8/2018	Points change	% change
S&P BSE Sensex	38389.82	38645.07	-255.25	-0.66%
Nifty 50	11589.10	11680.50	-91.40	-0.78%
S&P BSE 100	11894.69	12016.97	-122.28	-1.02%
S&P BSE 200	4984.42	5040.98	-56.56	-1.12%
Nifty Midcap 100	19579.25	19920.45	-341.20	-1.71%

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

	Equity	Debt
FPIs (03/09/2018 - 07/09/2018)	-1021.45	-4627.65
MFs (30/08/2018 - 05/09/2018)	-128.02	19893.77

Source : FPI - CDSL

Source : MF - SEBI

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