

DEBT MARKETS

- The US Federal Reserve hiked its benchmark interest rates by the expected 25 basis points. It also appears that the Fed is committed to restrict the number of hikes in the year 2018 to 3.
- The borrowing calendar for the first half of the financial year is likely to be announced early this week. Marketmen would eagerly look for the tenor and distribution of securities to be issued. The total proportion of budgeted government borrowing in the first half of the new financial year would also be keenly looked at and is likely to drive sentiment in the near term.
- Yield on 10 year AAA PSU bond traded at approx. 8.19%, indicating that spreads over gilts have compressed about 15-18 basis points.
- One year CDs yielded about 7.35%, indicating a fall of about 5 basis points in yields over the week.

Fund Manager Comments

Bond prices are likely to stay supported as we approach the financial year end. Near term sentiment would be driven by the borrowing calendar that the government puts out early this week.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.56%, closing flat over closing levels of the previous week.



Sensex and Nifty went down by 579 pts. (-1.70%) and 197 pts. (-1.90%) to close at 32,597 and 9,998 respectively.

The Federal Reserve raised the range for its benchmark interest rate by a quarter of a percentage point, to between 1.5% and 1.75%. The Fed signaled that rates may increase more than expected over the medium term because of the strengthening economy, but stuck to its expectations of two more rate rises this year.

China said it doesn't fear a trade war with the U.S. and announced plans for reciprocal tariffs on \$3 billion of imports from the U.S. in the first response to President Donald Trump's ordering of levies on Chinese metal exports. China plans tariffs on imports of U.S. pork, recycled aluminum, steel pipes, fruit and wine. China will also pursue legal action against the U.S. at the World Trade Organization in response to the U.S. planned tariffs on steel and aluminum imports, and called for dialog to resolve the dispute. The announcement of broader tariffs directed specifically at China sent equities tumbling. U.S. stock futures traded lower after the S&P 500 Index closed down 2.5%, the biggest drop in six weeks. Stock indexes from Tokyo to Hong Kong tumbled more than 3% and the yen jumped past 105 per dollar for the first time since November 2016.

The Securities and Exchange Board of India (SEBI) may impose trading restrictions on shares of companies that are undergoing insolvency proceedings. The move, which is also a demand by industry players, is aimed at reducing volatility in stock prices and curbing manipulation or misuse of price-sensitive information.

India's current account deficit (CAD) came at US\$ 13.5 billion (2.0% of GDP) in Q3 of 2017-18 increased from US\$ 8.0 billion (1.4% of GDP) in Q3 of 2016 -17 and US\$ 7.2 billion (1.1% of GDP) in the preceding quarter. The widening of the CAD on a y-o-y basis was primarily on account of a higher trade deficit brought about by a larger increase in merchandise imports relative to exports. Net services receipts increased by 17.8% on a y-o-y basis mainly on the back of a rise in net earnings from software services and travel receipts.

Taurus Benchmark Indices Movement

Indices	23/3/2018	16/3/2018	Points change	% change
S&P BSE Sensex	32596.54	33176.00	-579.46	-1.75%
Nifty 50	9998.05	10195.15	-197.10	-1.93%
S&P BSE 100	10368.33	10579.91	-211.58	-2.00%
S&P BSE 200	4372.03	4468.68	-96.65	-2.16%
Nifty Free Float Midcap 100	18474.00	19055.45	-581.45	-3.05%

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

	Equity	Debt
FPIs (19/03/2018 - 23/03/2018)	2060.04	634.45
MFs (15/03/2018 - 21/03/2018)	567.58	9569.40

Source : FPI - CDSL
Source : MF - SEBI

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