

DEBT MARKETS

- The US Federal Reserve kept policy interest rates on hold but indicated that it was willing to cut rates sooner than what many analysts had been expecting. This led to a rally in the US treasury market and bond yields declined further.
- Back home, Viral Acharya, one of RBI's deputy governors has resigned six months prior to the end of his term. This has led to discussions on RBI's autonomy with many holding a view that the autonomy has been diluted.
- Oil prices continued to remain high as US Iran tensions rise further in the wake of Iran shooting down one of the American reconnaissance unmanned aerial vehicles (UAVs). Iran claims that it intruded into Iranian airspace while the Americans claim the drone was shot down in international waters.
- Rising oil prices put a dampener on sentiment in the Indian bond markets and the sustained rally that had been witnessed in bond prices came to a halt., with bonds giving up much of the gains.

levels witnessed last week. Mid week, the yield on the benchmark bond had fallen below 6.80% too.

- Yield on 10 year AAA PSU bond traded at approx. 8.50%, 25 basis points higher than the previous week.
- One year CDs yielded about 7.25%, 5 bps higher from previous week.

Fund Manager Comments

RBI Dy Governor's resignation has led a renewed debate on the autonomy of RBI, India's central bank. Concurrently the report of the Bimal Jalan committee which is tasked with determining the economic capital framework (ECF) of RBI is also delayed, ostensibly due to a dissent note by the finance secretary, who is also one of the members of the committee.

On bond markets, sentiment is likely to remain subdued as long as oil prices remain firm in the wake of Iran-US tensions.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.86%, lower by about 6 basis points than the yield



EQUITY MARKETS

- Sensex and Nifty went down by 258 pts. (-0.70%) and 99 pts. (-0.80%) to close at 39,194 and 11,724 respectively. Indexes fell for the third straight week led by concerns over monsoon, NBFC liquidity crisis and rising crude prices.
- India Exports rose 3.9% to \$30bn. Imports rose by 4.3% to \$45.35bn. Consequently trade deficit came in at \$15.36bn. Major commodity groups of Export showing positive growth in May are: Electronic goods (51%), Organic and Inorganic Chemicals (21%), RMG of textiles (14.1%), Drugs and pharma (11%) and Engineering goods (4.4%). Major commodity groups of Import showing positive growth in May are: Petroleum, crude and products (8.2%), Metalliferous ores and other minerals (12%), Coal, coke and Briquettes (9.5%), Gold (37%), Medicinal and Pharmaceutical products (15%) and Machinery, electrical and non-electrical (5.8%). Imports (net of oil and gold) remains negative which shows some demand contraction.
- The minutes from Monetary Policy Committee (MPC) June 3-6 meet suggests that there are clear indication of economy losing traction. RBI Governor Shaktikanta Das while voting for a 25 basis points rate cut said the Indian economy has been clearly losing traction and needs a decisive monetary policy to promote growth.
- Fitch Cuts India Growth Forecast To 6.6% for 2019-20 from 6.8% projected earlier.
- Barring Sensex, global indices ended the week higher led by Fed's dovish tone which raised the likelihood of rate cut in Cy19.

Shanghai Comp surged by 4.2% followed by Dow (2.4%) and Dax (2%).

- The U.S. Federal Reserve signaled it could cut interest rates by as much as half a percentage point over the remainder of this year, as it responded to increased economic uncertainty and a drop in expected inflation. The Fed, which held rates steady after the end of its latest two-day policy meeting, said it "will act as appropriate to sustain" a nearly 10-year economic expansion and dropped a promise to be "patient" in adjusting rates. Nearly half its policymakers now show a willingness to lower borrowing costs over the next six months. Even policymakers who did not write down a forecast for a rate cut this year believe "that the case for somewhat more accommodative policy has strengthened," Fed Chairman Jerome Powell said.
- The ECB will ease policy again if inflation fails to accelerate, ECB President Mario Draghi said, signaling one of the biggest policy reversals of his eight-year tenure and provoking the ire of U.S. President Donald Trump. "In the absence of improvement, such that the sustained return of inflation to our aim is threatened, additional stimulus will be required," Draghi said. "(We) will use all the flexibility within our mandate to fulfil our mandate - and we will do so again to answer any challenges to price stability in the future," Draghi said. "Monetary policy remains committed to its objective and does not resign itself to too-low inflation." Meanwhile, Trump accused Draghi of trying to weaken the euro to gain an unfair advantage in trade.

Taurus Benchmark Indices Movement

Indices	21-06-19	14-06-19	Points change	% change
S&P BSE Sensex	39194.49	39452.07	-257.58	-0.65%
Nifty 50	11724.10	11823.30	-99.20	-0.84%
S&P BSE 100	11828.99	11920.88	-91.89	-0.77%
S&P BSE 200	4889.30	4927.38	-38.08	-0.77%
Nifty Midcap 100	17412.45	17564.55	-152.10	-0.87%

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

	Equity	Debt
FPIs (17/06/2019 - 21/06/2019)	-642.27	352.49
MFs (13/06/2019 - 19/06/2019)	2192.31	13743.07

Source : FPI - CDSL

Source : MF - SEBI

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