

DEBT MARKETS

- GDP growth for the December quarter came in at 7.2% surpassing expectations. This makes India the fastest growing economy in the world. This growth rate came on the back of a rebound in industrial activity.
- The fraud amount at Punjab National Bank due to its exposure to the jewelers Nirav Modi and Gitanjali group is now pegged at more than 12,500 crores. This has exposed the Indian banking system to operational risks and effectively frozen trade financing as banks reassess their risk management systems.
- Government bond prices recovered marginally after having witnessed significant losses in the previous week on the back of gains seen in the US bond markets.
- Yield on 10 year AAA PSU bond traded at approx. 8.40%, indicating that spreads over gilts have widened a bit.
- One year CDs yielded about 7.45%, indicating a fall of about 15 basis points in yields over the week.

Fund Manager Comments

Trading in the week remained subdued with very little fresh cues except for the rally in US bonds. The market now awaits release of inflation data for the month of February which will set the stage for the interest rate decision in the next MPC meeting due early April. Meanwhile financial year end considerations would continue to play on the minds of traders.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 7.67%, a fall of 6 basis points closing levels of the previous week.



Sensex and Nifty went down by 740 pts. (-2.20%) and 232 pts. (-2.20%) to close at 33,307 and 10,227 respectively.

Direct collection rises 19.5% to Rs.7.4 trn during April 2017-February 2018. The government has collected 74.3% of its increased direct tax target in the first 11 months of the financial year, putting it on track to partly make up for an expected shortfall in indirect taxes. It was led by a 20% rise in the corporate tax. The personal income tax grew 18.6%.

GST Council meeting will on Saturday consider proposals to further delay rolling out the e-way bill system by about 5-6 months and levy GST on a concentrated form of alcohol. The 26th GST Council meeting will also try to reach a consensus on simplifying tax returns.

U.S. President Donald Trump struck a defiant tone, saying trade wars were good and easy to win, after his plan to put tariffs on imports of steel (25%) and aluminium (10%) but

exempted Canada and Mexico, triggered global criticism and a slide in stock markets. China urged Trump to show restraint. Europe has drawn up a list of U.S. products on which to apply tariffs if Trump follows through on his plan. Many economists say that instead of increasing employment, price increases for consumers of steel and aluminum such as the auto and oil industries will destroy more U.S. jobs than they create.

The ECB unexpectedly dropped its pledge to expand its monthly bond purchases if needed, signaling its confidence in the euro area economy's ability to reignite inflation. It said quantitative easing will continue at the pace of 30 bn euros (\$37 bn) until at least the end of September, but left out the so-called easing bias that the plan could be increased in "size and/or duration" if the inflation outlook deteriorates.

Taurus Benchmark Indices Movement

Indices	9/3/18	1/3/18	Points change	% change
S&P BSE Sensex	33307.14	34046.94	-739.80	-2.17%
Nifty 50	10226.85	10458.35	-231.50	-2.21%
S&P BSE 100	10577.79	10821.14	-243.35	-2.25%
S&P BSE 200	4461.56	4572.00	-110.44	-2.42%
Nifty Free Float Midcap 100	18773.15	19512.30	-739.15	-3.79%

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

	Equity	Debt
FPIs (5/03/2018 - 09/03/2018)	1384.36	-3049.83
MFs (01/03/2018 - 07/03/2018)	-690	5617.56

Source : FPI - CDSL
Source : MF - SEBI

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