

## DEBT MARKETS

- Bond market sentiment improved this week as the central bank announced liquidity infusion through open market purchase of securities worth INR 100 bn.
- Release of the minutes of the monetary policy committee meeting held earlier in the month also helped assuage sentiment as the minutes did not give any clear indication whether any of the members were inclined towards revising the neutral policy stance adopted by the government.
- International oil prices softened after OPEC announced that they would increase production.
- Yield on 10 year AAA PSU bond traded at approx. 8.55%, compared to the 8.75% levels witnessed in the previous week. With gilt yields also lower by 7 bps, this indicates that credit spreads contracted a bit in this segment.
- One year CDs yielded about 8.05%, indicating a 40 basis points fall in yields over the week.

### Fund Manager Comments

Quarter end considerations are likely to dominate sentiment this week. Trajectory of international oil prices might be an important factor for the market during the week. Sentiment may not change much and trading may therefore be rangebound.

### Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.82%, lower by 7 basis points from the closing levels of the previous week. The bond had seen levels of 7.75% earlier in the week, but profit taking pulled the yields up a bit.



## EQUITY MARKETS

- Sensex and Nifty went up by 67 pts. (0.20%) and 4 pts. (0.0%) to close at 35,690 and 10,822 respectively.
- The prospect of an all-out trade war between America and China became real. Donald Trump said he would impose tariffs on \$50bn of Chinese goods, because Beijing was not dealing with American complaints about stealing intellectual property. China responded in kind by announcing penalties on \$50bn of American goods, which prompted Mr Trump to threaten to levy additional tariffs on goods worth \$400bn. Global stock markets took fright at the trade news, none more so than in China. The Shanghai Composite fell by 4% in a day to its lowest level in 20 months. The Shenzhen Composite dropped by 6%. Yi Gang, the governor of the People's Bank of China, said investors should "stay calm and rational". The central bank pumped 200bn yuan (\$31 bn) into financial institutions, followed by a smaller intervention, to ensure they remain liquid.
- Separately, the EU introduced \$3.2 billion in retaliatory tariffs on iconic American products, including bourbon, jeans, and motorcycles. In response, President Trump threatened to impose a 20% tariff on all cars coming into the US from Europe.
- Mario Draghi hinted that the European Central Bank could restart its bond-buying programme if economic conditions deteriorate, just days after the bank announced that it would phase out its purchasing of assets. The ECB's president emphasised that interest rates would remain ultra-low until at least September 2019. The ECB is to halve the amount of assets it buys each month to € 15bn (\$17bn) from this September and will end all purchases in December.
- On Tuesday it was announced that General Electric (GE) would be removed from the Dow Jones Industrial's (DJIA's) 30-stock index. The company was an original member of the Dow in 1896 and has been a member since 1907, more than 110 years.
- A highly watched meeting of OPEC and non-OPEC oil producers will take place on Friday 22nd June. Markets are expecting the oil producers to ease production

cuts that have been in place since 2017, with Saudi Arabia warning of shortages but Iran holding out against a deal amid the prospects of lower exports due to US sanctions on Tehran. OPEC would decide on output policy amid calls from top consumers such as US, China and India to cool down oil prices and support economy by producing more crude. Aggregate increase in production for OPEC+ between 5,000,000 to 1 million bpd is the range that is being considered.

- Markets regulator Sebi on Thursday said it has initiated enforcement actions against entities involved in the high-frequency trading (HFT) server co-location case involving the National Stock Exchange (NSE).
- The Banks Board Bureau (BBB) has made public its recommendation on the appointment of 22 general managers for selection as executive directors (EDs) of state-run banks in a rare show of transparency in senior level selection.
- The Indian Banks' Association (IBA) has suggested setting up of an independent committee and to include a Reserve Bank of India (RBI) official as a part of the panel to scrutinise charges against bankers.
- SEBI is set to revamp initial public offering (IPO) norms to make them less onerous for legitimate sellers while clamping down on possible misuse. It also signalled moves to bring chartered accountants and company secretaries under its ambit.
- India Plans New Rules to Prevent Sale of Unapproved Drugs Current rules allow drug manufacturers to sell and market products that haven't undergone clinical trials. Amendment to Drugs and Cosmetics Act to ensure a company is responsible for quality of drugs if its name is on the label, even if it isn't the manufacturer. Under current law, only the manufacturer is responsible for quality of the product.
- " China will use monetary policy tools, including cutting reserve requirements for some banks, to boost credit supply to smaller companies, according to a cabinet decision.

### Taurus Benchmark Indices Movement

Indices	22/6/2018	15/6/2018	Points change	% change
S&P BSE Sensex	35689.60	35622.14	67.46	0.19%
Nifty 50	10821.85	10817.70	4.15	0.04%
S&P BSE 100	11112.05	11119.57	-7.52	-0.07%
S&P BSE 200	4668.69	4679.88	-11.19	-0.24%
Nifty Midcap 100	18595.85	18812.60	-216.75	-1.15%

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

	Equity	Debt
FPIs (18/06/2018 - 22/06/2018)	-4528.63	-4536.52
Mfs (14/06/2018 - 20/06/2018)	2523.42	5487.50

Source : FPI - CDSL  
Source : MF - SEBI

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