

DEBT MARKETS

- Inflation based on consumer price index (CPI) came in at 3.77% for the month of September. This was marginally higher than the 3.69% print witnessed in the previous month. Inflation however continues to remain below the 4% threshold set for the monetary policy committee of RBI.
- Inflation based on wholesale prices (WPI) came in at 5.13% for the month of September. The corresponding figure for the previous month was 4.53%.
- Index of Industrial production grew by 4.4% YoY for the month of August as against 6.5% for July.
- One year CDs yielded about 8.40%, down by 10 basis points over the previous week.

Fund Manager Comments

Inflation prints came in more or less in line with expectations. The market drew solace from the fact that inflation remains below the critical 4% mark and RBI has been injecting liquidity into the money markets as and when needed. The mildly bullish undertone in bonds witnessed last week may continue in this week too, as long as the rupee remains relatively stable against the US dollar.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.98%, down by 4 basis points from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.85%, relatively unchanged from the previous week.



EQUITY MARKETS

Sensex and Nifty went up by 357 pts. (1.00%) and 156 pts. (1.50%) to close at 34,734 and 10473 respectively.

A jittery, volatile week on global financial markets has burst into a frenzy of selling, triggered by heavy losses on Wall Street and comments by Donald Trump describing US interest rate rises as "crazy". 10 year Treasury-bond yields rose to their highest point since 2011. Trump has complained for weeks that the Federal Reserve has been raising interest rates too quickly and that it risks choking off economic growth. Investors are concerned about rising US interest rates and trade tensions could hurt company profits, ramped up their selling of high-flying technology and Internet stocks. For India the sentiment, which was already down due to rising interest rate fears, falling rupee, crude oil prices volatility and NBFCs debt crisis, dented further after a big crack in the US and Asian markets.

China's central bank pumped 750bn yuan (\$108bn) into the economy by reducing the amount of cash that banks

have to hold as reserves, after figures showed that investment and exports have weakened. The trade war with America, which has raised tariffs on Chinese imports, and a strong dollar have increased the pressure on policymakers to bolster growth.

August IIP grew at 4.3%- in line with our estimates. Electricity showed a good number growing at 7.6%. However, Manufacturing growth slowed to 4.6% whereas Mining contracted by -0.4%. YTD IIP is at 5.2%. We expect IIP to sustain the growth momentum with FY19 average between 5.5-6%. CPI for September came in at 3.77%, marginally lower than our estimate of 3.9%. Benign food inflation was the key reason for inflation to continue to remain moderate. Food inflation for September came in at 1.08% with veg inflation -4.15%. Fuel inflation came in at 8.47% unchanged from previous month. Core inflation came in at 5.81% vs 5.87% in August. Inflation is likely to remain moderate (below 4.0%) for the next couple of months as well due to favorable base and moderate food prices

Taurus Benchmark Indices Movement

Indices	12-10-18	5-10-18	Points change	% change
S&P BSE Sensex	34733.58	34376.99	356.59	1.04%
Nifty 50	10472.50	10316.45	156.05	1.51%
S&P BSE 100	10694.42	10538.49	155.93	1.48%
S&P BSE 200	4451.15	4384.66	66.49	1.52%
Nifty Midcap 100	16746.00	16299.75	446.25	2.74%

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

	Equity	Debt
FPIs (08/10/2018 - 12/10/2018)	-10840.47	-6384.90
MFs (04/09/2018 - 10/10/2018)	5942.25	13959.04

Source : FPI - CDSL
Source : MF - SEBI

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