

DEBT MARKETS

- Inflation based on YOY change in consumer price index (CPI) for the month of May 2018 came in at a four month high of 4.87%. This figure for last month was 4.57%. Core CPI inflation, which excludes food and energy prices, was even higher at 6.18% compared to 5.92% a month ago.
- Inflation based on the wholesale price index (WPI) also accelerated to a 14 month high of 4.43% in May 2018 compared to 3.18% a month ago.
- India's current account deficit (CAD) rose to USD 13.06 bn in Q4 of financial year 2017-18 as against USD 2.6 bn in the corresponding period last year.
- The US Federal Reserve hiked its benchmark short term interest rate by 0.25% and indicated that two more increases are likely this year. The move pushes the funds target rate to 2% from the earlier 1.75%.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.89%, lower by 6 basis points from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.75%, compared to the 8.80% levels witnessed in the previous week. With gilt yields also lower by 6 bps, this indicates that credit spreads were more or less stagnant in this segment.
- One year CDs yielded about 8.45%, indicating a 5 basis points rise in yields over the week.

Fund Manager Comments

Weak sentiment continues to pervade the bond market. The aggressive rate hike projected by the US Fed has surprised a few analysts. Indian policy rate decisions are likely to follow the trajectory of consumer inflation especially the core component.



EQUITY MARKETS

- Sensex and Nifty went up by 178 pts. (0.50%) and 50 pts. (0.50%) to close at 35,622 and 10,818 respectively.
- The ECB has cut its 2018 euro zone growth forecast from 2.4% to 2.1%, due to the uncertainties related to global factors, including the threat of increased protectionism, the risk of persistent heightened financial market volatility warrants monitoring. It will shut its hallmark bond purchase scheme by the close of the year, taking its biggest step yet towards dismantling crisis-era stimulus a decade after the start of the euro zone's economic downturn. The bank raised its inflation forecasts for 2018 and 2019 to 1.7% from 1.4%, which was mainly down due to higher oil prices.
- ECB's timid move to roll back stimulus contrasted with the U.S. Federal Reserve's rate hike a day earlier where The Federal Reserve hiked its benchmark short-term interest rate by 0.25% to 1.75% and 2% and indicated that two more increases are likely this year. This is a part of a gradual series of steps to return rates to historically normal levels, and they reflect both the Fed's confidence in America's economic strength and its commitment to bring the inflation rate to its target of 2%.
- India IIP print for April came in at 4.9% below consensus. But we think that the momentum is likely to pick up in the coming months as most corporates remain fairly optimistic with regards to overall prospects in the next few quarters. Electricity growth was significantly sluggish at 2.1%. Manufacturing growth was 5.2%. Infra/Construction continued growth momentum growing at 7.5% (strong Cement and Steel growth nos). Capital Goods came in as a positive surprise growing at 13%. Consumer Non-Durables showed a continued growth momentum growing at 7.0% (indicating strong growth in rural economy).
- India's current account deficit (CAD) at US\$ 13.0 billion (1.9% of GDP) in Q4 of 2017-18 increased from US\$ 2.6 billion (0.4% of GDP) in Q4 of 2016-17, but moderated marginally from US\$ 13.7 billion (2.1% of GDP) in the preceding quarter. The widening of the CAD on a year-on-year (y-o-y) basis was primarily on account of a higher trade deficit (US\$ 41.6 billion) brought about by a larger increase in merchandise imports relative to exports. In the financial account, net foreign direct investment at US\$ 6.4 billion in Q4 of 2017-18 was higher than US\$ 5.0 billion in Q4 of 2016-17.
- May CPI inflation rose to 4.87% from 4.58% in the previous month. Core inflation rose to its highest in the past 4 years to 6.2% from 5.9% in the previous month. We think that inflation trajectory is in line with RBI's estimates for H1 (4.8-4.9%) and could rise to around 5.0% by June. MSP hikes, high crude, depreciating INR are headwinds to inflation trajectory.
- Other domestic news - i) More than 1,300 new FPIs registered with Sebi in last financial year. ii) RBI comes up with draft guidelines on loan system for large borrowers. iii) FDI inflows in India grew to USD61.96bn during 2017-18. iv) India should cut capital expenditure to meet 3.3% fiscal deficit target: Moody's. v) Banks recapitalisation plan insufficient to support credit growth: Moody's

Taurus Benchmark Indices Movement

Indices	15/6/2018	8/6/18	Points change	% change
S&P BSE Sensex	35622.14	35443.67	178.47	0.50%
Nifty 50	10817.70	10767.65	50.05	0.46%
S&P BSE 100	11119.57	11080.44	39.13	0.35%
S&P BSE 200	4679.88	4666.33	13.55	0.29%
Nifty Midcap 100	18812.60	18830.60	-18.00	-0.10%

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

	Equity	Debt
FPIs (11/06/2018 - 15/06/2018)	-3071.85	-4277.83
MFs (07/06/2018 - 13/06/2018)	2392.26	13171.95

Source : FPI - CDSL
Source : MF - SEBI

Any information contained herein is for informational purpose only and does not constitute advice or offer to sell/purchase units of the schemes of Taurus Mutual Fund. Information gathered and provided in this document is believed to be from reliable sources and the Fund does not warrant the accuracy and/or completeness of any information. Taurus AMC disclaims any liability for actions taken by anyone on the basis of the opinions contained herein. The material contained herein cannot be reproduced, distributed or quoted anywhere without express written consent of Taurus AMC.

Mutual Fund Investments are subject to market risks, read all Scheme related Documents carefully.