

DEBT MARKETS

- Bond yields remained rangebound as the market was devoid of any sentiment changing events.
- Fiscal deficit figures for the period April-May 2018 were released. Deficit came in at 3.45 lakh crs which is 55% of the total budgeted deficit for the year. This isn't unusual as most the revenue generation happens in the latter half of the financial year while expenditure continues throughout the year.
- International oil prices failed to build on the softening trend in spite of the production increases announced earlier. Crude continues to trade around the \$ 78 per barrel mark.
- Yield on 10 year AAA PSU bond traded at approx. 8.65%, compared to the 8.55% levels witnessed in the previous week. With gilt yields also higher by 8 bps, this indicates that credit spreads remained relatively stable in this segment.
- One year CDs yielded about 8.10%, indicating a 5 basis points rise in yields over the week.

Fund Manager Comments

Bonds may continue to trade rangebound in the absence of any fresh triggers. Inflation data release next week may be the next big trigger for any move on interest rates.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.90%, higher by 8 basis points from the closing levels of the previous week.



EQUITY MARKETS

Sensex and Nifty went down by 266 pts. (-0.70%) and 108 pts. (-1.00%) to close at 35,423 and 10,714 respectively.

OPEC and Russia reached a deal to raise oil production from July 1st, ending a 18-month cut in output designed to push up oil prices. During that time OPEC's output fell by more than had been expected, mostly because of the chaos in Venezuela's oil industry; oil prices almost doubled. Worried about the economic effect of higher prices, America, China and India had put pressure on OPEC, and specifically Saudi Arabia, to act. Oil prices leapt, however, after the State Department said that America would apply sanctions, without exception, on importers of Iranian oil from early November. Iran is OPEC's third-biggest producer.

The China-backed Asian Infrastructure Investment Bank (AIIB) should increase lending tenfold within two years to help the region meet its investment needs faster, Prime Minister Narendra Modi said at the third annual meeting of the multilateral lender in Mumbai. To date the AIIB's loan portfolio totals \$4 billion, but by 2020 the figure should rise to \$40 billion, and by 2025 it should go up to \$100 billion, Modi said. AIIB began operations in January 2016, having been cast by Beijing as an alternative to other multilateral lenders like the World Bank and Asian Development Bank. It has 87 members, a capital base of \$100 billion, and it has approved 25 projects in a dozen countries so far.

The Indian rupee slumped to an all-time low, as resurgence in crude prices and the emerging-market sell-off took a toll on the currency of the world's third-biggest oil consumer. The Indian currency slid 0.7% to as much as 69.0925 per dollar on Thursday, past its previous record of 68.8650, reached in November 2016. The weakness spilled over onto bonds, where the benchmark 10-year yield climbed six basis points to 7.93%. Overseas investors have reduced holdings of rupee-denominated government and corporate bonds by US\$6.1 billion, and pulled \$785 million from equities since the beginning of this year. The withdrawals have made the rupee the worst-performing currency in Asia.

For the week ended 29th Jun 2018, monsoon was 16.0% below normal vis-à-vis 5.0% below normal for the same period last year. Actual rainfall was 41.5 mm against normal of 49.5mm. Cumulative rainfall is 125.9mm which is -10.0% below normal compared with normal for the same period last year. For the season up to 27th June 2018, 24 out of 36 sub-divisions have received Excess/Normal rainfall, as compared to 28 sub-divisions receiving Excess/Normal rainfall in the same period last year. Total cropped area affected by deficient rainfall is 45.9%, higher than 23.7% at the same time last year.

Taurus Benchmark Indices Movement

Indices	29/6/2018	22/6/2018	Points change	% change
S&P BSE Sensex	35423.48	35689.60	-266.12	-0.75%
Nifty 50	10714.30	10821.85	-107.55	-0.99%
S&P BSE 100	10987.71	11112.05	-124.34	-1.12%
S&P BSE 200	4608.29	4668.69	-60.40	-1.29%
Nifty Midcap 100	18181.30	18595.85	-414.55	-2.23%

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

	Equity	Debt
FPIs (25/06/2018 - 29/06/2018)	528.41	-1749.25
MFs (21/06/2018 - 27/06/2018)	1441.99	12448.94

Source : FPI - CDSL

Source : MF - SEBI

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