

DEBT MARKETS

- Inflation based on YoY change in consumer price index (CPI) rose to a 5 month high of 5.00% in the month of June compared to 4.87% a month prior. Core CPI inflation (which excludes food and fuel prices) also rose to 6.45% from 6.23% a month ago.
- Inflation based on YoY change in wholesale price index (WPI) surged to 5.77% (against 4.43% a month prior) as surging fuel prices took its toll.
- YoY change in index of industrial production (IIP) slowed to 3.2% against 4.8% a month ago.
- India's trade deficit widened to USD 16.6 Bn in June compared to USD 14.6 Bn a month ago. On a sequential basis, imports rose by 1.9% to USD 44.30 Bn while exports contracted by 4.0% to USD 27.70 Bn.
- Bond market sentiment improved during the week as marketmen felt a rate hike wasn't imminent. Yields eased during the week.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.79%, lower by 8 basis points from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.60%, unchanged from the previous week. With gilt yields lower by 8 bps, this indicates that credit spreads expanded a bit during the week.
- One year CDs yielded about 8.00%, indicating a 15 basis points drop in yields over the week.

Fund Manager Comments

Inflation data release has been as per expectations, though the WPI print looks a bit higher. Bond market sentiment may remain subdued and yields may remain in a narrow range in the absence of any fresh triggers.



EQUITY MARKETS

Sensex and Nifty went up by 884 pts. (2.50%) and 246 pts. (2.30%) to close at 36,542 and 11,019 respectively.

The Trump administration intensified its trade war with China, threatening to impose tariffs on a further \$200bn-worth of goods, including tuna, chemicals and handbags. This came a few days after America fired its first salvo, levying duties on \$34bn-worth of Chinese industrial exports, to which China retaliated with tariffs on an equivalent value of American goods. America's latest round of duties will not come into force until after a consultation process. Some who support targeting China's trade practices question the broad imposition of tariffs, fearing it will drive up American consumer prices.

India's June CPI came in at 5.0%, lower than street estimate of 5.15%. The surprise was mainly due to lower food inflation which came in at 3.18% vs 3.37% in the previous month. Core inflation rose to 6.45% from 6.2%.

India's May IIP came in at 3.2%, below street and market estimates. Mining came in at 5.7%, Manufacturing growth

slowed significantly, growing at 2.8% whereas Electricity grew at 4.2%. Primary Goods grew at 5.7%, Capital Goods continued the growth momentum growing at 7.6% while Intermediate goods grew at a meagre 0.9%. Infra and Construction goods grew at 4.9%, Consumer Durables grew at 4.3% whereas Consumer Non-Durables contracted by -2.6% (lowest since March 2016) which came in as the biggest negative surprise.

For the week ended 13th July 2018, monsoon was 14.0% below normal vis-à-vis 19.0% below normal for the same period last year. Actual rainfall was 54.7 mm against normal of 63.5mm. Cumulative rainfall is 239.3mm which is 8.0% below normal compared with 1.0% below normal for the same period last year. For the season up to 13th July 2018, 23 out of 36 sub-divisions have received Excess/Normal rainfall, as compared to 31 sub-divisions receiving Excess/Normal rainfall in the same period last year. Total cropped area affected by deficient rainfall is 42.4%, higher than 12.0% at the same time last year.

Taurus Benchmark Indices Movement

Indices	13/7/2018	6/7/18	Points change	% change
S&P BSE Sensex	36541.63	35657.86	883.77	2.48%
Nifty 50	11018.90	10772.65	246.25	2.29%
S&P BSE 100	11247.09	11039.34	207.75	1.88%
S&P BSE 200	4709.48	4629.45	80.03	1.73%
Nifty Midcap 100	18263.00	18222.05	40.95	0.22%

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

	Equity	Debt
FPIs (09/07/2018 - 13/07/2018)	-1682.78	-2082.36
Mfs (05/07/2018 - 09/07/2018)	646.88	5878.17

Source : FPI - CDSL
Source : MF - SEBI

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