

DEBT MARKETS

- The US economy accelerated to a 4.1% pace of growth in the second quarter of this year, the fastest it has grown since 2014. This let President Donald Trump to claim that his policies were working.
- Global crude oil prices continued to fall steadily and broadly remained weaker than before.
- Relatively stable crude oil prices along with a stable exchange rate ensured that bond prices too remained largely stable.
- The bond market now looks forward to the monetary policy committee decision on policy interest rates due, which is due on Wednesday, August 1, 2018
- Opinion on what the committee may do is divided with some analysts expecting them to hike rates (due to rising core inflation) while some expect them to maintain status quo for the time being.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.77%, lower by 1 basis point from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.55%, a fall of 5 basis points from the previous week.
- One year CDs yielded about 8.00%, indicating no change in yields over the week.

Fund Manager Comments

The market keenly awaits the decision of RBI's monetary policy committee which is due on Wednesday. Trading is likely to remain subdued till then.



EQUITY MARKETS

Sensex and Nifty went up by 840 pts. (2.30%) and 268 pts. (2.40%) to close at 37,337 and 11,278 respectively.

America's Department of Agriculture announced that it will extend \$12bn in relief to farmers who have been hurt by tariffs imposed by China and other countries in retaliation for Mr Trump's trade war. The imposition of duties has unsettled markets in many agricultural goods. Chinese tariffs on American soybeans, for example, have curtailed America's exports of the commodity, leading to a build-up of domestic stockpiles and falling prices.

The US Commerce Department will continue its probe into whether auto imports pose a national security risk despite ongoing trade talks with the European Union. Trump's threat to impose the 25% tariffs on auto imports, which would harm European carmakers such as BMW and Volkswagen, was put on hold after he met European Commission President Jean-Claude Juncker at the White House on Wednesday to discuss ongoing trade disputes. The EU is mulling tit-for-tat tariffs of around \$20 billion on US products if Washington goes ahead with its threat of new tolls on European cars.

China's yuan is headed for a seventh weekly drop, the longest slide since after a shock devaluation in 2015. Chinese authorities have so far refrained from heavy intervention to stem the yuan's plunge, sparking speculation they prefer a weaker currency to blunt the impact of a trade war with the U.S. The yuan's slump on a trade-weighted basis will offset the drag on Chinese growth from the first two rounds of tariffs imposed by the U.S.

In India, for the week ended 27th July 2018, monsoon was 2.0% below normal vis-à-vis 22.0% above normal for the same period last year. Actual rainfall was 66.2 mm against normal of 67.5mm. Cumulative rainfall is 384.7mm which is -3.0% below normal compared with 5.0% above normal for the same period last year. 25 out of 36 sub-divisions have received Excess/Normal rainfall, as compared to 33 sub-divisions receiving Excess/Normal rainfall in the same period last year. Total cropped area affected by deficient rainfall is 32.4%, higher than 12.9% at the same time last year, as the large Paddy growing states like UP, Bihar and West Bengal are rainfall deficient by over 40%.

Taurus Benchmark Indices Movement

| Indices | 27/7/2018 | 20/7/2018 | Points change | % change |
|------------------|-----------|-----------|---------------|----------|
| S&P BSE Sensex | 37336.85 | 36496.37 | 840.48 | 2.30% |
| Nifty 50 | 11278.35 | 11010.20 | 268.15 | 2.44% |
| S&P BSE 100 | 11535.04 | 11213.31 | 321.73 | 2.87% |
| S&P BSE 200 | 4834.01 | 4692.43 | 141.58 | 3.02% |
| Nifty Midcap 100 | 18781.45 | 18055.15 | 726.30 | 4.02% |

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

| | Equity | Debt |
|--------------------------------|---------|----------|
| FPIs (23/07/2018 - 27/07/2018) | 2706.87 | 692.03 |
| MFs (19/07/2018 - 20/07/2018) | 740.31 | -1741.77 |

Source : FPI - CDSL
Source : MF - SEBI

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