

DEBT MARKETS

- Inflation based on CPI came in at 3.15% for the month of July. WPI based inflation came in at a low 1.02%, a 2 year low.
- Quick estimates of the Index of Industrial Production (IIP) for the month of June 2019 came in at 2.0 percent higher than the level seen in June 2018.
- The minutes of the RBI Monetary Policy Committee meeting released earlier this week indicated that the committee members were worried about the growth slowdown. This rekindled the expectations that the MPC was ready to cut interest rates further to spur growth
- The government, over the weekend, announced several measures to spur the economy. The additional surcharge imposed in the budget on FPIs registered as trusts has been withdrawn. Additionally INR 70,000 crores has been provided to banks as additional capital infusion upfront. Also, certain measures were also announced to help the auto industry come out of the sales slump that it is witnessing currently.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.57%, up by 4 basis points from the yield levels witnessed at the close of last week.
- Yield on 10 year AAA PSU bond traded at approx. 8.45%, down by about 10 basis points from the previous week.
- One year CDs yielded about 6.55%, 10 bps higher than the closing levels of previous week.

Fund Manager Comments

The measures announced by the government should help the sentiment in both, the stock as well as bond markets. RBI is scheduled to hold its board meeting on Monday, and is likely to announce a transfer of surplus to the government.



EQUITY MARKETS

- Sensex and Nifty went down by 649 pts. (-1.7%) and 218 pts. (2.00%) to close at 36,701 and 10,829 respectively.
- SEBI has done away with the broad-based eligibility criteria for foreign portfolio investors (FPIs) to simplify and expedite the registration process for these entities. The SEBI board also approved the norms for migration of companies listed on the Innovators Growth Platform (IGP) to regular trade category on the main board. SEBI has also introduced an amendment to the prohibition of insider trading. It will provide an informant who has credible information on insider trading a reward for up to 10% of the disgorged amount, which should be above Rs 1 crore. SEBI will amend regulations concerning credit rating agencies, where the agencies will be mandatorily provided information on debt defaults of companies to enable them to review ratings on these companies. The regulator has allowed flexibility to mutual funds to invest in non convertible debentures of unlisted entities up to a maximum of 10% of the debt portfolio of the scheme, subject to regulations.
- Tweak to FPI registration rules and relaxed KYC norms failed to excite the FPIs who sought clarity on surcharge. Recent FPI selling took INR to an 8M low of 71.81/USD - dn 21 paisa for the day. Hopes of stimulus too stand dashed for now after CEA Krishnamurthy Subramanian, speaking at Hero MindMine Summit indicated that the expectations may be misplaced. He emphasized that the govt wasn't expected to intervene every time some sectors went through a sunset phase.
- On the contrary, Niti Aayog proposed roll-back of DDT & Buyback tax levied in 2019 budget. It suggested new SPV based on SUUTI to raise bonds and invest in preferred equity in NBFCs. It also advised against merger of PSU banks at this stage. Niti recommended phased reduction in interest rate of small saving instruments fm 8% to 5% over 2Y starting Oct 1.
- Amid market turmoil, escalating trade tensions, the threat of global currency war, and slowing global growth, a group of central bankers met in Jackson Hole for 2019 Economic Symposium hosted by the Kansas City Federal Reserve. Although Powell did not provide any definitive signal in his Jackson Hole speech Friday, he is open to acting (cut) and talks from other senior FOMC member like Bullard and VC Clarida also indicated that Fed may go for another insurance cut in September.
- Political tumult in HK, Italy and Britain adding to the tense backdrop.
- A survey showed U.S. mfg activity contracted for the 1st time since Sept 2009, though better jobless claims data indicated a resilient labour market. For Eurozone, a survey showed a surprise uptick in business growth for August but was offset somewhat by trade war fears knocking future expectations to their weakest in over 6 yrs.
- China's yuan slid to fresh 11-1/2-yr lows despite support from major state-owned banks in both the spot and forwards markets, amid worries about the deepening China-U.S. trade war.
- Japan's exports slipped 1.6% for an eighth month in July, dragged down by China-bound shipments of car parts and semiconductor production equipment, while manufacturers' confidence turned negative for the first time in over six years as China-bound sales slumped again in a fresh sign the Sino-U.S. trade war could tip the economy into recession. Also Japan's core inflation has come near to its 2 yr low which has raised expectation of stimulus by govt to boost the economy.

Taurus Benchmark Indices Movement

Indices	23-08-2019	16-08-2019	Points change	% change
S&P BSE Sensex	36701.16	37350.33	-649.17	-1.74%
Nifty 50	10829.35	11047.80	-218.45	-1.98%
S&P BSE 100	10915.46	11139.29	-223.83	-2.01%
S&P BSE 200	4513.99	4607.63	-93.64	-2.03%
Nifty Midcap 100	15354.30	15817.45	-463.15	-2.93%

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

	Equity	Debt
FPIs (19/08/2019 - 23/08/2019)	-1689.08	6994.23
MFs (16/08/2019 - 21/08/2019)	1891.51	9651.87

Source : FPI - CDSL
Source : MF - SEBI

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