

## DEBT MARKETS

- Inflation based on CPI moderated to 4.28% in the month of March as compared to 4.44% in the previous month. Core CPI inflation was however higher at 5.37% vs 5.16% in the previous month.
- Index of Industrial Production (IIP) index rose by 7.1% (yoy) in February as compared to 7.5% in the previous month.
- India's trade deficit for Mar 2018 rose to USD 13.69 Bn as against USD 11.97 Bn in February. While exports contracted by -0.66% (YoY), imports rose by 7.1% (YoY).
- International oil prices rose sharply as the tensions in Syria took centerstage. The US, UK and France conducted targeted airstrikes against specific locations in Syria in response to a suspected chemical attack by the Syrian regime of Basher Al Assad.
- Rising oil prices put a dampener on the mood in the bond market which had cheered the dovish statements emanating from last week's monetary policy committee meeting.

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.43%, closing 26 basis points higher over closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.15%, indicating that spreads over gilts have widened by about 5 basis points.
- One year CDs yielded about 7.30%, indicating a 15 basis points rise in yields over the week.

### Fund Manager Comments

Geopolitical tensions and rising oil prices are likely to remain centerstage in the absence any other visible triggers/events. Bonds are likely to trade in a range unless sharp movements in international geo-political developments or important economic indicators like oil prices takes place.



Sensex and Nifty went up by 566 pts. (1.70%) and 149 pts. (1.40%) to close at 34,193 and 10481 respectively.

America's latest round of sanctions against Russia hit hard, causing Russian stock markets to dive and the rouble to plunge. Chief among the sanctions' targets were seven oligarchs and 12 companies they own or control, but investor disquiet was more widely felt, spreading to Sberbank, Russia's biggest bank, among others.

Stock markets in general had another volatile week, in part because sentiment fluctuated about the prospects of a trade war between America and China. President Xi Jinping gave assurance to open China's economy further and lower import tariffs, and that the two countries would reach a deal on intellectual property, striking a conciliatory tone on the trade tensions between China and the United States without causing much harm to the global economy. Heightened geopolitical tensions over Syria pushed oil prices higher (some good news at least for the Russian economy). Brent crude climbed above \$72 a barrel, its highest level since 2014.

China's March exports unexpected fell 2.7% from a year earlier, the first drop since February last year, while imports grew 14.4%, more than expected. That left the country with a rare trade deficit of \$4.98 billion for the month, also the first since last February.

India's retail inflation eased to a five-month low in March to 4.28%, but remained above the Reserve Bank of India's medium-term target, supporting views that monetary policy is likely to remain unchanged at the next review in early June. Last week, central bank lowered its April-September retail inflation projection to 4.7% to 5.1%, from a previous range of 5.1% to 5.6% released in February.

February IIP increased by 7.1%. Consumer goods contributed 32% to the strong growth numbers and the major push has come from two wheelers. The growth was primarily Manufacturing driven registering a growth of 8.7% YoY. Mining grew at sluggish -0.3% whereas Electricity grew at 4.5%. Primary goods grew at 3.7% whereas Capital Goods grew at an impressive 20.0% (Highest since October 2015). Intermediate goods grew at 3.3%. Infra/Construction grew at a record 12.6% (strong Cement and Steel growth nos). Consumer durables had shown a positive surprise growing at 8% (Highest since September 2016) last month and continued the momentum growing at 7.9% in February. Consumer Non-Durables slowed in growth momentum growing at 7.4%.

## Taurus Benchmark Indices Movement

Indices	13/4/2018	6/4/18	Points change	% change
S&P BSE Sensex	34192.65	33626.97	565.68	1.68%
Nifty 50	10480.60	10331.60	149.00	1.44%
S&P BSE 100	10886.53	10755.18	131.35	1.22%
S&P BSE 200	4604.74	4550.84	53.90	1.18%
Nifty Midcap 100	19676.20	19519.25	156.95	0.80%

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

	Equity	Debt
FPIs (09/04/2018 - 13/04/2018)	-1178.98	228.91
MFs (05/04/2018 - 11/04/2018)	3279.05	14369.06

Source : FPI - CDSL  
Source : MF - SEBI

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