

DEBT MARKETS

- Inflation as measured by the wholesale price index (WPI) remained unchanged at 1.08% in August.
- The US Federal Reserve cut its policy interest rates by 0.25%. However markets weren't too enthused because the accompanying statement didn't give any hints of further rate reductions in the remainder of the year. This led to speculation that the Fed may have been done with rate reductions for the year.
- The Indian government announced a slew of measures to boost economic growth. Corporate tax rates were reduced from 30% to 22%, provided no exemptions were availed. Further new manufacturing companies incorporated after Oct 1, 2019 would be taxed at an even lower 15%. The latter move seems targeted clearly at the entities who are looking for alternative locations for moving manufacturing away from China.
- The resulting tax measures would lead to revenue forgone of approx. 1.45 lakh crores. This, naturally, did not please the bond market participants as it is likely to worsen fiscal deficit and lead to higher government borrowing.
- Yield on 10 year AAA PSU bond traded at approx. 8.30%, up by 5 basis points from the previous week.
- One year CDs yielded about 6.40%, up by 20 basis points from the closing levels of previous week.

Fund Manager Comments

The governments measures to boost economic sentiment (and growth) is likely to impact finances in the short term and therefore the weakness in the bond market may persist for some time. Clear vision from the RBI MPC meeting due early next month may set the tone for bond yields in the medium term.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.79%, up by 15 basis points from the yield levels witnessed at the close of last week.



EQUITY MARKETS

- Sensex and Nifty went up by 630 pts (1.70%) and 198 pts (1.80%) to close at 38,015 and 11,274 respectively.
- Finance Minister Nirmala Sitharaman announced several fiscal measures, to boost the economy. Here are the key takeaways:
 - Corporate tax rate cut for domestic companies and new domestic manufacturing companies
 - The tax rate will be 22 percent without exemptions
 - Effective corporate tax rate after surcharge to be 25.17 percent
 - To attract investment in manufacturing, local companies incorporated after October will pay tax at the rate of 15 percent
 - Effective tax for new companies shall be 17.01 percent, including cess and surcharge
 - Companies enjoying tax holidays can avail concessional rates after the exemption period
 - Minimum alternate tax (MAT) reduced to 15 percent from 18.5 percent for companies continuing to avail exemptions and incentives
 - Enhanced surcharge to not apply to capital gains by foreign portfolio investors (FPIs)
 - Buyback tax on listed companies that had announced buybacks before July 5 exempted from taxation
 - Revenue foregone for reduction on corporate tax and other measures pegged at Rs 1.45 lakh crore per year
- The recent attack on Saudi Arabian oil facilities was "sophisticated" and represented a "dramatic escalation" in tensions within the region. The strikes on the world's largest

crude-processing plant and oil field forced the kingdom to shut down half of its production operations. Saudi Arabia has confirmed that Iran had a role in the drone attack on Saudi Arabia's oil installations and displayed arms and remnants of Iranian drones and cruise missiles to back the claims. The attacks on Saudi Arabia's oil facilities have global consequences and the UN must play its part to address threats to international peace. Oil prices gained, supported by supply risks as the market assesses the fallout from drone attacks on Saudi oil infrastructure. The attacks knocked out around half of Saudi Arabia's crude production and severely limited the country's spare capacity, a cushion for oil markets in any unplanned outage. Trump administration was weighing a range of options for a retaliatory action against Iran, including a cyberattack or physical strike on Iranian oil facilities or Revolutionary Guard assets.

- The U.S. Federal Reserve cut interest rates by 0.25% for the second time this year in a widely expected move meant to sustain a decade-long economic expansion, but gave mixed signals about what may happen next. The central bank also widened the gap between the interest it pays banks on excess reserves and the top of its policy rate range, a step taken to smooth out problems in money markets that prompted a market intervention. In lowering the benchmark overnight lending rate to a range of 1.75% to 2.00% on a 7-3 vote, the Fed's policy-setting committee nodded to ongoing global risks and "weakened" business investment and exports.

Taurus Benchmark Indices Movement

Indices	20-09-2019	13-09-2019	Points change	% change
S&P BSE Sensex	38014.62	37384.99	629.63	1.68%
Nifty 50	11274.20	11075.90	198.30	1.79%
S&P BSE 100	11433.03	11203.14	229.89	2.05%
S&P BSE 200	4735.63	4637.42	98.21	2.12%
Nifty Midcap 100	16333.40	15967.40	366.00	2.29%

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

	Equity	Debt
FPIs (16/09/2019 - 20/09/2019)	-3072.73	-2487.38
MFs (12/09/2019 - 18/09/2019)	2277.85	12204.07

Source : FPI - CDSL

Source : MF - SEBI

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