

DEBT MARKETS

- Inflation based on YoY change in wholesale price index (WPI) surged to 5.77% (against 4.43% a month prior) for the month of June 2018, as surging fuel prices took its toll. Core WPI inflation too was higher at 4.76% compared to 4.40% in the prior month.
- Global crude oil prices fell sharply to hit 3 month lows of \$ 71 per barrel.
- RBI announced an open market purchase of securities worth INR 10,000 crores as part of its open market operations (OMO) to stabilize the money/bond markets.
- Bond market sentiment improved during the week on the back of falling crude prices and announcement of the open market purchase under OMO. Benchmark 10 year government bond yield hit an intra day low of 7.70%. However all gains were lost by the end of the week and the benchmark bond closed the week at prices/yield close to last week's closing levels.
- The Indian Rupee lost value during the week and breached the 69/- mark against the USD. It also hit an all time low of 69.15 to the USD during the week.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.78%, lower by 1 basis point from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.60%, unchanged from the previous week. With also relatively stable, this indicates that credit spreads remained stable during the week.
- One year CDs yielded about 8.00%, indicating no change in yields over the week.

Fund Manager Comments

Bond market sentiment continues to look for a firm direction. Higher inflation prints have kept the sentiment subdued for the time being. Even lower oil prices could not generate much enthusiasm as the rupee slid to a fresh all time low of 69.15 to the USD. We do not expect any significant change in this situation in the near term.



EQUITY MARKETS

Sensex and Nifty went down by 45 pts. (-0.10%) and 9 pts. (-0.10%) to close at 36,496 and 11,010 respectively.

The IMF warned that the tariffs on imports threatened by both President Donald Trump and his trading partners could lower the annual growth rate of the global economy by 0.5 percentage points by 2020. The fund left its forecasts for global economic growth in 2018 unchanged. India's growth projection for 2019 and 2020 has been lowered to 7.3% and 7.5% (down 10 and 30 basis from the April forecast of 7.4% and 7.8%). The new forecast cites high interest rate and high oil prices eating into domestic demand

Jerome Powell, the chairman of the Federal Reserve, testified to lawmakers about the health of the American economy. Solid growth and stable inflation should, he said, allow the Fed to raise interest rates gradually. His comments helped the dollar reach a three-week high against a basket of other currencies.

India's exports soared by 17.57 % to \$27.7 billion in June but the trade deficit widened to a more than three-and-a-

half-year high of \$16.6 billion due to costlier crude oil. Imports too rose by 21.31 % to \$44.3 billion during the month. Exporting sectors, which helped to push the shipments in June include Engineering Goods (14.2%), Petroleum Products (52%), Gems and Jewellery (2.7%), Organic and Inorganic Chemicals (30%), Drugs and Pharma (15%) and Cotton Yarn/Fab (24%).

WPI witnessed a growth of 5.77% in June from 4.43% in the previous month, a four-and-half year high, driven by rise in Primary and Fuel inflation, along with unfavorable base. Primary articles, which accounts for more than a fifth of the entire wholesale price index witnessed a uptick to 5.3 % in June from 3.16 % in May owing to fuelled by higher prices of Cereals, wheat, vegetables, potatoes, non-food articles, fibers and minerals. Core inflation rose to 4.81% from 4.44% in the previous month. The base of WPI, will turn favorable and this will help ease WPI in the next few months (around 4.5%-4.75%). Although MSP hike, seasonal spike in food prices, high crude price and weak INR remain a concern and has the potential to keep WPI firm over the medium term.

Taurus Benchmark Indices Movement

Indices	20/7/2018	13/7/2018	Points change	% change
S&P BSE Sensex	36496.37	36541.63	-45.26	-0.12%
Nifty 50	11010.20	11018.90	-8.70	-0.08%
S&P BSE 100	11213.31	11247.09	-33.78	-0.30%
S&P BSE 200	4692.43	4709.48	-17.05	-0.36%
Nifty Midcap 100	18055.15	18263.00	-207.85	-1.14%

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

	Equity	Debt
FPIs (16/07/2018 - 20/07/2018)	-1410.46	16.80
MFs (12/07/2018 - 18/07/2018)	2556.06	513.14

Source : FPI - CDSL
Source : MF - SEBI

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