

## DEBT MARKETS

- Inflation based on CPI came in at 2.57% for the month of February 2019. WPI based inflation came in at 2.93%. Both these numbers were as per expectations.
- Industrial production for the month of January 2019 (based on the IIP index) grew by 1.6%.
- Exports in February 2019 were USD 26.67 bn exhibiting a 2.44% yoy growth. Imports were 5.41% lower YoY at USD 36.26bn. Trade deficit hit a 17 month low at USD 9.6 bn.
- The Reserve Bank of India (RBI) announced that it would hold a competitive auction for a 3 year dollar rupee swap worth upto USD 5 bn on March 26, 2019. Under this RBI would buy dollars now and reverse the transaction 3 years later. This would lead to a liquidity infusion of about INR 35,000 crores. This would also raise foreign exchange reserves of RBI by a similar amount.

### Yield Movement

- The benchmark 10 year government bond (7.17% bond maturing in 2028) closed the

week trading at a yield of 7.50%, 5 basis points lower from the closing levels of the previous week. The newly issued 7.26% bond maturing in 2029 trades at a yield of 7.34%.

- Yield on 10 year AAA PSU bond traded at approx. 8.60%, down by 10 basis points from the previous week.
- One year CDs yielded about 7.75%, unchanged from previous week.

### Fund Manager Comments

Liquidity infusion through the currency swap route is a new innovative tool deployed by RBI for liquidity management and transmission of monetary policy. This has been widely welcomed and helped stabilise prices both in the money market and foreign exchange market. Expect the rupee to appreciate further. Bond prices are also likely to appreciate marginally.



## EQUITY MARKETS

Sensex and Nifty went up by 1,353 pts. (3.70%) and 391 pts. (3.50%) to close at 38,024 and 11,427 respectively.

Subdued performance of manufacturing sector, especially capital and consumer goods, pulled down the growth in industrial production (IIP) to 1.7 % in January compared with 2.4% in December and 7.5 % a year ago. High base of previous year was partly responsible for the sluggish growth. The growth in manufacturing sector slowed to 1.3% in January from 8.7% in January 2018. There was also slump in the power generation segment as the expansion was almost flat at 0.8% compared to 7.6% in the year-ago month. YTD IIP growth is 4.4%.

CPI inflation for February stood at 2.57%. There has been some inching up of food prices although it remains firmly under control. Retail inflation is likely to remain below 3.0% levels for the next 2-3 months due to benign food inflation, easing of housing inflation (due to base) and fall in fuel inflation due to lower crude prices. RBI's estimate for Q4 inflation of 2.8% is likely to be undershot.

In order to meet the durable liquidity needs of the system, the RBI has decided to augment its liquidity management toolkit and inject Rupee liquidity for longer duration through long-term foreign exchange Buy/Sell swap in terms of its extant Liquidity Management Framework. Accordingly, it has been decided to conduct a USD/INR Buy/Sell swap auction of USD 5 billion for tenor of 3 years on March 26, 2019. If this results in reducing OMO's, it may be bond negative. INR could depreciate as a reactionary move (typical when RBI buys USD). This is similar to the NRI swap deal which RBI had incentivized in 2013.

British Parliament rejected Prime Minister Theresa May's Brexit deal for a second time, plunging the UK into a state of uncertainty just two weeks ahead of the country's divorce from the European Union. The government had put forward a motion that left it wriggle room to do a "No Deal" Brexit or reintroduce Mrs May's deal if nothing else came along.

### Taurus Benchmark Indices Movement

Indices	15-03-19	08-03-19	Points change	% change
S&P BSE Sensex	38024.32	36671.43	1352.89	3.69%
Nifty 50	11426.85	11035.40	391.45	3.55%
S&P BSE 100	11620.08	11246.36	373.72	3.32%
S&P BSE 200	4823.43	4673.82	149.61	3.20%
Nifty Midcap 100	17863.25	17379.15	484.10	2.79%

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

	Equity	Debt
FPIs (11/03/2019 - 15/03/2019)	12297.90	5379.88
Mfs (07/03/2019 - 13/03/2019)	-3465.50	31919.24

Source : FPI - CDSL  
Source : MF - SEBI

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