

DEBT MARKETS

- Inflation based on the Consumer Price Index (CPI) for the month of January 2018 came in at 5.07%. This was in line with expectations and slightly lower than the 5.21% print seen in the previous month. Core CPI remained relatively stable at 5.10%.
- Inflation based on the Wholesale Price Index (WPI) came in at 2.84% for the month of January. This compares with the 3.58% print witnessed in the previous month.
- Annual growth in Index of Industrial Production (IIP) for December 2017 came in at a healthy 7.1%. This suggests that the economic recovery seems to be taking a firm foothold.
- India's trade deficit widened sharply to USD 16.29 bn in January 2018 compared to USD 9.2 bn witnessed in the same month a year ago. Imports contracted by 2.9% to USD 40.62 bn while exports contracted by a much larger 9.8% to USD 24.38 bn.
- Punjab National Bank revealed a suspected fraud amounting to approx. USD 1.8 bn at one of its branches in Mumbai. This was related to unauthorized letters of undertakings for supplier financing in foreign locations granted to the jeweller Nirav Modi.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.58%, a rise of 9 basis points closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.15%, indicating that spreads over gilts have remained stable.
- One year CDs yielded about 7.45%, indicating a fall of about 5 basis points in yields over the week.

Fund Manager Comments

Trading in the week remained subdued with very little fresh cues after a hectic week which saw the union budget presentation and the RBI monetary policy decision to keep interest rates stable.

The big news during the week was the revelation of a big fraud (estimated to be USD 1.8 bn) at Punjab National Bank, the second largest PSU bank, linked to grant of unauthorised letters of undertaking to the jeweller Nirav Modi.



Sensex went up by 5 pts. and Nifty went down 3 pts. to close at 34,011 and 10,452 respectively.

According to the International Energy Agency, America could soon overtake Saudi Arabia and Russia to become the world's biggest oil producer. After cutting costs during the oil-price crash, American shale fields have increased output at a pace "so extraordinary" that it could equal growth in the world's demand for oil. After rising steadily for six months, oil prices have fallen back. Brent crude traded as low as \$62 a barrel this week, down from \$70 in mid-January.

The run of bad news resumed at India's state banks. Punjab National Bank, one of the country's biggest lenders, disclosed that fraudulent customer payments amounting to \$1.8bn had been uncovered at one of its branches in Mumbai, raising more questions about banking oversight. A few days earlier, State Bank of India posted its first quarterly loss in 17 years. Last October the government announced a \$32bn plan to recapitalize state-controlled banks. This week the central bank reinforced its clampdown on bad loans in the industry.

India's industrial production (IIP) rose by 7.1% YoY in December 2017, following an upwardly revised 8.8% gain in the previous month. Industrial growth, for the second successive month, has shown good traction with manufacturing growing at 8.4%, Capital goods expanded by 16.4%, intermediates by 6.2% and Infra/Construction goods by 6.7%. Consumer durables growth remains subdued at 0.9% while non-durables grew at 16.5% (due to pick up in rural economy). YTD IIP growth is 3.7%.

Retail inflation (CPI) for Jan 2018 came in at 5.07%, with food inflation still benign at 4.6%. Core inflation remains sticky at 5.10%. India's wholesale inflation came at 2.84% for January, a six-month low of 2.84%. WPI was 3.58% in December 2017 and 4.26% in January 2017.

January Exports rose 9.0% to \$ 24.4bn, while imports rose 26% to \$ 40.7bn. Trade deficit was at a 5 year high of \$ 16.3 bn. One of the key reasons for the sharp jump in imports is the rise in oil imports to \$ 11.7bn (43% YoY). YTD trade deficit has reached \$ 131bn compared with \$ 88.0bn in the same period of previous year.

Taurus Benchmark Indices Movement

Indices	16/2/2018	9/2/18	Points change	% change
S&P BSE Sensex	34010.76	34005.76	5.00	0.01%
Nifty 50	10452.30	10454.95	-2.65	-0.03%
S&P BSE 100	10837.84	10851.72	-13.88	-0.13%
S&P BSE 200	4574.33	4583.10	-8.77	-0.19%
Nifty Free Float Midcap 100	19701.30	19872.25	-170.95	-0.86%

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

	Equity	Debt
FPIs (12/02/2018 - 16/02/2018)	-3006.58	-1357.00
MFs (08/02/2018 - 14/02/2018)	3929.43	8378.91

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.