

## DEBT MARKETS

- The monetary policy committee (MPC) of the Reserve Bank of India voted by a majority of 4-2 to reduce the policy interest rates by 0.25%. Consequently, RBI's repo rate is now 6.25% and the reverse repo rate is 6.0%.
- The monetary policy stance has also been revised to 'neutral' from the earlier 'calibrated tightening'.
- While most analysts had expected the change in stance, the reduction in policy interest rates is widely being viewed as a surprise.
- Total non farm payroll employment in the US economy increased by 304,000 in January 2019 and the unemployment rate edged up to 4.0%. US jobless claims for the week ending Feb 2, 2019 fell to 234,000 from 253,000 in the previous week.

### Yield Movement

- The benchmark 10 year government bond (7.17% bond maturing in 2028) closed the week trading at a yield of 7.52%, down by 12 basis point from the closing levels of the previous

week. The newly issued 7.26% bond maturing in 2029 trades at a yield of 7.33%.

- Yield on 10 year AAA PSU bond traded at approx. 8.70%, down by 20 basis points from the previous week.
- One year CDs yielded about 8.00%, unchanged from the previous week.

### Fund Manager Comments

The surprise rate cut from the RBI acted as a palliative to the large govt borrowing announced in the budget. Markets were enthused, but only mildly. The coming week has significant data releases like inflation (CPI and WPI), IIP and trade. The prints on these macro variables will drive trading in the days to come.



## EQUITY MARKETS

- Sensex and Nifty went up by 77 pts. (0.20%) and 50 pts. (0.50%) to close at 36,546 and 10,944 respectively.
- Reserve Bank of India cut its key interest rate by 0.25%, to 6.25%. It was the first big policy decision taken under the new governor, Shaktikanta Das. Mr Das was given the job after Urjit Patel quit amid a quarrel with the government. Reverse Repo adjusts to 6.0%, MSF and Bank Rate at 6.50%, 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. The inflation projection has been lowered once again to 2.8% in Q4FY19 (from 3.3% earlier). For H1 FY20 projection is 3.2-3.4% and 3.9% in Q3 FY20.
- RBI reduces risk weights for bank lending to NBFCs: With a view to facilitating flow of credit to well-rated NBFCs, the Reserve Bank of India has decided that rated exposures of banks to all NBFCs, excluding Core Investment Companies (CICs), would be risk weighted as per the ratings assigned by the accredited rating agencies, in a manner similar to that for corporates. Exposures to CICs will continue to be risk-weighted at 100%.
- RBI permits IBC bidders to raise funds via ECBs to repay existing lenders: The Reserve Bank of India has permitted bidders for insolvent companies to raise funds through external commercial borrowings (ECBs) to repay existing lenders. The proceeds of ECBs, in either foreign currency or Indian rupee denominations can be utilised for repayment of 'rupee term loans' of the target company, which was earlier not permitted.
- The Bank of England stated Britain faces its weakest economic growth in a decade this year as uncertainty over Brexit mounts and the global economy slows, but interest rates will eventually rise if an EU divorce deal is done. While other major central banks have signaled they will hold off from raising borrowing costs, the BoE kept its message that gradual and limited rate rises lie ahead for Britain as long as, in just 50 days' time, a no-deal Brexit is averted.
- The U.S. trade deficit fell 11.5% to \$49.3bn for the first time in six months in November as cheaper oil and higher domestic petroleum production helped to curb the country's import bill. The Commerce Department's report also showed a drop in imports of consumer goods such as cellphones and other household goods. The decrease in imports followed five straight monthly increases, likely as businesses stocked up amid an escalating trade war between the United States and China.

### Taurus Benchmark Indices Movement

Indices	08-02-19	01-02-19	Points change	% change
S&P BSE Sensex	36546.48	36469.43	77.05	0.21%
Nifty 50	10943.60	10893.65	49.95	0.46%
S&P BSE 100	11129.97	11120.92	9.05	0.08%
S&P BSE 200	4609.58	4613.88	-4.30	-0.09%
Nifty Midcap 100	16597.20	16990.25	-393.05	-2.31%

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

	Equity	Debt
FPIs (04/02/2019 - 08/02/2019)	2517.93	-2699.24
MFs (31/01/2019 - 06/02/2019)	-1203.1	171.85

Source : FPI - CDSL  
Source : MF - SEBI

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