

DEBT MARKETS

- Events at IL&FS continued to dominate newsflow for the week. The government was likely to step in as the problem of funding squeeze due to which IL&FS has been unable to service debt obligations remains.
- The Reserve Bank of India bought an additional 100 bn worth of government bonds in an open market operation in order to shore up liquidity in the money markets. Additionally RBI also announced that they would buy an additional INR 360 bn worth of bonds in October to ease the liquidity situation
- Fiscal deficit for Apr-Aug 2018 period widened to Rs 5.91 Lakh Cr (94.7% of Budget Estimates of FY19). Total revenues stood at Rs 4.79 Lakh Cr, while fiscal spending stood at Rs 10.7 Lac Cr.
- International crude oil prices remained high with the benchmark Brent contract trading at above \$82 per barrel. This is likely to keep the rupee under pressure in the forex market.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 8.02%, lower by 6 basis point from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.85%, relatively unchanged from the previous week.
- One year CDs yielded about 8.40%, up by 5 basis points over the previous week.

Fund Manager Comments

Weakness in the rupee vs the US dollar market and high crude prices continue to remain the prominent concern for the time being. RBI's Monetary policy committee meets this week and its rate decision will be known on Friday. The actual policy decision on interest rates as well the stance in the accompanying statement will drive trade in the coming week.



EQUITY MARKETS

Sensex and Nifty went down by 614 pts. (-1.70%) and 213 pts. (-1.90%) to close at 36,227 and 10,930 respectively.

The US Federal Reserve raised interest rates by 0.25% to a range of 2.0-2.25% and left its monetary policy outlook for the coming years largely unchanged amid steady economic growth and a strong job market. The policy statement that marked the end of the era of "accommodative" monetary policy exhibited higher conviction in the growth outlook.

Oil prices hit a four-year high, with Brent crude trading at around \$81.30 a barrel, in reaction to the decision by OPEC and Russia to maintain current output and defy a call from President Donald Trump to ramp up production. Prospects for Iranian crude are also a factor in the price spike, as traders weigh up the consequences of sanctions that America will impose on Iran's oil exports in November.

India announced that it is raising import tariffs on 19 'non-essential items' marking a further tilt toward protectionism as it tries to reduce its widening current account deficit and tackle a sharp slide in the rupee. The new tariff structure will see the government raise customs duties on items such as air conditioners, refrigerators, footwear, speakers, luggage and aviation turbine fuel, among other items. The move could hit imports from countries like China and South Korea.

The Reserve Bank of India (RBI) on Thursday freed up about Rs 2 trillion worth of liquidity for the banking system by tweaking how the solvency ratio is calculated, effective October 1. The move comes against the backdrop of tightening liquidity in the banking system and rates shooting up in the money market.

Taurus Benchmark Indices Movement

Indices	28/9/2018	21/9/2018	Points change	% change
S&P BSE Sensex	36227.14	36841.60	-614.46	-1.67%
Nifty 50	10930.45	11143.10	-212.65	-1.91%
S&P BSE 100	11140.99	11406.65	-265.66	-2.33%
S&P BSE 200	4631.60	4766.31	-134.71	-2.83%
Nifty Midcap 100	17154.35	18347.50	-1193.15	-6.50%

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

	Equity	Debt
FPIs (24/09/2018 - 28/09/2018)	-3992.57	-1665.17
MFs (21/09/2018 - 26/09/2018)	3852.75	-7963.01

Source : FPI - CDSL

Source : MF - SEBI

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