

DEBT MARKETS

- December CPI inflation (combined) came at 2.19%, compared to the 2.33% print in the previous month. Urban inflation came in at 2.91% while rural inflation stood at 1.65%. Core CPI inflation however remains sticky at 5.8%.
- December WPI inflation under the new 2011-12 series stood at 3.8% as against 4.6% a month ago.
- November IIP growth under the new 2011-12 series came in at 0.5% compared to 8.5% from a month ago. The sharp deceleration in IIP could be attributed to the holidays due to Diwali which fell in the month of November. Last year Diwali holiday fell in October which has possibly distorted the IIP numbers for both the months of October and November this year.
- International crude oil prices have hardened further with the benchmark WTI and Brent contracts trading at USD 54 per barrel and USD 63 per barrel respectively.
- Higher oil prices and likelihood of fiscal slippages in an election year has continued to put upward pressure on bond yields.

Yield Movement

- The benchmark 10 year government bond (7.17% bond maturing in 2028) closed the week trading at a yield of 7.50%, up by 1 basis point from the closing levels of the previous week. The newly issued 7.26% bond maturing in 2029 trades at a yield of 7.31%.
- Yield on 10 year AAA PSU bond traded at approx. 8.65%, up by 5 basis points from the previous week.
- One year CDs yielded about 8.00%, down by 15 basis points from the previous week.

Fund Manager Comments

Market participants remain cautious amidst likely populist measures in the election season. Slippage on fiscal deficit remains a concern. Higher oil prices and sticky core inflation are also likely to dampen sentiment.



EQUITY MARKETS

Sensex and Nifty went up by 377 pts. (1.00%) and 112 pts. (1.00%) to close at 36,387 and 10,907 respectively.

Trade data from China accentuated concerns about the country's economic slowdown. Exports fell by 4.4% in December compared with the same month in 2017 and imports by 7.6%. Imports of goods from America slumped by 36% amid the two countries' trade war. Despite the imposition of tariffs, China still recorded an annual trade surplus with the United States of \$323bn, up by 17% from the previous year.

India CPI inflation fell to 2.19% (18 month low since July 2017) in December from 2.33% in November as benign food prices and lower fuel inflation kept overall inflation moderate. Overall, food inflation was negative at -1.4% with vegetables at -16.1% and Pulses at -7.1%. Fuel inflation moderated to 4.5% from 7.4%. On a

cautionary note, populist dole outs (like direct income transfers to farmers etc.) before General elections is extremely likely which may lead to some demand led price uptick.

India's merchandise exports growth was flat at \$27.93 billion in December, up 0.34% on-year, mainly due to negative growth in gems and jewellery and engineering products. Merchandise trade deficit was at a 10-month low of \$13.08 billion in December as compared with \$16.7 billion in November. The deficit was \$14.20 billion in December, 2017. Imports were \$41bn (down 2.4% YoY). Items such as petroleum products, organic and inorganic chemicals, textiles, electronic goods, and plastic and linoleum were key commodities that mainly contributed to export growth while gems and jewellery, engineering, leather and handloom products, agri products moved into the negative territory.

Taurus Benchmark Indices Movement

Indices	18-01-19	11-01-19	Points change	% change
S&P BSE Sensex	36386.61	36009.84	376.77	1.05%
Nifty 50	10906.95	10794.95	112.00	1.04%
S&P BSE 100	11165.66	11079.83	85.83	0.77%
S&P BSE 200	4642.65	4616.35	26.30	0.57%
Nifty Midcap 100	17517.20	17655.65	-138.45	-0.78%

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

	Equity	Debt
FPIs (14/01/2019 - 18/01/2019)	-310.69	-1924.40
Mfs (10/01/2019 - 16/01/2019)	2515.12	9914.27

Source : FPI - CDSL
Source : MF - SEBI

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