

## DEBT MARKETS

- The minutes of the monetary policy committee (MPC) meeting held in early October were released and it showed a clear focus on inflation amongst all the members of the committee. Some members were of the view that the previous rate hikes hadn't yet worked their way through the economy, so it might be justified to take a pause in raising rates.
- The minutes also made it amply clear that unless we witness a very sharp fall in inflation in the October print, we can expect a further hike in policy interest rate in early December.
- RBI's infusion of liquidity into the system continues with the announcement of next round of open market purchases worth INR 12000 crores.
- Bond prices rallied marginally as international oil prices too softened significantly during the week.
- Forex Reserves fell by about USD 5 bn, the highest ever fall week on week. While some of

the fall can be attributed to revaluation of assets, much of it appears to be dollar selling by RBI. This is also reflected in the relative rise in the value of the rupee vs the US dollar during the week,

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.92%, down by 6 basis points from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.77%, a fall of 8 basis points from the previous week.
- One year CDs yielded about 8.40%, unchanged from the previous week.

### Fund Manager Comments

The MPC minutes were more or less as per expectations. Bond yields are likely to take further cues from international oil prices and the developments in the forex market, particularly the value of the rupee.



## EQUITY MARKETS

Sensex and Nifty went down by 418 pts. (-1.20%) and 169 pts. (-1.60%) to close at 34,316 and 10,304 respectively.

Market started the holiday truncated week on an optimistic note but pared all of their initial gains on reports that the share of FPI in domestic capital markets through participatory notes hit a nearly nine-and-a-half year low of Rs. 79,548 crore in September, 18.

India's Wholesale Prices Index (WPI) grew 5.13% in September from 4.53% in the previous month, driven by a rise in prices of food and fuel. Core inflation rose to 5.18% from 4.91% in the previous month. The base of WPI, remains favorable for the next couple of months and we expect WPI to come at around 4.5%. MSP hike, high crude price and weak INR could lead to spike in WPI from December onwards. Our estimate for WPI for FY19 is between 4.5%-5.0%.

Industrial output growth faltered in August, dipping to a 3-month low of 4.3% as manufacturing growth slowed down and mining activities contracted.

India's trade deficit narrowed in September to \$13.98bn compared with \$17.3bn in the previous month (trade deficit for previous three months were more than \$17.0bn). Exports were \$27.95bn which was 2.17% lower YoY, Imports were \$41.93bn; up 10.5% YoY. The narrowing of deficit was mainly due to lower imports (crude down \$1.0bn, gold down \$1.0bn MoM). Our estimate for Trade deficit for FY19 is \$190.bn which is likely to result in CAD of \$75.0bn (2.7-2.8% of GDP).

The Reserve Bank announced more measures to increase liquidity flows to the non-banking financial companies (NBFC). The RBI permitted banks to use government securities equal to their incremental outstanding credit to NBFCs, over and above their outstanding credit to them as on October 19, to be used to meet liquidity coverage ratio requirements. The move will help provide liquidity to housing finance companies (HFCs) and non-banking finance companies (NBFCs) which have come under pressure following series of default by IL&FS group companies.

India has imposed anti-dumping duties in the range of \$44.89 up to \$185.51 per tonne for five years on certain varieties Alloy bars and rods in straight length of Chinese steel to guard domestic players from cheap imports from the neighbouring country. The product finds end use application across various segments and sectors including forging, automobiles, auto components, crank shaft, springs, gears, fasteners, cement plants, power plants, turbines, ship-building, and railways, among others.

America's federal budget deficit amounted to \$779bn for the fiscal year ending September 30th, an increase of 17% from the previous year and the largest since 2012. That constituted 3.9% of gdp, up from 3.5% in 2017.

China's GDP growth slowed by more than the market expected in Q3.

### Taurus Benchmark Indices Movement

Indices	19-10-2018	12-10-18	Points change	% change
S&P BSE Sensex	34315.63	34733.58	-417.95	-1.20%
Nifty 50	10303.55	10472.50	-168.95	-1.61%
S&P BSE 100	10534.93	10694.42	-159.49	-1.49%
S&P BSE 200	4382.06	4451.15	-69.09	-1.55%
Nifty Midcap 100	16514.95	16746.00	-231.05	-1.38%

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

	Equity	Debt
FPIs (15/10/2018 - 19/10/2018)	-1875.82	-3521.36
Mfs (11/09/2018 - 17/10/2018)	3343.83	1087.08

Source : FPI - CDSL  
Source : MF - SEBI

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