

DEBT MARKETS

- The relatively lower GDP growth print of 6.6% in Q3 of FY19 has led to increased chances of policy interest rate reductions in the near future.
- The market now awaits inflation data releases due later this week. A soft inflation figure would reinforce the belief that monetary policy may be more accommodative in the future.
- The European Central Bank, surprisingly, cut its growth and inflation forecasts significantly for the Euro region. It also said that it would continue to provide stimulus to the eurozone economy.
- Yield on 10 year AAA PSU bond traded at approx. 8.70%, down by 10 basis points from the previous week.
- One year CDs yielded about 7.75%, down by 20 basis points previous week.

Fund Manager Comments

Liquidity infusion by RBI through open market purchase of securities and longer term repos will help stabilise bond prices. Inflation data due for release this week is likely to drive future sentiment and a softer inflation number would aid bond prices.

Yield Movement

- The benchmark 10 year government bond (7.17% bond maturing in 2028) closed the week trading at a yield of 7.55%, unchanged from the closing levels of the previous week. The newly issued 7.26% bond maturing in 2029 trades at a yield of 7.37%.



EQUITY MARKETS

Sensex and Nifty went up by 608 pts. (1.70%) and 172 pts. (1.60%) to close at 36,671 and 11,035 respectively.

US President Donald Trump discussed plans to end the trade benefits extended to India under the Generalised System of Preferences (GSP) programme. India is the largest beneficiary of the GSP programme. Terminating it would render it the strongest punitive action Trump has taken against any South Asian nation. Farm, marine, and handicraft products will be among the worst hit. Countries that do not enjoy the benefits face US tariffs of 2%, which may be applicable for India too in the next few months, depending on whether Trump's decision actualises. The GSP programme covers 3,700 products; fortunately, India used concessions for only just 1,784 to export at zero duty.

On the other hand, India is likely to impose higher duties on 29 goods imported from the US from April 1, adopting a firmer stance in relations with one of its biggest trading partners. The decision could derail the substantive package that India and the US were

working on to resolve trade issues.

The European Central Bank on Thursday cut its growth forecast for 2019 and announced a fresh round of stimulus to aid banks in the region. ECB cut its growth estimate to 1.1%, down from a 1.7% expansion forecast released in December. The ECB's announcements come amid lingering concerns over a possible economic slowdown across the globe. The Bank of Canada said there was "increased uncertainty" around future rate hikes, while Australia's fourth-quarter GDP expanded at a pace of just 0.2%. In the U.S., meanwhile, the U.S. Federal Reserve has already signaled it will be "patient" in raising rates.

China's major stock indexes on Friday saw their worst session since October, as global economic worries resurfaced on weak export data. China's February exports fell 20.7% from a year earlier, the largest decline since February 2016, while imports fell 5.2% from a year earlier for a third straight month, pointing to a further slowdown in the economy despite a spate of support measures.

Taurus Benchmark Indices Movement

Indices	08-03-19	01-03-19	Points change	% change
S&P BSE Sensex	36671.43	36063.81	607.62	1.68%
Nifty 50	11035.40	10863.50	171.90	1.58%
S&P BSE 100	11240.36	11060.21	180.15	1.63%
S&P BSE 200	4673.82	4595.79	78.03	1.70%
Nifty Midcap 100	17379.15	16962.45	416.70	2.46%

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

	Equity	Debt
FPIs (05/03/2019 - 08/03/2019)	4756.68	469.20
MFs (28/02/2019 - 06/03/2019)	-5560.68	16473.81

Source : FPI - CDSL
Source : MF - SEBI

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