

DEBT MARKETS

- The RBI announced transfer of annual surplus to INR 1.23 lakh crores to the government. In addition it also announced a transfer of INR 54,000 crores from its reserves as per the formula proposed by the Bimal Jalan committee on Economic Capital Framework. The total amount of transfer from the RBI to government therefore stood at INR 1.77 lakh crores. Of this INR 28,000 crores had already been transferred to the government earlier as interim dividend.
- The government announced a mega merger of public sector banks affecting 10 public sector banks. These 10 banks would create 4 large banks after the proposed merger. This step has ostensibly been taken to improve scale and make the banks more competitive.
- In addition to the merger announced the government has also announced infusion of over INR 55200 crores in some of these banks as capital to improve their capital adequacy ratios.
- Quarterly GDP figures were released on Friday evening. Quarterly GDP for Q1 of FY 2019 2020 came in at 5.0%. This was well below most estimates which were mostly in the range of 5.6%-5.8%. This low growth rate, which is a 6 year low, came as some sort of a shock to many analysts, in spite of the fact that data from the industry and corporate sector has been showing some sort of an economic slowdown in the works.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 6.56%, down by 1 basis point from the yield levels witnessed at the close of last week.
- Yield on 10 year AAA PSU bond traded at approx. 8.55%, up by about 10 basis points from the previous week.
- One year CDs yielded about 6.40%, 15 bps lower than the closing levels of previous week.

Fund Manager Comments

The sharp slowdown has rekindled the expectation that we may get a sharp interest rate reduction by RBI's MPC in the near future. This should support bond prices in the near term.



EQUITY MARKETS

- Sensex and Nifty went up by 632 pts. (1.70%) and 194 pts. (1.80%) to close at 37,333 and 11,023 respectively.
- RBI to transfer a record 1.76 trillion to the Government. Out of this Rs 280 bn has already been paid as interim dividend. So the transfer amount for the year works out to Rs 1.48 trillion which is Rs 580 bn more than budgeted. Out of this Rs 520 bn is being transferred from the contingency reserve. The excess earnings this year was mainly due to higher earning on domestic assets (OMO purchases of Rs 3.3 trillion) and higher interest earnings on its Foreign currency Assets.
- The government will soon consider relaxing foreign direct investment (FDI) norms in several sectors, including single brand retail trading and digital media, to attract overseas players.
- US stocks rallied, buoyed by gains in the trade-sensitive technology and industrial sectors as China expressed hope on trade negotiations with the United States, easing concerns that rising tensions could stoke a recession. China's commerce ministry said both sides are discussing the next round of talks scheduled for September, but progress would be determined by whether Washington could create favorable conditions. Beijing hinted on Thursday it may break the cycle of retaliation in the trade war with the United States, as the punishing tariff battle threatens global economic growth.
- For the season up to 28th August 2019, 29 out of 36 sub divisions have received Excess/Normal rainfall, as compared to 25 sub-divisions receiving Excess/Normal rainfall in the same period last year. Area under crops affected with deficient rainfall as of 28th August is 20.1% compared with 23.0% at the same time last year.
- The US economy slowed a bit more than initially thought in the second quarter as the strongest growth in consumer spending in 4-1/2 years was offset by declining exports and a smaller inventory build. Gross domestic product increased at a 2.0% annualized rate
- It is being reported that China is considering relaxing and removing certain restrictions on auto purchases as well as actively supporting new-energy vehicle purchases. This of course comes as China's auto market is seen collapsing over the past twelve months.
- The Bank of Japan cut purchases of bonds in the key five-to-10 year maturity zone for a second time this month as the global debt rally drove the nation's benchmark yield to near record lows.

Taurus Benchmark Indices Movement

Indices	30-08-2019	23-08-2019	Points change	% change
S&P BSE Sensex	37332.79	36701.16	631.63	1.72%
Nifty 50	11023.25	10829.35	193.90	1.79%
S&P BSE 100	11139.78	10915.46	224.32	2.06%
S&P BSE 200	4609.05	4513.99	95.06	2.11%
Nifty Midcap 100	15652.20	15354.30	297.90	1.94%

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

	Equity	Debt
FPIs (26/08/2019 - 30/08/2019)	-5486.95	2581.65
MFs (22/08/2019 - 28/08/2019)	4885.00	12404.77

Source : FPI - CDSL
Source : MF - SEBI

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