

DEBT MARKETS

- Trade data released last week showed that India's exports in the month of June 2019 was USD 25.01 bn indicating a contraction of 9.7% yoy. Cumulative exports for the financial year 2019-20 was USD 81.08 bn which was 4.86% lower than the exports in the same period of the previous financial year.
- Imports in June 2019 were USD 40.29 bn which was 9.1% lower than the imports in June 2018. Cumulative imports in the financial year 2019-20 was USD 127.04 bn which was about 0.3% lower than the imports in the same period of the previous financial year.
- Bond Yields softened significantly during the week as expectations of a rate cut grew on the back of soft inflation data.
- Yield on the benchmark 10 year government bond fell to approx. 6.30% before retracing the path on the back of comments by the RBI governor Shaktikanta Das wherein he is reported to have said that a change in stance is akin to a rate cut. This dampened sentiment a bit as many marketmen viewed this as a signal that we may not get aggressive rate cuts in the near future.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.36%, lower by about 13 basis points than the yield levels witnessed last week.
- Yield on 10 year AAA PSU bond traded at approx. 8.45%, up by about 20 basis points from the previous week.
- One year CDs yielded about 6.80%, 30 bps lower than the closing levels of previous week.

Fund Manager Comments

We continue to expect RBI's Monetary Policy Committee (MPC) to reduce policy interest rates in their next meeting scheduled for early August.



EQUITY MARKETS

Sensex and Nifty went down by 399 pts. (-1.00%) and 133 pts. (-1.20%) to close at 38,337 and 11,419 respectively.

Highlights of Trade: Exports contracted 9.7% to \$25.01bn, Imports contracted 9.1% to \$40.3bn. Consequently trade deficit was \$15.3bn. Major commodity groups of exports showing positive growth in June are: Iron ore (155%), Electronic goods (44%), Ceramic products and glassware (20%), Drugs and Pharma (16.1%). Petroleum product exports contracted sharply in June (32%) to \$2.7bn from \$4.06bn. Major commodity groups of imports showing negative growth are: Pearls, precious and semi-precious stones (-23.6%), Petroleum, crude and products (-13.3%), Machinery (-9.0%), Electronic goods (-1.7%) while gold imports rose 13.0% YoY.

June WPI eased to 2.02% (lowest since July 2017) from 2.45% in the previous month mainly due to further easing of fuel and manufactured inflation. Food inflation remained firm and came in at 7.0% unchanged from previous month with vegetable inflation at 24.0% vs 33.0% and pulses inflation at 23.0% vs 18.0% in May. Food prices are firm due to seasonal factors and fading away of favourable base. Fuel inflation moderated sharply to -2.2% from 1.0% while manufactured

inflation eased to 0.94% from 1.28% in May as demand remained soft. The high weightage of manufactured articles in WPI (64.0%) is causing the divergent trend with CPI where food articles have highest weight (46.0%). Core inflation eased further to 0.84% from 1.23% in the previous month.

From Jan 1, 2019 till date, yield on GOI benchmark has fallen over 100 basis (from 7.42% to 6.33%). Over the period Repo has been cut by 75 basis and the inter-bank system liquidity has moved from average deficit of around Rs 600 bn (From Jan to May) to the current surplus of over Rs 1.4 trillion. Liquidity in the system has turned surplus due to a combination of; USD purchase by RBI (April and May \$7.5bn purchase), OMO purchase of GOI by RBI and generally poor credit off-take (especially by Nationalized banks). The budget on 5th July was also favorable for bond rally (bond yield has fallen by 43 basis from budget day) as fiscal deficit was kept on check at 3.3% and also sovereign bond issue was planned for 10% of budgeted borrowing. This is likely to reduce supply pressure in the domestic market. Also, some changes in the rules of liquid funds for MF's is likely to raise MF investment in the GOI bond space.

Taurus Benchmark Indices Movement

Indices	19-07-2019	12-07-2019	Points change	% change
S&P BSE Sensex	38337.01	38736.23	-399.22	-1.03%
Nifty 50	11419.25	11552.50	-133.25	-1.15%
S&P BSE 100	11524.84	11678.11	-153.27	-1.31%
S&P BSE 200	4757.73	4826.62	-68.89	-1.43%
Nifty Midcap 100	16430.10	17146.25	-716.15	-4.18%

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

	Equity	Debt
FPIs (15/07/2019 - 19/07/2019)	-2758.35	866.34
MFs (11/07/2019 - 17/07/2019)	2632.56	4593.41

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.