

DEBT MARKETS

- Bond market sentiment weakened later in the week after showing some bullishness in the early part of the week owing to RBI's announcement purchase securities through the open market operations (OMO) route to inject liquidity and improve sentiment.
- Soaring crude prices and the US President's decision to pull out of the Iran accord were the primary reasons for the worsening sentiment. Pressure on the Indian Rupee in the currency markets also played a role.
- The index for industrial production (IIP) rose by a tepid 4.4% (YoY) in the month of March 2018 as compared to 7.0% in February 2018.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.73%, unchanged from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.45%, compared to the 8.35% levels witnessed in

the previous week. With gilt yields remaining relatively stable, this indicates a small expansion of credit spreads in this segment.

- One year CDs yielded about 7.95%, indicating a 10 basis points rise in yields over the week.

Fund Manager Comments

Market sentiment continues to remain weak due to uncertainties in the global oil market as well as apprehensions from the moves in the currency market. Inflation prints that are due this week would also set the tone for trading during the latter half of the week. Overall, weakness in bond prices are likely to continue for some more time.



Sensex and Nifty went up by 620 pts. (1.80%) and 188 pts. (1.80%) to close at 35,536 and 10807 respectively.

US consumer prices rose in April, suggesting that inflation was increasing at a moderate pace, which could allow the Federal Reserve to continue gradually raising interest rates. The Labor Department said its CPI rose 0.2% in April as increases in the cost of gasoline and rents were tempered by a drop in motor vehicle prices. The core CPI rose 2.1% year-on-year in April, matching March's increase. Initial jobless claims were unchanged at a seasonally adjusted 211,000 for the week ended May 5.

In July 2015, when Barack Obama was at the helm, the US, the UK, Iran, China, France, Russia, Germany and the European Union adopted the so-called Joint Comprehensive Plan of Action (JCPOA), under which Iran would eliminate stockpiles of enriched uranium in return for lifting nuclear-related economic sanctions. President Donald Trump on 8th May reimposed economic sanctions on Iran and pulled the United States out of an international agreement aiming to stop Tehran from obtaining a nuclear bomb. He accused Iran of exporting missiles and fuelling state-sponsored conflicts across West Asia. Iran supplies 4% of the World Global

Supplies. The sanctions come amid an oil market that has been tightening due to strong demand, especially in Asia, and as top exporter Saudi Arabia and top producer Russia have led efforts since 2017 to withhold oil supplies to prop up prices. This has put further pressure on Crude which raised Oil prices to \$76.75 per barrel, with Brent hitting a 3-1/2-year high, likely curbing the OPEC member's crude export, raising the risk of conflict in the Middle East and casting uncertainty over global oil supplies. The US had given European companies six months to wind up their businesses in Iran or face sanctions.

March IP came in at 4.1%, lowest in past 5 months. Capital Goods contracted by -1.8%, a significant under performance from the last few months. Also, consumer durables were a negative surprise growing only at 2.9%. Mining grew at 2.8%, Manufacturing slowed in growth momentum growing at 4.4%, electricity grew at 5.9%. Primary goods grew at 2.9%, Intermediate goods grew at 2.1%, Infra/Construction goods showed a strong growth growing at 8.8% and consumer durables sustained the momentum growing at 10.9%.

Taurus Benchmark Indices Movement

Indices	11/5/18	4/5/18	Points change	% change
S&P BSE Sensex	35535.79	34915.38	620.41	1.78%
Nifty 50	10806.50	10618.25	188.25	1.77%
S&P BSE 100	11135.47	10998.00	137.47	1.25%
S&P BSE 200	4696.71	4649.40	47.31	1.02%
Nifty Midcap 100	19507.10	19720.00	-212.90	-1.08%

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

	Equity	Debt
FPIs (7/05/2018 - 11/05/2018)	-2678.35	-5554.68
MFs (03/05/2018 - 9/05/2018)	2985.21	-6697.74

Source : FPI - CDSL
Source : MF - SEBI

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