

DEBT MARKETS

- Inflation based on consumer price index (CPI) came in at a low 2.31% against a generally expected print of 2.6%. This low inflation has been driven primarily by low food inflation.
- WPI inflation also eased to 4.6% in Nov'18 from 5.3% in Oct'18.
- Growth in industrial production for October as measured by the IIP, came in at a high of 8.1%.
- India's trade deficit narrowed to USD 16.7 bn in Nov 2018 compared to USD 17.1 bn in Oct 2018. Exports were USD 26.50 bn while imports were USD 43.17 bn.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.44%, down by 2 basis points from the closing levels of the previous week.

- Yield on 10 year AAA PSU bond traded at approx. 8.55%, down by 10 basis points from the previous week.
- One year CDs yielded about 8.25%, up by 5 basis points from the previous week.

Fund Manager Comments

Inflation prints came in even lower than the expectedly low number. While the low print has been aided by the base effect, the relatively benign outlook heightened expectations that RBI may revert to a neutral stance on monetary policy soon.

Minutes of the last monetary policy committee meeting will be released this week and analysts would look for clues to the thought process of the committee members to gauge likely future rate action.



EQUITY MARKETS

- Sensex and Nifty went up by 290 pts. (0.80%) and 112 pts. (1.00%) to close at 35,963 and 10,805 respectively. It was a highly volatile week reacting to the 5 state election results and the sudden exit of Reserve Bank of India Governor Mr. Urjit Patel.
- Urjit Patel stepped down from his position as the Governor of the RBI with immediate effect citing personal reasons. A day after, Government appointed Shaktikanta Das, member of the fifteenth finance commission, as the Governor.
- The ruling NDA government witnessed poor electoral performance. Despite this, market rallied in anticipation that the new RBI governor would take steps to ease the liquidity pain for banks and NBFCs.
- India's CPI inflation fell further, in November, to 2.33% from 3.31% in October due to further easing of food prices and easing of most other key inflation components. Overall, food inflation was negative at -1.69% from -0.14% in the previous month with vegetables at -15.6% and Pulses at -9.2%. Core inflation fell to 5.7% from 6.2% in the previous month. With overall inflation expected to remain benign, we think that the possibility of change in the policy stance to Neutral (from calibrated tightening) is extremely likely. Also, rate cut possibility has opened up with the likelihood of inflation remaining below 4.0% on a durable basis now looking very likely.
- India's IIP for Oct-18 grew by 8.1%, above the market and our estimate mainly due to low base and build up ahead of festive season. Manufacturing activity showed good numbers growing at 7.9%. On the use base analysis - Capital Goods 16.8% and Consumer Durables 17.6% contributed most to the overall Growth. We expect the growth momentum to ease out in the coming months to trend growth rate as base turns unfavorable for the next few months. However, most corporates remain fairly optimistic with regards to overall prospects in the next few quarters. Overall, we expect IIP growth to remain reasonably strong at 5.5%-6.0% in FY19.
- US and China began negotiations in the hope of reaching a trade deal before March 1st and thus avoid another round of punishing tariffs. China reportedly agreed to reduce tariffs on imports of American cars from 40% to 15%, though it was unclear when that might happen. American exports of vehicles to China have fallen sharply since the imposition of retaliatory duties.
- OPEC and Russia decided to reduce oil production by 1.2m barrels a day. The vast bulk of the cuts will be made to output from Saudi Arabia, which wants to use the revenue from the resulting higher oil prices to balance its budget. That incentive overrode pleas from Donald Trump to maintain current production levels in order to keep oil prices low.

Taurus Benchmark Indices Movement

Indices	14-12-18	07-12-18	Points change	% change
S&P BSE Sensex	35962.93	35673.25	289.68	0.81%
Nifty 50	10805.45	10693.70	111.75	1.05%
S&P BSE 100	11077.83	10922.49	155.34	1.42%
S&P BSE 200	4616.35	4544.67	71.68	1.58%
Nifty Midcap 100	17591.60	17054.50	537.10	3.15%

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

	Equity	Debt
FPIs (10/12/2018 - 14/12/2018)	2583.53	-1083.68
MFs (06/12/2018 - 12/12/2018)	3038.28	8228.21

Source : FPI - CDSL

Source : MF - SEBI

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