

## DEBT MARKETS

- The month long national elections held in 7 phases came to a close on Sunday. Exit polls published immediately after polling in the last phase concluded suggested that the incumbent NDA government led by BJP's Narendra Modi as PM is likely to return to power with a comfortable majority in the lower house of Parliament.
- The exit polls have given a phillip to stocks, bonds and the local currency.
- Foreign trade data was also released this week. India's merchandise exports in April 2019 was USD 26.07. This was 0.64% higher than the exports in April 2018.
- Imports in April 2019 were USD 41.40 bn, 4.48% higher than the imports in April 2018. Trade deficit, therefore, was 15.33 billion for April 2019 as against a deficit of USD 13.72 bn in April 2018
- Yield on 10 year AAA PSU bond traded at approx. 8.55%, 5 basis points higher than the previous week.
- One year CDs yielded about 7.55%, 20 bps lower from previous week.

### Fund Manager Comments

The initial fillip in bond prices in the wake of exit polls suggest that bonds may trade bullish if the predictions come true. Policy measures which have been held back due to the model code of conduct being in place may also trigger movement in bonds.

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.36%, slightly lower than the yield levels witnessed last week.



## EQUITY MARKETS

Sensex and Nifty went up by 468 pts. (1.20%) and 128 pts. (1.10%) to close at 37,931 and 11,407 respectively.

April CPI rose marginally to 2.92% from 2.86% in the previous month mainly due to seasonal rise in food prices. Most major heads of inflation remained under control and trended lower compared with previous month. Core CPI for April contracted to 4.6% from 5% in March. Food prices are likely to trend higher (seasonal effect) for the next few months while core inflation is likely to trend lower as demand remains modest.

April WPI eased marginally to 3.07% from 3.18% in the previous month mainly due to moderation in manufactured product prices. Food prices, however, rose MoM to 7.4% mainly due to base and seasonal factors. Within food; vegetable prices rose sharply to 40%. There are signs that food prices are now firming up. Fuel inflation eased to 3.84% from 5.41% while manufactured inflation eased to 1.72% from 2.16% in March. Core inflation fell to 1.92% from 2.47% in the previous month. For FY19 WPI inflation was 4.3% compared with 2.9% in FY18.

Merchandise exports grew just 0.6% YoY at \$ 26.1bn in April, the slowest since December 2018, while imports inched up 4.5% to \$ 41.4bn, inflating trade deficit to a five-

month peak of \$15.33 billion. Trade deficit was \$15.33bn. Major commodity groups of exports showing positive growth in April were: Petroleum products (31%), Electronic goods (28%), Organic and Inorganic chemicals (15%), RMG of textiles (4.4%) and Drugs and Pharma (4.0%).

China said on Monday it would impose higher tariffs on most U.S. imports on a revised \$60 billion target list, hitting back at a tariff hike by Washington on \$200 billion of Chinese goods in a further escalation of a bitter trade war. The retaliation comes as U.S. President Donald Trump signals his intent to slap tariffs on all Chinese imports if Beijing does not give in, suggesting a prolonged standoff between the world's two largest economies that could roil global markets for weeks or months to come. A total of 5,140 U.S. products will be subject to additional tariffs of 5%, 10%, 20% and 25% starting June 1. Chinese stocks fell as the tariff war between Washington and Beijing escalated though losses were contained after conciliatory comments from US President Donald Trump and amid suspected state-backed buying of equities. Trump had said he is holding fire on taxing the remaining \$325 billion of Chinese goods, and announced that he will meet with Chinese President Xi Jinping in June, reigniting hopes for an agreement to end the tariff tussle.

### Taurus Benchmark Indices Movement

Indices	17-05-19	10-05-19	Points change	% change
S&P BSE Sensex	37930.77	37462.99	467.78	1.25%
Nifty 50	11407.15	11278.90	128.25	1.14%
S&P BSE 100	11495.68	11393.32	102.36	0.90%
S&P BSE 200	4752.92	4721.84	31.08	0.66%
Nifty Midcap 100	16875.40	17029.45	-154.05	-0.90%

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

	Equity	Debt
FPIs (13/05/2019 - 17/05/2019)	-6131.10	2939.58
MFs (09/05/2019 - 15/05/2019)	5094.08	3084.26

Source : FPI - CDSL

Source : MF - SEBI

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