

DEBT MARKETS

- The inflation print for August CPI came in at 3.69% (against 4.17% in July). Core CPI also came in lower at 5.87% vs. 6.27% a month ago.
- WPI based inflation too moderated to a 4 month low of 4.53%. Core WPI inflation however rose to 5.04% from 4.74% in the previous month
- July IIP growth came in at an annualized rate of 6.6%. This compares with the revised figure of 6.8% witnessed in June.
- India's merchandise exports in Aug grew by 16.8% to USD 27.8 Bn, while imports grew by 27.5% to USD 45.2 Bn. The corresponding Aug trade deficit thereby stood at USD 17.36 Bn. Cumulatively, India's FY18 trade deficit widened to USD 80.3 Bn vis-a-vis USD 63.1 Bn in FY18.
- The Indian Rupee continued to trade weak against the US dollar with the currency hitting an all time low of 72.90 to the US dollar during the week. Rumored intervention by the central bank brought it back to below 72 levels towards the end of the trading week.
- The government announced certain measures to boost forex inflow and address the burgeoning current account deficit. This included a liberalized regime to issue masala bonds as well as measures to ease borrowing through the ECB route.

- In global data releases, jobless claims in the US touched a 49 year low of 204,000 in the month of August. Unemployment rate remained low at 3.9%.

Yield Movement

- The benchmark 10 year government bond closed the week trading at a yield of 8.13%, higher by 10 basis point from the closing levels of the previous week.
- Yield on 10 year AAA PSU bond traded at approx. 8.90%, a rise of 15 basis points from the previous week.
- One year CDs yielded about 8.40%, up by 20 basis points over the previous week.

Fund Manager Comments

Weakness in the rupee vs the US dollar market continue to remain the prominent concern for the time being. In early October. Going by the intentions of the policymakers to address the rupee weakness, we could see an out of turn interest rate hike even before the scheduled October monetary policy committee meeting. Bonds are therefore likely to trade with caution and nervousness.



EQUITY MARKETS

Sensex and Nifty went down by 299 pts. (-0.80%) and 74 pts. (-0.60%) to close at 38,091 and 11,515 respectively.

India's industrial output, as measured by index of industrial production (IIP), increased by 6.6%, on a y-o-y basis, in July 2018. Growth had slowed to 1% in the month of July 2017. Manufacturing sector output rose by 7% in July. Growth had slowed to 1% in the month of July 2017. Manufacturing sector output rose by 7% in July. Growth remained broad-based with only 3 out of the 23 industry groups recording a decline in production.

India's retail price inflation, measured by the Consumer Price Index (CPI), fell to 3.7% in August 2018 from 4.2% in July 2018. Retail price inflation fell for the second consecutive month. Inflation in both rural and urban India witnessed a decrease. Food inflation declined to 0.3% in August 2018 from 1.3% a month ago. However, the fuel & light group recorded a rise in inflation to 8.5% from eight% in July 2018. Wholesale inflation (WPI) moderated to 4.53%, in August, from 5.09% in the previous month mainly due favorable base and benign food prices. Core inflation rose to 4.91% from 4.65% in July.

The central government is determined to contain fiscal deficit within the budgeted level of 3.3% of GDP in 2018-19. Depreciating rupee and high crude import bill are set to put pressure on the country's current account deficit (CAD) and a fiscal slippage at this juncture would lead to a twin deficit. However, India cannot afford to have a twin deficit problem. The government exuded confidence that India will maintain the fiscal deficit target. Ruling out any excise duty cut on petrol and diesel, government officials suggested to increase the share of non-oil tax to GDP in order to bring down the dependence on oil as a source of tax revenue.

The government on Wednesday approved a 25% hike in the price of ethanol produced directly from sugarcane juice for blending in petrol in a bid to cut surplus sugar production and reduce oil imports. The Cabinet Committee on Economic Affairs raised the procurement price of ethanol derived from 100% sugarcane juice to Rs 59.13 per litre from Rs 47.13.

Taurus Benchmark Indices Movement

| Indices | 14/9/2018 | 7/9/18 | Points change | % change |
|------------------|-----------|----------|---------------|----------|
| S&P BSE Sensex | 38090.64 | 38389.82 | -299.18 | -0.78% |
| Nifty 50 | 11515.20 | 11589.10 | -73.90 | -0.64% |
| S&P BSE 100 | 11805.54 | 11894.69 | -89.15 | -0.75% |
| S&P BSE 200 | 4945.33 | 4984.42 | -39.09 | -0.78% |
| Nifty Midcap 100 | 19389.15 | 19579.25 | -190.10 | -0.97% |

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

| | Equity | Debt |
|--------------------------------|----------|---------|
| FPIs (10/09/2018 - 14/09/2018) | -3296.60 | -460.79 |
| MFs (06/09/2018 - 12/09/2018) | 3106.22 | 4674.49 |

Source : FPI - CDSL
Source : MF - SEBI

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