

DEBT MARKETS

- The week was dominated by news of default by entities of the IL&FS group and the subsequent impact that this may have for other finance companies. Stocks of finance companies fell sharply on Friday on fears of a contagion and likely liquidity crunch in the debt markets. Compounding the fall, was the RBI's rejection of Mr Rana Kapoor to continue as boss of Yes Bank.
- International prices of crude oil continue to firm up as Iranian supplies remain constrained due to US led sanctions. Higher demand and constrained supply from OPEC nations have also kept prices high.
- The Reserve Bank of India bought 100 bn worth of government bonds in an open market operation in order to shore up liquidity in the money markets.
- Yield on 10 year AAA PSU bond traded at approx. 8.85%, a fall of 5 basis points from the previous week.
- One year CDs yielded about 8.35%, down by 5 basis points over the previous week.

Fund Manager Comments

Weakness in the rupee vs the US dollar market and high crude prices continue to remain the prominent concern for the time being. The fear of an interest rate hike by RBI to counteract the impact of imported inflation hasn't subsided yet. Bonds are therefore likely to trade with caution and nervousness.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 8.08%, lower by 5 basis point from the closing levels of the previous week.



EQUITY MARKETS

Sensex and Nifty went down by 1,249 pts. (-3.30%) and 372 pts. (-3.20%) to close at 36,842 and 11,143 respectively.

The trade war between China and America ratcheted up again. The Trump administration announced that tariffs would be imposed on a further \$189bn-worth of Chinese imports, including furniture and car parts. A rate of 10% will apply from September 24th, rising to 25% from January 1st if there is no peace deal by then. China retaliated, slapping duties on another \$60bn-worth of American goods.

Russia experienced its first interest-rate rise in four years, an increase of 0.25% points to 7.5%. The country's central bank blamed inflation of 3.1% in August.

The European Central Bank confirmed plans to wind down its programme of quantitative easing by halving monthly bond purchases, to €15bn (\$17.5bn), from October. It pointed to the robustness of European labour markets as explanation for the move.

In a massive relief for India, the United States is all set to exempt Indian steel and aluminium from the higher tariff regime announced by President Donald Trump's administration this March. "The US has agreed to exempt a certain percentage of India's average exports in last five years from the high import duty, but talks are still on as India is pushing for a complete exemption," a senior government official said. In March, US had imposed 25% import duty on steel and 10% on aluminium, a move India retaliated against by announcing its intention to levy a higher tariff rate on 29 products including fruits, vegetables, chemicals, pharmaceuticals etc. This was supposed to have come into effect on August 4 2018 but was then delayed as negotiations were still on with the US.

Taurus Benchmark Indices Movement

Indices	21/9/2018	14/9/2018	Points change	% change
S&P BSE Sensex	36841.60	38090.64	-1249.04	-3.28%
Nifty 50	11143.10	11515.20	-372.10	-3.23%
S&P BSE 100	11406.65	11805.54	-398.89	-3.38%
S&P BSE 200	4766.31	4945.33	-179.02	-3.62%
Nifty Midcap 100	18347.50	19389.15	-1041.65	-5.37%

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

	Equity	Debt
FPIs (17/09/2018 - 21/09/2018)	-2514.08	-3444.86
MFs (14/09/2018 - 19/09/2018)	1001.89	3794.62

Source : FPI - CDSL

Source : MF - SEBI

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