

DEBT MARKETS

- Results of the general election held over 7 phases during the last two months have given a resounding victory to the Narendra Modi led BJP and NDA coalition. The BJP has, by securing 303 seats in the Lok Sabha, ensured an absolute majority on its own.
- Victory to the BJP/NDA and the likelihood of stable economic policies has infused some optimism into the markets. The markets would now look forward to the cabinet formation and portfolio distribution amongst the ministers. Over the next 6-8 weeks, the deliberations of the monetary policy committee of RBI and the presentation of the full budget and the likely tax and revenue/expenditure proposals would be of interest to marketmen.
- RBI has announced that it would conduct open market purchase of securities worth Rs. 150 billion (15,000 crores) in the month of June 2019, in order to inject durable liquidity. This has further assuaged fears of marketmen on the liquidity front, in light of likely liquidity squeeze due to advance tax payments etc.
- RBI has also placed in the public domain a draft recommendation on liquidity risk management framework or NBFCs. Public comments have

been invited on these recommendations. This assumes importance given the ongoing upheavals in the NBFC sector during the last few months in the wake of the IL&FS debacle.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.24%, lower by about 12 basis points than the yield levels witnessed last week.
- Yield on 10 year AAA PSU bond traded at approx. 8.50%, 5 basis points lower than the previous week.
- One year CDs yielded about 7.40%, 15 bps lower from previous week.

Fund Manager Comments

A decisive mandate at the centre has infused some confidence in the marketmen and bonds have therefore rallied. Marketmen now look forward to RBI MPC's decision on policy interest rates.



EQUITY MARKETS

Sensex and Nifty went up by 1,504 pts. (4.00%) and 437 pts. (3.80%) to close at 39,435 and 11,844 respectively. BJP won a thumping majority in the Parliamentary election increasing their vote share and seats compared with 2014 elections. Markets cheered the result as a stable government would allow continuity of reforms and development work of the incumbent government.

In a statement this morning, May announced she would step down as Conservative Party leader on June 7, after U.S. President Donald Trump visits, remaining as a caretaker premier through the contest to replace her. That could take up to six weeks. Either way, everything from a no-deal Brexit to no Brexit at all remains very much on the table, amid questions on whether Brussels will have any patience past the October deadline to sort it out.

U.S. Federal Reserve officials at their last meeting agreed that their current patient approach to setting monetary policy could remain in place "for some time," a further sign policymakers see little need to change rates in either direction. According to minutes of the Fed's April 30-May 1 meeting, officials also delved deep into the mechanics of how they could best structure their holdings of several

trillion dollars of securities to battle a future economic downturn. Meanwhile, New York Fed President John Williams said at a press briefing that there is not currently a strong argument for changing rates. Separately, James Bullard, President of the Federal Reserve Bank of St. Louis, said Further weakness in inflation could prompt the U.S. Federal Reserve to cut interest rates, even if economic growth maintains its momentum.

Global markets slumped as concerns grew that the China-US trade conflict was fast turning into a technology cold war between the world's two largest economies. Asian stocks caved to a four-month low as the rhetoric between Beijing and Washington remained fierce while Europe's bourses also fell as Brexit worries and gloomy data from Germany and the euro zone added to the nerves. Investors worry that the US-China trade dispute, which has already hurt global growth and business investment, could see a further sharp escalation with no signs of a resolution as yet. After the United States placed Huawei Technologies on a trade blacklist last week, British chip designer ARM has halted relations with Huawei in order to comply with the blockade.

Taurus Benchmark Indices Movement

Indices	24-05-19	17-05-19	Points change	% change
S&P BSE Sensex	39434.72	37930.77	1503.95	3.96%
Nifty 50	11844.10	11407.15	436.95	3.83%
S&P BSE 100	11957.01	11495.68	461.33	4.01%
S&P BSE 200	4948.40	4752.92	195.48	4.11%
Nifty Midcap 100	17699.80	16875.40	824.40	4.89%

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

	Equity	Debt
FPIs (20/05/2019 - 24/05/2019)	2738.38	-697.24
MFs (16/05/2019 - 21/05/2019)	20.04	10000.35

Source : FPI - CDSL
Source : MF - SEBI

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