

DEBT MARKETS

- Retail inflation print based on CPI came in at 4.58% for April. This was 0.30% higher than the print witnessed in March.
- Core inflation was even higher at 5.92% vs. 5.37% a month ago.
- The index for industrial production (IIP) rose by a tepid 4.4% (YoY) in the month of March 2018 as compared to 7.0% in February 2018.
- The rupee depreciated further against the dollar and is now trading at very close to the 68 to a dollar levels.
- A slew of relatively poor macroeconomic data releases had its impact on market sentiment and yields rose. Intense upward pressure on international crude oil prices also added to the adverse sentiment.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.83%, higher by 10 basis points from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.50%, compared to the 8.45% levels witnessed in the previous week. With gilt yields higher by 10 bps, this indicates a small contraction of credit spreads in this segment.
- One year CDs yielded about 8.15%, indicating a 20 basis points rise in yields over the week.

Fund Manager Comments

Market sentiment continues to remain weak due to uncertainties in the global oil market as well as apprehensions from the moves in the currency market. Overall, weakness in bond prices are likely to continue for some more time.



Sensex and Nifty went up by -687 pts. (-1.9%) and -210 pts. (-1.9%) to close at 34,848 and 10,596 respectively.

India CPI inflation rose to 4.58% from 4.28% in the previous month. WPI rose to 3.18%, in April 2018. Some food article prices also moved higher (potatoes at 68% YoY) although overall it remains under control. Core inflation rose to 4.21% from 3.78% in the previous month due to rise in most industrial commodity prices MoM.

India's exports in April 2018 came in at \$25.9bn up 5.2% YoY, imports rose to \$39.6 (up 4.6% YoY) resulting in trade deficit of \$13.7 bn vs \$13.2 in the previous year. During April 2018, major commodity groups of export showing positive growth over the corresponding month of last year are engineering goods (17.6%), Organic and Inorganic Chemicals (38.5%), Drugs and Pharma (13.6%), Cotton

Yarn/Fabs/Made ups (15.7%) and Plastic and Linoleum (30%). Major commodity groups of import showing high growth in April 2018 over the corresponding month of last year are: Petroleum crude and products (41%), Machinery (9.1%), Coal, coke (20.4%), Organic and Inorganic Chemicals (18.3%), Transport Equipment (33%).

President Donald Trump introduced a plan to lower the cost of drug prices for consumers in America. The proposals include compelling pharmaceutical firms to list their prices in advertisements. The government may also get tough with firms that prevent their drugs from being copied when patents expire. But Mr Trump stopped short of keeping his populist pledges, such as allowing Americans to import prescriptions from other countries.

Taurus Benchmark Indices Movement

Indices	18/5/2018	11/5/18	Points change	% change
S&P BSE Sensex	34848.30	35535.79	-687.49	-1.93%
Nifty 50	10596.40	10806.50	-210.10	-1.94%
S&P BSE 100	10901.90	11135.47	-233.57	-2.10%
S&P BSE 200	4597.10	4696.71	-99.61	-2.12%
Nifty Midcap 100	18891.80	19507.10	-615.30	-3.15%

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

	Equity	Debt
FPIs (14/05/2018 - 18/05/2018)	-799.88	-4305.85
MFs (10/05/2018 - 16/05/2018)	3747.59	-7288.67

Source : FPI - CDSL
Source : MF - SEBI

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