

DEBT MARKETS

- India's Consumer Price-based inflation for the month of July came in at 4.17% slightly less than market consensus. Core CPI, which excludes food and energy components also moderated and stood at 6.28% compared to 6.43% in June.
- Wholesale inflation for July came in at 5.09%, lower than 5.77% registered in June. Core WPI stood at 4.74%, as compared to 4.76% in June.
- Yoy growth in the index of industrial production (IIP) for the month of June came in at a four month high of 7%. This figure stood at 3.2% for the month of May.
- India's trade deficit widened to a five year high and stood at USD 18.02 bn in July compared to USD 11.45 bn a year ago. Consequently, trade deficit in the April-July period widened to USD 63 billion as against USD 51.5 Bn a year ago. Imports rose 28.8% to USD 43.79 bn while exports jumped 14.3% to USD 25.77 bn in July 2018
- The economic crisis in Turkey and the consequent sharp depreciation in emerging market currencies also found resonance in India with the Indian rupee falling to an all time low of 70.26 against the US dollar.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.86%, higher by 10 basis point from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.60%, a rise of 10 basis points from the previous week.
- One year CDs yielded about 7.90%, lower by 5 basis points over the week.

Fund Manager Comments

Gyrations in the currency market dominated mindshare in the previous weeks. Its effect was also felt in the bond markets with yields rising on an average by about 10 basis points. Emerging market currencies seem to have stabilized for the time being and the rupee is also likely to halt its slide at least in the short term. We may therefore expect stable conditions in the bond market too.



EQUITY MARKETS

- Sensex and Nifty went up by 79 pts. (0.20%) and 41 pts. (0.41%) to close at 37,948 and 11,471 respectively, in this truncated week.
- Stock markets wobbled amid worries about Turkey's economic turmoil. After raking a battering in foreign-exchange markets the Turkish lira stabilised as the government brought in measures to stop short-selling of the currency and trumpeted a pledge of investment from Qatar. The episode spooked investors in other emerging markets. The Indian rupee hit a new low against the dollar. The Russian rouble and South African rand also had a stormy time.
- The indirect tax base in the country has expanded by 65 per cent to 11.6 million in a year since the roll-out of the goods and services tax (GST) on July 1, 2017, said Prime Minister Narendra Modi during his Independence Day speech.
- The euro zone's economy grew by 2.2% in the second quarter compared with the same period last year. Although that allayed fears that a trade row with America would damage the region, it was the euro zone's slowest rate of growth in over a year.
- Britain's inflation rate increased to 2.5% in the year to July, the first time it had quickened since November 2017. The biggest jumps in prices were to transport-related costs. Separate employment data showed that 300,000 more people were in work in the second quarter than a year earlier. The unemployment rate, at 4%, is at its lowest level since 1975. With the labour market so buoyant, zero-hours contracts fell by 12%.
- India's trade deficit for the month of July-18 reported at \$18.02bn, which is highest in past 62 months. Exports rose 14.3% YoY to \$ 25.8 bn, while imports rose 28.9% to \$43.8bn. Cumulative trade deficit for the first 4 months of the fiscal is \$63.0bn. We have estimated \$180.0 bn trade deficit for Fy19, which is likely to result in CAD of \$70.0bn (2.5% of GDP).
- India's CPI inflation for July was marginally lower than expectation, at 4.17% from 5.0% in the previous month mainly due to favorable base and easing food prices. Core inflation remained sticky at 6.28% although it eased marginally from 6.45% in June. Inflation trajectory for the next couple of months is likely to be at similar levels as July and H1 inflation could be likely around 4.5%, a little lower than RBI's estimates for H1 (4.6%). MSP hikes and its implementation will determine the extent of food inflation for H2 (along with monsoon) and thus will be the key determinant of H2 inflation. High crude, depreciating INR are headwinds to inflation trajectory but the reversal of unfavorable base should keep CPI at around 4.8% in H2, in line with RBI's projection.
- FIs sold US\$ 311 mn in cash. For current month total investment is US\$ -274 mn. For CY18 total investment is US\$ -5,764 mn.

Taurus Benchmark Indices Movement

Indices	17/8/2018	10/8/18	Points change	% change
S&P BSE Sensex	37947.88	37869.23	78.65	0.21%
Nifty 50	11470.75	11429.50	41.25	0.36%
S&P BSE 100	11747.65	11697.12	50.53	0.43%
S&P BSE 200	4928.33	4903.64	24.69	0.50%
Nifty Midcap 100	19443.00	19135.95	307.05	1.60%

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

	Equity	Debt
FPIs (13/08/2018 - 16/08/2018)	35.38	-1039.98

Source : FPI - CDSL

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