



DEBT MARKETS

- The (interim) union budget for the next financial year was presented on Friday, Feb 1. The fiscal deficit for both the current financial year and the upcoming financial year has been pegged at 3.4% of GDP. This is 0.1% higher than the originally budgeted deficit of 3.3% of GDP.
- The government has also announced a populist minimum income program for farmers with small land holdings. Under this, farmers with less than 2 hectares of land would be paid INR 6000 per year (directly in their accounts) from the central government's finances.
- The budget gap or fiscal deficit during Apr-Dec'18 has widened and is equivalent to 112.4% of the budget target which is marginally lower than that in the corresponding period last year (113.6%). The widening of the fiscal deficit has been on account of shortfalls in revenues viz. indirect taxes and disinvestment receipts.

Yield Movement

- The benchmark 10 year government bond (7.17% bond maturing in 2028) closed the week trading at a yield of 7.64%, up by 10 basis point from the closing levels of the previous week. The newly issued 7.26% bond maturing in 2029 trades at a yield of 7.38%.

- Yield on 10 year AAA PSU bond traded at approx. 8.90%, up by 25 basis points from the previous week.
- One year CDs yielded about 8.00%, unchanged from the previous week.

Fund Manager Comments

Slippage in fiscal deficit and higher than expected budgeted borrowing by the government has dampened sentiment amongst bond market participants. The market now looks forward to the release of the monetary policy statement from RBI and the expectation is that the central bank revises its policy stance to 'neutral' from the existing 'calibrated tightening'.



EQUITY MARKETS

- Sensex and Nifty went up by 444 pts. (1.20%) and 113 pts. (1.00%) to close at 36,469 and 10,894 respectively.
- Unemployment rate at four-decade high of 6.1% in 2017-18: NSSO survey
- GST collections have jumped to Rs 1 trn in January this year from the Rs 947.26bn collected in December last year.
- The two remaining non-government members of the National Statistical Commission (NSC) quit the organisation citing a lack involvement in key decisions such as the recently-released gross domestic product (GDP) back series, launch of the new economic census and delay in publishing the employment unemployment report for 2016-17 despite its approval
- In a dovish commentary Fed said it will be "patient" on interest rate moves and also signaled flexibility on the path for reducing its balance sheet. Dollar fell as a result. Stocks climbed and Yields fell. The FOMC dropped previous language calling for "some further gradual increases" in interest rates and opened the door for the next move to be either up or down, as it cited "global economic and financial developments and muted inflation pressures." Policy makers also omitted a line saying risks to the outlook are "roughly balanced."
- The euro zone's economy failed to bounce back in the final three months of 2018, with growth remaining at 0.2% in both the third and fourth quarters. Italy fell into recession over the period. Meanwhile, Spain's unemployment rate fell to 14.5% in the last

quarter of 2018, its lowest rate in a decade. Although 3.3m people in the country are still looking for work, the unemployment rate has fallen steadily since its peak of nearly 27% in 2013.

- Key Highlights of India's Interim Budget 2019-20:
 - o Economy - Fiscal deficit increase for current year to 3.4% was largely expected. For FY20 Fiscal deficit of 3.4% is higher than targeted 3% but still much less than feared. Net borrowing is pegged at Rs 4.73 lac crore which is a little higher than estimates- this may lead to yields rising marginally.
 - o Farmers were Key Focus - a) Farmers with less than two hectares to be offered Rs 6,000 pension per year as direct transfer under PM Kisaan Samman Nidhi. This scheme will cost the government around Rs 75,000 cr. b) MGNREGA's allocation increased by Rs 5,000 crore to Rs 60,000 crore for FY20 c) Farmers struck by natural calamities will now receive 2-5% interest subvention under insurance scheme - 2% interest subsidy to be given to farmers involved in animal husbandry activities via kisaan credit card scheme. An additional 3% subsidy will be paid on timely payment of loans
 - o Taxes changes - Full tax rebate for income up to Rs 5 lakh per annum - No tax on notional rent on second self-occupied house - Capital Gains exemption under Section 54 to be available on two house properties - Standard deduction raised to Rs 50,000 from Rs 40,000 - TDS limit hiked from Rs 10,000 to Rs 40,000 on post-office savings

Taurus Benchmark Indices Movement

Indices	01-02-19	25-01-19	Points change	% change
S&P BSE Sensex	36469.43	36025.54	443.89	1.23%
Nifty 50	10893.65	10780.55	113.10	1.05%
S&P BSE 100	11120.92	11020.48	100.44	0.91%
S&P BSE 200	4613.88	4577.31	36.57	0.80%
Nifty Midcap 100	16990.25	17012.50	-22.25	-0.13%

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

	Equity	Debt
FPIs (28/01/2019 - 02/02/2019)	3371.32	-356.58
MFs (24/01/2019 - 30/01/2019)	1900.45	7971.32

Source : FPI - CDSL
Source : MF - SEBI

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